THEORIES IN IB RESEARCH

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Key Contents

- Why need to know theory/ies?
- Identifying Theories in IB
- Use Theories in Research
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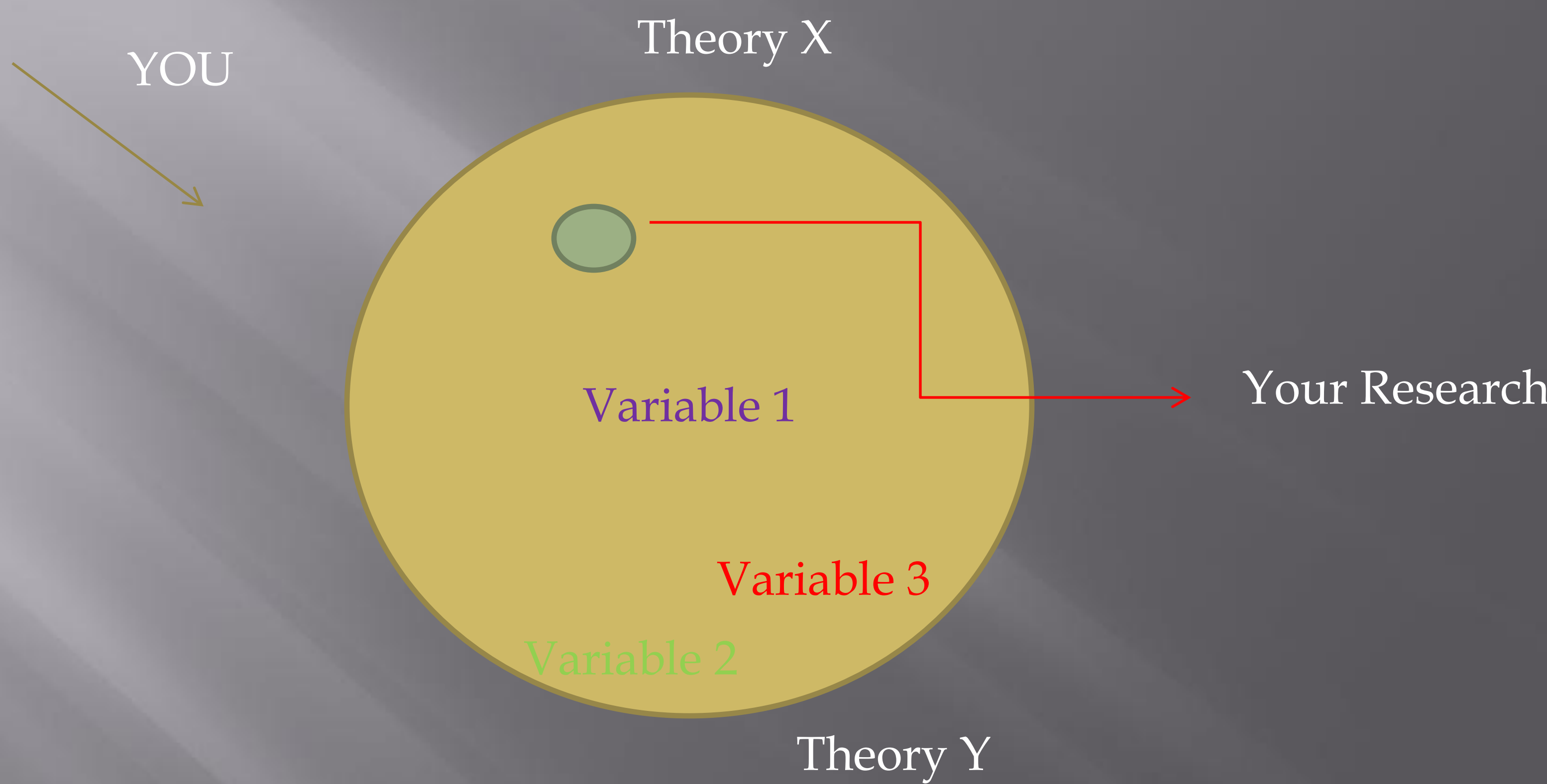
Why need to know theory/ies?

- To demonstrate that the candidates have read wide extent literature ~ an indicator for maturity in reading & synthesizing
- Theories explain the/any phenomenon in a bigger picture, unless it is totally EXPLORATORY phenomenon which warrants an exploratory study

Birds Eye View



Identifying Theories in IB

Theory	Functional ba (s)	Key issues explained	Examples
International product cycle	Economics and marketing	FD! and trado flows; impact of technology on IB; importance of market conditions	Vernon (1066) Wells (1972) Vernon (1979)
Monopolistic competition	Economics	Reasons for TNC competitiveness and strategies	Hymer (1960) Caves (1971) Kindleberger (1969) Grosse (1985)
Internalization	Economics	Company expansion, including across national borders	Buckley and Casson (1976) Rug man (1981)
Transaction costs	Economics	Structure and functioning of corporate hierarchies	Teece (1976, (1986) Hennart (1982) Casson (1983)
Competitive advantages	Business strategy	Reasons for the ability of TNCs to compete; industry competitiveness	Caves (1971) Kogut (1986) Ghoshal (1987) Porter (1990)
Eclectic theory	Economics	Same as items 3 and 5 combined	Dunning (1977) Dunning (1988)
National market arbitrage	Finance	National market segmentation; direction of FDI flows; international banking activities	Aliber (1970)
Bargaining theory	Political science; business strategy fir ms and Governments	Dealings with Governments of home and host countries; distribution of costs and benefits between firms and Governments	Vernon (1971) Moran (1974, 1985) Gladwin and Walter (1980) Fayerweather (1969) Robinson (1964)

Link Firm Capabilities to Internationalization

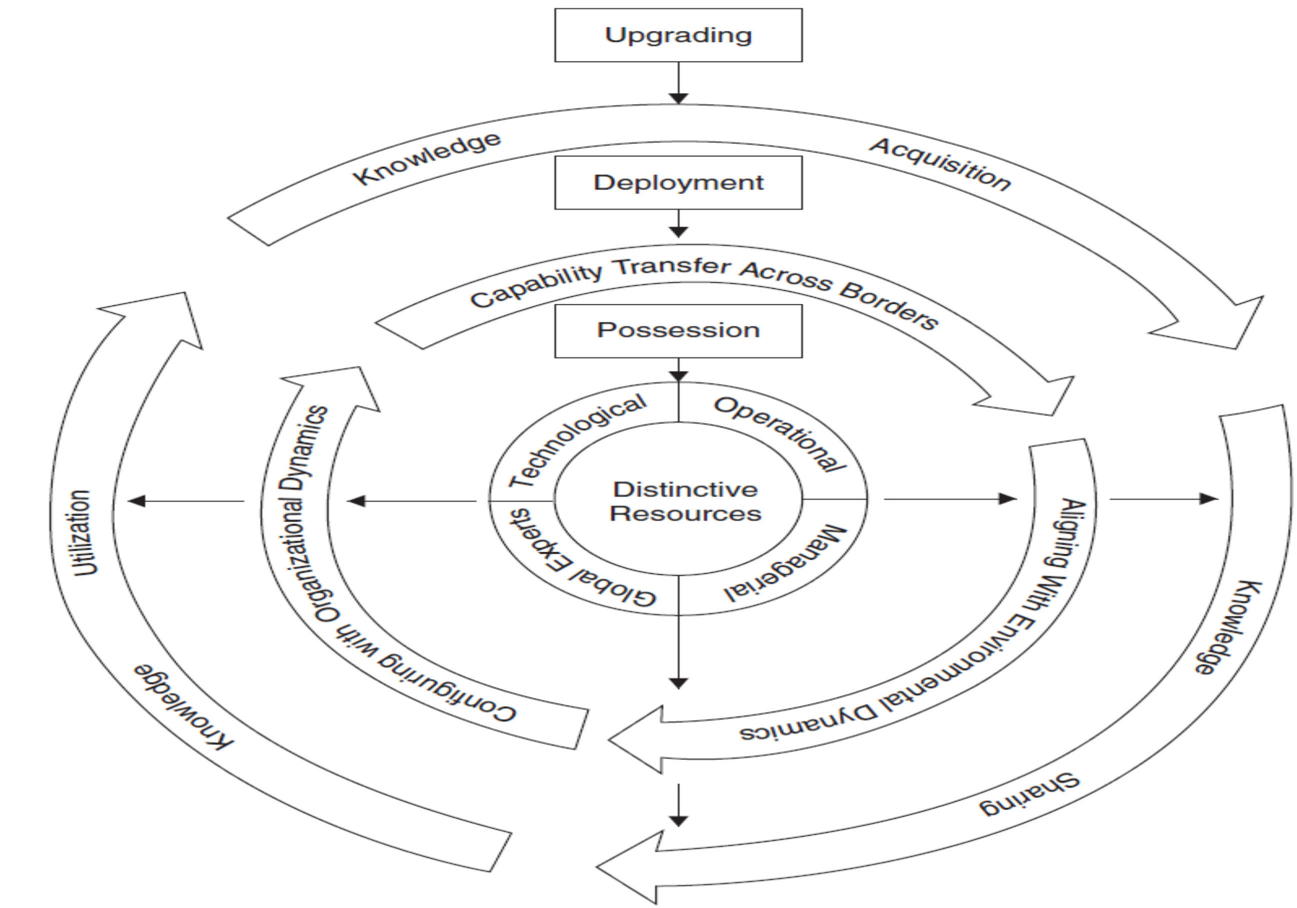
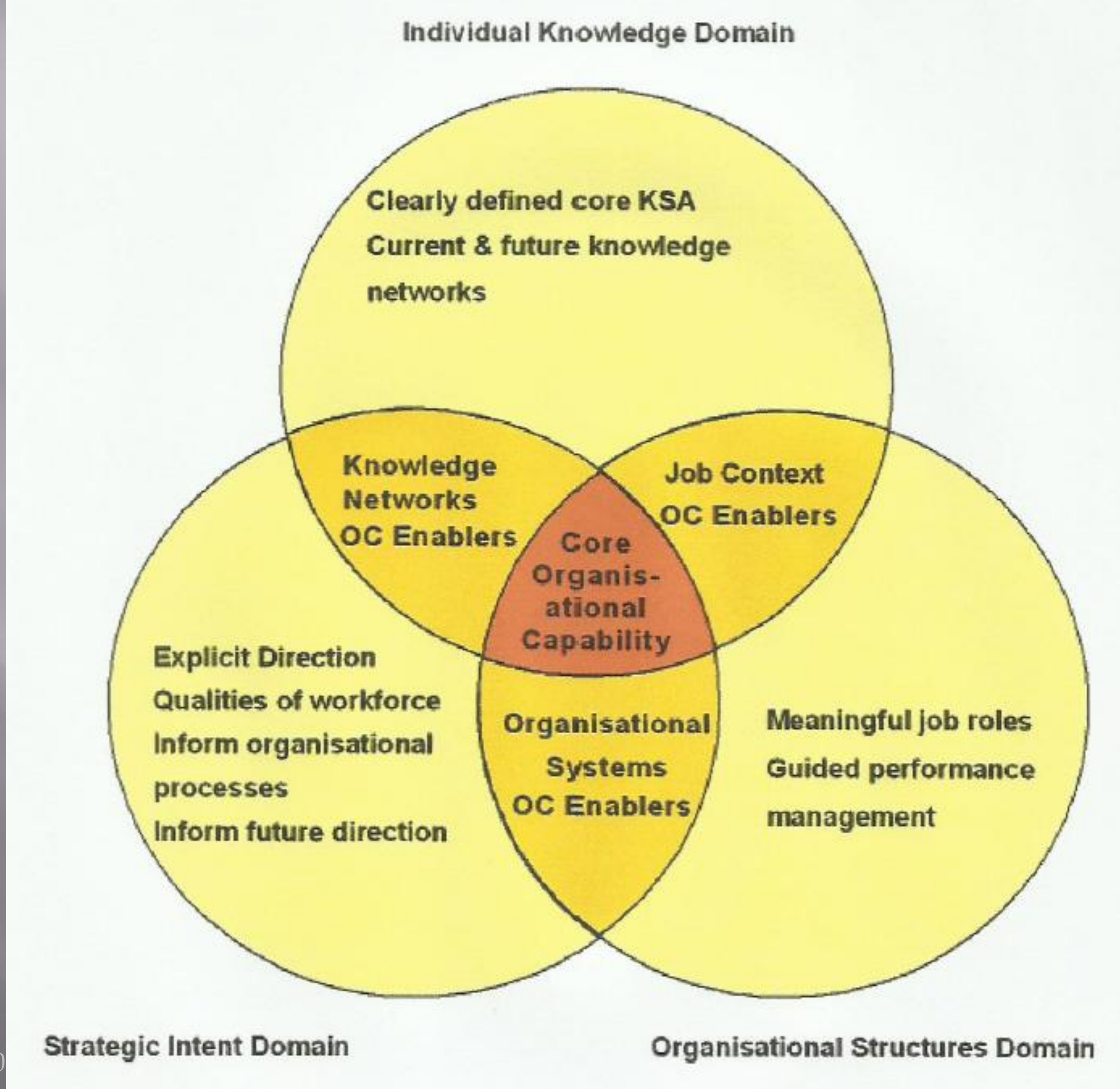


Figure 4.2 *Dynamic capabilities in international expansion: An integrated model.*
(Adapted from Luo (2000))

Figure 3.6: Model of Organisational Capability



Theories of internationalization

- The Uppsala internationalization model
- The I model
- The transaction cost analysis (TCA) model
- The network model
- Peng Y model
- Born globals

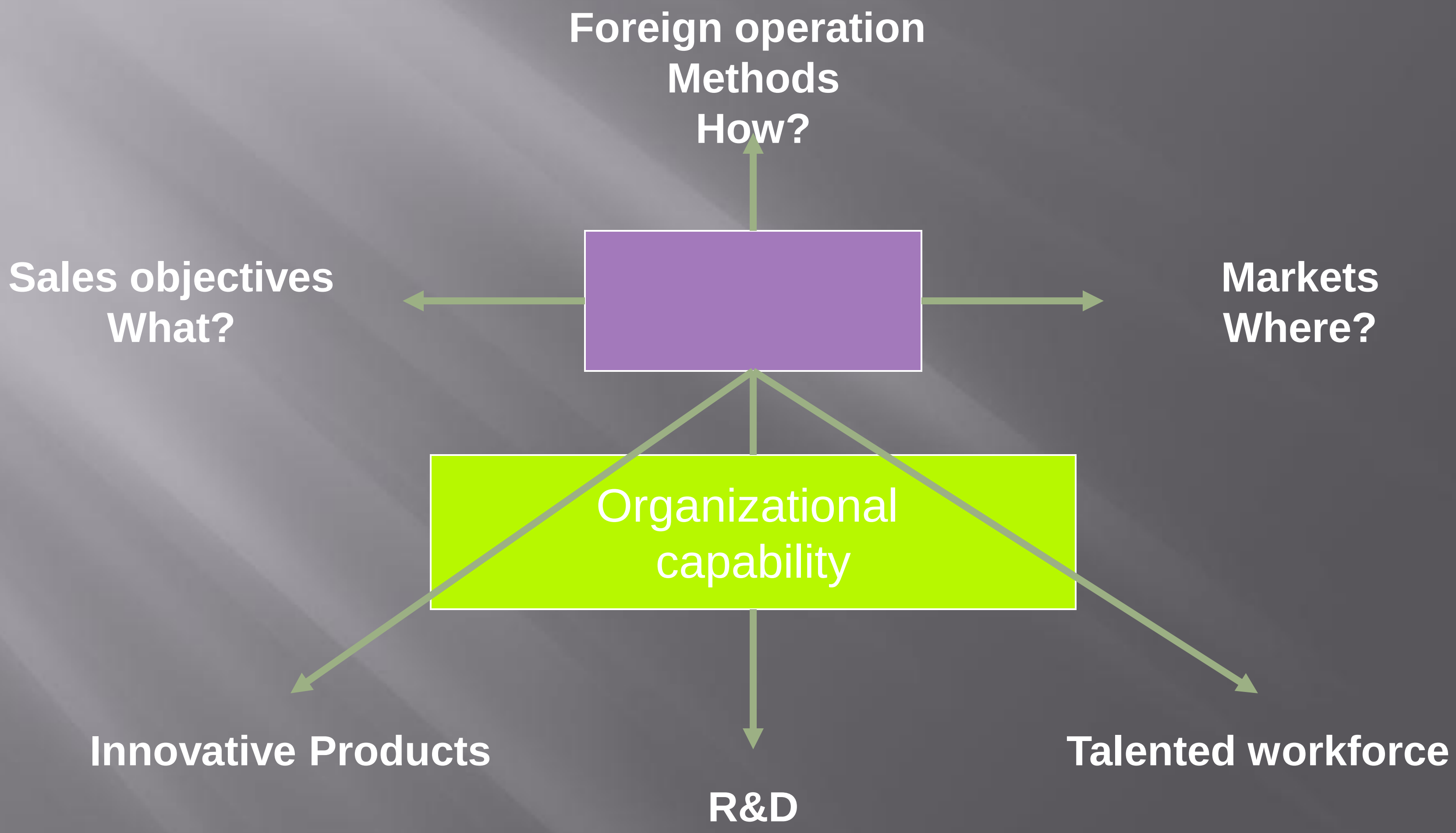
U Model

Table 5.1 *Stages of internationalization*

Stage	Description
Stage 1: Domestic marketing	The firm is only interested in the domestic market and does not export at all. The firm is not interested or willing to experiment with exporting—it is too busy doing other things, or it is not capable of handling an export order. The export/sales ratio is 0.
Stage 2:Preexport	The firm searches for information and evaluates the feasibility of exporting activities. However, basic information about costs, exchange risks, distribution, etc. is still lacking. The export/sales ratio is at or near 0.
Stage3:Experimental involvement	The firm starts exporting on a small basis. Physical and cultural distances are limited. The involvement of an experimental exporter is usually marginal and intermittent. The export/sales ratio varies from 0 to 9 percent.
Stage 4:Active Involvement	There is a systematic effort to increase sales through export to multiple countries. A suitable organizational structure is in place to support these activities. The export/sales ratio varies from 10 to 39 percent.
Stage 5: Committed involvement	The firm depends heavily on foreign markets. Managers are continuously faced with choices for the allocation of limited resources to either domestic or foreign markets. Many firms are engaged in licensing arrangements or direct investments. The export/sales ratio is 40 percent or more.

Internationalization as a strategic choice

Development of the I-model



Transaction cost analysis (TCA) model

- Firm will tend to expand until the cost of organising an extra transaction within the firm will become equal to the cost of carrying out the same transaction by means of an exchange on the open market
- Cost minimisation explains structural decisions
- Firms internalise (vertically integrate) to reduce transaction costs

Peng Y Model of Internationalization

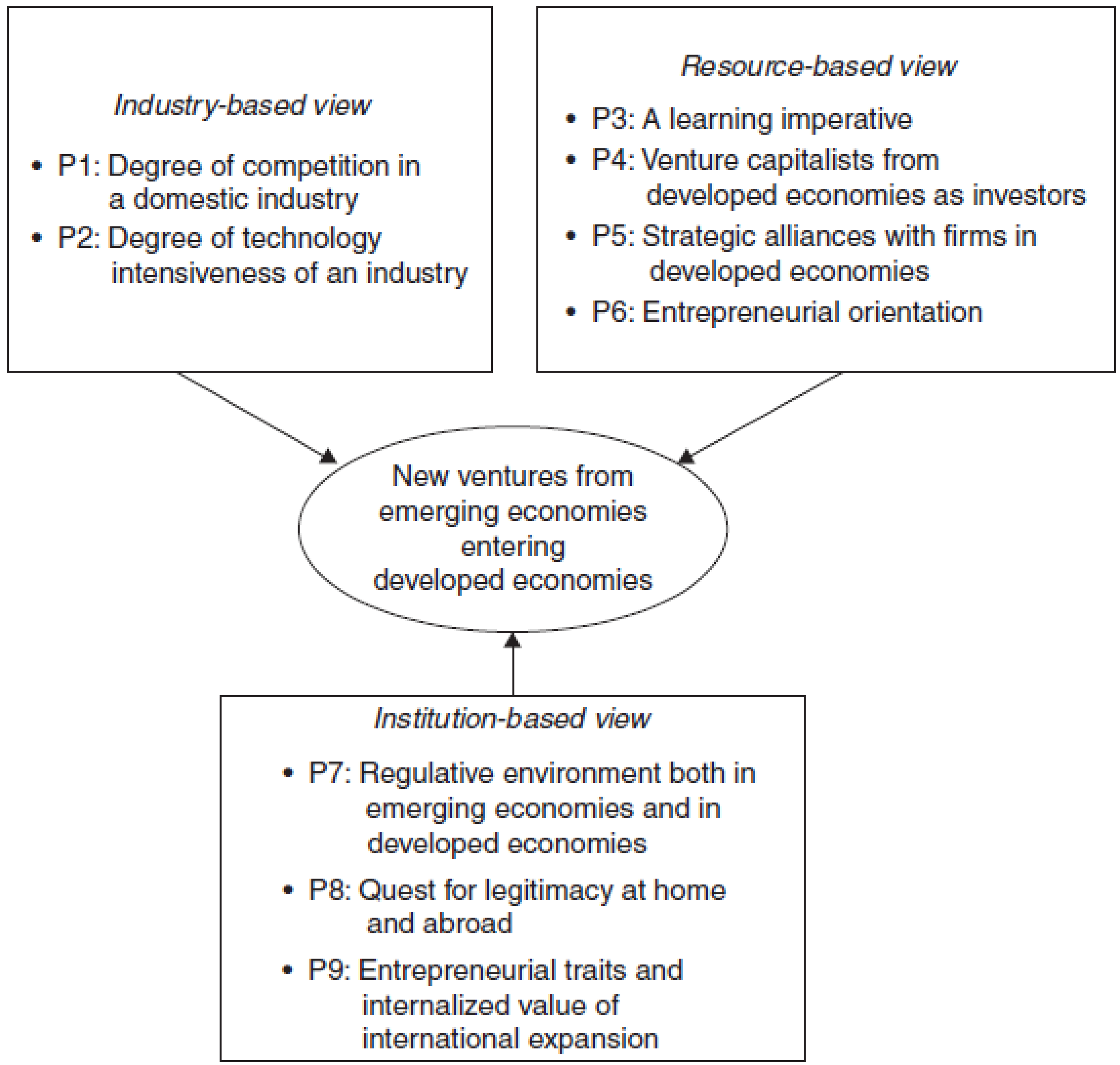


Figure 5.2 *Three perspectives of Peng Y model of internationalization*

Source: Adapted from Yamakawa, Peng, & Deeds (2008)

Conclusion

Q &A