

AN OPEN SESAME: A PRACTICAL LITERATURE REVIEW ON INTERNATIONALIZATION AND ENTREPRENEURIAL VENTURE THEORIES

Chilumba K. Bwalya, University of Zambia

ABSTRACT

Internationalization of business, firms and entrepreneurial ventures has a robust literature on whose account much research has been done. Unfortunately, the literature is highly fragmented and, in some cases, contested. The principal deliberations under consideration have been based on marketing and economic theories. They span from the classical model, such as the theories of Absolute Advantage and Resource Allocation by Adam Smith, Heckscher and Ohlin through the Internationalization theory of Buckley and Casson to Born-Global and Knowledge-Based-Perspectives. Literature is the Uppsala model speaks to progression internationalization while the Born-Global phenomenal postulates markets, founder entrepreneurial and behavioural arguments. This paper conveys a theoretically disposed literature review with an analytical view of why, how and when businesses and entrepreneurial ventures continue to pursue internationalization. The paper aims to assign meaningful contextualization and arrangement of fundamental theories, models and concepts in business and venture internationalization. This informs an understanding and subsequent choice of internationalization approaches in the industry.

Keywords: Internationalization, Business, Entrepreneurial, Uppsala, Born-global, Eclectic, Transactional-Cost-Analysis, Network, Business, Markets.

INTRODUCTION

The internationalization of businesses and ventures has been a critical element in business and establishing the phenomena of multinational corporations and international entrepreneurial ventures for hundreds of years. Scholars and practitioners alike have looked to literature to situate their choice or go to market models using internationalization theories, concepts and approaches.

Background: A high-level View of Internationalization, Theories, School of Thought and Contestations

Internationalization is the strategic process of integrating international and intercultural processes to conduct business undertakings across international borders by the gradual increase in investment, customer acquisition, value creation and geographical expanse (Lopez-Morales, 2020; Knight, 2015; Melin, 1992).

In considering the entrepreneurial venture definition, literature draws differences between small businesses and entrepreneurship (Amolo & Migiro, 2017; Nieman & Nieuwenhuizen, 2008).

However, woven in the differences are salient characters which conjure whole meaning for entrepreneurial ventures. That is, entrepreneurial ventures are risk-seeking, creative and

innovative driven businesses which overcome enormous economic and global challenges to provide better quality, innovative products and services while creating a better quality of jobs and value in the environments they operate (Amolo & Migiros, 2017; Geursen & Dana, 2001; Nieman et al., 2008).

Further, literature considers entrepreneurial ventures along the continuum of along six dimensions, but three are applicable here that is psychological or entrepreneurial characteristics, i.e. traits such as the need for innovation, success, ambition and achievement; opportunity and resource-based entrepreneurship views (Johannisson et al., 1998; Kwabena, 2011; Wade & Aldrich, 2002).

Initially, submissions on internationalization of business and entrepreneurial ventures theories were inspired by wide-ranging marketing theories and the choice concerning exporting and Foreign Direct Investments (FDI).

Later, there would be a relationship between multinational corporations' emergency, transactional cost theories (Williamson, 1991), search for new value creation *via* economic exchange (Williamson, 1991; Windsor, 2017) and market opportunity and advent eclectic views grounded in globalization (Pooja, 2019; Rosenberg, 2005; Steger, 2007) as precursors and enablers of internationalization.

The marketing, i.e. the Penrosian tradition (Moro, 2008; Nair et al., 2008) and (Prahalad & Hamel, 2009), focused on the understanding that businesses and entrepreneurial focus on a form of competency and resource-based view united with the market, and value creation opportunities in foreign and or international markets.

On the other hand, the exporting and FDI views were driven by the factor endowment and comparative advantage views; the premise was the exchange of factors and resources based on a comparative model. In contextualizing resources and rebating classical approaches to organization and the firm: Penrose (Nair et al., 2008) argued that 'resources are robust and include the physical things and included the physical things a firm buy, leases or manufactures for its use and the people hired on terms that make them effectively part of the firm'. On the other hand, services are the contribution these resources can make to the productive operations of the firm (Penrose 1959: 67).

The theory further developed into a model that suggested that countries with created resources and technological bases had an excellent opportunity to be exporters of multinational corporations and technical know-how as a conduit of internationalization.

Further, an eclectic paradigm was envisioned by (Dunning, 1977); it argued that internationalization could not be apportioned to phenomena but was a synthesis of multi-theoretical underpinnings which dealt with specific variables of Ownership, and Location and Internationalization (OLI).

The eclectic composition argued further that ownership advantages and internationalization were a function of a business's relationship with the market and its ability to exercise an advantage; the approach accommodates the FDI and the multi-dimensional aspects of a multinational operation (Buckley et al., 1984; Dunning, 1977, 1980).

Many theories capture the concept of internationalization of businesses; building on the scholarly matter (Buckley et al., 1984; Dunning, 1980; Fletcher, 2001; Geursen & Dana, 2001; Johanson & Wiedersheim-Paul, 1975; Lopez Morales, 2020; Knight, 2015; Kwabena, 2011; Melin, 1992; Prahalad & Hamel, 2009; Ribau et al., 2015; Windsor, 2017) mainly focused on businesses in general and entrepreneurial ventures in specifics.

This paper aims to deliver a theoretically positioned literature review with a diagnostic yet methodical view of why, how and when businesses and entrepreneurial ventures continue to pursue internationalization. Primarily the goal of the paper is to contribute to the allotment of expressive contextualization and organization of critical theories, models and concepts in business and venture internationalization as supported by selected theoretical and applied work that has been conducted on the subject between the seventh century and the twenty-first century. Conclusively, the paper anticipates enlightening a considerate and subsequent choice of internationalization approaches based on this paper's awareness *via* a literature review.

Theories of Business and Entrepreneurial Ventures: Inquiry Questions

This paper follows a guided and structured qualitative literal enquiry. From the onset, this paper established theoretical and applied views to the contextualization of internationalization of businesses and entrepreneurial ventures as seen in literature from classical to modern. Thus, it sets out to answer the following questions while delivering the review. Therefore the inquiry questions guiding the literature review are as follows;

- I. How could the fundamental theories, models and constructs for internalizing businesses in business, economics, marketing and management literature be arranged and related?
- II. What are the primary theoretical and applied considerations for the internationalization of businesses and entrepreneurial ventures, and how do they apply to business internationalization?
- III. How can the theoretical premises of internationalization be viewed from a more practical and professionally viable point to improve uptake by business executives and entrepreneurs who may be interested in the internationalization of businesses and entrepreneurial ventures?

Contextualizing the Five (5) Key Internationalization Theories

The massiveness of internationalization theory can be debilitating in dissecting what matters for theoretical and applied purposes and what does not. However, this paper attempts to logically characterize five (5) primary theories for easier understanding and utilization. In perspective, the fragmentation of literature in internationalization theories literature is due mainly seen to be due to the many different schools of thought borrowed from economic, marketing and business dimensions.

The economic views focus on factors, transactional views and comparative and competitive advantage, while the marketing school focuses on markets and value creation; in the case of the business view, it is more of an amalgamation of the two schools of thought. From the economic and business standpoint, the entrepreneurial view hordes an opportunistic and behavioural approach to the internationalization of companies.

Uppsala model

The internationalization of businesses is often referred to as a staged, incremental and progression process. The Nordic School, i.e. Uppsala Model (Johanson & Wiedersheim-Paul, 1975) in this school thought it is held that businesses would first need to acquire experience and knowledge of markets, and then move to a stage where they explore different market entry and internationalization modes sparring under an involvement and market commitment approach.

The Uppsala theory conceives that most businesses that went international firstly focused on local and nearby markets, then gradually went into far-flange international markets. For example, Toyota, Hitachi, Procter and Gamble (P&G), General Electric (GE) Coca-Cola started in local markets and then gradually grew into a global company (Hitachi, 2018; Jain et al., 2021; Montoya, 2015).

The process is also largely determined by the business's risk factor analysis and knowledge base. It starts as an export and then as an established business; this is done to reduce uncertainty at market entry (Johanson & Vahlne, 1990; Leonidou & Katsikeas, 1996).

Johansson & Wiedersheim-Paul (1975) postulates four distinctive approaches to internationalization where the success stages represent a sophisticated notch of market involvement and commitment. The first stage is sporadic exports. The second is working through independent agents or representatives; the third speaks to internationalization through subsidiaries and, lastly, establishing production and manufacturing facilities in the host nation.

Important to note in the Uppsala model is the additional research in context to a geographical expanse of a business or venture is that of psychic distance upon entry. Psychic space is said to be different international culture, political and language differences which could hinder the flow of information between the business and the market (Forsgren, 2015; Forsgren et al., 2015; Leonidou & Katsikeas, 1996).

Lastly, the central theme in this school of thought is the gradual and sequential approach to internationalization. The theory holds that businesses and entrepreneurial ventures choose markets based on understanding, potential and future viability but take a prudent and cautious approach.

Transactional cost analyses model

The transactional cost analysis model (TCAM) is primarily based on economic concepts by Coase (1937). Coase contended that with infirm organization and operations, a firm could not expand until the cost of organization within the firm becomes equal to the cost of carrying out the same transaction in the open market utilizing engaging in an exchange (Coase, 1937).

The Coasean school postulates that a firm will conduct business activity internally of all movements it can execute at lower cost while 'delegating' apportioning those higher in price to outsiders.

This consideration forms another layer to the transactional cost model, which puts the internal (within the firm, i.e. business activities conducted within the firm) and external (outside the firm, i.e. businesses activities conducted by independent outsiders, e.g. agents and intermediaries).

The TCAM model is filled with opportunistic behaviour where a firm's self-interest is the order of business operations and information. Market data and relationships are full of distortions, lack trust, and are often misleading.

However, firms use various methods to protect themselves from catastrophic exposure and losses. They can choose to internalize or externalize their operations considering the risks, benefits, and mainly the cost of each of those transactions compared to it being performed within or outside the firm's hierarchical structures (Williamson, 1975).

The network internationalization models

Networks have been a preoccupation of many studies and research in international business due to their importance in business formulation, development, and growth. Specifically, networks are described as a phenomenon based on relatedness where nodes, due to interdependence, are connected to other nodes or business actors which can be used as bridges to other networks ‘opportunities’ (Hadley & Wilson, 2003; Hakansson & Ford, 2002; Ratajczak-Mrozek, 2012).

The network concept is built on actors ‘progressives’ connectedness conjures that networks are relationships that businesses institute with various market actors such as competitors, collaborators, and governments (Zarei et al., 2011).

In the beginning, the actors in a market have no relationship, but as they begin to collaborate on access to similar tangible and intangible resources, the association is established. This relationship can be contextualized as highly synergetic but not permanent. Despite that being the case, some instances in literature and practice show relationships that have ended up in acquisitions and mergers as a way of resource uptake and acceleration of internationalization in the quest for localization of business and entrepreneurial ventures.

The network concept hypothesizes that businesses will depend on the resources and factors of other firms with which they exist in a network. The network phenomena make internationalization a practical idea and build on the Uppsala concept of staged progression. This is especially so because it is widely held in the literature that a business wanting to internationalize cannot achieve all the relevant network needs at one instance but would instead approach it in a staged manner, linking and delinking to various actors as seen strategically necessary.

Given the conditions of business internationalization as espoused in this approach, it is essential to note that, in this model, highly networked businesses are said to have the best chance of success in the internationalization process and industry. The higher the number of networks and relationships in international markets, the more substantial the level of internationalization (Ratajczak-Mrozek, 2012).

Lastly, businesses entering into network relationships can overcome the perennial problem related to information asymmetry and market knowledge uptake and implementation. Thus networks are seen to provide the necessary competitive advantage provided through the sharing of information and other forms of collaborative, strategic and operational support (Cranmer et al., 2012; Dana et al., 2001; Kim, 2006).

The born-global, new international venture model and entrepreneurial venture considerations

The faster uptake of globalization, increase in technological and networkability between businesses and consumers, and the opening up of markets has propagated the acceleration of market entry by firms. The condition has brought about companies, especially of an entrepreneurial nature, to seek international and even global markets.

Rennie (1993) (Andersson & Wictor, 2003) considers the term global to have first appeared in internationalization literature through a Mckensy Consulting report. The publication revealed that born globals were businesses that approached international and global market entry different from the classical compatriots, i.e. staged and over time, but rather at a faster rate of

between one to two years of being founded. By definition, born global are business ventures with a behavioural and operational ability to expand into international markets near birth.

Born global firms are heavily reliant on establishing solid relationships and networks; they are characterised such that they overcome obstacles linked with foreign entry markets entry (Ferguson et al., 2021).

Coincidentally, these companies are known not to be interested in establishing a solid home market presence; they are born global '*global start-ups*' as they are sometimes referred to originate a significant percentage of revenue from international market operations (Chetty & Campbell-Hunt, 2004; Knight & Cavusgil, 2004).

The attitude and characters of born global businesses speak to the behavioural attributes of the founders and management; that is, entrepreneurial tendencies, risk appetite, propensity for growth and daring international market orientation. These tendencies are linked to the need for achievement theories espoused by David. C. McClelland (Boyatzis, 2020; Smith & McClelland, 1964).

Building on the behavioural and psychological dimensions of entrepreneurial driven born-global ventures. It is believed that the founders within the context of born global are the driving force behind audacious visions, inspiration for robust networks, and the source for a push for technology adoption within the firm.

The eclectic internationalization 'theoretical' paradigm

The Eclectic Paradigm (EP) is wholesome in theoretical consideration, and it refutes the monolithic views of internationalization. The Eclectic (or OLI: Ownership, Location, Internationalization), a concept developed by Dunning (1977), posits itself as a multi-theoretical and consolidative 'all-inclusive of various factors' consideration.

This view brings other ownership, location and internationalization as the three crucial factors to internationalization. The trios are essential building blocks to the firm's internationalization as they consider the goal of international businesses, and that is ownership of advantages, markets and networks. They bring back into the picture the ownership advantages in comparative and competitive scenarios of global markets as seen in the transactional cost theoretical approach.

The eclectic business internationalization paradigm argues that factors and ownership advantages and internationalization function of a business's relationship within the international market markets without which success is possible (Buckley et al., 1984; Dunning, 1977, 1980).

Further, it is widely held that internalization of a business is not possible unless there is the presence of the ownership, location and internationalization advantages in a target market.

The eclectic consideration of OLI factors as sources of advantage is further seen as crucial to business in the lenses of Porter as the five fundamental market forces that shape strategy.

The five forces seem to reinforce the consideration of internationalization success as inspired by an appreciation of the industry's structure, therefore qualifying the ethos of ownership of any form of resources directly or indirectly as an essential aspect of internationalization.

Further, in internalization and comparative and competitive advantage literature (e.g. HBR, 2008; Porter, 1980; Porter & Millar, 2011), ownership of advantage through networks and

position of location advantage are used to characterize the success of businesses, MNC's and entrepreneurial ventures seeking internationalization.

DISCUSSIONS

A Three Question 'Open Sesame'

The concept and subsequent theoretical premise of internationalization of businesses and entrepreneurial ventures are vast; despite the different empirical, applied, factual, and assumption underpinnings, it is crucial to international trade, economics, marketing and entrepreneurship.

1. How could the fundamental theories, models and constructs for internalising businesses in business, economics, marketing and management literature be arranged and related?
 - a) Throughout literature, it has been seen that the theories, paradigms, and concepts do not stand in isolation from previous work. For example, the Uppsala model is closely related to the transactional cost and vice versa for the network models. Despite the various contestations, most internationalization literature is coherent and related on many fronts of business, ownership, or strong motivation to pursue internationalization.
2. What are the primary theoretical and applied considerations for the internationalization of businesses and entrepreneurial ventures, and how do they apply to business internationalization?
 - a) There has been a fragmentation in appreciating internationalization theory in the practical sense. Most of the literature was focused on large MNC corporations without a note on start-up and entrepreneurial venture paradigms. With the analysis given in the paper, it is easier to appropriate the functionality of internationalization theory in business practice.
3. How can the theoretical premises of internationalization be viewed from a more practical and professionally viable point to improve uptake by business executives and entrepreneurs who may be interested in the internationalization of businesses and entrepreneurial ventures?
 - a) The starting point is to contextualize the literature in practical terms. Thus all the literature becomes relevant to the concept of knowledge localization. This is so because each of the theories and models presents an essential consideration in a firm's success. Thus, any seeking party should focus on what works in the local context or their business vision rather than using everything without critical analysis.

CONCLUSION

In conclusion, it can be drawn from the literature that theories, paradigms and permutations of internalization are all targeted as a form of business and or economic gain and successive market advantage in the long run.

The internationalization of business should never be considered in a rushed manner. Instead, companies should stage it and move in incremental techniques. This approach helps businesses understand the market, gain experience, and manage transactional costs and risks.

The importance of networks in internationalization cannot be overemphasized. The network principle holds that it holds that to be successful, businesses need to create networks in local and international markets. When it comes to global markets, networks are the basic building blocks and bridges to access information, factors, experts and a verifiable route to market.

Further, in the quest for internationalization, businesses are encouraged to adopt the most cost-effective and risk-managed approach to market entry. As advised in the literature, some of the ways to achieve this included working through a network of partners and subsequently growing in a managed manner down to own both tangible and intangible assets. The approach

expects ease of doing business and improving odds of success, among other positive expectations.

Lastly, businesses can explore the globalization phenomena coupled with entrepreneurial ambitions to go after international markets soon after starting businesses operations. Globalization has flattened markets and improved access to global marketing and consumer channels, making it easier for the organization to access important international profitable markets beyond their local boundaries.

REFERENCES

- Amolo, J., & Migiro, S.O. (2017). Small business and entrepreneurial venture in an economical conundrum. *Problems and Perspectives in Management*, 15(1), 271-279.
- Andersson, S., & Wictor, I. (2003). Innovative internationalisation in new firms: born globals—the Swedish case. *Journal of International Entrepreneurship*, 1(3), 249-275.
- Boyatzis, R.E., McClelland, & David C. (2020). *The Wiley Encyclopedia of Personality and Individual Differences: Clinical, Applied, and Cross Cultural Research*, 631-635.
- Buckley, P.J., Dunning, J.H., & Fearce, R.D. (1984). An Analysis of the Growth and Profitability of the World's Largest Firms 1972 to 1977. *Kyklos*, 37(1), 3-26.
- Chetty, S., & Campbell-Hunt, C. (2004). A strategic approach to internationalization: a traditional versus a “born-global” approach. *Journal of International Marketing*, 12(1), 57-81.
- Coase, R.H. (1937). The nature of the firm. *Economica*, 4(16), 386-405.
- Cranmer, S.J., Desmarais, B.A., & Kirkland, J.H. (2012). Toward a network theory of alliance formation. *International Interactions*, 38(3), 295-324.
- Dana, L.P., Etemad, H., & Wright, R.W. (2001). The Global Reach of Symbiotic Networks. *Journal of Euromarketing*, 9(2), 1-16.
- Dunning, J.H. (1977). Trade, location of economic activity and the MNE: A search for an eclectic approach. *In the International Allocation of Economic Activity*, 395-418.
- Dunning, J.H. (1980). Toward an Eclectic Theory of International Production: Some Empirical Tests. *Journal of International Business Studies*, 11(1), 9-31.
- Ferguson, S., Henrekson, M., & Johannesson, L. (2021). Getting the facts right on born globals. *Small Business Economics*, 56(1), 259-276.
- Fletcher, R. (2001). A holistic approach to internationalisation. *International Business Review*, 10(1), 25-49.
- Forsgren, M. (2015). The concept of learning in the Uppsala internationalization process model: a critical review. *Knowledge, Networks and Power*, 88-110.
- Forsgren, M., Holm, U., & Johanson, J. (2015). Knowledge, networks and power: The Uppsala school of international business. In *Knowledge, Networks and Power: The Uppsala School of International Business*. Palgrave Macmillan.
- Geursen, G.M., & Dana, L.P. (2001). International Entrepreneurship: The Concept Of Intellectual Internationalisation. *Journal of Enterprising Culture*, 09(03), 331-352.
- Hadley, R.D., & Wilson, H.I.M. (2003). The network model of internationalisation and experiential knowledge. *International Business Review*, 12(6), 697-717.
- Hakansson, H., & Ford, D. (2002). How should companies interact in business networks? *Journal of Business Research*, 55(2), 133-139.
- HBR. (2008). HBR's Porter's 5 Forces. Harvard Business Review.
- Hitachi. (2018). Hitachi Group Identity.
- Jain, P., Nolen, J.L., Lotha, G., Cunningham, J.M., Tikkanen, A., & Zeidan, A. (2021). The Coca-Cola Company History, Products, & Facts Britannica. American Company.
- Johannisson, B., Landstrom, H., & Rosenberg, J. (1998). University training for entrepreneurship—an action frame of reference. *European Journal of Engineering Education*, 23(4), 477-496.
- Johanson, J., & Vahlne, J.E. (1990). The Mechanism of Internationalisation. *International Marketing Review*, 7(4).
- Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm: Four Swedish cases. *Journal of Management Studies*, 12(3), 305-322.

- Kim, J. (2006). Networks, network governance, and networked networks. *International Review of Public Administration*, 11(1), 19-34.
- Knight, G. A., & Cavusgil, S.T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35(2).
- Knight, J. (2015). Updated Definition of Internationalization. *International Higher Education*, 33.
- Kwabena, N.S. (2011). Entrepreneurship theories and Empirical research : A Summary Review of the Literature. *European Journal of Business and Management*, 3(6), 1-9.
- Leonidou, L.C., & Katsikeas, C.S. (1996). The export development process: An integrative review of empirical models. *Journal of International Business Studies*, 27(3), 517-551.
- Lopez-Morales, J.S. (2020). Internationalization: An Analysis of 26 Definitions. *Intersticios Sociales*, 19, 87-99.
- Melin, L. (1992). Internationalization as a strategy process. *Strategic Management Journal*, 13(2 S), 99-118.
- Montoya, J. (2015). Procter & Gamble. In *Foreign Policy*, 140, 15-16.
- Moro, B. (2008). The Theory of the Revenue Maximizing Firm. *Journal of Service Science and Management*, 01(02), 172-192.
- Nair, A., Trendowski, J., & Judge, W. (2008). The Theory of the Growth of the Firm, by Edith T. Penrose. Oxford: Blackwell, 1959. *Academy of Management Review*, 33(4), 1026-1028.
- Nieman, G., Hough, J., & Nieuwenhuizen, C. (2008). *Entrepreneurship: South African Perspective*. In Pretoria: Van Schaik Publishers.
- Pooja. (2019). Theories of Globalization – Explained! In Political Science Notes.
- Porter, M., & Millar, V. (2011). How information gives you competitive advantage. *Harvard Business Review*, 36(6), 152-171.
- Prahalad, C.K., & Hamel, G. (2009). The core competence of the corporation. In *Knowledge and Strategy* (Springer-Verlag), 41-60.
- Ratajczak-Mrozek, M. (2012). The network model of internationalisation. In *The development of business networks in the company internationalisation process*, 30-36.
- Ribau, C.P., Moreira, A.C., & Raposo, M. (2015). Internationalisation of the firm theories: A schematic synthesis. *International Journal of Business and Globalisation*, 15(4), 528-554.
- Rosenberg, J. (2005). Globalization theory: A post mortem. *International Politics*, 42(1), 2-74.
- Smith, M.B., & McClelland, D.C. (1964). The Achieving Society. *History and Theory*, 3(3), 371.
- Steger, M.B. (2007). Globalization and ideology. *The Blackwell companion to globalization*, 367.
- Wade, J.B., & Aldrich, H. (2002). Organizations Evolving. *Administrative Science Quarterly*, 47(2), 389.
- Williamson, O.E. (1975). Markets and Hierarchies: Analysis and Antitrust Implications: A Study in the Economics of Internal Organization.
- Williamson, O.E. (1991). Comparative Economic Organization: The Analysis of Discrete Structural Alternatives. *Administrative Science Quarterly*, 36(2), 269.
- Windsor, D. (2017). Value creation theory: Literature review and theory assessment. *Stakeholder Management*, 1, 75-100.
- Zarei, B., Nasserli, H., & Tajeddin, M. (2011). Best practice network business model for internationalization of small and medium enterprises. *Journal of International Entrepreneurship*, 9(4), 299-315.

Received: 16-Apr-2022, Manuscript No. JIBR-22-11772; **Editor assigned:** 18-Apr-2022, PreQC No. JIBR-22-11772(PQ); **Reviewed:** 02-May-2022, QC No. JIBR-22-11772; **Revised:** 16-May-2022, Manuscript No. JIBR-22-11772(R); **Published:** 23-May-2022