Stages in the internationalisation theory

Science

" Internationalisation is a process by which firms increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other countries. " (Beamish & Calof, 1990) Stages in the Internationalisation Theory It's imperative to understand and evaluate the different stages that an organisation goes through in an Internationalisation Process.

Market Research: It's important for any given organisation to conduct through Market Research before entering foreign markets, conducting combinations ofPrimary and Secondarymarket research would enable the organisation to get a bigger picture of future profitability and viability scenarios. Badly conducted market research would plainly result in the organisation loosing out on valuable resources as there is little margin for errors at this point of time. (Jobber & Lancaster, 1997, Pg 216-220)

Modes of Market Entry: There are various choices of foreign market entry, which ranges from exporting, licensing, franchising, strategic alliances, foreign direct investment, mergers/acquisitions. Thus, depending on experience, risk taking, commitment and resources available, firms choose between ranges of foreign market entry and make choices about whether to 'go in alone' or cooperate with other partners, agents, distributors and so on. (URL: http://www. tukkk. fi/intercrafts /2sisaltomoduuli.

htm, Last Viewed: 11/04/04) Learning in Internationalisation Theory Organisational learning is the development of new knowledge or insights that have the potential to influence the given organisation in regard to future profitability and viability. The organisations that are willing and eager to learn new values in accordance to the new functioningenvironmentwould settle down much faster than those who learn through trial and error. There is much loss of valuable resources this way.

Lack of through knowledge about foreign markets is one of the main obstacles during the internationalisation process. Culture, Government Restrictions, Business Policies and many other factors need to be taken into serious consideration before entering foreign markets. Thus constant learning plays an extremely vital role in the Internationalisation process. Contingency Theory The contingency theory of entry mode performance is developed based on transaction cost analysis as well as production cost theory and also the nature of exchange relations.

It explains the use of different market entry mode in foreign markets with the help of properly conducted transaction cost analysis, now on the other side without conducting proper analysis it would be extremely difficult for any organisation to examine the performance of export entry modes under different firm and market conditions.

Network theory of Internationalisation states the development of business relationships in other countries through extension, penetration, and integration. Extension refers to investments in networks that are new to the firm, whereas penetration means developing positions and increasing resource commitments in networks in which the firm already has positions. Integration can be understood as the co-ordination of different national networks. (Johanson & Mattsson 1988).

The fact that there are new markets, new rules and high cost involved makes the network theory risky. It's lucrative to really think about entering new markets abroad without conducting proper research but in reality things may not always look the same. New markets have new challenges to offer which are not always easy for the organisation to cope with. There have been cases where big organisations have suffered heavy losses in entering international markets or even setting export ties just because there research was not conclusive.