

Internationalization readiness article review management essay



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Purpose of the review is to look at approach of different researchers to export (international) readiness of the firms. The review emphasizes on pre internationalization behavior of the firms, indices to measure their internationalization readiness, stimuli s to go for internationalization, different models to explain internationalization process, internal and external factors affecting internationalization of the companies and managerial attitudes of the companies toward internationalization process.

The articles had various format like research papers, performance reviews, business reviews and case studies. The article review can act as starting point for further studies into internationalization, development of more accurate internationalization readiness indices

Analysis

What happens in pre internationalization of the companies is point of concern for many researches. The studies usually focus on stimuli s for internationalization process. Not enough studies done pre export state of the companies who are internationalized. They address managements' perception of export stimuli, attitude of management to go international, firm's resources and capabilities, learning process in internationalization. The factors collectively help on development of internationalization readiness index. The internationalization process is staged, so it is very important to study the pre internationalization stage to understand later stages in internationalization process. The pre internationalization is important because the study of it shows where the internationalization is originated. (Tan, Brewer, & W. Liesch, 2007)

The Uppsala model explaining internationalization of the firms only looks at process from single angle of experiential knowledge which makes the model too simple for study of the internationalization process. In the course of the paper the Uppsala model is enhanced to look at pre internationalization of process and finally the export readiness is developed.

Several internationalization models aimed at study of export readiness place emphasis on learning, resource allocation and decision-making as three main components of the export readiness. The experiential knowledge has been added to the model. The models are innovation and experiential model are models describing the internationalization process as series of incremental decisions and commitments. The theories explaining staged process of internationalization see the process as interplay between knowledge acquisition and market commitment. (P. W. & J. L, 1995)

In the innovation model, firms evolve in distinct learning stages. Thorough the stages their foreign commitment increases and they evolve from disinterested exporter to experimental exporter, then to active exporter and finally to committed exporter. The Uppsala model describes evolution of the firms from state of knowledge about foreign market to state of committing resources to foreign markets. The internationalization of the firm in Uppsala model has match between its experiential knowledge in foreign market and its resources. One of the points the models are looking for are timing for commencement of internationalization process. In both innovation model and Uppsala model firms go through pre internationalization phase, and change from one state to another. Following diagram not only show the

internationalization process of the firms but also emphasize on pre internationalization of the firms. (Tan, Brewer, & W. Liesch, 2007)

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The stimuli s for commencement of internationalization process in innovation and Uppsala model is exposure of decisions makers to relevant international information. The model proposed by researchers who look at stimuli s like motives and incentives which evokes internationalization process. Based on the model proposed by them the stimuli is very important for involvement and push of company to internationalization process. The stimuli are essential but not enough for internationalization of the firms. They look at uniqueness of the product for its exportability and serves are good stimuli for internationalization. So nature of the firms' products is very important as measure of its export readiness. (P. W. & J. L, 1995)

Presence of interested and experienced managers in the company is good stimuli for internationalization process. It is believed the information provided to the firm management is very important to proceed with internationalization process, the information enough and useable. (D. Jaffe & Pasternak, 1994)

Below is the stimuli s for internationalization process as it was categorized to 2 categories of internal and external,

(Tan, Brewer, & W. Liesch, 2007)

Attitudinal/psychological commitment

In the export readiness measurement models commitments are very important in both change and state aspect of the model. The commitment according to the models can be defined on two levels one is organizational where resources of the organization is committed to international and export activities, the other is on personal level where managers and staff make enough sacrifices to use new methods they are not familiar with. In the models firm is exposed to information stimuli, the stimuli leads to further involvement of the company in internationalization process, but what still remains important is attitudinal and psychological commitment of managers to internationalization process. (Ortiz-Buonafina, 1991)

Such personal commitment pushes the managers to think of threats and opportunities which might exist in international market and come up with strategy to enter international market. Companies' willingness to commit resources to foreign market is affected by resource attributes of the firms. The firm's resources are related to role of decision maker in international level and learning process in the organization. The companies' willingness to commit resources to foreign markets is mentioned in so many frameworks. The resources take several forms of tangible and intangibles, financial, human resources and technological. So firm's commitment and markets knowledge are very important in internationalization process. The decision maker's ability to make internationalization decisions are influenced by nature of tangible and in tangible resources of the company, human related aspects like skills of the staff, knowledge of foreign market, companies '

product nature and quality, R&D capabilities, financial resources and technology level in both small and large firms. (Reid, 1982)

The studies show the stimuli for internationalization process is not enough. The information is essential component of organization learning process. Firm's ability to receive the stimuli s and respond to them is called lateral rigidity. Many believe, lateral rigidity is common in every decision process including internationalization process. The lateral rigidity results in filtration of information received by the company and risk avoidance. The lateral rigidity explains why the information received by some managers in the company is not used in internationalization process. (V. Stanton & J. Burkink, 2008)

Internationalization readiness of the firm is the state where company is about to change from purely active in domestic market to become active in international area. The analysis of internationalization readiness includes study of pre internationalization phase of the firm, information fed to the management, internationalization stimuli s, organizational and psychological commitment of the companies. In measurement of internationalization readiness some companies are born global which go international quite quickly, some companies have started domestically and gradually go for internationalization. In domestically active firms usually the learning process is slower than born global firms. (Beamish & C., 2003)

Measuring internationalization readiness

Internationalization readiness of the firm shows propensity of the firm to go for international and export activities. The propensity for internationalization

is formed in pre internationalization of the firm through experiential learning. To have measure able index of internationalization readiness of the companies, many models prescribe study of pre internationalization behavior of the firms. The view of the company in pre internationalization process, provides good insight for the managers to see if they are ready to develop market penetration and market development on international level. The insight to pre internationalization phase of the company helps the managers to choose proper strategy to enter international markets. By measure of international readiness companies will understand their level of preparedness for international commitment. (Ortiz-Buonafina, 1991)

The development of internationalization readiness index of the company can put in one of below four quadrants;

(Tan, Brewer, & W. Liesch, 2007)

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Firm's characteristics and assisting export development programs by government affects the internationalization of the firms. There are many important elements of the strategy which facilitates the small firm's activities in international supply chains. Meeting government and customer's expectation is pivotal in development of successful internationalization strategy. The successful link between producers and importers is essential for development of international strategy. The rules of the international business are changing constantly. One such rule is shift from global tendency of the customers to consume highly differentiated products than standardized mass products. (Go'mez & Schwentesius, 2002)

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It is observed by many researchers that, export products are sold through centralized outlets like hyper markets rather than scattered retailers like before. Prices of the goods especially for fresh produce are no longer set in open market, but they are set in long term contracts between importers and producers. The studies show producers in developing countries have more tendencies to participate in coordinated supply chains. Coordination of supply chain especially for freshly produced products, results in sizeable reduction of export transaction costs. Coordinated supply chains enable the producers to offer competitive prices at international level. Proper internationalization strategy embodies risk reduction, reduction of transaction costs and synergy among different members of the supply chain. The issues involved proper internationalization strategies are similar to proper coordination of domestic supply chains. Barriers to proper internationalization with respect to export opportunities are lack of economies of scale, inadequate transportation means, variance in production size and quality, reliable legal mechanism for collection of the money and inability to provide products as differentiated as requested by the market. (V. Stanton & J. Burkink, 2008)

Below are the points raised by the in different export related literature for successful internationalization process,

Provision of supply requirements

Production of uniform looking products for export

Having proper transportation for the products

Conformity with buyer preferences

Regular communication with buyer for provision of necessary changes

Having single uniform point of contact for group of producers

Help provided by trade commissions

Concerns of the buyers in international markets from producers are;

Meeting requirements of government and final customers in the target market

Following changes in final customers preference trends

Reduction of the potential risks in the eyes of buyers

Maintenance of sanitary requirements (Beamish & C., 2003)

The international marketing channels have become quite different in light of new free trade agreements. These changes have lead to opportunities in global market. The small scale producers are benefitting from these new opportunities and can divide the skills and resources to meet differentiated preferences of the customers. Export behavior of the companies is important for many researchers belonging to different trade schools of thought. The studies try to explain export performance of successful firms. Success of the firms is correlated to many factors like organizational characteristics, resource factors and management expectations. The correlation is helpful in design and implementation of successful international marketing strategies.

But difference in definition of top export performance may cause some confusion. (Williamson, 1981)

Great load of studies has been concentrated on pre export behavior of the firms and what motivates them to go for internationalization and respective decision making process. Main reasons in pre export stage of companies to go for internationalizations are exploitation of differential advantage, profit opportunity, growth through market expansion, excess supply to demand in domestic market, competitive pressures in domestic market and domestic sales decline. The exporters can take both aggressive and passive approaches to export and internationalization processes. (D. Jaffe & Pasternak, 1994)

Some schools of thought look at internationalization process as quite incremental. In other words the internationalization of the firms is comprised of series of incremental, consecutive decisions where export involvement of firm gradually increases. From this point of view attention evoking factors push the company to internationalization, then the companies moves through learning curve and hopefully reaches the its goals. (P. W. & J. L, 1995)

Other researchers have focused on constraining factors to export decisions. These constraining factors deter many companies from going international. These deterrents include lack of knowledge of international markets, cultural difference between domestic and international market, and perception of risk in new environment, trade barriers and competition in international level. The studies on deterrents of export process usually suffer from some

limitations. The studies usually look for only up to three years of export activities of firms to judge their performance also the studies does not monitor growth of the companies as they grow in the internationalization process. (Williamson, 1981)

Differentiation of companies to 2 wide categories of proactive and reactive in export process is clearly reflected in their strategies. So the expert systems for the export markets can be used as both diagnostic and selection tool, where use of learning experience in the process. Firms should have differential advantage to compete internationally and this differential advantage should be well perceived by managers. The external factors affecting the internationalization process are foreign-market potential, foreign-market opportunity and anticipated government assistance, interact with perceived competitive advantage. The proactive variables involving export process are directly connected to export intention of the firm managers. Lack of knowledge in export markets seriously affects the intention of the managers to go international. Export facilitating companies can provide such information to managers and also help them raise their export readiness. The help of export facilitating companies and government agencies is different for reactive and pro active exporting companies, based on needs of already exporting and none exporting companies. Failed experiences of the companies in export markets result in severe reluctance to go for export again. The reluctance leads to lesser resources committed to international activities. (Ortiz-Buonafina, 1991)

Conclusion

The starting point for going international is very important for competitiveness of many small and large companies. The manager wants to know where they are stepping, which type of competition they are facing and how tense the competition is going to be. They really want to know what amount of sales they can expect from the international market. So it is needless to say measuring internationalization readiness of the companies is very important to many managers and researchers. The proper internationalization readiness will mean;

Managers and their organization is committed to internationalization process

International target markets are properly identified and evaluated

Market entry strategies are appraised and selected

Proper plans are developed and going to be implemented