

# Chapter 4: Enriched Uppsala model

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**Chapter 1:**  
Introduction to the study

**Chapter 2:**  
Literature review -  
Services and  
internationalization

**Chapter 3:**  
Classification of services  
offered internationally

**Chapter 4:  
Enriched Uppsala model**

**Aims:**

- Introduction Uppsala model as core model of theoretical framework
- Enrichment core logic of Uppsala with insights and concepts of resource-based view, organizational learning and industrial network theory

**Chapter 5:**  
Methodology

**Chapter 6:**  
Nine internationalization processes

**Chapter 7:**  
Progression in internationalization processes

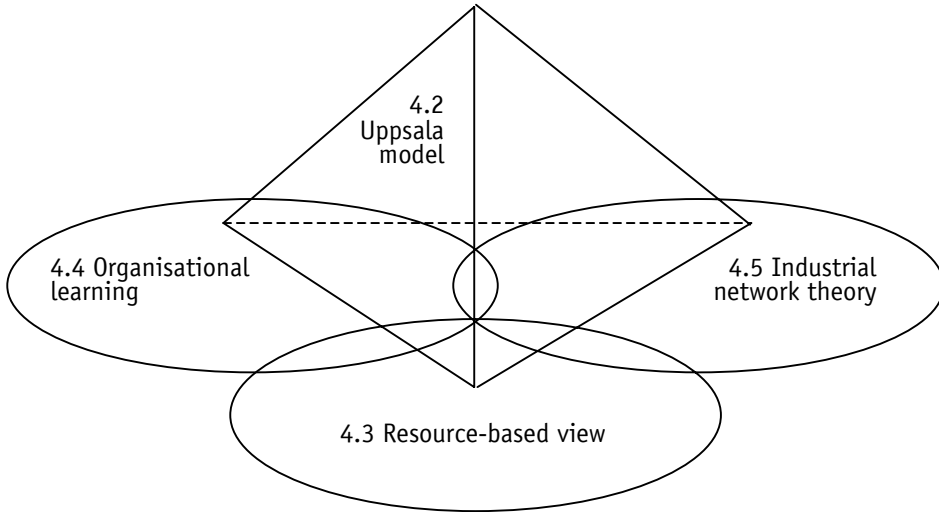
**Chapter 8:**  
Conclusion of the study

## **4.1 Search for a process internationalization theory**

The literature review of studies on service internationalization showed a need for a thorough conceptual model to conduct further research on service internationalization. From the wide variety of internationalization theories, the Uppsala internationalization process model put forward by Johanson and Vahlne (1977; 1990) is chosen as starting-point. The first and main reason for selecting this framework is its *explicit process perspective* that is required by the research aim of understanding service internationalization processes. Second, in the range of internationalization process theories, the Uppsala internationalization model is the dominant model (Andersen, 1997; Petersen and Pedersen, 1997; Fillis, 2001). Despite the fact that the model has been critiqued quite severely on a variety of issues as is discussed below, the Uppsala model still stands today (e.g. the special session at the 28th European International Business Academy 2002 and recent publications such as Forsgren, 2002; Pedersen et al., 2002; Blomstermo and Sharma, 2003).

Nevertheless, endorsing recent contributions, further development of the Uppsala model is required. Hence, in this chapter, the Uppsala model is introduced as the basis of a theoretical platform to study service internationalization. In a response to the critiques and to add to the refinement of the model, three distinct research fields are introduced. More particularly, it is argued that the Uppsala model can benefit from an explicit inclusion of perspectives from the resource-based view, organizational learning and the industrial network perspective. Figure 4-1 depicts the combination of the four research fields that jointly provide the basis for our service internationalization research.

**Figure 4-1: Theoretical platform based on four research fields**



The structure of this chapter is as follows. From section 4.2 to 4.5 the four perspectives are briefly discussed with respect to their origin, rationale, and criticisms voiced. Each section concludes with an indication of openings for improvements on the current insights in general, and in the context of service internationalization in particular. Next, in section 4.6 the compatibility of the three enriching fields is discussed. Section 4.7 converges the expected contributions of the additional fields. Section 4.8 concludes with a brief summary.

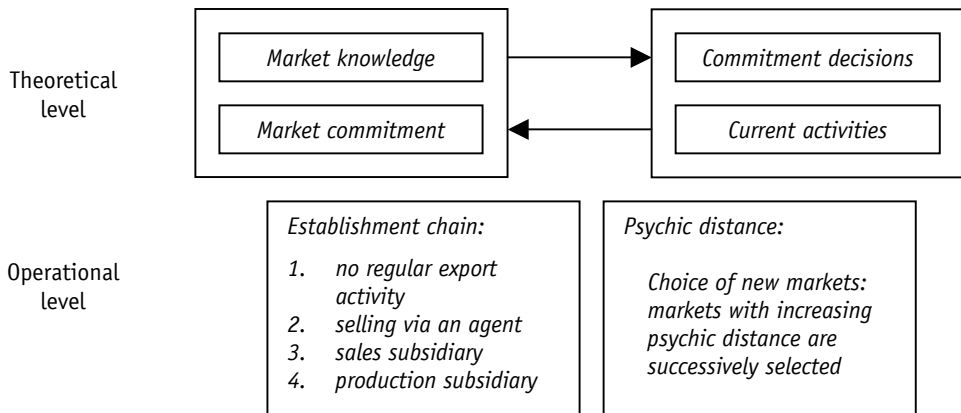
## 4.2 The Uppsala internationalization model

In this section, the Uppsala internationalization model is introduced as core logic of our theoretical platform.

### 4.2.1 Origin and rationale of the Uppsala model

In 1977, Johanson and Vahlne introduced a *process model of internationalization* based on the empirical observations gathered in studies on internationalization issues (e.g. Vahlne and Wiedersheim-Paul, 1973; Johanson and Wiedersheim-Paul, 1975) that were the result of Sune Carlson’s initiative to launch an international business research programme at the University of Uppsala in the early sixties (Johanson and Vahlne, 2003). The authors approached these empirical observations with the main aim of developing a theoretical explanation for market seeking foreign expansions on the basis of arguments developed in the behavioral theory of the firm (Cyert and March, 1963; Aharoni, 1966; Carlson, 1966), in the theory of the growth of the firm (Penrose, 1959) and in the incremental decision-making process described by Carlson (1966). Figure 4-2 depicts Johanson and Vahlne’s (1977; 1990) internationalization process model.

**Figure 4-2: The theoretical and operational level of the Uppsala model**



Source: Andersen (1993: 222)

Focusing first on the theoretical level of the Uppsala process model, presented in the upper part of Figure 4-2, the main reasoning is that the internationalization of a profit-maximizing but risk-averse firm is a process in which the organization gradually increases its international involvement in its search for new markets. The increasing involvement is the result of a step by step process due to the interaction between increasing market knowledge and market commitment. In particular, an interplay is posited between state and change aspects. The state aspects refer to certain degrees of market knowledge and market commitment that the firm has at different levels in the internationalization process. The change aspects refer to an ongoing process of current business activities and current commitment decisions. The state aspects are assumed to affect the change aspects and vice versa.

The underlying logic is that the firm starts with a certain level of knowledge about the foreign market and with a certain amount and degree of resources committed to that market. This state influences the changes that the firm will make concerning its current commitment to the market and consequently to its current activities. Then, these alterations in the change aspects will cause the state aspects to alter. As such, the process consists of causal, path-dependent cycles. The main driver of this process is the firm's stock of knowledge – and primarily its experiential knowledge of foreign markets – that affects how much and which type of resources to commit to foreign markets. Experiential knowledge is mainly acquired from current business activities because, by performing activities in the foreign market, the firm can gain personal experience. This experiential knowledge provides the firm with a framework for perceiving and exploiting opportunities.

Presented in the lower part of Figure 4-2, the operational level of the model – which was the basis for the theoretical level – concerns the concepts 'psychic

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distance' and 'establishment chain' that are discussed as indicators of an increased commitment due to the development of knowledge. The concept psychic distance relates to the expansion *over countries* as it predicts that firms first enter markets that are culturally and geographically proximate to the home market and gradually expand into countries characterized by successively greater cultural and geographic distance. Hence, due to knowledge and experience deficits, firms tend to go first to markets that they can most easily understand. The concept establishment chain relates to the development *within a market* as it refers to the assumption that firms initially employ entry modes with low resource commitments and then step up to modes requiring greater commitment and risks. The inexperienced firm is assumed to be uncertain, unwilling and unable to commit too many scarce resources. As experience with foreign operations grows, uncertainty is reduced which results in more commitment. Consequently, the firm is expected to go through the following four stages that illustrate the changing preference for modes that require more resources as knowledge increases and uncertainty reduces: (1) no regular export-activity, (2) selling through an agent, (3) a sales subsidiary and eventually (4) a production subsidiary.

In 1990, Johanson and Vahlne introduced two clarifications to the original model. In particular, the industrial network perspective is added next to the concepts advantage package and advantage cycle that relate to an organizational capability and organizational learning perspective. By including arguments from the industrial network perspective in the explanation of firm internationalization, Johanson and Vahlne (1990) stress the impact of the external environment on the internationalization process. In particular, by discussing the industrial network perspective, a second explanatory variable of the Uppsala model is explicitly put forward. It is argued that the internationalization process is not only driven by experiential market knowledge but also by "[...]relationships to

other bodies on the foreign market. This is now made explicit in the present article.” Johanson and Vahlne (1990: 17). Furthermore, they state that: “An extension of the internationalization process model to take into account the network aspect should consequently make the concepts ‘commitment, knowledge, current activities and commitment decisions’ as multilateral rather than unilateral as in the original model. That is, the process is also inter-organizational and not just intra-organizational.” (Johanson and Vahlne, 1990: 19).

With the explicit inclusion of the concept advantage package Johanson and Vahlne (1990: 21) refer to the: “[...] aggregated amount of strengths and weaknesses of a company, evaluated to a particular set of circumstances” that affects the internationalization process. With the inclusion of the concept advantage cycle it is assumed that this package will change over time both in size and composition. Andersen (1997) and Andersen and Kheam (1998) suggest that by the inclusion of these two concepts Johanson and Vahlne explicitly anchor the Uppsala model in a resource-based view of the firm. Moreover, this rephrasing could also be interpreted from an organizational learning view since it is explicitly argued that the advantage package changes over time (e.g. Andersson et al., 1997).

Awkwardly, recent studies that include the Uppsala model as part of the theoretical foundation rarely refer to these two clarifications. However, we believe that important opportunities are missed in the sense that studies based on the Uppsala model would have been richer if the network, resource-based and organizational learning concepts had been explicitly incorporated as argued below.

To conclude the brief introduction in the general logic of the Uppsala internationalization model, its basic assumptions and preconditions (Johanson

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and Vahlne, 1977; 1990; 2003; Andersen, 1993; 1997; Petersen and Pedersen, 1997; Björkman and Forsgren, 2000; Forsgren, 2002; Eriksson et al., 1997; 2000) are summarized as follows. To start with the assumptions:

- Being anchored in a behavioral paradigm, the Uppsala model views the firm as a learning organization characterized by bounded rationality, risk adversity, and limited knowledge. In other words, it is assumed that doing business abroad implies a high degree of uncertainty as organizations have incomplete knowledge about foreign markets and possible alternatives. Related to this central postulate, further assumptions are:
  - As organizations are considered to be risk averse, resources are committed only gradually to foreign markets in an attempt to keep risk-taking at a low level;
  - Overcoming the lack of knowledge is crucial to reduce uncertainty and hence to internationalize;
  - Performing own activities in a foreign market – gaining experiential knowledge – is considered the main way of obtaining the required knowledge;
  - Experiential knowledge is highly dependent on individuals and therefore difficult to transfer to other individuals and contexts;
  - Individuals working in the market identify opportunities and respond to them.
- The central learning idea in the model implies that, the internationalization process is conceptualized as a path-dependent and incremental process in the sense that the pattern of internationalization behavior is contingent upon past international experience and evolves smoothly and gradually. To put it differently, the internationalization process is the result of cycles of events where the outcome of one cycle is the input of the next cycle.



The Uppsala model tends to hold in situations characterized by the following preconditions:

- The model aims at explaining firm internationalization that is motivated by a market seeking reason, internationalization driven by other motives such as resource, efficiency or technology seeking remain out of focus;
- Generally, the model is understood to explain the early internationalization of small- and medium sized organizations in volatile markets as Johanson and Vahlne (1990) note three exceptions to the general rule that additional commitment comes in small incremental steps:
  - Firms with large resources can afford to make larger internationalization steps, as the consequences of allocating commitments are smaller.
  - When firms have considerable experience from markets with similar conditions, they can generalize this experience to specific markets more easily accelerating the internationalization process.
  - In stable and homogeneous markets, relevant market knowledge can be gained in other ways than through own experience, again accelerating the internationalization.

#### **4.2.2 Criticisms on the Uppsala model**

Due to its intuitive appeal, still today many researchers use the Uppsala model as a theoretical foundation in their studies (e.g. Yip et al., 2000; Andersson, 2000; Clark and Pugh, 2001; Kwon and Hu, 2001; Pedersen et al. 2002; Blomstermo and Choi, 2003). However, over the years, the Uppsala internationalization model has been extensively used and tested with indecisive conclusions as a result. Some scholars find arguments for the model (e.g. Erramilli, 1991; Calof and Beamish, 1995; Barkema et al., 1996; Chetty and Eriksson, 2002). Others find arguments against, and hence come to the conclusion that the model does not

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adequately reflect the underlying drivers of the internationalization (e.g. Millington and Bayliss, 1990; Bell, 1995; Oviatt and McDougall, 1997; Havnes and Andersen, 2001). The variety in results inspired the discussion of the strengths and weaknesses of the Uppsala model. Generally, three main critiques are put forward:

- First, with respect to its external validity, it is widely questioned whether the model built on the basis of the early internationalization in the 1970s of four large manufacturing Swedish companies still has explanatory value today in different research contexts (e.g. Moen and Servais, 2002; Rosenzweig and Shaner, 2001; Petersen and Pedersen, 1997; Oviatt and McDougall, 1997; Calof and Beamish, 1995; Sullivan and Bauerschmidt, 1990).
- Secondly, a very important weakness of the operational part of the Uppsala model is its depiction of internationalization as a deterministic and irreversible process outlined in the incremental learning indicators establishment chain and psychic distance. Due to these two indicators, progression in the internationalization process is supposed to occur according to a pre-defined trajectory (e.g. Welch and Luostarinen, 1988; Melin, 1992; Andersen, 1993; 1997; Liesch et al., 2002).
- Thirdly, more conceptual criticisms concern the poor theoretical power of the model due to a limited number of explicit explanatory variables that are poorly defined – for instance why is ‘relations to other bodies’ a second variable next to ‘experiential market knowledge’ instead of a mere extension of the latter ? Additionally, critics note that the model suffers from a tautological explanation behind the learning process – more commitment leads to more knowledge and more knowledge leads to more commitment, but what comes first ?, hence where does the cycle actually begin ?, and when does increasing involvement shows ? (e.g. Andersen,

1993; 1997; Calof and Beamish, 1995; Björkman and Forsgren, 2000; Blomstermo and Sharma, 2003).

### **4.2.3 Openings for further developments on the Uppsala model**

Despite the critiques formulated on the Uppsala model, we endorse scholars such as Hadjikhani (1997), Petersen and Pedersen (1997), Madsen and Servais (1997), Pauwels and Matthyssens (2001), Lamb and Liesch (2002), Liesch et al. (2002) and Forsgren (2002) that the Uppsala model still is a valuable perspective to study how internationalization processes in firms occur. In the next paragraphs, the three main critiques are discussed as starting-points to formulate openings for a theoretical platform on the basis of which service firms' internationalization processes are approached in this study.

First of all, we decide to focus solely on the theoretical level of the Uppsala model. In our opinion, the strength of the model lies in its central postulate that internationalization is a matter of learning. It is a matter of gaining knowledge in order to reduce uncertainties and to commit more resources. With respect to the first critique regarding the external validity of the model, a focus on the theoretical level brings relieve. Studies that question the external validity of the Uppsala model in a context different from the one in which the model was developed, tend to search for evidence that either confirms or rejects the presence of the two operational indicators. For instance, studies report that the explanation in the Uppsala model fails because 'born globals/international new ventures' skip stages in the establishment chain (e.g. Oviatt and McDougall, 1997; Crick and Jones, 2000) or service firms do not enter countries in a sequence expected by the notion psychic distance (e.g. Erramilli, 1991; Bell, 1995; Léo and Philippe, 2001). However, to assess the explanatory power of the Uppsala model in new contexts, the question should be whether the drivers of the internationalization process hold. What matters is whether internationalization

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in new contexts is also the result of an interplay between increasing market knowledge and market commitment ? Leaving aside the operational indicators does not violate the Uppsala model. To the contrary, Johanson and Vahlne (1990) themselves note that the notions psychic distance and establishment chain should be viewed as *potential* indicators of the internationalization model, though, other indicators may be possible as well.

With regard to the second criticism concerning the irreversible and deterministic nature of the internationalization process, a sole focus on the theoretical level tones down the problem as well. Hadjikhani (1997) states that the Uppsala model is unjustly classified as one of the stages models in which internationalization is seen as a unilinear process consisting of several stages. The incorrect classification with the stages models is due to the adoption of the operational indicator establishment chain in the Uppsala model. However, Hadjikhani (1997) argues that the Uppsala model is much more than a stage model as it elaborates the concepts commitment and knowledge with the interplay between the concepts as main reason for successive and incremental internationalization steps. Indeed, the core learning idea underlying the Uppsala model does not prescribe a unilinear trajectory. Moreover, the issue of viewing the internationalization process as a non-unilinear process (Melin, 1992; Van de Ven, 1992; Pauwels, 2000) implies that we expect that increasing knowledge and increasing commitment do not per definition lead to increasing financial involvement, as is for instance shown by Benito and Welch (1994), Pauwels (2000), and Fletcher (2001).

Additionally, the critique on the irreversible and deterministic nature of the internationalization process can also be countered by Forsgren's (2002) reasoning. According to Forsgren (2002), it can be argued that the Uppsala model both offers a life cycle and a teleological process perspective on

internationalization processes. The Uppsala model – especially the operational level – has characteristics of a life cycle model (Van de Ven and Poole, 1995) because at that level internationalization is pictured as a single, cumulative, sequence of phases, derived from a common underlying process. However, Forsgren (2002) states that a closer look reveals that the Uppsala model also implies a teleological perspective (Van de Ven and Poole, 1995). In particular, internationalizing firms strive to grow in order to reach the goal of long-term profits. Decision-makers at all levels are assumed to behave in line with this objective in order to achieve it. The advantage of acknowledging the teleological perspective is that the Uppsala model becomes more realistic as change is allowed to be discontinuous due to the assessment of goals and outcomes by the decision-makers. Indeed, Forsgren (2002: 267) states that: “Decision-makers with goals, and not only stable-built in logical programs, are recognized (implicitly) as influencing the internationalization process.”

The third criticism discussed in the previous section is the most challenging as it relates to the Uppsala model’s incapability of explaining why and how the internationalization process occurs (Andersen, 1993; Calof and Beamish, 1995). Nevertheless, Petersen and Pedersen (1997) argue that the Uppsala internationalization model can be the base for a true dynamic internationalization theory if the underlying concepts knowledge accumulation and commitment are further developed. More specifically, the concepts require clearer definitions and their interrelations need additional research. Recently, scholars tend to comply with this call for further developments of the core concepts. For instance, Eriksson et al. (1997; 2000a; 2000b; 2001) extend the concept *experiential knowledge* by distinguishing internationalization knowledge, foreign institutional knowledge and foreign market knowledge, whereas Hadjikhani (1997) differentiates between tangible and intangible *commitment*. With regard to the *interrelations between the concepts*, Lamb and Liesch (2002)

reframe the relationships between market commitment, market knowledge and market involvement, which results in the suggestion of an evolving internationalization culture. Further contributions concern Forsgren's (2002) and Pauwels' (2000) discussions of conceptualizing the internationalization process as a teleological process or the conceptualization of discontinuous internationalization processes of Kutschker and Bäurle (1997), Kutschker et al. (1997) and Eriksson et al. (2001). In line with current developments like these, further efforts are put in to develop the explanatory concepts in order to better grasp what is going on in internationalizing companies, in particular in the context of industrial service firms.

#### **4.2.4 Enrichments from the three extra fields**

The choice for a theoretical platform based on the Uppsala model enriched with three other research fields is in line with suggestions done by various academics (e.g. Leonidou and Katsikeas, 1996; Andersen, 1997; Sullivan, 1998) to approach the multidimensional internationalization process from multiple perspectives in order to better grasp the complexity of the process. The idea to enrich the Uppsala model with resource-based, organizational learning and network perspectives comes from Johanson and Vahlne (1990) themselves, as they clarify their original model of 1977 with the concepts advantage package and advantage cycle next to concepts from the industrial network perspective. Awkwardly, recent studies that include the Uppsala model as part of the theoretical foundation rarely refer to these two extensions (e.g. Erramilli et al., 1999; Cicic et al., 1999; Roberts, 1999). However, we believe that important opportunities are missed in the sense that studies based on the Uppsala model would have been richer if the network, resource-based and organizational learning concepts had been explicitly incorporated.

Starting from a theoretical platform that is based on four perspectives should not be interpreted as if we want to fully integrate the various frameworks in order to become one 'super' theory. Coviello and McAuley (1999) emphasize that the integration of theories should not be the goal. To the contrary, internationalization should be accepted as a dynamic and holistic process, which consequently should be approached in that way too by including a multitude of perspectives in the analysis. We believe that the resource-based view, the organizational learning literature and the industrial network theory can offer additional perspectives to better grasp internationalization processes.

More in particular, the original Uppsala model mainly explains internationalization focusing on the internal organization. The explanation that a continuous interplay between market knowledge and market commitment causes further internationalization predominantly offers insight in an internal organizational mechanism. The two extensions in the 1990 article introduced a route to broaden the narrow perspective of the 1977 article. With the explicit inclusion of the three fields we take that route and aim at a further development of the wider perspective that focuses on both the internal and external environment of the internationalizing organization. First, we expect the resource-based view to offer a framework to better understand the use and development of resources and capabilities such as market knowledge and market commitment within and across the internationalizing organization. Second, the industrial network theory offers a perspective to assess the impact of the external environment in which the organization is embedded on its internationalization process. Third, the organizational learning literature provides concepts to study how and why learning occurs within the internationalizing organization and why and how the external environment affects that process. The three enriching fields are briefly introduced in the following parts.

### **4.3 Resource-based view**

The resource-based view is introduced as the first enriching field to improve upon the core logic of the Uppsala model.

#### **4.3.1 Origin and rationale of the resource-based view**

Over the last 15 years increasing turbulence in the external business environment has made some strategic management scholars decide that the firm's own resources and capabilities may be a more stable basis on which to build an identity and profit potential (Grant, 1991; 1996b). As such, the resource-based view (RBV) was developed in a piecemeal fashion in various articles over the course of a decade (e.g. Wernerfelt, 1984; Rumelt, 1984; Barney, 1991; Peteraf, 1993). Inspired by the work of Penrose (1959), a central assumption of the RBV is that the firm is a heterogeneous bundle of resources and an entity for accumulating knowledge. The heterogeneity among firms is explained by the fact that each individual firm gradually accumulates very different and idiosyncratic knowledge that affects its capabilities to exploit and combine its stock of resources (Knudsen, 1995). Thus, two important assumptions are that there are systematic differences across firms due to differences in their control over heterogeneous resources, and these differences are relatively stable because of resource immobility (Foss, 1997a).

This view of the firm greatly impacted strategy content researchers that developed the linkage between the resource position of the firm and its sustainable competitive advantage (Seth and Thomas, 1994). Briefly summarized the link is formulated as follows: "The basic idea in the RBV is that sustained competitive advantage derives from the resources and capabilities that the firm controls and that are valuable, rare, imperfectly imitable, and not substitutable. These resources and capabilities can be viewed as bundles of tangible and



intangible assets, including a firm's management skills, its organizational processes and routines, and the information and knowledge it controls." (Barney et al., 2001: 625). In the RBV the exact boundaries between resources and capabilities are not clear, a variety of interpretations exist (Foss, 1997a; Andersen and Kheam, 1998). Like Barney (1991; 2001), Peng (2001) uses the terms interchangeably as he sees capabilities as sets of resources and expects that the two terms will become badly blurred in practice. However, recognizing the difficulty in making a clear distinction between the two, we adopt the definitions of Amit and Schoemaker (1993) who see resources as the stock of available factors owned or controlled by the firm, and capabilities as the firm's capacity to deploy resources, which is based on the firm's ability to develop, carry and exchange information through its human capital. To put it differently, resources are seen as rather static and transferable assets whereas capabilities are the processes of getting things done (Larsen, 2001).

The RBV presumes that differences in internal firm characteristics, especially particular and path-dependent patterns of learning and asset accumulation, strongly influence the firm's ability to develop new products and processes across various markets (Lei and Hitt, 1996). As such, the main concern of managers should be selecting, acquiring, and managing resources better than competitors (Rumelt, 1984). Due to causal ambiguity between resources, capabilities and ensuing competitive advantage, competitors find it hard to understand what causes the profitable outcomes and as such barriers to imitation arise (Reed and DeFillipi, 1990).

The RBV is an emerging perspective that is open to a number of influences from different fields (Foss, 1997a). More particular, Foss (1997a; 1997b) describes the development of the RBV along various branches that differ to the extent that dynamic factors are included in theorizing. The traditional RBV as referred to

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above, offers a rather static perspective that is concerned with clarifying and examining the conditions of resources in order to yield rents in equilibrium conditions. Recent work starts from the idea that the mere presence of certain resources in the organization will not lead to sustainable competitive advantages and/or growth (e.g. Teece et al., 1997; Nonaka and Takeuchi, 1995). For instance, in the context of internationalization, it is not the information that is gathered about the foreign market as such that is crucial to the firm to be successful in its expansion, it is its ability of framing, selecting, integrating, augmenting and interpreting that information into knowledge which is critical (e.g. Chetty and Patterson, 2002; Knight and Liesch, 2002). Consequently, more dynamic issues such as innovation, organizational learning, resource-accumulation, competence building are focused upon in recent work that starts from concepts of the RBV in order to build a more detailed explanation of how to create and sustain competitive advantage.

To illustrate the diversity in the recent dynamic developments of the RBV, we refer to Vicari and Verona (2001) who distinguish, name and list various approaches such as the core competence school (e.g. Prahalad and Hamel, 1990), the dynamic capabilities view (e.g. Teece et al., 1997), the core capability school (e.g. Leonard Barton, 1992), the integrative capability school (e.g. Grant, 1996a; 1996b), the knowledge-based view (e.g. Kogut and Zander, 1993; 1995) and the knowledge management school (e.g. Nonaka and Takeuchi, 1995). Irrespective of the wide variety in developments and ensuing names, Foss (1997b) claims that the traditional and more dynamic branches of the RBV are not in conflict but that they are complementary in the sense that the traditional view is concerned with strategy *content* research whereas the dynamic view is rather preoccupied with strategy *process* research. The task ahead is to integrate more fully these two ways of framing the RBV (Foss, 1997b).

In addition to shifting the focus to more dynamic aspects concerning resources and capabilities, these newer approaches are similar in the sense that they put the emphasis on one particular resource/capability, more specifically on knowledge (Elfring and De Man, 1998; Grant and Baden-Fuller, 2000; Prusak, 1997). Starting from the RBV, knowledge is seen as the basis for a new theory of the firm (e.g. Spender, 1996; Kogut and Zander, 1992; 1993; 1996; 2003; Grant, 1996a; 1996b; Turvani, 2001). In the context of internationalization, Madhok (1996; 1997) builds on the work of Kogut and Zander (1992; 1993; 1996) to introduce the Organizational Capability perspective. In response to the cost arguments in the Transaction Cost Theory (Williamson, 1975) and the internalization perspective (Buckley and Casson, 1976), Madhok (1997) argues that the firm's preference for foreign governance modes relates to the exploitation and development of superior capabilities especially in terms of knowledge creation and transfer instead of to transaction costs. As such, a shift in frame is demonstrated from cost to value in the analysis of decisions related to firm boundaries.

Following studies illustrate that the RBV has been adopted in the explanation of a wide variety of internationalization issues. For instance, McDougall et al. (1994) draw upon the RBV to explain the formation of international new ventures. Chang (1995) adopts a RBV in order to examine Japanese entries in the USA and concludes that the multiple entries benefit from the internationalization capabilities that are gradually built in the process. Zaheer (1995) argues that foreign exchange trading rooms overcome their liability of foreignness by replicating domestic capabilities like control systems on foreign soil. Andersen and Kheam (1998) focus on particular marketing, production and management capabilities to explain the firm's choice between the four growth strategies in Ansoff's product-market expansion matrix. Buller and McEvoy (1999) stress that in addition to strategic, technological, financial, and

organizational capabilities; ethical capability can also be an important source of sustainable advantage for MNCs. Fahy and Hooley (2000) examine the nature of a variety of marketing capabilities across a range of international firm types in Central Europe. Burgel and Murray (2000) explain entry mode choice by start-up companies in high-technology industries as the match between the limited resources of the start-up and the support requirements demanded by the customers. Trevino and Grosse (2002) analyze firm-specific resources to explain foreign direct investment in the United States. Finally, Li et al. (2001) consider culture to be a resource that affects the behavior and performance of international JVs.

### **4.3.2 Criticisms on the resource-based view**

As the RBV is still an emerging perspective, there are still many unsolved problems and issues in need of clarification, causing a series of criticisms (Makadok, 2001; Foss, 1997a; 1997b).

- First, and most conspicuously is perhaps the considerable amount of terminological confusion as: “[...] various resource-based theorists using concepts such as resources, competencies and capabilities, etc. to refer to what is seen as strategic assets.” (Foss, 1998: 134).
- Second, theoretically, extant RBV research has effectively identified the effects of resources on outcomes, however, this research has made less progress in describing how resources are used, developed and implemented within entrepreneurial and managerial processes (Barney et al., 2001). As such, the managerial aspects that underlie the creation and management of resources-based strategies are still to be studied (Chetty and Patterson, 2002; Vicari and Verona, 2001; Holbrook et al., 2000). The more recent approaches represent a shift in the direction of understanding the dynamic nature of capabilities. Unfortunately, Foss (1997b) argues that these approaches suffer from looseness and

imprecision, which is a result of its attempt to grapple with complex and dynamic issues, and as such more research needs to be done in this area (Foss, 1998).

- Third, the RBV is criticized for its negligence of the environment (Priem and Butler, 2001; Porter, 1991). However, according to Foss (1998) this critique is not completely justified, as the RBV does not discuss the environment in detail although it implicitly assumes that resources are only meaningful in the context of competitive, technological, political, and market environment in which they are employed.
- Fourth, the RBV is being called tautological (Porter, 1991). Some firms are successful because they have unique resources. It is however unclear how these firms should get and nurture these resources to stay successful and indeed from where and how these resources were acquired.
- Fifth, there is a clear lack of converging empirical support, largely due to the methodological difficulties with measuring resources and capabilities (Andersen, 1997). The intangible nature of resources and capabilities poses a problem, but identifying them within the complexities of the real firm is shown to be very difficult, as it is often a system of resources that matters instead of individual resources (Foss et al., 1995). A call is made for more multiple approaches in which the qualitative methodology should take the lead followed by large-scale deductive investigations (Barney et al. 2001).

### **4.3.3 Resource-based view and the Uppsala model**

The explicit inclusion of the RBV offers an additional perspective to enrich the Uppsala internationalization logic. The RBV defines the firm as a bundle of heterogeneous resources and capabilities that are the result of path-dependent idiosyncratic learning processes. Hence, assessing the internationalizing firm on the basis of the RBV implies looking at the resources and capabilities that the

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company drives, needs, develops, acquires and uses in this process. Within the scope of the RBV not only *internally developed* resources and capabilities of the internationalizing firm can be studied. The RBV also allows an assessment of the resources and capabilities that the internationalizing firm exchanges and develops *with external parties*.

An explicit adoption of the RBV does not violate the underlying logic of the Uppsala model. To the contrary, Andersen and Kheam (1998), Madhok (1997), Andersson et al. (1997) and Vahlne and Nordström (1993) note that the Uppsala model is anchored in a RBV. For instance, Andersen and Kheam (1998) argue that the emphasis on the role and nature of experiential knowledge for progression in the internationalization process shows that in the Uppsala model experiential knowledge is considered as the pivotal resource and as such as important source of competitive advantages.

However, next to the accumulation of experiential knowledge, other resources and capabilities might be crucial as well. Examples of recent studies referred to above, indicate that scholars put the emphasis on various capabilities such as marketing, technological, internationalization or even ethical capabilities that might influence the internationalization process. In this study, we aim at a better understanding of experiential knowledge that is depicted as the key resource for internationalization in the original Uppsala model. Starting from the interplay between increasing commitment and knowledge that is assumed to drive further internationalization, we look for other resources and capabilities that affect the interplay? For instance, the capability to establish and maintain relationships with (potential) network members seems to be very influential as is for instance suggested by Peng (2001), Chetty and Patterson (2002) and Dyer and Singh (1998). To put it in broader terms, scholars like Barney et al. (2001), Holbrook et al. (2000), Liesch and Knight (1999), Moen and Servais (2002), and

Úbeda García and Llopis Vañó (2002) suggest that the capability to learn and the capability to change are likely to be among the most important capabilities that a firm can possess especially in the context of internationalization.

## **4.4 Organizational learning**

Organizational learning is the second field that is introduced to refine the core logic of the Uppsala model.

### **4.4.1 Origin and rationale of organizational learning**

Since the 1980s, the literature on organizational learning has grown very rapidly (Easterby-Smith, 2000). Despite agreement on the idea that organizational learning is a good thing, there is still very little consensus on what organizational learning actually is (Fiol and Lyles, 1985; Dodgson, 1993; Prange, 1999; Gherardi, 1999)<sup>1</sup>. Furthermore, it is far from clear how effective organizational learning takes place, and how it is translated into action (Dunphy et al., 1997). In an extensive literature review, Easterby-Smith (1997) assesses the fragmented field by identifying six disciplines from which organizational learning is approached and as such summarizes the different standpoints from which contributions to the field are made. The six disciplinary perspectives are: psychology and organizational development; management science; sociology and organizational theory; strategy; production management; and cultural anthropology. Similarly, Bell et al. (2002) argue that organizational learning is embedded in four different schools of thought; the economic school, the managerial school, the developmental school and the process school that explore very diverse learning phenomena such as organizational change, market orientation or human resource management to name a few. The fact that a wide

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<sup>1</sup> Next to research on organizational learning, a distinct field of learning organizations is developing (e.g. Senge, 1990; Field and Ford, 1995; DiBella and Nevis, 1998). This field has an action orientation, is geared toward creating an ideal type, namely the organization in which learning is maximized. Research on organizational learning to the contrary is analytical, and concentrates on understanding learning processes within organizational settings without necessarily trying to change these processes (Easterby-Smith, 1997).



variety of disciplines contributes to understanding organizational learning shows the broad interest in the matter but also explains the reason why the different approaches lack synergism. For additional comprehensive organizational learning literature reviews, we would like to refer to Fiol and Lyles (1985), Huber (1991), Dodgson (1993), Nicolini and Meznar (1995), Miner and Meziar (1996), Huysman (1999), Easterby-Smith et al. (2000), and Lähteenmäki et al. (2001) among others. In the next paragraphs, some key assumptions in the organizational learning literature are briefly introduced.

With regard to a definition of organizational learning, Tsang (1997) argues, like Fiol and Lyles (1985) that numerous definitions of learning exist. In these definitions the process of learning is related to changes in cognition, potential and/or actual behavior of the organization. For instance, a widely adopted definition is that of Huber (1991: 89) who mainly stresses behavioral change by stating that: “An entity learns if, through its processing of information, the range of its potential behaviors is changed”. Williams (2001: 68) takes a broader perspective understanding learning as: “[...] a process in which relatively stable changes are brought about in the way we see things and behave in pursuit of our goals.” In this definition both changes in cognition and behavior are emphasized. Easterby-Smith et al. (2000), however, note that in recent years, the cognition-behavior debate has gone silent in the sense that researchers have accepted a broad range of organizational learning definitions that support the various perspectives.

Irrespective of the underlying definition, it is generally assumed that organizations at all times have a certain stock of knowledge that enables and sometimes disables them to act. In this context, knowledge is interpreted as a broad term that refers both to ‘knowing about’ and ‘knowing how’. Grant (1996a: 111) summarizes the difference between these two expressions by referring to

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commonly used distinctions between: “[...] subjective versus objective knowledge, implicit or tacit knowledge versus explicit knowledge, personal versus propositional knowledge, and procedural versus declarative knowledge.” The point is that in discussing knowledge changes due to learning, it does not only concern changes in ‘knowing about’ but also – and more important – in ‘knowing how’. Thus, an organization’s knowledge also refers to its capabilities in acquiring, creating, evaluating, integrating and diffusing knowledge. In other words, next to more explicit forms of knowledge, knowledge also refers to structures, routines and processes that are unique and embedded in the firm (Weick, 1991; Madhok, 1997; Knight and Liesch, 2002). An organization’s combination of knowing about and knowing how is its stock of knowledge.

Scholars refer to this stock of knowledge in various ways, for instance Argyris and Schön (1978) refer to theory-in-use, Cohen and Levinthal (1990) to absorptive capacity, Kogut and Zander (1993) to body of knowledge, and Bettis and Prahalad (1995) to dominant logic. This stock of knowledge assumption implies that organizations do not begin their lives with clean states. To the contrary, they inherit knowledge from the individuals or organizations that create them (Huber, 1991). However, from the moment of the firm’s inception, its stock of knowledge is assumed to change continuously due to learning that alters the way in which firms see, interpret and respond to the world. In short, it is widely agreed that learning is a cumulative path-dependent process implying that the organization’s stock of knowledge that it gathered in the past, will shape the future trajectory of its evolution (Cohen and Levinthal, 1990; Garvin, 1993; Spender, 1996). The creation of new knowledge depends on what the firm already knows when it encounters new knowledge and how it processes or assimilates the new knowledge leading to new insights and modified behavior.

With regard to the role of individuals in the process of organizational learning, it is generally assumed that learning occurs through shared insights, knowledge and mental models of people in organizations. Lähteenmäki et al. (2001: 119) summarize that organizational learning: “[...] is actually a collage of individual learning processes and manifests itself in the joint learning of its members, building on previous acquired knowledge and experiences, which are then stored in the organization’s memory. This in turn depends on the institutional mechanisms (e.g. policies, strategies, and explicit models) used to retain knowledge.” Easterby-Smith et al. (2000) note that the debate on the learning subject – the individual versus the organization – has subsided. Currently, the focus is put on new units of analysis that relate more to group levels. In any case, the individual is considered crucial but not all embracing in understanding organizational learning. Miner and Mezias (1996) argue that the particular research topic determines the relevant level of analysis – the individual, the group, the organization or a population of organizations.

In the organizational learning literature, various types of learning are distinguished. In particular, a distinction is made between lower and higher order learning (Fiol and Lyles, 1985; Levinthal and March, 1993; Miner and Mezias, 1996). Lower order learning occurs within the existing framework of a firm’s knowledge base and associated routines, rules and structures, whereas higher order learning refers to a restructuring of the firm’s framework due to an ambiguous context. More specifically, when the current knowledge base is applied to business problems that evolve, errors are detected. The extent to which these errors are compatible with the existing framework, or are peripheral to it or of less significance, corrections are made within the framework. Such lower-order learning may result in differentiation, specification and extension of the stock of knowledge and in marginal modifications of routines and systems. If experiences concern areas that are fundamental to the firm, or repeated

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corrections do not lead to the expected outcomes, restructuring of the organizational knowledge base and the corresponding norms, theories and assumptions may take place. This requires intense processing as not only new knowledge needs to be learned but also old knowledge needs to be unlearned according to some scholars (e.g. Hedberg, 1981; Bettis and Prahalad, 1995; Sinkula, 2002).

The idea of lower versus higher order learning can be found in the work of various organizational learning scholars although each uses a distinct terminology. For instance, Argyris and Schön (1978) refer to single-loop versus double-loop learning, March (1991) uses the terms exploitation versus exploration, and Senge (1990) distinguishes between adaptive and generative learning. In each case, the lower level is the normal state for the organization, while the higher state is more difficult to attain. Often it is suggested that higher-level learning is better to warrant firm survival (Levinthal and March, 1993), nevertheless Easterby-Smith and Araujo (1999) and Miner and Mezias (1996) stress that it depends on the situation as DiBella et al. (1996) showed with the case of the Chernobyl disaster. In practice, learning contains elements of both lower and higher order. Eriksson et al. (2001) note that the relative importance of both forms can be considered as an economic problem. Restructuring the theory-in-use together with the associated routines and norms is difficult and costly causing organizational learning to be incremental as a rule. Organizations try to rely upon a theory-in-use as long as possible and only restructure it when it is absolutely not workable anymore. This was clearly shown in a study of export withdrawals (Pauwels and Matthyssens, 1999) and, in a very different context, in a study of a city council's persistence with a failing department (Drummond, 1994).

As stated above, Bell et al. (2002) note that organizational learning research is embedded in four schools of thought, namely, the economic school, the

developmental school, the managerial school, and the process school. The four views differ in terms of analytical focus, and describe different learning mechanisms, learning outcomes, patterns of learning and degrees of manageability. For example, with regard to the analytical focus, both the developmental and process school focus on lower and higher order learning whereas the economic school solely looks at lower order learning and the managerial school at higher order learning. Furthermore, the assumed patterns of learning are also very different; the economic school depicts an asymptotic learning path, the developmental school a linear/curvilinear path, the managerial school a punctuated equilibrium path and the process school allows multiple paths.

The summarized organizational learning literature in the above paragraphs predominantly represents the process school. Bell et al. (2002) characterize the process school by its view of organizational learning as grounded in the cognitive and behavioral capabilities of individuals and as socially constructed. Furthermore, in the process school the focus is put on lower and higher order learning with information processing as the main learning mechanism, and organizational cognition and behavioral change in information processing key learning outcomes leading to multiple patterns depending on how the information processes are leveraged. A high manageability of learning at lower levels is assumed whereas managing learning at higher levels is considered more problematic. Nevertheless, Bell et al. (2002) plead for viewing learning from multiple perspectives simultaneously; hence, contribution to the conceptualization of learning in the Uppsala model might come from a broader organizational learning view.

In the context of studying internationalization topics, more and more authors rely on explanations offered in the broad organizational learning literature. The

general conclusion in these studies is that an organizational learning perspective is a valid starting point to address various international growth issues. For instance, the work of Eriksson and colleagues contributes to a better understanding of experiential knowledge development in the internationalization process. Eriksson et al. (1997) refine Johanson and Vahlne's (1977; 1990) concept of experiential knowledge by further dividing it into internationalization, institutional and business knowledge. The authors test the impact of the development of these three types of knowledge on the firm's perceived cost of internationalization. Three studies build further on this one assessing the impact of variation (Eriksson et al., 2000a), path-dependency (Eriksson et al., 2000b), and duration (Eriksson et al., 2001) on the experiential knowledge accumulation process. Furthermore, Pedersen and Petersen (1998) find evidence for learning in the link between the accumulation of foreign market knowledge and gradually increasing resource commitments. Barkema et al. (1996) study foreign entries of Dutch firms in terms of entry modes and ownership structure within a framework of organizational learning. Barkema and Vermeulen (1998) use the learning perspective in explaining the choice between international acquisitions versus start-ups. Chang (1995) assesses the learning of Japanese firms in terms of the capabilities that are built in sequential entry processes. Inkpen and Beamish (1997) explain the instability of international joint ventures by shifts in bargaining power that arise due to learning by both partners. Autio et al. (2000) study the effect of age, knowledge intensity, and imitability on international growth starting from a knowledge-based theory. Finally, Chetty and Campbell-Hunt (2001) examine the impact of a regional versus a global strategy on learning during the internationalization process.

#### **4.4.2 Criticisms on organizational learning**

As mentioned in the introduction of this section, the organizational learning field still needs to fill various gaps despite the strong interest in understanding

learning processes in organizations. Criticisms concern several conceptual and empirical issues.

- First, conceptual criticisms are caused by the fact that the very concept of organizational learning is still very vague (Lähteenmäki et al., 2001; Huysman, 1999). This becomes clear in the absence of a generally acknowledged definition. Tsang (1997) assesses several definitions and notes that scholars assume that learning occurs when changes in cognition, potential and/or actual behavior take place. However, the issue of looking at change to conclude that learning occurred is not straightforward as time lags between the moment of learning and the cognition and/or behavior changes is likely (Fiol and Lyles, 1985; Huber, 1991). Moreover, is it correct to assume that change is the result of learning? Maybe it is possible that organizations change their behaviors but that this is not because they learnt or that their behaviors remain unchanged although learning has occurred (Weick, 1991; Miner and Mezias, 1996; Gherardi, 1999).
- Second, it is unclear who is learning in the context of organizational learning – the individual or the organization (Huysman, 1999; Nicolini and Mezner, 1995; Dodgson, 1993; Tsoukas and Vladimirou, 2001). Lähteenmäki et al. (2001) conclude that opinions differ. Some scholars strongly argue that only individuals can learn, implying that the main actor in organizational learning is the individual (e.g. Argyris and Schön, 1978; Senge, 1990). Others take a more sociological view arguing that organizations at a systemic level can learn as well (e.g. Dunphy et al., 1997; Fiol and Lyles, 1985). Consequently, the difference between organizational and individual learning is not yet demarcated. Nevertheless, as noted above, Easterby-Smith et al. (2000) stress that this debate has gone silent and that researchers currently focus on other levels of analysis than the individual or the organization such as group

learning or learning over organizational borders (e.g. Araujo, 1998; Bångens and Araujo, 2002).

- Third, with regard to the process of organizational learning, Lähteenmäki et al. (2001), Huysman (1999) and Prange (1999) extensively argue that researchers do not explain in detail what is going on, contrarily, they deal with the phenomenon at a very general level although acknowledging that it concerns a process. Nevertheless, various process explanations of organizational learning are offered (e.g. Nicolini and Meznar, 1995; Nonaka and Takeuchi, 1995; Crossan et al., 1999; Williams, 2001) although none of them seems to dominate the debate.
- Fourth, empirical criticisms relate to the limited amount of good empirical research into organizational learning (Easterby-Smith, 1997). This is caused by but also resulted in the absence of valid measures for organizational learning (Miner and Mezias, 1996; Tsang, 1997; Lähteenmäki et al., 2001). Furthermore, like Huber (1991), Easterby-Smith and Araujo (1999) state that next to the need for more empirical work, scholars need to integrate and cumulate extant and future research on organizational learning in order to obtain more rich conceptual and empirical insights into organizational learning issues.

#### **4.4.3 Organizational learning and the Uppsala model**

The explicit inclusion of organizational learning literature offers a second additional perspective to enrich the Uppsala internationalization logic. Johanson and Vahlne (1977; 1990) explicitly state that the Uppsala model is a learning model. Firms internationalize as they gain more knowledge about foreign markets, which results in uncertainty reduction and thus stronger resource commitments. The stronger commitment in a market leads to further knowledge development and new commitment decisions. Forsgren (2002) discusses in great detail the concept of learning in the Uppsala model and concludes that the



process of learning is conceptualized more narrowly than allowed by the current organizational literature. Therefore, Forsgren (2002) raises numerous questions concerning particular learning issues in the internationalization process that call for attention in future research like for instance the origin of experiential knowledge, different learning objectives and the parties involved in the learning process.

The reference to various studies above demonstrates that contemporary international business scholars aim at refining the learning mechanisms building upon concepts and insights in the organizational learning field. In the context of service internationalization, we tend to address various issues in order to gain better insight in the underlying learning process. Again the starting point is the interplay between market knowledge and market commitment as we address the way in which changes in market knowledge and market commitment occur. Special attention is paid to the way in which additional market knowledge is gathered and assimilated and how it is linked to changes in market commitment. Furthermore, the original Uppsala model assumes that exploitative experiential learning drives the interplay. Starting from the broader perspective that the organizational learning literature offers, we assess whether the concept of explorative/higher-order learning can improve the explanation of service internationalization.

## **4.5 Industrial network theory**

The industrial network theory is introduced as the third enriching field to improve upon the core logic of the Uppsala model.

### **4.5.1 Origin and rationale of the industrial network theory**

Over the last few years various network perspectives have been developed in various disciplinary fields with various research goals (Alajoutsijärvi et al. 2001). Araujo and Easton (1996: 64) present a thorough review in which they delineate 10 different schools of network thought. The authors stress: “[...] that the term network has acquired the character of an umbrella, catch-all term under which a variety of theoretical and methodological positions in social sciences have sought refuge.” For the study of the internationalization of industrial service companies, the industrial network approach (e.g. Mattsson, 1985; Axelsson and Easton, 1992; Håkansson and Snehota, 1995) is adopted. This approach was explicitly incorporated in the underlying logic of the Uppsala model by Johanson and Vahlne (1990) and is currently often included in studies of internationalization issues (e.g. Coviello and Munro, 1997; Liesch and Knight, 1999; Pla-Barber, 2001; Fletcher, 2001)<sup>2</sup>.

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<sup>2</sup> Currently, some scholars adopt the Actor Network Theory (ANT) (Callon, 1999; Law, 1992; 1999; Latour, 1999) to understand internationalization processes bringing the concept of framing into the discussion (e.g. Steen et al., 2001). The main argument is that actions are not a function of a priori competencies and characteristics but are the result of the frame in which they occur. The frame establishes the boundary within which interactions effectively take place and this not only includes human actors alone, but it depends on a variety of physical and organizational resources because organizations are more than collections of people. Although we do not adopt the ANT logic in the theoretical framework, we take on a parallel reasoning by explicitly including the RBV. We assume that internationalization is the result of a continuous series of decisions made by people in the organization who operate in their firm's context of resources and capabilities shaped by the organization's history that they need to match with environmental demands.

During the last three decades an industrial network approach has emerged that according to Easton (1992: 3) “[...] is concerned to understand the totality of relationships among firms engaged in production, distribution and use of goods and services in what might be described as an industrial system.” The genesis of the research lies in empirical studies of dyadic relationships in industrial markets, internationalization and distribution channels making use of concepts from the interaction approach, resource dependency and social exchange theory (Araujo and Easton, 1996). In the mean time its scope is broadened to encompass all forms of interdependencies and relationships in organizational markets. The ultimate focus of the research is to understand the network – i.e. the totality of relationships among firms engaged in an industrial system – but firms in the network and relationships are studied in order to capture the network (Easton, 1992; Anderson et al., 1994).

Generally, the focus of the industrial network approach is put on relationships and interactions between firms. The relationship elements of behavior are rather general and long-term in nature whereas interactions represent the here and now of interfirm behavior and as such constitute the dynamic aspects of relationships (Easton, 1992). Every firm in industrial markets establishes, develops and maintains lasting relationships with other business actors by means of the numerous interactions with them (Håkansson and Snehota, 1995; Anderson et al., 1994; Easton, 1992). This totality of relationships forms networks. A central idea is that actors, whether they are individuals or organizations, are embedded in a myriad of social relationships, and it is impossible to understand their behavior without understanding the relational context in which they function.

The overall structure of networks is determined by interactions between three key concepts, actors, activities and resources that relate to each other in a circular manner (Håkansson, 1987). Briefly summarized, actors are defined as those who

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perform activities and/or control resources. By means of activities, actors use certain resources to change other resources in various ways and thus, resources are needed by actors in order to perform activities (Håkansson and Johanson, 1992). To put it differently, actors are bound together due to resource ties and activity links (Håkansson and Sharma, 1996). The interdependence between these constructs implies that exchange in one relation is contingent upon exchange, positively or negatively in other relationships (Cook and Emerson, 1984). Table 4-1 briefly highlights key characteristics of the critical concepts.

**Table 4-1: Key characteristics of actors, resources and activities**

Actors	Resources	Activities
<ul style="list-style-type: none"> <li>• Perform activities</li> <li>• Develop relationships with other actors for access to resources</li> <li>• Base their activities on control for resources</li> <li>• Are goal oriented (goal = gain more control over resources and/or activities)</li> <li>• Have differential knowledge due to experience</li> </ul> <p>⇒ Actors have both conflicting and common interests. In order to increase control, knowledge and relationships are used.</p>	<ul style="list-style-type: none"> <li>• Are needed for performing activities</li> <li>• Controlled by actors (single or jointly)</li> <li>• Are heterogeneous</li> <li>• Use and value dependent on combination with other resources, are highly versatile</li> <li>• Knowledge and experience of resources is important</li> </ul>	<ul style="list-style-type: none"> <li>• Occur when one or several actors combine, develop, exchange or create resources by utilizing other resources</li> <li>• Two types: transformation (= change of resources) and transfer (= transfer of direct control of resources between actors) activities</li> <li>• Are coupled in activity cycles never controlled by single actor</li> </ul> <p>⇒ Activities are always imperfect. New activities and/or changes in old ones can make networks more efficient.</p>

*Source: on the basis of Håkansson and Johanson, 1992*

Why do these networks exist and what is going on in them ? A central point of departure is that networks are composed of actors (e.g. firms) engaged in various activities such as production, distribution and other uses of goods and services. Consequently, there is division of labor causing firms to be interdependent on each other's activities. These activities need to be coordinated which occurs through interactions between the firms with price as just one of the influencing

conditions. For the performance of their activities, firms need to get access to resources (Johanson and Mattsson, 1988). For that purpose, exchange relationships are established, developed and maintained. Related to this, is the power that is divided over the various firms according to their access to or ownership of certain resources (Easton, 1992). In the process of relationship building, an extensive amount of information is shared between parties as more time and effort is invested and as such trust is gained which leads to commitment to continue investment in the relationship (Thorelli, 1986; Johanson and Vahlne, 1992). The relationships that are built are both of a direct and an indirect nature. Direct relationships exist between the firm and its customers, distributors, suppliers, competitors, and so on. Indirect relationships arise with suppliers' suppliers, customers' customers, competitors, and so on.

Networks are both stable and changing (Easton, 1992). Individual business transactions usually take place within the framework of established relationships. Although new relationships arise occasionally and old ones are disrupted, most exchanges occur in the context of existing relationships. Nevertheless, the existing relationships continuously change as efforts are made to improve them, even if this means ending some of them. A dimension of these relationships is the occurrence of bonds between actors, which can be of various natures, such as economic, social, technical, legal and so on. Although the industrial network perspective looks at relationships – and the ensuing bonds – in an industrial setting, both business and social bonds are very important. As Coviello and McAuley (1999: 227) note: “Organizational boundaries therefore incorporate both business (formal) and social (informal) relationships.”

According to Johanson and Mattsson (1988: 292) an important characteristic of networks is: “[...] that the firm's activities in industrial markets are cumulative processes in which relationships are continually established, maintained,

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developed, and broken in order to give satisfactory, short-term economic return, and to create positions in the network, securing the long-term survival and development of the firm.” In other words, networks are seen as path-dependent in the sense that future directions of networks are to a large extent dependent on historical events and processes (Lundgren, 1992; Johanson et al., 1996). Furthermore, the position of a firm is a crucial concept as it characterizes the relationships – both the direct and indirect – to other firms. The network position is in fact the result of previous investments in exchange relationships and at the same time a basis for an actor’s development of exchange relationships in the future (Mattsson and Johanson, 1992). A distinction can be made between macro-positions and micro-positions, where macro-positions refer to the relations to a network as a whole or to a specific section of it, micro-positions refer to the relationship with a specific individual counterpart (Johanson and Mattsson, 1988). The position of a firm in a network can be linked to the concept of strategic identity as it influences the future strategic possibilities and restrictions (Easton, 1992). Networks can be tight or loose, depending on the quantity and quality and the type of bonds between the positions or members (Thorelli, 1986).

The industrial networks perspective draws the attention to long-term business relationships that exist between firms in industrial markets. In recent years, scholars interested in the internationalization of firms have started to use the industrial network perspective as an approach next to the more classical economics-based and process-based approaches to get a better understanding of international expansion issues. For instance, Chetty and Eriksson (2002) rely on network literature to assess mature business relationships in international markets. Bridgewater (1999) discusses the explanatory power of network theory in the case of multinational companies entering the Ukraine. Zafarullah et al. (1998) include a network approach to study the internationalization of small

exporting Pakistani enterprises. Welch and Welch (1996) offer a conceptual model of internationalization in which networks are placed centrally next to strategic management. As such, theories of business networks improve on the understanding of the internationalization process by highlighting the way in which the actors in the firm's business context influence its expansion abroad (Björkman and Forsgren, 2000). This implies that the internationalization of a firm is not only assumed to be dependent on its own resources, activities and experience, but also on the resources, activities and experience of the actors in the network, and the way in which all these parties perceive the network. Hence, the network development, in its many facets, emerges as an additional explanatory factor when discussing the ability and preparedness of an expanding company (Benito and Welch, 1994).

Essentially, to become established in a foreign market – that is in a network that is new to the firm – new relationships need to be built and old ones need to be reoriented. Johanson and Mattsson (1988) make a distinction between three possibilities:

- International extension through the establishment of positions in relation to counterparts in countries that are new to the firm;
- Penetration by developing the positions and increasing resource commitments in those nets abroad in which the firm already has positions;
- International integration by increasing coordination between positions in different nets in various countries.

In other words, the process of internationalization is considered as a process of getting access to and/or developing relationships in foreign networks by using the current position that an organization has due to its history of specific relationships with other companies for the exchange of resources (Weisfelder, 2001). As such internationalization is found to be influenced by the gradually

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formed relationships in particular markets (Björkman and Forsgren, 2000). In this process, the initiative to enter new nets can come from two sides (Johanson and Mattsson, 1988). On the one hand, an organization can attempt to interact and build relationships with actors in new/foreign nets, or the organization can be invited to enter a new net. In either way, the different parties need to be motivated to engage in interaction and often in adapting their way of doing business as every change in networks bears consequences for various actors due to their interconnectedness (Johanson and Vahlne, 1990; 1992).

Hence, existing relationships can act as bridges to other networks because relationships can provide the company with both the motivation and opportunity to internationalize (Coviello and McAuley, 1999). For instance, a company can invite or even demand a supplier to follow abroad as was shown to be often the case for service companies (e.g. Bell, 1995; Coviello and Munro, 1995). Nevertheless, network relationships can also be viewed as two-edged swords. They can facilitate international growth by offering opportunities abroad and the means to respond to them on the one hand. On the other hand however, these same relationships represent constraints by limiting the foreign market choice and entry mode (Chen and Chen, 1998)<sup>3</sup>. Furthermore, existing personal networks are also likely to facilitate the entrance into new foreign networks especially in the early establishment of relationships (e.g. Ellis, 2000). Thus, the network perspective gives considerable importance to social and cognitive ties that are formed between actors engaged in business relationships and emphasizes how ongoing interactions between actors, rather than strategic decision-making shape the network structure (Johanson and Vahlne, 1992; Welch and Welch, 1996). In

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<sup>3</sup> As Welch and Welch (1996) describe, sometimes seemingly beneficial relationships can 'lock in' a company to the extent that managers exclude opportunities. This occurs when relationships become institutionalized. A possible remedy is the formulation of developing networking alternatives and/or the continuous assessment of current network emphasis.



this respect, Axelsson and Johanson (1992) note that internationalization is about connected learning processes, various actors interact and consequently shape each other’s internationalization processes. Nevertheless, strong strategic vision is important in the sense that preparedness is crucial. Preparedness presupposes that the actor can mobilize resources, which is a matter of having strong relationships at the moment that interesting opportunities arise. As such strategic vision is necessary to acknowledge and invest in strategic positions in which it can be expected that strategic windows are coming.

The degree of internationalization of the actual network has strong implications for the internationalization process of the particular firm (Madsen and Servais, 1997; Oviatt and McDougall, 1997). The network is more or less international to the degree that connections between networks in different countries are more or less extensive (Johanson and Vahlne, 1990). In this regard, Johanson and Mattsson (1988) distinguish between four situations that are different in term of degree of internationalization of both the network (that they equate with the market) and the firm, the four company types are depicted in Figure 4-3.

**Figure 4-3: Internationalization and the network model**

		Degree of internationalization of the market	
		Low	High
Degree of internationalization of the firm	Low	<i>The early starter</i>	<i>The late starter</i>
	High	<i>The lonely international</i>	<i>The international among others</i>

*Source: Johanson and Mattsson (1988)*

Briefly, it is assumed that the degree of internationalization of the firm is related to the number of relationships that the firm has internationally. The degree of the internationalization of the market refers to the extent of internationalization of the environment; or, to what extent is the national network to which the firm belongs connected with international networks. The four situations differ in

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terms of extension, penetration and integration aspects. It is expected that internationalization is easier in the case where the market is international since then indirect – often international – relationships can be changed into direct relationships rather easily and thus used to gain the required knowledge. Johanson and Mattsson (1988) argue that in relation to the Uppsala model, the explanation of gradual international involvement is the most appropriate for companies in the category ‘late starter’ and least appropriate for ‘international among others’.

Chetty and Blankenburg Holm (2000) focus on companies in each of these four categories when studying the internationalization of four SMEs in order to find out what network relationships drove the internationalization. They find that the firms studied not only use organically developed networks of relationships as Johansson and Mattsson’s model puts forward but also rely on formal structured networks organized by government export promotion programs. Furthermore, some firms use the network proactively in the sense that they strive to set up relationships that can contribute to the internationalization process, while others only reactively responded to opportunities that arose in the network. Chetty and Blankenburg Holm (2000) conclude with a discussion of seven weaknesses of the Johanson and Mattsson model. In short, these weaknesses are: (1) the four categories overlap, (2) decision-maker and firm characteristics are not included in the model, (3) neither is the way in which networks can cause/overcome problems due to internationalization, (4) certain external factors that drive internationalization are excluded, (5) no information is given about how firms shift positions in the matrix, (6) only relationships that evolve organically are included, not the formal ones like those of government support programs, and (7) dimensions in the network other than the production net can drive internationalization.

### **4.5.2 Criticisms on industrial network theory**

According to Björkman and Forsgren (2000) the contribution of the network theory to International Business research is promising. However, its current strength as a tool for understanding internationalization is still limited and its predictions quite vague due to some general problems.

- Apparently, network scholars tend to include too many variables in the analysis, and as such, good descriptions of business reality are made but this approach provides less satisfactory models for predictive purposes (Björkman and Forsgren, 2000).
- Due to the nature of the interconnections between actors in networks, it is very difficult to understand and theorize about the behavior of one single actor. Consequently, the possibility of drawing conclusions about the pattern of internationalization is limited because network theory was developed to understand general market behavior (Anderson et al., 1994).
- Current research is aimed at constructing rather instrumental and rational networks. However, networks are about exchange, they are created and maintained by and at the benefit of their members, hence the question of social interaction requires more explicit attention (Alajoutsijärvi et al., 2001).

Nevertheless, we believe that the industrial network view should be used as a complementary approach next to other internationalization theories because the awareness that actors are interconnected in numerous ways through a variety of relationships should be taken into account when studying internationalization processes (cf. Lindstrand, 2003).

### 4.5.3 Industrial network theory and the Uppsala model

The explicit inclusion of the industrial network literature offers the third extra perspective to enrich the Uppsala internationalization logic by adding an explicit context perspective. The basic premise is that internationalization is a matter of learning. To grasp learning in the internationalization process, it is important to take along the *internal* and *external context* in which the internationalizing organization is embedded. The industrial network offers such a perspective as Johanson and Vahlne argued themselves in their 1990 article. Other international business scholars support and further develop this clarification.

For instance, Benito and Welch (1994: 12) endorse the network addition to the original model by noting that: “ [...] much of what is involved in international operations could be characterized as networking activity.” Much of the critical information and knowledge about foreign markets is anchored in the actors of the networks that the internationalizing company wants to access. Therefore, the definition of market knowledge in the context of the Uppsala model becomes much more specific and concrete by adopting the industrial network theory (Björkman and Forsgren, 2000). The concept gets a multilateral character as it is assumed that knowledge is created and maintained by current business interaction with numerous actors in the relevant networks (Johanson and Vahlne, 1990; 1992; Ford, 1990). Furthermore, as Welch and Welch (1996) argue the development and utilization of foreign networks is, of course, closely related to the learning processes that underlie overall internationalization.

Again, we strongly agree with understanding the explanatory constructs of the Uppsala model in an industrial network perspective. Particular attention is paid to the impact of networks on the interplay between market knowledge and market commitment. To put it differently, networks are assessed with regard to their effect on the learning underlying further internationalization.

## **4.6 Compatibility of the three enriching fields**

By adopting three additional fields of research, we intend to enrich the underlying logic of the Uppsala model. Although we summarized the three fields by focusing on their origin and main rationale, giving the impression that the fields are separable, numerous overlaps exist between them. Cross-references in studies in the three fields indicate that they build on each others reasoning to strengthen their own explanations. This might confuse the discussion sometimes, but on the other hand, we believe that the overlaps support the choice for incorporating the three fields in examining internationalization processes because the overlaps indicate that the perspectives offer a way to *theoretically triangulate* the observations as they can provide us with complementary explanations for the same phenomenon.

First, the overlap between the RBV and organizational learning is quite straightforward. A common starting point in the RBV is that the firm's resources and capabilities are the result of idiosyncratic path-dependent learning processes in the firm (Foss, 1997a; Barney et al., 2001). As such, organizational learning is seen as a mechanism that leads to the development and deployment of valuable resources and capabilities. However, resources and capabilities are not only the result of learning, but they also affect the future learning in the organization (Bell et al., 2002; Winter, 2000; Lyles and Salk, 1996; March, 1991). Mahoney (1995: 97) captures the interdependence of the two perspectives by stating that: "[T]he accumulation of resources created a base for organizational learning. Conversely, organizational learning and new organizational forms allowed firms to increase their rate of resource accumulation."

Second, the overlap between the RBV and the industrial network perspective exists because an organization's relationships with other actors in the network

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can be seen as important resources because they are the basic means of getting access to other resources (Easton, 1992; Håkansson and Johanson, 1992). Moreover, an organization's capability of building and maintaining network relationships is even more crucial because it can provide the organization with interesting relationships that imply access to required resources. According to the RBV, a firm's resources and capabilities that are rare, valuable, imperfectly imitable, and not substitutable can lead to sustainable competitive advantages (Barney et al., 2001). Due to the nature of establishing relationships, which is a slow gradual and path-dependent process influenced by the two parties, relationships tend to be imperfectly imitable and not substitutable. Furthermore, if the relationships give the actor access to the networks that it aspires to be part of, they can also be rare and valuable.

Third, the overlap between organizational learning and the industrial network perspective is similar to the overlap between organizational learning and the RBV. In the industrial network perspective, the building and maintaining of relationships and getting access to networks is considered to be the result of path-dependent learning processes. Within the totality of the network, firms obtain positions that relate them to various actors in the network by trial-and-error learning processes as the firm searches along different lines, establishes contacts, makes mistakes and adapts to them (Axelsson and Johanson, 1992; Håkansson and Sharma, 1996). Like Bånges and Araujo (2002: 571) note: "learning is not a purely firm-based phenomenon, [...] it is partly dependent on the distribution of capabilities in the wider system in which the firm is embedded." Within one relationship, firms learn as well, as they gradually become more committed, gain trust, and learn about each other's competences and behavior (Johanson et al., 1996; Thorelli, 1986). The process of learning is again considered to be dependent upon the history of the firm; therefore, current

relationships influence the development of new relationships as they act as opportunities and constraints (Welch and Welch, 1996).

The three perspectives have two assumptions in common that enrich the explanation of the Uppsala model. First, *path-dependency* is a central issue in the three enriching fields. In line with Mahoney (2000) path-dependency refers here to the impact of the firm's history on learning and thus on the development of resources and capabilities of which networking, network relationships, market knowledge and commitment are part. Second, the *active role of people* is acknowledged as it is assumed that people in the organization learn individually and collectively, which results in various capabilities enabling people in the organization to function, for instance to establish relationships within and across the organization, to gain knowledge about foreign markets and commit resources to foreign markets. As a consequence, we oppose the deterministic character of the original Uppsala model by stressing the crucial role of both people in the organization and its history in the evolution of the internationalization process (i.e. Lam and White, 1999; Calof and Beamish, 1995). Determinism cannot be expected because the opportunities/ problems that trigger internationalization decisions are perceived and responded to differently in each organization because of variation in history and consequently in resources and capabilities. Therefore, different internationalization processes characterize each firm although we expect to identify *general learning mechanisms* to explain the processes with.

## **4.7 Enriched Uppsala model and progression in internationalization processes**

As discussed in the introductory chapter, the main objective of this study is gaining a better insight in internationalization processes of service companies. This broad topic is narrowed down with a particular focus on industrial services on the one hand, and on progression in the internationalization process on the other. In this context, progression is conceptualized as a short episode (Melin, 1992) in the internationalization process in which an organization's internationalization changes as time passes, where change is allowed to concern growth, decline or status quo with regard to the previous situation. Zooming in on periods of progression offers two important benefits; first, the focus aims the research efforts at specific periods in the process. Second, the focus explicitly aims at understanding dynamism in the process.

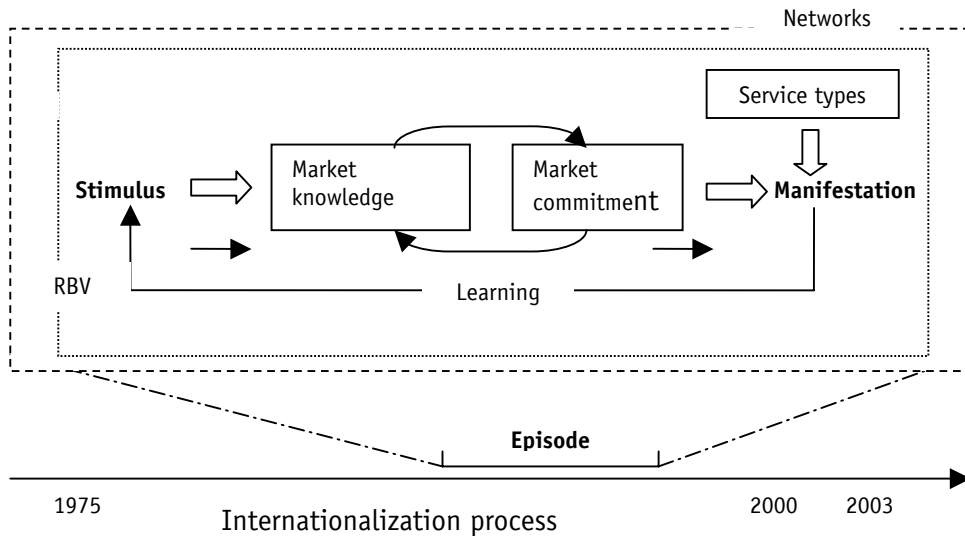
Section 4.7.1 presents the sequence stimulus-interplay-manifestation as the general starting point to study progression in internationalization processes starting from the Enriched Uppsala model. Next, section 4.7.2 introduces the definitions of the core concepts in the sequence that are used, refined and linked in the mid-range theory presented in chapter 7.

### **4.7.1 Theoretical framework to guide the empirical study**

In the previous sections the Enriched Uppsala model is introduced by summarizing the origin, rationale and main criticism of the four underlying perspectives. In this section, the sequence stimulus-interplay-manifestation is put forward as the starting point to study episodes of progression in service internationalization processes. Figure 4-4 graphically presents the sequence that is anchored in the Enriched Uppsala model as is clarified below.



Figure 4-4: Enriched Uppsala model to approach progression in internationalization



Reading Figure 4-4 from left to right, we generally assume that progression in the internationalization process is the result of a response to a stimulus – opportunities/problems in the internal or external environment – that the organization perceives either directly or indirectly. Eventually, progression is shown by commitment changes of the service firms towards its internationalization. We expect that these commitment changes can be manifested in numerous ways such as investing more time and money in the development of network relationships, adjusting the content of the offered service package, entering another foreign market, switching entry mode form within a foreign market, setting up or closing down an export department in the organization, and so on. The central idea that we adopt from the Uppsala model is that the changes in the firm’s market commitment are initially the result and later also the cause of changes in its market knowledge base. However, we expect that the manifestations of changing market commitment not only depend on the particular interplay between market knowledge and market commitment

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but also on the type of services that the organization delivers as indicated in Figure 4-4.

Overall, the main focus of our research is put on the interplay between the key concepts market knowledge and market commitment. To study this interplay, contribution is expected from three enriching fields. First, the RBV offers a perspective to look at the building blocks of the model, i.e. the resources and capabilities needed for progression in the internationalization process. We assume that the organization that furthers its international activities uses and maybe adapts and/or develops various resources and capabilities in which we pay special attention to changes in market knowledge and market commitment. In Figure 4-4 a box around the sequence stimulus-interplay-manifestation depicts the impact of the RBV logic. We posit that perceiving and responding to the trigger is largely affected by the composition and development of a firm's bundle of resources and capabilities.

Second, the industrial network perspective provides us with the context in which the response to a stimulus can be evaluated as it recognizes the embeddedness of a company in a whole of interacting organizations. In the context of progression in service companies' internationalization, we particularly focus on the effect of the network on perceiving the trigger, on the changes in the two central constructs market knowledge and market commitment, and on the ultimate translation into commitment changes. We expect a significant impact of the network on the sequence stimulus-interplay-manifestation via the resources and capabilities of the service firm. Consequently, the effects of the network are represented in Figure 4-4 with a dotted all-embracing box.

Third, the organizational learning literature offers frameworks to study learning that occurs within the service firm as it prepares a response to the perceived

trigger. In particular, attention is paid to the way in which learning occurs. In Figure 4-4, the driving learning processes are indicated with arrows. Altogether, the arrows form a cycle that depicts the dynamism of the model.

#### **4.7.2 Concepts from the Enriched Uppsala model**

In studying the sequence stimulus-interplay-manifestation we start from particular concepts of the Enriched Uppsala model. In this section, the core concepts are defined starting with the concepts in the interplay, market knowledge and market commitment. First, Johanson and Vahlne (1977; 2003) define market knowledge as either general or market-specific knowledge. General knowledge refers to broad marketing methods and common characteristics of certain types of customers. Market-specific knowledge is knowledge about the characteristics of the specific national market – e.g. its business climate, cultural patterns, structure of the market system, and characteristics of the individual customer firms and their personnel. More important however, is the distinction that is being made between objective and experiential knowledge. Like Penrose (1959), objective knowledge is seen as knowledge that can be taught, as it is fairly easy to capture and to communicate. Experiential knowledge to the contrary, is much harder to acquire since it is complex and tacit and can only be gained through personal experience. Experiential knowledge is claimed to be the driving force of the internationalization process as it offers a rich framework for perceiving and formulating opportunities abroad. On the basis of objective knowledge, only theoretical opportunities can be identified since the feeling about how these might fit into the current and future firm activities is missing in this case.

For the study of progression in the internationalization process of service companies we build on the work of Eriksson and colleagues (1997, 2000a, 2000b, 2001) that refines the concept of experiential knowledge by further delineating it

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in an institutional, business, and internationalization knowledge component. Institutional knowledge refers to experiential knowledge of government, institutional framework, rules, norms and values. Business knowledge concerns experiential knowledge of clients, the market and competitors. Internationalization knowledge is the experiential knowledge that the firm has concerning its own resources and capabilities to engage in international operations (Eriksson et al., 1997). Business and institutional knowledge refer to knowledge of particular markets ('knowing-about') in which the firm is active whereas internationalization knowledge relates to the firm's capability of internationalizing ('knowing-how'). Eriksson et al. (2000a) discuss the internationalization knowledge in terms of being the organization's absorptive capacity when it concerns internationalization.

Second, in the original Uppsala model market commitment is defined to be composed of two factors: the amount of resources committed and the degree of resources committed. The first factor refers to the size of the investment measurable in financial terms whereas the second refers to both the difficulty of finding alternative uses for the committed resources and transferring them to these uses. Hadjikhani (1997) argues that with the second factor Johanson and Vahlne (1977; 1990) include an attitudinal form of commitment although this is often not acknowledged in studies that rely on or test the Uppsala model. Hadjikhani (1997) strongly pleads for acknowledging the contemporary bilateral conceptualization of tangible (behavioral) and intangible (attitudinal) commitment (cf. Gundlach et al. 1995; Iverson and Buttigieg, 1999; Pauwels et al., 2003). We endorse Hadjikhani's (1997) distinction and as such bring the difference between tangible and intangible commitment components into account. In this context, tangible commitment concerns various elements that represent economic and institutional forms of involvement which can be expressed in financial terms (e.g. Welch and Luostarinen, 1988; Gencturk et al.,

1995). Intangible commitment to the contrary relates to intentions of decision-makers, the strength of the relationships between firms, or as Hadjikhani (1997: 62) puts it: “[...] links beyond the contractual agreements.” Intangible commitment is idiosyncratic, difficult to switch and is often a by-product of tangible commitment. Furthermore, intangible commitment functions mainly in a social context, causing firms to behave differently even though they have the same tangible commitments. By focusing on both tangible and intangible commitment, situations can be explained where companies are highly committed (intangibly) to internationalize although they do not show any form of (tangible) involvement (yet).

Furthermore, we assume that the stimulus in the sequence triggers organizational learning that drives the interplay between the components of market knowledge and market commitment. In the original Uppsala model, learning refers to exploitative experiential learning (Johanson and Vahlne, 2003). Johanson and Vahlne (1977) assume that the only way to perceive and respond to opportunities abroad is by incrementally gaining more knowledge about the foreign market by means of personal experience. However, Forsgren (2002) argues that the contemporary organizational learning literature allows a much broader learning conceptualization than used by Johanson and Vahlne (1977; 1990). In order to move beyond the restrictive assumption of experiential and exploitative learning we adopt complementary and enriching concepts from the organizational learning literature. First, we adopt the five different ways of acquiring knowledge that Huber (1991) distinguishes. Huber (1991) makes a difference between: congenital learning – i.e. learning at the conception of an organization by means of inheriting knowledge from the creators and additional knowledge acquiring prior to birth; experiential learning – i.e. learning through direct experience both as a result of intentional and systematic, or unintentional and haphazard efforts; vicarious learning – i.e. learning through second-hand experience in the sense of

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getting through to insights of other organizations; grafting – i.e. learning by acquiring and as such embedding knowledge of new members; and searching and noticing – i.e. learning through an intentional searching of the environment. Secondly, we explicitly adopt the two different levels of learning that are commonly distinguished in the organizational learning literature (see section 4.4.1). Lower-order or exploitative learning is assumed to occur within the existing framework of a firm's knowledge base and associated routines, rules and structures, whereas higher-order or exploratory learning is considered to refer to a restructuring of the firm's knowledge base due to an ambiguous context (Fiol and Lyles, 1985; Levinthal and March; Miner and Mezias, 1996).

The sequence ends in a particular manifestation of changed internationalization. As such the manifestation is the outcome of the learning. In the original Uppsala model the interplay between additional market knowledge and market commitment results in increasing international involvement. However, the organizational learning literature indicates that learning not necessarily leads to behavioral changes. More particularly, we adopt the definition of Williams (2001: 68) who describes learning as: “[...] a process in which relatively stable changes are brought about in the way we see things and behave in pursuit of our goals.” In this definition both changes in cognition and behavior are emphasized as potential learning outcomes. Consequently, we assume that the interplay can either lead to a behavioral change like setting up a new sales company or a cognitive change like understanding that entering a new market is too risky.

## **4.8 Concluding remarks**

In this chapter we provide a theoretical platform that offers a starting-point for the collection and analysis of case data on internationalization processes of industrial service companies. The focal theory in the platform is the Uppsala internationalization model of Johanson and Vahlne (1977; 1990). The model provides us with the idea that internationalization is learning. To comply with the dominant criticisms on the Uppsala model, we adopt three emerging research fields that can enrich the basic learning logic. In particular, the resource-based view, the organizational learning field, and the industrial network perspective are explicitly brought into the discussion. The origin, basic rationale and criticisms of each of the enriching fields are summarized and points of attention are raised concerning the way that these fields can strengthen the logic that internationalization is learning. Furthermore, the overlaps between these three fields are discussed and it is argued that their common assumptions regarding the importance of people and history strengthen the learning rationale. To conclude, the theoretical platform is summarized in a schematic overview that indicates the way in which progression in the internationalization of the logistic services providers is approached in the next part.





# Chapter 5: Methodology

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**Chapter 1:**  
Introduction to the study

**Chapter 2:**  
Literature review -  
Services and  
internationalization

**Chapter 3:**  
Classification of services  
offered internationally

**Chapter 4:**  
Enriched Uppsala model

## **Chapter 5: Methodology**

Aims:

- Introduction ontological, epistemological and methodological tenets study
- Research design – comparative case study internationalization processes of nine logistic services companies

**Chapter 6:**  
Nine internationalization processes

**Chapter 7:**  
Progression in internationalization  
processes

**Chapter 8:**  
Conclusion of the study

## **5.1 Introduction**

In this chapter, we complement the conceptual foundations put forward in the previous chapters with a discussion of the particular methodology used to unravel progression in the internationalization processes of industrial service companies. This chapter is structured in two parts. In the first part (section 5.2), we account for choosing a qualitative research methodology in general and a strategy process research in particular. These methodological choices are explained in the context of the underlying ontological and epistemological frames. As such, the paradigmatic tenets of the study are made explicit. In the second part (section 5.3), the practical research design of the multiple comparative case study in the logistics industry is presented. The choice for this industry is explained together with an elaborate discussion of the organization of the empirical research.

## **5.2 Qualitative research approach: a strategy process study**

Progression in the internationalization processes of industrial service firms is studied by means of a qualitative research approach. The first and main argument for this choice is the particular topic of the study (cf. Dooley, 2001; Bonoma, 1985; Johnston et al. 1999). Like Strauss and Corbin (1990), Marshall and Rossman (1999) note that qualitative research is particularly suited to delve into complexities of processes in order to gain a holistic understanding of the interrelationships in the decision processes. As such, a qualitative research approach seems apt to grasp the complexities of progression in services internationalization processes.

Next to the general choice for a qualitative research approach, the topic pleads for a strategy process research to guide the concrete research design. In particular, progression in the internationalization processes of service firms can be considered as an organizational change process that Pettigrew (1997: 338) defines as: “a sequence of individual and collective events, actions, and activities unfolding over time in context.” Strategy process research (e.g. Pettigrew, 1990; 1992; 1997; Van de Ven, 1992; Van de Ven and Huber, 1990, Ferlie and McNulty, 1997) is used to investigate organizational change processes that arise over time with the objective to understand how and why changes occur taking the context into account. In line with the logic of strategy process research, progression in internationalization processes of service firms is approached with a clear interest for the organizational context in which sequences of actions unfold over time (cf. Pettigrew et al., 2002; Ferly and McNulty, 1997). To put it differently, strategy process research will provide us with a framework: “ [...]to account for and explain the what, why and how of the link between the context, processes and

outcomes” (Pettigrew, 1997: 340) of progression in internationalization trajectories.

## **5.2.1 Ontology, epistemology and methodology: three interrelated issues**

Researchers are bound within a net of beliefs about the world and how that world should be studied. Ontology, epistemology and methodology are three interrelated premises of such a net of beliefs. Hence, discussing methodology requires discussing the broader ontological and epistemological frame in which it is anchored. In particular, Guba and Lincoln (1994:108) argue that: “The basic beliefs that define inquiry paradigms can be summarized by the responses given by proponents of any given paradigm to three fundamental questions [about ontology, epistemology and methodology], which are interconnected in such a way that the answers given to any question, taken in any order, constraint how the others may be answered” (own addition between square brackets).

### ***5.2.1.1 Ontological frame***

Ontology refers to the beliefs concerning the nature of reality and consequently what there is that can be known about it (Shaw, 1999). In response to the ontological question, we adopt a subjectivist approach in the terminology of Burrell and Morgan (1979) meaning that we do not believe in social reality as a given. To the contrary, we adopt the interpretive paradigm and consider “social reality as built up over time through shared history, experience and communication so that what is taken for ‘reality’ is what is shared and taken for granted as to the way the world is to be perceived and understood” (Locke, 2001: 9). Reality is thus a product of people’s minds. Furthermore, in the subjectivist approach, people are regarded as free-willed and autonomous opposed to the

view that people are completely determined by the environment that surrounds them (Burrell and Morgan, 1979). Consequently, studying progression in the internationalization processes of service firms allows talking to managers in these companies. We want to know how they perceive what happens in and around the organization, and how they adapt their behavior in light of these meanings and perspectives.

The qualitative strategy process approach introduced above is in line with the subjectivist view. In particular, Pettigrew (1992; 1997) states that social reality is a dynamic process that occurs rather than merely exists, and that human conduct is perpetually in a process of becoming. Three elements are at the heart of any processual analysis: agents, context and time. Actions drive processes but actions cannot be reduced to the driving agents – individual actors or collectivities – only. Pettigrew (1997: 338) stresses that: “Actions are embedded in contexts that limit their information, insight and influence.” In this respect, agents and contexts have a dual quality, contexts are shaped and shaping, actors are products and producers. Crucially, this interchange between agents and contexts occurs over time and is cumulative. In the words of Pettigrew (1997: 339): “What happens, how it happens, why it happens, what results it brings about is dependent on when it happens, the location in the processual sequence, the place in the rhythm of events characteristic for a given process.” By choosing for strategy process research, we adopt its five internally consistent assumptions (Pettigrew, 1990; 1992; 1997) that characterize and at the same time guide strategy process research.

1. The importance of embeddedness: The exploration of changes in the firm has to be embedded in an analysis of inner and outer context of the organization. Hence, change should be studied from different levels of analysis. Often, asymmetries between levels of context are the source of

change. These intertwined processes at the different levels have their own momentum, pace and trajectory. The precise choices of how many levels of context to bring into the study are dependent on issues such as the particular research problem, access to data and available resources in general.

2. The importance of temporal interconnectedness: Change is located in the past, present and future because antecedent conditions are assumed to shape the present and future. As such, understanding the sequence and flow of events over time is required. Important to note, there is no belief in predetermined timetables or ordered and inevitable stages. To the contrary, trajectories of strategy process are considered probabilistic and uncertain due to changing contexts and human action.
3. The need to explore context and action: Context is a product of action and action is a product of context, thus discussing processes requires discussing human agency in context. Context is assumed to be more than a stimulating environment, it is seen as a nested arrangement of structures and processes where the subjective interpretations of actors help shape the process.
4. Causation is neither linear nor singular: Explanations of change need to be holistic and multifaceted. Although the aim is to unravel the mechanisms underlying organization change, no attempt is made to search for a single grand theory but for multiple intersecting conditions which link features of context and process to certain outcomes. Changes are believed to have multiple causes leading to explanations in the form of loops instead of lines.
5. The need to link process analysis to outcomes: The study needs a clear focal point – an outcome – to explain in process research. The emphasis on a particular outcome offers an anchor for the investigation. Moreover, linking process and outcome leads to an explanation of both the result of

the process, and the process as attention is paid why and how processes shape outcomes.

### **5.2.1.2 Epistemological frame**

Epistemology refers to the relationship between the knower or would-be-knower and what can be known (Guba and Lincoln, 1994; Shaw, 1999). In the words of Burrell and Morgan (1979: 1), epistemology concerns: “the assumptions about the grounds of knowledge – about how one might begin to understand the world and communicate this as knowledge to fellow human beings.” Furthermore, it concerns ideas about what should be regarded as ‘false’ and what as ‘true’ (Burrell and Morgan, 1979).

In line with the subjectivist ontology, our choice for qualitative research in general and a strategy process research in particular, reflects an epistemology of constructivism. The constructivist epistemology assumes that the social world can only be understood from the point of view of the individuals who are directly involved in the activities which are studied (Burrell and Morgan, 1979; Denzin and Lincoln, 2000; Schwandt, 2000). In order to obtain such an understanding, an interaction is needed between the investigator and the investigated object, in which the values of the two parties inevitably influence the inquiry (Guba and Lincoln, 1994). Moreover, Shaw (1999) argues that the relationship between the (would-be) knower and known is one of respectful negotiation, joint control and reciprocal learning. This constructivist view is in firm contrast to the positivist view that states that truth can be found by following general rules of method that are largely independent of content and context of the investigation and in which any influence by the person of the researcher should be eliminated or minimized (Kvale, 1996).

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In the following paragraphs three important implications of the underlying epistemology of constructivism that characterizes the strategy process approach are discussed. Specifically, attention is paid to the particular role of the researcher – the (would-be) knower; explanation in qualitative research – the way in which understanding is reached; and the issue of verification – when are findings ‘true’ or ‘false’.

First, the role of the researcher is crucial in qualitative research, and as such in strategy process research. Gummesson (2000) stresses that the personality of the researcher often significantly shapes the outcome of the study. Scholars are carriers of assumptions, values and frames of reference that affect what they are capable of seeing and not seeing (Van de Ven and Poole, 2002; Pettigrew, 1997; Neuman, 1994). Qualitative researchers assume that it is neither possible nor desirable to eliminate the effect of the researcher completely. Besides, the benefit of an in-depth understanding of the complex processes in organizations is to a large extent attributable of the close interaction of the researcher with people in those organizations (Marshall and Rossman, 1999; Holstein and Gubrium, 1995; Pettigrew, 1990). Nevertheless, recognizing the human factor does not mean that a qualitative researcher can arbitrarily interject personal opinions or select evidence to support personal prejudices (Neuman, 1994). A qualitative researcher should take advantage of personal insight, feelings and perspective as a human being to understand the social life under study, but should be aware of his or her values and assumptions that might bias the investigation. The emphasis should be on recording the complexity of situational contexts and interrelations as they occur naturally without attempting to control the research conditions (Marshall and Rossman, 1999; Bailey, 1996). More attention is paid to the vital role of the researcher in the discussion of quality criteria for qualitative research (section 5.2.2 below).



A second issue relates to the way to achieve understanding in strategy process research. Neuman (1994) notes that in qualitative studies the researcher aims for insight by weaving the abundant textual data into discussions of significance. A common threat in this regard is data asphyxiation<sup>1</sup> when the amount of data is too overwhelming (we would like to refer to Pettigrew (1992) for a discussion of several remedies). However, even more threatening is that, like qualitative research, strategy process research lacks uniform rules and procedures to analyze the gathered data (Taylor and Bogdan, 1994; Dawson, 1997; Pauwels and Matthyssens, 2004). Nevertheless, the work of Miles and Huberman (1994), Yin (1994) and Eisenhardt (1989) is often cited as instructive in this regard. The ultimate aim is a logical chain of evidence that explains the studied process (Robson, 1993; Yin, 1994; Janesick, 1994). However, when is the process explained ?, when does the chain of evidence sufficiently capture the organizational process under investigation ? Understanding an organizational process results in a pattern model, in which events are placed in relation to other elements so that they form a unified system. Simply put, the explanation provided by such a pattern model is sound when 'everything falls into place' (Kaplan, 1964). In section 5.3.3 below, we elaborate upon the peculiarities of data analysis and the soundness of the research process and research outcome.

Third, related to the issue of gaining understanding is the verification of findings. Verification entails checking for possible biases that might affect the process of getting to conclusions. Biases can occur due to various reasons like an incorrect weighting of some findings, selectivity or overconfidence in some data, co-occurrences that are interpreted as causal relationships, unilateral information from some sources, and so on (Huberman and Miles, 1994). In order

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<sup>1</sup> Data asphyxiation refers to a situation in researchers get trapped into the overwhelming weight of information, not being able to get to structuring and clarifying (Pettigrew, 1990).

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to obtain a holistic insight in the process under investigation from the perspective of those involved in the process, precautions are needed to avoid a unilateral and as such biased view. In this regard, qualitative research can fall back on triangulation and iteration, explained hereafter, that together warrant against misinterpretations and as such are used to verify findings.

Triangulation is the use of several kinds of methods and/or data because different sources provide different vantage points from which to understand the studied process (Janesick, 1994; Neuman, 1994; Locke, 2001). Multiple perceptions can help to clarify meaning by identifying different ways in which the phenomenon is seen (Stake, 1994). Both correspondences and discrepancies are of value as they offer cross-validation and an extra explanation of the phenomenon studied respectively (Robson, 1993). Especially, conflicting views can push the researcher into a more complex, context-respecting set of explanations (Miles and Huberman, 1994). Four basic types of triangulation can be distinguished: data source triangulation (the use of a variety of data sources), investigator triangulation (the use of several different researchers), theory triangulation (the use of multiple theoretical frameworks to interpret a single set of data), methodological triangulation (the use of multiple methods to study a single problem)(e.g. Janesick, 1994; Robson, 1993). Miles and Huberman (1994) add data type triangulation (the use of different types of data).

Silverman (1993; 2000) warns that the purpose and meaning of triangulation depends on the underlying ontology. In particular, a subjectivist view implies that there is not an objective truth. Consequently, triangulation cannot be used to produce a 'complete' picture of a single phenomenon because there is no overarching reality to which data, gathered in different contexts, approximates. However, in a subjectivist approach, triangulation does make sense as an assembly of reminders about the partiality of data collection methods and the

situated character of action. Looking at a process from multiple perspectives is useful and can add to understanding the process holistically in the sense of studying the process from various angles. Hence, we see triangulation as a source of varying perspectives and constructions in which varying viewpoints are seen as challenging to obtain insight in complex processes. Shaw (1999) puts this interpretation of triangulation opposite to the one of triangulation as a metaphor for obtaining a geographical fix on the 'true' location of evidence, which is irrelevant in our subjectivist approach.

Iteration refers to the continuous jumping back and forward in the research process. Qualitative research benefits from the multiple feedback loops between and within various phases of the investigation (Miles and Huberman, 1994; Yin, 2003). For instance, data collection, data analysis and conclusion drawing preferably occur iteratively or cyclically instead of sequentially. Although iterations may seem to lead to chaotic and unplanned research processes, they form a critical instrument in the theory-creating process (Eisenhardt, 1989; Orton, 1997; Pauwels and Matthyssens, 2004). Iterations help to obtain well-founded insights in the topic studied. Like triangulation, a continuous questioning of obtained interpretations helps to verify whether the phenomenon studied is captured in a context-respecting set of explanations. As such, going back in the research process by adding extra respondents or probing new themes is allowed (Eisenhardt, 1989; Yin, 2003). Again, the aim is not to come to one truth but to obtain a theory that is truly embedded in both the empirical evidence gathered and extant literature on the topic.

### ***5.2.1.3 Methodological frame***

Methodology refers to the way in which the inquirer can go about finding out whatever he/she believes can be known (Guba and Lincoln, 1994). There is no

ideal set of procedures, steps or rules of application that guide processual analysis but the comparative case study (e.g. Yin, 1994; 1997; 2003; Miles and Huberman, 1994; Eisenhardt, 1989; Bonoma, 1985; Woodside and Wilson, 2003) as a research strategy is found to match the assumptions and aims of the strategy process research (Pettigrew, 1997; 2001; Leonard-Barton, 1990). Case study research can be defined as: “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.” (Robson, 1993:5). Although case study research can involve single or multiple cases (Eisenhardt, 1989; Stake, 2000; Yin, 2003) this study relies on a comparative multiple case study. Several cases are examined because the objective is to produce theory relevant to different managerial situations and capable of explaining progression in the internationalization of industrial service companies, which requires a replication-logic (cf. Leonard-Barton, 1990; Yin, 1994) as discussed below.

In this section, the use of a comparative case study is introduced by paying attention to the role of theory in the research design, the approach to collect and analyze data, and criteria to assess the quality of the study.

#### *5.2.1.3.1 Role of extant theory*

By means of a comparative case study the aim is to build an explanatory mid-range theory of the internationalization of service companies in which the focus is put on progressions in that process. The objective of building new theory on the basis of a qualitative approach suggests the need for an inductive research design. However, over the years, a subtle mix of induction and deduction has become the preferred approach for theory building case study research (Orton, 1997; Dubois and Gadde, 2002; Van De Ven and Poole, 2002; Matthyssens and Vandenbempt, 2003; Pauwels and Matthyssens, 2004). We adopt this approach

that assumes a continuous iteration between extant literature and empirical evidence. This iterative methodology has two important implications.

First, deduction in this context relates to the need for prior theory that is supposed to have a pivotal function in the design and implementation of case studies (Stake, 2000; Janesick, 2000; Miles and Huberman, 1994). As Perry (1998: 788) notes: “Pure induction might prevent the researcher from benefiting from existing theory, just as pure deduction might prevent the development of new and useful theory.” Although the aim is to build a new theory, there is no need to reinvent the wheel (Gummesson, 2000). Previous research can and should be taken into account. Besides, the overall validity of the study benefits from a comparison of current research efforts with extant findings (Eisenhardt, 1989, Dubois and Gadde, 2002; Pauwels and Matthyssens, 2004).

Second, despite the need for a-priori theory as a starting-point, case study research in the context of an iterative methodology permits a great amount of flexibility due to the continuous iterations between data and theory that characterizes this research strategy (Yin, 1994; Miles and Huberman, 1994; Perry, 1998; Pauwels and Matthyssens, 2004). In the course of the research process, the tentative constructs of the a-priori theory are further developed or even deleted, research questions can be changed if preliminary evidence indicates more prominent issues, data collection methods can be modified, data sources can be complemented, and so on. Nevertheless, Eisenhardt (1989) stresses that these cycles of modifications are allowed in a spirit of controlled opportunism to grasp the phenomenon under study in the best possible way. However, flexibility has its boundaries, eventually, the research efforts should converge into a single theoretical framework that leans on a thorough understanding of the data.

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The two conceptual foundations introduced in chapter 2 and 3 – the alternative service classification and the enriched Uppsala model serve as the a-priory theory that guides this study. In the second part of this chapter, special attention is paid to the iterations between theory and data that affected the eventual research question, case selection, data collection, and data analysis.

### 5.2.1.3.2 Data collection

Comparative case study analysis is characterized by the use of multiple data sources and multiple collection methods (Eisenhardt, 1989; Yin, 2003; Woodside and Wilson, 2003). In order to obtain a holistic and varied view of the cases studied, primary and secondary data is collected from different sources by diverse means like interviews, observations, document search, and so on. The data collection is organized per case included in the case study. The selection of the cases occurs by means of theoretical sampling. In comparative case study research the focus is deliberately restricted to the study of a limited number of cases (Eisenhardt, 1989). Therefore, the selection of these cases is not related to the statistical sampling logic that requires an a-typical selection of units to obtain a representative sample of the population. To the contrary, case study research relies on a replication logic in which cases are purposefully chosen to obtain a wide variation in only a small number of cases (Yin, 2003). In fact, unique and particular cases need to be sought because of their extraordinary character so that the idiosyncrasies of the extraordinary cases lead to a better understanding of the ordinary situation (Stake, 1995). Overall, to generate a valid theory the aim is to have cases that predict similar results – i.e. literal replication, next to cases that predict contrasting results but for expected reasons – i.e. theoretical replication (Yin, 2003).

There is no clear-cut rule that determines the ideal number of cases to include in the comparative case study. The quality of the cases is more important than their quantity. Yin (2003) argues that the number is a matter of discretionary, judgmental choice that is affected by the researcher's need for certainty. Similarly, Eisenhardt (1989) and Stake (2000) advise to select extra cases until theoretical saturation is reached, in other words, when extra cases no longer lead to new insights, additional case selection ends. In line with the iterative methodology discussed above, the way to decide upon the need for extra cases implies that the case selection depends on the emergent theory (Locke, 2001; Silverman, 2000). In practice, an accepted range of cases seems to fall between two to four cases as the minimum and ten to fifteen cases as the maximum (Perry, 1998; Pettigrew, 1991; Yin, 2003).

Although a wide variety of data collection methods can be used in case study research (Yin, 2003; Leonard-Barton, 1990; Bonoma, 1985) the main way of gathering information in this study is through personal interviewing and analyzing documents. First, with respect to personal interviewing, data is mostly collected by means of in-depth semi-structured interviews. Gummesson (2000) argues that interviews provide the best opportunity for understanding change processes. In order to obtain a balanced view of internationalization in service companies, interviews are held with three different parties. More particularly, we talked to 1) representatives of internationalizing service companies, 2) some of their clients, and 3) experts in international trade and services. Despite the fact that multiple parties give their opinion on the internationalization of a particular service company, a difference remains between the level of theory and the level of measurement (cf. Klein et al., 1994). The mid-range theory discussed in chapter 7 generalizes at the level of the organization (= group level of theory). Nevertheless, interviews with individuals represent the main data source (= individual level of measurement). This difference in level does not threaten the

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quality of the research in cases where sufficient homogeneity can be assumed within the group (Klein et al., 1994). Characteristics of the service companies engaged allow us to assume such homogeneity as discussed in section 5.3.2.1 below.

The use of in-depth semi-structured interviews implies that during the interview general topics are introduced followed by rather specific questions by the interviewer. Nevertheless, the interviewee has the opportunity to steer the discussion in other directions if s/he feels that other issues are more prevalent (Rubin and Rubin, 1995; Healey et al. 1993). In fact, the aim is to let the interviewee tell his/her story although the interaction between the two parties leads to a conversation that is influenced by both of them (Fontana and Frey, 2000; Kvale, 1996).

The interviews with the representatives of the selected case companies are retrospective as interviewees are elaborately questioned about the history of their company's international development. An important drawback of retrospective interviewing is that for many reasons respondents can or will not recall the past accurately. For instance, respondents fall back on restricted memories; they make inappropriate rationalizations of past events in order to project a socially desirable image; they oversimplify past events, and so on (Miller et al., 1997; Golden, 1992; Leonard-Barton, 1990). These disadvantages lead to a significant limitation of valid data gathering by retrospective interviewing. Nevertheless, in order to grasp the development of the service internationalization processes, retrospective interviewing was often the only possibility as the topic itself – past change processes – is retrospective. Besides, a search for alternative data sources revealed that they do not exist. To reduce the disadvantages of retrospective interviewing, the Sequential Incident Technique (SIT) (Stauss and Weinlich, 1996) is used.



SIT takes up the 'telling of incident' from the Critical Incident Technique approach (e.g. Bitner et al., 1990) but studies usual incidents next to critical ones. Although this technique is developed in the context of service quality studies, we believe it has important benefits for the study of internationalization processes as well. The main advantage is that the technique initially obliges the respondents to reconstruct the internationalization process chronologically – i.e. paying attention to a wide variety of events. In later interviews the critical events are discussed more elaborately. At that time, respondents and interviewer know each other and the topic, which leads to more revealing discussions. The nature of the data changes in the course of the interviewing process from factual and cognition-free information to the reproduction of past interpretations and even the present interpretation of those past events (cf. Kvale, 1996). In section 5.3.2.1.2 below the practical application of SIT is discussed.

The second data collecting method concerns secondary data in the form of documents. This type of information can take many forms such as formal studies of the same case company under study, newspaper clippings, company newsletters, and websites. Documents are useful to corroborate and strengthen evidence from other data (Yin, 2003; Silverman, 2000). Additionally, reviewing documents are informative as they can lead to an understanding of the setting studied (Marshall and Rossman, 1999). Nonetheless, it should be kept in mind that every document is written with a specific purpose for a specific audience different from those of the case study being done. Therefore, documents ought to be approached critically and considered as complementary to data from other gathering methods. For instance, documents can be used in case studies to verify names of organizations, places, key actors or other elements that came up during the interviews. Moreover, documents can reveal specific details that urge further questioning (Yin, 2003; Gummesson, 2000). Section 5.3.2.2 below provides an overview of the documents used in this study.

5.2.1.3.3 *Data analysis*

As Miles and Huberman (1994: 1) state: “Qualitative data are sexy. They are a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts.” The question is, however, how to reach conclusions on the basis of these sexy but sometimes overwhelmingly large amounts of text ? In the past, few qualitative researchers explained thoroughly how they analyzed data, which undermined the acceptance of qualitative research as a powerful and valid research strategy (Neuman, 1997; Pauwels and Matthyssens, 2004). Although more explicit and systematic qualitative analysis methods have been described over the years (e.g. Miles and Huberman, 1994; Yin, 1994; 2003; Langley, 1999), no single standard qualitative data analysis approach is widely accepted (Maclaran & Catterall, 2002; Neuman, 1997; Coffey and Atkinson, 1996). However, the general aim is to examine patterns of similarities and differences across the cases and try to come to terms with their diversity in a rigorous way, and various aids have been developed to reach that objective. Below, basic issues in qualitative analysis are introduced.

The starting-point in analyzing qualitative data is coding which is the process of attributing labels or tags to data in order to assign units of meaning to information compiled during a study (Miles and Huberman, 1994). Coding is a dynamic and creative process in which the researcher continuously aims at enlarging and refining his/her understanding in the cases (Taylor and Bogdan, 1984). In particular, the coding process starts almost at the same time as the data collection (Neuman, 1997). The main aim of coding is a mixture of both data reduction and data complication. On the one hand, coding reduces the large amounts of data by breaking up and segmenting data into simpler, general categories. The attributed codes allow a quick scan and retrieval of the original data, which simplifies activities such as combining, comparing, and further analyzing the collected data (Miles and Huberman, 1994). On the other hand,

coding complicates the collected data. By attributing codes, the data are expanded and unraveled which often leads to new questions and a more advanced level of interpretation (Coffey and Atkinson, 1996; Strauss and Corbin, 1990).

In line with the iterative methodology used here, coding is a cyclical process that occurs in various rounds. Miles and Huberman (1994) distinguish between three different types of codes; descriptive codes which entail little interpretation but attribute categories to data, interpretive codes which are attached when preliminary insights are reached and underlying explanations start to arise; and pattern codes which are highly inferential and explanatory as emergent patterns become apparent in the original and inferred data. The three types of code stress the importance of periodic rereading the coded field notes to reduce and complicate the data in the best way for further analysis. Over time, a shift should be made from more descriptive codes to more inferential ones, in order to build theory. The reason for rereading and recoding can both be the collection of additional empirical data or an extra round of literature reviewing. Strauss and Corbin (1990) introduce a similar distinction between different kinds of coding referring to open coding, axial coding and selective coding. Comparable to Miles and Huberman's (1994) types, the level of abstraction increases over the types. Whereas open coding predominantly focuses on the data, in axial coding the emphasis is moved to the initial coded themes. In selective coding, data and previous codes are selectively scanned to illustrate themes and contrasts after most or all data collection is complete. Overall, in coding iteration is crucial, or as Coffey and Atkinson (1997: 6) put it: "The process of analysis is a reflexive activity that should inform data collection, writing, further data collection, and so on."

Whereas coding is a generic technique that is required in any qualitative analysis, various methods exist to use after the initial rounds of coding (Neuman, 1994).

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The issue is that at some point a move needs to be made from coding to interpreting which requires the transcendence of factual data to emergent theory (Coffey and Atkinson, 1997). In a comparative case study, data analysis – both coding and interpreting – occurs in a layered way (Yin, 2003; Miles and Huberman, 1994; Eisenhardt, 1989). A first round contains within-case analyses “[...] to become intimately familiar with each case as a stand-alone entity” (Eisenhardt, 1989: 40). In a second round, a cross-case analysis is conducted to deepen insight and explanation by looking at the data over the different cases in many divergent ways.

Miles and Huberman (1994) introduce an extensive list of techniques to interrogate the coded data both within and across cases to generate meaning. Similar to the techniques is that they involve the use of data displays, which are visual formats that represent information systematically. In particular, Miles and Huberman (1994) portray qualitative data analysis as a sequential and interactive process in which data displays and emerging written text influence each other (Huberman and Miles, 1998). A cycle of interactions arises as displays help to see patterns that are translated into texts to make sense of the displays. Next, further revised or extended displays point to new relationships and explanations which leads to more differentiated and integrated texts, and so on. The list of techniques works with two types of formats, networks and matrices. The display formats and shape of the data entries depend on the particular research topic (e.g. detailed chronologies versus people’s behavior in different roles) and the purpose in the analytical process (e.g. exploration themes versus reporting findings). Overall, Miles and Huberman (1994) introduce four major types of displays; more specifically, partially ordered displays, time-oriented displays, role-ordered displays and conceptually oriented displays. In this study of internationalization processes, mainly the time-oriented displays offer guidance in interpreting the case data.

Next to the Visual Mapping Strategy that refers to Miles and Huberman's (1994) techniques, Langley (1999) discusses six other strategies for making sense of process data. In the context of studying internationalization strategies of services companies, three strategies are considered relevant. In particular, the Narrative Strategy and the Alternate Templates Strategy are considered valuable approaches to complement the Visual Mapping Strategy in the analysis of the collected process data.

- *Narrative Strategy* refers to the construction of a detailed story from the raw data (Langley, 1999; Pentland, 1999). We see this strategy primarily as a preliminary step aimed at preparing a chronology of the empirical data for subsequent analysis. Next to coding, writing chronologies per case allows to reduce the diverse process data to manageable stories.
- *Alternate Templates Strategy* refers to proposing several alternative interpretations of the same events on the basis of different but internally coherent sets of a-priori theoretical premises (Langley, 1999). The theoretical foundations developed in chapter 3 and 4 offer various perspectives on the basis of which the service internationalization processes can be analyzed and interpreted. Especially this latter strategy is in line with Yin's (2003) Pattern-Matching logic although we do not want to start from well-defined propositions like Yin (2003) requires but from tentative concepts and their potential interrelations.

Overall, iteration is aimed at between theory and data by choosing both inductive (visual mapping and narratives) and deductive (alternate templates) approaches to analyze the data. In section 5.3.3.2 below, the use of the three sensemaking strategies is further discussed.

The analytical process should end with a reflection phase in which the questions should be raised to what extent the developed theory is 'good theory' and whether it outperforms extant explanations (Pauwels and Matthyssens, 2004; Neuman, 1997; Eisenhardt, 1989). Theory-building research should lead to new insights, and whether this goal is reached should be explicitly part of the discussion (Eisenhardt, 1989). A first concern is whether the new theory contains the characteristics of a good theory. Whetten (1989), Bacharach (1989), and Van de Ven (1989) among others introduce general requirements to which a good theory needs to comply. The second concern is whether the new theory provides a better explanation than existing theories. In other words, Pauwels and Matthyssens (2004) state that guided by the principle of analytical generalization, the validity of the research outcome must be tested against the theoretical network that surrounds the studied phenomenon. Attention should be paid to how and why the new theory complements, overlaps and/or conflict existing views.

### **5.2.2 Quality criteria**

Developed in a positivist stance, the quality criteria validity, reliability, generalization and objectivity are familiar to each researcher. However, in qualitative research conducted in a non-positivist epistemological stance, eminent scholars argue that different evaluative criteria are needed to assess the soundness of the research (Lincoln and Guba, 1985; Hirschman, 1986; Janesick, 1994, 2000; Robson, 1993; Shaw, 1999). Consequently, four alternative criteria are put forward that can be used to evaluate the quality of the research process and its outcome as they provide an answer to the following basic questions that any systematic inquiry should address (Lincoln and Guba, 1985; Robson, 1993; Marshall and Rossman, 1999):

1. *Truth value*: How can one establish confidence in the 'truth' of the findings for the setting, and the context in which, the enquiry was carried out ?
2. *Applicability*: How applicable are the findings to another setting or group of people ?
3. *Consistency*: How can have one confidence that the findings would be replicated if the study were repeated in the same (or similar) setting, in the same (or similar) situation ?
4. *Neutrality*: How can one be sure that the findings reflect the respondents and their situation and context, and not the biases, motivations, interests or perspectives of the enquirer ?

In a positivist stance, the criteria to guard the concerns expressed in the above questions are internal validity, external validity (generalization), reliability and objectivity respectively. In a non-positivist qualitative stance, the alternative but corresponding criteria are credibility, transferability, dependability, and confirmability. Table 5-1 summarizes the four basic questions and the conventional criteria to answer them, further addressing the problems that threaten the basic values in a positivist world and the approaches to alleviate these problems, to end with trustworthiness analogues for non-positivist qualitative research. The alternative criteria are introduced below the table.

**Table 5-1: Alternative quality criteria**

Values	Conventional criteria	Problem countered thereby	Achieved by	Trustworthiness analogues
Truth	Internal validity	Confounding	Control, Randomization	Credibility
Applicability	External validity; generalization	Atypicality	Probability sampling	Transferability
Consistency	Reliability; replicability	Instability	Replication	Dependability
Neutrality	Objectivity	Bias	Insulation of researcher	Confirmability

*Source: Shaw, 1999, p. 67*

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Credibility: The traditional criterion of *internal validity* is replaced with credibility. In a non-positivist research paradigm, there is no longer the assumption of one true world composed of discrete causal processes; instead multiple constructed realities are considered possible. As such, there is no longer a concrete benchmark for validation in a positivist sense of an interpretation (Hirschman, 1986). Therefore, to obtain and demonstrate truth-value, the researcher must show that the enquiry was carried out in a way that ensures that the subject of the enquiry was accurately identified and described throughout the process (Robson, 1993). The reader needs to be convinced of the credibility of the research process and findings given the existing knowledge, the nature of the phenomena, and the circumstances of the research (Marshall and Rossman, 1999; Silverman, 1993). In other words, transparency is a crucial argument to obtain a credible research process and outcome.

Transferability: The construct that corresponds to *external validity* or *generalization* is called transferability. The researcher must argue that the findings will be useful to others in similar situations, with similar research questions (Robson, 1993). In a non-positivist approach, the concern is not to generalize a particular finding across populations, time, or conditions (cf. statistical generalization). Within the logic of analytical generalization, transferability of one manifestation of a phenomenon to a second manifestation of that phenomenon is an issue, recognizing implicitly that no two social contexts are ever identical. Therefore, the context in which the study is conducted requires specification in order to assess the transferability of the interpretation in a different setting (Hirschman, 1986). The explicit underlying theoretical frameworks provide guidance in the assessment of transferability.

Dependability: In analogy to *reliability*, dependability concerns the stability and consistency of the measurements – i.e. its instruments that are the researchers in



qualitative studies (Marshall and Rossman, 1999; Neuman, 1994). The issue is to convince the reader that the researcher is rendering a construction of the phenomenon being studied in which s/he does not deny the impact of his/her personality but strives to be clear about potential influences (Hirschman, 1986). Therefore the researcher needs to meticulously account for changing conditions in the phenomenon studied, and for design changes due to an increasingly refined understanding of the setting. The positivist assumption of an unchanging universe in which inquiries can be replicated is abandoned. In a non-positivist interpretative epistemology, the social world is always being constructed and as such the concept of exact replication is problematic (Marshall and Rossman, 1999). Nevertheless, in qualitative research, the concept of reliability should not be dismissed altogether, as other researchers should be able to build on previous studies; therefore the scientific investigator needs to document his/her procedure elaborately (Kirk and Miller, 1986; Silverman, 1993).

Confirmability: The corresponding concept to *objectivity* and *neutrality* is confirmability. In a non-positivist approach, the emphasis is moved from the enquirer to the case study itself, as the researcher is no longer presumed to be value-free. The issue is whether enough has been told about the study so that the reader can assess the adequacy of the research process and whether the findings flow from the data (Marshall and Rossman, 1999). Or as Hirschman (1986) argues, the interpretation is expected to be supportable from the data as gathered by the inquirer, to represent a logical set of conclusions given the reasoning employed during the interaction. The interpretation cannot merely be a prejudiced and nonjudgmental rendering of the observed reality by the researcher. Again transparency is required to allow the reader to judge the decisions taken by the researcher.

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With the introduction of the alternative quality criteria, several techniques are suggested to improve the soundness of the research approach briefly summarized in Table 5-2. Section 5.3.4 below discusses the use of the techniques in this study.

**Table 5-2: Techniques to enhance the quality of qualitative research**

Quality criteria	Techniques to improve the quality of the research process and outcome
Credibility	<p><b>Elaborate reporting:</b> Be explicit about the setting, population, and theoretical framework.</p> <p><b>Member checks:</b> Check with people from whom the data are derived but be careful about potential biases.</p> <p><b>Peer debriefing:</b> Expose analysis and conclusions to colleagues on a continuous basis.</p> <p><b>Prolonged involvement:</b> Invest sufficient time to become familiar with the setting.</p> <p><b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.</p>
Transferability	<p><b>Specify theoretical framework:</b> Be transparent about theoretical starting-points.</p> <p><b>Theoretical sampling:</b> Select cases in order to obtain a wide variety of data observations to come to rich conceptual categories.</p> <p><b>Provide database:</b> Specify about everything that a reader needs in order to understand the findings.</p> <p><b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.</p>
Dependability	<p><b>Enquiry audit:</b> Keep extensive and transparent files of research project for potential auditing by other researchers.</p> <p><b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.</p>
Confirmability	<p><b>Enquiry audit:</b> Keep extensive and transparent files of research project for potential auditing by other researchers.</p>

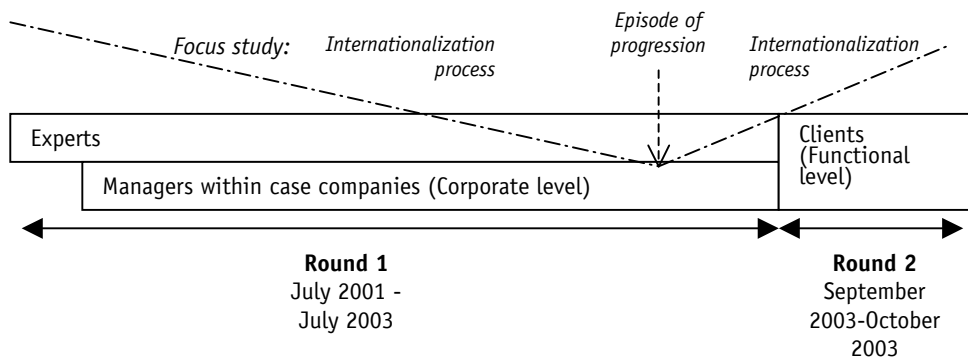
*Source: based on Hirschman (1986), Robson (1993), Marshall and Rossman (1999), Locke (2001)*

### 5.3 Research design

In this part, the practical research design of the empirical study is presented. Although the structure of the section might suggest that the research occurred in a linear and logical sequence, many feedback loops took place between case selection, data collection, data analysis and theory building as explained below.

The empirical study was divided into two parts as depicted in Figure 5-1. Given the assumption that each service is the result of an interaction between the service provider and the service customer (cf. chapter 3), we decided to study the internationalization process of service companies from two angles. In a first round, service companies were engaged and extensive data gathering took place in nine organizations between July 2001 and July 2003. In a second round, clients from seven of these service companies were approached in September – October 2003. Additionally, before and during the first round, 9 experts in different fields were contacted to give their opinion on the internationalization of service companies in general or on the internationalization of one or several case companies in particular.

**Figure 5-1: Two rounds in the empirical study**



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The software package NVivo was used to assist in managing the fieldwork. Although current programs for qualitative research like NVivo are often marketed as assisting with data analysis, a more appropriate description is that they primarily facilitate data management (Kelle, 1997; Maclaran and Catterall, 2002). Indeed, for our fieldwork, NVivo predominantly simplified the storing, indexing, and retrieving of the collected data. For the analysis process itself we preferred to build up schemes, matrices and networks on paper because it gave us a feeling of freedom. The package was used to deliver the building blocks with its 'search' and 'compare' functions but the identification and representation of links occurred manually.

During the study, feedback was looked for. On various occasions emerging insights were presented to and discussed with industry experts and academic peers. In particular, the preliminary versions of the theoretical foundations were presented at international conferences, that is the American Marketing Association (Matthyssens and Lommelen, 1999), the European Marketing Academy (Lommelen et al., 2001b), the European International Business Academy (Lommelen et al. 2001a; Lommelen et al. 2002), and the Academy of International Business (Lommelen et al., 2003). Moreover, I had three opportunities to elaborate on the methodological approach of this study. More specifically, presentations were given at the Consortium of International Marketing Research (Lommelen and Matthyssens, 1999) and the doctoral colloquium of the European Marketing Academy (Lommelen, 2001) and that of the European International Business Academy (Lommelen, 2001). The remarks and suggestions of the reviewers were sometimes harsh but always helpful in critically reconsidering and improving the methodological approach and emergent process theory.

### 5.3.1 Case selection

In this section, we address the selection of internationalizing companies in the sector of road haulage. Furthermore, the unit and level of analysis is clarified and the sampling procedure is summarized.

#### 5.3.1.1 *Logistic services – Road haulage*

Starting from the new classification scheme of internationally active service companies, the initial idea was to conduct an empirical study across service industry borders. However, on closer inspection, an industry focus was preferred in order to control for context variables. The inclusion of several service industries would unnecessarily complicate the study, especially since extensive material for comparison in the literature appears to be limited (see conclusions chapter 2). Besides, as we argued, the alternative classification does not capture industries exclusively within one of its four service types. To the contrary, the particular nature of the required knowledge contribution of both parties to the service delivery process leads to the possibility that all four defined services types exist within one industry. As such, sufficient variety is expected within one industry to obtain interesting insights in the phenomena of internationalization in service companies that offer different service types. Furthermore, a restriction to one industry has the advantage that the industry context is similar to all cases studied. For instance, the international character of the network that typifies the industry (cf. Mattson and Johanson, 1988) provides the case companies with similar opportunities and threats.

In conversations with two international trade experts, the sector of logistic services was selected as a promising research context. First, the logistic services industry is appropriate for a study of service internationalization processes since logistics is undeniably an activity that can be classified as a service as it

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complies with the two distinctive service characteristics used in Hill's (1999) terminology. To begin with, logistic services cannot be provided without the agreement, cooperation and usually active participation of the companies that need logistic services. Furthermore, the outputs produced are not separate entities that exist independently of the producers and/or consumers. Second, as illustrated with figures below, many Belgian logistic service companies operate internationally today and internationalization is considered as a main competitive strategy to face increasing competition. Consequently, this situation facilitates the search for companies of which internationalization process can be studied.

Nevertheless, since the logistic services industry includes a broad range of activities, the sector studied is restricted to companies that started with road haulage. Over the years, many of these companies extended their service package with additional activities such as storage of goods, inventory administration and control, packaging, and so on but road haulage should be one of their core competencies today to be eligible. This restriction was made after numerous problems occurred with the analysis of internationalization processes of case companies active in sea navigation. To cover the international dimension, a logistic services provider is defined as international from the moment that services are offered in foreign markets and/or to foreign customers. This definition is in line with the definition of international services put forward in chapter 3. Merely offering international transport in the sense of providing transport to foreign destinations for clients in the home market is not seen as an international activity as client searching is a domestic issue.

In Belgium, road haulage represents the largest sub-sector in the general transport sector. For instance, in 2001, 75% of all transports occurred by means of road haulage. These transports were executed by a little more than 9000

enterprises employing more than 54.000 people (IWT, 2002; NIS, 2002). With respect to the division between national and international transport, in 1997, 35% of the goods moved by Belgian companies represented national transport, whereas 65% concerned international transport. International transport mostly concerns the movement of goods to and from neighboring countries, i.e. France, Germany and the Netherlands (NIS, 2002).

### **5.3.1.2 Unit and level of analysis**

The study of progression in the internationalization processes of service companies requires an embedded comparative case study (cf. Yin, 2003). More specifically, as the overall aim is to understand internationalization processes of service companies the first unit of analysis is their internationalization process in whole. However, in addition, progression in each internationalization process is studied as well, which represents a subsequent unit of analysis. The second unit of analysis is in fact embedded in the first one. To avoid misunderstandings, in the remainder of the text, the term '**case company**' is used to refer to the service companies engaged in the study and their overall internationalization process. The term '**case**' is used to refer to the specific episode of progression that is selected from the overall internationalization process. Although we a-priori aimed at unraveling only one particular episode of progression in each case company, the selection of a crucial period in the internationalization process of each case company appeared to lead to a selection of various episodes of progression – i.e. cases – within one case company as is elaborately discussed in chapter 7.

As depicted in Figure 5-1, the first round of the study involves experts and representatives of service companies. In this round the study is limited to an in-company analysis of the internationalization process within each case company.

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Initially, the internationalization process is reconstructed; next a particular episode of progression is selected and zoomed in on. In the second round, customers of logistic service providers are approached. Then the perspective is switched to the external environment in the sense that clients of the case companies are engaged in the study in order to assess their impact on the development of the internationalization processes. In this round the attention diverges again to the internationalization process in whole.

In the first round of the study, the level of analysis is predominantly the corporate level of the service firms. In all case companies, decisions concerning their international activities were taken centrally by a rather small group of people at top management level. Including managers at lower organizational levels (i.e. product/market level) turned out to be unnecessary as they had not been involved in the actual decision making processes concerning further internationalization. At best, these managers had an informing role in which the initiative for the knowledge transfer was taken by these managers or by the request of top management. In the first case company in which data was gathered, we experienced that these lower level respondents were able to discuss the internationalization history only on the basis of what they were told. However, respondents with first-hand experience were preferred in the following case companies.

In the second round, the level of analysis is mostly the functional level – logistics managers or financial managers – in the sense that the choice of a logistics service provider is to a large extent prepared and taken at this level in the organization given the boundaries (i.e. financial, strategic, relational) set by upper management.



### 5.3.1.3 Sampling

The theoretical sampling logic underlying this study requires a purposeful selection of a limited number of cases that represent a wide variety. Although, this appears logical and quite straightforward, the difficulty is to identify and include diverse cases. In this study, the selection of the service firms started with the identification of potential case companies. Initially, we formulated two requirements for the case company selection.

1. Due to time and budget limitations, the first requirement was that the service companies had to have their headquarters in the Benelux. This demand was not a problem as the Benelux counts many logistic services firms of which a significant part operates internationally.
2. The second requirement was that the selection of companies had to contain representative case companies for each of the quadrants of the new service classification. The intention was to contact various companies, of which secondary data<sup>2</sup> was consulted in advance, to discuss their service range and as such select representative case companies. That way, the main assumption could be taken into account that the nature of the service affects the internationalization behavior of the company.

In search for potential case companies, we started exploring various websites of organizations such as SAV, FEBETRA and UPTR (the three Belgian professional organizations for road haulers and logistics providers), the Association of Christian Employers and Business Executives (VKW), the Organization of Traffic Managers (OTM), the Port of Antwerp, to name a few. On the basis of these explorations, approximately 20 calls were made to a random selection of

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<sup>2</sup> The main source for the preparatory searches is the internet that offers a variety of sources such as company websites, trade press articles, governmental information sites, professional federations, and so on that allow to form a first impression of a company.

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companies in which we explained the nature of the study and asked for their cooperation. Although in most cases we managed to get through to the 'best informed man or woman', usually the CEO, no one responded positively. The transport sector is a very competitive sector and apparently talking about past and future strategy is experienced as quite threatening.

Therefore, we had to rely on the advice of several experts to help us select but especially get entrance to companies. Various experts were contacted that represent institutions such as the Flemish Foreign Trade Office (Export Vlaanderen), Belgian Corporation for International Investment (BMI), Flanders Foreign Investment Office (FFIO), Logistics Forum Limburg (LogforLim), Organization of Traffic Managers (OTM), and Belgian Institute of Transport Organizers (BITO). In consultation with these experts, the need for various types of service providers was explained and they kept the four types into mind when suggesting service companies with interesting internationalization paths. The cooperation with the experts and as such the selection process took more than a year – June 2001 and October 2002.

In the theoretical sampling logic, the idea is to search for polar cases (Eisenhardt, 1989). The classification scheme was a first aid to distinguish between different service types. Additionally, given the other theoretical foundation 'the enriched Uppsala model', we used three extra criteria to characterize the selected case companies in terms of their current internationalization knowledge and commitment. In particular, the cases are screened in terms of their (1) international experience expressed in number of years active in international markets, (2) international experience expressed in number of countries covered, and (3) operational structure used to manage international activities (see Table 6-1 and chronologies represented in Figures 6-1 – 6-9 in chapter 6).

The following step was to contact and engage the potential case companies from the drawn up list. The cooperation with the experts turned out to be a better strategy. Although we got a negative response in four suggested companies, twelve other companies were found prepared to collaborate in the study. After the preliminary data analyses, we decided to drop three case companies. In one company, the key respondent was no longer prepared to give additional interviews and as such not enough data could be collected. In the second company, the cooperation was stopped because allegedly the CEO committed fraud with taxes and employed illegal immigrants. In the third company, the sole focus on logistic services related to sea navigation distorted the idea of a sector focus in order to control for context variables. Hence, the internationalization process of the other nine companies was studied in detail. The study of two retained case companies was later restricted to the internationalization process in whole without a selection of a particular period of progression as explained in chapter 6.

### **5.3.2 Data collection**

Data collection occurred through the use of in-depth interviews complemented with the search for documents concerning the case companies and their internationalization process. No strict procedure was used to guide the interviews or the search for secondary sources.

#### ***5.3.2.1 Interviews***

With regard to the interviews, the particular cases determined who to talk to and the number of times to talk to each one of them. Five phases can be distinguished in the interviewing process of which the first four overlap as is schematically shown in Figure 5-2 below.

**Figure 5-2: Five phases of interviewing**

	06/01- 09/01	10/01- 12/01	01/02- 03/02	04/02- 06/02	07/02- 09/02	10/02- 12/02	01/03- 03/03	04/03- 06/03	07/03- 09/03
Experts	I	II				IV			
Managers				III					
Clients									V

The first phase of interviews occurred before the selection of case companies. In that period we talked to industry experts to get acquainted with current and past trends in the European logistics sector. In a second phase, the same people were contacted to help with selecting potential case companies. In the third phase, interviews were held in the companies that were prepared to cooperate. In the fourth phase, which overlaps to some extent with the third, international trade experts were contacted to ask their opinion about the internationalization processes of the selected companies. In the fifth phase, clients of the service companies were contacted and interviewed. By interviewing three different categories of respondents about the same internationalization process, rich descriptions could be obtained (data-source triangulation).

Nevertheless, the problem remains that the level of measurement (individuals) differs from the level of theory (organization). Klein et al. (1994) note that individuals can be a valid data source for a group when there is sufficient homogeneity within the group. In that case, the interviewee can pronounce upon issues that characterize the group. With regard to the internationalization of the case companies studied, we learnt that the number of people involved in the company's internationalization is limited. More particularly, in most case companies, the final decision with respect to changes in the internationalization is still (solely) made by the founder/CEO although he relies on arguments from internal and external specialists. As such, to guard the soundness of this study, an interview with the founder/CEO was considered essential. Nevertheless, to

compensate for a biased founder/CEO perspective, we tried to interview several involved managers within each case company to grasp the decision-making concerning internationalization issues. Unfortunately this was not possible in each case company as is explained in 5.3.2.1.2. Consequently, especially for these case companies, we interviewed external specialists that had an advising role in the company's internationalization to obtain a triangulated view.

Table 5-3, Table 5-4, and Table 5-5 give an overview of the interviews held with experts, managers within the engaged service companies, and some of their clients. Most interviews were tape-recorded, transcribed verbatim and summarized. Respondents received a copy of the summary and were asked to complement and/or correct the text. All respondents reacted positively to this request and returned edited texts. As such, the correctness of the interim reports from the perspective of the respondents was guarded. In two case companies, the use of the tape-recorder was explicitly forbidden. In another company, the tape-recorder made the interviewee nervous, once it was turned off, more relevant information was provided. During the interviews in these three companies, notes were taken on the basis of which summaries were made. Similar to the tape-recorded interviews, these summaries were returned edited by the interviewees.

#### *5.3.2.1.1 Experts*

Four international trade experts and four logistic services experts were interviewed. No specific topic list guided these interviews. The experts were asked to give their opinion about crucial issues in the internationalization of logistic services companies from their point of view. Consequently, the logistic services experts introduced us into the logistics sector. Various matters were discussed such as changing European legislation, the relation with shippers,

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subcontractors and colleague haulers, the strategic importance of internationalization, and expectations for the future. The international trade experts discussed common hindrances and opportunities for service companies that want to expand internationally. Special attention was paid to the situation of logistic services firms that depend on a tangible infrastructure.

As stated above, when the selection of case companies went difficult, the experts were contacted again by telephone to ask their help in getting access to firms. The advantage was that some experts were well familiar with the internationalization process of particular case companies. Consequently, after the interviews within these companies, the experts were asked to give their opinion too on the development of these processes. As such, the internationalization processes of the case companies could be triangulated with an expert view. Table 5-3 summarizes the interviews held with the experts, only face-to-face conversations are included in the overview, telephone and e-mail conversations are not incorporated.

**Table 5-3: Overview of interviews with experts**

Experts	Institution	Number of interviews	Hours of interviewing
Export counsellor	Flanders Foreign Trade Office (Export Vlaanderen)	3	6
Export advisor	Flanders Foreign Trade Office (Export Vlaanderen)	3	4,5
Chief Investment Officer	Belgian Corporation for International Investments (SBI-BMI)	1	2
Chairman	LogForLim	1	2,5
Legal advisor	SAV	1	1
Chairman	Organization Traffic Managers	1	1,5
Chairman	Belgian Institute for Transport Organizers (BITO)	1	2
Founder	Vlaams Instituut voor de Logistiek	1	2
Project manager	Flanders Foreign Investment Office (FFIO)	1	1
Total		13	22,5

*5.3.2.1.2 Managers within case companies*

Within the case companies, interviews started with the CEO or general manager as the cooperation with the experts brought us in direct contact with them. All these people had been personally involved in the firm's internationalization process. The first interview occurred rather structured as it relied on the Sequential Incident Technique. This meant that the respondents were asked to summarize the internationalization of the company chronologically with attention for the immediate causes that triggered the decision processes. In a second interview with the same respondent in each case company, a particular period of progression was selected and elaborated upon. Generally, the second interviews were much more unstructured in the sense that the respondents were asked to tell the story of what happened in the organization at times of the selected period of progression. However, the aim was to obtain information about several themes. Therefore, we raised forgotten issues if the respondents did not discuss them spontaneously. In the second – and in some case companies third – interview, the opportunity was taken to raise unclear subjects again and/or to elaborate further on some issues. A general topic list is included in Appendix I.

Furthermore, we asked the key respondents whether we could interview a second person within the company that had been involved in the chosen period of progression in the internationalization process. This was possible in four of the seven retained cases. In two others, the respondents claimed that they took decisions with respect to internationalization issues on their own and that they could not suggest a second respondent within their company. In the third company, an interview with a second manager was initially postponed and later definitely canceled due to his illness. The main purpose of interviewing another respondent within the same company was to obtain a second opinion on the same process. In terms of content, many overlaps were aimed at between the interviews of the different respondents. In that way, rich descriptions of the

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company's internationalization process could be obtained. Table 5-4 gives an overview of the interviews held in the various case companies.

**Table 5-4: Overview of interviews with managers within case companies**

Case Companies	Interviewee	Total number of Interviews	Hours of Interviewing
C° AAA	Founder – Chief Executive Officer	2	3,5
C° BBB	Marketing & Sales Manager	2	2,5
C° CCC	Founder – Chief Executive Officer	2	3
	Marketing & Sales Manager	1	2
C° DDD	Deputy Legal Officer	2	1,5
	Marketing & Sales Director Europe	1	1,5
	Chief Executive Officer	1	2
C° EEE	Director Purchasing	2	4
	Director Human Resources	1	2
C° FFF	Managing Director Warehousing	3	3,5
	Business Development Manager 1	1	1
	Business Development Manager 2	2	1,5
	Financial Director	1	1
C° GGG	Founder – Chief Executive Officer	4	7
C° HHH	Warehouse & Operations Manager EDC	1	2,5
C° III	Managing Director	2	2,5
Total		28	41,5

### 5.3.2.1.3 Clients

At the end of the interviews within the case companies we asked for two clients that we could speak to. These potential respondents were contacted and 10 agreed to cooperate. Clients were involved in the study because of the market driven nature of the studied internationalization process, next to the core characteristics of required interaction between the two parties in a service delivery. Special attention was paid to criteria to select logistic service providers. Table 5-5 summarizes the interviews in the 10 client companies. The topic list used during these interviews is included in Appendix II.



**Table 5-5: Overview of interviews with clients**

Firm	Client of case company	Activities Outsourced	Number of interviews	Hours of interviewing
Client 1	C° AAA	Transport	1	1
Client 2	C° AAA	Transport	1	1
Client 3	C° BBB & C° EEE	Transport	1	0,75
Client 4	C° CCC & C° FFF	Transport	1	1,5
Client 5	C° CCC	Transport	1	2
Client 6	C° CCC	Transport	1	1
Client 7	C° DDD	Transport	1	1,5
Client 8	C° GGG	Logistics	1	1,5
Client 9	C° GGG	Logistics	1	1,5
Client 10	C° DDD	Transport & logistics	1	1,5
Total			10	13,25

### 5.3.2.2 Documents

Next to conducting in-depth interviews, data collection consisted of the study of documents. The availability of sources depended on the particular case companies. For some companies the additional information was limited to a simple brochure, some newspaper articles and a brief annual report, whereas others had monthly newsletters, frequent articles in newspapers and trade press and very detailed websites and CD-ROMs. Table 5-6 indicates which documents were searched and studied in the nine case companies.

**Table 5-6: Overview of documents available per case company**

Case company	Brochure	Annual report	Website	CD-ROM	Newspaper articles	Trade press articles
C° AAA	X	X	X		X	
C° BBB	X	X	X			X
C° CCC	X	X	X		X	
C° DDD	X	X	X		X	X
C° EEE	X	X	X			
C° FFF		X	X	X	X	
C° GGG	X	X	X		X	
C° HHH		X	X			X
C° III		X	X			

Brochures and CD-ROM were obtained from the interviewees. Websites were found via simple search queries on the Internet. Newspaper and trade press articles were mainly searched by means of electronic search engines. For instance, the Mediargus database that offers access to the archives of the Flemish newspapers and the magazines of the Roularta Media Group was browsed, furthermore more general search engines such as EBSCOhost<sup>3</sup> and Scirus<sup>4</sup>.

### **5.3.3 Data analysis**

In line with the iterative methodology introduced above, data analysis occurred in various rounds over an extensive period of time. Preliminary findings were written down and presented in papers and/or discussed extensively with peers. These interactions led to further sampling, more data gathering, and additional literature searches. In the next paragraphs, the coding process is described next to the three sensemaking strategies that led to the final mid-range theory as presented in chapter 7.

#### ***5.3.3.1 Coding***

Data analysis started with coding the transcribed interviews for which we mainly relied on the guidelines offered by Miles and Huberman (1994) that suggest a coding process in three rounds going from descriptive codes over interpretative codes to pattern codes. However, as we took the opportunity of using the software package NVivo to facilitate the data analysis process, the preparatory steps of coding are also influenced by the guidelines accompanying the software

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<sup>3</sup> EBSCOhost gives access to Business Source Premier that provides full text for nearly 2,817 journals covering business, management, economics, finance, banking, and accounting.

<sup>4</sup> Scirus is a search engines that concentrates on scientific content only and searches both Web and membership sources.

put forward in the two practical methods books (Fraser, 2000; and Richards, 2000).

5.3.3.1.1 *Descriptive codes*

The first round of coding consisted of attaching descriptive codes to the transcribed interviews. A distinction was made in coding the interviews with experts, company representatives and clients. In particular, due to the different topics underlying the interviews, the start list of codes (termed nodes in NVivo) had to be different as well. Endorsing Miles and Huberman (1994) the start lists are based on the theoretical foundations of the study. In the software package, the codes are organized in ‘trees’ of categories and count for each interview group instead of being specific for each case company, expert or client. The first coding was rather straightforward. General codes were attributed to highlight the topics discussed during the interviews. Table 5-7 summarizes the start lists for each of the three interview categories.

**Table 5-7: Start list of codes**

Interview categories	Start list of codes (Node list) Main themes	Sub-themes
Experts	Sector characteristics Expected sector trends Problems/Opportunities internationalization	
Managers	Service type  Internationalization process  Environment	Knowledge contribution service provider Knowledge contribution customer Commitment Knowledge Learning Progression Networks Capabilities
Clients	Service type outsourced Choice criteria logistics supplier Relationship with logistics supplier Impact on internationalization process	

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Within NVivo, the nodes were created and their properties were defined. This meant that every node was titled, located within the tree structure and described. The description of the nodes is optional but we experienced it as very important to remain consequent when coding the different interviews in the various case companies starting from the same node list. For example, initially, the code 'knowledge' was very broadly described as 'types of knowledge that characterize a firm during the internationalization process', or the code 'service type' was described as 'characteristics of the service delivery offered by the case company'.

### *5.3.3.1.2 Interpretative coding*

In the second round of coding, the start lists of codes were revised and supplemented. Some codes were further divided in sub-codes because a second reading of the transcripts showed that too many text segments got the same code and refinement was possible. Furthermore, at that time we finished another round of literature review as well, and rereading showed that empirical evidence was found for newly adopted concepts. Furthermore, other codes were added to or removed from the start list in order to better capture the content of the interviews. In the rounds of revision, the descriptions of the codes were also adapted to the reworked codes. For instance, the meaning of 'market knowledge', a code classified under 'knowledge', was broadened beyond the definition found in the literature to incorporate the ideas put forward in the interviews. In particular, 'market knowledge' was described as 'market-specific knowledge of foreign market, clients, competitors, foreign environment in general, added with knowledge about own activities in that market.'

For reviewing the codes, the coding stripes<sup>5</sup> in the document were very useful, they offer a clear overview of the used codes. In addition, especially for the interviews with the managers in the case companies, the coding stripes allowed us to quickly trace forgotten issues in the data gathering that could be rectified in the next interview. Table 5-8 illustrates the refinement of two descriptive codes into more interpretative codes.

**Table 5-8: Examples refinement descriptive codes into more interpretative codes**

Interview categories	Node list		
	Main themes	Sub-themes	Sub-sub themes
Managers	Internationalization process	Knowledge	Market knowledge Internationalization knowledge
		Progression	Trigger Manifestation People involved

#### 5.3.3.1.3 Pattern codes

Whereas the first two rounds of coding are mainly aimed at reducing the large amount of data by recognizing themes, the third round is focused at distinguishing patterns in (progression in) the internationalization processes of service companies. In this round, the codes are inferential. In particular, the coded segments of text are grouped into smaller numbers of sets, themes or constructs. Miles and Huberman (1994) distinguish between four summarizers: themes (e.g. “the service type bought affects our relationship with the service provider”), causes/explanations (e.g. “our extant network relationships did not offer access into the aspired international market”), relationships among people (e.g. “top management did not see the opportunity and as such our division did not get permission to investigate the different possibilities”, and emerging

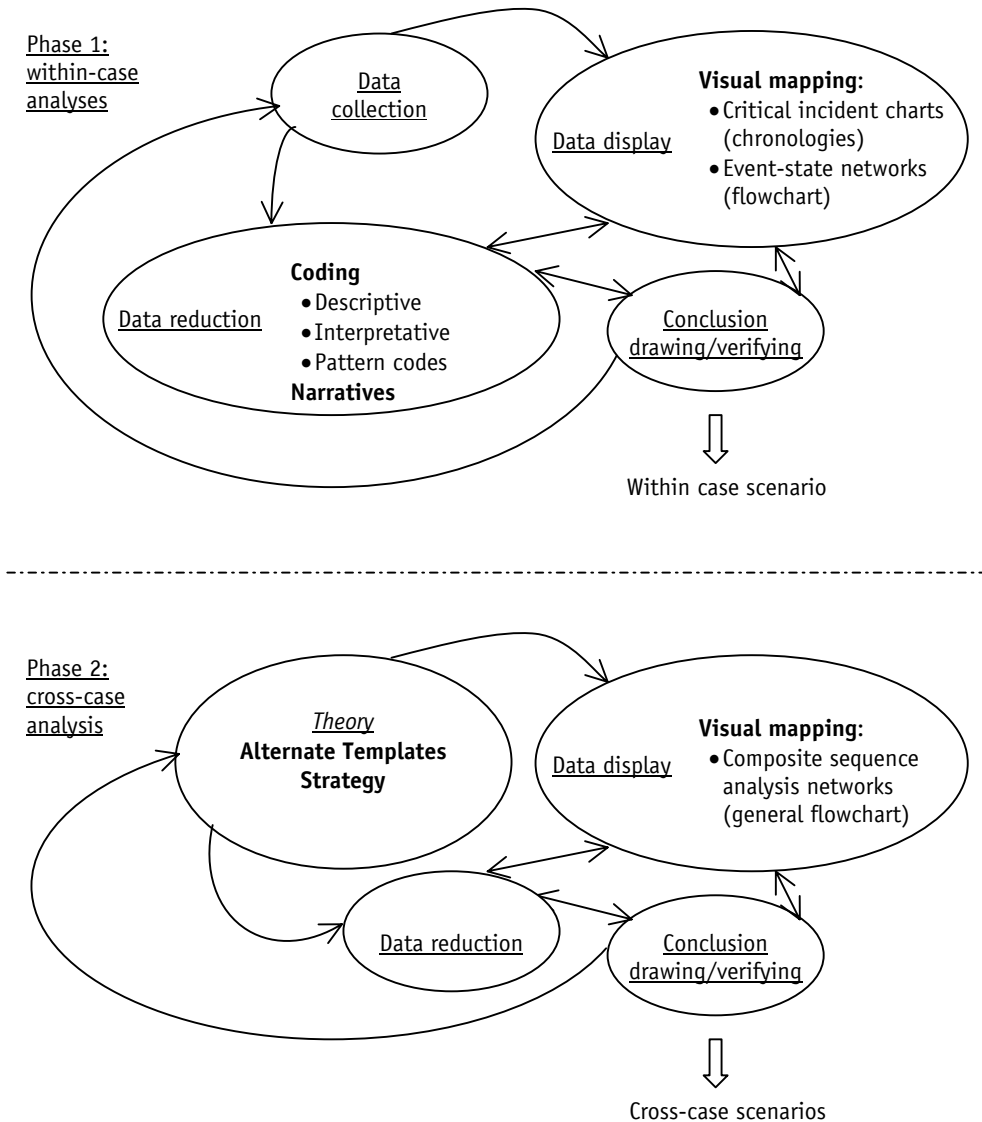
<sup>5</sup> Coding stripes are vertical lines in the right-hand pane of a document, showing where selected nodes code the displayed text (Richards, 2000).

constructs (e.g. “coping with stress”). However, these pattern codes did not arise from solely reading and rereading the transcripts over and over, these codes arose due to the continuous interaction with sensemaking strategies as explained below.

### ***5.3.3.2 Three sensemaking strategies***

Three sensemaking strategies (Langley, 1999) proved useful for interpreting the emerging patterns in the service internationalization processes. Analyzing the empirical data occurred in two phases, first, a within-case approach was used, followed by a cross-case analysis. Figure 5-3 depicts the two phases of analysis, which is an application of the interactive model for data analysis put forward by Miles and Huberman (1994). The figure portrays the cyclical analysis process that contains four crucial activities: data collection, data reduction, data display, and conclusion drawing/ verifying. The particular sensemaking strategies used within these four activities are specified within the figure and further explained below.

Figure 5-3: Components of data analysis in the interpretative process



During the first phase, the within-case analyses, two inductive strategies Visual Mapping and Narrative Strategy offered structure to approach the preliminary coded texts and to come to pattern codes. Especially visual displays that ordered the manager’s stories with respect to time were useful. Per case company

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overviews were made of what occurred in the service companies with respect to various internationalization issues. The Critical Incident Chart (Miles and Huberman, 1994) was practical to graphically summarize the internationalization processes into comparable chronologies. Next, the emphasis was put on the selected episode(s) of progression per case company. To capture the chronology of events during the episode of progression, both Event-State Networks were used that eventually led to a flowchart per case. Both display types include information about the internal and external environment in which the progression in the internationalization process arose. In this process of displaying, pattern codes gradually cropped up. Simultaneously with making displays, detailed stories were constructed from the collected data per case. These stories helped in reconstructing the chronology of the internationalization processes and grasping the selected progressions. Again, the central role of time in this sensemaking strategy made it an interesting and complementary technique to the displays.

In the second phase, the main input came from the within-case analyses. During the study of the separate case companies the idea arose that progression within internationalization processes occurs according to scenarios. To develop this idea and to validate the different scenarios that were perceived within single cases, the cross-case analysis again relied on Visual Mapping to explore the existence of overarching scenarios. More particularly, a Composite Sequence Analysis (Miles and Huberman, 1994) was used to display the scenarios that some case companies share. To deepen the preliminary cross-case conclusions, the third sensemaking strategy was applied as well in this phase. The Alternate Templates Strategy (Langley, 1999) is a deductive strategy that starts from different but coherent sets of a-priory theoretical premises. Especially the different perspectives from the Enriched Uppsala model (chapter 4) provided various perspectives to clarify the underlying process of progression within the



overall internationalization process in service companies. The pattern codes that arose in the within case analyses were further developed. Not every pattern could be identified in all cases. Explanations were sought and found for these anomalies.

Although we relied intensively on NVivo for coding the collected data, conclusion drawing occurred by means of sketching displays on paper. Nevertheless, the software package allowed rapid and systematic data retrieval to support or question drawn summaries.

### ***5.3.3.3 Assessment of the contribution of the new theory***

The final step in the analysis process is assessing the contribution of the newly created theory. The question is whether the scenarios sufficiently outperform the explanation in the original Uppsala model for progression in the internationalization processes of service firms. In order to evaluate the contribution of the scenario model, we rely on the criteria put forward by Eisenhardt (1989), Whetten (1989) and Van de Ven (1989).

Generally new theory should comply with three demands:

1. New theory must be good theory in the sense that it should be parsimonious, testable and logically coherent;
2. New theory should have a clear fit with the data;
3. New theory should result in new insights.

### **5.3.4 Quality control**

To guard the soundness of the research process and the research outcome, the techniques appropriate for qualitative research summarized in Table 5-2 were

applied in practice where possible. Table 5-9 readdresses the various techniques and specifies the particular interpretation of the methods in this study.

**Table 5-9: Applied techniques to guard quality of the research**

Quality criteria	Techniques to improve the quality of the research process and outcome	Practical interpretation of techniques in this research
<p>Credibility</p> <p>(Is the study carried out in a way that ensures trustworthiness of the research process and findings ?)</p>	<p><b>Elaborate reporting:</b> Be explicit about the setting, population, and theoretical framework.</p> <p><b>Member checks:</b> Check with people from whom the data are derived but be careful about potential biases.</p> <p><b>Peer debriefing:</b> Expose analysis and conclusions to colleagues on a continuous basis.</p> <p><b>Prolonged involvement:</b> Invest sufficient time to become familiar with the setting.</p> <p><b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.</p>	<ul style="list-style-type: none"> <li>• Detailed theoretical chapters</li> <li>• In-depth documentation of research approach and design</li> <li>• Thick description of case contexts and analysis</li> <li>• Use of SIT</li> <li>• Editing of all interview summaries by respondents</li> <li>• Discussion of results with supervisors</li> <li>• Presentations of intermediate results at international conferences</li> <li>• Multiple interviews within each case company</li> <li>• Interviews with experts</li> <li>• Interviews with clients</li> <li>• Enrollment in introductory course of road transport</li> <li>• Theory triangulation</li> <li>• Use of multiple data collection methods (primary &amp; secondary)</li> <li>• Use of multiple data sources within one collection method</li> <li>• Repeated interviewing of same respondents within case companies</li> </ul>
<p>Transferability</p> <p>(Are the findings useful to others in similar situations with similar questions ?)</p>	<p><b>Specify theoretical framework:</b> Be transparent about theoretical starting-points.</p> <p><b>Theoretical sampling:</b> Select cases in order to obtain a wide variety of data observations to come to rich conceptual categories.</p> <p><b>Provide database:</b> Specify about everything that a reader needs in order to understand the findings and the way in which they were arrived at.</p> <p><b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.</p>	<ul style="list-style-type: none"> <li>• Detailed theoretical chapters</li> <li>• In-depth documentation of research design</li> <li>• Selection of varied case companies with different internationalization processes</li> <li>• Thick description of case contexts</li> <li>• Theoretical and literal replication sampling</li> <li>• Rich chain of evidence and explanation</li> <li>• Theory triangulation</li> <li>• Iteration between literature and study</li> </ul>

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Dependability (Are the measurements stable and consistent ?)	<b>Enquiry audit:</b> Keep extensive and transparent files of research project for potential auditing by other researchers. <b>Triangulation:</b> Include several perspectives to obtain a holistic understanding of the phenomenon studied.	<ul style="list-style-type: none"><li>• Use of software package NVivo</li><li>• Account for changes in phenomenon studied</li><li>• Be specific about views of different interviewees</li></ul>
Confirmability (Can the adequacy of the research process and findings be assessed ?)	<b>Enquiry audit:</b> Keep extensive and transparent files of research project for potential auditing by other researchers.	<ul style="list-style-type: none"><li>• Elaborate reporting of research process and conclusion drawing</li><li>• Use of software package Nvivo</li></ul>

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