

The Internationalization Process Management of Entrepreneurial Activities

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Abstract

Internationalization is a phenomenon researched intensively over the last few decades from a variety of viewpoints. Issues such as the development of international activities, and factors favoring or disfavoring internationalization have been studied for both large as well as small and medium enterprises. The problems of the internationalization of entrepreneurial activities have seen a considerable interest among a number of significant economists. Internationalization theory subsumes to two diverse approaches – stage approach and global approach. The objective of this paper is to present an overview of the internationalization process management of the selected Czech firms. The entrance, activities and management of entrepreneurial subjects on the foreign markets can be complicated owing to a number of factors that are given by the environment on one hand and the position and situation of the entrepreneurial subject itself on the other hand.

Keywords: internationalization, stage approach, global approach, born global firms, entrepreneurial subjects.

INTRODUCTION

Internationalization is a phenomenon researched intensively over the last few decades from a variety of viewpoints. Issues such as the development of international activities, and factors favoring or disfavoring internationalization have been studied for both large as well as small and medium enterprises.

The entrance of a company on the market itself allows for a significant opportunity, so long as said company possesses the proper readiness which grants it the chance to develop entrepreneurial activities (business) in the international markets. Internationalization of entrepreneurial activities is the necessity for majority of entrepreneurial subjects. To take advantage of the opportunities requires sufficient preparation and information about the specifics and particularities of the market.

The objective of this paper is to present an overview of the internationalization process of the selected Czech firms. The internationalization of the entrepreneurial subjects has been researched using the method of questioning.

THEORETICAL FRAMEWORK

Majority of firms' field of activity operates on local, regional, or domestic level, these firms are a part of the global economic environment. Globalization is a process leading to the mutual integration of society on global level. International Monetary fund defines globalization as the growing economic interdependence of countries on global scale brought about by the increasing volume and variety of cross-border transaction in goods and services and of international factor flows, and also through the more rapid and widespread diffusion of technology (International Monetary Fund, 1997). It means that they will necessarily be

influenced by all the consequent changes not only in national but also in global environment. Globalization is very significant external factor that drive companies to internationalization of entrepreneurial activities. Changing conditions and market structures demand that many companies devise new strategies, as they search for a competitive place in their home markets and take advantage of emergent market opportunities. The significance of international trade (and international entrepreneurship) not only lies in the way in which it influences the efficiency of the national economy, but also in the way it affects the country's payment relations abroad. In the Czech Republic, the country's current account is negatively affected by its permanent trade balance deficit. The Czech Republic is a country with a high share of exported and imported goods in its GDP which is typical for small countries, of which we are one. In these countries, the long-term export dynamics usually exceed the growth in GDP by two to three times. An increase in export efficiency both in goods and services is the main factor which could lead to a more rapid reduction in the foreign trade deficit.

International trade is a significant area of international entrepreneurship. International entrepreneurship is understood as company activities performed in international economic relations as well as the realization of entrepreneurial activities exceeding national cross borders. The significance of international entrepreneurship not only lies in the way in which it influences the growth of the national economy, but also in the way it affects the country's payment relations abroad. International entrepreneurship activities are significant and necessary factors of economic growth and development of world economy. Internationalization of company activities is the necessity for majority of entrepreneurial subjects. The decision on internationalization of company activities counts among key long-term strategic decision.

Based upon the previous considerations, I thus test the following hypothesis:

Hypothesis 1: The primary incentive for most firms to initiate entrepreneurial activities on international markets is the firm's expansion.

Internationalization of Entrepreneurial Activities

The internationalization of entrepreneurial activities is represented by geographic expansion of entrepreneurial activities cross national borders (Lopez, Kundu & Ciravegna, 2009).

The problems of the internationalization of entrepreneurial activities have seen a considerable interest among a number of significant economists such as Johanson, J. & Vahlne, J.-E. (2009); Johanson, J. & Vahlne, J.-E. (1977); Johanson, J. & Wiedersheim-Paul, F. (1975); Andersen (1993); Ruzzier, Hisrich & Antoncic (2006) and Lopez, Kundu & Ciravegna (2009) who have fundamentally contributed to the rethinking of the concept of internationalization theory (Baronchelli & Cassia, 2008). Internationalization theory subsumes to two diverse approaches – stage approach and global approach.

According to the stage approach, companies start selling products in their home markets and then they sequentially look at new countries (Baronchelli & Cassia, 2008). Three main models can be identified within the stage approach: the Product Life Cycle Theory by Raymond Vernon (1996), the Uppsala Internationalization Model (U-model) and the Innovation-Related Internationalization Models (I-models).

According to Vernon (1966) the internationalization process of the firm follows the development of the product Life Cycle: companies usually introduce new products only in their home market and then they eventually go abroad in the product maturity phase.

The stage approach of internationalization process of the individual firms is mostly associated with the research of Johanson and Wiedersheim-Paul and Johanson and Vahlne. Johanson and Wiedersheim-Paul distinguish between four different modes of entering an international market, where the successive stages

represent higher degrees of international involvement (Johanson, J. & Vahlne, J.-E., 2009; Johanson, J. & Vahlne, J.-E., 1977; Johanson, J. & Wiedersheim-Paul, F., 1975):

1. No regular export activities
2. Export via independent representatives
3. Establishment of an overseas sales subsidiary
4. Overseas manufacturing units

Work of Johanson and Wiedersheim-Paul has probably also been the inspiration for the development of the Innovation-Related Internationalization Models. The Innovation-Related Internationalization Models explaining the internationalization process from an innovation-related perspective. The internationalization decision is considered as an innovation for the firms. The models are derived from Roger's stages of the adoption process (Andersen, 1993).

Many small and medium enterprises do not follow incremental stage approach but is often reported that they start their international activities from their birth: they enter different country at once, approaching new markets for both exporting and sourcing (Baronchelli & Cassia, 2008). Literature on internationalization defines them as born global firms. The born global firms are defined as "the firms that view the world as their marketplace from the outset and see the domestic market as a support for their international business" (McKinsey & Co., 1993). The born global firms are successfully competing with larger multinational companies and their subsidiaries established in different geographic area. Companies approach international markets from start up due to new external conditions, as advances in technology regarding production, transportation and communication and due to entrepreneurs with more international experience and foreign market knowledge (Baronchelli & Cassia, 2008).

Hence I propose:

Hypothesis 2: The internationalization of entrepreneurial activities has been performed both by newly found firms and the firms already established on the market.

The entrance and activities of entrepreneurial subjects on the markets can be complicated owing to a number of factors that are given by the environment on one hand and the position and situation of the entrepreneurial subject itself on the other hand. The entrance of a company on the market itself allows for a significant opportunity, so long as said company possesses the proper readiness which grants it the chance to develop entrepreneurial activities (business).

Hence I propose:

Hypothesis 3: Factors that significantly contribute to and influence the process of entering international markets are the target foreign market knowledge and the level of costs connected with the realization of foreign entrepreneurial activities.

METHOD

Sample

The objective of this paper is to present an overview of the internationalization process of the selected Czech firms in the Moravian-Silesian Region. The focus of this study is on small and medium enterprises in the Moravian-Silesian Region. The entrepreneurial subjects included in this research were from a wide range of industries. The internationalization of the entrepreneurial subjects has been researched using the method of mouth questioning. In order to ensure a representative sample, a questionnaire was submit to top managers or directors enterprises for fulfill. There were a total of 67 enterprises that participated in the research.

Research Instrument

The main instrument of the research was questionnaire. Based on consultation with a experts (marketing experts, international business experts, top managers), the decision was made to include questions in three areas: the process entering international markets, factors influence the process entering international markets, the primary incentive to initiate foreign entrepreneurial activities.

RESULTS AND DISCUSSION

The dependent variable in this study is the decision-making process with respect to the beginning of entrepreneurial activities on international markets.

The independent variables in this study are: the target foreign market knowledge (coefficient alpha = 0,85), the level of costs connected with the realization of foreign entrepreneurial activities (coefficient alpha = 0,78), the level of knowledge and skills of managers (coefficient alpha = 0,78), the character of product (coefficient alpha = 0,75), total available resources of firms (coefficient alpha = 0,84) and the desire for trying entrepreneurial activities on international markets (coefficient alpha = 0,75). All questions were asked using the five-point Likert Scale (5 = strongly agree to 1 = strongly degree).

All variables were screened to explore their distribution. Table 1 reports estimated Pearson correlation coefficients, means, and standard deviations for the variables.

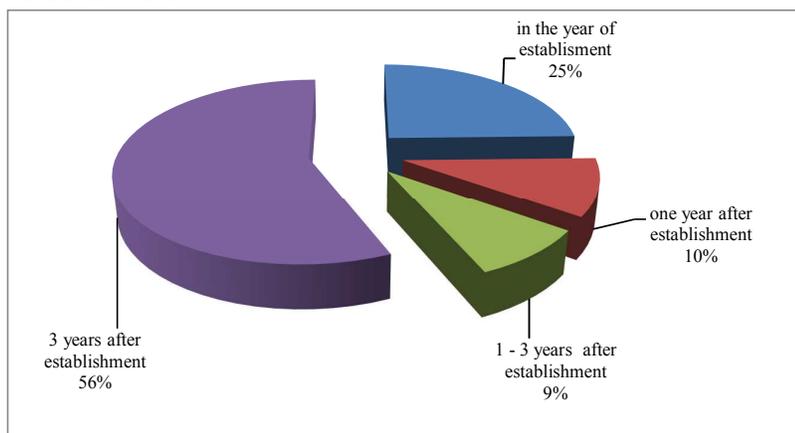
Table 1: Estimated Pearson correlation coefficients, means, and standard deviations

Measures	Mean	s.d.	1	2	3	4	5
Beginning of foreign business	2,99	1,30	1,00				
Business activities	2,66	1,92	0,29	1,00			
Knowledge level	1,78	0,55	0,04	-0,03	1,00		
Cooperation with another firms	2,06	0,81	0,12	-0,12	-0,17	1,00	
Geographical region of business	1,13	0,57	-0,20	-0,11	0,10	0,02	1,00

Source: personal research

The research shows that 56 per cent of all small and medium enterprises with the headquarters in the Moravian-Silesian region enter international markets three years after establishing the business. These findings document the dominance of the stage approach regarding the subjects investigated.

Figure 1: The Beginning of Entrepreneurial Activities on International Markets Related to Firm Establishment



Source: personal research

The primary incentive for most firms to initiate entrepreneurial activities on international markets is the firm's expansion. Among other factors that significantly contribute to and influence the process of entering international markets are the target foreign market knowledge and the level of costs connected with the realization of foreign entrepreneurial activities.

Table 2: Factors significantly contribute to the beginning of foreign business activities

Factors	Average value	Ranking
Knowledge of target foreign market	4,36	1.
Costs level for realization of foreign entrepreneurial activities	4,31	2.
Character product for foreign market supply	4,1	3.
Knowledge level of managers responsible for realization of foreign entrepreneurial activities	4	4.
Total disponibilities costs	3,99	5.
Longing for try new	2,84	6.

Source: personal research

It was also performed a factor analysis of the multi-item scales related to five independent variables. Varimax rotation was performed. It was extracted 3 factors with eigenvalues greater than 1. Factor loadings greater than 0,5 are shown in bold. In Table 2 is present the results of the factor analysis.

Table 3: Factor analysis results for multi-item scales

Scale items	Factors				
	Mean	s.d	1	2	3
Knowledge of target foreign market	4,36	0,69	0,831	-0,128	0,112
Costs level for realization of foreign entrepreneurial activities	4,31	0,87	0,026	0,209	0,903
Character product for foreign market supply	4,00	0,90	0,659	0,099	-0,171
Knowledge level of managers responsible for realization of foreign entrepreneurial activities	4,10	0,99		0,379	0,427
Total disponibilities costs	3,99	0,99	0,044	0,768	0,109
Longing for try new	2,84	1,38	-0,515	0,605	0,067
Eigenvalue			1,678	1,148	1,012
Percentage of variance explained			27,975	19,137	16,860
Cumulative percentage of variance explained			27,975	47,112	63,972

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 6 iterations

Source: personal research

Further, a cluster analysis was used as an exploratory tool that would permit us to unveil whether firms in sample could be grouped around variables (Lopez, L. E., Kundu, S. K. & Ciravegna, L., 2009). To

perform the cluster analysis, it was used, as recommended, a hierarchical clustering method, Ward's technique with Euclidean distance. In Table 3 is report the results of the clustering procedure.

Table 4: Cluster analysis for each variable

	Cluster				
	1	2	3	4	5
Time to first foreign business activities (in years)	5	6	8	11	2
Percentage of firms realize first foreign activities to 3 years from their found	50	47	33	13	63
Knowledge level of target foreign markets at beginning of foreign business activities	3	1,5	1,5	1,5	3
Percentage of firms take advantage of cooperation with another firms at beginning of foreign business activities	89	67	71	60	89
Average number of penetrate geographical regions at beginning of foreign business activities	1	1	1	1	2
Number of firms in cluster	8	17	18	8	16

Source: personal research

CONCLUSION

Recent years have brought a significant number of approaches to the realization of entrepreneurial activities. The most dominant and frequent seem to be two approaches distinguished according to the procedure and realization of individual stages made by entrepreneurs: the stage and global approach.

The results show that the process of internationalization of entrepreneurial activities enterprises in the Czech Republic is realized both by the stage and global approach; however, the stage approach has a dominant role in 56 per cent of entrepreneurs.

With the global integration of economic environments and different factors driving globalization and internationalization of companies with small and medium enterprises becoming the pillars of economic growth and change. Start up firms have no choice but to enter foreign markets from their inception, given the market globalization in demand and supply. The entrance and activities of entrepreneurial subjects on the markets can be complicated owing to a number of factors that are given by the environment on one hand and the position and situation of the entrepreneurial subject itself on the other hand. Factors that significantly contribute to and influence the process of entering international markets are the target foreign market knowledge and the level of costs connected with the realization of foreign entrepreneurial activities.

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