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“Comparison of the Nordic and the Resource- and Capability-Based Theory in the Context of Multinational Companies”

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Abstract

This thesis reviews and compares the resource- and capability- based theory and the Nordic model, including the Uppsala and Network theories, in the context of the multinational company. It analyzes whether and where differences and commonalities between the two exist.

The thesis is based on an extensive literature review, summarizes the individual approaches and findings and, as a consequence, allows drawing a conclusion.

On the whole, the Nordic and the resource- and capability- based model have several differences, but also commonalities. The main difference is the fact that the latter focuses on the external environment in order to explain a firm's decisions and performance, whereas the first takes into account mostly the firm's internal resources and capabilities. As such, they represent complementary theories.

Preface

Diese Seite möchte ich nutzen, um all denjenigen zu danken, die mich bei der Anfertigung dieser Arbeit mental sowie fachlich unterstützt haben.
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Es gibt keinen erkennbaren Weg vor uns,
sondern nur hinter uns.
(Waldemar Bonsels)

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Abbreviations

CEO	chief executive officer
JV	joint venture
MNC	multinational company
N/A	not available
N	Nordic
RC	resource- and capability
R&D	research and development
Qual.	qualitative
Quan.	quantitative
WOS	wholly owned subsidiary

Chapter I. Introduction

I.1. Problem Definition

The research area of internationalization is, due to the increasing globalization, of special interest for economic science. There are several decisions a firm has to make in the process of internationalization. The Nordic and the resource-and capability- based theory study several factors that influence a firm's decisions concerning its internationalization process and their impact on the firm's success. As the Nordic theory focuses mainly on the external environment and resources, and the resource- and capability- based theory includes primarily the firm's internal resources and capabilities, they seem to be very contrary on the first sight. However, their differences and similarities haven't been studied so far. This paper tries to close this gap in international business studies.

I.2. Purpose

This paper seeks to provide an overview of the development of the resource- and capability-based and the Nordic theory, to give a review of existing empirical and case studies, as well as of several other publications concerning the two approaches.

Furthermore, the exploration intends to uncover the differences and similarities of the two concerning the internationalization process and the corresponding decisions of the firm. This includes the decision to internationalize, the choice of the target market and the mode of entry. Further on, the influence on and of a firm's knowledge and experience will be analyzed from the two models' point of views. Additionally, the thesis will review the firm's whole process of internationalization and its performance from the resource- and capability-based as well as from the Nordic perspective.

However, this thesis doesn't provide an evaluation of the models.

I.3. Structure

The thesis is divided into five major sections, including the introduction, the resource- and capability- based theory, the Nordic theory, the comparison of the two, and the critical review and future directions, as Table 1 depicts.

Structure of the Thesis	
I. Introduction	
II. The Resource- and Capability-Based Theory	II.1. The Historical Origins II.2. The RC-based Approach II.3. Dynamic Capabilities and Core Competencies II.4. RC-based Theory and MNCs
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V. Critical Review and Future Directions	

Table 1: Structure of the thesis.

The first chapter provides an introduction that includes the above-described problem definition, the purpose and the limitation of the thesis.

The second section, the resource- and capability- based theory, encompasses the historical origins of this theory and reviews several papers and studies on the approach in general as well as in the context of multinational companies.

The third section discusses the Nordic approach in the context of multinational companies, and is, as such, divided into two theories, namely the Uppsala and the Network theory. Furthermore, their historical roots are revealed.

The fourth chapter gives an overview of the differences and similarities of the Nordic and the resource- and capability-based theory, concerning the deecision to internationalize, knowledge and experience, market choice, market entry mode and process, resource and capability exploitation as well as their accumuation, and performance and competitive advantage.

Last, this thesis itself as well as previous studies and papers will be critically reviewed. As a consequence, research questions for future studies are provided.

Additionally, an overview of the definitions of the regularly used terms and a summary of propositions and findings of the main publications is to be found in the Appendix.

I.4. Limitations

Although this thesis is based on an extensive literature review, it is not able to provide an exhaustive picture of all publications of the resource- and capability-based and the Nordic model. It, however, includes the most prominent publications, approaches and studies.

Furthermore, this paper doesn't provide an empirical verification of the final conclusions.

Chapter II.
The Resource- and Capability-Based Theory

Since the mid 1980's the resource- and capability (RC)- based theory has grown in popularity.[1] The RC-based approach is a framework that helps to understand how competitive advantage of firms can be achieved and how it might become sustaining.[2] Firms are seen as bundles of resources and these resources are distributed heterogeneously.[3] Only resources that are value-creating, inimitable, nonsubstitutable, imperfectly mobile and rare can create sustained competitive advantage.[4]

In the 1990's researchers have started to enhance the RC-based approach by introducing dynamic capabilities, which enable the company to "integrate, build and reconfigure internal and external competencies to address rapidly changing environments".[5] This approach of dynamic capabilities is based on the assumption that a firm can only respond successfully to external pressures within its own set of capabilities.[6]

As the model was supplemented with dynamic capabilities, researchers started to canvass the role of resources and capabilities in the context of the multinational company (MNC).[7]

The purpose of this chapter is to give an overview of the historical origin and the main contributions to the RC-based approach. In a final step, the implications of this approach for MNCs will be stated.

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[1] see Fahy and Smithee (1999), p. 1.
[2] see Barney J. (1991), pp. 106-111; Dierickx I. and Cool K. (1989), p. 1507; Grant R. M. (1991), pp. 131f.; Peteraf M. A. (1993), p. 183.
[3] see Mahoney J. T. and Pandian J. R. (1992), p. 374; Wernerfelt B. (1984), pp. 172 and 175.
[4] see Barney J. (1991), pp. 106-111; Dierickx I. and Cool K. (1989), p. 1507; Peteraf M. A. (1993), p. 183.
[5] Eisenhardt K. M. and Martin J. A. (2000), p. 1106.
[6] see Tallman S. and Fladmoe-Lindquist K. (2002), p. 123.
[7] see Collis D. J. (1991), Montgomery C. A. and Hriharan S. (1991), Tallman S. B. (1991), et al.

II.1. The Historical Origins

II.1.1. Edith T. Penrose – 1959

The roots of the RC-based theory scratch back to Edith Penrose's book, "The Theory of the Growth of the Firm", published in 1959, building the foundation of the theory.[8] She defined the firm as a collection of productive resources. There are **physical resources** as equipment, raw materials, natural resources and other tangible assets. **Human resources**, including all the unskilled and skilled labour, as well as all kinds of staff, are also part of firms' durable resources. Additionally, **services** are essential for the utilization of these resources. Penrose defined services as a function of the way resources are used. So, a resource is a bundle of potential services.[9] This bundle can be enlarged through increasing the knowledge of a company's personnel.[10]

Penrose distinguished the **objective knowledge**, which might be learnt from other people or written texts, taught, and can also easily be explained to others, from **experiential knowledge**. The latter is also a way of learning, but can only be gathered through ones own activities. Objective knowledge can be transmitted to others, whereas experience itself can't, because it can't be isolated from the experiencing person.[11]

On the whole, the services a special resource render depend on the ability or knowledge of the personnel.[12] If there exist productive services that are not fully utilized so far, the company has an incentive to innovate or to expand in order to exploit more of its opportunities and may, as a consequence, gain competitive advantage.[13] Penrose defined innovations as new combinations of existing resources.[14]

II.1.2. G. B. Richardson – 1972

Richardson G. B. described how companies, each of them having different **capabilities**, are interrelated. These capabilities include knowledge, experience and skills. Firms focus

[8] see Rugman A. M. and Verbeke A. (2002), p. 771.
[9] see Penrose E. T. (1966) [1959], pp. 24-25.
[10] see ibid., p. 76.
[11] see ibid., p. 53.
[12] see ibid., p. 78.
[13] see ibid., pp. 67f.
[14] see ibid., p. 85.

on activities that require capabilities, which offer the potential to produce a good or service cheaper than competitors. Richardson differentiated between complementary and similar activities. The latter requires the same capabilities, whereas complementary activities include different capabilities and represent various stages of a production process. As complementary activities are often executed by different companies, they have to be coordinated qualitatively and quantitatively. This takes place through market transaction, where the adjustment is caused by the market mechanism, through coordination, where firms match their plans ex ante, or via direction, where a single body coordinates activities.[15]

II.1.3. Rubin P. H. – 1973

In his article "The Expansion of Firms", Rubin defined **resources** as fixed inputs that allow the firm to accomplish a particular task. These inputs include human resources as well as real assets. All activities within a firm require particular resources that can't be separated from the company owning them. Rubin described the firm as a collection of resources or activities. These resources are usually more valuable to the firm than their prizes on the free market, because they are linked to the personnel that have gained experience in handling them.[16]

II.1.4. Kenneth R. Andrews – 1980

Kenneth R. Andrews contributed to the RC-based theory through the work "The Concept of Corporate Strategy", published in 1980. He defined three kinds of strategies, namely the firm's economic, corporate and **business strategy**.

The latter defines the way a firm rivals in a special business and how it wants to position itself within this business area. The **corporate strategy** of a firm determines the businesses it plans to compete in. Further on, this strategy should suite to a company's resources in order to create unique competence, resulting in competitive advantage.[17] In order decide which corporate strategy a firm should implement the environment, with its bearing threats and opportunities, has to be analyzed. In addition, the firm's strengths and weaknesses, as

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[15] see Richardson G. B. (1972), pp. 888-890.
[16] see Rubin P. H. (1973), pp. 937-939.
[17] see Andrews K. R. (1987), pp. 13f.

well as its available and stored resources have to be estimated.[18] Last, the **economic strategy** is "the strategic alternative which results from matching opportunity and corporate capability at an acceptable level of risk".[19]

Andrews defined a certain **capability** of a firm as its ability to reach a special objective independently from the behaviour of its competitors or other environmental changes. Sources of capabilities are mostly to be found within the experience of a realized strategy. Capabilities may lead to a distinctive or core competence of a company, which define what it can do outstandingly well. However, there are also internal capabilities that are not that obvious like others, but should be traced in order to find new, profitable opportunities. Opportunities and competencies have to be adjusted accordingly, so that organizational weakness is minimized and organizational strength is maximized. Finally, the combination of core competencies, organizational resources and values should lead to a unique economic strategy.[20]

II.1.5. Richard R. Nelson & Sidney G. Winter – 1982

Nelson R. R. and Winter S. G. compared **skills** with (computer) programs, because both are units, consisting of a sequence of coordinated activities that are not taken into notice anymore when making use of a skill or program. So, skilled human performance is automatic as details of the whole activity are mostly neglected. However, for learning new skills, individuals have to pay attention to the skills' details.[21] These details can also be called sub-skills and are executed in a sequence so that they are smoothly integrated into the main skill. Often, there is no perfect instruction manual available for acquiring certain skills because the knowledge that underlies the skill is tacit. Consequently, practicing with the support and critique of an already skilled instructor is an effective way to have a skill transmitted.[22] For an organization, routinization of its activities is very important because only through frequently exercising skills, knowledge can be stored within the organizational memory. Organizational **routines** consist of the sum of the skills of the

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[18] see ibid., p. 35.
[19] ibid., p.18.
[20] see Andrews K. R. (1987), pp. 45-51.
[21] see Neslon R. R. and Winter S. G. (1982), pp. 74f.
[22] see ibid., pp. 77f.

personnel, which knows when which individual skills should be performed.[23] So, the definition of routines of a company equates the definition of personnel's skills.[24] Existing routines can be used as a model for a new routine and can be transferred to a new plant.[25] Routines can be imitated from competitors or other firms, by hiring away employees from the focal firm.[26]

II.2. The Resource- and Capability-Based Approach

In the following, scholars and their key works that contributed to RC-based approach are summarized chronologically.

II.2.1. Birger Wernerfelt - 1984

In his paper, "A Resource-based View of the Firm", B. Wernerfelt interrelated a firm's resources with its profitability. He defined a **resource** as anything that could represent a strength or weakness of a firm.[27] He argued that firms should be looked at in terms of their resources rather than from the product side.[28] Those resources include, for instance, skilled personnel, machinery, technology, customer loyalty and capital. Further on, those that lead to high profits[29] and are able to constitute a barrier for potential entrants should be identified.

Resource position barriers "contain the mechanisms which make an advantage over another resource holder defensible",[30] and, consequently, lead to an advantageous position with the option of gaining high returns.[31] It follows that companies, having the first mover advantage in a special resource, will generate high returns in those markets, where this

[23] see ibid., pp. 99f.
[24] see Grant R. M. (1991), p. 122.
[25] see ibid., p. 117.
[26] see ibid., p. 124.
[27] see Wernerfelt B. (1984), p. 172.
[28] see ibid., p. 171.
[29] see ibid., p. 174.
[30] ibid., p. 173.
[31] see ibid.

resource prevails.[32] However, these resources can also be purchased through the acquisition of companies, which have the critical resource within its bundle of resources.[33]

The researcher argues that it is mostly better to **enter markets sequentially**. In more detail, first, the focal firm should develop the critical resource in one market, and enter the next later on, based on the established strength in that market and resource. These critical resources for international success include, for instance, production skills, as well as international and domestic contacts.[34] The latter may support the internationalizing company to build up critical production skills that make the entry of a foreign, industrial market easier.[35]

II.2.2. Jay B. Barney – 1986

Jay B. Barney, introduced the concept of strategic factor markets and analyzed the sources of returns that are larger than average.

He defined **strategic factor markets** as those markets where firms acquire and sell the resources needed to implement a certain strategy.[36] Those markets are perfect when "the cost of acquiring strategic resources will approximately equal the economic value of those resources once they are used to implement product market strategies".[37]

If a market is not perfect, there exist competitive imperfections, which is why resources can be acquired for less than their economic value, which firms, in turn, can exploit in order to gain greater than normal returns. As an illustration, a company can obtain **above normal returns** when it has a more accurate expectation about the future value of a strategy or strategic resource than its competitors.[38] These informational advantage can be attained through environmental and organizational analysis. The latter includes the analysis of the assets a company already holds like know-how and experience, whereas environmental analysis only includes the collection of information, which any other firm can acquire by using the same publicly available methodologies. Various companies can also rent environmental analyses from other, skilled firms like business consultancies. So,

[32] see ibid., p. 175.
[33] see ibid., p. 172.
[34] see ibid., p. 176.
[35] see ibid., pp. 178f.
[36] see Barney J. B. (1986), p. 1231.
[37] ibid.
[38] see ibid., p. 1234.

this kind of analyses doesn't guarantee above normal rents.
Further on, Barney argued that also luck and good fortune might lead to returns greater than the average.[39]

On the whole, according to Barney, firms should analyze their skills and resources rather than their competitive environment in order gain above normal rents.[40]

II.2.3. Cynthia A. Montgomery and Birger Wernerfelt – 1988

Cynthia A. Montgomery and Birger Wernerfelt published their paper "Diversification, Ricardian Rents, and Tobin's q" in 1988. They defined **Ricardian rents**, also called economic rents, as those rents that occur due to the aid of unique factors.[41] Ricardian rents are also defined as returns to resources above the real costs of the resources in question.[42] However, firms may not only acquire Ricardian rents when owning a whole unique factor, but also through sharing or renting it.[43]

If a company has more capacity than for the current production needed, it may **diversify** in order to extract maximum Ricardian rents.[44] The researchers found out that the closer a market, which a company enters, the higher will be the average rents.[45] Closeness or distance is the extent to which critical factors in one market differ from those in a company's current scope.[46] So, the firm in question will start its process of diversification in the most profitable market, which is the closest, and end at the least profitable ones or stop the process when marginal rents become subnormal. Further on, the less specific the factors in question, the easier it is to diversify widely, but the lower will be the average rents.[47]

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[39] see ibid., pp. 1238f.
[40] see ibid., p. 1239.
[41] see Montgomery C. A. and Wernerfelt B. (1988), p. 623.
[42] see Grant R. M. (1991), p. 117.
[43] see Montgomery C. A. and Wernerfelt B. (1988), p. 624.
[44] see ibid.
[45] see ibid., p. 631.
[46] see ibid., p. 625.
[47] see ibid., pp. 631f.

II.2.4. Ingemar Dierickx & Karel Cool – 1989

Dierickx I. and Cool K. reacted to Barney's contribution (1986)[48] to the RC-based theory with the article "Asset Stock Accumulation and Sustainability of Competitive Advantage". They expanded Barney's theory about strategic factor markets by **non-tradable assets** for which no such markets exist. These include resources that can't be acquired or sold on a strategic factor market, like quality, loyalty or trust. These critical assets have to be built and can't be bought, which is why firms, not holding them, might try to imitate or to substitute them by other assets. The more difficult it is for other firms to replicate the privileged asset position of a given firm, the more sustainable is this position.[49]

Inimitability occurs, according to Diericks and Cool, due to at least one of the following three reasons:

- **Unique historical conditions**, which exist when a firm has favourable initial assets that promote further accumulation of critical assets.
- **Interconnectedness of asset stocks**, which is defined as the situation when a firm owns a stock of assets that is dependent on other stocks.
- **Asset erosion** may create inimitability because physical assets need adequate maintenance after their implementation. Consequently, firms not having the knowledge of adequate maintenance are not able to imitate a certain strategy that includes such assets.
- **Causal ambiguity** exists when potential competitors can't fully understand the link between a firm's resources and its sustained competitive advantage.[50]

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[48] see II.2.2.
[49] see Dierickx I. and Cool K. (1989), pp. 1505-1509.
[50] see ibid., pp. 1507f.

II.2.5. Jay Barney – 1991

In 1991 Barney J. linked a firm's resources and its sustained competitive advantage. While Dierickx and Cool didn't precisely define **sustained competitive advantage**,[51] Barney defines it as a competitive advantage that can't be competed away, but may be nullified through a major structural revolution in an industry.[52] Additionally, sustained competitive advantage can also be connected to the timeframe the competitive advantage in question exists.[53]

Barney listed **four attributes** a firm's resource must exhibit in order to be a potential source of sustained competitive advantage.

First, the specific resource has to be **valuable**, meaning that it supports strategies that improve a firm's efficiency and effectiveness. Second, such resources have to be **rare**, so that only a small number of firms are able to implement the corresponding strategies. This rareness may also be constituted by a particular mix of a firm's resources, which enables it to implement a value-creating strategy. Third, they have to be **inimitable**, as discussed by Dierickx and Cool in 1989.[54] Fourth, strategic resources must **not** be **substitutable**, so that the same strategy can't be implemented by a similar resource.[55]

II.2.6. Robert M. Grant – 1991

Grant R. M. developed a practical framework that visualized how companies formulate their individual strategies that enable them to maximize rents over time and to derive competitive advantage. He divided the process of strategy formulation into five stages:

1. **Resources**, that the firm owns, have to be identified and classified. Then the resources' strengths and weaknesses, in comparison with those of the focal firm's competitors, are identified. Furthermore, opportunities for utilizing these resources more intensive and more profitable are determined.[56]

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[51] see II.2.4.
[52] see Barney J. (1991), p. 103.
[53] see Jacobsen R. (1988), p. 415.
[54] see II.2.4.
[55] see Barney J. (1991), pp. 106-111.
[56] see Grant R. M. (1991), p. 119.

2. **Capabilities**, their inputs and their complexity are to be identified. The firm in question has to define its capabilities' strengths and weaknesses compared to those of its competitors.[57]
3. The **rent-generating potential** of capabilities and resources are to be evaluated, as well as their potential to cause competitive advantage.[58] These include resources and capabilities that are durable, imperfectly transferable, not easy to identify and understand, difficult to replicate, and only those that the company clearly owns and controls.[59]
4. The company then designs a **strategy** that enables it to exploit its previously identified core resources and core capabilities most effectively, relative to the external opportunities.[60]
5. **Resource gaps** are indentified through comparing the resources that will be needed for the intended strategy with the existing ones.[61] The pool of a firm's resources and capabilities has to be developed continuously in order to gain **sustained competitive advantage** and to fulfil the customers' requirements. In order to form the basis for competitive advantage in the future, firms have to push their strategies continually beyond the limits of their capabilities. As a consequence, capabilities are developed constantly, so that the firm can meet future requirements and can gain competitive advantage in the future.[62]

On the whole, Grant R. M. argued that a long-term, rent-generating strategy can't be founded by taking into account the external environment only. In his point of view, a firm's own capabilities and resources provide a more stable basis for successful strategy formulation. So, a company should focus more on its own assets than on the business or market it plans to satisfy.[63]

[57] see ibid., pp. 120f.
[58] see ibid., p. 115.
[59] see ibid., p. 129.
[60] see ibid.
[61] see ibid., p. 115.
[62] see ibid., pp. 131f.
[63] see ibid., p.116.

II.2.7. Cynthia A. Montgomery and S. Hariharan – 1991

Mongomery C. A. and Hariharan S. researched the influence of a firm's resources and capabilities on its choice of the market it plans to enter.
A company will decide to enter a new market when having a wide variety of resources.[64] As a consequence, it will be able to utilize this variety of resources more fully.[65] This supports Penrose's approach that not fully utilized productive services influence the choice of the direction a firm is going to expand.[66]

The decision of which market to enter is strongly influenced by the resources the firm is holding, the conditions and requirements of the target market or industry, and the fit between resource requirements of the latter and resource capabilities of the firm in question.[67] To put it in another way, a company will prefer to enter markets where resource profile resembles its own resource characteristics. The researchers worked out three different variables that are qualified for this kind of **comparison**.[68]
First, **capital intensity** is defined as the capital of an industry or company divided by total sales in the industry or of the company. Second, they mentioned the industry **selling intensity**, which is defined as the mean of advertising divided by sales. The firm-level equivalent is advertising divided by sales of a firm in a specific industry.[69] Third, the **research and development** (R&D) **intensity** of an industry "is defined as the mean cost of company sponsored applied R&D billed to outside parties (including the federal government) divided by sales."[70] On the company level it is defined as R&D expenses divided by a firm's sales in an industry.[71]

On the whole, a firm tends to enter markets that are close to its line of business. From this it follows that firms prefer to enter markets where they have an established network and where they are familiar with the common means of competition.[72]

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[64] see Montgomery C. A. and Hariharan S. (1991), p. 73.
[65] see ibid., p. 87.
[66] see II.1.1.
[67] see ibid., p. 87.
[68] see ibid., p. 85.
[69] see ibid., pp. 79f.
[70] ibid., p. 79.
[71] see ibid., p. 81.
[72] see ibid., pp. 87f.

II.2.8. Margaret A. Peteraf – 1993

In 1993 M. A. Peteraf contributed to the RC-based theory by creating a model that demonstrated the conditions that underlie **sustained competitive advantage**.

First, there is **resource heterogeneity** that result in Ricardian or monopoly rents. The latter one results from a restriction of output, caused by the downward sloping demand curves, which these monopolistic firms have, whereas Ricardian rents are a result of scarce resources.

Second, **ex post limits to competition**, which preserve heterogeneity, are sources of sustained competitive advantage. Those limits prevent rents to be dissipated due to an increase of the supply of scarce resources, which erodes Ricardian rents, or due to an increase of output, eroding monopoly rents. Peteraf agrees on Dierickx and Cool's theory[73], declaring that the more difficult it is to replicate and to mobilize critical assets, the more is ex post competition limited.

Third, Peteraf listed **imperfect mobility**. Imperfectly mobile assets include those, which are more valuable within the company holding them than they are on the strategic factor market.[74] So, these assets are not ordinarily traded on strategic factor markets.[75]

Last, there have to be **ex ante limits to competition**, also known as imperfections on the strategic factor markets, discussed by Barney (1986)[76].[77]

These four, listed conditions are related and have all to be fulfilled in order to acquire above average rents.[78]

II.2.9. Nile W. Hatch and Jeffrey H. Dyer – 2004

Hatch N. W. and Dyer J. H. analyzed the impact of human resources on a firm's competitive advantage and performance. The higher the level of the **employees' educations** the quicker they are able to acquire and apply knowledge, which, in turn, increases "learning by doing" performance.[79] Learning by doing describes the phenomenon

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[73] see II.2.4.
[74] see Peteraf M. A. (1993), pp. 180-185.
[75] see Lambe C. J. and Spekman R. E. et al. (2002), p. 142.
[76] see II.2.2.
[77] see Peteraf M. A. (1993), p. 185.
[78] see ibid.
[79] see Hatch N. W. and Dyer J. H. (2004), pp. 1159 and 1170.

of decreasing manufacturing costs as manufacturing experience increases.[80] As a consequence, firms that hire superior human resources, which have the competencies matching the company's environment, may be able to increase their learning by doing performance. So, detailed testing of potential new employees before hiring them can improve learning by doing performance.[81] Human resources that are already part of the firm should be deployed effectively in order to increase learning by doing performance. In more detail, an employee's skills have to be identified and assigned to the best fitting task. The emerging **resource deployment** is a complex construct, which is why it is considered to be difficult to imitate by competitors.[82] So, the researchers argued that human capital could be a source of **sustained competitive advantage** because it is difficult to imitate, which is a characteristic that makes competitive advantage sustainable. Although human capital is mobile, its contained knowledge often isn't because it is connected to the firm's specific environment. Consequently, the more specific a firm's human resources the smaller the risk of imitation by competitors.[83]

II.2.10. Scott L. Newbert – 2008

Newbert S. L. tested whether valuable and rare resources and capabilities are sources of a company's competitive advantage, which was postulated by former representatives, like Barney (1991),[84] of the RC-based theory.

The researcher argued that a resource (or capability) has to be combined with its attached capability (or resource) in order be **valuable**. So, exploiting valuable capabilities or resources separately does not create competitive advantage, but only their combination is able to constitute it.[85] Furthermore, in the course of the study he verified that **rare** resource-capability combinations of a firm promote the development of competitive advantage.[86] Consequently, not both, resources and capabilities, need to be rare but only their combination does. As an illustration, a firm can gain competitive advantage when exploiting common resources, but due to having a rare capability, it can use them in

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[80] see ibid., p. 1156.
[81] see ibid., pp. 1159 and 1170.
[82] see ibid., pp. 1160 and 1171.
[83] see ibid., p. 1172.
[84] see II.2.5.
[85] see Newbert S. L. (2008), p. 748.
[86] see ibid., p. 756.

another way than its competitors.[87] Additionally, a firm's performance and its ability to create competitive advantage positively correlate.[88]

II.2.11. Luís A. Costa, Karel Cool and Ingemar Dierickx – 2013

Costa L. A., Cool K. and Dierickx I. studied "The Competitive Implications of the Deployment of Unique Resources" in 2013.[89] They defined **unique resources** as those resources that are heterogeneous[90], imperfectly mobile[91], imperfectly imitable[92] as well as imperfectly substitutable[93] and for which exist ex ante limits to competition[94].[95]

The researchers found out that unique resources may not necessarily be sources of sustained competitive advantage,[96] as claimed by, for instance, Barney J. (1991), Dierickx I. and Cool K. (1989), Peteraf M. A. (1993).[97] They, however, argued that the deployment of unique resources might result in **decreased profits** for the resource holder in markets where firms compete on price[98]. In more detail, if a firm is able deploy its unique resource at relatively low costs or if its deployment results in quality benefits, price competition may increase and consequently, the firm's profits would decrease.[99] Relatively low costs of resource deployment may make the firm charge a lower price, which may also lead to a decrease of the competitors' prices, and, finally, results in lower profits for the firm in question.[100] Further on, if the firm deploys a quality-improving resource, the competitors' demands may decrease due to the superior product of the firm in question, which may motivate them to sharply lower their prices in order to retain their customer base. As a

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[87] see ibid., p. 748.
[88] see bid., p. 760.
[89] see Costa L. A. and Cool K. et al. (2013), pp. 445-463.
[90] see Peteraf M. A. (1993), pp. 180f.
[91] see ibid., pp. 183f.
[92] see Dierickx I. and Cool K. (1989), pp. 1507f.
[93] see Barney J. (1991), pp. 106-111.
[94] see Barney J. B. (1986), p. 1234; Peteraf M. A. (1993), p. 185.
[95] see Costa L. A. and Cool K. et al. (2013), p. 445.
[96] see ibid., p. 447.
[97] see II.2.5; II.2.4; II.2.8.
[98] Firms that compete on price determine their individual product prices at certain levels and satisfy the demand for their products at that price.
[99] see Costa L. A. and Cool K. et al. (2013), p. 457.
[100] see ibid., p. 447.

consequence, also the firm in question would have to lower its price, which could result in lower profits.[101]

II.2.12. Summary

Only resources and capabilities that are valuable, rare, inimitable and non-substitutable are potential sources of sustained competitive advantage.[102] This might not be true under price competition as the deployment of such resources may lead to lower prices and, consequently, decreased profits.[103] Newbert S. L., however, argued that not the resources and capabilities themselves have to exhibit these features in order to create competitive advantage, but their combinations do.[104]

A firm prefers to enter markets that are close to its line of business.[105] Wernerfelt B. pointed out that mostly it is better to enter (foreign) markets sequentially with respect to the firm's own resources. In more detail, first, the firm should develop the critical resource in one market, and enter the next later on, based on the established strength and resource in that market.[106]

In the following chapter theories on how to secure competitive advantage in the future are represented.

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[101] see ibid., p. 457.
[102] see Barney J. (1991), pp. 106-111.
[103] see Costa L. A. and Cool K. et al. (2013), pp. 447 and 457.
[104] see Newbert S. L. (2008), p. 748.
[105] see Montgomery C. A. and Hariharan S. (1991), pp. 87f.
[106] see Wernerfelt B. (1984), p. 176.

II.3. Dynamic Capabilities and Core Competencies

In the 1990s scholars have extended the RC-based view to dynamic markets, in which rapid and unpredictable changes of the environment take place.[107] In such a market integrating, building and reconfiguring internal and external competencies, in order to address the changing environment, can grant sustained competitive advantage.[108]

II.3.1. C. K. Prahalad and Gary Hamel – 1990

In 1990 Prahalad C. K. and Hamel G. defined core competencies as “the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies.”[109] They argued that short-termed competitive advantage could be gained through producing cheaper and faster than competitors. However, long-termed or **sustained competitive advantage** only occurs by a company’s ability to combine corporate-wide production skills and technologies, resulting into competencies. These competencies enhance the firm to react and adapt quickly to changing environments and opportunities. The researchers further pointed out that, if competencies are not used or shared, they might wither away.[110]

Core competencies exhibit three characteristics. First, they can enhance entry in various markets. As an example, if a company has competencies in display systems, it is able to produce for the calculators’ and automotive dashboards’ business, as well as for the business of miniature TV sets. Second, they are difficult to imitate, because of the complex combination of production skills and technologies. Third, these competencies are able to add value to the customers’ of the company’s end product.[111]

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[107] see Eisenhardt K. M. and Martin J. A. (2000), p. 1106.
[108] see Teece D. J. and Pisano G. et al. (1997), p. 516.
[109] see Prahalad C K. and Hamel G. (1990), p. 82.
[110] see ibid., pp. 81f.
[111] see ibid., pp. 83f.

Core products link a firm's end product and core competencies. So, competencies are embedded in core products, which are the subassemblies or inputs that contribute to the creation of the additional value of customer benefits.[112]

If there are several business units, a company is subdivided in, it is important that competencies are brought together regularly in order to discover new product and market opportunities.[113]

II.3.2. Bruce Kogut and Udo Zander – 1992

By developing a dynamic perspective of organizational knowledge, Kogut B. and Zander U. showed how firms could create sustained competitive advantage, new knowledge, and described the role of the transfer of knowledge.

In order to gain **sustained competitive advantage** firms have to transfer and create knowledge within the corporation.
In order to make knowledge easier communicable and, as a consequence, also more **transferable**, a firm may codify it by structuring it into identifiable rules and relationships. Codification reduces the knowledge's complexity and simplifies it.[114] The more parameters have to be used in order to define a system, the more complex is it.[115] Codification of knowledge reduces the time and costs needed for knowledge replication within the company, but may also facilitate imitation by competitors. This is what the authors call "the paradox of replication".[116] It follows, that the more difficult replication is for the firm itself, the more difficult is it also for its competitors.[117]

Furthermore, Kogut and Zander introduced the concept of "**combinative capabilities**".[118] They argued that new knowledge, and consequently also innovations, can only be created by combining the prevailing, already exploited knowledge and the, so far, unexploited

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[112] see ibid., pp. 84-86.
[113] see ibid., p. 91.
[114] see ibid., p. 387.
[115] see Pringle J. W. S. (1951), p. 176.
[116] see Kogut B. and Zander U. (1992), p. 390.
[117] see Teece D. J. and Pisano G. et al. (1997), p. 526.
[118] Kogut B. and Zander U. (1992), p. 384.

opportunities of an existing technology.[119] Hence, on the level of human resources, new skills are learned by the recombination of a firm's present capabilities.[120]

II.3.3. Constantinos C. Markides and Peter J. Williamson – 1994

Markides and Williamson argued that a firm could only gain long-term competitive advantage when it has the competence to build new strategic assets cheaper and faster than its competitors. Exploiting interrelationships that exist among different businesses of a company can facilitate the **accumulation and creation of new strategic assets**. The researchers referred to this strategy as "related diversification",[121] and distinguished four main types of how a firm can take advantage of these interrelationships:[122]

- **Asset amortization**, which is the case when different business units can share the same strategic assets.
- **Asset improvement**, where a competence that has been attained through the experience of building or maintaining existing assets in one business, can be used to enhance the quality the firm's assets in other business units.
- **Asset creation**, which arises when a competence that has been attained through the experience of building or maintaining existing assets in one business can be used to create a new strategic asset faster or cheaper in a new business.
- **Asset fission**, which is the potential of the company to acquire new competencies by building new strategic assets in new businesses and, as a consequence, it can use them to improve already existing strategic business units.

To summarize, competencies play an important role because they can act as catalysts in the process of strategic asset accumulation, thus including the competence to adapt and integrate assets accurately and efficiently. These competencies can either be acquired from the open market or transferred internally between different business units of a firm. However, only the latter is able to create sustained competitive advantage, as the competencies a firm can purchase externally are also available for its competitors.[123]

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[119] see ibid., p. 391.
[120] see ibid., p. 383.
[121] see Markides C. C. and Williamson P. J. (1994), p. 149.
[122] see ibid., pp. 155-157.
[123] see ibid., pp. 153-155.

Two conditions have to be satisfied so that the **internal transfer of competencies** may be able to create an advantage for the company. First, the internal transfer has to be more efficient than acquiring the same competence from the external market. Second, the transferred competence must be able to enhance the creation of non-tradeable, non-substitutable and non-imitable assets, which constitute competitive advantage. Transferring a competence internally may, for example, be executed by moving personnel from one business unit to another, organizing the cooperation of individuals of different businesses for finding the solution of a certain problem, or conveying information between business units, which could enable asset accumulation or creation.[124]

II.3.4. David J. Teece, Gary Pisano and Amy Shuen – 1997

In 1997 Teece et al. introduced the '**dynamic capabilities**' approach, which they defined as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments."[125] So, these capabilities are a subgroup of a firm's competencies or capabilities, which enhance the firm to create new products, new processes and to adequately react to changing market circumstances.[126] Consequently, firms holding these capabilities are able to gain sustained competitive advantage[127] and to obtain Schumpeterian rents.[128] In a Schumpeterian world firms compete in the development of new competencies and in the improvement of existing ones.[129]

The researchers argued that dynamic capabilities of a company rest on its paths, its current position and its processes.

A firm's **processes** have three roles. First, the internal and external coordination, and integration of activities, technologies and processes. Second, learning processes are fundamental as they may end in better and quicker procedures and routines. The third role of processes represents the reconfiguration of a firm's asset structure, and its ability of internal and external transformation.[130]

Further on, core competencies and dynamic capabilities rest on a firm's current **position**.

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[124] see ibid.
[125] see Teece D. J. and Pisano G. et al. (1997), p. 516.
[126] see ibid., p. 515.
[127] see ibid., p. 510.
[128] see ibid., p. 527.
[129] see ibid, p. 515.
[130] see ibid., pp. 519-521.

This position is determined by the firm's specific business assets, including only nontradeable assets and those complementary to them.[131]
Last, there is a firm's **path**, which indicates in which direction a company can move. The path depends on the firm's current position and consequently, also on its past choices.[132]

To sum up, the development of competencies or the path a firm can go in the future is constrained by its processes, positions and its individual history.[133]

II.3.5. Kathleen M. Eisenhardt and Jeffrey A. Martin – 2000

Eisenhardt K. M. and Martin J. A. examined the nature of dynamic capabilities, how they are influenced by market dynamism and how they are related to competitive advantage.[134]

They pointed out that the structure of dynamic capabilities depends on the dynamism of the market. In **moderately dynamic markets** changes occur frequently and along mostly predictable and linear paths.[135] In such markets, effective dynamic capabilities are akin to the traditional conception of routines. They can be defined as "complicated, predictable, analytic processes that rely extensively on existing knowledge, linear execution and slow evolution over time".[136]
In a dynamic or **high-velocity market** the industry's structure is unclear and market changes don't follow a predictable or linear path. There exist simple routines that only determine the structure and boundaries for the actions of the individuals, so that they can focus on the important issues in order to be able to react fast and appropriate to the changing environment. Dynamic capabilities rely mostly on the rapid creation of new knowledge about the current situation, which is why real-time information and intensive communication internally as well as externally, with other market players, are important. Consequently, effective dynamic capabilities in high-velocity markets are simple and not as complicated as those in moderately dynamic markets.[137]

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[131] see ibid., p. 521.
[132] see ibid., p. 522.
[133] see ibid., pp. 519-522.
[134] see Eisenhardt K. M. and Martin J. A. (2000), p. 1106.
[135] see ibid., p. 1110.
[136] see ibid., p. 1113.
[137] see ibid., pp. 1111f.

The researchers argued that dynamic capabilities can be sources of competitive advantage, however, not of **sustainable competitive advantage**.[138] At this point Eisenhardt and Martin contradicted Teece et al. (1997), which argued that dynamic capabilities might facilitate sustained competitive advantage.[139] They, however, brought forward the argument that there exists a best practice of the execution of dynamic capabilities that can be achieved through multiple paths. Effective dynamic capabilities are not similar across firms, but they have some key features in common.[140] As such, they don't fulfil all the requirements that make sustainable competitive advantage possible. They are not non-substitutability and not heterogeneous across firms.[141] So, the only source of sustainable competitive advantage is considered to be the ability to use dynamic capabilities to configure resources sooner, more fortuitously or more accurately than competitors.[142]

On the whole, not the dynamic capabilities themselves have the ability to be sources of long-term competitive advantage, but only the resource compositions that are established by the usage of dynamic capabilities.[143]

II.3.6. Shaker A. Zahra, Harry J. Sapienza and Per Davidsson – 2006

Zahra S. A., Sapienza H. J. and Davidsson P. defined dynamic capabilities as „the abilities to re-configure a firm's resources and routines in the manner envisioned and deemed appropriate by the firm's principal decision-maker(s).“[144] So, dynamic capabilities are those capabilities that enable a firm to change its existing substantive capabilities, which include resources and competencies for problem solving or for achieving a result.[145]
Substantive as well as dynamic capabilities can be deployed more adequately, better and cheaper when they are used repeatedly. Nevertheless, the **repetition** of substantive capabilities may make firms less flexible and may reduce their willingness to realize future changes of substantive capabilities. On the whole, firms have to compare the potential costs of leaving substantive capabilities as they are with those that arise when frequently

[138] see ibid., p. 1110.
[139] see Teece D. J. and Pisano G. et al. (1997), p. 510.
[140] see Eisenhardt K. M. and Martin J. A. (2000), pp. 1108-1110.
[141] see Markides C. C. and Williamson P. J. (1994), pp. 153-155.
[142] see Eisenhardt K. M. and Martin J. A. (2000), p. 1117.
[143] see ibid.
[144] Zahra S. A. and Sapienza H. J. et al. (2006), p. 3.
[145] see ibid., p. 5.

executing dynamic capabilities.[146] However, if a company isn't successful with its prevailing substantive capabilities or if the market environment is highly volatile, it will more likely develop and use dynamic capabilities.[147]

Furthermore, the researchers related a firm's **age** and the **sources** of dynamic capabilities and their applications. In their early stages, firms have only limited resources, knowledge and experience, which is why they have to improvise in order to find solutions to pressing problems. In contrast, already established firms hold resources, knowledge and experience on hand, which enable them to plan the future revision of their substantive capabilities in much more detail. They may examine different re-configurations of substantive capabilities and analyze their potential impacts on firm performance.[148] However, improvising leads to more radical and faster changes in substantive capabilities than the latter, because improvising includes a lower level of control and planning, which is why it makes companies to (faster) leave their comfort zones of the tried and trusted.[149]
Both, old and young firms may imitate dynamic capabilities and their usage from each other. Old firms may wish to be more up-to-date and, consequently, imitate younger firms. New firms, on the other side, may imitate elder ones in order to benefit from their experience and knowledge.[150]

Additonally, the Zahra Shaker A. et al. agreed with Eisenhardt K. M. and Martin J. A. (2000),[151] and argued that dynamic capabilities themselves can't be sources of, but are necessary for gaining sustained competitive advantage. So, a firm's **performance** is indirectly influenced by its dynamic capabilities through its substantive capabilities and as a function of its knowledge base. Only if organizational knowledge is high the firm is able to correctly make assumptions about the future and to implement the right dynamic capabilities, which result in high quality substantive capabilities, thus increasing performance. Furthermore, the researchers argued that, as the development and use of dynamic capabilities occasion costs, firms have to regularly execute changes so that these costs can be covered by the gain from the changed substantive capabilities. As a

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[146] see ibid., pp. 9f. and p. 20.
[147] see ibid., pp. 11f.
[148] see ibid., pp. 13f.
[149] see ibid., p. 15.
[150] see ibid., p. 14.
[151] see II.3.5.

consequence, one can conclude that the more volatile the market environment the higher the potential benefit from dynamic capabilities.[152]

II.3.7. David J. Teece – 2007

Ten years after having published a paper together with Pisano G. and Shuen A.,[153] David J. Teece, again, released his discoveries of dynamic capabilities.
He defined a firm's dynamic capabilities as the sources of its competitive advantage in an ever and rapidly changing environment.[154]

He subdivided dynamic capabilities into three different capacities:[155]

1. **Sensing and shaping opportunities/threats**

In order to be able to sense and shape opportunities firms have to continuously scan, search and explore technologies as well as markets. They may detect technological opportunities through investments in R&D activities, and monitor customer needs at the same time. So, a firm's individuals have to have access to information and to be able to recognize opportunities and threats, which depends on their capabilities and knowledge. Information is gathered and filtered so that the individuals can build probable future developments of user needs, technologies and market responses. This sensing process can be supported by an analytical system of the firm that helps to highlight or filter important information. [156]

2. **Seizing opportunities**

Next, when the firm has already sensed a new opportunity it may seize it, which mostly includes financial and resource investments in order to implement the according new products, resources or processes. However, first, technological competencies and complementary assets are evolved, and as a next step, when the opportunity is mature, related investments become heavier.[157] Managers have to design a business model or adjust the existing one based on their judgments of future demand, competitor behaviour, as well

[152] see Zahra S. A. and Sapienza H. J. et al. (2006), pp. 16f.
[153] see II.3.4.
[154] see Teece D. J. (2007), p. 1341.
[155] see ibid., p. 1319.
[156] see ibid., pp. 1322f.
[157] see ibid., p. 1326.

as of future revenues and costs.[158] If the company has structures, processes and incentives for seizing opportunities this procedure can be promoted.[159]

3. Reconfiguration

Another capacity of dynamic capabilities is the reconfiguration of assets and organizational structures, which enable firms to stay innovative and profitable in a changing environment in the future. Especially decentralized firm structures, where strategic decisions are not only made at the top and where high-level managers get closer to the information concerning customer needs, new technologies and markets, support this process. So, the company will be flexible, correspondent to customer needs and new technologies. Learning and combining external and internal knowledge is important for achieving reconfiguration.[160]

On the whole, whether and how regularly a company should reinvent itself depends on the stability of the environment.[161]

II.3.1. Summary

In 1992 Kogut B. and Zander U. introduced the concept of "combinative capabilities" They argued that innovations, can only be created by combining the existing, already exploited knowledge and the, so far, unexploited opportunities of a present technology.[162] This assumption requires that prevailing competencies are transferred within the corporation, if acquiring them from external sources is less profitable.[163]

Five years later, Teece et al. inducted the "dynamic capabilities" approach.[164] They argued that these capabilities enhance a firm to create new processes and products, and enable it to adequately react to changing environments.[165] As such, they may be the sources for sustainable competitive advantage.[166] However, firms have to compare the costs that arise

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[158] see ibid., pp. 1329f.
[159] see ibid., p. 1342.
[160] see bid., pp. 1335-1339.
[161] see ibid., p. 1343.
[162] see Kogut B. and Zander U. (1992), pp. 384 and 391.
[163] see Markides C. C. and Williamson P. J. (1994), p. 155.
[164] see Teece D. J. and Pisano G. et al. (1997), p. 516.
[165] see ibid., p. 515.
[166] see ibid., p. 510.

from executing and developing dynamic capabilities with those of leaving substantive capabilities unchanged.[167]

II.4. The Resource- and Capability-Based Theory and MNCs

In this section the RC- based theory in the context of the multinational firm will be analyzed.

II.4.1. Market Entry

II.4.1.1. Anoop Madhok – 1998

Madhok A. studied the interrelationship of a firm's capabilities, transaction costs and its foreign **market entry mode**. The researcher tested the decision whether to enter foreign markets through the establishment of a subsidiary or joint venture (JV) from two perspectives. First, there is the organizational capability (OC) perspective, where the acquisition, development and deployment of a firm's capabilities are essential. Second, there is the internalization perspective where firms chose the entry mode that minimizes transaction costs.[168]

From the **OC perspective** a firm's capabilities are sources of competitive advantage, but also boundaries for its international activities. A firm's knowledge is based on its experiences that manifest in organizational routines. The researcher elaborated the interrelationship of a firm's prior experiences and its choice of the entry mode. His study showed that the greater a firm's international capability or ability to manage international operations, the likelier it will enter through subsidiaries. This is the case as those firms are able to efficiently utilize and transfer resources internally, as well as to manage the uncertainties of the foreign environment. Further on, the faster the environment changes the more important is the firm's capability to acquire new knowledge. As existing routines tend to hamper learning processes, the firm might be handicapped to react cost-effective and in time. Consequently, it may prefer to enter via JV so that it can simultaneously utilize its relevant routines and benefit from the complementary ones that the partner

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[167] see Zahra S. A. and Sapienza H. J. et al. (2006), pp. 9f. and p. 20.
[168] see Madhok A. (1998), pp. 260f.

company holds.
However, the higher the sociocultural distance between the host and the home country, the more a firm prefers internalized modes of operating. Due to the sociocultural distance a firm's routines may not be that appropriate and efficient in the foreign market. Nevertheless, the firm may prefer these efficiency losses to the inefficiency and lack of effectiveness in transferring their knowhow to another corporation.[169]

From the **internalization perspective** the MNC intends to exploit its knowhow efficiently by entering foreign markets in a way that fits the characteristics of the planned transaction. The lower the related transaction costs, the more efficient the market entry mode. Madhok A. listed tacitness of a firm's knowhow, performance ambiguity, interdependence between geographically dispersed units, and environmental volatility combined with asset specificity, as important for the entry mode decision from the internationalization perspective's point of view.[170]

On the whole, the study showed that the OC perspective is more effective in the explanation of a firm's choice of entry, because the hypothesis of the internalization perspective were not strongly supported in this study. So, a firm selects its entry mode rather based on its international experience and knowledge than on the ability to minimize transaction costs.[171]

II.4.1.2. Yadong Luo – 2002

Yadong Luo analyzed the topic of capability exploitation and building of MNCs in dynamic and complex foreign markets. In more detail, exploitation and building of capabilities were linked to a firm's environment and its organizational characteristics.[172]

According to Yadong L. **capability building** takes place when a company builds new capabilities through learning, when it adopts already existing skills to new situations or when it creates entirely new skills. **Capability exploitation**, on the other hand, is to be found when a firm exploits its existing rent-yielding resources, which are difficult to imitate, enable the company to earn above normal returns and are firm specific.[173] So,

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[169] see ibid., pp. 266-270 and pp. 275-278.
[170] see ibid., p. 282.
[171] see Madhok A. (1998), pp. 260-284.
[172] see Luo Y. (2002), p. 48.
[173] see ibid., pp. 48f.

capability building is the process of developing new competencies that are needed in the foreign environment, whereas capability exploitation focuses on the adaption of already existing ones to local operations.[174]

The study showed that **environmental complexity** is negatively associated with an MNC's capability exploitation as well as with its capability building.[175] The same is true for **industrial structural** uncertainty,[176] which concerns the related market structure and the changeability of the environment.[177] As a consequence, it can be argued that the more complex the external environment or the more variable the industrial structure, the fewer dynamic capabilities an MNC will deploy.

Further on, it was proved that capability exploitation is negatively linked to **business cultural specificity**,[178] which describes the extent of the variation of the host country's business culture from international standards.[179] However, capability building is not affected by the degree of business cultural specificity.[180]

Wholly owned **entry modes** stimulate capability exploitation, whereas JV entry modes stimulate capability building. So, the learning capability of MNCs that partner with local firms is boosted.[181]

Entering a market through a JV can reduce the effects of environmental complexity, structural uncertainty and cultural specificity, as the MNC can benefit from the local partner's country-specific knowledge and its business network.[182] Environmental hazards, like environmental complexity and structural uncertainty, have a much higher influence on capability building processes when entering through the wholly owned mode.[183] The wholly owned entry mode, however, motivates the MNC to exploit and develop its existing capabilities. This entry mode ensures organizational control of the MNC over the local activities.[184]

In short, the decision on the entry mode should be made as a function of the environmental

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174 see ibid., p. 50; compare with II.4.3.2.
175 see ibid., p. 51.
176 see ibid., p. 57.
177 see Dess G. G. and Beard D. W. (1984), pp. 52-73.
178 see Luo Y. (2002), pp. 56f.
179 see ibid., p. 50.
180 see ibid., p. 56.
181 see ibid., p. 57.
182 see ibid., p. 53.
183 see ibid., p.59.
184 see ibid., p. 53.

hazards.[185] MNCs should adjust their capabilities to the local market, which can be facilitated through a JV entry mode.[186]

II.4.1.3. Shih-Fen S. Chen – 2008

Chen S-F. researched the influence of **capability procurement** on the choice of the foreign market entry mode. MNCs may tend to enter foreign countries through wholly owned subsidiaries when critical local assets, which they don't hold yet, can easily be acquired or internally copied. If these local assets can't be purchased on the external market or duplicated easily or cheaply, the firm may enter through **partially-owned** greenfields, like JVs. So, it can share the foreign target assets with the local partner that holds them. Additionally, the researcher mentioned partial acquisition, which is defined as the takeover of a part of an existing foreign company's equity. However, this is not an attractive entry mode as the MNC has to manage the co-ownership, like in the situation of the former described partially-owned greenfield mode, and also faces the difficulties of acquisitions, like that of contract formation when intangible assets are included.
On the whole, Chen SF. claimed that an MNC, which doesn't possess a critical asset that is important for being successful in the foreign market that it plans to enter, should **fully acquire** a local firm if contract formation is not too difficult. As a consequence, it has unrestrained access to the critical asset and doesn't have to face the costs of managing co-ownership. If contract formation is considered to be too difficult, MNCs should enter via establishing JVs with, however, separated ownership of entities, so that they can borrow these local asset from their partners without the strain of acquisition.[187]

II.4.1.4. Klaus E. Meyer, Mike Wright and Sarika Pruthi – 2009

In 2009 Meyer K. E. et al. categorized foreign market entry modes based on their merits for augmenting the entrant's resources, including knowledge. The researchers argued that foreign market entry is a method for firms to exploit and also to augment their resource bases.[188]

They distinguished low, medium and high resource-augmenting entry modes. The latter is characterized by the acquisition of host country resources that a local firm possesses. So,

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[185] see ibid.
[186] see ibid., p. 59.
[187] see Chen S-F. S. (2008), pp. 456f.
[188] see Meyer K. E. and Wright M. et al. (2009), pp. 557f.

these **high resource-augmenting** modes contain a full or, at least, majority acquisition of a local company. **Low resource-augmenting** modes do hardly allow acquiring new, local resources as the entering firm focuses mostly on the exploitation of its own resources. These entry modes include, for instance, export, cross-border provision of services, most forms of contractual collaboration, as well as greenfield operations with exclusively expatriate professionals. On the whole, learning and knowledge acquisition from local firms are relatively limited when using one of these entry modes. **Medium resource-augmenting** modes exhibit features of the previous two because the entrant can exploit its own resources but is also able to get access to local ones. These modes include, for example, minority and majority JVs, partial acquisitions, and branch offices with expatriates and local professionals.[189]

Furthermore, the researchers formulated several **propositions** that they, however, didn't test. They claimed that MNCs that intensively conduct research and development in their home countries would less likely use resource-augmenting entry modes, because they wish to apply their own capabilities. The same applies to firms that sell their products in specialized business-to-business industries where customer needs vary slightly among different countries. However, MNCs that enter markets where firms compete in capabilities will tend to employ resource-augmenting entry modes, so that they can acquire local knowledge, skills and technolgies. The same is considered to be true for MNCs that enter markets where brand image and reputation are viewed as important. These kinds of entry modes enable the entrant to get access to a partner's reputation or brand. Further on, if a company has already prior experience in the host country, it will less likely enter through resource-augmenting entry modes because it is not dependent on the local knowledge of partners in the host country anymore.[190]

II.4.2. Performance

II.4.2.1. Stephen B. Tallman – 1991

In his article of 1991, Tallman studied the interrelationships of a company's resource position, its market strategy and firm structure, and its activities' performance. He pointed out that those resources that were able to generate rents in the past limit a firm's strategic

[189] see ibid., pp. 565f.
[190] see ibid. pp. 567-570.

opportunities in future situations. However, when entering foreign markets only those firm specific resources that are compatible with the foreign market's characteristics may generate economic rents. The level of internalization in a host country is to be chosen dependent on the fit of resources and strategy, in association with the specific environment. After some time the company will develop new resources in the host market like, for example, a host country specific dealer network.[191]

Tallman's study showed that large firms are more likely to enter foreign markets through **direct foreign production**, but with less success than smaller companies.[192] Large firms have more capital resources in order to effort this more expensive entry mode. Further on, an MNC that has already established direct foreign production in one host markets or for a specific product will tend to use this kind of production or entry mode also in other foreign markets or for other products.[193] However, for performing well in a host market a company needs **strategies** and structures suitable to this certain market and not to focus on global purposes. As large firms may tend to focus on the global purpose more than on that of certain markets they, may be less successful in the specific market than their smaller competitors.[194]

II.4.2.2. Mason Carpenter, Gerard Sanders and Hal Gregersen – 2001

Carpenter M, Sanders G. and Gregersen H. analyzed the connection of a multinational firm's performance and the international assignment experience of the CEOs. A CEO's experience has to be rare and difficult to imitate in order to be valuable, and to contribute a company's competitive advantage.[195]

The study showed that international assignment **experiences of CEOs** are positively related to an MNC's performance. Further on, if those experiences were bundled with complementary resources, like the international assignment experience of the top management team, performance of MNCs was found to be strongest.[196] In more detail, if these types of CEOs work with top-managers that also have international assignment experience, they can communicate more efficient, reach agreements of team members and

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[191] see Tallman S. B. (1991), pp. 71f.
[192] see ibid., p. 80.
[193] see ibid., p. 76.
[194] see ibid., pp. 80f.
[195] see Carpenter M. and Sanders G., et al. (2001), p. 496.
[196] see ibid., p. 505.

implement global strategic imperatives easier.[197] This result supports Penrose's idea that value is created when human capital is bundled with other forms of capital.[198]

II.4.2.3. Michael A. Hitt, Leonard Bierman, Klaus Uhlenbruck and Katsuhiko Shimzu – 2006

Hitt M. A. and his colleagues studied large law firms in order to specify the effects of human and relational capital on internationalization.[199]
They measured a firm's human capital based on the employees' average experience and education.[200] In their study, relational capital included relationships with foreign governments, defined as foreign government client relational capital, and with large corporations, referred to as corporate client relational.[201]

The researchers found out that only if a firm's human capital is strong, **corporate client relational** positively affects its level of internationalization,[202] which is characterized by the number of foreign offices and markets the firm is operating in, and the number employees there.[203] So, one can conclude that multinational clients prefer to retain or to get those service firms to join them abroad, which hold strong human capital as they can best service the clients' needs.[204] **Foreign government client relational** was found to positively affect internationalization, however, independently from a firm's human capital, but may negatively affect a firm's performance. Providing services cheaper for foreign government clients than for others might cause this effect. The firm in question may offer services at a lower price to a foreign government as it expects to receive additional support in the foreign market from the respective local government. Further on, foreign governments may want foreign companies to enter and enrich their economies, but once foreign companies have entered, local governments may privilege local firms because, in general, they don't want foreign companies to become more successful than local ones.[205]

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[197] see ibid., p. 497.
[198] see Penrose E. T. (1959), p. 76.
[199] see Hitt M. A. and Bierman L. et al. (2006), p. 1138.
[200] see ibid., p. 1145.
[201] see ibid., p. 1141.
[202] see ibid., p. 1148.
[203] see ibid., p. 1145.
[204] see ibid., pp. 1140 and 1150.
[205] see ibid., pp. 1148 and 1153.

Furthermore, service firms that hold high **human capital** can better implement their internationalization strategies, thus leading to higher performance.[206] However, large service firms that have strong human capital may experience decreased performances when not entering foreign markets, because in that case they wouldn't fully utilize their human capital assets.[207]

On the whole, human capital and both types of relational capital were found to be important for international expansion.[208]

II.4.3. Sustained Competitive Advantage

II.4.3.1. David J. Collis – 1991

Collis David J. analyzed the contribution of the RC-based theory to the global competition of MNCs. He, therefore, integrated the former established concepts of core competencies, organizational capabilities, and added administrative heritage.[209]
Administrative heritage consists of intangible cultural and physical heritages of a firm. Cultural heritage may include, for instance, the history of the company, its vision and the dominant leadership style. The firm's physical heritage may consist of the location of the plant, the prevailing facilities, and other physical assets.[210] All these heritages, whether they are personality, corporate, legal or physical ones,[211] are part of a company's assets and constrain its strategy.[212]

In order to achieve **sustained competitive advantage** the MNC has to regularly readapt to the ever-changing and also to new environments. These readaptation also react upon the firm's constrains, which may change or even ease.[213] In order to be able to readapt and, consequently, to be innovative, the firm has to create routines that promote innovations, facilitate collective learning, and that support the transfer of information and knowledge

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206 see ibid., pp. 1149 and 1152.
207 see ibid., p. 1152; compare with Penrose E. T. (1966) [1959], pp. 67f.
208 see ibid., pp. 1150f.
209 see Collis D. J. (1991), p. 49.
210 see ibid., p. 52.
211 see ibid., p. 66.
212 see ibid., p. 53.
213 see ibid., p. 66.

within the company. As a consequence, the researchers argued that also the organization structure will undergo readaptations regularly.[214]

Furthermore, the company's country of origin directly affects it's strategy because resources are acquired mainly from the domestic market. This is the case, as this procedure is the easiest and cheapest way to **accumulate resources**. So, transaction costs decrease.[215]

The researchers further assumed that firms **enter** those **markets** that represent the best area of operation as a function of their core competencies. As such, firms will decide to enter those markets in which their resources, as parts of their core competencies, are valuable.[216]

II.4.3.2. Stephen Tallman and Karin Fladmoe-Lindquist – 2002

Tallman S. and Fladmoe-Lindquist K. worked out in their article "Internationalization, Globalization, and Capability-based Strategy" how companies could increase their profitability in the long run. The researchers differentiated between two types of capabilities. First, there are **business-level component capabilities**, which are related to the company's ability to gain competitive advantage in a certain business area. Second, there are **corporate architectural capabilities** that include organization-wide routines, which regulate the integration of organizational components to productive purposes. For gaining sustained competitive advantage capability leverage processes as well as capability building processes are essential. This is true for both, business-level component capabilities and corporate architectural capabilities.[217]

The **capability leverage** process describes the process of multinational firms when leveraging or exploiting their capabilities, which they have previously developed in their home market. Firms, first, mostly move based on the strength of their already existing competitive advantage from the domestic market. Further on, they can leverage their existing capabilities and assets across borders with only small adjustments.[218] However, capability leverage strategies mostly focus on component capabilities, because, being

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[214] see ibid., p. 52.
[215] see ibid., p. 65.
[216] see ibid., p. 51.
[217] see Tallman S. and Fladmoe-Lindquist K. (2002), pp. 118-120.
[218] see ibid., pp. 120f.

incorporated in products, they are easier transmissible through, for instance, licensing or foreign direct investments.[219]

The **capability building** process, which has to take place continuously, describes a firm's process of developing new capabilities and resources, in order to sustain in international markets. Capabilities have to be discovered, re-created, improved and innovated through learning. Further on, in the course of time, firms can learn new ways of how to organize, reward and communicate in international markets.[220] Entering foreign markets may facilitate the process of capability building due to gaining access to new skills and resources, which are not available in the domestic market. Using JVs, alliances or acquisitions when entering foreign markets may lead to the exploration of new knowledge and capabilities.[221]

II.4.4. Knowledge Flows

Anil K. Gupta and Vijay Govindarajan – 2000

Gupta A. K. and Govindarajan V. studied the "knowledge flows within multinational corporations" in 2000. They focused mostly on procedural knowledge, as the distribution know-how or product design, and not so much on the declarative type like, for instance, financial data.[222] Further on, the study focused only on MNCs that entered a foreign country through fully- or majority-owned subsidiaries.[223]
Roughly, there can be distinguished two types of knowledge flows, which will further be analyzed in more detail.[224]

- **Knowledge Outflows from the Subsidiary**

Outflows from a subsidiary are higher when its knowledge stock is more unique compared to that of the rest of the cooperation. This is especially the case when subsidiaries are acquired, because also new local, specific knowledge is acquired.[225] This hypothesis could

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[219] see ibid., p. 126.
[220] see ibid., pp. 121f.
[221] see ibid., pp. 129f.
[222] see Gupta A. K. and Govindarajan V. (2000), p. 474.
[223] see ibid., p. 477.
[224] see ibid., p. 475.
[225] see ibid., p. 477.

only be supported statistically for the knowledge flow from one subsidiary to another subsidiary of the corporation, but not for the flow to the parent corporation.
Furthermore, the larger a subsidiary, the greater the knowledge outflow to the parent company and to peer subsidiaries.[226] This is the case as MNCs try to create their own unique and specific **knowledge**, so that they don't have to purchase it from elsewhere. It follows that subsidiaries try to create non-duplicative knowledge by using their own resources. The larger the subsidiary, the more resources are available, the more non-duplicative knowledge can be created and the more knowledge outflow, according to the first proposition, will take place.[227]

The researchers also found out that the knowledge flow from a subsidiary to the parent company is greater when the **economic level** of the host country, where the subsidiary is located, is higher than that of the domestic country.[228] Countries having a high economic level tend to function as trendsetters, because they possess sophisticated know-how in the fields of technology, management and marketing. So, the parent company and, consequently, the whole MNC can benefit from the knowledge the subsidiary gathers in the host country.[229]

The existence of **transmission channels**, that can facilitate the knowledge flow, is found to be important for the knowledge outflow to peer subsidiaries, but not for the flow to the parent company.[230]

The researches couldn't show relationships between **motivational dispositions**, like subsidiary presidents' bonuses for a subsidiary's performance, and knowledge outflows. This may be the case, because sharing knowledge is not seen as important as acquiring knowledge when a certain organizational target has to be reached.[231]

- **Knowledge Inflows into the Subsidiary**

The researchers haven't found a linkage between the inflows form peer subsidiaries, but a positive relationship between knowledge inflows from the parent corporation into

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[226] see ibid., pp. 485-487.
[227] see ibid., pp. 477f.
[228] see ibid., p. 487.
[229] see ibid., p. 478.
[230] see ibid., p. 488.
[231] see ibid., p. 490.

subsidiaries. In the latter case, inflows are higher when the subsidiary is set up as greenfield operation than when being purchased.[232]

Inflows were found to be positively related to the existence of **transmission channels**, showing that a well-functioning network is essential not only for knowledge outflows but also inflows. However, if the subsidiary president is motivated through bonuses that depend on the own subsidiary performance rather than on that of a whole cluster of subsidiaries, the inflow of knowledge from the parent corporation increases.[233]

Furthermore, if the parent corporation is located in a country with a higher level of local development than the **level of development** of the host country, knowledge inflows into the subsidiary are greater.[234]

II.4.5. Summary

Foreign market entry enables companies to exploit and augment their resource bases.[235] Multinational firms can gain competitive advantage internationally when their unique resources are deployed in the foreign marketplace. Only if new capabilities can be built continuously, so that they fit the changing environment, competitive advantage can be sustainable.[236] Entering through a JV can facilitate the adjustment to the foreign market, as the local partner possesses specific market knowledge, networks and other critical assets.[237] Entering through a wholly owned subsidiary is only advisable when having international experience and capabilities.[238] On the whole, the market entry mode in the host country should be chosen dependent on the fit of resources, capabilities and strategies, in association with the specific environment.[239]

[232] see ibid., pp. 487-489.
[233] see ibid.
[234] see ibid., p. 489.
[235] see Luo Y. (2002), p. 57; Meyer K. E. and Wright M. et al. (2009), pp. 557f.
[236] see Collis D. J. (1991), p. 66; Tallman S. and Fladmoe-Lindquist K. (2002), p. 118.
[237] see Chen S-F. S. (2008), p. 457; Luo Y. (2002), p. 59.
[238] see Madhok A. (1998), p. 277.
[239] see Luo Y. (2002), pp. 53 and 59; Tallman S. B. (1991), pp. 80f.

Chapter III.
The Nordic Theory

III.1. Historical Origins

The following researchers and their works are seen to be providing the base for the development of the Uppsala and the Network Theory.[240]

III.1.1. Penrose – 1959

Edith T. Penrose discussed the linkage of a firm's expansion and its experience. She distinguished between objective knowledge, which can be taught formally, and the kind of knowledge gained through personnel experience, which cannot be transmitted.[241] She assumed that only through a company's own, foreign experience, knowledge of foreign businesses can be acquired.[242] If the company doesn't expand this knowledge remains unused.[243]

III.1.2. Richard M. Cyert and James G. March – 1963

The two Nordic models, which will be discussed in this chapter, have been also influenced by the behavioural theory of Cyert and March, first published in 1963. They defined a firm as an adaptive institution that learns from its experience. The process of adaption is seen as having short-run properties in an ever-changing environment, because the firm changes its behaviour depending on the short-run feedback that it receives from its environment. The behaviour is changed according to some established rules, which in return are only changed depending on the long-run feedback. These rules are defined as "**learning rules**".[244]

The rules for short-run reaction to a short-run feedback help firms to cope with uncertainty,

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[240] see Björkman I. and Forsgren M. (2000), p. 8.
[241] see Penrose E. T. (1959), p. 53.
[242] see ibid., pp. 79f.
[243] see ibid., p. 54; II.1.1.
[244] see Cyert R. M. and March J. G. (1963), pp. 100-102.

which they try to avoid. So, they hold rules that enable them to react adequately on problems when they arise[245] and readapt them depending on the environment's.[246]

An organization adapts to its environment by the learning process of its individual members. **Organizational adaption** consists of three different phases, including the adaption of goals, the adaption in attention and in search rules. Organizational goals are seen as a function of previous goals, the firm's experience connected to this previous goals and previous experience of similar companies concerning the goals.

Furthermore, the company or its individual members learn on which parts of its environment to focus, which is defined as adaption in attention. This may, for instance, concern the choice of certain competitors and their characteristics, the focal firm can draw a proper comparison with.

Third, there is the adaption in search rules. In more detail, in the course of time the organization readapts the way it searches for the solutions of problems. Depending on the experienced success of the various solutions, it will change its way to search for them in the future.[247]

On the whole, the researchers argued that the organizational decision-making process is a continuous one, where decisions are made step-by-step as a function of the received feedback from past decisions.[248]

III.1.3. Yair Aharoni – 1966

The researcher, Aharoni Y., discussed in his book "The Foreign Investment Decision Process" how the decision to enter foreign markets is made, and analyzed the related process.

He described the forces that make some of the company's individuals focusing on the opportunity of investing in foreign markets. These forces may prevail on the company's individuals to spend time and other resources on the exploration of foreign investment opportunities. The researcher referred to these forces as **initiating forces**. He classified two categories of initiating forces. First, there are internal forces, which arise from the

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[245] see ibid., p. 119.
[246] see ibid., p. 101.
[247] see ibid., pp. 123f.
[248] see ibid., p. 125.

interest of, at least, one high-ranking executive of the company in question. Second, he listed external forces, like strong competition from abroad in the home market, the fear of losing a market and an outside proposal from a source that can't easily be ignored. [249] Further on, he listed **auxiliary forces** that reinforce the decision to look abroad, but don't cause it. These may include the utilization of old equipment, the creation of a market for products, the capitalization of knowhow or the possibility to spread fixed costs over additional markets.[250]

The **investigation process** of the opportunities of foreign investments takes place in different stages. First, generally available indicators are taken into account in order to form some opinion of the opportunities available to the firm. These indicators may be political and/or economic in nature. Further on, they may include risks or uncertainties, and the change of the perceived risk due to added information that is gathered during the investigation process.[251] At the end of this phase the decision makers should decide whether to continue the process of investigation or not. If the process is to be continued, some executives or consultants are sent to the foreign target market in order to perform investigation on site. The gathered information may concern prices, sales and the cost of the investment. Last, there is the presentation stage, where the investment proposal is presented to the highest corporate level.[252] However, the whole process, beginning with the start of investigating and ending with the first official approval of the highest corporate level, often lasts for several years.[253]

III.1.4. Sune Carlson – 1966

Sune Carlson presented some research findings of the Institute of Business Studies of the University of Uppsala. Trying to relate the problems of the studies to each other, she demonstrated some features of a common research model. As such, she is considered to be the pioneer of the Uppsala theory. She not only took into account the exchange risk, but also the risk that arises due to the firm's **lack of knowledge** about foreign countries and of how to do business with their inhabitants. There is a cultural barrier that firms have to

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249 see Aharoni Y. (1966), pp. 54f.
250 see ibid., p. 70.
251 see ibid., pp. 91-99.
252 see ibid., p. 109 and pp. 113-115.
253 see ibid., p. 173.

overcome when internationalizing, but once they have passed it, they tend to enter other markets step by step. She pointed out that geographic and cultural distance influence a firm's degree of knowledge that a company has about a foreign country.[254]

What Carlson referred to as **cultural distance,** was defined as **psychic distance** by Vahlne and Wiedersheim-Paul in 1973. Cultural or psychic distance between two countries is influenced by the level of development and the difference between their levels, by the level of education and the according differences, by business and everyday language, by the extent of the connection between the countries in question and their cultural differences.[255] Furthermore, she argued that the geographically and culturally closer a country, the smaller is the risk involved in the business. So, doing business with countries nearby is seen as to be less risky than with that farer away.[256]

III.2. The Uppsala Model

As the studies on the internationalization of firms originate in the works of several researchers of the University of Uppsala[257], the theory, described in this chapter, was named the Uppsala internationalization model. In general, the model describes the internationalization of a firm as a process that consists of a gradual increase of the firm's international involvement.[258]

This chapter is divided into three subchapters. First, the influence of experience and knowledge on the internationalization process will be described. Second, articles and studies that address the sequence of the foreign markets that are entered will be discussed. Last, the sequence of market-entry modes will be approached.

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[254] see Carlson S. (1966), pp. 1-21.
[255] see Vahlne J. E. and Wiedersheim-Paul F. (1973), pp. 81-159, cited in Carlson S. (1966), p. 13.
[256] see Carlson S. (1966), p. 15.
[257] see Carlson S. (1975); Johanson J. and Vahlne J-E. (1977); Johanson J. and Wiedersheim-Paul F. (1975); Wiedersheim-Paul F. (1972); et al.
[258] see Björkman I. and Forsgren M. (2000), p. 11.

III.2.1. Knowledge and Experience

III.2.1.1. Sune Carlson – 1975

Nearly ten years after having published the paper that is considered to be the starting point of the Uppsala model,[259] Carlson analyzed in how far foreign trade differs from domestic trade concerning knowledge and its absence.[260]

Firms' main objectives are to grow. Consequently, they will search for new alternatives, also in foreign markets, if this goal can't be reached in present operations.[261]
A firm lacking knowledge about foreign business conditions, customs, information channels and how to establish business contacts suffers from increased uncertainty. So, the more the new alternatives differ from the familiar ones, the larger the existing uncertainty. When accumulating knowledge about a foreign business, firms follow a learning curve. At the beginning they try to find out if there are potential customers, what their needs are, and through which channels they can be reached. Carlson described it as a difficult and slow process. After business has started, the knowledge accumulation rate increases until a certain point, at which accumulation rate starts decreasing. [262]

However, existing knowledge about the foreign country has to be supplemented continuously by new information. There are costs that connected to the new information a company has to face. They may consist of collection, transmission and interpretation costs. The level of collection costs is higher the higher the cultural distance[263] between the domestic and the foreign country, whereas transmission costs depend especially on the geographical distance and on the communication channels that are used. The costs of interpretation correlate with the amount of data collected, and the complexity and uniqueness of information.[264]

Carlson S. concluded from pervious studies that knowledge is mainly accumulated through practical experience and that the prevailing cultural distance between countries influences

[259] see Glowik M. (2009), p. 37.
[260] Johanson J. and Vahlne J-E. (1990), p. 13
[261] see Carlson S. (1975), p. 6.
[262] see Carlson S. (1975), pp. 7f.
[263] see III.1.4.
[264] see ibid., p. 11.

it. On the whole, the main differences between foreign and domestic operations are the problems coupled with knowledge and information costs.[265]

III.2.1.2. Finn Wiedersheim-Paul, Hans C. Olson and Lawrence S. Welch - 1978

Wiedersheim-Paul F., Olson H. C. and Welch L. S. developed a model that focuses on the effects of a company's pre-export behaviour and activities on its export start. Further on, factors, like the decision-maker's characteristics, the external environment, the extra-regional expansion of the firm and information are important factors in their model.[266]

The characteristics of the **decision-maker** are very important, as they affect the perception of the other factors mentioned, as well as the factors themselves. The decision-maker's characteristics are formed by its value system, past history and experience.[267] If the decision-maker had positive experiences he or she may tend to display active pre-export activities and will start to export afterwards.[268] The higher his/her degree of international orientation the more he/she will perceive attention-evoking factors.[269]

Attention-evoking factors cause the decision-maker and the firm to take exporting as a possible strategy in consideration. There are internal and external attention-evokers. The first stimulates the firm to start the internationalization process, because of the firm's internal qualities. Internal attention-evokers include unique competencies, which's opportunity costs in the target market is zero or at least very low. Other internal attention-evoking factors concern an excess of capacity in a firm's resources,[270] so that, in order to utilize resources more fully, it may internationalize.[271]
External attention-evokers for internationalization are to be found within the firm's environment. These include, for instance, casual orders from foreign customers, good foreign market opportunities, increased competition in the domestic market, or export promotion by the government.[272]

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[265] see ibid., p. 20.
[266] see Wiedersheim-Paul F. and Olson H. C. et al. (1978), pp. 47-54.
[267] see ibid., pp. 47f.
[268] see ibid., p. 54.
[269] see ibid., p. 49.
[270] see ibid., pp. 51f.
[271] see Penrose E. T. (1966) [1959], pp. 67f.
[272] see Wiedersheim-Paul F. and Olson H. C. et al. (1978), p. 52.

The **location** of the firm **within the domestic environment** is also an important factor in the researchers' model. During the export start, information channels and a working information flow are crucial. This can be granted if firms have their information centres near their domestic location, so that face-to-face contacts are possible, promoting an uninterrupted information flow.[273]

Furthermore, the firm's history and its experience in **extra-regional expansion** are important for its ability to adopt new, exporting strategies. If a company has already expanded into additional regions inside the domestic market, it has already extended its communication network. Consequently, it is more exposed to attention-evoking factors. A firm, which's goal is the stability of growth will anticipate expansion and exporting as an expedient strategy. When serving more than one market, growth can be stabilized and financial risks decrease, as undergoing losses in all markets is less likely than experiencing a loss in just one market.[274]

One of the most important per-export activities illustrates the **information activities** of the firms. These activities include three dimensions, such as the willingness to start exporting, information transmission and information collection. The higher the level of these dimensions the more actively the company performs its pre-export activities.
The more active the pre-export activities the more likely the firm in question will gather positive export experiences. Consequently, it will continue exporting and will grow stronger than those companies with more passive pre-export activities.[275]

On the whole, the researchers argued that "domestic internationalization"[276] or extra-regional expansion before entering foreign markets is important for firms, because of being more sensitive for attention-evoking factors due to past experience and an already established network.[277]

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[273] see ibid., pp. 49f.
[274] see ibid., pp. 50f.
[275] see ibid., pp. 53f.
[276] ibid., p. 55.
[277] see ibid.

III.2.1.3. Lawrence S. Welch and Finn Wiedersheim-Paul – 1980

Welch L. S. and Wiedersheim-Paul F. published a study that pointed out the importance of pre-export preparation. Pre-export preparation is considered to be important as failure in or withdrawals from exporting mostly occur in the early stages of export. Furthermore, early export behaviour is especially influenced by pre-export preparation and the feedback from early exporting efforts.[278]

Pre-export preparation constitutes an investment in the firm's exporting strategy, both financially and in the form of the creation of relevant knowledge. Knowledge creation can be achieved by, for instance, a business journey of the decision-maker to the target market. Decision makers that have gathered relevant information are more likely to be prepared to unexpected problems, which is why they are more successful in dealing with them than unprepared ones. In order to be well informed, information collection and transmission within the firm and from other organizations involved in a business, are important.[279]

Additionally, the researchers defined **extra-regional expansion** during the pre-export phase as important. This proposition is consistent with that of Wiedersheim-Paul F., Olson H. C. and Welch L. S. (1978).[280]

When the firm is already in the stage of making its first export experience, it may receive positive or negative **feedback**. These feedbacks are important because they affect future decisions, and may improve a decision maker's and firm's relevant knowledge. The acquisition of relevant knowledge may lead to a decrease of the perceived risk and uncertainty concerning export operations, if the received feedback was positive. If it was of a negative nature, the firm has to adjust its strategy and internal processes, which require, especially mental commitment in order to hinder withdrawals. Further on, if feedback was negative, like less profitable export results than expected by the decision maker, the perceived risk and uncertainty will increase. Consequently, it can be argued that the decision maker's expectations concerning the profitability of future exports are important. So, the better prepared the management, the more informed it is and the better the information flows, the more positive will be the feedback of the early export experience. When the firm is successful during the earliest export stages, it will continue committing to

[278] see Welch L. S. and Wiedersheim-Paul F. (1980), p. 334.
[279] see ibid., pp. 336f.
[280] see ibid., p. 338; III.2.1.2.

exporting. This leads to a further collection of experience that, in turn, makes the perception of further commitments less risky. Consequently, the firm will take the entrance of additional markets in consideration. Then, exporting becomes a **part of the company's operations** and is not just an experiment anymore.[281]

III.2.2. The Sequence of Foreign Markets Entered

III.2.2.1. Finn Wiedersheim-Paul – 1972

Wiedersheim-Paul F. introduced the concept of **economic distance**, which he divided into psychic and physical distance, and studied how they influence international business behaviour. **Physical distance** refers to all circumstances that negatively influence the flow of goods or/and payments between businesses and markets. As an illustration, these include customs duties and freight costs. **Psychic distance** restrains the flow of information between a firm and the market. These may include differences in culture, language, educational and market development level. Another concept he introduced is that of **relative distance**, which described the geographical distance between the countries.[282] Furthermore, the lack of knowledge about notable circumstances is defined as uncertainty. The degree of psychic, physical and relative distance between the problem or foreign country and the one experiencing the problem or the expanding firm influences the size of uncertainty.[283]

The researcher found out that Swedish firms start establishing business in countries with a short psychic distance to their home country, and successively enter countries with a greater one. After a number of establishments, when the firm has gained some experience in international business, time distance between international moves decreases. This decline is, however, not steady, which becomes visible by an increase of time distance between the fourth and fifth establishment. This exception may be caused by the fact that at the fourth stage, when a firm has already entered a lot of countries nearby, it may plan to make a huge step, like from the European to the Asian market. This may require some

[281] see ibid., pp. 336-342.
[282] see Wiedersheim-Paul F. (1972), p. 11.
[283] see ibid., p. 8.

significant modifications within the firm and, as a consequence, also more time than when doing smaller steps.[284]

III.2.2.2. Jan Johanson and Jan-Erik Vahlne – 1977

Johanson J. and Vahlen J-E. developed a model of the firm's internationalization process, which is based on the assumption that internationalization constitutes of a series of incremental decisions. The researchers focused on the common characteristics of all these decisions that are important for the subsequent internationalization process. Firms, mostly, start their international operations through the export to a country via agents, found a sales subsidiary later and some may then manufacture locally.[285]

The authors' model of internationalization, which is a dynamic one, includes a distinction between the state and change aspects of internationalization.[286]

- **State Aspects**

Market commitment and market knowledge represent the state aspects of internationalization.

Market commitment consists of two parts, namely, the amount of resources committed and the degree of commitment. The latter can be defined as the size of the investment in a market. Resource commitment is composed of the number of resources that are located in a specific market and integrated with other parts of the firm. Further on, the more an MNC specializes its resources to a particular market, the greater its commitment to that market. So, market commitments are determined by the size of investments the focal firm undertakes in a certain market and the strength of the connection with this market. The second state aspect, **market knowledge**, is important as it influences commitment decisions, which are part of the change aspects. Especially experiential knowledge, which is gained through personnel experience of individuals,[287] is critical in this context. Experiential knowledge is gained in the course of time during the operations in the host country. The obtained knowledge enables a company to perceive and formulate opportunities. As knowledge is part of a company's resources, it follows that the richer its knowledge about the target market, the more valuable are its resources, because of the

[284] see ibid., p. 14.
[285] see Johanson J. and Vahlne J-E. (1977), pp. 23f.
[286] see ibid., pp. 23-29.
[287] see II.1.1.

variety of opportunities the company knows about, and the stronger is its commitment to that market.[288]

- **Change Aspects**

The change aspects of internationalization include current business activities and commitment decisions.

Current business activities imply consequences that are usually realized when the activities in question are repeated continuously. As such, current business activities are the main source of experience and, consequently, of experiential knowledge.

Commitment decisions are decisions over the commitment of resources to foreign operations. Decisions are made on the basis of experience, which forms perceived opportunities and problems. After each additional commitment follows an economic and uncertainty effect. The latter describes the situation when market uncertainty, which is the inability to estimate the future and the present market, is reduced due to an increasing integration and interaction with the foreign market environment. Economic effects are the consequences of scale-increasing decisions.[289]

The whole process, including market commitment, market knowledge, current activities and commitment decisions, is seen as causal cycles.[290] When firms gain experience from current activities, they also acquire market knowledge. Consequently, existing market uncertainty is reduced and market or resource commitment will increase. Additional commitments are usually made in small steps as a consequence of the accumulation of market experience. Large steps are only made by firms that have a large number of resources, experience with similar markets or when market conditions are stable and homogenous. The last two situations reduce uncertainty, whereas the first raises the maximum tolerable risk level.[291]

III.2.2.3. Reijo Luostarinen – 1979

In 1979 Luostarinen R. published a comprehensive study on the "internationalization of the firm", with a special emphasis on the differences of the domestic and the target market. He, as many other researchers of the firm's internationalization process, distinguished between different types of distances that may prevail between markets. He assumed that

[288] see ibid., pp. 27f.
[289] see ibid., pp. 28f.
[290] see Johanson J. and Vahlne J-E. (1990), p. 11.
[291] see Johanson J. and Vahlne J-E. (1977), pp. 30f.

physical, cultural and economic distance have an impact on the level of knowledge about the foreign target market. The smaller the sum of the distances, the greater the amount of knowledge the firm possesses about the target market and, as a consequence, the greater the firm's disposition to enter this market.[292]

Physical distance is defined as the geographical distance between the domestic and the target country.[293] **Cultural distance** is shaped by the need for knowledge, the barriers that hamper knowledge flow and also by those that interfere other flows like information, communication and human flows, between two countries.[294] Last, by **economic distance** is meant the difference between the economic environments of the domestic and the target country. These may include gross national products or the sizes of the populations of the individual countries. The researcher refers to the combination of these distance types as **business distance**.[295]

Luostarinen R. divided the internationalization process of the firm into three stages:

1. **Starting Stage**

The company first enters foreign markets that have a short business distance. Their first foreign step is mostly a non-investment one, namely non-investment marketing operations. These include indirect or direct export activities of mostly physical goods.[296]

2. **Development Stage**

In the second stage, non-investment marketing operations are often replaced by direct-investment marketing operations,[297] as for example, the foundation of warehouse or service units in the foreign country.[298] So, the firm in question will establish sales units in countries where it has already exported before. Additionally, in countries with a longer business distance than those entered first, the firm will penetrate through non-investment marketing operations.[299]

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[292] see Luostarinen R. (1989) [1979], pp. 124-126.
[293] see ibid., p. 128.
[294] see ibid., pp. 131f. and III.1.4.
[295] see ibid., pp. 137f.
[296] see ibid., p. 185.
[297] see ibid., p. 188.
[298] see ibid., p. 111.
[299] see ibid., p. 189.

3. Growth Stage

The growth stage is characterized by not only non- and direct investment marketing operations, as in the stages before, but also by non-investment production operations in foreign markets.[300] These operations include licensing, franchising, contract manufacturing and co-production operations.[301] Not only goods and services are transferred, but also systems. Further on, the number of entered countries, which have a large distance to the domestic market, increases.[302]

4. Mature Stage

In the last stage the company, additionally, sells know-how and systems, and not only goods and services, to foreign markets. It not only uses the operational varieties listed earlier, but also direct-investment production operations[303] like assembling and manufacturing activities. Furthermore, the company also operates in very distant countries.[304]

III.2.3. The Sequence of Market-Entry Modes

III.2.3.1. Jan Johanson and Finn Wiedersheim-Paul – 1975

The two researchers at the University of Uppsala, Jan Johanson and Finn Wiedersheim-Paul, described and analyzed the internationalization of Sandvik, Atlas Copco, Facit and Volvo, all of which Swedish firms. They supported the opinion of former researchers, who argued that companies start internationalizing in countries that they know relatively well and which are similar to their home countries. Later on, when having gathered experience, the perceived risk concerning the foreign market decreases and so, resource commitment to that market increases successively.[305] This market commitment can be measured by the size of investment or by the strength the firm is linked to a specific country.[306]

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[300] see ibid., p. 191.
[301] see ibid., p. 109.
[302] see ibid., p. 191.
[303] see ibid., p. 193.
[304] see ibid., p. 111.
[305] see Johanson J. and Wiedersheim-Paul F. (1975), pp. 305f.
[306] see Johanson J. and Vahlne J. (1990), p. 13.

In more detail, the researchers divided the internationalization process into four stages and defined it as an "establishment chain"[307]:

1. **no steady export activities**
2. **export via independent representatives**
3. **distribution subsidiary and**
4. **local manufacturing.[308]**

The four stages also differ according to the market experience, which a firm can gain. In the first stage, no local market experience can be gained, whereas in the second, the firm has an information channel through which it can receive market information regularly. In the third stage, the firm can influence the type and amount of information it receives and can gain direct experience. In the last stage, the gained experience increases as well as the commitment to the foreign market. However, this chain is not always followed exactly.
Johanson and Wiedersheim-Paul further improved the concept of psychic distance, and argued that psychic and geographic distance are correlated, with some exceptions. As an exception the authors mentioned Australia and England, being geographically far away from each other, but having a quite short psychic distance.[309]

III.2.3.2. Warren J. Bilkey and George Tesar – 1977

In 1977 Bilkey W. J. and Tesar J. analyzed the validity of a "stages model"[310] in the context of the internationalization process of manufacturing firms. They argue that the process of export development occurs in stages:[311]

1. During the **first stage** a firm is not interested in exporting and management or decision makers wouldn't complete an unsolicited export order.[312] Unsolicited export orders might come from institutions outside the firm, as from government advertising programs or trade fairs.[313]

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[307] Johanson J. and Wiedersheim-Paul F. (1975), p. 307.
[308] see ibid.
[309] see ibid., pp. 307-322.
[310] Bilkey W. J. and Tesar J. (1977), p. 93.
[311] see ibid.
[312] see ibid.
[313] see ibid., p. 98.

2. The **second stage** is featured by no exploration of the feasibility of exporting, but decision makers would fill an unsolicited export order.[314]
3. If unsolicited export orders are received, the **third stage** can be skipped over, otherwise decision makers explore the feasibility of exporting. Whether decision makers decide to explore the feasibility of exporting is, especially, dependent on their general images of exporting and foreign countries. The better their foreign experiences, such as their experiences of living abroad, the more they or the firm will tend to explore feasibility of exporting.[315]
4. In the **fourth stage** the firm exports experimentally to psychologically close countries[316] as a consequence of a receipt or non-receipt unsolicited order.[317]
5. During the **fifths stage** the company, which has now become an experienced exporter, optimizes its export activities.[318]
6. The feasibility of further exporting to additional foreign countries, which are psychologically further afar, is part of the **sixths stage** of a firm's export development process.[319]
7. Further stages may follow.[320]

In addition, there may exist several export **barriers** that may differ by export stage. Management should study relevant export barriers, in order to break them down during the export development process. Potential barriers may be misunderstanding of foreign business practices, different product and consumer standards than in the domestic country, and having difficulties in representing the firm in a foreign market environment.[321]

III.2.3.3. Harry G. Barkema, John H. Bell and Johannes Pennings – 1996

Barkema Harry G., John H. Bell and Johannes M. Pennings focused on the later stages of the internationalization process of firms. In more detail, the main variable in their approach is the longevity of foreign ventures, which is the time span a foreign venture persists.[322]

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[314] see ibid., p. 93.
[315] see ibid., pp. 93f.
[316] compare with III.1.4.
[317] see ibid.
[318] see ibid., p. 93.
[319] see ibid.
[320] see ibid.
[321] see ibid., p. 95.
[322] see Barkema H. G. and Bell J. H. J. et al. (1996), p. 156.

The prevailing **cultural distance** between the domestic and the host country has a negative effect on the longevity of a foreign venture, which, however, varies with the entry mode and ownership structure.[323] Companies that engage in JVs have to adjust to the foreign national culture, on the one side, and to the strange corporate culture of the target firm, on the other side. The researchers refer to this as "double layered acculturation".[324] In general, the longevity of foreign ventures decreases with the increase of cultural distance. Consequently, this effect is even stronger when entering markets through acquisition and JV structures than through wholly owned subsidiaries.[325]

However, cultural barriers can be reduced through learning about that culture, especially in the case of majority JV or acquisition.[326] So, the more distant the culture of the target country the more an internationalizing company will tend to implement a JV structure instead of the wholly owned subsidiary one.[327]

Furthermore, an internationalizing firm experiences a stronger **learning effect** from earlier expansions in the same country than from previous expansion in other countries of the same cultural block. A cultural block is defined as a cluster of culturally similar and comparable countries.[328] Learning from earlier experience in another country, but within the same cultural block, may be beneficial as it leads to the acquisition of knowledge about common cultural characteristics and because of the connection to foreign networks. Firms that have previous experience in internationalizing through wholly owned subsidiaries or start-ups won't benefit from a learning effect, as the experience or contact with the foreign culture might have been insufficient.[329]

III.2.3.4. Torben Pedersen and Bent Petersen – 1998

Pedersen T. and Petersen B. connected a firms' market knowledge, resource base, market volume and global competition with its gradually increasing resource commitment to a foreign market. In more detail, they tried to figure out which of these factors determine the pace a company commits its resources to a foreign market.[330] This pace of resource commitment is defined as the time period a firm has spent for building up its current

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[323] see ibid., p. 163.
[324] see ibid., p. 154.
[325] see ibid., p. 160.
[326] see ibid., p. 161.
[327] see ibid., p. 163.
[328] see ibid., p. 161.
[329] see ibid., p. 163.
[330] see Pedersen T. and Petersen B. (1998), pp. 483f.

resource commitment.[331]

Market knowledge, resource base and market volume of a firm were found to contribute directly to the explanation of the pace by which it commits resources to a foreign market, whereas global competition contributes indirectly to the pace of market commitment.[332]

Like earlier representatives of the Uppsala theory, Pedersen T. and Petersen B. argued that by acquiring foreign **market knowledge**, market uncertainty and the perceived risk decrease. This implies that the firm will commit resources to the foreign market in pace with its accumulation of knowledge about this market.[333]

If a company's **resource base** is growing, the entrant firm's resource commitment will also increase. In other words, the firm "will commit resources to a foreign market in pace with an extension of its resource base".[334] First, this can be explained by the fact that some set-up or sunk costs have to be invested when entering a new market, which bigger and already established firms can effort easier than small or new ones. Second, the resource base explanation includes the approach of Penrose[335] arguing that firms tend to increase their resource commitment to foreign markets as resources are underutilized.[336]

Further on, the **sales volume** in a certain foreign market, which is dependent on the foreign market sales growth, influences the pace of resource commitment to that market.[337]

Global competition affects resource commitment only indirectly via the interaction with market knowledge. The higher the prevailing global competition in a foreign market, the more control over the commitment activities to that market is essential, in order to remain competitive.[338]

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[331] see ibid., p. 498.
[332] see ibid., p. 497.
[333] see ibid., p. 486.
[334] see ibid., p. 487.
[335] see II.1.1.
[336] see ibid., pp. 486f.
[337] see ibid., p. 497.
[338] see ibid., p. 489.

III.2.4. Summary

The Uppsala model argues that the internationalization process of the firm is driven by learning about the international and foreign market,[339] on the one hand, and by commitments to the foreign market, on the other.[340] The main obstacle to internationalization is the lack of knowledge about foreign markets and businesses. This knowledge cannot be acquired through general market information or surveys only, but especially through experiential knowledge. As experiential knowledge is developed over time, internationalization is an incremental process.[341] First, firms enter foreign markets that are close and familiar to them, and then they extend foreign operations to more distant and unfamiliar ones.[342] However, also the development of a firm's operations in a specific country is developed gradually.[343]

So, the internationalization process is seen as a process of increasing commitments to foreign operations, which are influenced by the company's experience, which shapes its perceived opportunities and problems of internationalization.[344]

On the whole, the development, transfer and integration of knowledge is critical in the process of internationalization form the Uppsala theory's point of view.[345]

III.3. The Network Model

The Network model is a complementary model to the former, elaborated Uppsala model, and focuses on the importance of long-term business relationships that prevail between companies in industrial markets.[346] In more detail, internationalization is defined as the development of business relationships in foreign networks.[347]

This chapter is divided into four sections. First, the position of the firm, within the network and relative to the companies' position's it has relationships with, is the centre of attention.

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339 see Carlson S. (1975), p. 11.
340 see Johanson J. and Wiedersheim-Paul F. (1975), pp. 305f.
341 see Johanson J. and Vahlne J-E. (1977), pp. 27f.
342 see Wiedersheim-Paul F. (1972), p. 14.
343 see Johanson J. and Wiedersheim-Paul F. (1975), p. 307.
344 see Johanson J. and Vahlne J-E. (1977), pp. 27f.
345 see Wiedersheim-Paul F. and Olson H. C. et al. (1978), pp. 49f.; Welch L. S. and Wiedersheim-Paul F. (1980), p. 337.
346 see Björkman I. and Forsgren M. (2000), pp. 12f.
347 see Coviello N. and Munro H. (1997), pp. 369-382; Johanson J. and Mattson L-G. (1988), pp. 296-298; Johanson J. and Vahlne J.-E. (2003), pp. 96f.

Second, the roles of experience and the transfer of knowledge in the Network theory are analyzed. Third, the incremental commitment to the market and to relationships is discussed. Last, the establishment and development of relationships within networks are elaborated.

III.3.1. Network Position

III.3.1.1. Jan Johanson and Lars-Gunnar Mattson – 1988

Johanson J. and Mattson L-G. described "industrial markets as networks of relationships between firms", which are important for having access to external resources and for being able to sell products and services. All firms within networks have direct relationships with, for instance, customers, suppliers, distributors, and also indirect relationships, as with the customers of their customers or the suppliers of their suppliers, and so on. Consequently, there exist direct and indirect dependence relations to other firms, operating in the network.[348] The positions of a company within the network represent intangible market assets.[349]

From this network point of view, internationalization is the process of establishing and developing positions in foreign networks or national nets in relation to direct and indirect counterparts. Consequently, this is an investment not only in internal assets, but also in market assets. The process of internationalization is influenced by the internationalization characteristics of the firm itself and of the market.[350] So, the firm's network positions are, in turn, shaped by its former activities within the network.[351]

The researchers showed that the internationalizing firm's situation depends on whether it starts the process of internationalization early or late, in comparison to other companies in a specific market. They analyzed four different situations a firm may find itself in the process of internationalization as a function of the degree of its own internationalization and that of the whole market.[352]

Their model is illustrated in figure 1 and specified below.

[348] Johanson J. and Mattson L-G. (1988), pp. 287f.
[349] see ibid., p. 295.
[350] see ibid., pp. 296-298.
[351] see ibid., p. 293.
[352] see ibid., pp. 297f.

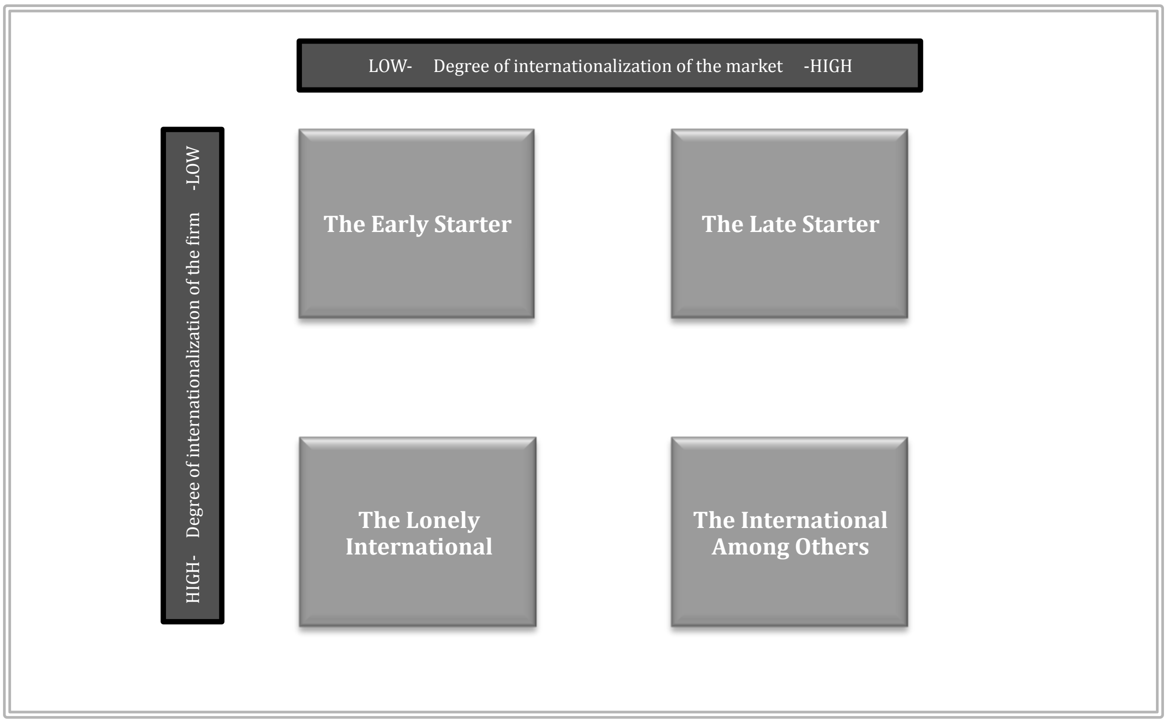

Figure 1: Internationalization and the Network Model
Source: adapted from Mattson L-G. and Johanson J. (1988), p. 297.

- **The Early Starter**

The combination of a low degree of internationalization of the market and a low degree of internationalization of the firm makes the firm to an “Early Starter”.[353]

The company has only few and unimportant relationships with other firms abroad. Also, other firms in the domestic and foreign market have few important international relationships. The Early Starter has only little knowledge about foreign markets and cannot utilize relationships in the domestic market to gain such knowledge, because the degree of internationalization of the whole market is low. As it possesses only weak channels of contact with foreign markets, it hardly receives information feedback from them.[354]

There are two strategies to internationalize for firms, when being in the Early Starter position. First, they may enter nearby markets by using agents. So, the firm doesn’t have to develop market knowledge on its own but can utilize the positions of already existing and established firms in that market. Often a company’s counterparts serve as those agents and use their own market assets in order to establish the new firm in their networks.

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[353] see ibid., p. 298.
[354] see ibid.

The second strategy is mainly recommendable for those companies that are already large and resourceful in their domestic market. These companies may start with acquisitions or greendfield investments. Of course, these kind investments are greater than that of the former strategy in the short run, but might enhance the long-term possibilities for knowledge development and market penetration.[355]

As the firm is becoming more internationalized, it will switch "Lonely International" position.[356]

- **The Lonely International**

The Lonely International firm is based on an internationally inexperienced network and is characterized by a high degree of commitment to the internationalization process, which provides the firm with a greater level of experiential knowledge compared to the Early Starter. The company knows how to handle environments that differ concerning, for example, their cultures.[357]

The already internationalized firm has greater resource combination possibilities, because its position in the international network gives it access to a higher number of external resources. Consequently, the required resource adjustments might be smaller and less difficult to implement.

Furthermore, this position may also be an advantage for the company because it can develop its network position before its competitors and control their internationalization moves.[358]

Additionally, the Lonely International may initiate the international moves of its suppliers, customers and competitors. The following type, which is The Late Starter, may be one of those that become stimulated by the Lonely International.[359]

- **The Late Starter**

Johanson J. and Mattson L-G. described the Late Starter as a firm, which starts the internationalization process when the market is already highly internationalized. Firms don't have to initially enter foreign markets nearby as a first step, but may immediately

[355] see ibid., pp. 298f.
[356] see ibid. p. 300.
[357] see ibid., p. 301.
[358] see ibid., pp. 301f
[359] see ibid.

enter more distant ones, because they have a lot of indirect relations with foreign networks through their suppliers, customers and competitors.[360]

However, the Late Starter has less market knowledge compared to its competitors. Furthermore, the target market's network may already be tightly structured, which is why it might be difficult for the entrant to establish a new position there.
In addition, the Later Starter may lack trust, compared to the Early Starter, because the foreign market participants have already gained experience in cooperating with the latter.[361]

- **The International Among Others**

A firm is referred to as "The International Among Others" when its environment as well as itself are highly internationalized. This company can utilize positions in one network to enter other networks and may build bridges between different sections of a network.[362]

Further on, it can exploit its highly internationalized network position, which feeds it with a high level of business knowledge, thanks to greater interdependency of the internationalized network. Due to its high number of positions within international networks, it has access to a lot of external resources, which is why it may tend to purchase materials and sub-assemblies that it needs for its production process, rather than to manufacture them by itself. As a consequence, it has to be able to coordinate activities in different markets.[363]

III.3.1.2. Akbar Zaheer and Geoffry G. Bell – 2005

Zaheer A. and Bell G. assert that superior network structures enable a firm to better exploit its internal resources and capabilities, which leads to an increase of its performance.[364]

The researchers found out that a firm's performance increases with its capabilities, especially with its innovativeness. Innovativeness is a result of a company's **network position**, where it has access to information that is relevant for being innovative. Moreover, the company's internal characteristics, like its communication structures and its

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[360] see ibid. p. 302.
[361] see ibid., p. 303.
[362] see ibid., p. 304.
[363] see ibid., pp. 304-306.
[364] see Zaheer A. and Bell G. G. (2005), p. 809.

R&D team may enhance creativity and innovative moves. However, also having an **innovative partner** firm may enhance a company's performance, as the latter may learn and gain new, innovative ideas from this relationship.
Further on, Zaheer A. and Bell G. G. proved that firms that **bridge structural holes** of a network are able to increase their individual performances. Through these holes they can get access to information about threats and opportunities earlier than others. Furthermore, they may gain access to resources and may be able to learn about the quality of potential partner firms. So, these bridging firms are able to react quickly and efficiently to market trends.
In addition, they concluded, that in markets where the **network is closed** or consists of dense ties, firms have an increased performance. This may be the case as in such markets an increased trust among firms exists, which leads to reduced monitoring costs.
Further on, **innovative companies that bridge holes** will outperform their competitors. Firms that have superior network structures can utilize their innovative capabilities better, as they can recombine, transform and utilize more quick and successful the novel and unique information, which they have gained from their bridging position, than other firms.

To conclude, a firm's internal capabilities, combined with the network structure and its network positions, influence performance.[365]

III.3.2. Knowledge and Experience

III.3.2.1. Bruce Kogut and Udo Zander – 1993

The researchers, Kogut B. and Zander U. defined firms as social communities that are specialized in the internal transfer of knowledge and in knowledge creation. Further on, the MNC is an organizational vehicle, which arises due to its superior efficiency in transferring its knowledge across borders.[366] Based on this definition, the researchers analyzed how different characteristics of a firm's knowledge influence a company's decision to transfer knowledge within the firm or to third parties.[367]

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[365] see ibid., pp. 812-815 and p. 819.
[366] see Kogut B. and Zander U. (1993), p. 625.
[367] see ibid., p. 632.

However, transferring knowledge is not for free. The costs of knowledge transfer depend on the degree of tacitness of the knowledge and consequently, on the company's capability to decode the information that is going to be transferred.[368]

The degree of tacitness of knowledge depends on its **codifiability**, which describes whether it can be articulated in documents, its **complexity** and **teachability**. Teachability is defined as how easy certain know-how can be taught to new employees. Furthermore, the more critical and interacting elements an activity includes, the more complex is the associated knowledge. Also, the **age** of the according technology and the number of **times** certain knowledge has been **transferred** contributes to the decision of whether knowledge is transferred internally or to third parties.[369] The researchers argued that the older a technology, the better the according knowledge is codified and as a consequence, the less costly its transfer will be. The same applies to the experience in codifying knowledge and its transfer. So, a company that possesses methods to codify knowledge for external parties, as when using licensing to enter markets, is easier able to transfer knowledge to unaffiliated organizations.[370]

Further on, the more tacit a certain knowledge of a company, which is going to enter a foreign market, the more it will tend to do this via a wholly owned subsidiary. To put in another way, the less complex, and the more codifiable and teachable a technology or knowledge, the more likely it will be transferred to a third party. Consequently, JVs and licensing would be more attractive to this MNC.[371]

The researchers also described the **internationalization process** as an incremental one, which starts with exporting facilities and ends in wholly owned operations. In the first entry stage, firms recombine their already existing knowledge of their domestic countries with the knowledge they acquire gradually through learning in the foreign market. In the final stage, the results from learning in the foreign market are transferred internationally and shape the future collection and recombination of knowledge beyond the network of subsidiaries.[372]

[368] see ibid., p. 626.
[369] see ibid., pp. 632f.
[370] see ibid., pp. 631f.
[371] see ibid., p. 635.
[372] see ibid., pp. 636f.

III.3.2.2. Anders Blomstermo, Kent Eriksson, Jan Johanson and D. Deo Sharma – 2001

Blomstermo A. and Eriksson K., et al. studied “The Usefulness of Network Relationship Experience in the Internationalization of the Firm”.

The researchers found out that the higher the number of countries in which the MNC is operating, the higher the **foreign customer** and **network experience**.[373] It follows, that the variation in the markets increases the capability of the MNC to use its former gained relationship experience. Foreign customer and foreign network experience were distinguished in the study, however, the former was found to increase the latter.[374]

Furthermore, the variation of experience is strongly affected by **duration**, which is the period of time the MNC has been to the international market. So, **variation** arises from duration, but supports the development of relationship experience more than the latter. However, duration increases a company’s ability to use its relationship experiences.[375]

The most useful business experience for international expansion is gained from relationships with customers abroad and second most from relationships with domestic customers. Experience with customers enlarges the knowledge of which kinds services and products are considered to be valuable. This experience can then be transferred to other customer relationships. Thirdly, useful experience is gained from network relationships with competitors. Previous experience with domestic and foreign suppliers is as useful for international expansion as the former. Furthermore, business experience with the customers’ customers and customers’ suppliers of services and products that supplement that of the firm in question are seldom considered to be useful.[376]

On the whole, the employment of previous experience increases as international market experience increases.[377]

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[373] see Blomstermo A. and Eriksson K., et al. (2001), p. 140.
[374] see ibid., p. 140.
[375] see ibid., pp. 139f.
[376] see ibid., pp. 130f.
[377] see ibid., p. 142.

III.3.3. Incremental Commitment

III.3.3.1. Nicole Coviello and Hugh Munro – 1997

In 1997 Coviello N. and Munro H. analyzed the impact of network relationships on the internationalization process of small firms. So, their case study combined the stage or Uppsala[378] and the Network theory.[379] The researchers argued that network relationships are able to drive, facilitate or inhibit a company's market development, the choice of which markets to enter and of the entry mode.[380]

As visualized in Figure 2 and 3, firms experience three stages during their internationalization processes, all of which characterized and influenced by different external relationships:

1. Foreign Market Intention

In the first stage the firm has a largely domestic focus, intentions to internationalize and, consequently, establishes initial relationships for product development within one year. These relationships are also the basis for future entries of psychically close markets.[381]

2. Actor Involvement and Evaluation

In the second stage, decision makers evaluate potential opportunities of internationalization. The company's network is enlarged, which enables the company to get access to markets around the world and to gain market knowledge. First, it will enter psychically close markets through the network of its initial partners, leading to an increase of its experiential knowledge.[382]

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[378] see III.2.
[379] see Coviello N. and Munro H. (1997), p. 361.
[380] see ibid., p. 382.
[381] see ibid., pp. 369 and 381.
[382] see ibid.

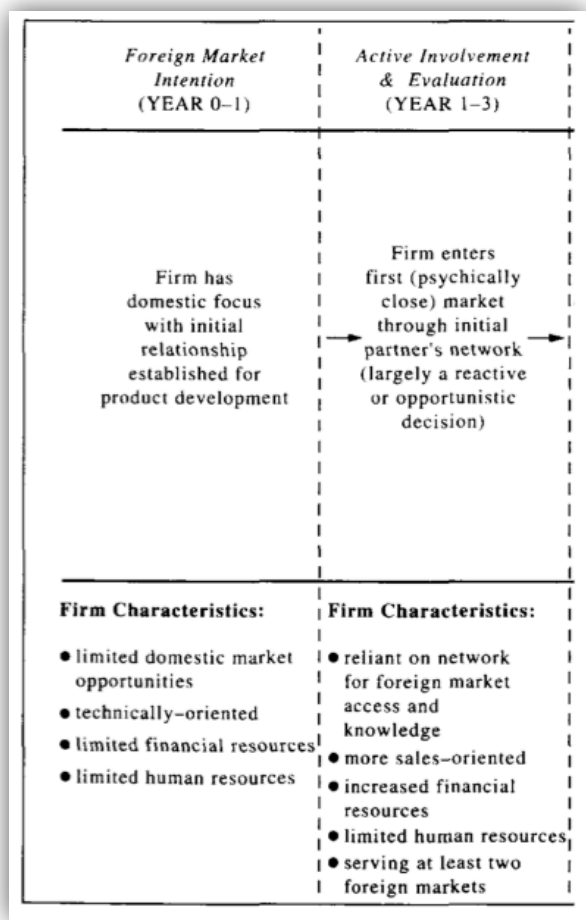

Figure 2: Growth Patterns, Network Influences and Firm Characteristics through the Internationalization Process of Small Software Firms- Stages 1 and 2.
Source: see Coviello N. and Munro H. (1997), p. 380.

3. Committed Involvement

The third stage, which occurs after the third year, is visualized in Figure 3.

The firm develops relationships not only inside but also outside of its initial network. Furthermore, the firm increases its commitment to foreign markets and grows internationally. As a consequence, conflicts or power struggles with its initial partners may increase. At this point, the firm may find itself in one of the following two patterns.
First, it may develop new markets and products, and establish an own support infrastructure there, like marketing offices, however, independently from its initial partners. So, it becomes more visible in international markets, which is why a lager international firm may acquire it. Consequently, the number of network relationships increases, the firm continues to grow as well as to increase its international market development.

Second, the firm may increase its autonomy from its initial network, but its major or initial partner may have that much control over it, so that it influences the company's internationalization process and arrests its development and growth.[383]

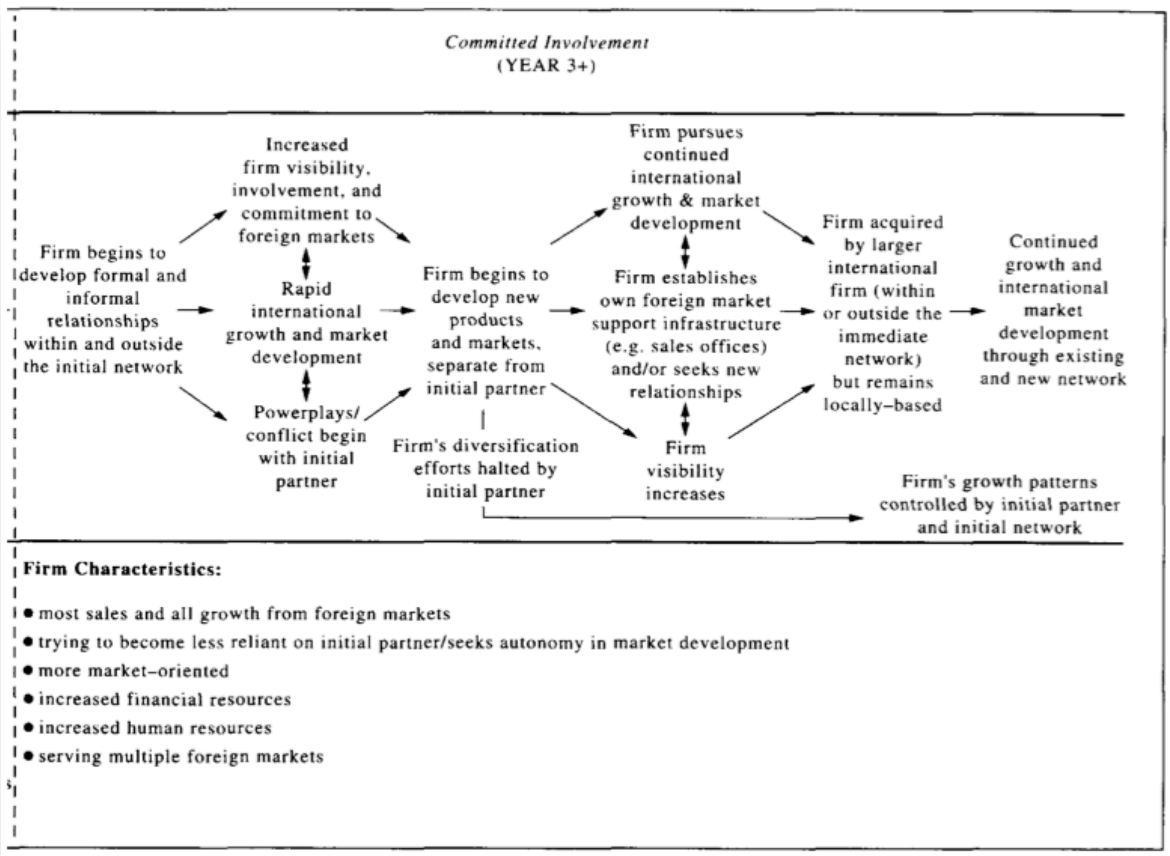

Figure 3: Growth Patterns, Network Influences and Firm Characteristics through the Internationalization Process of Small Software Firms- Stage 3.
Source: see Coviello N. and Munro H. (1997), p. 380.

III.3.4. John A. Mathews – 2002

Mathews J. A. argued in his paper "Competitive Advantages of the Latecomer Firm: A Resource-Based Account on Industrial Catch-Up Strategies" that the RC-based view itself[384] is not helpful when identifying the sources of a latecomer firm's success.[385]
The researcher defined a **latecomer firm** as a company that enters a market or an industry late because of historical necessity and not as a part of its strategy. However, its strategy as a latecomer is to catch-up and to get rid of the latecomer status as soon as possible. The

[383] see ibid., pp. 381f.
[384] see I.3.
[385] see Mathews J. A. (2002), p. 468.

latecomer starts from a resource-meagre position, where it lacks market and technology access. Nevertheless, the firm may have some competitive advantages at the beginning as it can, for instance, license the most advanced technologies from other, already established firms in the market.[386]

The researcher divided the late coming firm's strategy into three phases:[387]

1. **Linkage**

Usually resources are secured within a market through contracts between the firms of a network. A latecomer firm can become linked to a network and, consequently, also to resources by providing resources or services that complement the strategic goals of incumbent companies. So, by meeting the needs of incumbents, it gets a position within the network.
On the whole, incumbents create linkage opportunities for late coming firms that may then use them for leveraging and learning activities.[388]

2. **Resource Leverage**

As the latecomer firm is in an initial resource-meagre position, it leverages resources, including knowledge from incumbent linkages.[389]
The critical resources for the latecomer firm, which it might leverage, should feature three characteristics. First, they should be least rare or not difficult to get access to, so that the company in question can make first strategic moves in the market. Second, the resources that are going to be leveraged should be most imitable. Third, critical resources should be least transferable, like, for example, being able to be bought on the market.[390]

3. **Learning**

The resources leveraged externally are then turned into capabilities and, in further consequence, extended and adapted through repeated leveraging and competence development.[391]

Finally, this whole process results in the expansion of the firm's capabilities.[392]

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[386] see ibid., pp. 471f.
[387] see ibid., p. 476.
[388] see ibid., pp. 476f.
[389] see ibid., pp. 477f.
[390] see ibid., pp. 481-483.
[391] see ibid., p. 478.

III.3.5. Establishment and Development of Relationships

Jan Johanson and Jan-Erik Vahlne – 2003

Johanson J. and Vahlne J.-E. also included the propositions of the Uppsala theory when studying the Network approach.[393]

The researchers pointed out that in the Network model of internationalization the market entry barriers don't only consist of psychic or cultural distance, but are associated with the **establishment and development of relationships**. So, entry problems are not associated with country borders, but with relationships with a firm's customers and suppliers. Respectively, experiential knowledge accumulation and resource commitment concern relationship partners. When all relationship partners commit to the relationship they can gradually learn about the partners' strategies, resources, demands and business contexts. The researchers distinguished **three types of learning** from and within a business network. First, the partner firms have the opportunity to learn skills that they may use to **develop other relationships**, especially when potential new partners are similar to the existing ones. Second, the firms may learn something about **handling activities** in other relationships, like, for instance, how to coordinate just-in-time deliveries. Third, when the relationship in question consists of a customer and a supplier, the partners may learn **partner specific characteristics** of each other. This leads to a coordination of their joint productivity, which strengthens the latter and, consequently, leads to relationship development and further resource commitment.
These three effects of learning enable a company to know how new relationships, which are relevant for its business, can be built and how they can be connected.[394]

Consequently, internationalization includes the development of already existing relationships, the establishment of new relationships with partner firms that are similar to those with which the firm has already developed relationships, and to develop relationships with firms that are connected to those companies with which the firm has already close relationships.
Furthermore, firms tend to defend important relationships through additional resource

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[392] see ibid., p. 480.
[393] see Johanson J. and Vahlne J.-E. (2003), p. 84.
[394] see ibid., pp. 92-97.

commitments to these critical firms included, and may also develop other relationships that support their valuable ones.[395]

On the whole, relationships can instrumental in overcoming country market barriers and in entering a foreign market. So, there are several ways to enter a market. As an illustration, another, potential partner firm may initiate the foreign market entry, as it wants to cooperate with the firm in question. Or, one of the company's partner firms may plan to internationalize and demands the focal company's support in the foreign market.[396]

III.3.6. Summary

From the Network model's point of view, internationalization is the development of business relationships within networks in foreign countries.[397] These direct and indirect relationships are, on the one side, potential sources of external resources and enable, on the other side, the company to sell products and services in foreign markets.[398] In this model the establishment and development of relationships with customers and suppliers are the main obstacles of the market entry process.[399] Furthermore, network relationships are able to drive, facilitate and inhibit a firm's market development, the choice of which markets to enter and of the entry mode.[400] Firms that are experienced in transferring and codifying knowledge can easier transfer it to unaffiliated organizations, and may, consequently, tend to use JV or licensing methods to enter foreign markets.[401]

When having entered the focal market, the firm's network position is considered to influence its performance. The company that has a network position that enables it to have better access to information, relevant for innovations, than its competitors will outperform the latter.[402]

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[395] see ibid., pp. 96f.
[396] see ibid.
[397] see Johanson J. and Mattson L-G. (1988), pp. 296-298.
[398] see ibid., p. 291.
[399] see Johanson J. and Vahlne J.-E. (2003), p. 91.
[400] see Coviello N. and Munro H. (1997), p. 382.
[401] see Kogut B. and Zander U. (1993), pp. 631f. and p. 635.
[402] see Zaheer A. and Bell G. G. (2005), p. 815.

Chapter IV.
Comparison of the Nordic and the Resource- and Capability-Based Theory in the Context of MNCs

IV.1. Decision to Internationalize

What induces firms to internationalize has poorly been researched in the Nordic and, especially in the RC-based theory.

The supporters of the **Nordic** theory argue that international market development activities emerge from, and are shaped by external, formal and informal relationships.[403] The firm's timing of internationalization and market entry, compared to the whole network, is determined to be important. Johanson J. and Mattson L-G. (1988), for instance, argued that the internationalizing firm's future situation depends on whether it has started the process of internationalization early or late, in comparison to other companies in a specific market. Therefore, the decision to internationalize has to be made at a proper point in time.[404]

The researchers of the **RC**-based model centre primarily upon the firm's resources and capabilities when explaining its decision to internationalize. As an illustration, the research and development activities, the selling intensity and the skills in managing diversity of large established firms were found to indicate whether firms would enter new markets.[405] Furthermore, foreign market entry is considered to be a method for companies to exploit and expand their resource bases.[406]

On the whole, as **both theories** are based on Penrose's approach (1959)[407],[408] they argue that firms decide to internationalize in order to utilize their resources and capabilities more fully.[409] However, the RC-based theorists mainly focus on these, so called, "internal

[403] see Coviello N. and Munro H. (1997), p. 361.
[404] see Johanson J. and Mattson L-G. (1988), p.8; Mathews J. A. (2002), pp. 417f.
[405] see Montgomery C. A. and Hriharan S. (1991), p. 85.
[406] see Meyer K. E. and Wright M. et al. (2009), pp. 557.
[407] see Penrose E. T. (1966) [1959], pp. 67f.
[408] see Björkman I. and Forsgren M. (2003) p. 8; Peteraf M. A. (1993), p. 179.
[409] see Montgomery C. A. and Hriharan S. (1991), p. 73; Wiedersheim-Paul F. and Olson H. C. et al. (1978).

attention-evoking factors"[410], whereas the Nordic-theorists also take into account "external evokers"[411], like orders from foreign customers, good foreign market opportunities, increased competition in the domestic market, export promotion by the government,[412] and the degree of internationalization of the whole network.[413]

IV.2. Knowledge and Experience

The **Nordic** theory defines the internationalization process as a gradual acquisition, integration and utilization of a foreign market and foreign operational knowledge.[414]
Pedersen T. et al. (1998) found out that MNCs commit resources to a foreign market as a function of their paces of knowledge accumulation about this market.[415] The accumulation of knowledge follows a learning curve[416] and takes place through gaining practical experience.[417] It follows that a firm commits to a foreign market in pace with the accumulation of market experience.[418] Especially business experience with foreign and also domestic customers, and with competing suppliers is important from the Nordic theory's point of view.[419] Firms are learning in relationships about the partner's strategies, resources, demands and the business contexts. This previous business experience enables them to enter new, foreign markets in which they can develop new relationships, which give them, in turn, a platform for entering other foreign markets.[420] Further on, the higher the number of countries the MNC is operating in, the higher its overall network experience.[421] Learning effects are strongest when firms enter a foreign market via new acquisitions, and majority or 50/50 JVs. Learning effects are weakest or non-existent in the case of wholly owned subsidiaries and start-ups. Researchers argued, that this may be the case, as wholly owned subsidiaries and start-ups don't provide sufficient experience or contacts with foreign cultures. Learning effects are strongest when expanding within a

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410 Wiedersheim-Paul F. and Olson H. C. et al. (1978), p. 52.
411 ibid.
412 see ibid.
413 see Johanson J. and Mattson L.-G. (1988), p.8; Mathews J. A. (2002), pp. 417f.
414 see Johanson J. and Vahlne J-E. (1977), p. 23.
415 see Pedersen T. and Petersen B. (1998), p. 487.
416 see Carlson S. (1975), pp. 7f.
417 see ibid., p. 20.
418 see Johanson J. and Vahlne J-E. (1977), p. 31.
419 see Blomstermo A. and Eriksson K., et al. (2001), pp. 130f.
420 see Johanson J. and Vahlne J.-E. (2003), pp. 92-97.
421 see Blomstermo A. and Eriksson K., et al. (2001), p. 140.

specific country and of a medium strength within culture blocks.[422] So, the prevailing cultural distance between the home and the host market influences the learning effect.[423] Furthermore, the usefulness of, and the benefit from an MNC's business relationship experience increase with the variety of markets in which it is operating,[424] and with its overall international market experience.[425]

In 1992 supporters of the **RC**-based theory argued that new knowledge can only be created when combining the prevailing, already exploited knowledge and the, so far, unexploited opportunities of an existing technology.[426] They referred to this as "combinative capabilities"[427].

However, ten years later Tallman S. et al. (2002) looked at the firm in a more global manner and suggested that, when entering foreign markets, new knowledge can best be explored through JVs, alliances or acquisitions.[428] As an illustration, when entering through a JV the MNC can benefit from the local partner's country-specific market knowledge.[429] The higher the level of education of the firm's employees, the quicker they are able to acquire and apply new knowledge.[430]

In order to create sustained competitive advantage, knowledge has to be transferred within the MNC.[431] Formal mechanisms that support the integration of subsidiaries within the rest of the MNC increase overall knowledge out- and inflows.[432]

Nelson et al. (1982), which published one of the basic articles of the RC-based view, mentioned that knowledge could only be stored in the organizational memory through frequently exercising the according skills.[433]

Furthermore, the more internationally experienced the CEO of an MNC, the better will be the MNC's performance. Moreover, the broader the MNC's global strategic posture or the

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422 see Barkema H. G. and Bell J. H. J. et al. (1996), pp. 161-163.
423 see Carlson S. (1975), p. 11.
424 see Blomstermo A. and Eriksson K., et al. (2001), p. 140.
425 see ibid., p. 142.
426 see Kogut B. and Zander U. (1992), p. 391.
427 ibid., p. 384.
428 see Luo Y. (2002), p. 57; Tallman S. and Fladmoe-Lindquist K. (2002), p. 30.
429 see Chen S-F. S. (2008), p. 457; Luo Y. (2002), p. 53.
430 see Hatch N. W. and Dyer J. H. (2004), pp. 1159 and 1170.
431 see Kogut B. and Zander U. (1992), p. 387.
432 see Gupta A. K. and Govindarajan V. (2000), pp. 485-489.
433 see Neslon R. R. and Winter S. G. (1982), pp. 99f.

higher its foreign market activities, and the higher the number of countries where it has subsidiaries, the greater will be the former described effect.[434]

Concerning the topics of knowledge and experience, the Nordic and RC-based theories have some commonalities and one main difference. The latter represents the fact that the RC-based theory focuses mainly on the internal knowledge-flow and on the storage of knowledge,[435] whereas the Nordic theory does primarily research on the firm's external knowledge flow, from and to third parties.[436]

However, **both models** argue that learning-effects or the accumulation of new knowledge is greater when firms enter foreign markets by acquiring local firms or at least parts of them.[437] Furthermore, both theories claim that the higher the variance of foreign markets in which an MNC is operating, the more it can profit from its previously gained experience.[438] The Nordic as well as the RC-based model are strongly influenced by Penrose's exposure of 1959,[439] which is why they suppose that new knowledge primarily arises through own experience.[440] Later theorists of the Nordic model discussed, especially the experience with business relationships,[441] which is not researched in the RC-based model.

IV.3. Market Choice

The **Nordic** model relies mainly on the distances, like the existing psychic[442] or cultural, economic, and geographical distances, when in comes to the explanation of the decision of which market to enter. The shorter the sum of the distances, also referred to as business

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[434] see Carpenter M. and Sanders G., et al. (2001), pp. 500 and 502.

[435] see Gupta A. K. and Govindarajan V. (2000), pp. 485-489; Kogut B. and Zander U. (1992), p. 387; Neslon R. R. and Winter S. G. (1982), pp. 99f.

[436] see Barkema H. G. and Bell J. H. J. et al. (1996), pp. 161-163; Blomstermo A. and Eriksson K., et al. (2001), pp. 130f.; Johanson J. and Vahlne J-E. (2003), pp. 92-97.

[437] see Barkema H. G. and Bell J. H. J. et al. (1996), pp. 161-163; Tallman S. and Fladmoe-Lindquist K. (2002), p. 30.

[438] see Carpenter M. and Sanders G., et al. (2001), pp. 500 and 502; Blomstermo A. and Eriksson K., et al. (2001), p. 140.

[439] see Björkman I. and Forsgren M. (2003) p. 8; and Peteraf M. A. (1993), p. 179.

[440] see Penrose E. T. (1959), pp. 79f.

[441] see Blomstermo A. and Eriksson K., et al. (2001), pp. 130f.; Johanson J. and Vahlne J-E. (2003), pp. 92-97.

[442] see Wiedersheim-Paul F. (1972), p. 11; Johanson J. and Wiedersheim-Paul F. (1975), p. 308.

distance, the greater the amount of knowledge the firm possesses about a specific market[443], the smaller the uncertainty concerning the entry into that market,[444] and the smaller the risk involved.[445] So, first, internationalizing firms tend to enter less uncertain or risky foreign markets that are similar to their home country.[446] Moreover, Collis D. J. (1991) stated that firms would even enter less structurally attractive product markets if their resources, which are embedded in their core competencies, were valuable in serving those markets.[447]

The **RC**-based model argues that, in general, firms tend to enter those markets which's characteristics are similar to those of the industry in which they are currently operating.[448] So, the more similar the requirements of an industry and the firm's resource profile, the greater the probability that the firm will enter that market.[449] However, the choice of which *foreign* markets to enter has not been analyzed.

To conclude, the representatives of **both theories** have hardly researched the choice of the foreign target market.

IV.4. Market Entry Mode and Process

The supporters of the **Nordic** theory surveyed, especially the entry mode, its process and how the entry mode changes in the course of the internationalization process. Furthermore, they also included the distances that prevailed between the domestic and the target market in their studies and papers.

First, firms enter countries with short psychic distances to their home countries.[450] They do this mostly through export activities. When the firms' specific market knowledge increases, due to the accumulation of market experience, they will increase their resource

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[443] see Luostarinen R. (1989), pp. 124-126.
[444] see Carlson S. (1975), p. 7.
[445] see Carlson S. (1966), p. 15.
[446] see Wiedersheim-Paul F. (1972), p. 14.
[447] see Collis D. J. (1991), p. 51.
[448] see Montgomery C. A. and Hriharan S. (1991), p. 87.
[449] see ibid., p. 85.
[450] see Johanson J. and Wiedersheim-Paul F. (1975), pp. 305f.; Wiedersheim-Paul F. (1972), p. 14.

commitments in rather small steps.[451] According to the Network theory, resource commitment also concerns commitment to relationships within a market, which in turn, leads to gradual learning from partners.[452] Resources are committed in pace with an extension of a firm's resource base and market volume.[453] This increase in commitment to the foreign market can be illustrated as the firm first enters a market through export, then founds a sales subsidiary or service unit, adds, afterwards, non-investment production operations like licensing or contract manufacturing, and lastly, introduces direct-investment production operations like assembling or manufacturing activities.[454]
After a firm has started establishing in a relatively short psychic distance country, it will gradually enter markets further afar.[455]

Additionally, the Nordic approach argues that market barriers are associated with the establishment and development of relationships rather than with country boarders. However, relationships or local partners may support the entering firm in overcoming these barriers.[456]

The researchers of the **RC**-based theory focus mostly on the mode of foreign market entry, and hardly on the whole process. The firm's own capabilities and resources are defined as the most stable basis for the determination of the appropriate market entry strategy.[457] As such, firms that have available a variety of resources or international capabilities, like the ability of, and the experience in managing international operations, will tend to enter their foreign target markets through subsidiaries and direct foreign productions.[458] The same applies for MNCs that intensively conduct R&D in their domestic countries.[459] Furthermore, if the critical assets for being successful in the foreign market are difficult or costly to be created or purchased, entering through resource-augmenting entry modes, as through JV or through the acquisition of a local firm, is considered to be the best choice.[460] Furthermore, Wernerfelt B. (1984) argued that firms should enter foreign markets sequentially with respect to their own resources. So, they should first develop critical

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[451] see Johanson J. and Vahlne J-E. (1977), pp. 30f.; Pedersen T. and Petersen B. (1998), p. 487.
[452] see Johanson J. and Vahlne J.-E. (2003), pp. 90 and 93.
[453] see Pedersen T. and Petersen B. (1998), p. 496.
[454] see Johanson J. and Vahlne J-E. (1977), pp. 23f.; Johanson J. and Wiedersheim-Paul F. (1975), p. 307; Luostarinen R. (1989) [1979], pp. 111-193.
[455] see Bilkey W. J. and Tesar J. (1977), p. 93; Wiedersheim-Paul F. (1972), p. 14.
[456] see Johanson J. and Vahlne J.-E. (2003), pp. 93f.
[457] see Grant R. M. (1991), p. 115; Tallman S. B. (1991), pp. 71f.
[458] see Madhok A. (1998), pp. 274 and 277; Tallman S. B. (1991), p. 79.
[459] see Meyer K. E. and Wright M. et al. (2009), p. 567.
[460] see Chen S-F. S. (2008), pp. 456f.; Meyer K. E. and Wright M. et al. (2009), pp. 567-570.

resources in one market and enter the next, based on the established strength and critical resource in the previously entered market.[461]

All in all, it can be stated that the Nordic model discusses the whole entry process,[462] whereas the RC-based model considers mostly just the entry mode.[463] Furthermore, Nordic researchers argue that the whole internationalization process, within one country and globally, proceeds in stages.[464] A division into stages is not to be found in the RC-based model, with the exception of Wernerfelt (1984)[465]. It, however, mentions prior experience like, for instance, in transferring knowhow to subsidiaries or JVs,[466] as a factor that influences a firm's choice of foreign entry mode.[467] So, **both models** include an internationalizing firm's prior experience when explaining the choice of its market entry mode.

The RC-based model considerers preferably the firm's own capabilities and resources,[468] whereas the Nordic model mostly takes the psychic distance to, and the relationships with other firms of the target market into account.[469] However, there can't be drawn a strict line in order to distinguish the two models at this point, as also some researchers of the RC-based theory included distance[470] and relational capital[471] in their models, and some of the Nordic model included a firm's resources and capabilities.[472] Still, this is the exception rather than the rule.

[461] see Wernerfelt B. (1984), p. 176.
[462] see Johanson J. and Vahlne J-E. (1977), pp. 23f.; Johanson J. and Wiedersheim-Paul F. (1975), p. 307; Luostarinen R. (1989) [1979], pp. 111-193.
[463] see Luo Y. (2002), pp. 50-59; Madhok A. (1998), pp. 260-284.
[464] see Bilkey W. J. and Tesar J. (1977), p. 93; Johanson J. and Vahlne J-E. (1977), pp. 30f.
[465] see Wernerfelt B. (1984), p. 176.
[466] see Madhok A. (1998), p. 267.
[467] see ibid., pp. 274 and 277; Tallman S. B. (1991), p. 79.
[468] see Collis D. J. (1991), p. 53; Madhok A. (1998), pp. 274 and 277; Tallman S. B. (1991), p. 79; Wernerfelt B. (1984), p. 176.
[469] see Johanson J. and Vahlne J.-E. (2003), pp. 90 and 93; Johanson J. and Wiedersheim-Paul F. (1975), pp. 305f.; Wiedersheim-Paul F. (1972), p. 14.
[470] see Madhok A. (1998), p. 268.
[471] see Hitt M. A. and Bierman L. et al. (2006), p. 1138.
[472] see Pedersen T. and Petersen B. (1998), p. 487.

IV.5. Resource and Capability Exploitation/Accumulation

The supporters of the **Nordic** model define a company's position within a network as an intangible market asset,[473] because relationships can provide access to resources that are controlled by other companies.[474] Especially for MNCs that have entered the foreign market late, relative to others, have to focus on resource accumulation as they start the foreign entry process from a resource meagre position.[475] These target resources, which will be leveraged later on, have to be least rare, most imitable and least transferable.[476]

The **RC**-based theory argues that capability leverage strategies of MNCs mostly focus on component capabilities because capabilities, incorporated in products, are easier transmissible.[477] Furthermore, entering a foreign market via JV or acquisition leads to the exploration and creation of new capabilities.[478]
On the one hand, Luo Y. (2002) claimed that the more complex the environment and the more uncertain the structure of a foreign industry or market, the less capabilities are built and exploit there.[479] On the other hand, researchers argued that the more dynamic an environment, the more a company has to utilize its dynamic capabilities in order to reconfigure and adapt its substantive capabilities to it.[480] It seems as if MNCs may find themselves in a situation of conflict when it comes to the decision on the level of capability accumulation and exploitation.

To conclude, **both theories** include the external environment, like other firms and partners, when discussing resource and capability accumulation.[481] The Nordic model, however, additionally includes the position of the focal firm relative to its potential partner firms and competitors.[482] It defines the position within a network as market asset,[483] whereas

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[473] see Johanson J. and Mattson L.-G. (1988), p. 195.
[474] see ibid., p. 291; Mathews J. A. (2002), pp. 476-478; Zaheer A. and Bell G. G. (2005), p. 813.
[475] see Mathews J. A. (2002), p. 471 and pp. 476f.
[476] see ibid., pp. 481-483.
[477] see Tallman S. and Fladmoe-Lindquist K. (2002), p. 126.
[478] see ibid.; Luo Y. (2002), p. 58.
[479] see Luo Y. (2002), pp. 51 and 57.
[480] see Teece D. J. (2007), p. 1343; Zahra S. A. and Sapienza H. J. et al (2006), pp. 11f.
[481] see Johanson J. and Mattson L.-G. (1988), p. 291; Luo Y. (2002), p. 58; Mathews J. A. (2002), pp. 476-478; Tallman S. and Fladmoe-Lindquist K. (2002), p. 126.
[482] see Mathews J. A. (2002), p. 471 and pp. 476f.; Zaheer A. and Bell G. G. (2005), p. 813.
[483] see Johanson J. and Mattson L.-G. (1988), p. 195.

researchers of the RC-based model defined relationships with clients as kind of a firm's capital.[484]
Furthermore, the Nordic model picks characteristics of those resources that are potential sources of competitive advantage, namely rareness, inimitability and imperfect mobility,[485] and transfers them to an approach regarding resources that should be accumulated and leveraged by latecomer firms.[486]

IV.6. Performance and Competitive Advantage

The **Nordic** theory doesn't focus much on (sustained) competitive advantage and performance as an object of study. Barkema et al. (1996), nevertheless, found out that cultural distance between the host and the domestic country correlates negatively with the longevity of foreign ventures. This effect is even stronger when entering markets via JVs and acquisitions than via wholly owned subsidiaries or start-ups.[487] This is the case because firms that engage in JVs or acquisitions have to adjust to the foreign national culture, on the one side, and to the strange corporate culture of the target firm, on the other. Researchers refer to this as "double layered acculturation".[488] Furthermore, Zaheer A. et al. (2005) argued that firms that bridge structural holes within foreign networks are able to increase their performances and may outperform their competitors, because they get access to resources and relevant information earlier than others.[489]

The supporters of the **RC**-based model have done more research on a firm's performance and its (sustained) competitive advantage. They argued that a firm's assets have to be valuable, rare, inimitable, non-substitutable, and imperfectly mobile in order to be potential sources of sustained competitive advantage.[490] However, Newbert S. L. showed that not the resources and capabilities themselves have to be rare and valuable, but their combinations have to.[491] Additionally, these assets, including competencies, capabilities and resources, have to be developed continuously in order to make competitive advantage

[484] see Hitt M. A. and Bierman Leonard et al. (2006), p. 1141.
[485] see Barney J. (1991), pp. 106-111; Dierickx I. and Cool K. (1989), p. 1507; Peteraf M. A. (1993), p. 183.
[486] see Mathews J. A. (2002), pp. 481-483.
[487] see Barkema H. G. and Bell J. H. J. et al. (1996), p. 160.
[488] see ibid., p. 154.
[489] see Zaheer A. and Bell G. G. (2005), pp. 815 and 819.
[490] see Barney J. (1991), pp. 106-111; Dierickx I. and Cool K. (1989), p. 1507; Peteraf M. A. (1993), p. 183.
[491] see Newbert S. L. (2008), p. 748.

sustainable.[492] So, production skills and technologies have to be combined corporate wide within the MNC, resulting into competencies that enhance the firm to react and adapt quickly to changing environments and opportunities.[493] Dynamic capabilities are seen as being important in this context, as they enable the firm to integrate, build, and recombine competencies.[494]

Researchers found out that firms that diversify in or enter related markets, where similar kinds of assets that the firms possess are important, will outperform unrelated firms.[495] Furthermore, human capital and relational capital in relationships with foreign government and large corporate clients were found to be important for internationalization and the connected performance.[496]

All in all, the Nordic theory explored much less the fields of performance and competitive advantage compared to the RC-based one. As competitive advantage, according to most researchers of the RC-based theory, originates from a firm's assets' characteristics[497], and supporters of the Nordic model focus mainly on the external environment,[498] these topics may not have been of much concern for them.

IV.7. Conclusion

The RC-based and the Nordic theory differ in so far as the latter focuses mainly on the external resources and capabilities, whereas the RC-based theory considers mostly internal resources and capabilities.

Furthermore, what the comparison of the two emphasizes is that they are complementary. So, an internationalizing firm should consider external resources and capabilities as well as its internal ones, in order to have a vast overview of the whole situation. As a consequence, the firm may find the optimal point in time to internationalize, the best target market, the

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[492] see Grant R. M. (1991), pp. 131f.
[493] see Prahalad C. K. and Hamel G. (1990), p. 81.
[494] see Teece D. J. and Pisano G. et al. (1997), p. 516.
[495] see Markides C. C. and Williamson P. J. (1994), p. 162.
[496] see Hitt M. A. and Bierman Leonard et al. (2006), pp. 1150f.
[497] see Barney J. (1991), pp. 106-111; Dierickx I. and Cool K. (1989), p. 1507; Peteraf M. A. (1993), p. 183; Prahalad C. K. and Hamel G. (1990), p. 81.
[498] see Johanson J. and Vahlne J.-E. (2003), pp. 90 and 93; Johanson J. and Wiedersheim-Paul F. (1975), pp. 305f.; Wiedersheim-Paul F. (1972), p. 14.

most appropriate entry mode and the optimal partners, under consideration of all relevant factors and opportunities.

Chapter V. Critical Review and Future Directions

This thesis wasn't supposed to evaluate the RC-based and the Nordic model, but to show their development, features, as well as their differences and similarities. As a consequence, it doesn't estimate which of the models is the best or which leads to better organizational results when being the basis for business decisions.

Future research could evaluate which of the theories, when used as the basis for organizational decisions, would result in greater success in the long run. Additionally, there should be included the various costs coupled with, for instance, the collection and the valuation of different (external and internal) factors and opportunities.

Researchers could, furthermore, research the interaction between the models, their representatives, studies and findings.

Moreover, so far, the researchers of the Nordic and the RC-based models haven't sufficiently studied the reason for the firms' decisions to internationalize. Future studies could do additional research in this field.

Another shortcoming of the studies and papers so far is the lack of the inclusion of the firms' corporate cultures.[499] The influence of the internationalizing firm's corporate culture and those of the (potential) partners should be included.

Finally, the question remains open whether a firm that actually wants to enter a market far away, like an Austrian company that wants to break into the Chinese market, would first enter countries nearby although they are not part of their target markets.

Wouldn't this company enter the ulterior region directly, even though via indirect export activities?

[499] with the exception of Barkema H. G. and Bell J. H. et al. (1996), p. 154.

Appendix

Definitions

Multinational Companies

Multinational companies (MNCs), also known as multinational enterprises, are corporations that have their headquarters in one country and operations in at least one other country. [500] To put it in another way, the term describes a number of affiliated companies that are managed and controlled by a single headquarter, which is located in a specific country.[501] These companies and their affiliates are responsive to environmental forces of the home and the host country. These forces include competitors, customers, suppliers, government, as well as foreign and domestic affiliates. Further on, an MNC has a common pool of resources on which the affiliates draw on.[502] These resources include knowledge, which is critical to transfer as it embodies a firm's advantage.[503]

Internationalization and Market Entry

Internationalization is the process when MNCs expand its geographic boundaries.[504] Andersen defines internationalization as "the process of adapting exchange transaction modality to international markets".[505]

Market entrance is an activity that is part of the internationalization process. In general, MNCs can enter markets through, either exporting their products to a foreign target market or through transferring their resources and enterprise to the target country, where they may combine their resources with local ones.[506]

[500] see Rugman A. M. and Collinson S. et al. (1995), p. 38.
[501] see Tung R. L. (2000), p. 424.
[502] see ibid., p. 40.
[503] see Kogut B. and Zander U. (1993), p. 626.
[504] see Johnson D. and Turner C. (2010), p. 237.
[505] see Andersen O. (1997), p. 29.
[506] see Root F. R. (1987), p.6.

Resources

Resources are defined as the inputs into the production process,[507] which a firm owns and controls.[508] There can be distinguished five major categories of resources:[509]

- Financial Resources, such as cash flow, availability of new equity and dept capacity;
- Organizational Resources, like the nature of organizational culture, of the purchasing and distribution system and the system to monitor organizational processes;
- Technological Resources, as for instance availability of raw materials, productivity, high-quality products and price competiveness;
- Physical Resources, such as manufacturing equipment and plants, inventories, R&D facilities and degree of automation; and
- Human Resources, including scientists and engineers, marketing staff, salesmen, financial and accounting personnel.

Resources are assets of the organization, which can be tangible or intangible and also differ in their specificity. The less specific a resource the more flexible it is, but also the less important to the firm in adding value. Highly specific resources are more valuable to the organization and can only be used for specialize purposes.[510]

In the context of the resource- based theory resources are called heterogeneous when every firm has an assortment of resources that can be called unique.[511]

A firm's resources constitute the source of its capabilities.[512]

Capabilities/General Competencies

Capabilities or general competencies are defined as the ability of a firm's team to perform a coordinated set of tasks, by using available resources and organizational processes in

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[507] see Grant R. M. (1991), p. 118.
[508] see Helfat C. E. and Peteraf M. A. (2003), p. 999.
[509] see Hofer C. W. and Schendel D. (1978), p. 149.
[510] see Stonehous G. and Campbell D. et al. (2004), p. 76.
[511] see Lambe J. C. and Spekman R. E. et al. (2002), p. 142.
[512] see Grant R. M. (1991), p. 119.

order to achieve a certain goal.[513] So, the cooperation and coordination of resources are essential for the creation of organizational capabilities.

Unlike resources, capabilities "are information-based, tangible or intagible processes that are firm-specific and are developed over time through complex interactions among the firm's resources."[514]

Capabilities or general competencies are mostly generated within the company, but can also be acquired through the cooperation with other organizations. In most competing businesses within industries or strategic croups, firms have certain competencies in common, as these are essential for the success in an industry or market.[515]

A firm's capabilities are prime source of its competitive advantage.[516]

Strategic Assets and Core Competencies/Distinctive Capabilities

Strategic assets are defined as assets that are imperfectly imitable, imperfectly substitutable and imperfectly tradeable, and tend to be market-specific. They are defined as those assets that are critical for gaining cost or differentiation advantage over competitors in a particular market.

Core competencies or distinctive capabilities are the collection of experience, knowledge and system that enhance a firm to reduce costs or time used for creating new, strategic assets or to expand an existing one.[517]

Further on, core competencies or distinctive capabilities have the ability to create competitive advantage when they create benefits that customers perceive as adding value above the benefits of competing firms in a market.[518]

Knowledge and Know-how

Knowledge consists of information and is defined as to know what something means. The corresponding information represents an objective statement.[519] A company's knowledge

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513 see Helfat C. E. and Peteraf M. A. (2003), p. 999.
514 See Amit R. and SCjoemake P. J. H. (1993), p. 15.
515 see Stonehous G. and Campbell D. et al. (2004), p. 77.
516 see Grant R. M. (1991), p. 119.
517 see Hofer C. W. and Schendel D. (1978), p. 153.
518 see Stonehous G. and Campbell D. et al. (2004), p. 79.
519 see Kogut B. and Zander U. (1993), p. 631.

is resting in its human resources.[520]

In contrast, know-how is described as knowing how to do something.[521] Further on, specifies how certain activities should be carried out.[522]

Organizational Routines

In connection with the resource- and capability based theory organizational routines are patterns of activity that are regular and predictable and are composed of a sequence of coordinated actions by individuals. On the whole, an organization represents a network of routines.[523]

[520] see Kogut B. and Zander U. (1992), p. 385.
[521] see ibid., p. 383.
[522] see Kogut B. and Zander U. (1993), p. 631.
[523] see Grant R. M. (1991), p. 122.

Collection of the Main Propositions and Hypothesis

Decision to Internationalize

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Wiedersheim-Paul F., Olson H. C. and Welch L. S.	1978	N	qual.	Pre-export activities of the firm are an important explanation of the start on an internationalization process.	N/A
Johanson J. and Mattson L-G.	1988	N	review	The timing of an internationalizing company, compared to the whole network of competitors and suppliers, is important.	N/A
Montgomery C. A. and Hariharan S.	1991	RC	quan.	The intensity of a (large established) firm's research and development activities (=mean cost of company sponsored applied R&D billed to third parties/sales of firm k in industry i) indicates whether it will enter new markets.	✓
				The selling intensity of a (large established) firm (=mean of media advertising/sales of firm k in industry i) indicates whether it will enter new markets.	✓
				(Large established) firms that are skilled in managing diversity are most likely to pursue further diversification.	✓
				The breadthof a firm's resource base is a strong predictor for diversified expansion.	✓
Coviello N. and Munro H.	1997	N	qual.	International market development activities emerge from, and are shaped by an external web of formal and informal relationships.	N/A
Tallman S. and Fladmoe-Lindquist K.	2002	RC	qual.	The first international move is mostly based on the strength of the firm's already existing competitive advantage in the domestic market	N/A
Meyer K. E., Wright M. and Pruthi S.	2009	RC	review	Beyond exploitation of existing resources, foreign entry is a means to augment a firm’s resource base by (internal) exploration of existing knowledge through organizational learning, and (external) access to complementary knowledge.	N/A

Target Market

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Johanson J. and Wiedersheim-Paul F.	1975	N	qual.	Agency relations are first established in neighboring and similar countries.	N/A
				There is a negative relationship between psychic distance and manufacturing establishments.	N/A
Luostarinen R.	1989 [1979]	N	quan.	The shorter the geographical distance, the greater the likelihood that the company will make its first foreign entry to that country.	✓
				The shorter the cultural distance, the greater the probability that the company will make its first foreign entry to that country.	✓
				The shorter the negative or the longer the positive economic distance, the greater the probability that the company will make its first foreign entry to that country.	✓
				The shorter the business distance between the home and the target country, the greater the probability that the company will make its first foreign entry to that target country.	✓
Collis D. J.	1991	RC	qual.	Firms will choose to compete in inherently less structurally attractive product markets if the resources embedded in their core competence are valuable in serving those markets.	N/A
Montgomery C. A. and Hariharan S.	1991	RC	quan.	The combination of characteristics relating to the destination industry, the (large established) entering firm and the relationships between the two influences market entry.	✓
				(Large established) firms enter industries whose resource requirements are similar to their own resource profile. This holds for a firm's relative levels of selling intensity, research and development intensity and capital intensity.	✓
				Industries characterized by a high selling intensity will attract entry by (large established) firms.	✓
				Industries characterized by a high R&D intensity will attract entry by (large established) firms.	✓
				Industries characterized by a high growth of sales will attract entry by (large established) firms.	x
				Industries characterized by a high profitability will attract entry by (large established) firms.	x

Entry Mode and Process

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Wiedersheim-Paul F.	1972	N	quan.	Swedish firms have started establishing in short psychic distance countries to Sweden and, gradually further away.	✓
Johanson J. and Wiedersheim-Paul F.	1975	N	qual.	Operations in individual countries are extended stepwise- no regular export, independent representative, sales subsidiary, manufacturing.	N/A
				Agency relations are first established in neighboring and similar countries.	N/A
				There is a negative relationship between psychic distance and manufacturing establishments.	N/A
Bilkey W. J. and Tesar G.	1977	N	quan.	The export development process of firms tends to proceed in stages.	✓
				Considerations that influence firms' progressions from one stage to the next tend to differ by stage for the three stages examined.	✓
				Within the size-range of firms studied, size was relatively unimportant for export behavior when account was taken of the quality and dynamism of management.	✓
Johanson J. and Vahlne J-E.	1977	N	review	Internationalization is the product of a series of incremental decisions.	N/A
				The internationalization process is characterized by the gradual acquisiton, integration, and use of knowledge about foreign markets and operations.	N/A
				Foreign market commitment increases successively.	N/A
				Firms, mostly, start their international operations through the export to a country via agents, found a sales subsidiary later and some may then manufacture locally.	N/A
				The present state of internationalization is one important factor for the explanation of following internationalization.	N/A
				Additional commitments are usually made in small steps as a consequence of the accumulation of market experience.	N/A
				Large steps are only made by firms that have a large number of resources, experience with similar markets, or when market conditions are stable and homogenous.	N/A
Wiedersheim-Paul F., Olson H. C. and Welch L. S.	1978	N	qual.	Pre-export activities of the firm are an important explanation of the start of an internationalization process.	N/A
				The firm's and decision-maker's characteristics affect the pre-export activities of the firm.	N/A
				The history of the firm, especially its experience from extraregional expansion, and its environment affect the pre-export activities of the firm.	N/A
Welch L. s. and Wiedersheim-Paul F.	1980	N	quan,	Once a firm establishes its export program, it seems more likely to continue the activity.	✓
				Failed exporters had spread interstate more slowly on average than exporters and their total national sales were more heavily dominated by the state of domicile.	✓
				Failed exporters began exporting more rapidly on average than continuing exporters.	✓
				Pre-export preparation is a factor that determines whether a firm continues as an exporter.	✓
Wernerfelt B.	1984	RC	qual.	Quite often, it is better to develop the resource in one market and then to enter other markets from a position of strength, than to enter several markets simultaneously.	N/A
Johanson J. and Mattson L-G.	1988	N	review	The strategic direction of an internationalizing company is constrained by the character of the network in which it is operating and in which it plans to enter.	N/A
				The timing of an internationalizing company, compared to the whole network of competitors and suppliers, is important.	N/A
				Internationalization depends on network relationships, rather than on a firm-specific advantage or the psychic distance to the target market.	N/A

Entry Mode and Process

Luostarinen R.	1989 [1979]	N	quan,	The shorter the physical distance between the home and the target country, the greater the probability that the company will enter the target markets through one of the marketing operations.	✓
				The longer the physical distance between the home and the target country, the greater the probability that the company will penetrate the target markets through one of the production operations.	✓
				The shorter the cultural distance between the home and the foreign country, the greater the probability that the company will enter the markets through on of the direct investment operations.	✓
				The longer the cultural distance, the greater the probability that the firm will enter the markets through on of the non-direct investment operations.	✓
				The greater the positive economic distance, the greater the probability that the company will enter the markets through one of the direct investment operations.	✓
				The greater the negative economic distance, the greater the probability that the company will enter the markets through one of the non-direct investment operations.	✓
Collis D. J.	1991	RC	qual.	A firm's country of origin will directly affect its choice of strategy.	N/A
				Administrative heritage will lead firms to undertake foreign direct investment in countries, and to maintain for a substantial time production configurations that do not optimize physical production costs.	N/A
				Organization structure will not follow fixedly from strategy but will undergo periodic readaptations as the organization sequentially focuses on appropriate tasks to sustain its capability.	N/A
Grant R. M.	1991	RC	review	A firm’s own capabilities and resources provide a more stable basis for the successful strategy formulation than the external environment.	N/A
Tallman S. B.	1991	RC	quan.	Large global MNEs should use direct foreign production (DFP) more often than firms with fewer resources.	✓
				Firms which use DFP in other host markets or for other products in the U.S. will use DFP significantly more often than other sample firms.	✓
				Firm strategic configuration will significantly affect the apparent impact of resource oriented measures on the internationalization decision.	✓
				Strategic configuration and dependency on the U.S. auto market (US sales/global sales ration) will predict the frequency of DFP use better either measure alone.	x
Kogut B. and Zander U.	1993	N	qual.	The more tacit the technology is, the more likely it will be transferred to a wholly owned subsidiary.	✓
				As the knowledge becomes more codified and more easily taught, the more likely it will be transferred to a third party rather than to a wholly owned subsidiary.	✓
				As technologies increase in their complexity, they are more likely to be transferred to wholly owned subsidiaries.	✓
				The larger the number of previous transfers of a technology, the more likely it will be transferred to a third party.	x
				The age of the technology at the time of transfer is negatively related to the transfer to wholly owned subsidiaries.	x
Coviello N. and Munro H.	1997	N	qual.	The internationalization process is divided into three stages.	N/A
				In the initial stage (Year 0-1) firms have a largely domestic focus but clear intentions to internationalize.	N/A
				In the second stage (Year 1-3) firms become actively involved in their first foreign market and managers seriously evaluate potential market expansion opportunities.	N/A
				The third stage is characterized by the company's involvement across numerous markets, with international sales dominating its growth.	N/A

Entry Mode and Process

				International market development activities emerge from, and are shaped by an external web of formal and informal relationships.	N/A
Madhok A.	1998	RC	quan.	A higher level of tacitness increases the propensity of entry through subsidiaries.	x
				A higher level of performance ambiguity increases the propensity of entry through subsidiaries.	x
				A higher level of interdependence increases the propensity of entry through subsidiaries.	x
				The higher the joint impact of environmental volatility and asset specificity, the greater the propensity of entry through subsidiaries.	x
				The greater the firm's confidence in its ability to manage international operations, the greater the propensity to enter through subsidiaries.	✓
				The more the firm has prior experience with transferring knowhow through subsidiaries, the greater will be the propensity to enter through subsidiaries.	x
				The more the firm has prior experience with transferring knowhow through JVs, the greater will be the propensity to enter through JVs.	✓
				The higher the joint impact of environmental volatility and activity experience, the greater the propensity to enter through a JV.	✓
				The higher the sociocultural distance, the greater the propensity to enter through subsidiaries.	✓
				The higher the sociocultural distance, the lower the propensity to enter through subsidiaries.	x
				The greater the resource commonality, the greater the propensity to enter through subsidiaries.	x
Pedersen T. and Petersen B.	1998	N	quan.	A company will commit resources to a foreign market in pace with the accumulation of specific market knowledge.	✓
				A company will commit resources to a foreign market in pace with an extension of its resource base.	✓
				A company will commit resources to a foreign market in pace with an increasing sales volume.	✓
				A company will commit resources to a foreign market in pace with an increasing intensity of industry rivalry.	x
Tallman S. and Fladmoe-Lindquist K.	2002	RC	qual.	The first international move is mostly based on the strength of the firm's already existing competitive advantage in the domestic market	N/A
Chen Shih-Fen S.	2008	RC	quan.	Capability procurements are more influential in motivating the choice of acquisitions over greenfield investments in full than in partial entries.	✓
Meyer K. E., Wright M. and Pruthi S.	2009	RC	review	The more R&D intensive an MNE's operation in its country of origin, the less likely it is to employ resource-augmenting entry modes for new markets.	N/A
				The more firms sell in specialized business-to-business markets, the less likely they are to employ resource-augmenting entry modes.	N/A
				The more firms sell to organizations that source internationally, the less likely they are to employ resource-augmenting entry modes.	N/A
				The more firms compete with capabilities adapted to the specific context, the more likely they are to employ resource-augmenting entry modes.	N/A
				The more firms are diversified across industries in their home market, the more likely they are to employ resource-augmenting entry modes.	N/A
				The more firms sell through long- term business networks, the more likely they are to employ resource-augmenting entry modes.	N/A
				The more firms rely on brand name or reputation in each local market, the more likely they are to employ resource-augmenting entry modes.	N/A

Knowledge and Experience

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Carlson S.	1975	N	review	When accumulating knowledge about a foreign business, firms follow a learning curve.	N/A
				Knowledge is mainly accumulated through practical experience.	N/A
				Uncertainty increases with the degree of foreignness of the place of outcome.	N/A
				The costs of the interpretation of new information depends on the amount of data collected, and the complexity and uniqueness of information.	N/A
				The costs of the transmission of new information depends on the geographical distance and on the communication channels that are used.	N/A
				The costs of the collection of new information depends on the cultural distance.	N/A
Johanson J. and Vahlne J-E.	1977	N	review	The internationalization process is characterized by the gradual acquititon, integration, and use of knowledge about foreign markets and operations.	N/A
				Additional commitments are usually made in small steps as a consequence of the accumulation of market experience.	N/A
				Large steps are only made by firms that have a large number of resources, experience with similar markets, or when market conditions are stable and homogenous.	N/A
Wiedersheim-Paul F., Olson H. C. and Welch L. S.	1978	N	qual.	The history of the firm, especially its experience from extraregional expansion, and its environment affect the pre-export activities of the firm.	N/A
Kogut B. and Zander U.	1992	RC	review	In order to gain sustained competitive advantage firms have to transfer and create knowledge within the company.	N/A
				New knowledge can only be created by combining prevailing, already exploited knowledge and the, so far, unexploited opportunities of an existing technology.	N/A
				The more difficult the replication of knowledge for the firm itself, the more difficult it is for its competitors.	N/A
Kogut B. and Zander U.	1993	N	qual.	As the knowledge becomes more codified and more easily taught, the more likely it will be transferred to a third party rather than to a wholly owned subsidiary.	✓
				The larger the number of previous transfers of a technology, the more likely it will be transferred to a third party.	x
				Firms specialize in the transfer of knowledge that is difficult to understand and codify.	✓
Barkema H. G., Bell J. H. and Pennings J. M.	1996	N	quan.	The longevity of foreign ventures is positively related to prior foreign expansion experiences.	x
				The longevity of foreign ventures is more strongly and positively related to prior foreign expansion experiences in the case of double layered acculturation (JVs and acquisitions) than in the case of single layered acculturation (WOS and start-ups).	N/A
				No previous learning effects are to be found in the case of WOS and start-ups.	✓
				Learning effects are only found in the case of new acquisitions and majority and 50/50 JVs.	✓
				Learning effects within countries are relatively strong, and learning effects from expansion in blocks closer to the home country of the expanding firm are relatively weak, with an intermediary position for learning effects within culture blocks.	✓
Pedersen T. and Petersen B.	1998	N	quan.	A company will commit resources to a foreign market in pace with the accumulation of specific market knowledge.	✓
Gupta A. K. and Govindarajan V.	2000	RC	quan.	Ceteris paribus, relative to greenfield operations, acquired subsidiaries will engage in greater knowledge outflows to peer subsidiaries.	✓
				Ceteris paribus, relative to greenfield operations, acquired subsidiaries will engage in greater knowledge outflows to the parent corporation.	x

Knowledge and Experience

				Ceteris paribus, the larger the size of a subsidiary, the greater will be the knowledge outflows from that subsidiary to peer subsidiaries.	✓
				Ceteris paribus, the larger the size of a subsidiary, the greater will be the knowledge outflows from that subsidiary to the parent corporation.	✓
				Ceteris paribus, the greater the extent to which a subsidiary president's bonus is network-focused rather than subsidiary-focused, the greater will be the knowledge outflows from that subsidiary to peer subsidiaries.	x
				Ceteris paribus, the greater the extent to which a subsidiary president's bonus is network-focused rather than subsidiary-focused, the greater will be the knowledge outflows from that subsidiary to the parent corporation.	x
				Ceteris paribus, the greater the reliance on formal mechanisms (liaison personnel, task forces, permanent committees) to integrate a subsidiary with the rest of the MNC, the greater will be the knowledge outflows form that subsidiary to peer subsidiaries.	✓
				Ceteris paribus, the greater the reliance on formal mechanisms (liaison personnel, task forces, permanent committees) to integrate a subsidiary with the rest of the MNC, the greater will be the knowledge outflows form that subsidiary to the parent corporation.	✓
				Ceteris paribus, the greater the reliance on formal mechanisms (liaison personnel, task forces, permanent committees) to integrate a subsidiary with the rest of the MNC, the greater will be the knowledge inflows into that subsidiary from peer subsidiaries.	✓
				Ceteris paribus, the greater the reliance on formal mechanisms (liaison personnel, task forces, permanent committees) to integrate a subsidiary with the rest of the MNC, the greater will be the knowledge inflows into that subsidiary from the parent corporation.	✓
				Ceteris paribus, the greater the lateral socialization of a subsidiary president, the greater will be the knowledge inflows into that subsidiary from peer subsidiaries.	✓
				Ceteris paribus, the greater the vertical socialization of a subsidiary president, the greater will be the knowledge inflows into that subsidiary from the parent corporation.	✓
				Ceteris paribus, the greater the extent to which a subsidiary president's bonus is subsidiary-focused rather than network-focused, the greater will be the knowledge inflows into that subsidiary from peer subsidiaries.	x
				Ceteris paribus, the greater the extent to which a subsidiary president's bonus is subsidiary-focused rather than network-focused, the greater will be the knowledge inflows into that subsidiary from the parent corporation.	✓
				Ceteris paribus, the lower the level of the host country's economic development relative to the home country, the greater will be the knowledge inflows into the subsidiary from the parent corporation.	✓
				Ceteris paribus, the lower the decentralization of decision-making authority to a subsidiary, the greater will be the knowledge inflows into that subsidiary from the parent corporation.	✓
				Ceteris paribus, relative to greenfield operations, acquired subsidiaries will engage in less inflows from peer subsidiaries.	x
				Ceteris paribus, relative to greenfield operations, acquired subsidiaries will engage in less inflows from the parent corporation.	✓
				Ceteris paribus, the greater the proportion of local nationals within the subsidiary's top management team, the less will be the knowledge inflows into that subsidiary form peer subsidiaries.	x
				Ceteris paribus, the greater the proportion of local nationals within the subsidiary's top management team, the less will be the knowledge inflows into that subsidiary form the parent corporation.	x
Blomstermo A., Eriksson K., Johanson J. and Sharma D. Deo	2001	N	quan.	The previous business experience with domestic and foreign customers are most useful for international business assignments.	✓

Knowledge and Experience

				The employment of previous experiences increases as international market experience increases.	✓
				The previous business experience with competing suppliers are second most useful for international business assignment.	✓
				Variation in the markets in which a firm operates increases the usefulness of business relationship experience.	✓
				Duration (=the number of years since first international business assignment) has a strong effect on variation.	✓
				Variation is more essential for the development of relationship experience than duration.	✓
Carpenter M. A., Sanders G. and Gregersen H. B.	2001	RC	quan.	The international assignment experience of the CEO of a U.S. multinational corporation will be positively associated with the corporation's performance.	✓
				The greater the level of the international assignment experience (excluding CEO experience) of the top management team of a U.S. multinational corporation, the greater will be the positive association between its CEO's international assignment experience and the corporation's performance.	✓
				The broader a U.S. multinational's global strategic posture, the greater will be the positive association between its CEO's international assignment experience and the corporation's performance.	✓
				CEOs' international assignment experience will be positively related to their ability to appropriate a portion of firm performance, in the form of higher total compensation, in U.S. multinational corporations.	x
				The more extensive a U.S. multinational's global strategic posture, the greater will be the positive association between its CEO's international assignment experience and total CEO compensation.	✓
Luo Y.	2002	RC	quan.	In a dynamic foreign market, environmental complexity as perceived by managers is negatively associated with an MNE's capability building.	✓
				In a dynamic foreign market, industrial structural uncertainty is negatively associated with an MNE's capability building.	✓
				In a dynamic foreign market, business cultural specificity as perceived by managers is negatively associated with an MNE's capability building.	x
				In a dynamic foreign marke , a wholly owned entry mode is positively associated with an MNE's capability exploitation, whereas a joint venture mode is positively associated with capability building.	✓
				In a dynamic foreign market, a local-market orientation (as opposed to an export market) is positively associated with an MNE's capability building.	✓
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability building will be stronger for wholly-owned subsidiaries than for joint ventures in a dynamic foreign market.	✓
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability building will be stronger for focal market-focused MNEs than for export-oriented MNEs in a dynamic foreign market.	✓
Mathews J. A.	2002	N	qual.	The latecomer's strategy consists of three phases: linkage, leverage and learning.	N/A
Tallman S. and Fladmoe-Lindquist K.	2002	RC	qual.	Capability leverage strategies mostly focus on component capabilities.	N/A
				Capabilities are discovered, re-created, improved and innovated through learning.	N/A
				Entering the markets through joint ventures, alliances or acquisitions lead to the exploration of new knowledge and capabilities.	N/A
Johanson J. and Vahlne J.-E.	2003	N	qual.	Firms are learning in relationships, which enables them to enter new country markets in which they can develop new relationships, which give them a platform for entering other foreign markets.	N/A
Hatch N. W. and Dyer J. H.	2004	RC	quan.	Higher human resource education levels increase learning by doing performance.	✓
				Pre-employment screening tests improve learning by doing performance.	✓

Knowledge and Experience

				Greater investments in human resource training increase learning by doing performance.	x
				Greater deployment of human capital to learning activities increases learning by doing performance.	✓
				Greater prior industry experience in newly hired human resources reduces learning by doing performance.	✓
				Greater human resource turnover reduces learning by doing performance.	✓

Performance and Competitive Advantage

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Wernerfelt B.	1984	RC	qual.	An acquisition can be seen as a purchase of a bundle of resources in a highly imperfect market. By basing the purchase on a rare resource, on can ceteris paribus maximize this imperfection and one's chances of buying cheap and getting good returns.	N/A
			review	Companies, having the first mover advantage in a special resource, will generate high returns in those markets, where this resource prevails.	N/A
			qual.	One can identify types of resources which can lead to high profits. In analogy to entry barriers, these are associated with what we will call resource position barriers.	N/A
Barney J. B.	1986	RC	review	Firms should analyze their skills and resources rather than their competitive environment in order gain above normal rents.	N/A
Montgomery C. A. and Wernerfelt B.	1988	RC	quan.	Large firms earn decreasing average rents as they diversify more widely.	✓
Dierickx I. and Cool K.	1989	RC	review	Inimitability occurs due to firm's unique historical conditions or/and the interconnectedness of its asset stocks or/and asset erosion or/and causal ambiguity.	N/A
Prahalad C.K. and Hamel G.	1990	RC	qual.	Short-termed competitive advantage can be gained through producing cheaper and faster than competitors.	N/A
				Long-termed or sustained competitive advantage only occurs by a company's ability to combine corporate wide production skills and technologies, resulting into competencies.	N/A
				If there are several business units, a company is subdivided in, it is important that competencies are brought together regularly in order to discover new product and market opportunities.	N/A
Barney J. B.	1991	RC	review	A firm's resource must be valuable, rare, inimitable and non-substitutable in order to be a potential source of sustained competitive advantage.	N/A
Grant R. M.	1991	RC	review	A firm's own capabilities and resources provide a more stable basis for the successful strategy formulation than the external environment.	N/A
				The pool of a firm's resources and capabilities has to be developed continuously in order to gain sustained competitive advantage.	N/A
Tallman S. B.	1991	RC	quan.	Interactions among firm-specific resources, strategic configuration, and structural form should explain performance better than any single aspect of host country activity.	✓
Kogut B. and Zander U.	1992	RC	review	In order to gain sustained competitive advantage firms have to transfer and create knowledge within the company.	N/A
Peteraf M. A.	1993	RC	review	Four conditions, namely superior resources, ex post limits to competition, imperfect resource mobility, and ex ante limits to competition, must all be met in order to constitute sustained competitive advantage.	N/A
Markides C. C. and Williamson P. J.	1994	RC	quan.	Related diversifiers will outperform unrelated firms only where they compete across a portfolio of markets where similar types of accumulated assets are important.	✓
				Related firms that compete in a portfolio of markets where similar types of accumulated assets are important will outperform other related firms.	✓
Barkema H. G., Bell J. H. and Pennings J. M.	1996	N	quan.	The longevity of foreign ventures is negatively related to the cultural distance between the home and host country.	✓
				The longevity of foreign ventures is more strongly and negatively related to cultural distance in the case of double layered acculturation (JVs and acquisitions), than in the case of single layered acculturation (WOSs and start-ups).	✓
				The longevity of foreign ventures is positively related to prior foreign expansion experiences.	x

Performance and Competitive Advantage

				The longevity of foreign ventures is more strongly and positively related to prior foreign expansion experiences in the case of double layered acculturation (JVs and acquisitions) than in the case of single layered acculturation (WOSs and start-ups).	N/A
Eisenhardt K. M. and Martin J. A.	2000	RC	qual.	Not dynamic capabilities themselves have the ability to be sources of sustained competitive advantage, but only the resource compositions that are established by the usage of dynamic capabilities.	N/A
Carpenter M. A., Sanders G. and Gregersen H. B.	2001	RC	quan.	The international assignment experience of the CEO of a U.S. multinational corporation will be positively associated with the corporation's performance.	✓
				The greater the level of the international assignment experience (excluding CEO experience) of the top management team of a U.S. multinational corporation, the greater will be the positive association between its CEO's international assignment experience and the corporation's performance.	✓
				The broader a U.S. multinational's global strategic posture, the greater will be the positive association between its CEO's international assignment experience and the corporation's performance.	✓
				CEOs' international assignment experience will be positively related to their ability to appropriate a portion of firm performance, in the form of higher total compensation, in U.S. multinational corporations.	x
Tallman S. and Fladmoe-Lindquist K.	2002	RC	qual.	The first international move is mostly based on the strength of the firm's already existing competitive advantage in the domestic market	N/A
Hatch N. W. and Dyer J. H.	2004	RC	quan.	Higher human resource education levels increase learning by doing performance.	✓
				Pre-employment screening tests improve learning by doing performance.	✓
				Greater investments in human resource training increase learning by doing performance.	x
				Greater deployment of human capital to learning activities increases learning by doing performance.	✓
				Greater prior industry experience in newly hired human resources reduces learning by doing performance.	✓
				Greater human resource turnover reduces learning by doing performance.	✓
Zaheer A. and Bell G. G.	2005	N	quan.	Focal firm performance increases with focal firm innovativeness.	✓
				Ties with innovative alters enhance focal firm performance.	x
				Firms enhance their performance by bridging structural holes.	✓
				Network closure enhances firm performance.	x
				Innovative firms that bridge structural holes perform better than other firms.	✓
				Firms that bridge structural holes with innovative alters perform better than other firms	x
Hitt M. A., Bierman L., Uhlenbruck K. and Shimizu K.	2006	RC	quan.	A firm's human capital and its level of internationalization have a positive relationship.	✓
				A firm's relational in capital relationships with large corporate clients and its level of internationalization have a positive relationship.	x
				A firm's relational capital in relationships with foreign government clients and its level of internationalization have a positive relationship.	✓
				Human capital and relational capital in relationships with large corporate clients have a positive interaction effect on a firm's level of internationalization.	✓
				Human capital and relational capital in relationships with foreign government clients have a positive interaction effect on a firm's level of internationalization.	✓
				Internationalization and firm performance have a positive relationship.	✓
Newbert S. L.	2008	RC	quan.	The value of the resource- capability combinations that a firm exploits will be positively related to its competitive advantage.	✓

Performance and Competitive Advantage

				The rareness of the resource- capability combinations that a firm exploits will be positively related to its competitive advantage.	✓
				A firm' s competitive advantage will be positively related to its performance.	✓
				A firm's competitive advantage will mediate the relationship between the value of the resource-capability combinations that the firm exploits and its performance.	x
				A firm's competitive advantage will mediate the relationship between the rareness of the resource-capability combinations that the firm exploits and its performance.	x
Costa L A., Cool K. and Dierickx I.	2013	RC	review	If product market competition is on quantity, the attainment of a sustainable competitive advantage always increases the firm's profit and profit differential. However, if product market competition is on price, the attainment of a sustainable competitive advantage does not necessarily increase the firm's profit and profit differential.	N/A
				Suppose product market competition is on quantity. The deployment of a unique cost-reducing or quality-improving resource increases the resource owner's output and decreases the competitor' s output.	N/A
				Suppose product market competition is on quantity. The accumulation and deployment of a unique resource unambiguously increases the resource owner's profit and the profit differential of the resource owner.	N/A
				If product market competition is on price, the accumulation and deployment of a unique resource may increase or decrease the profit differential of the resource owner.	N/A

Resource and Capability Exploitation/Accumulation

Researcher(s)	Year	Model	Method	Predictions, Hypothesis, Propositions	Result
Johanson J. and Mattson L-G.	1988	N	review	The individual firm is dependent on resources that are controlled by other firms, and can get access to these resources through its network positions.	N/A
Teece D. J., Pisano G. and Shuen A.	1997	RC	review	The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments is defined as dynamic capability.	N/A
				Dynamic capabilities rest on a firm's paths, current position and processes.	N/A
Pedersen T. and Petersen B.	1998	N	quan.	A company will commit resources to a foreign market in pace with an extension of its resource base.	✓
Luo Y.	2002	RC	quan.	In a dynamic foreign market, environmental complexity as perceived by managers is negatively associated with an MNE's capability exploitation.	✓
				In a dynamic foreign market, environmental complexity as perceived by managers is negatively associated with an MNE's capability building.	✓
				In a dynamic foreign market, industrial structural uncertainty is negatively associated with an MNE's capability exploitation.	✓
				In a dynamic foreign market, industrial structural uncertainty is negatively associated with an MNE's capability building.	✓
				In a dynamic foreign market, business cultural specificity as perceived by managers is negatively associated with an MNE's capability exploitation.	✓
				In a dynamic foreign market, business cultural specificity as perceived by managers is negatively associated with an MNE's capability building.	x
				In a dynamic foreign market , a wholly owned entry mode is positively associated with an MNE's capability exploitation, whereas a joint venture mode is posititvely associated with capability building.	✓
				In a dynamic foreign market, a local-market orientation (as opposed to an export market) is positively associated with an MNE's capability exploitation.	✓
				In a dynamic foreign market, a local-market orientation (as opposed to an export market) is positively associated with an MNE's capability building.	✓
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability exploitation will be stronger for wholly-owned subsidiaries than for joint ventures in a dynamic foreign market.	x
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability building will be stronger for wholly-owned subsidiaries than for joint ventures in a dynamic foreign market.	✓
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability exploitation will be stronger for focal market-focused MNEs than for export-oriented MNEs in a dynamic foreign market.	x
				The negative effect of environmental complexity, structural uncertainty, and cultural specificity on capability building will be stronger for focal market-focused MNEs than for export-oriented MNEs in a dynamic foreign market.	✓
Mathews J. A.	2002	N	qual.	The latecomer's strategy consists of three phases: linkage, leverage and learning.	N/A
				The latecomer firm is likely to target resources for leverage that are least rare, most imimtable and least transferable.	N/A
Tallman S. and Fladmoe-Lindquist K.	2002	RC	qual.	Capability leverage strategies mostly focus on component capabilities.	N/A
				Capabilities are discovered, re-created, improved and innovated through learning.	N/A

Resource and Capability Exploitation/Accumulation

				Entering the markets through joint ventures, alliances or aquisitions lead to the exploration of new knowledge and capabilities.	N/A
Johanson J. and Vahlne J.-E.	2003	N	qual.	Firms are learning in relationships, which enables them to enter new country markets in which they can develop new relationships which give them a plattform for entering other foreign markets.	N/A
Zahra S. A., Sapienza H. J. and Davidsson P.	2006	RC	review	Substantive capabilities and dynamic capabilities strengthen with use.	N/A
				The repeated use of substantive capabilities without change (i.e., without developing or exercising dynamic capabilities) renders substantive capabilities more difficult to change in the future.	N/A
				The repeated application of dynamic capabilities to substantive capabilities increases the costs of substantive capability utilization but decreases the costs of future dynamic capability utilization.	N/A
				Integration skills increase the development and use of dynamic capabilities.	N/A
				Lack of success with current substantive capabilities increases the development and use of dynamic capabilities.	N/A
				Major or continual environmental change increases the development and use of dynamic capabilities.	N/A
				Improvisation becomes a decreasingly likely choice for developing and using dynamic capabilities as firms age.	N/A
				Trial-and-error learning first becomes an increasingly and then a decreasingling likely choice for developing and using dynamic capabilities as firms age.	N/A
				Experimentation becomes an increasingly likely choice for developing and using dynamic capabilities as firms age.	N/A
				Imitation for developing and using dynamic capabilities is unrelated to firms' age.	N/A
				The amount and speed of change in substantive capabilities is greater from trial-and-error and improvisation than experimentation processes.	N/A
				The potential gain from dynamic capabilities (through substantive capabilities and organizational knowledge) is greater in dynamic environments.	N/A
				The relationship between dynamic capabilities and performance is mediated by the (resulting) quality of substantive capabilities.	N/A
Teece D. J.	2007	RC	review	Dynamic capabilities can be disaggregated into the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to manage threats and reconfiguration.	N/A
				Whether and how regularly a company should reinvent itself depends on the stability of the environment.	N/A
Costa L A., Cool K. and Dierickx I.	2013	RC	review	Suppose product market competition is on quantity. The deployment of a unique cost-reducing or quality-improving resource increases the resource owner’s output and decreases the competitor’ s output.	N/A
				Suppose product market competition is on quantity. The accumulation and deployment of a unique resource unambiguously increases the resource owner’s profit and the profit differential of the resource owner.	N/A
				If product market competition is on price, the accumulation and deployment of a unique resource may increase or decrease the profit differential of the resource owner.	N/A

German Abstract of the Thesis

Diese Arbeit gibt einen Überblick über die "ressourcen- und fähigkeitenorientierte" sowie die "nordische" Theorie, welche die Uppsala- und die Netzwerktheorie umfasst, im Kontext von multinationalen Unternehmen. Des Weiteren werden diese verglichen und deren Unterschiede sowie Gemeinsamkeiten analysiert.

Die Arbeit basiert auf einer umfangreichen Literaturrecherche, fasst die einzelnen Modelle, Thesen und Erkenntnisse zusammen, wodurch diverse Schlussfolgerungen gezogen werden konnten.

Die Theorien weisen Unterschiede, aber auch Gemeinsamkeiten auf. Der Hauptunterschied liegt darin, dass die "nordische" Theorie die externe Umwelt heranzieht um diverse Entscheidungen von Unternehmen und deren Erfolge zu begründen, wohingegen die "ressourcen- und fähigkeitenorientierte" Theorie hierzu hauptsächlich die unternehmensinternen Ressourcen und Fähigkeiten verwendet.

Aufgrund dessen lässt sich schlussfolgern, dass diese Theorien komplementär sind.

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04/2007 – 10/2007	**Jones**, Wien Modeberaterin, aktiver Verkauf, Kundenmanagement
Jeweils 07/2001 – 2005	**Vöslauer Bad Betriebs und Besitz Ges.m.b.H.** Instandhaltungs- und Bademeistertätigkeit Mieter- und Gästebetreuung, Badeaufsicht, allgemeine Instandhaltung

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08/2010 – 09/2010	**Liebherr-Hausgeräte Marica EOOD** in Plovdiv, Bulgarien Tätigkeit im Versand, Hauptlager, Ausbildungszentrum und Unterstützung bei der Organisation eines Jubiläumsfestes Unterstützung der Speditionsfirma **IRS** im Tagesgeschäft

07/2009	**EVN Bulgaria Electrorazpredelenie AD** in Plovdiv, Bulgarien Tätigkeit im Finanzcontrolling

Internationale Weiterbildung

09/2007	**Aspect**, New York Sprachkurs Wirtschaftsenglisch
08/2006 – 09/2006	**Language Studies International**, London Englischer Sprachkurs
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Sprach- und EDV-Kenntnisse

Deutsch:	Muttersprache
Englisch:	verhandlungssicher
Italienisch:	gut
MS Office:	sehr gut
Mac OS X:	sehr gut
SAP Einkauf:	gut
ERP System:	Grundkenntnisse