

A Systematic Review of Previous Research on Internationalization Process – Grounding on Behaviour and Growth Theories

Tinjauan Sistematis Penyelidikan Terdahulu Tentang Proses Pengantarabangsa – Berasaskan Teori Tingkah Laku dan Pertumbuhan

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ABSTRACT

Internationalization process is complicated since it is exposed and juxtaposed businesses to various priorities by different stakeholders, rules and controls issues imposed by authorities of home and host countries. Against this background, this study aims to explore and review studies of internationalization, grounding on Behaviour and Growth theories. By so doing it discloses the gaps in this field pertaining to types of organizations under studies, methodologies used, underpinning theories utilised, and at the same time it recommends future study directions. In the past studies, the combination of both theories which provides a comprehensive scope of internationalization is yet to be utilized. Through thematic analysis of eleven (11) articles that applied either or both theories of behavioural and growth as an underpinning theory in the internationalization process found three main results. First, less focus on the SMEs and combination of SMEs and large firms in exploring the phenomenon of internationalization; second, usage of quantitative instead of qualitative and mixed methods; and third, less focused on the combination of all four main elements internationalization process – motive, challenge, knowledge, and strategy. These three main gaps unearth a new direction of future research to explore to close the literature gap pertaining to internalization process.

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INTRODUCTION

Generally speaking, internationalization is a process of firms involved in international operations across borders (Welch & Luostarinen, 1998, Johanson and Vahlne, (1977). Calof and Beamish, (1995, p.11) revealed a deeper the concept of internationalization as “the process of adapting firm’s operations (strategy, structure, resource, etc.) to international environments”. The internationalization process is a critical event in a firm lifecycle growth and at the same time implies a dynamic organizational strategy (Kimberley, 1979). Some prominent scholars suggested the internationalization process study could be explored into four main elements; motive, challenge, knowledge, and strategy (Dunning, 1993; Buckley, 1993; Johanson & Vahlne, 1977; Schendel & Hofer, 1978; Knight, 2001; Kurotko & Adretch, 2009).

The first element raised by Dunning, (1993) is the motive or motivation in the internationalization process. The motive element is referring to why firms decide to embark on international dealing rather than remaining in the domestic market. The motive of internationalization needs should be explicitly defined to conceptualize the firm internationalization (Narula, 2015). The second element focused on challenge, where the challenges in the process of internationalization are interrelated and possibly derived into a barrier to firm growth (Buckley, 1993). Keeping the motive standstill and at the same time catering to ongoing challenges and barriers, a firm needs to have up to date knowledge and experiences That is the third element, where Johanson and Vahlne, (1977) concerned with experiential knowledge and emergent knowledge acquired evolution in the internationalization process. The knowledge element could be a push factor to lead a firm to make a decision and take the right action (Oviatt & McDougall, 2005). Lastly, taking a creative action or strategic action led a firm to keep going in the internationalization process (Schendel & Hofer, 1978; Knight, 2001; Kurotko & Adretch, 2009).

From a theoretical perspective, the internationalization process introduced by Johanson and Vahlne, (1977), consists of two different theories, firm behaviour theory (Cyert & March, 1963) and firm growth theory (Penrose, 1959).

A firm behaviour is a piece of a combination of economics and sociology theories area (Todeva, 2007) in which consists of two types; learning by doing and vicarious learning (Surdu, Greve, & Benito, 2021). The learning by doing behaviour focused on the decision made by considering firm experience, formal learning, firm history (Levitt & March, 1998). The successful behaviour in the learning by doing concept based on the ability to remain effective strategy and flexibility to adapt. For the vicarious learning behaviour, a firm looks forward to learning and observing what other successful firms have done right action (Duysters, Lavie, Sabidussi, & Stettner, 2019; Ingram & Baum, 1997; Kim & Miner, 2007; Myers, 2018) to imitate and belief to be better than by reducing the potential of failure (Duysters et al., 2019; Haunschild & Miner, 1997).

The learning by doing and vicarious learning concepts are practical for the early internationalization stage, where the internal interaction is still in control and in planning stage. Compare with a late internationalization firm, a firm is already in a position of up and down environment in which some areas are out of its control. This argument is highlighted in the problematic search concept by Cyert and March, (1963), in which different goals, knowledge and skill ability among internal stakeholders may bring some extent of different success levels of the firm. The problematic concept is practically exposed the real phenomenon that happened in the internationalization process faced among small firms to sustain and grow position internationally.

Firm growth is best to be understood from an economic perspective (Barney, 1991; Peteraf, 1993; Fransmen, 1994; Teece & Pisano, 1994; Montgomery, 1995). The relevant firm growth theory in small firms consists of two main types: stochastic and learning process (Brock & Evans, 1986). The former is part of the Law of Proportionate Effects (Gibrant, 1931) which at the beginning of operation the firm is purely based on existing opportunities and firm

organization size. The firm size and age are also considered crucial for a firm's dynamic in the concept of learning firm growth (Liedholm, & Mead, 1999). Some previous scholars argued and disclosed that the firm growth is unrelated to size, prior growth, or age (Simon and Bonini, 1958; Dunne, & Hughes, 1994; Evans, 1987; Liedholm, 2002; Shiferaw, 2006). The concept of stochastic and learning process are irrelevant with the phenomenon of the internationalization process since the born global and speed internationalization approaches are disclosed in small firm size (Freeman, Deligonul, & Cavusgil, 2013; Chetty, Johanson, & Martin, 2014). The former concept has existed in all sizes of firms, and it is not automatically lead to inefficiencies that extend the role of human capital. The human capital concept in firm growth strengthens in Penrose's Effect, which believed a firm growth is reflected available human capital resource of knowledge and skills, the growth achievement is distracted due to the limited number of managers (Penrose, 1959).

ELEMENT OF MOTIVE, CHALLENGE, KNOWLEDGE AND STRATEGY

The firm behavioural theory is an exploration of firm 'motive' and how the key 'strategy' is made based on availability of internal organizational sources to avoid conflict and 'challenge' (Cyert, & March, 1963). The key ideas of the firm behaviour theory are motive, strategy, and challenge.

From classical perspective, a firm behaviour defines as firm motive directed systems based on simple decision rules to alter their action and performance (Chen & Miller, 2007; Lant & Montgomery, 1987; Wiseman & Bromiey, 1996; Plamer & Wiseman, 1999). Lant and Montgomery, (1987) seen as expected and aspired performance into a challenging concept that affected the level of firm risk-taking and strategy. When a firm set up the aspired performance higher than the expected performance, the firm needs to find ways to achieve the expected performance through its change willingness of current organization routine and increase possible strategy. Wiseman and Bromiley, (1996) focus on two approaches to achieve the expected performance; first, a direct relation between challenge, organizational resource, and strategy; second, indirect relation which strategy as a mediator between challenge, organizational resource, and performance. Whereas, Palmer and Wiseman, (1999) also supported that, the challenge leads the firm to take better strategy, but the organizational resource is vice versa. When organizational resources diminish, the firm raises its efforts to gain more resources through cautious decisions to avoid strengthening up the strategy. However, from a neo-classical perspective, Wiltbank, Dew, Read, & Sarasyathy, (2006) believed that in an uncertain situation, the firm is not required to foresee the slack of the organisation in altering the strategy (Wiltbank et al., 2006). Instantly, the firm behaviour theory is concerned with motive directed orientation through deciding to modify their organizational activities to achieve the performance (Chen & Miller, 2007).

Referring to Penrose, (1959) the firm growth theory is defined a firm as an administrative organization in the real world that binds with the human resource to reach the rate of expansion. The available bundle of human resource 'knowledge' and skill will reflect the readiness for productive service to exploit available opportunities without considering the operation sizes of

the firm (Penrose, 1960). The need for knowledge acquisition is vital in the evolution of the firm growth process (Penrose, 1995; Garnsey, 1998; Lin, Chen, Ahlstrom, & Wang, 2021).

In theoretical review, for the early seven years of sustained growth, the firm was required to become major players in their industry by responding to industrial trend opportunities (Garmsey, 1998; Storey, 1994). The new industrial trend could be exposed through partnerships and alliances engagement. But as part of the natural process of growth, the high-performance firm might expose to failure which needs to go through a growth reversal process and Gamsey, (1998) considered this situation of an unsolved issue in the small firm due to resource shortage and problem-solving issues (Harrison & Taylor, 1996).

For recent study concerned the internationalization firm growth with depth and scope context; how depth firm involvement in foreign business, foreign markets and foreign production; and how breath the firm exposed to the institutional and cultural environment of the foreign market (Lin, et al., 2021). Both the depth and the scope of internationalization also reflect the requirement of firm awareness about market uncertainty, careful development and acquisition of the managerial resources needed.

Since both theories of firm behavioural and firm growth give well attention to the need for available human resource expertise in bettering the organization's position, their combination will comprehensively reveal the elements of motive, challenge, knowledge, and strategy of the internationalization process (FIGURE 1).

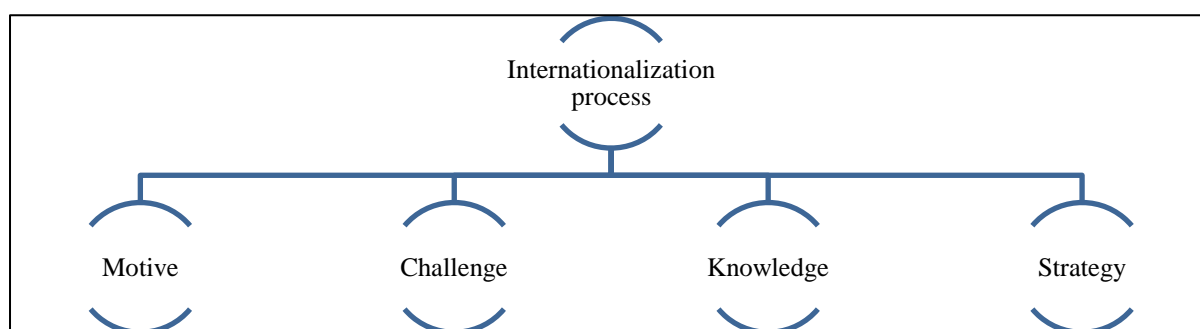


FIGURE 1: Firm Growth and Behavioural elements in Internationalization Process

SOURCES: Cyert, & March, (1963), and Penrose, (1959)

METHOD

The method of this study adopted PRISMA (Preferred Reporting Items for systematic review and Meta-Analyses) as led by Moher et al., (2009). This method combined four main steps of the process to classify relevant articles, first, identification; second, screening; third, eligibility; and fourth, inclusion (Moher et al., 2015). The flow process of searching in this study disclosed in Figure 2. The relevant articles are based on the purpose of this study, to find the gaps in four main elements, motives, challenges, knowledge, and strategies in the internationalization process through the viewpoint of firm growth and firm behaviour theories.

The identification of articles in this study was applied to two different online databases Scopus and Science Direct in searching the literature based on three different keywords “Firm

Growth”, “Firm Behavioural” and “Internationalization Process” (TABLE 1). The searching duration started from December 1st, 2021, until April 21th, 2022. The results from the search, 11 articles were retrieved from 11 articles from Scopus and 28 articles from ScienceDirect online database.

TABLE 1: Searching stream keywords

Database	Keywords
Scopus	TITLE-ABS-KEY ((“Firm Growth”) OR (“Firm Behavioural”) OR (“Firm Growth” AND “Firm Behavioural”) AND “Internationalization Process”)
ScienceDirect	((“Firm Growth”) OR (“Firm Behavioural”) OR (“Firm Growth” AND “Firm Behavioural”) AND “Internationalization Process”)

In the screening process, all 39 articles were screened based on two criteria of eligibility. The selected articles are research articles type and listed in business, management, and accounting as the subject type (TABLE 2). The result from the screening reduced four articles from both databases and the rest were considered eligible to be manually reviewed.

TABLE 2: Inclusion and Exclusion Criteria

Criterion	Eligibility	Exclusion
Document Type	Research Articles	Review Articles, Conference Proceeding
Subject Type	Business, Management & Accounting	Non-Business, Management & Accounting (Economics, Econometrics and Finance; Engineering; Agricultural and Biological Sciences; Material Science; and, Decision Sciences)

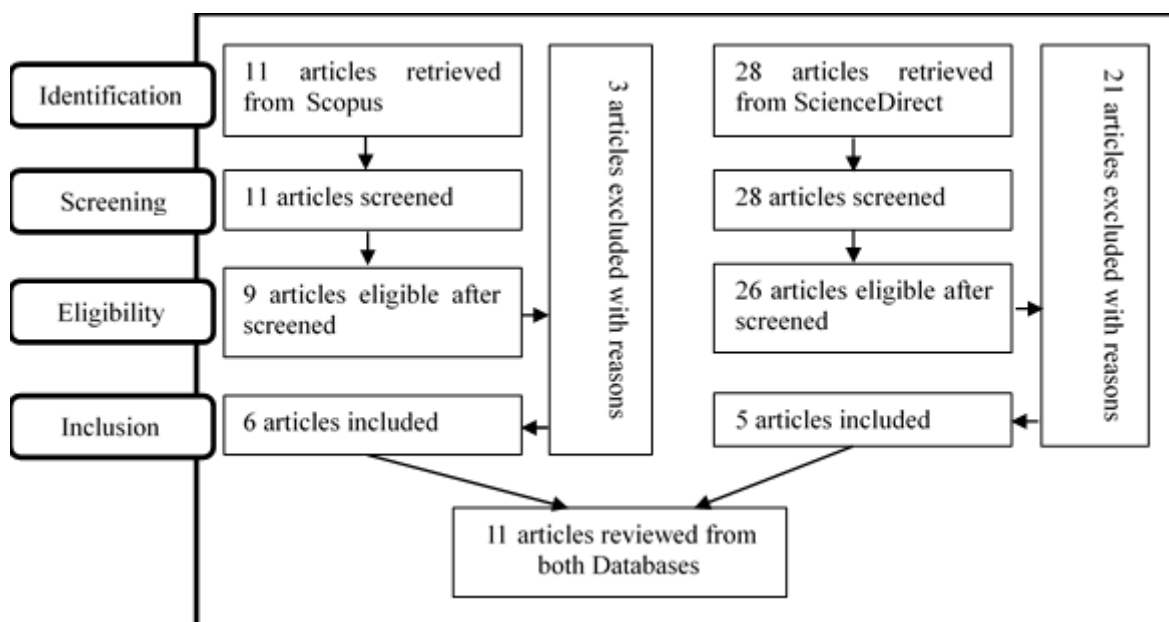


FIGURE 2: Searching Flow Diagram of Firm Growth and Firm Behavioural Theories in Internationalization Process from 1998 until 2021

The result from manual reviews found that 24 articles were excluded due to different theory applications which include extending theory (Gammeltoft & Cuervo-Cazura, 2021; Jiaji (Justin) & Williams, 2021), strategic theory (Dai & Si, 2018), institutional theory (Dai & Si, 2018; Stucchi, Pedersen & Kumar, 2015; Adomako, Amankwah-Amoah, & Zaheer Khan 2020), social capital theory (Lindstrand, Melen & Nordman, 2011), springboard theory (Ricard, Shimizu, & Vieu, 2020), agency theory (Evert, Sears & Payne, 2017; Liu, Li, & Xue, 2011), network theory (Coviello & Munro, 1997), cultural theory (Dimitratos, Petrou, & Johnson, 2011), resource-based view theory (Westhead, Wright, & Ucbasaran, 2002) and experts field review (Figueira-de-Lemos, Johanson, Vahlne, 2011). The rest, only 11 articles included that discussed the internationalization process phenomenon from viewpoint of firm growth and firm behavioural theories (FIGURE 2).

FINDING

The findings from the 11 articles were summarized into three main categories; first, organization context whether small and medium-sized enterprises (SMEs), large firm or both; second, methodology; and third, element of motive, challenge, knowledge and strategy (TABLE 3).

TABLE 3: Previous Studies of Internationalization Process based on Firm Growth and Firm Behaviour theories

Year	Articles	Organization			Methodology			Aspects						
		SM Es	Larg e Firm	Mixe d	Qt.	Ql.	Mixe d	M	C	K	S	C/ K	C/S	K/ S

2021	3	1	1	1	2	1	1	1	1
2019	1	1			1				1
2017	1		1		1				1
2015	2		2		2				2
2014	1		1		1				1
2013	1		1		1			1	
2011	1		1		1			1	
1998	1		1		1			1	
Tota	11	2	8	1	7	3	1	2	- - 2 2 2 3
1									

Note: M – Motive; C – Challenge; K – Knowledge; S – Strategy; C/K – Challenge and Knowledge; C/S - Challenge and Strategy; Mixed (Organization) – SMEs and Large Firm; Qt. – Quantitative; Ql. – Qualitative; Mixed (Methodology) – Mixed Methods.

ORGANIZATION

Internationalization is a global economic phenomenon that every business actors are aware of (Kosala, 2015). The number of firm is rapidly internationalizing whether large or SMEs (Johanson and Vahlne, 2009). The large corporation involved in the studies, mostly come from developed countries, such as Sweden (Akerman, 2015), Finland (Gabrielsson & Gabrielsson, 2013) and European countries including the United, Kingdom and Germany (Hautz, Mayer, & Stadler, 2014). If the large corporation from developing countries discussed, their focus on high tech companies and Government Link Company (GLC) (Lin, Liu, & Cheng, 2011; Lin, Chen, Ahlstrom, & Wang, 2021; Zutshi, & Gibbons, 1998). The well-established corporation trend of the internationalization process indicates a strong competency and a wealth of resources to cope with challenging issues in the internationalization process (Quer, Claver & Andreu, 2007).

For the SMEs, all studies were conducted in the developed country and in global firm contexts. The born global firm is known as a firm that achieves 25% export share within 3 years of its establishment (Knight & Cavusgil, 2004) in the domestic market and gradually extend globally (Bilkey & Tesar, 1977; Johanson & Vahlne, 1977; Cavusgil, 1980). In this area, the need for study in the SMEs in developing country context is crucial without limit only the born global concept, but late or old established SMEs also still count the way to start internationalize their product or service. This finding also supported by some previous scholars, who observed that the study of internationalization process is still inadequate and require more awareness among SMEs in developing countries (Hanell, Nordman, Tolstoy, 2017; Brekke, 2015; Hashim, 2015; Senik, Isa, Sham, & Ayob, 2014; Ahmad, 2014; Hussin, Alias, & Ismail, 2013; Hashim, Ahmad, & Zakaria, 2010).

METHODOLOGY

As far as methodology was concerned, previous study mostly preferred quantitative rather than the qualitative and mix method strategies. The quantitative study regularly applied two main analyses to validate their arguments; first, regression analysis (Ferguson, Henrekson, & Johanneson, 2021; Akerman, 2015; Lin, et al., 2021); and second, dynamic and time-related longitudinal data (Cieslik, Kaciak, & Thongpapani, 2015; Hautz, et al., 2014; Lin, et al., 2011).

As far as the qualitative study was concerned, the previous study commonly used multiple case studies which involved several numbers of the companies as samples, whether in explanatory nature (Gabrielsson & Gabrielsson, 2013; Zutshi & Gibbons, 1998) or exploitation and exploration natures (Karafyllia & Zucchella, 2017). On the other hand, the mixed-method study, was based on structured databased from a special group survey that combined qualitative and quantitative information from non-corporate, SMEs, and larger corporates (Teruel, et al., 2021).

ELEMENT OF MOTIVE, CHALLENGE, KNOWLEDGE AND STRATEGY

The study of the internationalization process from standpoint of growth and behavioural theories was primarily focused on combinations of knowledge-strategy elements. In the elements of knowledge and strategy, the previous study focused on the role of labour productivity and capabilities in internationalization strategies (Falk, & de Lemos, 2019; Cieslik, Kaciak, & Thongpapanl, 2015; Akerman, 2015). Experiential knowledge and learning potential in the internationalization process vary across countries. The new knowledge and expertise are useful for a beginning stage to explore a marketplace only rather than to exploit the market, and the next growth stage will occur around 15 years after the firm has done the first export transaction (Cieslik, Kaciak, & Thongpapanl, 2015). In terms of market knowledge, whether acquired through direct experience, indirect experience, external search or internal information, Akerman, (2015) revealed that the firm that chose passive strategy had less market knowledge, while the active strategy for firm relied on an equal degree of internal and external market knowledge.

For another combination element, the previous study was concerned more with the challenge with a combination of knowledge and strategy elements. In the challenge and strategy elements, previous studies focused on the competitive environment in the foreign market (Hautz, et al., 2014 & Karafyllia & Zucchella, 2017). The foreign market competition is believed to limit product diversification and encourage international diversity, while product diversification increases when microeconomic positive growth (Hautz, et al., 2014). Tension and synergy of the foreign market competition arise from ambidexterity, networks, and organizational market knowledge (Karafyllia, & Zucchella, 2017).

In the elements of challenge and knowledge elements, previous studies Lin, (2011) found that high technology firm in Taiwan revealed positive internationalization performance when they have higher level of availability knowledge and challenge. The acceptable challenge is believed to give an indirect impact on the firm performance (Lin, 2011; Lin, 2021). Where the challenge and available knowledge are crucial in deciding the international marketplace (Lin, 2021). In

that way, the firm will utilize their available resource and knowledge to attract potential foreign investors, which soon it will benefit the firm acquire new knowledge and strategize their operation internationally (Lin, 2011).

For the single element, the previous studies just focus on motive and strategy which the least or no study focuses on single element of challenge and knowledge.

For the motive elements, the previous studies discussed government policy encouragement to let the firm make a step further to embark internationally (Fegurson, et al., 2021; Zutshi & Gibbons, 1998). According to Fegurson, et al., (2021), the policy encourages Swedish born global firms not typically to give benefits to economic growth and job creation locally. Compared to, GLCs Corporation in Singapore, their involvement in internationalization begins with government policy encouragement before strategizing their necessary competencies to compete internationally, which Zutshi, & Gibbons, (1998) claim that, contradicts with the western country practice that more concerned with resource and market seeking purpose.

In the strategy element, the previous studies focused on high technology firm context, Foreign Direct Investment (FDI) involvement leads the high technology firm to achieve high growth performance (Teruel, et al, 2021). In the stage of growth and survival as well, decision making on strategies may impact the availability of opportunities, resources, capabilities, entrepreneurial orientation and learning activities (Gabrielsson, & Gabrielsson, 2013).

DISCUSSION AND CONCLUSION

Based on the findings of previous studies (from 1998 until 2021) in the internationalization process based on firm growth and firm behavioural theories revealed the three main gaps to be considered for future research of the internationalization process in perspective of firm growth and firm behavioural theories. First, the organisational context of the related studies is concerned more with the internationalization process phenomenon that happened in the large firms, compared to SMEs context or combination of both types. In the growing process of market expansion and availability of opportunity exploitation, future studies may focus more on the SMEs context. Additionally, the combination of SMEs and large firm contexts may expose more new findings and new knowledge in the phenomenon of the internationalization process.

Second, methodology strategy of the related studies in the internationalization process was rather quantitative and less preferred qualitative and mixed methods strategies. In the future study, the qualitative or combination of both strategies may disclose more new knowledge in the internationalization process.

Lastly, in the categorisation of four elements highlighted motive, challenge, knowledge and strategy, the highest studies are focused more on knowledge and strategy elements in exploring the internationalization process phenomenon. Other elements and their combination still less which needs to be considered in future research. All four elements' combinations may give a comprehensive view and well understand the phenomenon of the present internationalization process.

However, these findings must be treated with some cautions as, the selected articles retrieved only 12 different studies from two online databases Scopus and ScienceDirect. In future studies, the researcher may utilize a wider range of online databases to assess the availability of relevant studies.

In the theoretical context, the concept of internationalization is not relevant just only considered in western or developed countries only, the recent growth of internationalization in Asia should be tapped by researchers. The concepts of internationalization process in the Anglo-American firm with suffer the problem of being ‘a contextual, a processual and a historical’ (Pettigrew, 1990), to discuss in Asian or developing countries context of internationalization process evolution is timely (Zutshi & Gibbons, 1998; Afandi, & Yaacob, 2021).

Admittedly, the authors agree that the key gaps in the internationalization process in the viewpoint of firm growth and firm behaviour theories are far from thorough or exhaustive due to a few relevant studies based on only two different online databases Scopus and ScienceDirect. Despite the shortcoming, the purpose of the study has achieved to explore relevant gaps in the theoretical application of firm growth and firm behaviour concept. It is expected that this study may shed lights and share some clarity on the literature of the internationalization process and point out the way for future research.

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