

The Strategic Planning Approach on Knowledge Accumulation in the Internationalization Process: A Proposed Model

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ABSTRACT

Knowledge has been considered as a critical role in generating organizational advantage and uphold by organizational researchers as the key resource to create sustainable competitive advantages. The behavioral models dealing with the internationalization process are Uppsala internationalization Process Model (U-Model), Innovation Internationalization Process Model (I-Model) and Knowledge-based view theory. This study proposed to integrate insights from the KBV theory, internationalization process model and Forsgren's critical review of the concept of learning in the Uppsala internationalization process model to develop a new framework for knowledge management in exporting firms. The objective of the study thus is to propose the role of experiential knowledge, knowledge from imitative learning, incorporation with other unit, staffing, networking and informational knowledge in the internationalization process.

Keywords

Internationalization process, knowledge acquisition, foreign market knowledge, export performance

1.0 INTRODUCTION

Process by which companies develop international operations was termed as "internationalization process". Internationalization theory has been primarily on the nature and determinants of the process by which companies develop international operations (Buckley and Ghauri 1993; Welch and Luostarinen 1988; Cavusgil 1980; Johanson and Vahlne 1977).

According to internationalization process model, firms learn new foreign market knowledge incrementally through the commitment of resources to do business in specific markets. Foreign market knowledge furthermore affects how current activities are conducted.

The emphasis of internationalization theory has been primarily on the nature and determinants of the process by which companies develop international operations. The learning process was found to be critical important particularly that accrued from the actual experience of

internationalization, resulting in so-called experiential knowledge (Johanson and Vahlne, 1977).

Previous studies on internationalization process have emphasized on experiential knowledge that leads to organization's performance (e.g. Bjorkman, 1990, 1996; Di Maggio and Powell, 1983; Haveman, 1993; Haunschild and Miner, 1997; Huber, 1991; Lewitt and March, 1988) but ignored different types and level of market knowledge in an organization's knowledge base, and the use of this knowledge in the development and utilization of organization capabilities.

There is also very limited attention on the link between "internationalization theories", knowledge-based view theory" and other export literature and strategy issues at both the conceptual and practical level (Welch and Welch, 1996). Strategic process activity (that is formulation, implementation, feedback and control) is an important process involved in developing international market (Welch and Welch, 1996). Moreover, no studies have been done on the relationships between strategic planning. Very few studies have examined strategic planning of a firm in acquiring and sharing foreign market knowledge.

The domain of foreign market knowledge encompasses many different disciplines, the Knowledge base view theory is the fundamental theory based on which knowledge management is founded. Morgan et al., (2003) noted that KBV represents a synthesis of economic theory concerning the productive value of intellectual capital (e.g Nahapiet and Ghoshal, 1998), organization theory concerning the boundaries and internal organization of the firm (e.g Kogut and Zander, 1996), and resource-based view of firm strategic management (e.g Conner and Prahalad, 1996).

Another important concept of foreign market knowledge is the internationalization theories of the concept of learning in the internationalization process model (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975) which relates to experiential knowledge. Forsgren's critical review of the concept of learning in the Uppsala Internationalization Process Model is another discipline that criticize the narrow view of learning in Internationalization process on the role of

experiential knowledge and by expanding the boundaries of the phenomenon to include learning from other firm behavior (mimetic), inter-firm relationship and network, acquiring other organization, and hiring people with the necessary knowledge (Forsgren 2002). Modeling effort to combine experiential knowledge and other types of knowledge will be fruitful and increase speed of firm internationalization (Hadjikhani and Johanson, 2002). Therefore, the purpose of this study is to integrate insights from the KBV theory, internationalization process model and Forsgren's critical review of the concept of learning in the Uppsala internationalization process model to develop a new framework for knowledge management in exporting firms.

2. STRATEGIC PLANNING AND KNOWLEDGE ACCUMULATION

2.1 Knowledge-based view theory

Knowledge-based view (KBV) theory posit that the acquisition and use of relevant knowledge is key to understanding organizational performance (Morgan, Zou, Vorhies and Katsikeas, 2003). According to KBV theory, firm exists as social communities of knowledge and with knowledge forming the most strategically significant resource that can explain inter-firm performance variations (Grant, 1996b; Kogut and Zander, 1992). KBV theory also posits that knowledge comprising of different types at different levels of the organization which is linked with business performance outcomes.

Exporting literature suggests that two types of knowledge may be viewed as particularly important elements of knowledge base. First, market information concerning customers, competitors, the market which also refer to business knowledge (Eriksson et al., 1997) and the environment in the target export market has also been identified as an important foreign market knowledge resource (Ling-Yee, 2004). Second, experience related to performing exporting activities has also been identified as a particularly important foreign market knowledge resource.

KBV theory indicates that these two types of knowledge differ in a way that the experiential knowledge tends to be tacit and generally difficult to codify and communicate while informational knowledge is generally explicit and easier to codify and communicate. Despite these differences, KBV theory also indicates that these two types of knowledge are interrelated. Informational understanding impacts choices concerning the selection and performance of needed tasks and thereby affects the experiential knowledge base of foreign investment (Nonaka, 1994), while experiential knowledge shapes what information is attended to an how it is interpreted in decision making (Walsh, 1995). Therefore, the authors proposed that:

Proposition 1a: Strategic planning of an internationalization firm has a direct positive effect on its foreign informational knowledge

Proposition 1b: Informational knowledge enhances foreign market knowledge.

Proposition 1c: A firm's foreign informational knowledge enhances its export performance

2.2 Internationalization Process theory

The internationalization process model, in its original version, explicitly used only one explanatory variable that is the firm's experiential knowledge about foreign market (Johanson, 1990).

Experiential knowledge

The behavioral model of internationalization is based on the theory of the growth of the firm (Penrose, 1959) and the behavioral theory of the firm (aharoni 1966, Cyert and March 1963), and asserts that the internationalization of a firm is an incremental process (Johanson and Vahlne, 1977). The model rests on the assumption that firms have imperfect access to information and explains internationalization as a process of increasing experiential knowledge. Internationalization process involves risk and the investment resources (Eriksson, Johanson and Majkgard, 1997). It also posit that experiential knowledge of the market, the clients, the problems and the opportunities abroad are acquired by operating in the international market.

Experiential learning reflects the need for tacit (market) knowledge, such knowledge is difficult to acquire and lead to slow process of internationalization (forsgren, 2002). Erikson et al. (1997) identified experiential knowledge into two major aspects. (1) Foreign institutional knowledge; and (2) foreign business knowledge. Foreign institutional knowledge refers to experiential knowledge of government, institutional framework, rules, norms and values. This refers to import and export of goods and services, tariffs and taxes as well as general conditions in the market (Eriksson et al., 1997). Foreign business knowledge refers to the experiential knowledge of clients, the market, and competitors (Eriksson et al. 1997).

As cited by (Fiol and Lyles, 1985; Huber, 1991; Lyles, 1988, 1994) in Lyles and Salk (2006), knowledge acquisition can arise from the direct experience of the organization and its members. Thus, 'history provides an important starting point for knowledge development' (von Krogh et al., 1994). Therefore, it is proposed that:

Proposition 2a: Strategic planning of an internationalization firm has positive effect on its foreign experiential knowledge.

Proposition 2b: Experiential knowledge enhance foreign market knowledge

Proposition 2c: A firm's experiential knowledge enhance its export performance

However, besides experiential knowledge, many researchers identify the common learning mechanism in organizational learning. That is learning through (1) business relationships, (2) learning by observing other firms with high legitimacy and acting in similar way, (3) acquiring other organization with specific knowledge (4) hiring people with the necessary knowledge, and (5) Searching for new information rather than through experience (e.g Forsgren, 2002).

2.3 Uppsala Model

A basic assumption of the Uppsala Model is that lack of knowledge about foreign markets is a major obstacle to international operation, but such knowledge can be acquired (Johanson and Vahlne, 1977). The more the firm knows about the market, the lower the perceived market risk will be, and the higher the level of foreign market investment in that market (Forsgren, 2002). Second important assumption is that decisions and implementation concerning foreign investments are made incrementally due to market uncertainty. Incrementalism can be seen as a management learning process in which "learning by doing" is the basic logic (Johanson and Vahlne, 1977). The third assumption is that knowledge is highly dependent on individuals and difficult to transfer to other individuals' context, only experience will generate business opportunities and is supposed to work as a driving force in the internationalization process (Johanson and Vahlne, 1977, 1990). Uppsala Model deals with how organizations learn and the impact of learning on organizational behavior. The main emphasis is on experiential learning through the ongoing firms own activities.

Learning through incorporating other units

According to (Barkema and Vermeulen, 1998; Huber, 1991), besides learning through experience, market knowledge can also be acquired by acquiring local units that already possess the necessary market knowledge. This way of acquired knowledge will make internationalization process faster. It thus proposed that:

Proposition 3a: Strategic planning of an internationalization firm has a direct positive effect on its incorporating other foreign unit.

Proposition 3b: Incorporating other foreign unit enhance foreign market knowledge

Proposition 3c: Firm's that incorporating other unit enhance its export performance

Learning by Imitation

According to the institutional theory, adopting mimetic behavior is a common way to reduce uncertainty, especially among competing firms (Bjorkman, 1990, 1996; Di Maggio and Powell, 1983; Haveman, 1993; Haunschild and Miner, 1997; Huber, 1991; Lewitt and March, 1988). By imitating other organizations with a high degree of legitimacy, the firm can reduce its perceived uncertainty about the foreign market without having to wait until its own market-specific knowledge has reached the required level. It is proposed that:

Proposition 5a: Strategic planning of an internationalization firm has a direct positive effect on its foreign mimetic knowledge

Proposition 5b: Mimetic knowledge enhance foreign market knowledge

Proposition 5c: Firm's mimetic knowledge enhances its export performance.

Learning through business relationship

Many researchers agree that learning from other organizations or inter-organizational learning through network of existing business relationship can also create the opportunity to facilitate the assimilation of tacit knowledge from the different actor of other firms (Andersson, Forsgren and Pedersen, 2001; Eriksson et al. 1997, 1998; Hansen 1999; Levitt and March, 1998). Interfirm relationship describes the personal relationships that people have developed with each other through history interactions (Granovetter, 1992). Corporate relationship with external channel members, on the other hand can ensure motivation to engage in exchanges and, ultimately contribute to the acquisition of knowledge from the relationship (Ling-Yee, 2004). Therefore, market-specific and tacit knowledge can be acquired through interaction with other organizations. It is therefore proposed that:

Proposition 6a: Strategic planning of an internationalization firm has a direct positive effect on its foreign network relationship.

Proposition 6b: Networking knowledge enhance foreign market knowledge

Proposition 6c: Firm's networking knowledge enhances its export performance.

Learning through hiring people with specific knowledge

Hiring people with special knowledge can be another mechanism to acquire knowledge, and the faster's one. Having quality managers may be one of the most critical resources of an organization's capability to compete

globally. Therefore, developing an adequate supply of “transnational” managers, who can effectively manage across national and subsidiary boundaries, becomes paramount to global organizations (Gregersen et al., 1998; Harvey, Speier, Novicevic, 1999). These sophisticated global managers must possess a broad set of competencies (Harvey et al., 1999) and market-specific knowledge needed by the organization to be shared with.

As quoted by Prahalad and Bettis (1986), Lyles and Schwenk (1992), and von Krogh et al. (1994) in Lyles and Salk (2006) the role of top managers is important for acquiring knowledge underscore that acquiring new knowledge results from organizational members sharing experiences and prior learning. Further, top management plays an important role in defining knowledge structures. The notion of a self-identity or core set of beliefs (Lyles and Schwenk, 1992; von Krogh et al., 1994) provides a legitimizing function for assessing new knowledge acquisition in the context of the existing knowledge structure. Thus the authors proposed that:

Proposition 7a: Strategic planning of an internationalization firm has a direct positive effect on hiring knowledgeable staff.

Proposition 7b: Hiring knowledgeable staffs enhance foreign market knowledge

Proposition 7c: Firm that hire knowledgeable staff can enhance its export performance

3. PROPOSED FRAMEWORK

The objective of the paper is to propose an integrated model of internationalization process based on Knowledge-based view theory, Innovation Internationalization Process Model (I-Model) and Uppsala internationalization Process Model (U-Model). In addition the model will be applied to the strategic planning of a firm and enhancing export performance.

Although this critical role of knowledge in generating organizational advantage has been increasingly recognized in the strategic management field, there is little research that test the validity of the role of experiential knowledge and the relationship between cause and effect is ambiguous and the connection between learning and success or failure is far from apparent (Forsgren, 2002). Thus, this model intent to determine types of knowledge that enhance foreign market knowledge of exporting firm as well as testing the role of experiential knowledge in determining foreign market knowledge.

This input will internally generate foreign market knowledge as a basis for developing effective competitive performance in international markets.

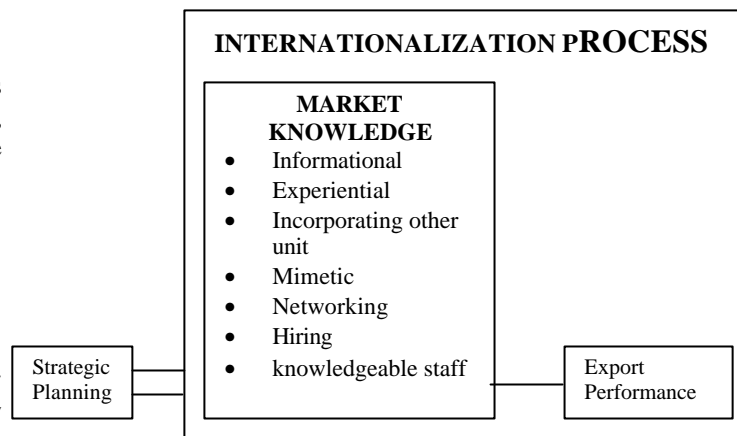


Figure 1: Proposed model of Internationalization process

4. CONCLUSION

The primary aim of this paper is to proposed the role of experiential knowledge, the one explanatory variables explicitly used in the internationalization process model and different type of knowledge (i.e. imitative learning, incorporation with other unit, staffing, Networking) and informational knowledge in the internationalization process. This study thus to apply internationalization process models, Knowledge-based view theory and other export literature to examine whether that accumulation of the above knowledge is affected by strategic planning in the internationalization process of a firm. Furthermore, study is particularly importance in understanding how knowledge management may contribute to enhancing export performance.

For research, the proposed model will contribute to the literature of strategic management and internationalization process as there are lack of empirical evidence confirming the relationships between strategic planning, foreign market knowledge and their export performance.

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