



Early Internationalizers Vs Late Internationalizers A Study on Differences Among the Firms (Empirical Evidence from the Pump and Motor Manufacturers of Coimbatore)

KEYWORDS

Internationalization, early starters, Late starters

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ABSTRACT *The main stimuli in Internationalization process is why and how do firms go international.*

This paper tries to identify the differences among the exporting firms and the advantages of the differences among them. Certain firms internationalize quickly and some of them are late in their foreign market entry. The time taken by the firms in internationalizing will benefit them in knowing about the market, competitors and the environment. The article attempts to identify the differences among the firms in internationalizing through the empirical evidence from 143 Pump and motor manufacturers of Coimbatore. The main aim of the study is to find out the important drivers of early internationalizing and late internationalizing.

I Introduction

A firm that generates sales from foreign markets in its early life is more likely to reiterate the successful internationalization experience once another international opportunity is identified. It will perceive fewer risks in a subsequent internationalization, since it successfully internationalized the first time, and therefore will be more entrepreneurial in pursuing further international opportunities.

II. Objectives of the Study

The study is focused on to

1. find out the variables affecting the differences among the exporting firms(early internationalizers and late internationalizers)
2. to emphasize the importance of network in internationalization.
- 3.

III Research Methodology

The sampling frame chosen for the study is Pump and motor manufacturers who have internationalized their firms were.. Out of 272 exporting firms, 143 firms were chosen based on the simple random sampling. A structured questionnaire was used to collect the data. Mail surveys and in depth interviews were conducted to collect the data. The study was conducted during Feb- June 2012

IV Review of Literature

The International New Venture perspective implies that early internationalization has an imprinting effect on the firm, that will have a long-standing impact on the organization's capability to grow internationally (Autio 2005). Thus, the pursuit of international growth opportunities in the early stages of the firm will have a formative influence on its future behavior. In contrast Sylvie Chetty, Disiree Blankenburg Holm (2000), studied that, the early starter of Internationalization has little knowledge of foreign markets and has a little opportunity to acquire this knowledge from its relationship in the domestic market. To acquire this knowledge the firm uses Agents to enter into foreign markets. By using an agent in the foreign market, the Early starter firm can reduce cost and uncertainty as it benefits from the agent's previous knowledge and investments in that markets. These firms might be encouraged to internationalize or customers in the foreign markets.

V Limitations of the study

The responses received for all the four types of firms, however the study explains only the early starters and

late starters. Further the analysis could be researched for other types of firms also.

VI Network approaches to internationalization

The journey of internationalization studies will start from the Uppsala model (Johanson & Vahlne, 1977), which implies incremental learning and increase in international presence. In the 1980s, research confirmed that a majority of firms made use of different networks in order to smoothen the progress of internationalization activities, hence giving rise to the network model Johanson and Mattson (1988) argued that companies are dependent on resources that other firms control, and a network they can get the right of entry to these resources. A focus on learning gradually as well as acquiring knowledge of the market through interaction within networks is the base in Johanson and Mattson's model (1988). In order to get shared benefits, companies have joint interest to create and maintain relationships within the networks (Johanson & Mattson, 1988; Johanson & Vahlne, 2003). The view of internationalization in the model by Johanson and Mattson (1988) focus where firms develop new foreign network relationships in the internationalization process.

VII Differences among Exporting firms

Four situations of internationalization were recognized, the early starter, the late starter, the lonely international and the international among others. This can be compared to Johanson & Vahlne (1990), who developed the Uppsala model from a network perspective, describing internationalization as a continuous process, where companies are seen as embedded in a network of actors. The network could then influence the internationalization of the focal firm. Johanson and Vahlne (2003) emphasized that a focus on network and network relationships is often taken within this research.

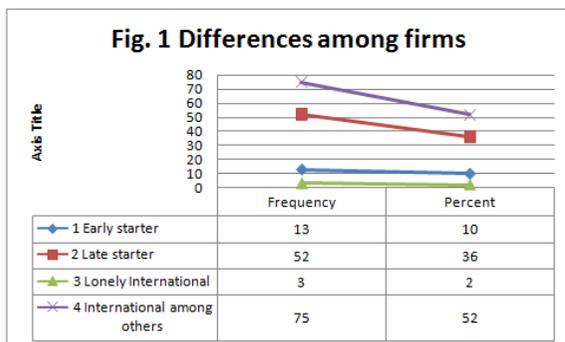
7.1 Early Internationalizers

A firm that generates sales from foreign markets in its early life is more likely to reiterate the successful internationalization experience once another international opportunity is identified. It will perceive fewer risks in a subsequent internationalization, since it successfully internationalized the first time, and therefore will be more entrepreneurial in pursuing further international opportunities.

Table 1. Differences in exporting firms

| | Differences in firms for exporting | Frequency | Percent |
|---|---|-----------|---------|
| 1 | Early starter(internationalizing between 0-5 years) | 13 | 10 |
| 2 | Late starter (taking more than 10 years of starting) | 52 | 36 |
| 3 | Lonely International (having the capability to internationalize before their competitors) | 3 | 2 |
| 4 | International among others(highly internationalized environment) | 75 | 52 |
| | Total | 143 | 100.0 |

From the above table, it is clear that the firms going internationalized is based on four classification. Early starters are 13 firms with a medium speed of internationalization. 75 firms are internationalized among other firms, gaining knowledge about the market, Country, competitors, Institution etc., 3 firms are lonely international and 52 firms belongs to the category of late starters.



From the empirical evidence, there are 13 firms gone for early internationalizing. International experience is the important mechanism for early internationalizers where as late internationalizers. Experiential learning is the main drive / motive for internationalization for these firms. Previous international experience and proactiveness of the entrepreneur takes the firm go international. Joint Venturing with foreign firms, Born globals are the examples of early internationalizers. Acquiring international knowledge, market expansion, profit seeking are the main outcomes of early internationalizing. Early Starter's lack of international exposure would be reflected by a low level of internationalization knowledge, which in turn is expected to translate into low levels of foreign business and foreign institutional knowledge

7.2 Late Internationalizers

Many studies prove that the late internationalizers gain market knowledge through the percentage of firm's management members who hold professional and international experience, no. of directors with foreign experience, average number of years of international work experience and the firm's international experience.

Like the Early Starter, the Late Starter has a low degree of internationalisation, but is positioned in a highly internationalized market. Consequently, the Late Starter is characterised by a low level of commitment and activity in international markets, low levels of international experience and few direct international relationships (Johanson and Mattsson, 1995). However, it is argued that the Late Starter will enjoy a knowledge advantage relative to the Early Starter. Especially for small firms, decisions related to committing resources to the internationalization process are generally made on the basis of the collective experience of the firm's business network. These communication networks are important in the gathering of knowledge from the markets and are often shared through a strong interpersonal network. Late starters will have the advantage of residing in the home

market for longer time, ensures the acquisition of market knowledge, foreign business knowledge and internationalization knowledge comparing to early starters.

Table. 2 International Experience in years

| S.No | International Experience in years | Frequency | Percent |
|------|-----------------------------------|-----------|---------|
| 1 | Below 10 | 37 | 25.9 |
| 2 | 10-20 | 81 | 56.6 |
| 3 | Above 20 | 25 | 17.5 |
| | Total | 143 | 100.0 |

From the above table, the respondent's international experience of doing business / exports are clearly shown. 56.6 % of the respondents are having above 20 years of international experience. 25.9 % of respondents have an international experience of 10-20 years.

Table.3 No. of countries exported by firms

| | No. of countries exported by firms | Frequency | Percent |
|---|------------------------------------|-----------|---------|
| 1 | Below 2 | 0 | 0 |
| 2 | 2-5 | 13 | 9.1 |
| 3 | 5-10 | 75 | 52.4 |
| 4 | Above 10 | 55 | 38.5 |
| | Total | 143 | 100.0 |

No. of countries exported :From the above table no.2, the number of countries exported by the firms are visualized. 130 companies are exporting to more than 5- 10 countries. 13 firms are having 2-5 foreign customers.

Table 4 No. of years of Experience in International Markets by the respondent

| | Experience in International markets by the respondent | Frequency | Percent |
|---|---|-----------|---------|
| 1 | Below 10 years | 37 | 25.9 |
| 2 | 10-20 | 81 | 56.6 |
| 3 | Above 20 | 25 | 17.5 |
| k | Total | 143 | 100.0 |

from the above table 4 , it is clear that, 81 (56.6%) respondents are having 10-20 years of experience in the International markets. The experiential knowledge gained by the owner / managers through previous experience help the firm in stepping in to international markets.

The role played by the Entrepreneur or Management is crucial in the rapidness of internationalizing. Several factors influence in taking decisions for entering foreign markets.

Table.5 Management's Role in Internationalization Process

| Factors | No one | | One of company | | Many | |
|--|--------|-------|----------------|-------|-------|-------|
| | Count | % | Count | % | Count | % |
| has lived abroad | 13 | 9.09 | 106 | 74.13 | 24 | 16.78 |
| has studied abroad | 64 | 44.76 | 69 | 48.25 | 10 | 6.99 |
| has worked in another company in international assignments | 120 | 83.92 | 19 | 13.29 | 4 | 2.80 |
| has worked in a foreign company having lot of international experience | 121 | 84.62 | 11 | 7.69 | 11 | 7.69 |
| travel abroad once or twice a year | 19 | 13.29 | 49 | 34.27 | 75 | 52.45 |
| managed a company in abroad for current company | 128 | 89.51 | 9 | 6.29 | 6 | 4.20 |

| | | | | | | |
|----------------------------|-----|-------|----|-------|-----|-------|
| firm has foreign directors | 118 | 82.52 | 25 | 17.48 | | |
| other experiences | 21 | 14.69 | 4 | 2.80 | 118 | 82.52 |

From the above table no5., it is observed that, 106 companies answered at least one of the person had lived abroad and 69 answered one of them had studied in foreign country and 75 answered that they travel abroad at least once or twice a year. Thus it shows that the management does not have much international exposure enabling to operate in foreign countries. On the other hand, one can assume that only one or a few need to have international experience in a company before entering international business.

The drivers helps the firm in internationalizing viz.,

| Early starter | Late starter |
|---|---|
| High degree of Internationalization | Low degree of Internationalization |
| Depends on Entrepreneur's previous international experience, proactiveness, experiential knowledge are the main mechanisms. | Percentage of management team worked abroad, having foreign directors, employees with international experience etc. |
| High risk involved | Risk and uncertainty are limited. |
| Increased Market commitment | |
| Operating with previous international experience and the speediness is medium to high. | Experience gained through local markets and slow and incremental process |
| One of the way in gaining international experience | The longevity in operating domestic market will affect the firm in gaining international knowledge. |

VIII. Findings

- Late starters have the advantage over the early starters since the degree of acquiring experiential knowledge is more and the degree of internationalization seems better.
- The early starters gain international experience through entering into foreign market and the international experience is the mechanism of internationalization since the firm tries to pave a way for gaining foreign market knowledge.
- 56% of the respondents have atleast 10-20 years of international market experience. This is the reason why SMEs from Coimbatore have gone international among others. International among others show a high degree of Internationalization.

- 52% of the firms have exported to 5-10 countries. It is adequate that firms have to gain country knowledge, institutional knowledge for their international operations.
- Thus the empirical evidence supports that at least one of the management person should hold previous international experience to operate in other countries for the late starters.

Managers need to realise that establishing and maintaining relationships in business networks should be an important part of their international strategy. The cooperative relationships a firm has with its customers, suppliers, competitors or other business partners have important implications for foreign market entry (Blankenburg Holm et al, 1996). Through trust and commitment they create interdependencies amongst members within the business network. Firms can obtain knowledge, learn from the experiences and share resources with other actors in their business networks.

The main managerial task should be to coordinate the interaction of the various actors in the business network. The firm's network position is important as this is a market asset that allows a firm access to other firm's internal assets. Managers need to realise that their firm and the environment are not separate entities but that by interacting with other firms they are shaping their environment (Forsgren and Johanson, 1992).

IX. Conclusion

Time in firm internationalization has four dimensions. It might refer to the early start of international activities, the speed of international growth or its pace of market expansion. The variables determine an early internationalization is brought through the study. A frame work of 143 SMEs the drivers of early internationalization is the role of the previous experience of the entrepreneur and especially of their international experience found to be of significant. The variables found to be proving for the late internationalizers are the management's role in international experience, no. of countries exported and the experience in international markets. So when we tried to identify the differences among the firms in exporting, the early exporters will get the advantage of exploiting the foreign market and gain experience. The entrepreneur should try to spot the ways to work around the constraints on profitability - or even the firm can try to reshape the forces according to its favour.

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