LITERATURE REVIEWS

Internationalization is the most energetic and enthusiastic term for the enterprises as it take them to the global market. This term is been studied by various researchers at different levels. Various authors have defined as an important and need of the hour strategy for the enterprises. Specially in developing countries, because of the forces of globalization, nations are embracing small enterprises as a medium for social and economic development (Fletcher, 2004) and many other authors have noticed an upsurge in international activity around the world (Malhotra et al., 2003), where many small enterprises are globalizing at an earlier age in comparison to previous decades (Andersson et al., 2004). In fact, SMEs substantially contribute to country’s exports around the world (Fletcher, 2004) and their contribution is increasing with the use of internationalization strategy.

As per the World Trade Organization (WTO), the peak in international activities is attributed to the dynamic growth of global trade in 2006 (2007). In fact OECD (2004) highlighted problems facing MSMEs in internationalization process, and barriers that MSMEs face due to competition policy, legislative and regulatory frameworks, telecommunications infrastructure, research and education policy which all either contribute towards MSMEs preparedness or lack of preparedness thereof for globalization.

According to Dr M H Bala Subrahmanya, Subhash V Kasturi (2011), If India”s SME internationalization has to become a success story, it is imperative for India to become one of the
top exporters of, at least, medium-tech products in the near future. If this has to happen, it is essential to give thrust for the ongoing shift from traditional to non-traditional items and further from low-tech to medium-tech products. This policy thrust can be given in the following ways:

(i) Provide up-to-date export market information and export support at regional levels

(ii) Encourage high-tech start-ups with Venture Capital (VC) support.

(iii) Promote technological competitiveness

However, globalization has offered new opportunities to Indian SSI much more than before and there were clear indications that the sector in fact has been taking advantage of it, particularly in the international market. Indian SSI sector has grown more towards the international market than towards the domestic market in the globalization era (Bala Subrahmanya, 2007). A significant development within the broad internationalization trend has been the increasingly active role played by SMEs in international markets (Oviatt and McDougall, 1999).

Internationalization process theory (Johanson and Vahlne 1977; 1990) builds upon the incremental process of a firm’s experiential learning in foreign markets to explain incremental accumulation of commitment to foreign markets. Despite its intuitive elegance and enduring prominence in the international business literature, this knowledge-based process theory – or so-called Uppsala Model – has been challenged theoretically as well as empirically. While the Uppsala Model proposes a direct and non-moderated relationship between experiential knowledge and market commitment, variation in the accumulation of commitment seems insufficiently explained by the variation in the accumulation of knowledge, as if structural explanatory factors are missing (e.g., Andersen 1993; Pedersen and Petersen 1998).
International business literature remains frustrated by the fact that the internationalization process theory does not (aim to) explain internationalization progression in the short run. Indeed, a significant number of case studies has reported on episodes of internationalization that clearly do not reflect a linear and direct relationship between experiential learning and accumulating market commitment. For instance, observed internationalization processes that leapfrog in the expected sequence of entry strategies (e.g., from indirect export to foreign direct investment) may illustrate accelerating accumulation of commitment that outpaces the accumulation of experiential knowledge (e.g., Hedlund and Kverneland 1985). More recently, empirical work on de-internationalization and withdrawal from foreign markets has shown a temporal inverse relation between experiential learning and accumulating market commitment (e.g., Benito and Welch 1997; Matthyssens and Pauwels 2000). These observations point at substantial flexibility during the internationalization process, apparently not acknowledged for in the original Uppsala Model. Internationalization process theory has to be amended in order to embed these short-term fluctuations.

In this respect, empirical findings so far as well as critical conceptual papers (e.g., Turnbull 1987; Andersen 1993; Björkman and Forsgren 2000) have motivated scholars to upgrade the theory’s explanatory power. Apart from the search for an alternative or complementary explanatory logic (e.g., the resource based view in Andersen and Kheam 1998 or industrial network theory in Coviello and Martin 1999), scholars have followed two routes to deal with this challenge. A first and dominant route focuses on the market knowledge construct and the underlying learning process (e.g., Eriksson, Johanson, Majkgård and Sharma 1997; 2000b; Forsgren 2002; Blomstermo and Sharma 2003). A second and less-developed route centers upon the theory’s other construct – market commitment (Hadjikhani 1997; Pauwels et al. 2003).
We offer a third route, which builds upon the two aforementioned routes. The current paper aims to upgrade the dynamic logic and flexibility of internationalization process theory by integrating the theoretical progress made on market knowledge, market commitment and learning in the context of internationalization. Building upon a multiple case study of 20 internationalization episodes, we develop a scenario-analysis, which explicates longitudinal interaction effects between market knowledge and market commitment. Eventually, a typology of six scenarios is identified. The emerging perspective on these interaction effects as well as the six scenarios hold potential to enhance the explanatory power of internationalization process theory significantly.