Abstract. *Every time a company goes international, it could confront the complex conglomerate of various conditions and trends of the environment and its own status. This paper aims to propose a systematic analysis of different problems of the internationalization of the company and based on the results, it suggests a new solution. Various aspects of the internationalization are to be found in the numerous models included in the specialized literature. These models could be grouped in progressive models, contingency models and interactive models depending on the main criterion of each category. The results of this analysis represent reference points for those who are interested in the topic concerning the internationalization of the company because they offer solutions.*

Keywords: company internationalization, internationalization model, progressive model, contingency model, interactive model.

MODELS FOR THE INTERNATIONALIZATION OF THE BUSINESS: A DIVERSITY-BASED APPROACH

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Management & Marketing
Challenges for the Knowledge Society
(2012) Vol. 7, No. 1, pp. 29-42

1. Introduction

The international environment and the company are conglomerates that show various conditions and situations. The internationalization of the company is a reflection of this extraordinary diversity that could be revealed and systematized only with the help of models. They are dealing with both the main components and particular mechanisms of the international activities the companies should take at one moment.

Frank Bradley (1995) has suggested that the main models of internationalization are the life cycle of the product, the foreign direct investment and the transaction costs. In his turn, Sorensen (1997) has proposed a comprehensive classification of the internationalization models in four groups, as follows: internationalization modes (progressive models), contingency models, business network (interactive models) and social construction. Svend Hollensen (2004, 2008) has recommended the product life cycle, the Uppsala model, the transaction cost, the international business network and the globalization as models for internationalization. More recently, Rubaeva (2010) has dealt with Uppsala model, international network, REM and eclectic models.

This paper is proposing a systematic approach on the models for the internationalization of the company, which is classifying them in progressive, contingency and interactive models. The scientific dimensions of these three groups are included in Table 1.

Table 1

The main characteristics of the internationalization models

Groups of models/ Scientific dimensions	Progressive models	Contingency models	Interactive models
Objective vision vs. subjective vision	Objective	Objective	Subjective
Static perspective vs. dynamic perspective	Comparative Static	Static	Dynamic
Planned orientation vs. action	Planned	Planned	Interaction

Source: Sorensen, 1997, pp. 4-5.

2. Progressive Models of the Internationalization of the Company

This type of model is assuming that internationalization is a progressive process having several successive stages.

The Uppsala model, named after the business school of the Swedish city, is the internationalization model relying on learning and knowledge. It is assuming that the lack of knowledge of the company is an important obstacle for the development of

the international operations. As the company is receiving more knowledge and is learning more from the international activities, these obstacles could be gradually overtaken (Forsgren, Hogstrom, 2004; Lakomaa, 2009). This hypothesis implicitly suggests too that big companies that have considerable resources could overlap some stages and internationalize in one single step. This statement paves the way for globalization when the "born global" company targets the global market in spite of the fact that it has not yet the necessary knowledge and learning. Also, the utilization of the stored knowledge about significant markets could be not critical for the success of the internationalization if the foreign market conditions are stable and homogenous. At the same time, if the company has obtained knowledge on similar markets, it could need only one stage to entering analogous markets (Etemad and Ala-Mukta, 2009).

The process of progressive internationalization is built on four stages that are sporadic export, export via independent representatives, foreign sales subsidiaries and production and manufacturing units in foreign markets (Rubaeva, 2010).

The progressive model is known as the Uppsala model and has as first scope to explain how companies succeed in learning and receiving knowledge during their internationalization operations (Pignatti). The international activities request and allow at the same time gaining two categories of knowledge, objective or general knowledge and market – specific knowledge (Hollensen, 2008; Pignatti). Market-specific knowledge is assumed to be gained mainly through experience in the market whereas knowledge of operations can be transferred from one country to another. The general knowledge can be easily obtained and facilitates geographic diversification. The knowledge generates business opportunities and is an impulse for the internationalization, this being a slow process.

Another scope of the Uppsala model is aiming to show how the knowledge of the company exercises an influence over its investing behavior. The company's lack of knowledge on new markets constraints the company to follow a gradual process of international commitment. More knowledge the company has about market lower the risk and stronger its commitment in foreign markets.

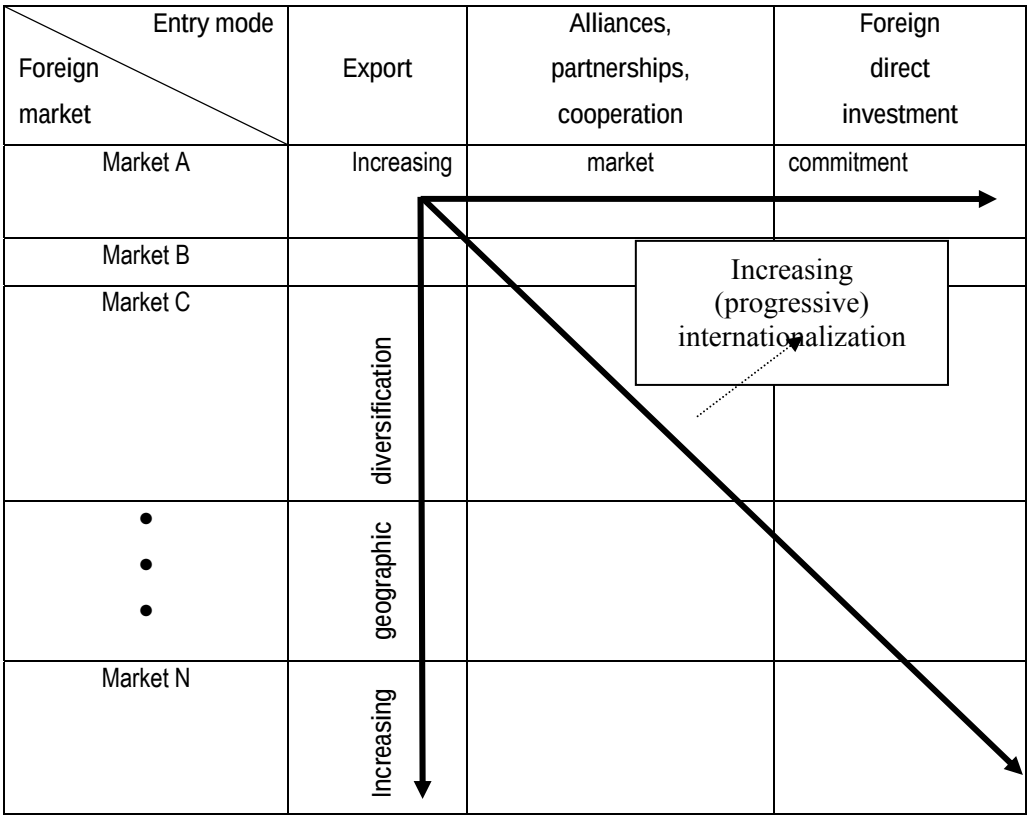
The third scope of the Uppsala model is trying to explain the significant factors for the selection of the target-market. Since the companies are aiming to reduce the incertitude and risk they start the internationalization process in the nearest countries both psychological and geographical, before they venture into far markets. The experience is showing that the psychic distance is sometimes larger that it really is and it is not a constant one and can change as a result of the development of the international trade, communications and other factors (Sorensen, 1997). The increasing new markets commitment is a progressive one both as commitment degree and geographic dimension as Figure 1 is showing.

The combination among commitment of the company, geographic diversification and time allows a reorganization of the internationalization process as follows (Popa, 2001):

- *First landing*, when the company capitalizes its specific advantages using those capabilities and competences which allow its success in domestic

market; such advantages could be technological, marketing or financial strength.

- *Go native,* if the company capitalizes the relocation advantages following the shift of the production and sale capacities into various markets. The company is adapting the strategy and operating modes according to the characteristics of each market, thus becoming a multinational.
- *Globalization*, as the company has and capitalizes global advantages using a global strategy.



Source: Adapted by the author, according to Hollensen, 2008, p. 57.

Figure 1. **The progressive internationalization**

The globalization is the attribute of "born-global" which are companies that from their "birth" globalizes rapidly without any preceding long term internationalization period. The increasing number and importance of "born-global" companies is the result of many tendencies as market globalization, increasing role of market niches, industries globalization, particular of the technological ones, improvement and advance of new technologies, global networks, advance and high

speed of IT which have major influences on the communication technology. Contrary to the progressive process, globalization assumes internationalization in one stage only. The progressive internationalization is the outcome of the decision of individual company, while globalization requests various types of alliances, partnerships and cooperation with other companies already possessing supplementary competences, in order to facilitate the rapid growth (Hollensen, 2008).

The model of the product life cycle

The hypothesis of the model is that the successive modes of internationalization are closely related with the product life cycle and it was introduced by Vernon in 1966. It is assuming that producers in advanced countries are "closer" to markets than producers from other countries. As a result, first production facilities will be in advanced countries. As the demand expands an increasing degree of standardization takes place allowing economies of scale through mass production. The costs become more important than product adaptation. In its turn product standardizations allows that less developed countries offer competitive advantages as production location.

The life cycle hypothesis suggests that the internationalization of the company could be divided in three stages (Sorensen, 1997).

The stage of the new product

The new products are developed and marketed in domestic market first but soon they begin to be exported toward other advanced countries.

The stage of the mature product

The growing markets, the intensive competition and the product standardization support the product relocation in the largest foreign markets and better competitive advantages. Other countries may not be served from foreign and domestic bases of production depending on production and market costs.

The stage of the standardized product

It appears in the maturity and decline stage of the product. The production can be now located in developing countries and than transported back in the developed countries and other countries.

The transition from one stage to the other stage of the life cycle of the product offers two advantages that are knowledge and cost reduction. These two advantages explain the differences between the developed and developing countries. The knowledge gap between developed countries and other countries is very much diminished. The idea of cost gap will continue since the reality shows that cost differences exist in many cases. Thus, many companies particularly emerging from developed countries use subcontracting, licensing, franchising, acquisitions even in countries where there are cost differential that allows cost advantages no matter their development level.

The progressive models of internationalization are highly appreciated but they are open to criticism too. Many companies have not always a consolidation stage in the domestic market before they internationalize and this could affect their initiative. The company sometimes surpasses some stages of the process or they decide to

reverse the trend by passing from the high commitment to low commitment. Many times there are companies that can't overpass a certain stage of internationalization.

3. Contingency models for internationalization

These models have REM as factors of influence which in fact are stages of decision of the company (Rubaeva, 2010).

Reasons for internationalization or R factor are about external and internal motives of the company. They are proactive and reactive as in Table 2.

Table 2

The main proactive and reactive reasons of the internationalization of the company

Proactive reasons	Reactive reasons
Profit and growth goals Technology competence/unique product Economies of scale; cost reduction Foreign market opportunities / market information Managerial urge Access to resources	Competitive pressures in the domestic market Domestic market small and saturated; lowering sales Overproduction/excess capacities Unsolicited foreign market orders Extend sales of seasonal products Proximity to international customers/ psychological distance

Source: Hollensen, 2008, p. 35; Popa, 2001, pp. 14-16.

Environment or E factor

The companies chose to enter nearby markets during the initial stages of the internationalization process due to the concept of psychological distance. By acting this way they keep working in a familiar environment and reduce the risk and uncertainty. The particular features of the location are due to the differences between the markets. These differences could be as follows (Rubaeva, 2010):

- Differences between the level of economic development of domestic and foreign market;
- Differences between the business and local language;
- Differences between the culture of the company and the culture of the foreign country;
- Differences between the level of education in the market of the company and that of the foreign target- market.

Mode of entry or M factor

The selection of the mode of internationalization is subject of influence of many variables. Some of the main factors of influence are cost, profit, degree of commitment, necessary control, future benefits of investment, risk potential of investment, potential

experience acquired in the foreign market and other such variables, the general strategy of the company included.

The contingency models sustain that the internationalization of the company depends on the environment factors particularly those of the foreign market. These factors are dynamic and because of this characteristic there is not only one way of internationalization. The process of internationalization could be separated in the case of each individual company due to the differences between the actual and future conditions of the environment (Sorensen, 1997).

The contingency models imply for the management that the company is an open system and it could find more solutions of internationalization. The mission of the management is to meet the exigencies of the environment using the strength of the company. The capacity of analysis becomes a critical condition for the planning of the internationalization that demands a process including situational analysis, definition of the decision criteria, alternatives evaluation and optimal alternative selection.

The contingency models could be found in two categories that are "if… than" approach and "conceptual framework" approach. The "if… than" approach stipulates the conditions which are followed by action if the necessary conditions are fulfilled. The most known approaches are the transaction cost model and the eclectic model.

The transaction cost model is assuming that the company internationalizes until the transaction cost inside balances the cost of the same transaction which is market-based (Hollensen, 2008). The transaction cost has as source the divergent interests and opportunistic behavior of the exporters. The decision about the internationalization alternative is taken following a pertinent analysis of the transaction costs. When this analysis states that the foreign market-based transactions have a lower cost the company will externalize. It has business relationship with foreign partners using various modes of entry as export, licensing, subcontracting, joint-ventures. When the partners may be integrated in the internal structure of the organization at lower costs the company will internalize, mostly via mergers and acquisitions (Hollensen, 2008; Sorensen, 1997; Bradley, 1995).

The main purpose of internalization using the cost transaction approach has to be the minimizing of the transaction costs as a whole.

The eclectic model has been proposed by Dunning. It explains the conditions for the internationalization of the company when using foreign direct investment instead of export. According to Dunning the propensity of a company to engage itself in international production increases if it has the OLI advantages that is ownership advantages, location advantages and internalization advantages (Hollensen, 2008; Buckley and Hashai, 2009; Rubaeva, 2010). The eclectic model explains the emergence of the multinational companies by using the three already mentioned advantages.

Ownership advantages (O) is a characteristic of the company. The company has to have ownership advantages compared to companies that already are present in different foreign markets. These advantages could be bigger resources and

technological assets of the company. Ownership advantages could be found in two groups namely asset advantages and transaction advantages. The asset advantages include product innovations, property rights, employees experience, organizational and marketing system, production management, know how and others. The transaction advantages may result from economies of scale, economies of scope, supply of mixed sources, better resources for capacities and utilization, availability of inputs at favorite terms, availability resources of mother-company and marginal costs. The multinational companies may have access to better knowledge of foreign market with regard to its various components as labor, finance, dimensions, structure, growth, capacity to resist to different risks. These advantages provide more opportunities and benefits following manufacture abroad.

Location advantages (L) is a market characteristic that explains their immobility at international scale. The location advantages emerge as a result of the economic gap between countries with a benefit for the host country for foreign direct investment.

The resources of location advantages are due to the following:

- Inputs depending on their prices, quality and efficiency (materials, labor, material resources, energy).
- Outputs that depend on the actual conditions of the infrastructure and market (cost of international transport and communications, legal, educational and business environment and psychic distance which is a result of differences in language, customs, culture and business).
- Structure due to the economic system and government policies, investment incentives, institutional framework and resource allocation.

Internalization advantages (I) is a transaction attribute. They emerge as the ownership advantages become private property when they are transferred outside the company. The internalization advantages spring up when the company prefers to capitalize its ownership advantage inside by investing and minimize the transaction cost of the inter-companies transfer of the knowledge and competences of the owner.

The process of the investment evolution is a dynamic element of the eclectic model. It depends on the five stages development process. The pre-industrial stage is the first one and it has the lack of foreign direct investment as main characteristic. Some small L advantages for investment attraction may exist but the internal O advantages of the national companies are not enough for the input and output of the direct investment. Since the domestic market depends on low incomes, the absence or insufficient infrastructure and authority and the lack of economic and political stability, the L advantages are small. The second stage is tied to the first one because the role of the governments in the attraction of foreign direct investment is still insignificant. In this stage a reasonable legal system and business infrastructure are created, the development of transport and communication systems are developed and a favorable business environment is secured. The flows of foreign direct investment

intensify and the focuses particularly in industries with resources, production industries with intensive labor, in sales and distribution, transports and constructions. The middle stage of the development process has the replace of cheap foreign investment as main vehicle due to the fact that location advantages emerge from created assets at a larger extend. In the last two stages the investment outputs appear and develop since the economy of the country gets a certain degree of maturity. The foreign companies intend to use O advantages and add them to by getting new assets and markets.

The foreign direct investment is useful when the company has OLI advantages. If it hasn't L advantages the export is more advantageous and the best decision is licensing without I advantages. The company has to have all three advantages in order to utilize all modes of entry.

4. Interactive models for the internationalization of the company

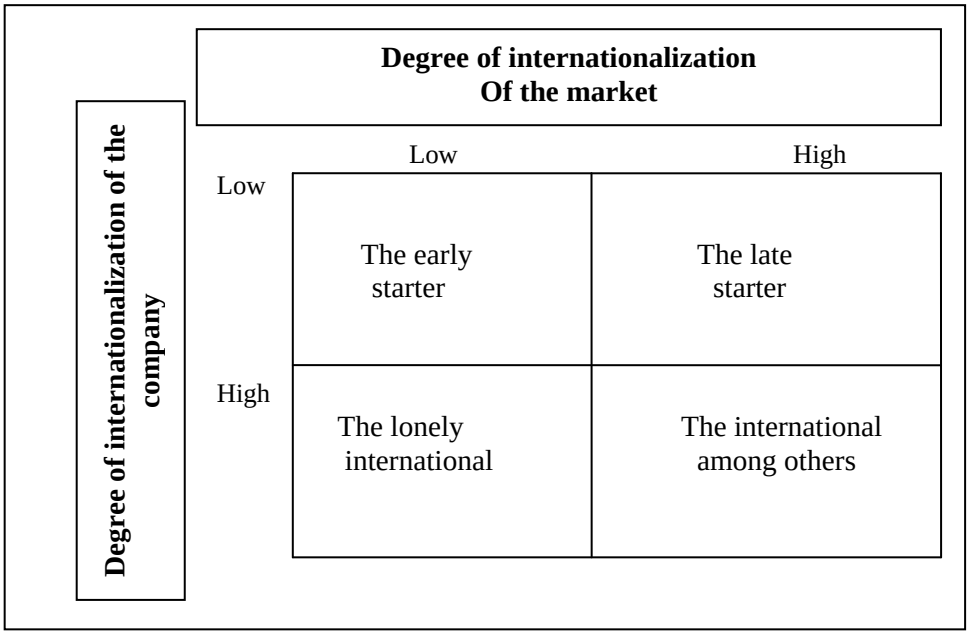
The interactive models have the market formed from a set of anonymous actors which interact on a continuous basis and have long term business relationships as the essential hypothesis. The result of this approach is a long term business network.

The model of business network emphasizes the value of commercial, personal and cognitive relationships between its members. This model assumes that the organizational network of the company is a major incentive for internationalization and the companies produce their resources by interacting with other partners. The companies of the network can be both individually independent and dependent on the resources controlled by other companies. The degree of dependence gradually increases and that means the resources of one company become more dependent on the ones of other companies for the benefit of all parties (Hollensen, 2008; Rubaeva, 2010; Căescu and Dumitru, 2011). The business networks work throughout exchange relationships and their needs and capacities are mediated by the interactions during those relationships.

The position of a company inside a network is a key concept of the network model. This position defines the present control of the company and its access to the network resources. The business network allows the company to internationalize following three strategies (Sorensen, 1997; Rubaeva, 2010):

- Extension, when the company has relationships with companies and networks in new markets.
- Penetration, if the company deepens its relationships as part of existing international networks.
- Coordination, by improving its existing relationships inside different networks in various markets.

The internationalization of the company depends on its own position inside the network and on the general framework of the internationalization of the industry or market. A four field matrix of the company inside the network may be obtained by combining the two dimensions mentioned above (Sorensen, 1997; Danciu, 2001) as in Figure 2.



Source: Sorensen, 1997, p. 15; Danciu, 2001, p.179; Hollensen, 2004, p. 62.

Figure 2. **The position of the company depending on the internationalization degree**

The early starter. The company has not business relationships with foreign companies. It has to be a pioneer since no other company within the industry has such relationships. The company may follow a gradual and slow involvement in the foreign markets via an agent, leading to a sales subsidiary and then a manufacturing subsidiary.

The lonely international. The company already has experience of relationships with others in foreign countries, but its competitors and customers are less internationalized. It may establish new relationships or to deepen the existing ones.

The late starter. The company is still domestically focused, while the other industry companies already have long term relationships with foreign partners. Compared to early starter the late starter often finds it difficult to discover free partners and to establish new positions in a tightly structured market.

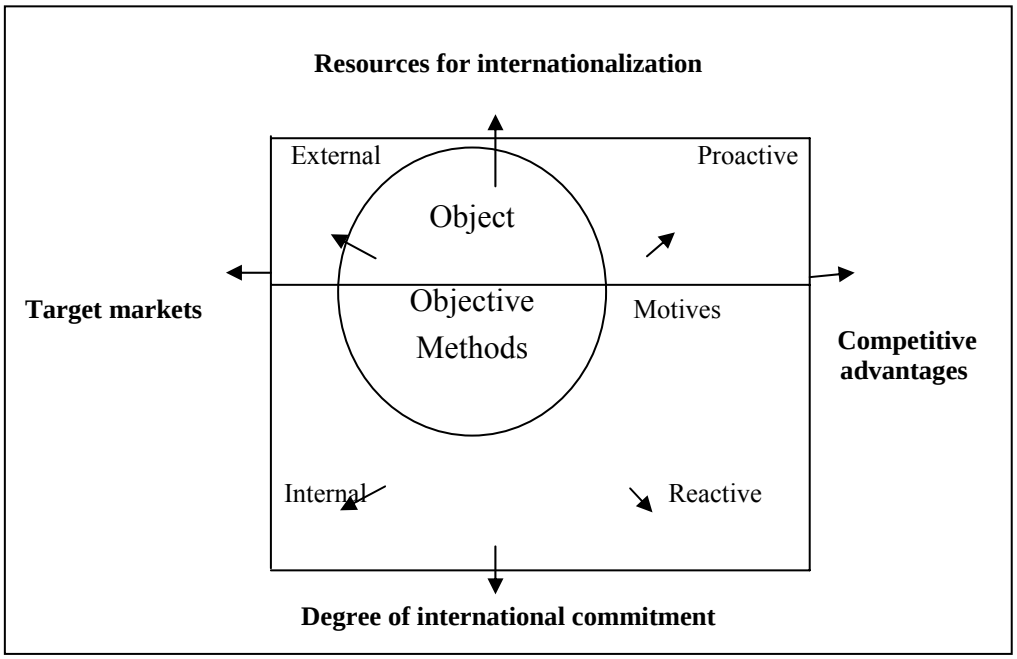
The international among others

In this situation, the company has the chance of using positions in one network to bridge over to other networks and partners with regard to both extension and penetration. The success of such moves depends on the coordination of the international activities along the value chain.

The international business networks seem to evolve and change easier and faster. Thus, they may be more flexible and find faster answers to the change of market and business conditions As a result, international business networks emerge in industries and markets where the coordination of interested parties gets important additional revenues.

5. Reasons for an improved internationalization model

The internationalization is a major strategic project of the company as the existence of various models shows. Each model has a particular approach about internationalization. None of them has succeeded in covering and clarifying the phenomenon. Therefore we think that a different approach could have a greater significance and importance for the theory and practice of the internationalization.



Source: Designed and elaborated by the author.

Figure 3. **The proposed model of internationalization**

Such an attempt could have the model proposed by Welch and Loustarinen as a support. This model focuses on the object of internationalization, target markets, entry modes, organizational structure and resources. These components could be completed with other such motives, objectives, competitive advantages and degree of commitment. All these elements could be combined in a new multidimensional model which is more completely catching the project of internationalization. Its graphic form is presented in Figure 3. The competitive advantages could be created in the resources area, property rights, diminished costs, and more competent, experienced and efficient employees.

The degree of international commitment of the company, selection of target market and allocated resources for the internationalization project and the creation and maintenance of the adequate competitive advantages are depending on the objectives and entry modes the management of the company chooses.

6. Conclusions

The internationalization is an important component of the growth and development strategy of the company. It is a mainly extensive strategy with intensive valences at the same time that has the diversification as final outcome. The strategic character of the internationalization calls for the fulfillment of three essential conditions, in order to successfully be started and carried on. The first condition requires the company to commit itself in the long term internationalization project. The second one assumes that the company allocates the necessary resources for the project and the third one forces the company to create and capitalize the advantages which could allow an advantageous evolution in the foreign markets.

Every time the company has as option an internationalization project, it will find itself in a different situation and position. This dynamic creates a great diversity of entry modes. They could be found in the internationalization models which are the result of various relationships between the appropriate selected variables and factors. The theoretical elements of the models are to be found in many companies' common and different practices of internationalization. These practices depend on motives of internationalization, opportunities and conditions of the environment, particular advantages of the company, product life cycle, transaction cost or entry modes. All these criteria are used in the internationalization process that could be more rapid or slower as in the case of progressive internationalization, or rapid in all markets at the time as in the case of globalization.

The strategic project of internationalization could be an individual effort of the company or of a business network. The internationalization models have common points although they have various visions and perspectives and show different entry modes. The progressive and contingency models are objective and static while the interaction models are subjective and dynamic. The entry modes are the same

irrespective of the model while the order of priority is different. The progressive models recommend export as starting mode while the eclectic model sees the foreign direct investment as priority. In their turn, the business networks and globalization accept the most appropriate combination between the situation of the environment, the position of the company and the particularity of internalization project as starting entry mode.

The large variety of models cannot entirely cover all the problems of the internationalization. For that reason we are proposing a multidimensional model which has the significant elements of the existing models and introduces new ones. This model is conceived from the perspective of the management of the company.

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