Volume : 2 | Issue : 4 | April 2013 • ISSN No 2277 - 8160

Research Paper | Management

Speediness and Characterization of Firms in Internationalization

Ms. G. Jayanthi — Research Scholar, Karunya School of Management, Karunya University, Coimbatore 641 114

Dr. R. Amudha — Associate Professor, Karunya School of Management, Karunya University Coimbatore 641 114

ABSTRACT

A key factor in determining why firms go international is the type and quality of the Management. A dynamic management is important when firms take their first international steps. Over a long term, success of a firm in international markets depends on the commitment, attitudes, and perceptions of the management. International markets cannot be penetrated overnight and requires a vast amount of market development activity, market research and sensitivity towards the foreign market forces and hence the issue of managerial commitment is crucial. The speediness of Internationalization is dependent on the firm's characteristics and is enfolded and supported by the Uppsala theory which talks about the slow or medium speed while entering into international markets. This paper tries to find out the speediness of Internationalization by the selected 143 pump and motor manufacturing Industries of Coimbatore District. The findings of the study explains about the benefits of slow and medium pace in the Internationalization process especially from the perspective of the selected SMEs.

KEYWORDS: Uppsala model, Internationalization, characterization, speediness

I. Introduction

Most firms begin their operations in the domestic market and over a period of time, some of them expand into international markets. In looking at the Internationalization process, one finds that initially they are not interested in international markets, as they focus more in expanding and stabilizing their business locally after which, they become partially interested in exporting. In the next stage, the firm gradually begins to explore the suitable Internatioanl markets for exporting or for a strategic alliance and ultimately to set up their own operations abroad. After the exploratory stage, the firm becomes an experimental exporter usually to psychologically analyse the fitness of countries to operate, however, management is still far from being committed to International marketing activities. At the next stage, the firm evaluates the impact of exporting on its general business activities. More often the firm continues to be a small exporter in initial stages. The final stage is that the firm becomes an experienced exporter. It has also been found that in most cases, managers of global business show a high level of formal education, communication and experience, than do managers of domestic firms.

Slow and gradual acquisition of knowledge will reduce the risk and uncertainty in the business. Some of the SMEs in Coimbatore are very old companies evolved during 1955 and have explored into global markets after a span of more than 15 years. The experience gained in the local or domestic markets made them enter into Global business. The selected sample of 143 companies have the rich experience of gaining market specific knowledge, Foreign Business Knowledge, Foreign Institutional knowledge and experiential knowledge in operating in foreign markets gradually. A strong ethnocentricity made the technocrats of Coimbatore to go into cross border activities. Hence the degree of Internationalization of these firms are based on the decision of the speed of Internationalization whether it is slow or medium and the factors that increase the speediness in the process.

II. Review of Literature

The Uppsala model, is the classic internationalization process theory proposed by Johanson and Vahle uin 1997, is one of the most influential article, more on the individual influence, the manager impact etc. For instance, firms can obtain necessary international knowledge by manager's previous experience. Several factors that may facilitate internationalization are: manager's experience, the innovation and technological capability, the capability to absorb knowledge, and the entrepreneurial orientation. More specifically, both processes are distinguished from each other according to: 1) the time required to start international activities (Reuber and Fisher, 1997; McNaughton, 2000), which we refer to as "internationalization age" and 2) the rate at which internationalization occurs, namely the "speed of internationalization" (Coviello and Munro, 1997; Jones 1999). Speed is a time-based measure. It is indicative of how much time has passed in order to achieve a specified level of internationalization (Jones and Coviello, 2005).

By including a time-based dimension into our study on internationalization, we extend previous work that has suggested to incorporate the role and influence of time in internationalization research (Andersen, 1993, 1997; Zahra et al., 2000; Coviello and Jones,2004; Jones and Coviello,2005). The way traditional internationalizers and born globals approach internationalization is different, because the manner in which they establish, continue, and consolidate their foreign presence varies. These differences in terms of age and speed of internationalization emphasize new ways of anchoring and substantiating their competitive advantage on the international scene, which is likely to entail performance differentials. While previous research has provided explanations on the timing of foreign market entry; none has given yet sufficient explanations to the resulting performance implications (Zahra, 2005; Sapienza, Autio, et al, 2006). Therefore, it is vital that research bridges this gap by focusing on the link between the type of internationalization process and performance through the lens of age and speed of internationalization.

III. Objectives of the study

1. To know the speediness of Internationalization in the selected sample.
2. To find the benefits of slow and medium speed of Internationalization in the light of Uppsala Internationalization Theory.

Research Methodology

The empirics are based on in depth interviews and mail survey with the individuals with past and present experience within the small and medium sized firms. The interviews are intended to develop a deeper understanding of what influences SME's internationalization decisions and how the theoretical framework is applied in the industry. 143 Exporting firms are chosen as sample for the study from both Pump and Motor manufacturers of Coimbatore.

Major Variables in Incremental Internationalization :

The speediness taken by the firm in Internationalizing : 104 companies have taken the medium speed of Internationalization. Rapid Internationalization refers to firms taken lesser time for entering

the International market, but they have quickly started its process to involve in the international markets.

Table. 1 Speed of Internationalisation in number of years

S. No	Speed of INTLN in years	Frequency	Percent
1	Below 5	32	22.4
2	6-10	40	28.0
3	11-20	33	23.1
4	Above 20	38	26.6
	Total	143	100.0

From the above table no.1, the speediness in Internationalization which took place in the selected firms are shown in number of years. 38 companies have taken nearly 20 years to enter international markets. 40 companies have taken 6-10 years for Internationalizing their firms. This shows the firms incremental process in stepping into international markets. SMEs are sensitive to risks and uncertainties when they stretch abroad. Hence careful and incremental steps are taken to avoid or l reduce the risks.

Table 2 - Level of Speediness in Internationalization

	Level of speed in Internationalization	Frequency	Percent
1	Slow	25	21.0
2	Medium	104	55.2
3	Rapid high	6	23.8
	Total	143	100.0

From the above table 2, it is clear that the speediness taken by the firm in Internationalizing are shown as, 104 companies have taken the medium speed of Internationalization. Rapid Internationalization refers to firms taken lesser time for involving in International market, but they have quickly started to engage in the international activities.

Characterization of the Company:
The nature of exporters in terms of the intensity in exporting has been given below;

Table. 3 Characterization of Exporting firms

Characterization of the Company		Frequency	Percent
1	Occasional exporters	30	21.0
2	quite regular exporters	79	55.2
3	Highly regular and continuous exporters	34	23.8
	Total	143	100.0

In the above table no. 3, out of 143 companies, 79 companies are quite regular exporters and 23.8% of the respondents are highly regular and continuous exporters. .

VI. Analysis and Results
6.1 Correlation of Speediness and Characterization of Firm :
To test the hypotheses of finding statistical relationship between Speediness Of Internationalization and Characterization of Firms, a correlation analysis is used and the results are given below;

H1 : There is no significant relationship between Speediness Of Internationalization and Characterization of Firm
Table. 4 - Correlation of Speediness and Characterization of Firm

	Speed of Internationalization	Characterization of company
Pearson Correlation	1	.422(**)
Sig. (2-tailed)		.000
N	143	143
Pearson Correlation	.422(**)	1
Sig. (2-tailed)	.000	
N	143	143

[** Correlation is significant at the 0.01 level (2-tailed)]

From the above table 4, the correlation coefficient between Speediness Of Internationalization and Characterization of Firm is 0.422 which is nearer to 42 percent which shows a positive relationship within these two variables and it is significant at 1 % since the p value is 0.00. Hence concluded that there is significant relationship between speediness and Characterization of Firms.

Association between the variables:
To study the association between the variables, a chi-square analysis was applied and the results are given below based on the hypothesis constructed;

H2 : There is no significant relationship between Firm's character of exporting and speediness of Internationalization

Table 5
Cross tabulation of Firm's character of exporting vs speediness of Internationalization

Firm's character of exporting	speediness of Internationalization				Total	df	Chi square	P value
	0	slow	medium	rapid high	0			
occasional	6	14	4	6	30			
	(20.0%)	(46.7%)	(13.3%)	(20.0%)	100.0%			
	[75.0%]	[56.0%]	[3.8%]	[100.0%]	21.0%			
quite regular	2	9	68	0	79			
	(2.5%)	(11.4%)	(86.1%)	(.0%)	100.0%	6	74.490	0.000**
	[25.0%]	[36.0%]	[65.4%]	[.0%]	55.2%			
highly regular and continous	0	2	32	0	34			
	(.0%)	(5.9%)	(94.1%)	(.0%)	100.0%			
	[.0%]	[8.0%]	[30.8%]	.0%	23.8%			
Total	8	25	104	6	143			
	(5.6%)	(17.5%)	(72.7%)	(4.2%)	100.0%			
	[100.0%]	[100.0%]	[100.0%]	[100.0%]	100.0%			

[Note: 1. The value within ( ) refers to Row Percentage ; 2. The value within [ ] refers to Column Percentage]
Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence concluded that there is association of Firm's character of exporting and speediness of Internationalization. Based on the row and column percentage, the occasional exporters show a minimum percentage of 21 and medium speed of Internationalization was carried out by 72.7% of firms.

Managerial Implications and Conclusions
Even though the degree of resource commitment during the initial stages of internationalization and the speed was reasonably high the firms still think that it was a step by step, risk averse, slow and cautious process. An explanation to this conflict could be that firms took a very short period of time to move from one step to the next level and it does not necessarily mean that these steps were the same as the one suggested in the Uppsala model.

Another explanation could be that firms eliminated risks by gathering information and knowledge through networks or from other sources. Most of these SMEs recognize the importance of network relationships and apply it accordingly in their firms.

So, the Internationalization process lies in the knowledge acquisition of the Owner / Founders of the enterprise. Slow and gradual acquisition of knowledge will reduce the risk and uncertainty in the business. Some of the SMEs in Coimbatore are very old companies evolved during 1955 and have gone into global markets after a span of more than 15 years. The experience gained in the

local or domestic markets made them to enter into the Global scenario. The selected sample of 143 companies have the rich experience of gaining market specific knowledge, Foreign Business Knowledge, Foreign Institutional knowledge and experiential knowledge on operating in foreign markets. A strong ethnocentricity made the technocrats of Coimbatore to explore the cross border activities. Hence the degree of Internationalization of these firms are based on the decision of the Entrepreneur; the Motives of Internationalization, the pro activeness of the management in terms of the primary variables such as the Character and speediness of the firms in the process of operating in the international markets.

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