

Chapter 4

The Different Perspectives on International Strategy

ABSTRACT

The products and processes complexity, the evolution and the fast obsolescence of technologies, and the difficulties in reaching new geographical or specialized markets oblige the companies to reinforce their strategy at the international level. The objective of this chapter is to show how these operations affect not only the competitive advantages of the firms but also the comparative advantages of the countries. In the literature, several theories and conceptual frameworks exist to explain a firm's internationalization strategy and the influences of different factors that affect the choice of entry. The internationalization logic is the result of a multi-field step. The intensification of internationalization is explained as much by external factors (political-regular and socio-economic conditions, technological context, industrial competing dynamics) and by specific companies factors (positioning, distinctive resources, core competences and innovation, etc.). The global competitive environment varies both by industry and by country.

INTRODUCTION

The products and processes complexity, the evolution and the fast obsolescence of technologies, the difficulties in reaching new geographical or specialized markets, oblige the companies to reinforce their strategy at the international level. These operations affect not only the competitive advantages of the firms, but also the comparative advantages of the countries.

The firm expanding beyond its domestic market faces several issues: which country to choose? Which entry mode to select and to implement? And which criteria should be useful to make

decisions regarding the target country and the entry mode? In the literature, several theories and conceptual frameworks exist, to explain a firm's internationalization strategy and the influences of different factors that affect the choice of entry. Many authors (Dunning, 1988; Kogut, 1988a; Kogut, 1988b) have adopted an economic perspective (international and industrial economy) and/or a strategic approach which have largely contributed to renew the debate on internationalization. The internationalization logic is not the result of a single but multi-field step. The intensification of internationalization is explained as much by external factors (political-regular

and socio-economic conditions, technological context, industrial competing dynamics) and by specific companies factors (positioning, distinctive resources, core competences and innovation etc.). The global competitive environment varies both by industry and by country.

We start the chapter with a discussion of international business by introducing the purpose and scope of International business (IB). We present the main definitions and related concepts of IB. We explore the positioning of IB *versus* other fields of Economics and Management Studies. We introduce the notion of foreign direct investment (FDI) and of multinational enterprises (MNEs). We present the evolution of main MNEs strategies facing the increasing worldwide competition in the context of globalisation and rapid technological evolution in section 1. Then the following section will give a short overview on the most important theories to explain internationalization. The third part is an illustration - based on the Indian case – of several of the elements presented in previous sections.

THE SCOPE OF INTERNATIONAL BUSINESS (IB)

The scope of international business (IB) is very large. Defining the domain of IB is still a challenge. IB field is concerned with the issues facing international companies (private and public). Overseas markets are characterized by different political, economic, cultural, legal, environmental systems that the firms must adapt to.

We exclude in this definition, studies of:

- International trade and economics which do not directly influence the firm (such as issues of exchange rate determination and international finance referred to as international monetary economics or international macroeconomics);

- International law and relations;
- Single countries.

One of the most comprehensive definitions of IB is presented by Nehrt et al., (1970, pp. 1-2) in their seminal book following two criteria:

- Analysis of firms' interactions with their international environments (macroeconomic, political, legal and socio-cultural factors); and,
- Interactions of firms from different countries and analysis of their strategies.

The Evolution of the Concept of Internationalization: From Internationalization to Globalization

The concept of internationalization has evolved since the end of the 1980s. Internationalization is considered as a process of increasing involvement of enterprises in international markets.

Johanson and Vahlne (1990) consider that “the internationalization process is the result of a mixture of strategic thinking, strategic action, emergent developments, chance and necessity.” (p. 22). Internationalization can be considered as a process in which the firms gradually increase their international involvement (see following section). Beamish (1990) provides another definition: “internationalization is the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries.” (p. 77). Welch and Luostarinen (1988) discuss the “internationalization” as a dynamic concept: the process increasing involvement in international operations, both sides of inward and outward should be involved in a broader concept of internationalization (p. 36).

The term globalization is more recent. It has been used since the 1980s in the fields of economy, politics and culture. According to IMF (2008), at

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