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Three + One: Multidimensional Strategy of Internationalization[1]

Abstract

- The aim of this article is to present a framework which reduces internationality and internationalisation to four basic dimensions and which allows a classification of the numerous internationalisation strategies which have been described by other authors.
- Emphasis is laid on dynamic aspects of internationalisation which are often neglected by researchers. Better understanding of internationality and of internationalisation strategy can help managers to arrive at better decisions and encourage scientists to reconsider some research approaches which are too narrow in their focus.

Key Results

- Most strategic internationalisation moves can be traced back to the four dimensions: (1) number and geographic-cultural distance of countries, (2) value added, (3) integration, (4) time.

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Introduction

Most contributions on internationalisation strategy start by pointing out the growth in international competition and the increasing complexity of the business environment that companies are facing today. In contrast, we start from the complexity of contributions on internationalisation strategy which emerged as a response to changing environmental conditions and try to reduce this complexity. This is necessary because many publications only elaborate one aspect of internationalisation. Some authors concentrate on market selection and market entry (e.g. Young et al. 1989, Root 1994, Woodcock/Beamish/Makino 1994), others discuss problems of standardisation or differentiation (Fayerweather 1969, Prahalad 1976, Bartlett 1979, Doz/Bartlett/Prahalad 1981, Leontiades 1985, Doz 1986, Henzler/Rall 1986, Meffert 1986). Still others delineate how competitive advantages can best be achieved by increasing integration and coordination within the corporation (Hamel/Prahalad 1985, Kogut 1985a, 1985b, Hedlund 1986, Porter 1986, Hamel/Prahalad 1988, Kogut 1990). The artificial separation of different aspects of internationalisation has induced a growing number of authors to systemise the confusing variety of internationalisation strategies and to outline the interdependences between them. Ghoshal (1987), for example, introduces an "organizing framework" which classifies strategies by strategic objectives and sources of competitive advantage. A similar concept was presented by Hamel/Prahalad (1988), who classify strategic options by strategic intent and sources of competitive advantage. Roxin (1992) distinguishes several generations of internationalisation strategy and Ringlstetter/Skrobarczyk (1994) identify different fields of planning and "strategic switches". With this article we intend to contribute further to the classification of internationalisation strategies by tracing them back to four basic dimensions which lie at the heart of almost any strategic internationalisation move.

Towards Understanding Internationality: The Three Static Dimensions

Internationalisation strategy alters the international "Gestalt", i.e. the international fingerprint of a firm. As internationality can be regarded as a multidimensional phenomenon, some authors have already distinguished different dimensions of internationality (Johanson/Mattsson 1986, Porter 1986, Welch/Luostarinen 1988, Jarillo/Martinez 1991, Macharzina 1992, Kutschker 1994a). A consolidation of these concepts leads to three basic dimensions of internationality:

(1) the number and the geographic-cultural distance of the corporation's foreign markets, (2) the extent of value added in these markets and (3) the degree of integration within the corporation (Kutschker 1994 a).

Number and Geographic-Cultural Distance of Countries

Obviously, the number of countries in which a company is operating, influences the degree of internationalisation of the corporation. Generally, a corporation which has activities in many foreign countries is considered to be more international than a company which is only involved in a few markets. However, in addition to the absolute number of countries, the geographic and the cultural distance between the home market and the foreign markets have to be considered (Johanson/Wiedersheim-Paul 1975, Johanson/Vahlne 1977). A German corporation operating in Austria, Switzerland, Belgium and the Netherlands is less international than a German corporation which has activities in Japan and Brazil. Moreover, if a Germany-based corporation already has activities in the United States, setting up a business in Canada does not increase the degree of internationalisation as much as if Canada was the first "bridgehead" in North-America.

Value Added

The involvement in foreign markets can vary from country to country. International activities can extend from mere export to completely self-sustaining subsidiaries. In order to differentiate between different degrees of involvement, we introduce the range and extent of value added in foreign markets as a second dimension. Value adding activities are purchasing, research & development, manufacturing, logistics and sales. In contrast to Porter's value chain (Porter 1985, 1986) we do not include the cost of materials in our concept, but instead we restrict our considerations to the actual value-added which has the advantage that the difference between mere sales subsidiaries and manufacturing subsidiaries becomes more apparent. In the case of exports, the value added attributed to the foreign country includes the transaction costs which go along with the turnover achieved in this country. The more value is added abroad the more international the corporation is. When talking of the value added in a specific country we refer to the actual value added in this country and not to the accounted value added which is strongly influenced by the policy of transfer pricing in the corporation. In order to keep the picture simple, supporting activities like technology or human resource management are left aside though they, too, influence the value added abroad.

A combination of the first dimension "number and geographic-cultural distance of countries" with the second dimension "value added" results in a two-dimensional matrix which depicts the configuration of international activities. This configuration can be characterised at one extreme by a concentration of activities in the home country or a concentration in foreign countries. At the other extreme, activities can be widely dispersed such that every foreign market has its own complete set of value activities. An example for one possible configuration is given in Figure 1. For reasons of simplification, the first dimension is represented by an equidistant scale which does not depict the different geographic-cultural distances between the countries.

Figure 1. Configuration of International Activities

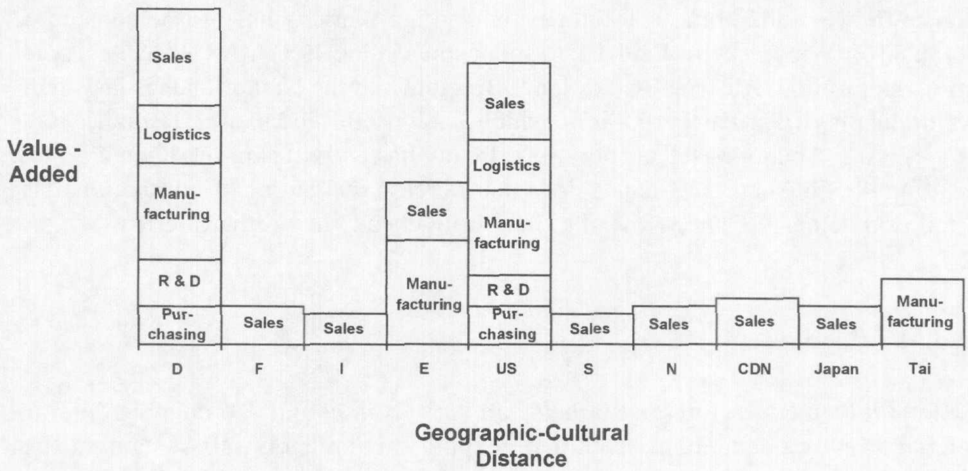


Figure 1 does not consider what Jarillo/Martinez (1991) call "externalization" in their three-dimensional framework. Externalization refers to the ". . . extent of external resources used by the firm in a systematic way . . ." (Jarillo/Martinez 1991, p. 283) and therefore allows to capture modes of internationalisation which shift part of the value added to partners outside the corporation as is the case in joint ventures, licensing or franchise agreements. In Jarillo/Martinez' framework it is difficult, though, to draw the line between activities which can still be attributed to the corporation like the activities of a franchise-partner and activities which are completely outsourced but still influenced by the corporation. In order to consider the degree of externalisation in our figure a shaded area behind each value activity could be imagined which represents the externalised but still directly controlled activities.

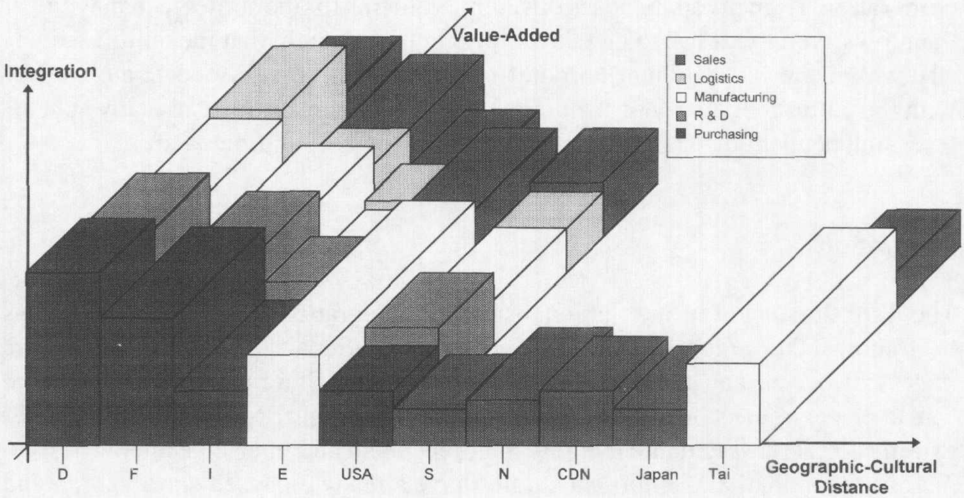
The two dimensions can be regarded as a refined version of Porter's configuration axis (Porter 1986). The main difference to Porter's concept is that more attention is devoted to the geographic and cultural diversity of the international corporation. High diversity poses different problems for the strategic management than low diversity. It has to be taken into account, though. that the cultural diversity within the international corporation does not necessarily correlate exactly with the cultural diversity of its international environment. Instead many subcultures independent of international activities of the corporation exist.

Integration

The third dimension of internationalisation is integration across borders. As has been shown, the value adding activities of an international corporation can be more or less dispersed and therefore require coordination. International Management can, at one extreme, coordinate the subsidiaries in a finance holding or, at the other extreme, integrate them into a highly interdependent and interlinked network. Numerous theoretical and empirical studies have already analysed coordination and management of international subsidiaries (e.g. Martinez/Jarillo 1989, Welge 1989, Macharzina 1995). We propose to define the degree of integration by four factors: (1) Integration increases with the intensity of flows of resources within the corporation, because the flows of information which go along with and support the exchange of resources increase the joint set of knowledge on both ends of a given transaction. (2) Of course, these integrating effects grow with the number of people involved in the exchange of resources and information between the knots of the international network. Moreover, the integrating effect increases with the frequency and intensity of exchanges of resources and information. (3) The joint set of knowledge can develop towards a set of "contextuating orientations" (Etzioni 1968) which provides a synthesis to the bits of knowledge like values, beliefs, attitudes, and facts. The more members of an international corporation who share such contextuating orientations, the higher is the degree of integration. Internationalisation strategies can be designed to deliberately influence the contextuating orientations of the members of the corporation. (4) Lastly, integration will be higher the greater the extent of built-in-flexibility of the corporation's infrastructure is. Standardized management systems and information technologies, as well as the use of parallel production technologies in the home market and the foreign markets, create the background for successful ad hoc coordination or shifts of production. These four determinants of integration are not independent of each other.

The three dimensions (1) number and geographic-cultural distance of countries, (2) value added and (3) integration together form a three-dimensional shape which is depicted in Figure 2. This three-dimensional shape represents the extent and the character of internationality of a given corporation. The extent of internationality is mirrored by the volume of the three-dimensional shape, whereas the character, i.e. the internationalisation focus, is represented by the degree to which

Figure 2. The Three-Dimensional Shape of The International Corporation



every dimension is developed. In this figure, too, an equidistant scale is used for the first dimension.

Obviously, it would be difficult to measure exactly the degree of internationalisation with these three dimensions. The purpose is to regard the three-dimensional shape as a framework which helps to understand the multidimensional phenomenon of internationality. It helps to distinguish different forms of internationalisation and to determine whether a given corporation is more international than another. It is important to note, though, that the model does not make any judgement as to whether internationalisation in itself is positive or negative. Internationalisation does not necessarily mean more efficiency, more profit or any other form of progress.[2]

The Hidden Fourth Dimension: Time

Up to this point, the model developed above captures only the static international fingerprint of a firm. However, the three-dimensional shape of the international corporation changes in the course of the time. These changes can only be taken into consideration if a dynamic perspective is taken which does not only look at the internationality at a certain point in time but in addition analyzes the *process* of internationalisation. Therefore the three dimensions have to be supplemented by the fourth dimension – time.

Dynamic aspects have long been neglected in the literature on internationalisation theory. A very early approach to look at internationalisation from a process perspective goes back to Johanson/Vahlne (1977) who developed a dynamic model of internationalisation based on empirical work done by Johanson/Wiedersheim-Paul (1975). Their "Uppsala-model of internationalisation" views internationalisation as an incremental learning process which leads to a stepwise increase in commitment to foreign markets. Due to knowledge and experience deficits at the beginning of the internationalisation process the company first enters markets similar to the home market before proceeding to unfamiliar markets (Johanson/Vahlne 1977). Scandinavian researchers still have a strong interest in dynamic phenomena, such that a high share of insights into internationalisation processes can be traced back to their research efforts (Luostarinen 1979, Johanson/Mattsson 1986, Welch/Luostarinen 1988, Melin 1992). They all have in common that their research is based on Aharoni's (1966) behavioristic approach thus highlighting the incremental and emergent nature of the internationalisation process. Another recent approach to the process of internationalisation was propounded by Macharzina/Engelhard (1991). Their "GAINS"-Paradigm (Gestalt Approach of International Business Strategy) is based on the "Gestalt" approach of organisation theory postulated by Miller/Friesen (1978, 1980). In contrast to the evolutionary Scandinavian approach, Macharzina/Engelhard suppose that changes in the internationality of the corporation take the form of revolutionary "Gestalt" switches. These "quantum changes" which affect the whole corporation occur only if a misfit between organisational, strategic, managerial and environmental variables of the firm leads to inefficient behavior.

Both the evolutionary and the revolutionary research stream have been criticised for being too deterministic, i.e. for not sufficiently including managerial intention in their theorizing. Both approaches also seem to capture only part of the complex reality of internationalising (Kutschker 1996, Bäurle 1996). Therefore, in the following discussion, an integrating perspective is taken which tries to combine elements of both research streams and furthermore to include insights from strategy process research. The internationalisation of a firm can be interpreted as incremental "planned evolution" interrupted by episodes of rapid internationalisation. The concept of "planned evolution" (Kirsch 1984), implies that internationalisation is a result of both emergent processes and intended strategy. On the one hand, internationalisation is the outcome of a number of small decisions which are taken every day in a company and which are often based on trial-and-error procedures. Many internationalisation steps are triggered by unforeseen internal and external disturbances and incidents which require ad-hoc decisions and do not allow up front strategic planning. If major competitors undertake strategic moves or one of the host countries introduces new regulations, this can force the company to respond quickly without having a plan or a strategy.

Furthermore, daily working life is full of creeping commitments to foreign markets. Inquiries from foreign customers, business meetings abroad or even private travelling of company managers to foreign countries can give the internationalisation process new impulses.[3] This incremental and evolutionary side of the internationalisation process can also be called "muddling through" (Lindblom 1959). It is in line with the behavioristic internationalisation models outlined above. On the other hand, though, the concept of "planned evolution" implies that internationalisation cannot be sufficiently explained by emergent processes and muddling through. Instead, it is more realistic to suppose that internationalisation can – up to a certain point – be controlled by top management. This is the point when the strategic issue becomes relevant. In contrast to the behavioristic internationalisation models, we believe that it *is* possible for managers to deliberately give the every day muddling-through a specific direction. This can be achieved by formulating internationalisation strategies which serve as an "umbrella" (Mintzberg/Waters 1985) for international evolution. The process of incremental "planned evolution" is occasionally interrupted by periods in which the international shape of the corporation undergoes substantial change, e. g. when major acquisitions occur. These periods which require more attention than the every day evolution are termed "episodes of internationalisation" (Kutschker 1994b, 1996).

Thus, by interpreting internationalisation as "planned evolution" an effort is made to combine voluntaristic and deterministic elements. By introducing "episodes of internationalisation", an integration of both evolutionary and revolutionary models is achieved. This leads towards a more complex and realistic understanding of internationalisation.

Internationalisation Strategies in the Four-dimensional Framework

Internationality and internationalisation strategy are closely related. As defined above, the (intended) internationalisation strategy serves as an umbrella which gives the international evolution a specific direction. The degree to which internationalisation is driven by deliberate elements or by muddling through can vary extremely. While in some cases, internationalisation might more or less follow a strategic plan, in others the portion of planning and visionary activities can be so small that the internationalisation process is less the outcome of strategy but instead resembles more incremental and accidental piece-meal engineering. In this paper when talking of "internationalisation strategy" we refer to the *intended* and deliberately planned strategy which gives the internationalisation process a specific direction. Of course the *intended* strategy and the eventually *realised* strategy hardly ever correspond exactly (Mintzberg 1978, Mintzberg/Waters 1985). Depending on the chosen strategy, internationalisation develops mainly along one or several of the internationalisation dimensions outlined above. In the remaining part of the paper, we use the four-dimensional framework in order to systemize the existing internationalisation strategies found in the literature.

Presence Strategies

Presence strategies focus on the first dimension of internationalisation. Their objective is to achieve international market presence (Colberg 1989). A distinction is made between strategies of *target market selection* and *entry strategies.*

Target Market Selection

Selection strategies include the selection of target markets and the decision on the chronological sequence of market entries. When selecting the markets to be entered, international market research plays an important role. In order to evaluate the attractiveness of a given country, a variety of information needs to be gathered and analysed. The process of target market selection usually consists of several stages which reduce the number of potential country markets step by step (Meffert 1977, Root 1994). In the course of the selection process, different criteria are used. The screening of markets starts with a very general analysis of country factors like economic, cultural, legal and physical conditions, which allow the corporation to arrive at a preliminary selection of attractive countries. In the next step, the size and the potential of the remaining markets need to be investigated. In the third step of the screening process, the target markets have to be chosen by estimating the sales potential for the company's products. Finally, segments have to be identified within the target market. In the course of the screening process, the evaluation of risk plays an important role, too, such that risk analyses have to be conducted before entering a new market (Meissner 1988). Some institutions provide data in order to help the international corporation evaluate risks in different countries. Information services, research institutes and economic magazines have developed indicator models which measure and predict political instabilities (Tümpen 1987). After having analysed the countries in question, the international corporation can decide upon its individual portfolio of countries. However, the procedure proposed in the literature seems to be rather over-academic if confronted with real-life practice. Market entry often follows accidental patterns, which are the result of reactions to inquiries of foreign customers, of imitating competitors, of following customers abroad or of retaliating against foreign competitors who attack the home base. However, this does not mean that internationalisation could not gain from more systematic market selection strategies, which are also useful to assess the already existing portfolio of country activities.

Selection strategies do not only comprise the selection of foreign markets but also the chronological sequence of market entry. At this point, the concept of psychic distance comes into effect. The notion of psychic distance assumes that managers prefer to enter culturally close regions before they gradually proceed to more distant cultures (Johanson/Vahlne 1977). Different cultural distances between countries require different forms of adaptation and transformation. A corporation entering the French market will be more likely to choose other countries of roman origin as a next step in the internationalisation process rather than to proceed to Scandinavian markets.

Entry Strategies

The objective of entry strategies is to diversify the firm's activities into new supply markets, into new product markets or into new geographic markets. For our purposes, only the entry in geographic markets is of interest. Entry strategies aim to overcome barriers to market entry and to achieve a long-lasting presence in the foreign market. Market entry almost always has an offensive character and often leads to an increase in competition in the foreign country because a successful market entry logically results in a loss of market share of other competitors. Even if market entry fails, rivalry amongst competitors increases during such episodes in oligopolistic markets.

Strategies of market entry include two different aspects. On the one hand, *entry mode strategies* determine the mode of starting and extending business activities in the foreign market. On the other hand, *functional strategies* determine the steps to be taken within the functional areas of the corporation.

Entry mode strategies determine how a foreign market is entered and how the position can be extended in the future. They always include a decision about the extent of commitment which is dedicated to a new market. Market commitment in this case means the extent of financial, human capital and time investment made by the corporation. Modes of entry which require no or only little investment include export, licensing and franchising. Joint ventures, in contrast, need more commitment from both parents, depending on the interest held by the partners. The highest commitment is involved when entering a market by establishing a new, wholly owned subsidiary or by acquiring a company. (Meissner/Gerber 1980, Young et al. 1989, Kutschker 1992, Root 1994).

Functional strategies constitute another important part of strategies of market entry which is often underestimated. If the company enters a new market the corporation also needs to devise strategies for the functional areas such as manufacturing, marketing, purchasing, R & D, finance, human resources etc. The international strategies for the functional areas are well documented and explained in the literature. As they are not the focus of our analysis we do not delineate them any further in this contribution.

Selection strategies and entry strategies drive the internationalisation process along the first dimension. Ideally, selection strategies should preceed the conceptualization of entry strategies. However, reality shows that selection strategies are often designed irrespective of specific market entries and vice versa.

Allocation Strategies

The second dimension of internationalisation, the development of value added in foreign countries, is subject to allocation strategies. These strategies reconfigure the matrix formed by the first and second dimension by enlarging, diminishing and moving value activities within or between countries. Allocation strategies are *strategies of localisation and globalisation* as well as *configurational strategies.*

Strategies of Localisation and Globalisation

Our understanding of globalisation and localisation is narrower than that of many other authors. In this paragraph we restrict our view to the discussion of differentiation and standardisation. The issues of configuration and coordination which are often included in the globalisation-localisation debate, are additional strategic dimensions which deserve separate attention.

Contrasting the pros and cons of globalisation and localisation has a long tradition within the field of internationalisation strategy. In the sixties Fayerweather (1969) already pointed out that international activity always takes place between the two extremes of fragmentation on the one hand and unification on the other. Fragmentation arises because host countries require adaptation of products to their standards. Unification is necessary, because the international corporation needs to operate as cost efficiently as possible. On the basis of these conflicting requirements three basic strategies have been developed during recent years: strategies of globalisation, strategies of localisation and mixed strategies. Strategies of globalisation aim at increasing the corporation's efficiency and at achieving cost advantages by standardising products and procedures. The main focus is on optimising the activities on a corporate level, and deliberately accepting suboptimal activities in single countries. Strategies of localisation which can also be called multidomestic strategies try to achieve competitive advantages by adapting the range of products and services to local requirements (Doz 1986, Meffert 1986, Macharzina 1995, Kutschker 1994b). Mixed or multifocal strategies combine elements of differentiation and standardisation. As Bartlett/Ghoshal (1989) have pointed out in their work, three strategic periods can be distinguished in the history of international management. After World War II the predominant orientation was multidomestic, i. e. a localisation strategy was followed by most companies. In the late seventies and early eighties managers discovered the advantages of standardisation and for many years globalisation was regarded as the strategy of the future (Levitt 1983). The latest period is characterised by the insight that neither pure localisation nor pur globalisation is necessary for competing successfully in the marketplace. Instead the challenge consists in finding a balance between localisation and globalisation. Bartlett/Ghoshal (1989) call this a transnational strategy. In our understanding, the art of strategic management consists exactly in trying to find one's way between the two extremes.

Configurational Strategies

The debate on configurational aspects e. g. on the degree of concentration of activities needs to be separated from the globalisation-localisation discussion. Porter (1986) has pointed out the importance of the configuration of activities in the context of internationalisation. Traditional forms of configuration either concentrate activities in few locations or disperse them such that independent subsidiaries can be found in nearly every foreign market. In contrast, innovative concepts of configuration often take the shape of an interdependent network. Within this network, every activity can be concentrated in a different foreign market. The country which is best qualified for fulfilling a specific function or for developing and marketing a specific product serves as a center of competence for the whole corporation. Procter & Gamble, for example, have introduced the so called "lead-country" concept which concentrates responsibility for a specific product in one country, the "lead-country" (Macharzina/Oesterle 1995). Ford has only recently announced a complete reorganisation of its activities which aims at concentrating worldwide responsibility for the five product groups in five R & D-centers. Such a configuration requires a highly integrated network organisation as postulated by Bartlett/Ghoshal (1989).

Obviously, questions concerning the degree of concentration of activities can not be regarded irrespective of the standardisation strategy followed. Generally, strategies of globalisation go along with a concentration of activities whereas strategies of localisation call for dispersed, decentralised operations. However, as Porter has pointed out, high coordination within the corporation can compensate for the disadvantages of dispersed activities and therefore allow the corporation to follow a global strategy without concentrating activities. The importance of coordination will be discussed in the following section.

Strategies of globalisation and localisation as well as configurational strategies can be supported to a varying degree by the strategies of market entry discussed above. If the corporation is not able to develop its own foreign sales base it can try to cooperate with other companies in a joint venture. Also, the functional strategies are closely related to strategies of globalisation and localisation. This becomes most apparent when looking at the product policy which needs to be standardised in the case of globalisation and differentiated in the case of localisation.

The concepts of lead country and centers of competence are not only the result of a specific configuration of physical activities but also of a centralisation and decentralisation of decisions. Insofar, the discussion overlaps with the strategies of coordination.

Coordination Strategies

The internationalisation strategies discussed above mainly concern the configurational matrix formed by the first two dimensions of internationalisation. Now we will direct our attention to the third dimension, the integration of activities. Coordination strategies determine the way in which dispersed activities are integrated within the international corporation. In this section, a distinction is made between the "surface structure" and the "deep structure" of the corporation. The "surface structure" is that part of the organisation which an outside observer can easily reconstruct. Organisational charts, formalized procedures and lines of command are examples for the surface structure (Kirsch 1978, 1992, Probst/Naujoks 1993, Gomez/Müller-Stewens 1994, Bäurle/Schmid 1994, Kutschker 1995). In contrast, the "deep structure" of an organisation refers to those soft factors inside the organisation which only an insider can perceive. Deep structures are represented by values, beliefs, attitudes, facts and contextuating orientations of the individuals inside the corporation and by informal relationships. Among coordination strategies, *strategies of operational flexibility* predominantly influence the surface structure of the corporation whereas *strategies of international orientation* mainly concern the deep structure of the corporation.

Strategies of Operational Flexibility

The discussion on resource dependence of subsidiaries (Prahalad/Doz 1981), on sequential, pooled and reciprocal interdependence (Thompson 1967, Baliga/Jaeger 1984) and on management systems mainly concerns the surface structure of the corporation. From a surface structure perspective, the extent of integration depends on how coordinated the technologies, infrastructures and management systems are. It also depends on how many people within the corporation coordinate their activities with each other and how intensely they do so. Strategies of operational flexibility try to take advantage of the widely dispersed capabilities in the international corporation by better integrating them.

Among strategies of operational flexibility, we distinguish between arbitrage and leverage strategies. *Arbitrage strategies* aim at exploiting comparative advantages like differences in factor costs or factor productivities and turn them into competitive advantages. Examples of arbitrage strategies are shifts of production from one production site to another, due to changes in exchange rates or labor costs. Other arbitrage strategies are global sourcing, financial arbitrage, tax arbitrage and information arbitrage (Kogut 1985 a, 1985 b, 1990, Roxin 1992). The objective of *leverage strategies* is to take advantage of market and negotiating power inherent in a multinational corporation. One example of a leverage strategy is cross-subsidizing which occurs when the international corporation supports non-profitable activities in one country with profits gained in other countries. Possibilities of leveraging give the international corporation an advantage over competitors who are operating on a national scale only.

For arbitrage and leverage effects to be achieved, some prerequisites have to be met. The international corporation needs to have the appropriate management systems, organisational structures and management qualification. Therefore, strategies of operational flexibility often require some ex ante investment into the infrastructure of the corporation. Cross border coordination of logistics requires compatible interfaces. Financial arbitrage demands for appropriate information technology and education of the employees involved. This makes clear that strategies of operational flexibility mainly concern the integration of the "surface structure" of the international corporation.

Strategies of International Orientation

Strategies of international orientation give the internationalisation process a preferred direction by influencing the deep structure of the corporation. As we have outlined above the deep structure consists of the invisible "inside" of the corporation and comprises values, beliefs, attitudes, facts and contextuating orientations of the members of an organisation. Due to the fact that the international subsidiaries of international corporations are embedded in different countries and therefore also in different cultural environments, it is obvious that the deep structure of international corporations tends to be more heterogeneous than the deep structure of a national corporation. If we suppose that the coordination of people is easier if they share the same values, beliefs etc. then homogeneous deep structures would facilitate coordination. If we further suppose that strong coordination is desirable for the internationalisation process then it becomes clear that manipulating the deep structure of the corporation can be an effective strategic instrument for promoting internationalisation. It is questionable, though, whether the deliberate homogenization of local subcultures would lead exclusively to positive effects. Also, dysfunctional effects can be expected (Kutschker 1995).

When Perlmutter differentiates three and later four types of international orientation in international corporations he implicitly refers to the type of deep structure prevalent in the corporation (Perlmutter 1969, Heenan/Perlmutter 1979). According to Perlmutter, an ethnocentric orientation rests on the conviction that procedures and products which are successful in the domestic market can be transferred to the foreign markets without modification. The parent company imposes its perspectives and its culture on the subsidiaries. In contrast, the polycentric orientation tries to do justice to the differences among foreign markets thus promoting and strengthening local competences. Subsidiaries are given an utmost degree of autonomy. Finally, a geocentric orientation is characterized by a global, integrating perspective, which aims at balancing the interests of parent- and daughter companies to an overall optimum for the international corporation. Whereas the ethnocentric orientation basically neglects heterogeneity and forcefully tries to homogenize the deep structure the polycentric and geocentric orientation not only accept but also encourage it.

Though accepting and encouraging a certain degree of heterogeneity it can be helpful for the coordination process if at least a minimum of consensus, a minimum of shared values in the corporation and therefore a minimum of homogeneity of deep structures could be achieved. Means of influencing the deep structure are for example a specific recruting policy, institutionalized meetings and exchanges between subsidiaries and headquarters or worldwide training sessions. Due to the strong inertia of deep structures any measure taken in order to alter them has political, long-term and strategic character.

Internationalisation of the deep structures within the corporation might support the strategies of operational flexibility and vice versa. The deep structure enables the corporation to create surface structures, which are appropriate for successfully interpreting strategic situations which the corporation is facing. Research to international corporations is far from making normative statements on how the deep structures should look like. It is open to future research to show how an international corporation can handle its multiculturality, i.e. the heterogeneity of national and entrepreneurial subcultures "melted" in the corporation.

Dynamic Internationalisation Strategy

Until now, internationalisation strategy has been described and explained by the three dimensions (1) number and geographic-cultural distance of countries, (2) value added and (3) integration. The fourth dimension – time – has not been addressed yet. However, only this fourth dimension makes it possible to consider four phenomena which are of crucial importance to internationalisation strategy:

timing, duration, chronological sequence and velocity of different internationalisation moves.

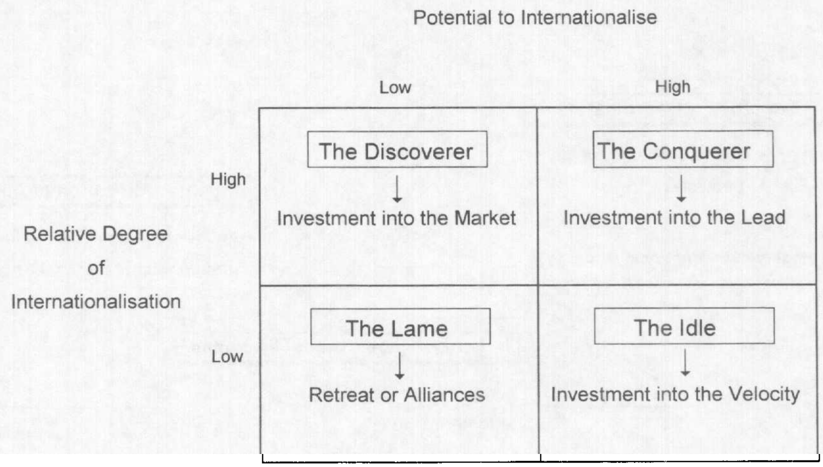
Strategies which explicitly take time aspects into account can be regarded as "dynamic strategies" (Kutschker 1994b). The chronological order of activities and the velocity of internationalisation is determined by several internal and external factors. On the internal side, the resources of the corporation and its potential to internationalise restrict the array of options. This emphasis on the individual resources of the corporation has its origin in the resource based approach to strategic management (e.g. Penrose 1959, Wernerfelt 1984, 1989, Prahalad/Hamel 1990, Grant 1991, Mahoney/Pandian 1992, Peteraf 1993).[4] External factors, on the other side, demand for certain moves to be made within a certain time in order to avoid competitive disadvantages. In order to determine the appropriate time, duration and velocity for strategic action it is necessary to compare the own degree and velocity of internationalisation to the competitors. As international corporations often compete in oligopolistic markets they are mutually interdependent such that the behavior of one player strongly influences the performance of the other players (Kindleberger 1969, Knickerbocker 1973, Flowers 1975, 1976, Graham 1975). Depending on the corporation's relative degree and velocity of internationalisation, the necessity to rapidly internationalise differs. If the corporation in question is ahead of the competitors there is no need to rush internationalisation. In contrast, if the corporation stays behind the internationalisation within the industry, it needs to internationalise faster in order to catch up with the others.

Time and resource restrictions shed new light on the strategies of market entry discussed above. Rapid internationalisation is best achieved by following cooperation or acquisition strategies. In contrast, the strategy of establishing subsidiaries takes more time and therefore is appropriate only in situations which do not require immediate action. If resources are scarce, cooperation strategies and extension of existing subsidiaries are more appropriate than acquisitions.

The "potential to internationalise" and the "relative degree of internationalisation" form the two dimensions of the matrix depicted in Figure 3. Four internationalisation situations are distinguished which go along with a specific type of international corporations and with specific internationalisation strategies.

The situation of the "discoverer" is characterised by a high relative degree of internationalisation and a low potential to internationalise. There is no need for the discoverer to rush internationalisation. As resources are scarce, the strategies recommended are investment into existing subsidiaries and selective establishment of new ones. The "conquerer" has both a high relative degree of internationalisation and a high potential to internationalise. For him it makes sense to invest into his lead by selectively acquiring competitors or establishing new subsidiaries. The "lame" and the "idle" lag behind their competitors. Their relative degree of internationalisation is low. The "idle" has the potential to invest into the ve-

Figure 3. Dynamic Internationalisation Strategy

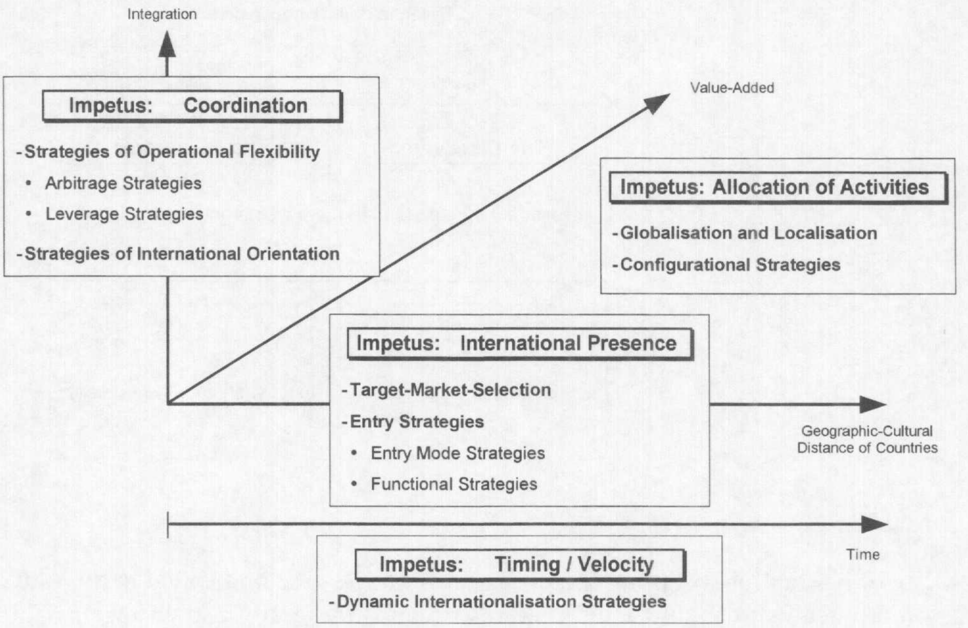


locity of internationalisation. Therefore, the strategies recommended in this situation are acquisitions and joint ventures because these are fast strategies. The "lame" does not even have the potential to internationalise and therefore needs to cooperate with others or to leave the market (Kutschker 1994b).

How the above strategies fit into the four-dimensional concept is summarized in Figure 4.

The classification shows that most of the internationalisation strategies discussed in the literature focus on one important aspect of internationalisation. However, in order to understand internationalisation processes and the strategy which leads them it is not sufficient to resort to one single generic strategy. Instead, internationalisation is a complex, multidimensional construct which comprises elements of different strategies at a time. Therefore the actual internationalisation process seldom follows only one of the dimensions but several dimensions simultaneously. Nevertheless, one dimension can dominate the process for a certain period. In early phases of internationalisation, typically the strategy aims at developing the first and second dimension whereas in late phases the third dimension becomes more important. The history of General Electric's internationalisation provides an interesting example. In the seventies, under its CEO Jones, General Electric internationalised mainly along the first and second dimension by entering new markets and extending activities in old markets. In contrast, when Welch became CEO, he deliberately reduced the first two dimensions in favour of better integrating the corporation. Finally, dynamic strategies are most relevant in highly competitive environments when timing plays a key role in the internationalisation process.

Figure 4. Internationalisation Strategies in the Four-dimensional Framework



Discussion and Conclusion

Any conceptual framework reduces reality to a simplified picture and therefore "violates" complexity in one way or the other. This is, on the one hand, desirable because human information capacity is limited and simplifications can help to structure reality and to highlight the most important aspects. On the other hand, simplifications always go along with a loss of information. This is also the case with our four-dimensional model. Though being more complex than many other models it still leaves several important aspects aside. Some limitations of the model have already been mentioned above. In addition, the following differentiations have to be made:

(1) Almost every strategy discussed above not only touches on just one dimension but on several dimensions. Strategies of market entry mode, for example, do not only drive internationalisation along the country dimension but also include elements of the value added and integration dimension. The same is true of globalisation and localisation strategies which, strictly speaking cannot be reduced to configuration. In addition, as indicated above, the single internationalisation strategies are not independent of each other. Instead, instrumental and time rela-

tions exist. Also, the strategies resort to the same resources and therefore require coordination. Nevertheless, by classifying them we tried to catch their basic spirit.
(2) The second dimension of the model – "value added" – has been developed primarily for firms operating in the industrial sector. The question of how this dimension should be adapted when the model is applied to service companies is subject to further research.
(3) A further differentiation has to be made concerning the level of analysis to which our reasoning applies. Both the four-dimensional framework developed above and the internationalisation strategies classified can be applied both to the whole corporation as well as to the strategic business unit (SBU) or other subunits of the corporation. When looking at small one-business firms, this distinction is not so important. But when analyzing diversified multinational corporations (DMNC) it makes sense to shift the focus to the SBUs because these can vary extremely not only in their degree of internationalisation but also in the internationalisation strategy they follow. In this case, the international fingerprint has to be taken not only for the whole corporation but for the single SBUs, "planned evolution" and "international episodes" do not only occur at the corporate level but also at the SBU level, and internationalisation strategies are formulated not only for the whole corporation but separately for the SBUs. In any case it can be supposed that a general strategic guideline exists at the corporate level which serves as an orientation or – as an umbrella – for the different SBU strategies. If the CEO decides that the whole corporation should expand to Asia, this decision is relevant for all of the SBUs. Also, if the general corporate strategy is to internationalise preferrably by fast acquisitions and less by establishing own subsidiaries, this serves as a guideline for the whole company. The more the different internationalisation strategies of the SBUs are coordinated on a corporate level and the more they fit into the overall corporate strategy of the firm the more they can be regarded as part of the "conceptual comprehensive view" (Kirsch 1984) which directs the long-term evolution of the corporation. Though all of the internationalisation strategies can apply either to the SBU or to the corporate level certainly some coordination strategies are more effective on a corporate level.

Naturally, one can think of many other differentiations which could be made in order to finetune the four-dimensional model and the classification of internationalisation strategies. However, any further differentiation would complicate the model too much, thus undermining our initial intention of reducing complexity. It was our objective to help managers and scientists alike to better understand the nature of internationality, internationalisation strategies and internationalisation processes. Internationalisation is a multifacetted, dynamic phenomenon which varies from subunit to subunit and which can only be controlled by managers to a certain degree. If managers keep that in mind, there is a chance that the quality of internationalisation decisions will improve.

Notes

1 The authors thankfully acknowledge the suggestions and comments they received from two anonymous reviewers of MIR.

2 Geringer/Beamish/daCosta (1989) found in a study of 200 MNCs that internationalisation has a positive impact on ROS until a threshold is reached where a higher degree of internationalisation leads to a reduction of ROS. However, the measure they use for the degree of internationalisation (ratio of foreign subsidiaries' sales to total worldwide sales) depicts only part of our understanding of internationality.

3 Aharoni (1966) identified several of such "initiating forces" in his seminal work.

4 Also, the "Design-School" has put emphasis on the individual resources of the firm. See Mintzberg 1990.

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