ทฤษฎีที่ว่าด้วยความเป็นนานาชาติของธุรกิจ
Theories of Internationalization

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บทคัดย่อ

บทความนี้นำเสนอ 6 ทฤษฎีหลักที่ใช้ในการอธิบายความเป็นนานาชาติของธุรกิจ ซึ่งทฤษฎีเหล่านี้สามารถจำแนกออกเป็น 3 กลุ่ม ได้แก่ กลุ่มขั้นของความเป็นนานาชาติ กลุ่มปัจจัยหลัก และกลุ่มความสัมพันธ์ในลักษณะเครือข่าย กลุ่มที่ 1 ลำดับขั้นของความเป็นนานาชาติประกอบด้วยทฤษฎีนานาชาติ และทฤษฎีวงจรชีวิตผลิตภัณฑ์ กลุ่มที่ 2 ปัจจัยหลักประกอบด้วยทฤษฎีภายใน ทฤษฎีต้นทุนรายการ และทฤษฎีสรรหาสิ่งที่ดี และกลุ่มที่ 3 ความสัมพันธ์ในลักษณะเครือข่าย ได้แก่ ทฤษฎีเครือข่าย นอกจากนี้ บทความนี้ได้อภิปรายถึงประโยชน์และข้อจำกัดของทฤษฎีข้างต้น รวมถึงข้อเสนอแนะสำหรับงานวิจัยที่ควรจะศึกษาในอนาคต

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Abstract

This paper proposes six theories to explain the internationalization of the firm. We classify these theories into three groups: stage model, core factors and network relationship. The stage model includes internationalization and product life cycle theories. In the second group, internalization, transaction cost, and eclectic theories are considered the core factors. The network relationship refers to the network theory. Both the benefits and the limitations of the theories in the internationalization of the firm are explicitly emphasized. Contributions and suggestions for future research are also discussed.

Introduction

Over the past two decades, business environments have rigorously changed. These environments are the diminishing of trade barriers, building of economic integration, creating of international and global trade organizations, and developing of technology and telecommunication. They are also the improving quality of products, creating of new products, developing of efficient production and creating of new strategies in dealing with customers, competitors, suppliers and governments.

As a result, many firms have attempted to find a way to deal with these business environment changes by emphasizing how to compete in a market, to achieve superior performance and to gain competitive advantages in the global market. Conducting international business activities is one of many ways which firms choose to practice. Firms have expanded into worldwide market for many reasons: avoiding uncertainties, distributing risks, increasing efficiency of operations, creating effectiveness in firms, achieving superior performance and so on. These firms are called multinational enterprises.

To clearly understand multinational enterprises, internationalization of these firms needs to be explored and examined. Internationalization refers to a degree of an attitude of the firm towards foreign activities and the actual carrying out of activities aboard (Johanson and Wiedersheim-Paul, 1975). Internationalization of firms has thus become an interesting research issue and researchers have developed and examined it extensively. Several studies have attempted to examine the internationalization of the firms in many ways. The foci of these studies have been antecedents (Johanson and Vahlne, 1977), the internationalization process (Buckley, 1989), methods of foreign market servicing (Anderson and Gatignon, 1986), organizing the multinational firm (Bartlett and Ghoshal, 1988) and the impact of culture on internationalization (Hofstede, 1994).

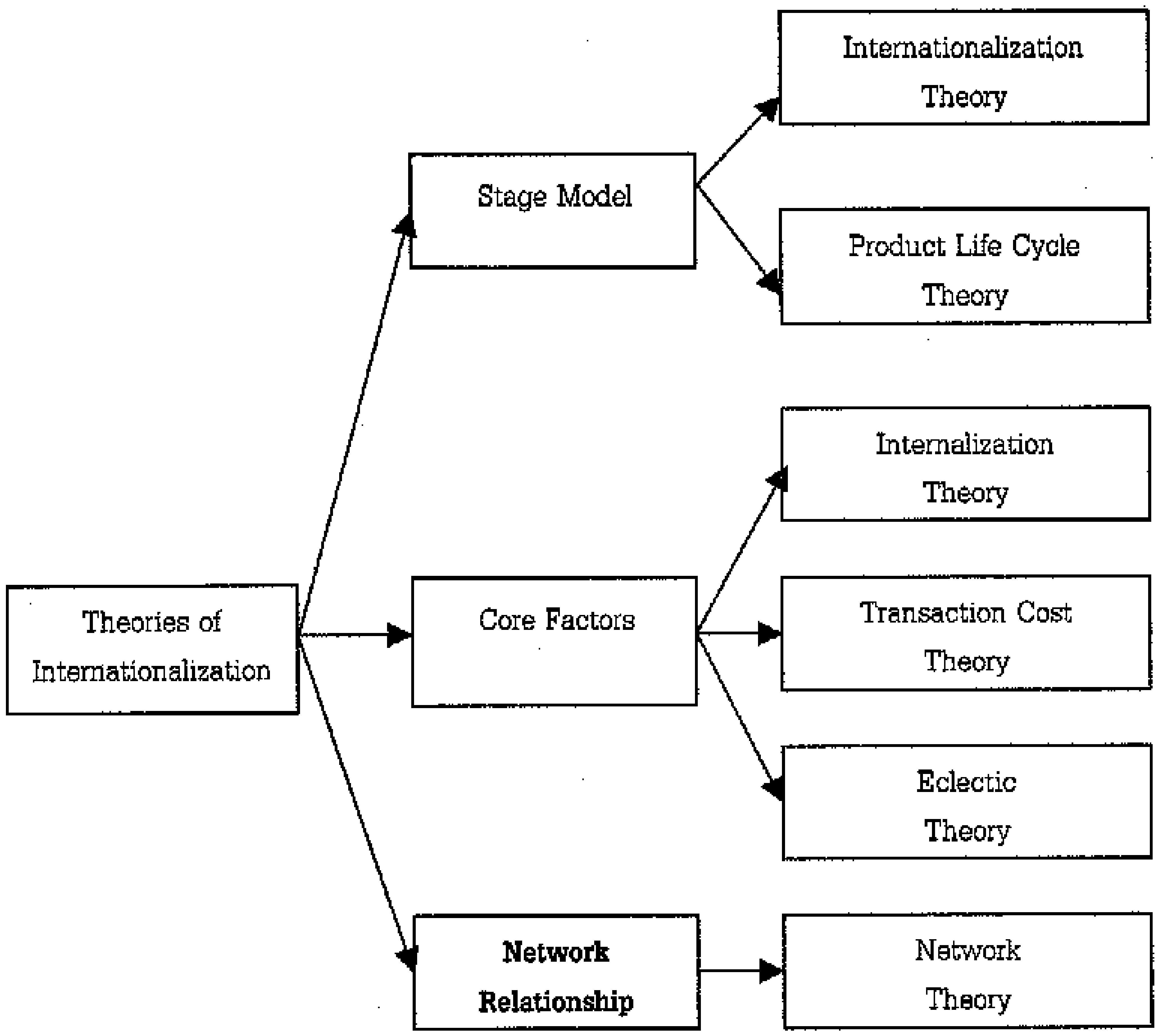
Even though many articles discussed the antecedents and consequences of the internationalization of the firm in many ways, there are a few studies that attempted to review integratively theories of the internationalization. Hence, the primary purpose of this study is to explore and integrate previous research of theories of the internationalization and to suggest trends of future research in this area.

The remaining of this paper is organized into two sections. The first section provides the relevant literature review on theories of the internationalization. The next section contains contributions of the paper and suggestions for future research in this area, and conclusion.

Relevant Literature Review

Both the antecedents and the benefits of the internationalization of the firm have extensively examined, but there are relatively few studies that have attempted to link existing theories to explain the internationalization of the firm. Here, we explore theories of internationalization by emphasizing stage model, core factors and network relationship, as shown in Figure 1.

Figure 1: Theories of the Internationalization



Stage Model

Stage model is a fundamental approach of internationalization of firms. It explicitly links to firms' experience and organizational commitment. It also proposes that firms attempt to conduct international operations and activities through experience and organizational commitment. Based on previous research, there are two theories (internationalization and product life cycle theories) that can be linked to the stage model.

Internationalization theory. In order to conform to organizational commitment and experience, firms tend to follow a stage model of internationalization theory. Internationalization theory emphasizes the internationalization process of a firm. It consists of different four stages of extension of international operations: no regular export activities, export through agent, sales subsidiary and production (Johanson and Wiedersheim-Paul, 1975). The characteristics of these stages are called a stage model. Each stage represents a degree of experience and organizational commitment of firms in international markets (Johanson and Vahlne, 1977). Firms' experience about the international markets can help them diminish psychic distance. For instance, in a production stage, firms need to commit their resources and capabilities much more firmly through experiencing international operations, markets and environments as well as emphasizing knowledge development. We can thus summarize that the more knowledge a firm has about foreign markets and operations, the greater its market commitments.

Many researchers have examined the internationalization of the firm by emphasizing on internationalization theory. One study (Fina and Rugman, 1996) notes that the Upjohn Company has expanded into worldwide market by following four stages of the internationalization theory. Johanson and Wiedersheim-Paul (1975), in contrast, state that four Swedish companies--Sandvik, Atlas Copco, Facit and Volvo--do not follow the stage model in the various countries in which they have expanded.

Based on the above discussion, there are questions regarding the model of internationalization theory. First, firms should follow all stages of the model. Second, it is possible that firms will either pick only one stage in expanding their international operations or ignore this model and find other modes of foreign entry, such as licensing and strategic alliances. However, Johanson and Wiedersheim-Paul (1975) are explicitly concerned with these problems. They note that they do not expect firms to follow the model because of either lacks of the resource demanding stages or more extensive knowledge from other foreign markets. For instance, firms may choose a production activity in some countries because they have gained much more experience.

Product life cycle theory. The Product life cycle approach is also another theory which researchers have proposed. It is similar to the internationalization theory, but is concerned with stages of product life cycle. These stages of product life cycle consist of new product, maturing and standardized products (Vernon, 1966). Vernon (1966) also states that firms will begin their international activities by exporting their products and then move to production through their product life cycle. Vernon (1966), examines the internationalization of the firm through using the product life cycle approach as a tool. He attempts to compare firms in the US to those in other countries (advanced and less developed countries). At the new product stage, firms in the US tend to create new products in order to explicitly offer to an internal market and then export their products to other advanced countries. When the products have grown to a maturing product stage, firms need to export their products more. Product standards and long-term commitment of process and facilities are required. Thus, firms in the US attempt to set a standardization of products and explicitly prefer export activities. However, when the products become standardized products, economic of scales becomes an important factor which firms need to be concerned with. Based on rapidly flows of infomation, standardized products and limitations of production factors (i.e: high labor costs), firms in the US try to find a location that offers minimized production facilities. Foreign direct investment is thus a strategy for expanding international operations. Therefore, firms in the US will import products from other advanced and less developed countries later.

Even though the product life cycle approach can explain the internationalization of the firm, there are also many questions that link to three stages of product life cycle. Based on the above discussion, Vernon (1966) uses firms in the US as an example. First, the pattern of these stages can apply to those taken by firms in other countries. Second, it is possible that a new product will begin in other advanced and less developed countries. Third, all firms should follow the pattern. These questions have thus become limitations of the product life cycle approach.

Core Factors

Core factors refer to three variables (ownership, location and internalization) that affect the internationalization of the firm. To link the core factors to prior studies, we find that there are three theories that are concerned themselves with these variables: internalization, transaction cost and eclectic theories. All three theories are thus discussed.

Internalization theory. Internalization theory is a main theory of international business (Buckley, 1990). It refers to a process that attempts to explain the internationalization process of a firm. It helps explain why firms attempt to internalize themselves. For instance, Buckley and Casson (1976) note that firms tend to avoid market imperfection by internalizing intermediate markets across nation borders in order to maximize profit. The internalization theory emphasizes both location and ownership factors. Firms attempt to choose a location that offers production facilities and minimizes costs of production and operations (Buckley and Cassan, 1976; 1979). Controlling operations also support firms in order to succeed in their internalizing of the markets. Ownership factor is thus an important effect of internalization (Buckley and Casson, 1979).

According to the internalization theory, firms can gain many benefits of internalizing the market: creating internal future markets, facilitating discriminatory pricing, expanding investment through merger or takeover, encouraging forward integration and avoiding government interventions (Buckley, 1990; Buckley and Casson, 1976). Firms can also use an internalizing market as a means for entry into the industry (Buckley, 1990). However, Buckley (1990) is critical of the internalizing market being concerned with only short-run competitive advantages. For instance, firms cannot continuously gain benefits due to market imperfection because in a long run, the market imperfection is eliminated. Even though there is a limitation of market imperfection, internalization of knowledge through research and development (R&D) still influences firms to gain benefits longer (Buckley, 1990; Buckley and Casson, 1976).

Transaction cost theory. The Transaction cost approach is similar to the internalization theory, but it explicitly emphasizes minimizing transaction costs. Firms tend to internalize, control and integrate their operations through gaining benefits of specific assets, avoiding high level of external uncertainty and benefiting international experience (Anderson and Gatignon, 1986). These activities support them in order to succeed minimizing transaction costs.

Many researchers have proposed the transaction cost approach to explain modes of foreign entry (Anderson and Gatignon, 1986; Erramilli and Rao, 1993). Anderson and Gatignon (1986) note that there are four variables that determine an efficiency of an entry mode: transaction-specific assets, external uncertainty, internal uncertainty and free-riding potential. A degree of control that explicitly relates to the entry modes is a key player of an entry decision. However, Anderson and Gatignon also suggest that based on the transaction cost approach, firms need to be concerned themselves with the control-resource commitment tradeoff. Firms thus attempt to choose mode choices of foreign entry that enables them to gain long-term efficiency.

Similar to Anderson and Gatignon, Erramilli and Rao (1993) also examine mode choices of foreign entry of service firms and note that asset specificity is very important for controlling operations and reducing costs of integration. According to Erramilli and Rao (1993), the results of their study argue a basic assumption of the transaction cost approach that firms prefer to start with full-control modes. Firms' asset specificity (ownership-specific advantage) therefore influences them to choose high degree of control in modes of entry in order to minimize transaction costs.

Eclectic theory. Eclectic theory refers to a process that attempt to explain the internationalization process of a firm by being concerned with three variables that influence firms to engage in to international production: ownership-specific, location-specific and internalization advantages (Dunning, 1995). It is also similar to the internalization theory because all three factors (ownership, location and internationalization) are considered. Based on the eclectic theory, these three factors are important for firms in expanding international production and operations. Ownership-specific advantages refer to advantages that stem from owning and possessing capital, technology, management skills, licensing, management contracts and so on (Dunning, 1980). For instance, firms tend to expand their international production if they benefit from these advantages. Location-specific advantages refer to special advantages accruing to firms operating at a particular location (Erramilli, Agarwal and Kim, 1997). Firms thus attempt to invest more in countries which provide greater location-specific advantages. In addition, firms also attempt to internalize markets because of reducing transaction costs. This is called internationalization advantages.

Based on the above discussion, the eclectic approach explicitly deals with three types of advantages. It clearly explains the internationalization of the firm. For instance, firms attempt to gain benefits from owning assets (both tangible and intangible assets). They may choose to conduct international activities through licensing. Some locations may not offer minimized production facilities, but it gives a special advantage. Firms may thus choose those locations. Furthermore, market imperfection is not an important factor that drives firms to internalize a market because they need to internalize themselves through emphasizing reduction of transaction costs. However, there is at least one limitation of this theory. For instance, if three variables of the eclectic theory give different proportions of benefits to firms, how do firms make a decision in expanding their international operations and what criteria of decision process would they perform? A way to determine priorities among these variables is thus needed.

Network Relationship

As mentioned earlier, many approaches can help explain the internationalization of the firm. Previous theory emphasizes different factors of the internationalization: specific advantages (ownership, location and internalization) and organizational commitment and experience. Network relationship is also one of many factors. It is linked to the network approach. We thus propose that network approach be another theory of the internationalization.

Network theory. Network theory has become a popular approach in order to explain business phenomena, such as buyer-seller relationships, join venture, strategic alliance and so on (including the internationalization of the firm). It refers to a theory that is concerned with relationships among two or more partners. One study (Coviello and Munro, 1997) proposes the network theory as a tool in examining the internationalization process of the firms. Coviello and Munro (1997) emphasize how small software firms conduct international operations and activities.

In general, firms do internationalization through increasing commitment and investment in foreign markets (Johanson and Vahlne, 1977), but small firms have limitations of resources and capabilities. Coviello and Munro (1997) note that small firms tend to choose modes of entry that relates to a psychically close market and then attempt to create network relationships (both formal and informal concepts). They also note that these network relationships help small firms gain market knowledge and potential access. The more market experience, the greater the confidence resource commitments that influence small firms to increase market development activities in international markets. Based on the above discussion, the network relationships help firms succeed in the international operations. Firms thus attempt to expand their international operations to a country with which they have more network relationships.

Conclusion

This paper integrates previous research of the theories of the internationalization of the firm. These theories can be classified into three groups: stage model as linking to firms' experience and organizational commitment (internationalization and product life cycle theories), core factors concerning ownership, location and internalization (internalization, transaction cost and eclectic theories) and network relationship as linking to the network approach (network theory). Based on the previous discussion, each theory has had limitations. Thus, only one theory may not clearly explain the internationalization of the firm. Linking theories is needed. Future research should thus attempt to propose two or more theories in explaining the internationalization.

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