THE CONCEPT OF INTERNATIONALIZATION MANAGEMENT

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1. Introduction

This article is an attempt at defining the notion of internationalization management. A review of world literature on the subject has revealed inadequate related knowledge. The authors of the key theories revolving around internationalization tend to focus on the course of the process, at the same time belittling the importance of the knowledge, skills, mentality and decision-making on the part of management boards.

The conditions of managing companies in a globalized world force researchers into international business to look at corporate internationalization from the point of view of strategic management. This approach has determined this article's structure: the justification of the research issue has been presented as first, followed by a study of literature on the subject which defines internationalization. Subsequently, a preliminary attempt has been made to present the concept of internationalization management.

Key words: internationalization management, strategic management, internationalization, internationalization strategies, international business.
2. Justification of the research issue

The process of internationalization, intensified in the 21st century and defined as involvement in foreign activities, can be viewed from the point of view of the entire world, specific regions (e.g. economic groups) and countries (i.e. on a macro scale) or from the point of view of the participating companies (i.e. on a micro-economic scale). Literature on the subject also offers a mesoeconomic approach presenting and explaining the process of internationalization in the realm of industries and branches of the economy. The essence of internationalization as a phenomenon or a process has been therefore perceived on many levels and has remained an area researched by several disciplines of science. The most significant include economy, the science of management, sociology, psychology and cultural studies. A multidisciplinary approach to the process of internationalization involves the following research questions: Can internationalization be managed? How can internationalization management be defined? What elements of the process are part of activities related to internationalization management?

Studies of Polish and international literature on the subject have revealed a serious deficit in defining the issue, hence the need for developing a preliminary concept of internationalization management: an important element of strategic management as practiced by companies in the 21st century.

3. The notion of internationalization: a review of literature on the subject

In this article, internationalization is perceived primarily with respect to companies. It indicates any form of the mother company's operations related to international expansion. Internationalization is referred to as: a process i.e. going through subsequent (higher or lower) stages of internationalization; a state i.e. for example the stage of the process, the degree of internationalization; an attitude i.e. the management's orientation in the management process; a dimension i.e. internationalization of markets, products, marketing, resources (cf.:3, 2009, pp.15-16; 8, 2007, p.36; 20, 1988, pp. 34-57; 2, 1999, 34-57; 18, 2004, p.19). Internationalization as a process determines its long-term nature. This is because the transition to subsequent, more advanced stages forces companies (entrepreneurs, managers) to devise long-term strategies of international expansion and tie up increasingly more resources. The process of internationalization should also be viewed in the context of decreasing involvement in foreign markets which is referred to as de-internationalization. Unlike a process, the state or the current stage
of internationalization or the degree of a company's internationalization, presents a rather static perception of internationalization. The static approach consists in applying specific ratios which indicate the intensity of a company's internationalization (15, 2006, pp. 41-57; 21, 2008, pp. 28-30; 18, 2004, pp. 24-28). These ratios reflect characteristics like sales volume, assets, employment, investment, number of involved facilities or characteristics enjoyed abroad against the same categories at home; the number of countries of international activity; the time of the management's international operations and experiences as well as the cultural distance (21, 2008, pp. 28-29).

The attitude i.e. the management's orientation sets the company on the path towards internationalization. Internationalization of operations starts once when its opportunities are realized (3, 2009, p.15). Internationalization models used to study the phenomenon of accelerated internationalization ascribe significance to the nature of managerial features. A positive attitude to the process of internationalization which may stem from intricate features and the knowledge alike, leads to an acceleration of the process and determines a company's success in international markets (8, 2007, p. 3). The multidimensional approach to internationalization stems from the fact that a company may intensify internationalization not only by entering specific stages of the process but also by diversifying forms of market operations, providing products and services or employing foreign experts (2, 1999, pp. 123-125). This indicates that "on the level of a company we deal with internationalization when at least one product (service) in a company's product and market portfolio is related to a foreign market" (8, 2007, p.35). The multidimensional nature of internationalization is presented in Figure 1. The multidimensional nature also implicates a review of the bi-polarity of internationalization by dividing this idiosyncrasy into external internationalization (a company's expansion in various possible forms in foreign markets) and internal internationalization. The latter stems from more internationalized corporate operations in the domestic market by means of imports, purchase of licenses, capital and non-capital cooperation or networking (10, 1993, pp. 44-56; 19, 2003, p. 396; 2, 1999, p.132; 21, 2008, p.14). The notion of internal internationalization triggers off the notion of "passive internationalization" which (on top of the above listed activities) includes an aspect of internationalization perceived as devising a competition strategy for domestic companies in the face of an inflow of foreign capital (cf.: 7, 2005, pp.10-13; ; 1, 2008, pp.13-14).
Managing internationalization

Managing a company's internationalization is a part of the mother company's strategic management (10, 1993, pp. 73-78). From the point of view of a company's operations in foreign markets or building relations with foreign partners without entering foreign markets, internationalization management consists of the following stages: creating (also planning), organizing and stimulating, perfecting and controlling. It is an indispensable part of international business as it requires decision-making in a higher risk environment; among other things, it necessitates specific competence in the realm of management and operations (8, 2007, pp. 21-22). An analysis of the existing literature on strategic management in the context of globalization or in international businesses leads to a conclusion that for the time being, the issue of defining the notion of managing internationalization has not been
sufficiently considered. Hence an attempt to define in this article the notion and identify its stages.

Executive decisions made at all stages of internationalization management are based on the existing resources and knowledge (recognized lack of knowledge). It is the management's conscious decision targeted at challenges posed by internationalization in all its aspects (21, 2008, p. 39). The task involves identification of key barriers, motives, sources of competitive advantage and the general conditions in domestic and foreign markets. The effect is identification of areas, directions and strategies of internationalization based on their determinants and as a result of monitoring previously made decisions. At every stage of managing a company's internationalization by making strategic decisions in the realm of international business, multidirectional communication and building trust is of importance. Research suggests that regular, comprehensive and honest communication is key to the success of an internationalization project. The goal is to gain general approval and support for the project on the part of various echelons of the management, trade unions and employees. Unidirectional information campaigns launched by the management with the interested parties in mind do not suffice. Good communication opens up an opportunity for a dialogue of all groups affected by the changes. Management is key to devising the right communication strategy. It is important for all interested parties, especially the employees, to be provided with information directly by the managers rather than by means of other channels. Establishment of a communication council may prove helpful in the development and implementation of an effective communication strategy as well as sieving and processing information in compliance with the requirements of various stakeholders. An exchange of information and regular, two-way communication is an important element of building trust among the major stakeholders (employees, representatives of trade unions). They need to feel updated and involved since the very beginning if they are to effectively and skillfully introduce changes resulting from internationalization. A shared vision of internationalization based on mutual trust and the process' goals may be developed among various interested parties. This, in turn, will ensure support for all necessary strategic decisions (4, 2003). Figure 2 presents the stages of internationalization management.

At the creation stage: planning, organizing and stimulating the process of internationalization, identification and evaluation of the existing and anticipated market conditions seems to be a key executive task. This identification and evaluation takes place by collecting, processing and analysing information about the conditions in the domestic market as well as foreign markets. An information
analysis helps businesses to identify the strengths and weaknesses of the competitors and therefore make it easier to select target activities (17, 2000, pp. 215-219). In the domestic market, these conditions may include limited exports to a specific market (the embargo put by the US on Cuban exports) and restricted flow of capital and people.

Figure 2. Stages of corporate internationalization management

Source: author’s development.

On the other hand, the conditions in foreign markets will be affected by the following parameters: the size of the market (the population and the purchasing power), the political system and the resulting legal system limiting, for example, specific advertising activities (e.g. the Arab countries – a woman in advertising), religion, culture, the market's geographic proximity. These conditions may be conducive to foreign expansion of our goods/services or they may put up serious barriers to internationalization. For a company planning internationalization at an early stage of the process i.e. before stepping outside the domestic market, it is crucial to identify the attractiveness of the considered markets, the potential competitors and the way of adjusting to the local conditioning. This results from other barriers like tariffs, duties and import quotas as well as non-tariff barriers (23, 2004, pp. 34-35), differences in financial systems including the banking system, the
taxation system and the interest rate-related risk. Most frequently, the barriers to the process of internationalization are results of the host country’s protective economic policy. The goal is to protect the local market from foreign competition including protection of local products from replacement thereof with imported products and protection of the domestic labour market. The influence of foreign expansion on the country’s balance of payment is of equal importance (17, 2000, p.161).

The process is commenced (continued) for various reasons. When analyzing the aspect of internationalization from the point of view of sequential internationalization (the Uppsala Model), knowledge is an important decision-making factor (11, 1997, pp. 23-32). It is managers who look for ways of developing their companies in international markets and suggest solutions. They have at their disposal two types of market knowledge: objective knowledge and experience knowledge which results solely from an individual's singular experience. Experience knowledge is about changes to the delivered quality of human work. Accumulated experience knowledge implicates changes in individuals' behavior and may be separated from it. However, in general market experience amassed by managers is related to specific markets and circumstances. Therefore, market experience can be used only in the decision-making process (suggesting solutions) in these particular markets (14, 1966, p. 53). By resorting to the knowledge at hand, the management plans, organizes and stimulates activities as part of implementing (developing) corporate internationalization. Owing to the knowledge accumulated at the initial stage of internationalization management, a company's competitive position may improve and its market share may grow together with the need for development by expanding cooperation with foreign companies and by forging strategic alliances and networking (19, 2003, p. 396). On top of managers' knowledge and experience, the reason for expansion abroad may also be a unique opportunity or a coincidence like e.g. the expansion of PKN ORLEN in the German market. Such an intense market impulse accelerates the process of internationalization or implicates a quick growth of a dimension or a stage of internationalization. As part of planning, organizing and stimulating internationalization management, it is important to properly identify the sources of competitive advantage of a company planning international expansion. In this situation, it is imperative to evaluate if the company is capable of quickly manufacturing and delivering products and services to foreign markets better than the foreign competitors and adjusting the supply's size and structure to the demand's size and structure. The company also needs to evaluate its competitive position in the industry and the attributes of the country in question which as a system may offer conditions for building up competitive strength (9, 2001, p. 54; 13, 2003, pp. 201-203; 16, 1990, pp. 77-81).
At stage two of managing a company’s internationalization (the excellence stage), following decisions made at stage one, the strategy and form of internationalization ensues. The internationalisation and globalization strategies present the procedures applied by companies operating in an international environment when they establish and adapt their relations with this environment and the internal structure and processes emerge. (18, 2004, p. 74). By perceiving the decision in favor of internationalization as a strategic corporate decision, the management chooses between imports, exports, forms of cooperation (purchasing licenses, joint ventures, franchising) or foreign direct investment (FDI). At this stage de-internationalization may also be commenced. When choosing the foreign destination (destinations), managers need to decide about the legal status of the business, type of activity, status of the enterprise involved in operations abroad, the proprietary, marketing and coordination strategies. The accuracy of the decisions and the employed measures greatly and directly affect a company's market success. To a large extent, the decision to internationalize business activity implicates the adopted strategy and may boost operating profit (market share) as well as set off heavy losses, including the company's bankruptcy. At this stage of starting activities, it is crucial to establish and reinforce a business network, especially for small and medium-sized companies. Cooperation may take place in many areas: know-how, production, distribution, marketing or sales (6, 1992, pp.1-15).

Control or evaluation of the management decisions with respect to internationalization and the related market activity consists primarily in conducting in-depth analyses verifying the impact of internationalization on corporate activity including the market share, the employment rate, the production output, the number and quality of the products, financial effectiveness and competitive advantage in the local, domestic and global markets as well as the industry. The evaluation and conclusions drawn at this stage lead to going through stage one again and making decisions. This approach results in perceiving internationalization management as a process taking place in subsequently repeated stages.

5. Summary

The concept (model) of internationalization management, suggested in this article, indicates three stages of activity and the related areas of managerial decisions. The model takes into account numerous aspects of internationalization, presenting it as a process, a state, an attitude and a dimension. This concept fills in the gap in the science of management as part of international business, in the realm of defining the notion of internationalization management. It emphasizes the
importance of decision-making and multi-directional communication to effectively internationalize the company's operations. Bearing in mind the fact that the present concept is a preliminary one, it needs to be tested by means of empirical research against actual management decisions made in companies internationalizing their operations.

References


