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Reengineering the Speed of Internationalization

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Abstract: Whereas Firm internationalization process is considered as dynamic, the dimension of speed has rarely been the chief focus of research. The appearance of the study of international entrepreneurship has established the role of speed; however, this has usually been measured in terms of the time lag between a firm's foundation and its initial international action, with little attempt at defining and explaining the speed of the process once it is under way. This study reviews the concept of speed from an internationalization point of view. With the new definition, a model is presented of how the speed of international process is influenced by enabling forces.

I. Introduction

A lot of research in the internationalization literature over the past five decades has focused on firms' internationalization processes, its speed and diffusion— which we take as the foundation for this study— has concentrated on examining such processes along three main dimensions: extent, process and speed [1, 29]. Nonetheless, while knowledge on internationalization processes has progressed, two main questions still deserve more attention. First, even though internationalization has always been theorized as a dynamic process [9, 27], the concept of speed was not contained in the literature until the mid-1990s, following the development of international entrepreneurship concept [15, 20, 29, 6], which evaluated development by contrasting static observations [18]. Second, speed has mostly been theorized as the time elapsing between the company's foundation and its first international scheme [22, 25, 29], and therefore copes more with the pre-internationalization than the internationalization process for itself, which we argue still remains under-investigated. As Autio et al. (2000, p. 909) mentioned research has not adequately differentiated between two intimately related but different issues: first, the time lag between the founding of a firm and its initiation of international operations [14, 15] and, second, the speed of a firm's following international growth. Prashantham and Young (2011) postulated that the difference between initial speed of internationalization (related to the time between a firm's founding and its first international action) and post-entry speed (time between the first and subsequent international activities) is particularly essential for the success/failure international ventures.

II. Literature Review

Internationalization: The literature defines internationalization as a process through which a firm enhance its level of participation in foreign markets during the time [27], and conventionally considered it as a series of events that happen over time [9], i.e. as Jones and Coviello (2005, p.7) mention: 'by definition, internationalization behavior occur during the time, demonstrate in a time sequence in which events occur'. Mathews and Zander (2007, p.398) perceive a firm's internationalization as operating not through a severe series of 'stages', but via pathways that expose entrepreneurial observations and strategic actions in a 'stage model' approach.

Furthermore, Liesch and Knight (1999) defined internationalization readiness as "being a function of its state of awareness on foreign market(s) and the means for entering them" [31, 32].

Speed and internationalization process: The notion of speed associate to the length of time over (or within) which particular aims are attained, and is mostly measured as an amount between a particular disparity and a specific unit of time. Thus, speed links two basic components: the first is change within a specific dimension, the second a specific pointer of time.

III. Analyzing Models and Axioms

Recognizing concepts of the speed of internationalization processes (in terms of the relationship between patterns of events and time) require a finer-grained consideration of such elements as the multidimensionality of international actions, and the concept of concurrent but different 'types' of time.

A. Multidimensionality of internationalization process

Internationalizing behavior incorporates an extensive range of decisions and events that affect both an organization's externally visible aspects and its internal profile. Welch and Luostarinen (1988) detect some of these features in noting: (1) the method of operation (how); (2) the target of the sale (what); (3) target markets (where); (4) organizational capacity; (5) personnel; (6) organizational structure; and (7) finance; whereas Zahra

and George (2002) differentiate three noticeable issues of internationalization: (1) scope; (2) process; and (3) diffusion. However speed is the subject of this study, we have also sum up their first two dimensions below.

A.1. Scope (or extent) denotes to the level of the firm's commitment to its foreign expansion, and it is likely to classify two various attitudes towards this concept. The first refers to the commitment to foreign sales [29], and frequent studies have concentrated on examining exporting intensity, taking the firm's exports as a portion of its total sales turnover [4, 5, 6]. Sullivan (1994) used this variable as an pointer of the degree of a firm's internationalization, whereas other research have taken a more wide view of this commitment by contemplating the proportion of foreign sales (the sum of its exports and its foreign subsidiaries' sales) to the multinational company's entire sales turnover [26]. The second measure of the extent of a company's commitment to internationalization is founded on resources that it makes available for the process [16, 6], with those having foreign production plants and subsidiaries manifesting their greater involvement to internationalization by assigning a larger proportion of their resources beyond their national frontiers.

A.2. Process (or mechanism) is defined as the range of locations where the company establishes its business [29], covering the markets and/or countries where it sells or manufactures its products and services [27]. Firm internationalization can be computed by the number of countries to which it exports its products, the number in which it owns subsidiaries, the divergence of its foreign markets, and the physical and/or cultural distance between those countries where it is active. The traditional consecutive approach considers that firms inception their internationalization process in just a few countries that are both physically and culturally close to their own domestic markets, and increasingly go in more and more distant countries as their internationalization processes enhance [1, 9, 12, 6]: therefore, the number, distance and variety of countries can be used as index of the degree of the firm's internationalization [7, 6].

A.3. Diffusion (or speed) can be considered as the rate of change in either of the two past dimensions, and it is likely to determine three 'types' of speed in the internationalization process [26 29, 6]. The first two associate to the intensity of a firm's internationalization, whereas the third refers to its degree. These three types of speed are: (1) the speed of the growth in a firm's international commercial strength; (2) the speed of its upsurge in commitment of resources overseas; and (3) the speed of the change in breadth of its international markets.

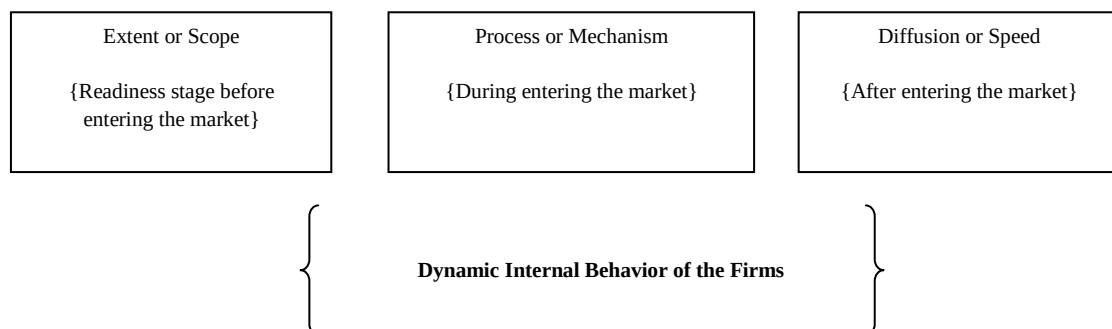


Figure 1: Types of speed in the internationalization process [6]

- Speed of international strength (exporting intensity) can be described as the growth of the proportion of company sales derived from foreign countries over a specific period of time. In the case of exporting companies, speed can be assessed as the growth of its exporting intensity between two specific moments in time [4]. Whereas companies have foreign subsidiaries, this measurement becomes more complicated, as it is essential to understand the proportion of the group's income derived from foreign subsidiaries at two points in time, and then assess the growth of that proportion [26, 6].

Axiom 1: Speed of international growth is a type of speed in internationalization process.

- Speed of increased commitment of resources to foreign activity [9, 13, 6] can be determined by various simple indicators, such as increases in the proportion of company assets held abroad or of its workers employed in foreign firms [26]. A firm's foreign market entries can also be appropriate index of this type of speed – the numbers of new subsidiaries established overseas, of foreign production plants installed or of foreign companies obtained by the company between two specific moments again tell of the speed of change in its commitment of resources abroad over that period [3].

Axiom 2: Speed of increased commitment of resources to foreign activity is a type of speed in internationalization process.

- Speed of the dispersion (growth in breadth) of international markets is described as the increase, over time, in the number, variety and distance of the countries where a company is active [3, 15, 29], and can be evaluated through different factors: the number of new countries to which the firm exports or in which it makes capital investment (subsidiary outlets, production plants); the increase in the geographical divergence of its sales; or the mean physical and/or cultural distance of those countries from its home base [26, 30]

Axiom 3: Speed of the dispersion of international markets is a type of speed in internationalization process.

B. International entrepreneurship: International business scholars Wright and Ricks (1994) emphasized on international entrepreneurship as a new emerging research ground. International entrepreneurship is a mixture of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to make value in organizations [19, 6]. International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services.

C. A Model of Internationalization Speed

Figure 2 shows a model of factors on the speed of entrepreneurial internationalization. As shown, there are three critical aspects to such speed. First, there is the time between the discovery or enactment of an opportunity and its first foreign market entry. Second, is the speed with which country scope is increased. That is, how quickly do entries into foreign markets gather and how fast are countries entered that are psychically distant from the entrepreneur's home country? Third is the speed of international commitment.

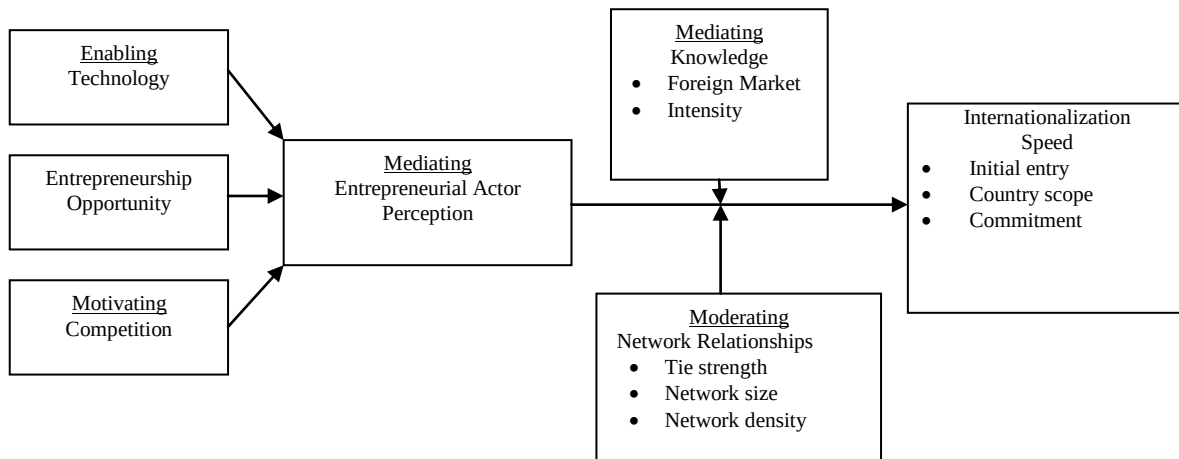


Figure 2: Model of influential forces on Internationalization Speed [6]

The process of entrepreneurial internationalization in our model starts, as shown in Figure 2, with a potential entrepreneurial opportunity. We will plainly suppose here that an entrepreneurial actor somehow discovers or enacts such an opportunity due to the fact that our focus is not on the nature of the discovery or enactment, but on the speed with which that opportunity is internationalized. Most important, our model depicts that the speed of entrepreneurial internationalization is verified by four types of forces: (1) enabling, (2) motivating, (3) mediating, and (4) moderating.

The quicker, or the *enabling* force, makes fastened internationalization possible [23]. Faster and more efficient transportation among multiple foreign countries has brought down costs for foreign trade and investment. Transportation, communication, and digital technology seem to be the foundation enabling rapid internationalization of such an entrepreneurial opportunity.

The second general force effecting on the speed of internationalization is the *motivating* force of competition. Where technology enables quicker internationalization, competitors inspire or even force it upon entrepreneurs.

The entrepreneurial actor is the third, the *mediating* force. The person or group that discovers or enacts an opportunity is dominant to the dynamics of international exploitation. Through the lens of their personal characteristics (e.g., years of international experience) and psychological traits (e.g., risk-taking propensity), entrepreneurs detect and explain the potential of the opportunity, the potential of communication, transportation, and computer technology to enable internationalization, and the degree of threat from competitors [24].

IV. Results and Conclusion

Given the complexity of the concept, because of its multidimensionality and different time scales, we develop the research aimed at understanding how the different dimensions of speed discussed above connected to each other, both from a theoretical viewpoint and also in terms of how they might be applied to empirical studies [3]. This brings up questions, three of which are most significant. First, we need to understand whether companies that internationalize rapidly in their early stages – the so-called ‘born global’ firms or international new ventures – internationalize equally rapidly in subsequent stages [2, 6]. Second, we have little comprehension of how internationalizing speed associates to entry modes that demand greater commitment of resources (such as foreign direct investment) and the diversity of markets that the company prefers to enter, or of the affiliation between these two variables and international commitment as reflected in the proportion of the company's sales attributable to its foreign activities. Third, we demand to work with dynamic profiles to gain profound understanding of the variability of speed over time.

The classic literature on the internationalization process contains a rich stream of studies on the determinants of entry mode and country selection, which made a large work between the 1960s and the 1990s. This literature deems that decisions on both these choices depend on the combined influence of different factors or enabling forces of technology, the motivating forces of competition, the mediating perceptions of entrepreneurs, and the moderating forces of knowledge and networks that collectively determine the speed of internationalization.

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