
Internationalisation of the firm theories: a schematic synthesis

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Abstract: This article carries out an integrative analysis of internationalisation theories. The most important contributions to the literature on internationalisation theories are used to create a schematic table giving a framework overview. This approach shows the high-level interaction of the literature, covering all internationalisation theories, their focus and basic assumptions, while at the same time showing their historical timeline. We identify the main schools of thought – ranging from economics based to integrative models – using an analysis that begins in the 18th century and ends in the 21st century with the most recent trends in internationalisation theories. This schematic and integrative analysis aims to support the academic community in their research on business internationalisation.

Keywords: internationalisation; theories; schematic analysis; integrative analysis.

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1 Introduction

Today, the international environment is more complex than ever, as small and medium-sized firms (SMEs) as well as multinationals (MNEs) adopt many forms of internationalisation strategies aimed at serving global markets, rapidly deploying new products across several countries or adapting their brand names to global/multi-domestic environments. Although this is not new, 'internationalisation' has been reflected in the literature through a variety of frameworks, theories and basic assumptions that have been changing over time (e.g., Andersson, 2000; Melin, 1992; Dana et al., 1999a; Bell et al., 2004; Moreira, 2009; Bayfield et al., 2009; Ietto-Gillies, 2012).

It is not only globalisation of business activity that has evolved over time – scholars' interpretations have also changed (Dunning, 1994, 1997, 1998; Fletcher, 2001; Bell et al., 2001; Moreira, 2009) as firms adopt complex forms of internationalisation and organisation (Czinkota et al., 2008; Whitelock, 2002).

International competition – encompassing multiple countries and markets – has encouraged broad debate and given great impetus to the study of SME internationalisation.

Several models have been proposed explaining how SMEs compete internationally, or how MNEs compete in multiple countries. Clearly, several theories have been put forward to explain how firms internationalise, reflecting different approaches entering foreign markets (Whitelock, 2002; Ietto-Gillies, 2012; Czinkota et al., 2008). All theories, however, conceptualise key information about how firms enter international markets, trying to explain the main factors that affect the internationalisation path. For example, neo-classical and macroeconomic models have focused on the country-level

perspective and how it affected international business (Moreira, 2009). However, over time, the research focus has changed from a country perspective to a microeconomic perspective, which has now turned more towards the firm-based perspective (e.g., Fletcher, 2001; Bell et al., 2004).

The literature on business internationalisation is vast and is somewhat fragmented and dispersed. There is clearly a need to summarise the models which use SMEs as the unit of analysis, explaining how firms behave in their internationalisation process, distinct from the macroeconomic and neo-classical perspective. As such, the aim of this article is to interconnect the ontological perspective of the main strands of the literature on internationalisation (economic viewpoint; behavioural viewpoint; ecological viewpoint; new internationalisation; integrative models) with the internationalisation theories and the main constructs.

Building on previous work (e.g., Dana et al., 1999a; Geursen and Dana, 2001; Törnroos, 2002; Moreira, 2009; Fletcher, 2001), this article provides a review of the internationalisation theories (albeit mainly focused on SMEs) and presents an integrative analysis in an attempt to identify which theories have been most influential. As Törnroos (2002) acknowledges, an integrative analysis needs some refinement. As such, our goal is to develop a schematic analysis reflecting the different schools of thought, running from the economics based perspective to the integrative models. This is an analysis that begins in the 18th century and ends in the 21st century with the latest trends in internationalisation theories.

This conceptual article outlines an important area of the international business literature summarising the development of internationalisation theories. It is organised as follows. Following the introduction, the second section offers a brief overview of the internationalisation theories, focusing on the Uppsala model, the eclectic paradigm, network theory and the born-global firms. The third section follows with a summary and analysis of the main characteristics of the internationalisation theories integrated into a single framework which provides a consistent overview of the internationalisation theories. The fourth section presents the main conclusions.

2 The four conventional theories of internationalisation

2.1 The Uppsala model

Most researchers analyse internationalisation as a process which takes place over time. This approach has been enriched by several models (Prange and Verdier, 2011), having a considerable impact on the field of international marketing (Moen and Servais, 2002). The intensive study in this area led to two similar research lines emerging in Europe and US: the Uppsala model (from the Nordic school) (Johanson and Vahlne, 1977) and the innovation-related internationalisation models (Cavusgil, 1980). Both research streams, referred to as 'stages models', define the internationalisation process as an incremental process with several stages (i.e., the firms become international as the result of a slow and incremental process, due to their lack of knowledge of foreign markets, high risk aversion, and high perceived uncertainty). The Uppsala theory stands out as the most prominent model in the literature (Prange and Verdier, 2011).

However, while the Uppsala model analyses the internationalisation process as a lengthy organisational learning process, the innovation-related internationalisation

models analyse the process as an innovative way of acting and the adoption of new approaches to business (Madsen and Servais, 1997).

The gradualistic ('stages model') theory builds on two central articles by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), later revised by Johanson and Vahlne (1990, 2009) and Vahlne and Nordström (1993). Since the first article published in the 1970s, the literature on the internationalisation process has been consistently growing (Welch and Paavilainen-Mäntymäki, 2014).

The Uppsala model has played an important role in research on internationalisation of the firm, added to with many contributions to the knowledge of internationalisation process of firms from the Nordic school (Ahokangas, 1998; Bjorkman and Forsgren, 2000; Catherine and Matthyssens, 2001). However, this school of thought has been criticised (Hadjikhani, 1997), mainly due to its focus being restricted to risk aversion as a source of incremental steps in the internationalisation process. Although it is one of the most cited studies in the history of international management, the relationship between the main constructs has received insufficient empirical attention. Previous studies often used indirect empirical verification, where the components and mechanisms of the process were not directly tested (Papadopoulos and Martin, 2010).

Some researchers argue that this and other related models are static, since they do not explain or predict the dynamic patterns of the internationalisation process of the firms (Oviatt and McDougall, 1999). On the other hand, these models do not explain how and when the processes of internationalisation starts, as they just focus on what drives the activities of a firm in an internationalisation process already underway (Leonidou and Katsikeas, 1996). Further, most SMEs do not develop into larger firms; therefore the stages models have limited explanation power for these firms (Moen and Servais, 2002).

The Uppsala model is based on the assumption that firms do not try to find international opportunities. Rather, they are available to export when they receive the first foreign request (Autio and Sapienza, 2000). Hence, the Uppsala model does not explain the use of any entry mode in a foreign country. Following the publication of this model, researchers have suggested that a large number of firms use entry modes which do not fit with the theory based on the internationalisation process (Andersen, 1997).

Although the incremental model of Johanson and Wiedersheim-Paul (1975) focuses on four case studies, it has been tested by several researchers through several empirical studies throughout the world, providing support for the assertion that firms internationalise according to the 'rings in the water' principle. The model shows how achievement is phased, based on the gradual build-up of market knowledge, reducing uncertainty and risk over time of the geographic markets, market entry and product policies (Madsen and Servais, 1997). Firms choose the markets sequentially according to their perceived proximity, (i.e., with a low degree of psychic distance) (Child et al., 2009), which helps to control the high risks of internationalisation and build experiential knowledge as a basis for entry into other markets (Etemad, 2004).

Some researchers have identified the 'stages model' as a deterministic orientation of limited value (e.g., Reid, 1983). After a theoretical review, Andersen (1993) concluded that the theoretical boundaries of the model, the ability to explain the phenomenon and the implementation of internationalisation needs to be further researched over a longitudinal line, looking at explanatory power, and congruence between the theoretical and operational level.

Forsgren (2002) criticised the behavioural models of the internationalisation process, such as the Uppsala model, where knowledge and learning have a profound impact on

how the firm accesses foreign markets. Although since it was first introduced this model has been used by many researchers, its focus has been limited to the knowledge of the firm's internationalisation process. However, knowledge is a crucial concept in the model, as it affects the prediction of the behaviour of the firm when internationalising. Moreover, a basic conclusion from several studies on entry into foreign markets centres on the lack of knowledge and experience (that is only acquired through current operations abroad). As it is, this is critical to the development of international operations (Hedlund and Kverneland, 1985). Hadjikhani (1997) gives the commitment concept an intangible measure, which is connected to the concept of psychic distance in the internationalisation model.

Process-based internationalisation theory has been examined by several researchers, mainly addressing its suitability in explaining the early stages of SME internationalisation (Welch and Luostarinen, 1988). This theory, which is a crucial milestone in international business research, has since been revised by Johanson and Vahlne (2003), who proposed an integrative model (drawing on the network model and model-based process).

As the process-based internationalisation model is often interpreted as a risk reduction model, Johanson and Vahlne (2006) articulated a relationship between opportunity and commitment, arguing that this relationship has not been given enough attention in previous research (in the original model opportunity development is an important outcome of commitment).

Johanson and Vahlne (2009) viewed the development of international business as resulting from network-based and web relationships (unlike the neoclassical market with many independent suppliers and customers). Here, the focus is on uncertainty, which is intrinsic to the network reality and more relevant than the physical distance to foreign markets. They reviewed the model, aggregating 'trust building' and 'knowledge creation' to the 'change mechanisms' of the model, advocating that new knowledge is a direct product of the relationships formed.

Based on the Uppsala model, the work of Johanson et al. (2011) developed the risk management perspective and its implication for the analysis of the firms' internationalisation stages. They showed that, during the internationalisation process, the level of risk changes as a result of uncertainty changes and the level of commitment.

In short, we can say that in the Uppsala stages model of internationalisation, the firm gradually increases its international participation (information and experience). The model basically contemplates the following stages:

- 1 no regular export activities
- 2 export via independent representatives (agents or distributors)
- 3 establishment of a foreign sales subsidiary
- 4 establishment of foreign production/manufacturing units.

Its main rationale is that evolution of the internationalisation process is a consequence of the firm's increased knowledge and operations in foreign markets, as well as a result of the increasing resource commitment.

2.2 *The eclectic paradigm*

The eclectic paradigm (or OLI: ownership, location, internalisation) is an integrative, multi-theoretical proposal developed by Dunning (1977). It synthesises the transaction cost elements (ownership advantages and internalisation), and robust market theories (relationship of the firm with the market: firm comparative advantage) with macroeconomic approaches to international production (product cycle model: location advantage) (Cantwell and Narula, 2001; Dunning, 2001). It was the predominant analytical tool in international business literature as it accommodated a variety of operational and testable economic theories, foreign direct investment (FDI), and international activities of multinational companies (Dunning, 2000).

The eclectic paradigm is a simple, but deep, construct that explains the causes of the firm's international expansion, arguing that the geographic extent and the industrial element of foreign production of MNEs are determined by the interaction between three interdependent variables (three sub-paradigms). The first relates to the firms' competitive advantages – their strategic control of tangible assets (e.g., technology, machinery, physical structure, stocks) and intangible assets (e.g., brand image, management skills, organisation) which are ownership (O) specific (Dunning, 2000, 2001). The second sub-paradigm is related to the advantages from locating (L) in a particular country as a way of adding value to the MNEs activities. This location advantage represents the benefits from exploiting the firm's presence in a specific foreign country (e.g., political, economic, social stability, cultural diversity, production costs, salary level and access to the labour force, government benefits for firms or foreign investment, natural resources, infrastructure, tariff barriers and market dynamism). As this sub-paradigm becomes more static, there is a greater potential for firms to export their specific advantages (O), which are interconnected with FDIs (Dunning, 1998, 2000). Location advantages are related to Porter's cluster concept (Porter, 1990; Porter and Kramer, 2002, 2006) reinforcing the role of location in competition and strategy, as a source of the firm's competitive advantage (Porter, 1998). The internalisation advantages (I), the third sub-paradigm of OLI framework, are the advantages the firm can benefit from by exploiting its ownership advantages internally rather than through other firms, based on four decision criteria (Dunning, 1998, 2000): risk; control; return; and resources.

The eclectic paradigm has been extensively used to explain the growth of MNEs in various industries and types of activity (Cantwell and Narula, 2001). However, the three variables (OLI) have been contested in the context of economic globalisation.

Based on the political and technological changes of the 1990s that led to a knowledge-intensive globalised market in which alliances played an important role, Dunning (1994, 1995, 2000) includes in the ownership concept (O) the advantages of costs and benefits derived from inter-firm relationships and transactions (strategic alliances and networks).

Dunning (1994, 1995, 2000) also considered new variables in the location concept (advantages of countries), for example, the encouragement of knowledge generation and sharing, or the role of national and regional authorities in influencing the extent and structure of localised centres of excellence. He also expanded the internalisation concept to include dynamic objectives, such as the search for strategic assets (or capabilities, increasing the firm's competitive advantage) and the search for efficiency.

Cantwell and Narula (2001) point out that globalisation has increased the dynamic interactivity between the O, the L and I elements, which are analysed at firm, industry and country level, mainly using two points of view. The first relates to a knowledge-based society, which allows the firm's advantages and needs to be efficiently exploited helping increase and sustain its competitive advantage. This then leads to a complex interdependence between the ownership and location advantages. The second point of view relates to the influence of globalisation, which affects the organisation of the MNEs cross-border activities.

Based on the OLI paradigm, Guisinger (2001) proposes the Ownership, Location, Mode of entry and Adjustment (OLMA) model as a more complete set of concepts necessary for studying modern MNEs. Assuming that the 'eclectic researchers' are followers of the environmental context, while the 'organisational researchers' focus on the structural context, Guisinger's (2001) study expanded the eclectic paradigm, incorporating the highest levels of environmental and structural complexity through two methods:

- 1 deconstruction of the multinational company business processes
- 2 development of a more complete definition of the international business environment (geovalent elements).

Dunning and Lundan (2008) incorporated an institutional dimension to the OLI paradigm. They believe that the theories based on ownership advantages of the firm are increasingly being challenged by new forms of organisation. Trying to connect the macro and micro analysis and join both formal and informal institutions, the institutional approach seems to be a promising option for improving our understanding of several contemporary multinational companies.

The focus of the eclectic paradigm is on explaining how MNEs internationalise (which are different from SMEs in their essence), their capacity and willingness to internationalise their production activities, thus becoming a reference in the empirical studies of entry modes. However, it does not clarify the reasons why firms internationalise.

The OLI paradigm appears to be redundant in distinguishing between firm-ownership advantages or firm-specific advantages (competitive advantages or core competences) and internalisation advantages (Buckley, 1988, 1990; Piggot and Cook, 2006). Moreover, it is also considered to be static; it explains neither the nature of inter-relationships among the determinant factors (firm-ownership advantages, location advantages within the marketplace, and internalisation advantages of integrating transactions), nor the strategic decisions that influence the firms' entry choices, nor the change of the environmental conditions (impact of social and political changes) (Buckley, 1990; Agarwal and Ramaswami, 1992). Moreover, the applicability of OLI or OLMA proposals appears to be poor in the case of SMEs.

2.3 Network internationalisation theory

Academics and practitioners have been focused on networks, which are a "structure where a number of nodes are related to each other by specific threads" [Håkansson and Ford, (2002), p.133].

The network theory arises from the work conducted by researchers of the Industrial Marketing and Purchasing (IMP) Group (Brito and Costa e Silva, 2009), but quickly gained popularity in the international business literature (Törnroos, 2000). This theory aims to analyse and understand the industrial systems through three variables:

- 1 actors (individuals, firms or groups)
- 2 activities
- 3 resources (physical resources such as materials, equipment, buildings; financial resources; human resources; and intangible resources, e.g., knowledge, brand image).

When actors combine, use, consume, develop, exchange or create resources they perform activities (Håkansson and Johanson, 1992).

The network theory of internationalisation is an expansion of the internationalisation process theory (Uppsala model) and describes the industrial markets of SMEs as firms' networks, based on the resource dependence theory. The basic assumption of this theory rests on the assertion that the actors (firms) are dependent on resources controlled by other parties. Accessing resources and building relationships represent the process of resource consumption. Given the firm's goal is to survive, internationalisation is a way to increase the chance of survival, both in the short and medium term (Johanson and Mattsson, 1988, 1992).

The unit of analysis in network-based theory is no longer the firm. Instead the focus is on the relationship between several actors, such as competitors, suppliers, customers and distributors, which make up the overall network (Johanson and Vahlne, 1993). Network theory is especially used to explain the internationalisation of SMEs and applied in international entrepreneurship research.

There is a clear change in the business world towards a multipolar perspective: classical transactions based on power and control between firms is giving way to cooperative relationships based on multipolar firms (Wright and Dana, 2003). Moreover, as presented by Dana (2001) there is plenty of evidence not only of the growing importance of international networking activities, but also of the fact that networks provide opportunities for internationalisation. The importance of symbiotic business networks between small and large firms is provided by Etemad et al. (2001) who claim that globalisation is transforming the competitive environment of small and large firms alike.

In summary, the network approach gives us a better explanation of the internationalisation of SMEs (Ahokangas, 1998), and it is based on the industrial networks theory, which states that firms develop in a relationship-based context. They establish long-term relations among them, which go beyond the mere transaction. The domestic network of the firm and the relationships within it may be a starting point for firms to internationalise. By entering new countries, firms have the opportunity to develop new relationships giving them access to other country's markets. Therefore, internationalisation is a process led by relationships and the evolution of a firm's network. Further, the availability of market information from the network partners may be a potential source of competitive advantage for the internationalised SME (Johanson and Vahlne, 1993; Lin and Chaney, 2007), through the sharing of information, support and assistance (Dana et al., 2000).

2.4 *The new ventures and born-global*

The rapid changes in the business and global economy obliged firms to accelerate international market entry strategies, which are not captured by the incremental and traditional models (Chetty and Campbell-Hunt, 2004; Prange and Verdier, 2011). Despite the efforts to develop new work, models, theories and evidences in the business internationalisation area, these theoretical developments have not matched up with the fast developing economies (Madsen and Servais, 1997; Dhanaraj and Beamish, 2003; Coviello and Jones, 2004; Dimitratos and Jones, 2005; Wennberg and Holmquist, 2008). And as a research issue, it is still lacking the consensus needed to define it as a key area in need of attention (Rialp et al., 2005; Knight and Cavusgil, 2005; Weerawardena et al., 2007).

The emerging global environment underpinned various studies analysing SMEs and entrepreneurs as they no longer compete solely in their domestic markets. As such international entrepreneurship research grew dramatically as a result of its multiplicity of alternatives approaches (McDougall and Oviatt, 2000; Young et al., 2003; Wright and Dana, 2003; Dana et al., 2004) that abandoned hierarchical, transactional models to embrace relational, network-based models, in which information, knowledge, technology were part of a symbiotic managerial perspective with focus on a multi-polar network world.

The international new ventures – or born globals – are the most recent phenomena in internationalisation. This innovation is based on the early stages of the internationalisation process, reflecting the inadequacy of the established theories of internationalisation to explain the ‘new’ phenomena (Madsen and Servais, 1997; Coviello and Jones, 2004; Dimitratos and Jones, 2005; Wennberg and Holmquist, 2008; Catanzaro et al., 2011). Born globals are firms that expand into foreign markets from or near their birthplace (Knight and Cavusgil, 2004).

The need for new and modern approaches to the internationalisation of firms has been recognised in the literature. This has resulted from strong objections to internationalisation process theory, reflecting the emergence of new types of business, known as ‘international new ventures’ or ‘global start-ups’ (Oviatt and McDougall, 1994), ‘high technology start-ups’ (Jolly et al., 1992), ‘infant multinationals’ (Lindqvist, 1991, 1997), ‘born globals’ (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Bell et al., 2001, 2003; Chetty and Campbell-Hunt, 2004) and ‘born again global’ (Bell et al., 2001) or ‘born again international’ (Catanzaro et al., 2011).

These ‘new’ phenomena, which are marking the beginning of the 21st century, have been studied by researchers who require new theories to describe the internationalisation of firms (especially SMEs), reflecting the ineffectiveness of traditional theories of internationalisation. Nevertheless, the research developed so far does not appear to be enough to anchor a new theory and instantaneously forge consensus on the definition of the internationalisation phenomena.

The main characteristics of born globals are the following: a global vision from the outset; previous international experience of the management team (making them aware of international opportunities); access to international networks; technology-based firms, knowledge-intensive industries; and highly-specialised firms with very narrow core capabilities. The technology or innovations of this kind of internationalised firms quickly becomes obsolete; they need to exploit their advantages without delay, forcing them to quickly develop international activities.

3 Integrative schematics of the internationalisation theories

Different explanations have been developed over time attempting to analyse and explain the firm's internationalisation process. Such understanding helps provide answers to five important questions – how, why, where, what and when – that identify important key success factors for both professionals and academics.

Based on the main literature in this area, we have constructed a framework (Table 1) of high-level interaction. This provides researchers with the main internationalisation theories, their focus and basic assumptions, showing their historical timeline. Table 1 is an attempt to synthesise the main research streams. Taking into account the theoretical fragmentation in the international business arena, we decided to follow Rask et al. (2008) in providing a pluralist perspective within the international research area.

The internationalisation of firms is a phenomenon that assumes, among other things, an entry into foreign markets, and a growing process of involvement and international exposure. It appears that firms may choose from a range of market penetration formulas (as reflected in Table 1) which implies that there are various levels of commitment, control and risk for the firm. It is noted that theory development in this area reached a high degree of fragmentation, resulting in several streams which focus on the same general issues from several perspectives (Sarkar and Cavusgil, 1996; Papadopoulos and Martín, 2011; Dana et al., 1999b; Young et al., 2003). In this sense, it appears that each of the literature inputs per se does not explain the complex nature of internationalisation of firms. However, all models and theories when analysed together can complement each other and facilitate the understanding of this phenomenon. Dana et al. (1999b) concluded that there is no single model that best describes the internationalisation process of all firms, containing all aspects that affect the internationalisation path, a complex phenomenon with multiple drivers (Brydon et al., 2013).

Among the research streams, special relevance has been given mainly to what are known as the incremental models. This group of models includes the Uppsala stages model and latterly the network model – these two models are to some degree related, given that the last evolution of the Uppsala model includes network variables. At a time when the unit of study for internationalisation models is changing from the country (macro) to the firm (micro), the Uppsala model (which despite its standard form being oriented towards firms), was based on case studies of large companies – an approach which in fact is very much aligned with the OLI framework (basically designed to describe the internationalisation of multinationals). SMEs have been gaining visibility in the world economy, and more attention is being paid to the need for them to increase their international outreach, especially by participating in networks to make up for their lack of diverse resources (from knowledge, to funding and technology, etc.). The literature has started to reflect this reality in an attempt to describe the internationalisation process of SMEs. This trend can be seen in the latest additions to the Uppsala model (including network variables), networking theory, entrepreneurial trends (with small firms being born global) and the most recent integrative models that try to explain the internationalisation process of companies by integrating fundamental variables. The models explaining the internationalisation of multinationals date back some 50 years, while the models explaining the internationalisation of SMEs only go back some 25 years. This path is guided by four types of complementary perspectives: rational (or economic), learning (or behavioural), inter-organisational (network) and entrepreneurship, as can be seen in Table 1.

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs focus	Years
Classical theories	Explanation of international trade between the nations	Theory of absolute advantage	Smith (1776)	Division of labour	
	Unity of analysis: country	Comparative advantage theory	Ricardo (1817)	Productive powers of labour Lower marginal Opportunity cost	
	International trade theories based on differences in prices of goods in several countries	Theory of the resources allocation (Heckscher-Ohlin theory)	Heckscher and Ohlin (1919–1924)	Emphasises on resource differences as the only trade source	1700–1920s
Economic-based Positivism/Logical empiricism Quantitative Nomological	Trade as also a reflection of the differences in countries' resources			Comparative advantage influenced by: relative factor abundance (refers to countries); Factor-proportions theory. Factor price equalisation	
	Internationalisation is determined by rational perspective with focus on the good results for the firm	Product life cycle theory	Vernon (1966)	Commodity-price convergence trends Product life cycle approach: introduction, growth, maturity and decline	
	Unity of analysis: firm			Follow firm-specific developmental stages as well as external markets at home and abroad as drivers for corporate internationalisation and trade	
	Internationalisation is synonymous of increase firm's profits and performance			Production costs	
	Efficiency of multinational enterprise (MNE) Economic rational and well-informed decision-process			Partial or total delocalisation of production. Risk of dissemination of assets such as innovation and strategic know-how	
Market theories	Firms do rigorous market research to organise their international activities	Theory of the growth of the firm	Penrose (1959)	Productive opportunities	1960–1970s
	Economic efficiency Institutional-economic perspective	Transaction cost theory	Williamson (1975)	Factors of firm growth Transaction characteristics: minimisation of transaction costs	
				Economies of scale Vertical integration decisions: how firms evaluate whether or not to establish a manufacturing subsidiary in a market abroad	
		Theory of competitive advantage	Porter (1985)	Competitive markets Productivity growth Focus on strategies	

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Torrões (2000, 2002), Geursen and Dana (2001), Young et al. (2003), Ruzzier et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and That and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs/focus	Years
Market theories Economic-based Positivism/logical empiricism Quantitative Nomological	Internationalisation is synonymous of increase firm's profits and performance	Internalisation theory (Hymer model)	Buckley and Casson (1976, 1998)	Internalising and control	1970s
	Efficiency of multinational enterprise (MNE)			Market imperfections	
	Economic rational and well-informed decision-process			Market-based versus firm-based	
	Firms do rigorous market research to organise their international activities			Strategic significance in market entry	
	Economic efficiency			Exploitation of rent-seeking opportunities	
	Institutional-economic perspective	<i>Eclectic framework (OLI paradigm)</i>	Dunning (1977, 1979, 1980, 1981, 1988, 1995, 2000, 2001)	Ownership, location-specific and internationalisation advantages are the collective variables which form the reasons for international trade and investments of firms	1961-2008
				Exploitation of competitive advantages and alliance capitalism	
				Foreign direct investments (FDI) and MNE	
				Control and coordination	
				Trade-offs between risk and reward	
			Growth of the firm		
			Firm internal resources (core competences: skills, reputation): key to the firm's acquisition and maintenance of sustainable competitive advantage (tangible and intangible resources)		
			Productive services available from management with experience (within the firm)	2008,	
			Firm-specific advantages (competitive advantage): unusual, valuable, non-substitutable and difficult to imitate by the firm's competitors		
			Exploitation and development of firm-specific advantages		
			Technological cycle of the firm		
			Firm's capability		
			Cultural distance		
			Trade-offs between value and cost		
			Organisational capability		
			Contractor and Kundu (1998)		

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Törroos (2000, 2002), Geursen and Dana (2001), Young et al. (2003), Ruzzier et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and That and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs/focus	Years
Internationalisation models Behavioural ontology perspective Managers satysfying decision-making Rationality restricted Social reality partially built	Internationalisation is determined by the firm's learning curve, which helps reduce risks	Foreign direct investment (FDI) decision models	Hymet (1971) and Aharoni (1966)	Most enduring form of internationalisation	
	Decision makers and organisations are subject to limited rationality, lack knowledge about alternative actions and their outcomes, conflicting goals and aspirations and attempts at avoiding uncertainty			High risk	
	Learning curve reduces risks associated with uncertainty			Risks in the foreign country: economic instability, political, cultural and social risks	
	Terms like 'social', 'process', 'relationships' and 'commitment' are some of the key constructs in this models of internationalisation studies and management studies in general	Uppsala model	Johanson and Vahlne (1977) and Johanson and Wiedersheim-Paul (1975)	MNEs	
		U model		Incremental steps process when entering into new markets	
		International process (IP) model (Nordic school)		Most important obstacles to internationalisation: lack of experiential knowledge	1960-1970s
				Gradual process of learning and decisions	
				Psychic distance as a factor preventing or disturbing the information flow between firm and market: e.g., differences in language and culture, level of education, political differences, etc.	
				Uncertainty avoidance	
				Confined choice	
				Market knowledge development	
				Stepwise operations approach to more extended international operations	
				Market and firm commitment	
				Cycle of knowledge (learning and commitment process)	
				Trade-offs between growth and risk	

Source: Own preparation based mainly on Leonidou and Kasikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Tórróos (2000, 2002), Geursen and Diana (2001), Young et al. (2003), Ruzzier et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and That and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs/focus	Years
Internationalisation models Behavioural ontology perspective Managers satisfying decision-making Rationality restricted Social reality partially built	Internationalisation is determined by the firm's learning curve, which helps reduce risks	Innovation-related models	Roger (1962), Lee and Brasch (1978), Reid (1981) and Lim et al. (1991)	Firm-specific market Knowledge and commitment	1962, 1978, 1981, 1991
	Decision makers and organisations are subject to limited rationality, lack knowledge about alternative actions and their outcomes, conflicting goals and aspirations and attempts at avoiding uncertainty	Innovation process models (I-models) (USA)		Trade-offs between growth and risk Stepwise, incremental involvement to exporting and new markets; gradual process usually towards a deeper penetration of markets and geographically and culturally more distant markets	
	Learning curve reduces risks associated with uncertainty			Experimental nature and 'innovative' phases Psychic distances overcome through experiential learning	1980s,
	Terms like 'social', 'process', 'relationships' and 'commitment' are some of the key constructs in this models of internationalisation studies and management studies in general				
International entrepreneurship model		Pre-engagement phase of the firm's export expansion process	Wiedersheim-Paul et al. (1978)	Pre-export Passive and active exporters	2000s
		Network models	Johanson and Mattsson (1986, 1988)	Location theory Knowledge and commitment	
		International entrepreneurship model	Jones and Covtello (2005)	Strengthening network position Behaviour and performance Value creating events	

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Ternroos (2000, 2002), Geursen and Dana (2001), Young et al. (2003), Ruzzier et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and That and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs focus	Years
Internationalisation models	Internationalisation is determined by external conditions	Adaptive models	Calof and Beamish (1995)	Adaptability to the environment	1990s
	Internationalisation is a process and takes place through networks of relationships			Congruence among the structural choices and human resource choices	
	Foreign market entry modes are different forms of business activity suitable for different types of firms in different circumstances, conditions and areas of competence	Network-based perspective	Johanson and Vahlne (1990, 1999)	Internationalisation characteristics of the firm and of the market	
	Inter-organisational perspective			Exploitation and development of relationships	
	Social capital, trust and 'human' variables in decision-making			Connected exchange of information, capital, products, ideas and services across frontiers to explain why internationalisation takes place	
	The reality is embedded in relationships and networks			Relationships and networks approach in management	
	Social construction			Interdependence	
	Ecological school			Connections take firms abroad	
				Vertical (along the manufacturing and distribution channel) and horizontal (among competitors) relationships	
				Institutional constraints	
'New' international entrepreneurship		Institutional theory	Davis et al. (2000)	Operationality within institutional constraints	2000s
		Evolutionary theory	Cattani and Tschoeogl (2002)	Environmental changes	
		Born globals		Environmental fit	
		Born again global		Global markets	
		New ventures	McDougall and Oviatt (1994, 2000)	Worldwide opportunities	
				Information technology impacts	
				'Borderless' organisations	
				The 'hollow corporations'	
				Knowledge as a source of competitive advantage	
				Manager's characteristics and skills	
				SME	

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Torroos (2000, 2002), Geursen and Dana (2001), Young et al. (2003), Ruzzier et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and Thai and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs, focus	Years
Internationalisation models	Internationalisation as a complex phenomenon The essence is based on the need to create a proposal that explains the whole phenomenon and not only part of it	Inclusion of several modes of internationalisation	Fletcher (2001)	Internal and external environment	2000
				Outward (direct export) and Inward (import) Linked export and inward activities (strategic alliances)	
Integrative models		Internationalisation pathways	Bell et al. (2003, 2004)	Penetration of foreign markets incrementally ('traditional' firms)	2007
				Internationalisation in a very fast pace ('born globals')	
				Entering into foreign markets with some improvements and fast penetration ('born-again global')	
Internationalisation models		Push, pull and interaction factors	Ettemad (2003, 2004)	Push forces (internal firm-specific factors): entrepreneurial attributes, innovative products (based on the strategic management theories of resource-based view and knowledge-based view)	2007
				Pull forces (external environmental conditions to the firm): pull the firm to engage in international business: international market opportunities that motivate the entrepreneur to seek out foreign customers and stimulate the business strategy; niche market opportunity	
				Mediating forces (interactions between push and pull forces): mental model of the founder (entrepreneurial mindset, behaviour and alertness)	
		Knowledge-based perspective (as an extension of the resource-based view)	Kuivalainen et al. (2003)	Focus on why, on the reasons of the SME internationalisation	
				Knowledge management model	

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Tomroos (2000, 2002), Geursen and Dana (2001), Young et al. (2003), Ruzzier et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and Thai and Chong (2013)

Table 1 Summary of the most important stream theories in the internationalisation of firms' literature (continued)

Thought schools	Basic assumptions	Internationalisation theories	Main researchers	Key constructs/focus	Years
Internationalisation models	Internationalisation as a complex phenomenon	Knowledge-based perspective (as an extension of the resource-based view)	Saarenketo et al. (2004)	Evolutionary knowledge management for internationalisation	
	The essence is based on the need to create a proposal that explains the whole phenomenon and not only part of it			Entrepreneur's role Internal and external knowledge Sustainable international competitive advantage	
Integrative models			Prashantham (2005)	Social capital and internet as driving forces of internationalisation. Market knowledge Knowledge-intensity	
			Mejeri and Umemoto (2010)	Information dissemination, acquisition and sharing Knowledge as central for the understanding of SME internationalisation	2000s
				Market knowledge: objective or explicit information about foreign markets Experiential knowledge: cultural knowledge (language knowledge, habits, norms, laws, behaviour); network knowledge (social and business network, knowledge as the network itself); entrepreneurial knowledge (existence knowledge of opportunities and exploiting them)	

Source: Own preparation based mainly on Leonidou and Katsikeas (1996), Dana et al. (1999a, 1999b), Andersson (2000), Törroos (2000, 2002), Geursen and Dana (2001), Young et al. (2006), Ruzzier et al. (2003), Young et al. (2006), Rask et al. (2008), Mejeri and Umemoto (2010), Daszkiewicz and Wach (2012) and Thai and Chong (2013)

Traditionally, the studies on firm's internationalisation have been based on large multinational companies, while smaller firms restricted their businesses to the national scope (Dana et al., 1999a, 1999b, 2004; Dana, 2001; Etemad et al., 2001; Wright and Dana, 2003; Dana and Wright, 2009). However, although internationalisation has become a synonym for survival, growth and sustainability for SMEs, which have to face globalised markets (Alon et al., 2009), there are yet small firms which concentrate their businesses only on domestic markets, avoiding international opportunities (Ratten et al., 2007). Despite this, SMEs are of increasing importance for the international economy. Wright and Dana (2003) and Dana et al. (2004) defend an emergent competitive paradigm in international entrepreneurship strategy, based on the importance of international symbiotic network activities between SMEs and large firms, which cooperate voluntarily for enhancing the efficiency and profits of both firms. Moreover, networks facilitate the process of internationalisation of SMEs as networks represent new global opportunities to access foreign markets, as they share with large companies the same competitive space (Dana, 2001).

The several internationalisation theories are present in Table 1. These are based on three main dimensions with five major research streams in this area, linking the ontological perspective, or basic assumptions in which the theoretical streams are based, with theories (relating each ontological assumption) and key constructs (of each theory). Five main perspectives are identified:

- 1 the economic view
- 2 the behavioural view
- 3 the ecological view
- 4 the 'new' international entrepreneurship
- 5 the integrative models.

The economic view is focused on business analysis and international investment, positivism, logical empiricism and a quantitative and nomological view. The first approaches used to analyse business internationalisation are based on the study of international trade among nations (mainly Adam Smith's and Ricardo's work). After that, business internationalisation used an economic logic to understand why firms enter international markets based on the theory of firm growth, product life cycle theory and transaction cost theory, among others. Economics based models are the result of the neoclassical theories of FDI, the theories of the firm and the macroeconomic approaches to foreign investment, the concept of technological accumulation and the eclectic paradigm (Moreira, 2009; Ietto-Gillies, 2012; Dunning, 1994, 1995). As observed in Table 1, MNEs play a key role in most of the theories of the economics based models. Internationalisation is analysed as a multifaceted and complex process in which MNEs were used as a rational economic decision making unit. The eclectic framework (or OLI paradigm) is amongst the main theories of this school of thought.

Different research streams have been developed, which include economic and behavioural approaches, addressing internationalisation as an evolutionary process (e.g., bounded rationality, partially built social reality, etc.), in which the Uppsala model and the decision models of FDI can be found.

Internationalisation as an inter-organisational process (social capital, trust and 'human variables' in decision-making) is part of the ecological view, in which the networks approach plays a major role.

Internationalisation can also be seen through the entrepreneurial lens (Lu and Beamish, 2001). Firms managed to overlook the limitations of previous restrictions to internationalisation and they launched onto the world market with rapid internationalisation capability, as 'new' ventures in entrepreneurship (Knight and Cavusgil, 1996; Rennie, 1993).

The 'new' international entrepreneurship led to born global firms, which are focused on worldwide opportunities. McDougall and Oviatt (2000) defined international entrepreneurship as a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders, intending to create value in firms and exploit opportunities.

In fact, discussion of entrepreneurial behaviour by SMEs is common in the recent literature. This area of research focuses on opportunities (identification, exploration, exploitation), in which the network, knowledge, the owner, resources and capabilities have an important role, with industry and technology as driving forces. The underlying move from resource-based to knowledge-based economies has led to countries facing several challenges (Porter et al., 2001).

Internationalisation of firms is a complex issue. Several researchers claim a need for a new perspective on internationalisation and a holistic approach – an approach that is transversally accepted, and more integrative, capturing the variety of situations found in business practice (Melin, 1992; Fletcher, 2001; Etemad, 2004; McAuley, 2010; Rask et al., 2008). The holistic model must be realistic and comprehensive, taking into account the different contributions of internationalisation theories and models that have been proposed over the years; and fit any firm and truly explain the internationalisation of firms (e.g., Leonidou and Katsikeas, 1996; Coviello and McAuley, 1999; Fillis, 2001; Whitelock, 2002; Ruzzier et al., 2006; Mejeri and Umamoto, 2010). This holistic approach has already been studied, for instance by Bell et al. (2003), Etemad (2004) or Mejeri and Umamoto (2010), but none has yet replaced existing models. This holistic view must gather the key elements of the theoretical models of several researchers (embodying the mainstream line of thinking), reflect the important elements of the firm's decision-making process concerning international activities and may also be used by practitioners. Integrative models are the most recent trend in international research literature and have the ability to capture the most relevant elements and the nature of the interactions in business internationalisation.

Over time new patterns emerge. As seen in Table 1, there are several studies integrating the traditional process-based model of internationalisation with a networked approach into a holistic perspective (Coviello and Munro, 1997; Laine and Kock, 2000). The case study presented by Johanson and Vahlne (2003) is another example of an 'international new venture firm', in which an integrative model is used to explain the characteristics of the network model and the process-based internationalisation model, combining knowledge and market commitment from the 'old' internationalisation process model with the similar mechanism of knowledge and commitment in the business relationship network.

However, it appears that no integrative model has yet reached a consensus in the academic community. Furthermore, to date the main findings from previous studies in the literature have not been collated, nor have the timeliness of international business been

compared. Moreover, as seen in Table 1, the outward perspective still prevails whilst the inward perspective is almost absent. Consequently, further research is still required.

As referred to in Table 1, the country was the unit of analysis among the first trade theories. Although those theories are still referred to in the literature (O'Rourke and Williamson, 1994; Aldrich, 2004; Schumacher, 2012), the firm has been used as the main unit of analysis from the 1960s onwards, which depicts a clear change in the international business modus operandi (Werner, 2002).

One can identify that the economic view tends to explain why firms internationalise, based on growth, profitability, power, and resources; meanwhile behavioural approaches take learning and organisational commitment as core factors explaining internationalisation. Clearly, the behavioural perspective can be seen as an expansion of the theory of international business, encompassing economic, social, political and cultural approaches. This perspective bridges the entrepreneurship concept leading to an ecological line, integrating the economic and the behavioural perspective.

Although several schools of thought have been put forward in Table 1, its aggregation is not rigid. Each theory has incorporated updates and has been influenced by the natural evolution of international business, internationalisation of business strategies and the global economy. Moreover, each theory arises to countenance gaps identified in the numerous other theories (i.e., concepts of commitment, knowledge and current activities are considered not only inside the firm but also in connection with its cooperation with other firms). In order to appreciate and enrich our understanding of the firm's internationalisation process, researchers can use more than one theoretical approach (Rask et al., 2008).

From Table 1 one can conclude that although economic theories – which have focused on large multinational firms – have been at the origin of internationalisation theories, only recently have SME-based internationalisation theories stood out. However, it is possible to claim that no single integrated theory can explain the internationalisation of SMEs. Moreover, more than 55 years after the first internationalisation models were published, there is a consensus that internationalisation is no longer a single decision or discreet fact; it is rather a multifaceted, complex process that evolves over time (Welch and Paavilainen-Mäntymäki, 2014).

4 Conclusions

Looking at the existing body of literature studying internationalisation of the firm, it is clear that this is an area that has received much attention. Much of the interest in this area has been driven by firms that are looking for a formula for success to be employed when they embark on an international venture. The review carried out here together with the integrative schematic proposed shows how the literature has evolved over a historic timeline. Ultimately, it can be seen that there is no one unique perspective for analysing internationalisation, and equally there is no single success formula that can be applied to a firm. The most recent models try to bring together elements that seem essential, trying to gather consensus in the literature and the business world. However, no one model exists that combines plausible explanations for the distinct realities and needs that exist in firms, particularly at a time when the markets and challenges are continuously evolving.

Our intention with this article is not so ambitious as to propose a formula for success for firms that wish to internationalise. As stated above, our objective was to bring

together under one schematic the internationalisation theories, so as to show the interaction between them, drawing out the different trends that can be seen in the evolution between the 18th and the 21st centuries. This schematic gives us a quick and objective view of the various phases found in the literature. Rather than searching for a break with the past, emphasis was placed on the continuity that exists between the past, present and future.

For the academic community, this work provides a way to try to organise the body of research work, models and theories that try to explain internationalisation of firms and reinforce the interaction between the various theories. Naturally, a work of this nature is never complete, with research constantly changing. However, in the future it will be easier to complete this work given the consistent basis that has been laid down.

As is clear in the literature studied, emphasis was clearly placed on the SME perspective to the detriment of the large multinationals. While this study did not ignore multinationals, this bias can be considered one of the limitations of this study.

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