The Dodecagon of Internationalisation: A Theoretical Integration Model

Oskar Villarreal Larrinaga

Abstract:
Internationalisation is characterised by a varied analytical perspective. An extensive body of literature has been produced in this area as a result of the different approaches taken in research, and this has unquestionably enriched scientific debate. Nevertheless, the theoretical review we carried out shows us that the different focuses that exist have imposed a degree of divergence and counter position when determining the key factors that explain the internationalisation of companies. The main objective of this study, therefore, is to make a representative proposal for an eclectic exposition, so as to establish a solid, synthetic, complementary base. To this end, we present the dodecagon of internationalisation as a tool and, at the same time, demonstrable proof of the feasibility of theoretical integration within this subject field.

Keywords: internationalization, theoretical integration, business growth.

JEL Classification: F00, F23, L10, L20, M16, O19.

1. Introduction

The genuinely complex, dynamic, multidimensional nature of the international behaviour of firms (Dichtl et al., 1984) is sufficiently reflected in the multiple interpretations, definitions, methods and scales of measurement for international company activity that are used in the specialised literature in this area (Villarreal, 2005, 2007). The complexity and, in particular, heterogeneity of the internationalisation of companies explains why numerous theories have come into being to explain this phenomenon.

Nevertheless, it must be said that no single theory exists to cover satisfactorily, and in an integrated fashion, the several aspects of

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internationalisation: that is to say, each theory concentrates on one or various partial aspects of the phenomenon (López, 2004). Due to the involved nature of international strategy it is not possible to construct a single valid model, but rather concrete responses to particular questions, although each of them can contribute to comprehending and completing the ‘puzzle’ of knowledge concerning international company activity (Dunning, 1992; Pla and Suárez, 2001; Villarreal, 2008).

Consequently, authors such as Holmlund and Kock (1998), Coviello and McAuley (1999), Rialp (1999), Andersson (2000), Guisado (2003), Pla and León (2004), López (2004) and Thalassinos (2005, 2008) all recognise that to understand internationalisation, the contributions made by different theories have to be taken into account.

2. Theoretical Framework of Internationalisation

Great variety of theories dealing with internationalisation has -not surprisingly, given their complexity- been posed from different focuses and perspectives that correspondingly make it possible to establish specific groupings and classifications for them. Thus, Kogut and Zander (1993), Durán (1995), Guillén (1999) and Vidal (1999) classify theories of internationalisation employing an economic, managerial and socio-political perspective. López (1996), meanwhile, breaks down the different theoretical models designed to identify the determining factors for foreign direct investment (FDI) into two big categories: theories aimed at identifying the advantages that facilitate company involvement in FDI, and theories that concentrate on studying the reasons that lead a company to exploit these advantages on its own account within international markets, as opposed to transmitting the use rights to other companies via the market. Rialp (1997, 1999), with a broader view of the subject, employs macro (country / sector) and micro-organisational (company) approaches to the phenomenon of internationalisation, in order to separate it out in terms of multinational company (MNC) and foreign direct investment (FDI) theories; of what has been termed the “internationalisation process model” (gradualist approach); and of literature dealing with methods of foreign market entry.

Cazorla (1997) and Martínez (1999) classify theories explanatory of FDI within three large blocks: those that assume the existence of perfect markets; those based on the imperfection of markets and company characteristics; and those that rest on factors both of a macroeconomic and an institutional nature. Coviello and McAuley (1999) identify three currents of internationalisation research that must be studied complementarily: theories of FDI, process models and network perspective. Guillén (2001) and Perona (2005) make a breakdown of MNC at a dual level, using, on the one hand, an external perspective, which would include an economic and also a socio-political focus, and, on the other hand, an internal perspective with focuses of management and organisation. As a criterion for analysing the theories, Guisado (2003) prefers to use the brilliant classification of MNC devised by Jarillo and
Martínez (1991), which distinguishes between three types of MNC, assimilating it in this case with FDI approaches: horizontal, vertical, and mixed FDI.

López (2004) introduces two dimensions when analysing internationalisation theories: on the one hand, he poses the question as to whether they are to be defined by their economic nature or foundations, or if they exhibit a more organisational perspective, and, on the other, asks whether they are traditional or modern. Lastly, Guillén (2006), adapting part of his previous argumentation, makes a classification starting out from the socio-political perspective of the MNC, which displays four contexts that are the product of the combination of two dimensions (economic development strategy of local government and policies of permissiveness towards MNCs), each associated with a different perspective, image or ideology concerning the MNC.

Although they are intrinsically of relevance, none of these approaches is able, on its own, to encompass and explain the complex nature of company internationalisation in all its amplitude, for which a broader perspective is required to draw together the main contributions (Rialp, 1999). Nonetheless, when the different approaches and perspectives are analysed, they seem to be in counter position in that they put forward different specific explanations for the phenomenon of internationalisation. However, rather than constituting alternative responses, they can be considered as complementary points of view, since each of them takes its point of departure from differentiated conceptions and focuses that could be mutually compatible. The complexity and heterogeneity of the internationalisation of firms provides room for adopting different starting premises and propositions regarding the characteristics of companies, their strategies, market typology and the different settings within which entrepreneurial activity is to evolve. Integration of the different configurations would allow us to consolidate a theoretical base able to extract synergies of interaction that operate between the different theories.

The search for a more integrated theoretical framework from which to consider the phenomenon of business internationalisation would have to take in the complete set of different theories, reflecting the complementarity between them (Pla, 2000) from their inherent features of partiality (Rialp, 1999). With a view to progressing towards this objective of integration and complementarity, in table 1 (Theories about Internationalisation) we present our proposal for classification of theories that tackle internationalisation from different perspectives and approaches.

Basing ourselves on an exhaustive review of the literature on the subject in hand and taking into account the different existing perspectives and focuses, in table 2 (Key factors of Internationalisation according to theoretical frameworks) we highlight the key principal factors for company internationalisation and multinationalisation which the different authors, grouped in accordance with the different theories, have identified as explanatory for these phenomena.

3. Feasibility of Theoretical Integration
We believe that this complete multifactorial base, which is the product of applied theoretical multifocality, provides a first step towards an integrated theoretical framework. Consideration of all these factors can facilitate the complementation and mutual support of the arguments put forward by such prestigious authors to explain the fundaments of internationalisation, as an economic and entrepreneurial phenomenon, and of the multinational company, as a particular instance of the latter. So, in our attempt to progress towards achieving a general eclectic theoretical framework to integrate and complement the different theoretical perspectives and focuses on internationalisation, we generated and designed a dodecagonal geometrical figure that represented a significant scientific advance vis-à-vis the real feasibility of obtaining a focus of complementarity to draw the different theories closer together.

It is our understanding that the different theoretical postures for explaining the phenomenon of internationalisation are mutually related and complementary and can allow us to go forward from the integration of their proposals towards a general eclectic theoretical framework. The *Dodecagon of Internationalisation*, shown in figure 1, constitutes a simplified graphic representation of this integrated system, assimilating our pursued objective of complementarity.

The *Dodecagon of Internationalisation* is configured from an ordered arrangement of the different theories dealing with this phenomenon. This takes in the Theory of International Trade and of Competitiveness (TIT and TC) (integrated by Porter’s diamond or rhomboid model); Theories of Company Internationalisation with the product life cycle model (PLCM), the Scandinavian focus or Uppsala’s sequential model (SF), innovation focus (IF), the internationalisation of service companies (ISC), network focus (NF) and the focus on the accelerated process of internationalisation characteristic of the new international enterprise (NIE); and Theories of the Multinational Enterprise and of Foreign Direct Investment, which include the organisational skills focus (OSF), the eclectic paradigm (PE), the theory of internalisation based on transaction costs (TITC), the theory of industrial organisation based on market imperfection (TIOMI) and the macroeconomic focus (MF).

In short, the *Dodecagon of Internationalisation* accommodates all the theories analysed, ordered in accordance with the logic\(^2\) of feasibility of theoretical integration due to the theoretical foundation or origin of the argumentation. So, beginning with the theory of international trade and competitiveness (TIT and TC), centred on localisation advantages, we rotate towards the right, to find the product life cycle model (PLCM), which is in fact classified among the international trade theories, such as neo-technological theory, because it pursues a macroeconomic perspective. Nevertheless, it was the first economic model to incorporate company behaviour in its explanation of investment flows abroad and, in consequence, to adopt

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\(^2\) Here we must recognise that both the logic that determines the structure of our classification (see table 1) and this logic (which orders the arrangement in the dodecagon) are highly related. Essentially, feasibility of integration is based on the existence of common elements that are similar or close in terms of theoretical argumentation, and this is more easily produced when the contexts, focuses and perspectives are the same, than when they differ.
an entrepreneurial perspective. This first 30º turn, therefore, allows us to establish a nexus of union between both perspectives. Another element characteristic of PLCM is the sequential nature of the cycle described by Vernon. This aspect, combined with the previous feature, lets us turn in the direction of gradualist models, which already display a marked business orientation and concentrate their concerns on the nature of the internationalisation process.

The joint consecutive positioning of the Scandinavian focuses (SF) and of innovation focus (IF) is among the most natural and logical arrangements, taking into consideration the many elements they share in common, as already described. Next to it we situate the internationalisation of service companies (ISC), whose study of the internationalisation process is predicated upon positive sectoral discrimination (given that it was, for a long time, practically abandoned as a phenomenon for study), to evaluate and test out whether gradualist focuses can serve to explain processes of internationalisation in these kinds of companies. This questioning of the sequential process introduces network focus (NF) into our figure, and the focus on the accelerated process of internationalisation characteristic of the new international enterprise (NIE).

The former, based on the relations established by the company itself to provide grounding for its international behaviour, uses some arguments that are replicated by service company theories, but, above all, introduces the process of accelerated internationalisation, by identifying it as one of the options in the main model described by this current. Having reached this point, a new bridge is extended, this time towards the theories of MNC and FDI and, concretely, towards the focus of organisational skills (FOS). This apparently distant theoretical relation, given the difference in focus and in study object (process in one case and multinational in the other), nevertheless has powerful links via a common theoretical support in the shape of a theory of great relevance within our disciplinary framework, which is the theory of resources and skills. In this regard, although a variety of arguments are in operation it is, especially, consideration of (fundamentally, tacit) knowledge that forms one of the key elements for explaining the acceleration of the process in the case of the NIE, and multi-nationalisation in the case of the FOS.

Similarly, the following turns in the figure, with a perspective now of the type of advantage that explains the existence of the MNC, also lay considerable stress on knowledge, although certainly in a more implicit fashion. The theories we are referring to, the eclectic paradigm (EP) and the theory of internalisation based on transaction costs (TITC), do effectively point to this, although their reasoning is based on intangible assets (among which is knowledge) and the difficulties the market encounters against transmitting them efficiently, which would lead to their internalisation to avoid market failures, although the former (EP) poses this as one of the options that contributes advantages able to sustain multi-nationalisation, while the second theory (TITC) makes it the principal argument.

Nonetheless, they are both associated with the following position occupied by the theory of industrial organisation based on market imperfection (TIOMI),
which, chronologically speaking, was responsible for generating scientific debate in this area, with the proposition of the existence of an ownership advantage as a necessary condition for the existence of the MNC.

Next to appear is macroeconomic focus (MF), which also concentrates on providing an explanation for FDI, though this differs from the former, in that it reintroduces the macroeconomic focus characteristic of the theory of international trade and of competitiveness (TCI and TC) and even shares its analysis of localisation. However, possibilities of integration go beyond described, reasoned, consecutive positions, as there are cross relations between different non-consecutive theories. When compared with the previous version, the Triangular Relational Dodecagon, represented in figure 2, incorporates some of these additional relations (represented with different strokes and forming, in the graphic sense, triangles and trapeziums), facilitating a theoretical rapprochement around common subject matter or bases. This figure does not set out to depict all the possible relations, but only some, as a sample of relational feasibility.

Thus, we can point to the relation (Relation 1) between the theory of international trade and of competitiveness (TIT and TC), the product life cycle model (PLCM) and macroeconomic focus (MF), which share in common not only a macroeconomic focus, but also the fact that the question to be resolved is circumscribed within the advantages of localisation. In this sense, macroeconomic focus (MF) is posited by Kojima as a reply to Vernon’s model with a similar approach, though it centres on the experience of Japanese MNCs instead of their American counterparts in MCVP. In both cases, international trade models form the starting point.

Another relation to be highlighted (Relation 2) is to be found among the gradualist focuses, that is, the Scandinavian focus (SF) and the innovation focus (IF) with the internationalisation of service companies (ISF) and the focus of the accelerated internationalisation process characteristic of the new international enterprise (NIE). First of all, there is an opposition between the former and the NIE with regard to the rhythm of the process (gradual or accelerated), which in fact caused this theoretical current to come into being due to the fact that argumentation was provided that was not actually sufficiently explained by the first focuses. Nevertheless, though traditionally these used to be considered to be different theories, they can be understood as different behaviours from a concrete strategic sphere [sequence strategy within the Strategic Model of Internationalisation (Villarreal, 2007)] that is explained by different variables, some of which all these theories emphasise.

This oppositional relationship can also be appreciated in the internationalisation of service companies (ISC), which questions one model as against the other using new factors that are characteristic of service companies, but which, at the heart of the matter, represent no more than new variables of a potential model to explain the fluctuation towards a slower and, consequently, more gradual rhythm or towards one that is more dynamic and accelerated.
Without a great change in approach, we take this same relationship of opposition (Relation 3), but place our emphasis this time on network focus (NF), which, within the same model, admits other theses based on more distant positioning, such as the theory of internalisation based on transaction costs (TITC), among others, as Pla (2000) points out, which takes company categories from the model designed by Johanson and Mattsson and absorbs them into other theories (SF, TITC, NIE, MRO) in an exercise of integration. In this connection, we must focus on the relations (Relation 4) noted by Madsen and Servais (1997) that point to possible links between the Scandinavian focus, network focus, the evolutionary focus of organisational skills and the NIE phenomenon.

Finally, the eclectic paradigm (EP), through consideration of the three types of advantage (ownership, internalisation and localisation) assimilates fundamentals of the theory of industrial organisation based on market imperfection (TIOMI), of the theory of internalisation based on transaction costs (TITC), and even of the theory of international trade. These relations are represented in Relation 5. We must add that the incorporation of the set of key internationalisation factors (see table 2), associated to each of the theories that make up the integrating figure, allows us to check the complementarities and duplicities between their explanatory proposals, making possible progress towards an eclectic theoretical framework through acquiring a broad multifactorial base as a result.

From this perspective, in figure 3 we show the **Factorial Dodecagon of Internationalisation**. From the arguments of relation set out above, theoretical integration ought to be accompanied by a factorial refinement to facilitate the initial comparison of models that use this broad multifactorial base. In this regard, the empirical research we carried out through a multiple, holistic, contemporary case study concerning the internationalisation of enterprises (Villarreal, 2007), in which cases of Multinationals were analysed, gave us results that scarcely allow any significant eliminations.

Consequently, given the different behaviour recorded in the empirical study between the key factors of localisation, the process of internationalisation and of multi-nationalisation, we recommend maintaining this distinction, because we consider, in fact, that they comprise subject areas that are of sufficient substance and that have distinctive explanatory causes and reasons.

**4. Conclusions**

Detailed study of the different theories concerning internationalisation has enabled us to understand the various perspectives used and, through them, to comprehend the thematic heterogeneity of the issues to be resolved in relation to this business phenomenon. Whilst, in all the literature, what we fundamentally found were counter posed forms of argumentation, we attempted to focus on what the different theoretical postures had in common in order to achieve an integrating theoretical framework. We believe that the configuration of the Dodecagon of Internationalisation represents a tool and, at the same time, demonstrable proof of the feasibility of theoretically integrating this object of study.
Nevertheless, we are aware of some limitations in our investigations. Where the theoretical review and the search for an integrated theoretical framework are concerned, we recognise that we made a factorial discrimination analysis, which was justified by the exhaustive bibliographical review we had carried out. Whatever the case, the multifactorial base proposed from this actually seems too extensive for manageable modelling. This is one of the risks perceived given the real complexity of the phenomenon under analysis. In addition, although advances have been made in obtaining the general theoretical framework for this research, we can only consider this to be modest progress. We are aware that for there to be a genuine integration of theories, it is not enough just to relate them. Meanwhile, the search for an integrated theoretical framework must continue from the point at which we left it, testing out, as a first step, the advances registered and returning to the task of building bridges between theories.

We will persist, therefore, in our eclectic approach, which makes it possible to establish a more solid and synthetic base so that there can be subsequent integration and complementation of the different theories in existence. In this regard, we will continue to promote the use of case study as a methodology for researching this subject field, because we deem it to be suitable for identifying the eclectic unified theoretical model that, at present, we do not possess, in the opinion of most experts and scholars in this field.

Bibliography


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Table 1: Theories about Internationalisation

<table>
<thead>
<tr>
<th>Perspective</th>
<th>MICRO AND MACROECONOMIC PERSPECTIVE</th>
<th>BUSINESS PERSPECTIVE THEORY OF INTERNATIONAL STRATEGY</th>
<th>Type of explanatory advantage</th>
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<td>Theory of Company Internationalisation</td>
<td>Theory of the MNC and FDI</td>
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<td>Why and how does internationalisation take place?</td>
<td>Why do multinational enterprises exist?</td>
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<td>Internationalisation theory (transaction cost theory)</td>
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<td>Theory of comparative advantage</td>
<td>Localisation and internalisation advantage</td>
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<td>Theory of factor endowment</td>
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<td>Neo-technological Theories</td>
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<td>Scale economies theory</td>
<td>Localisation, competitive and internalisation advantage</td>
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<td>Organisational capacities focus</td>
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<td>FDI development cycle theory</td>
<td>Competitive advantage and internalisation</td>
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Table 2: Key Factors of Internationalisation according to Theoretical Frameworks

<table>
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<th>THEORIES</th>
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<th>KEY FACTORS</th>
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The Dodecagon of Internationalisation: A Theoretical Integration Mode


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<thead>
<tr>
<th>Theory of the Multinational Company and Foreign Direct Investment (Economic Focus)</th>
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Source: Villarreal (2007).
Figure 1: Dodecagon of Internationalisation: Integrated Theoretical Framework Model

Source: Villarreal (2007).

Figure 2: Triangular Relational Dodecagon
Figure 3: Factorial Dodecagon of Internationalisation (Key Internationalisation Factors)
PLCM. Advantage of localisation in the creation and international diffusion of innovation.
Oligopolistic behaviour

SF. Psychological distance, international involvement, experimental knowledge, organisational learning

IF. Scandinavian focus factors Importance of characteristics, skills and attitudes of management team, Deliberated decisions

ISC. Factors from other focuses and theories. Specifically, nature and intensivity of knowledge, intangibility and inseparability of service, adapting service to the customer

NF. Social business network, learning processes connected to network environments with direct and indirect, formal and informal relations

TIOMI. Market imperfection. Specific / ownership advantage. Oligopolistic reaction

TITC. Market failures (transaction costs). Advantage of international market internalisation of specific and intangible intermediate assets

EP. Ownership advantage, internalisation advantage, localisation advantage

MF. Factor endowment and efficiency in management of managerial resources


FOS. Resources and distinctive competences: heterogeneity, causal ambiguity and absorptive capacity. Tacit nature of knowledge, environmental selection and management adaptation. Creation and transfer of internal knowledge (superior resource) and organisational skills

Source: Villarreal (2007).