

## THE CHOICE OF A TEMPORAL FRAMEWORK TO STUDY THE INTERNATIONALIZATION SPEED OF THE FIRM

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**Abstract:** *Although most researchers define the internationalization of the firm as a process that unfolds over time, there are substantial gaps in the conceptualization and the measurement of its speed. Addressing one of these gaps – the length of the period examined, this paper explores and highlights the need to consider the intrinsic relationship between the constructs of time and change when choosing a temporal framework to study the internationalization speed of the firm.*

**Keywords:** *speed of internationalization, temporal framework, firm.*

### 1. Introduction.

As we have observed, the existing gaps in research on the speed of the process of the internationalization of the firm have attracted the attention of some authors in recent years. Their efforts to conceptualize and operationalize the construct brought to the fore several important issues, one of which is the span of time that the study of speed should embrace.

Undoubtedly, to study the speed of a phenomenon that occurs over time, we need either to place it in time, or to aggregate time into it. As we all know, time is a complex, multifaceted notion, which matters, since it can change the theoretical meaning of a construct and the relationships between constructs<sup>1</sup>. On the other hand, defining the internationalization of the firm as a dynamic process implies the transformation from a state into another, i.e. change.

In the light of the above, we asked ourselves the question: *what are the possible temporal frameworks to study the speed of internationalization and how do the different aspects of time and change condition the choice of such?* In an attempt to find an answer to this question, this paper builds on the various temporal frameworks employed in the research on the speed of the internationalization process to explore the role of the various meanings

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<sup>1</sup> **George, J. M., Jones, G. R.**, The role of time in theory and theory building. *Journal of Management*, 26, 2000, pp. 657-684, p. 657

we give to the constructs of time and change in the choice of a temporal framework to study the speed of the internationalization of the firm.

### 1. Temporal frameworks used in the studies on the speed of internationalization in the extant literature.

Although the internationalization of the firm has been understood by most researchers as a process that unfolds over time, the concept of speed was not included explicitly in the extant literature until the mid-90s of the XX<sup>th</sup> century. It was brought to the fore by international entrepreneurship (IE) research, the focus of which are the business organizations that “view their operating domain as international from the initial stages of the firm's operation”<sup>2</sup>.

It is probably the key role of the “early internationalization” characteristics in the IE research which contributed to the fact that, until recently, the speed of internationalization was conceptualized as the “initial-entry speed”. It was related to and measured as *the time elapsing between the foundation of the firm and its initiation of international operations*<sup>3</sup>. Undoubtedly, such a temporal perspective is limited. So it is not surprising that some authors in recent years looked beyond the time to internationalization to study *the subsequent period once the internationalization started*<sup>4</sup>.

Finally, some researchers in the last few years have suggested that the period of study should *begin from inception and continue until after internationalization starts*<sup>5</sup>. This is the view which we also advocate, since it reflects our understanding of the process of the internationalization of the firm as an incremental one. However, since we believe that the choice of a temporal framework should not be a matter of preference, but is theory-based, in the text below we discuss the various aspects of time and change that support our understanding

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<sup>2</sup> **McDougall, P.**, International versus domestic entrepreneurship: New venture strategic behavior and industry structure, *Journal of Business Venturing*, 4(6), 1989, 387–400.

<sup>3</sup> **Oviatt, B.M. and McDougall, P.P.**, Toward a theory of international new ventures. *Journal of International Business Studies*, 36, 2005, pp. 29–41., **Zahra, S.A., & George, G.**, International entrepreneurship: The current status of the field and future research agenda. In M.A. Hitt, R.D. Ireland, S.M. Camp, & D.L. Sexton (Eds), *Strategic entrepreneurship: Creating a new mindset*, 2002, pp. 255–288.

<sup>4</sup> **Casillas, J. C., & Acedo, F. J.**, *Ibid.*, **Prashantham, S., & Young, S.**, Post-entry speed of international new ventures, *Entrepreneurship: Theory & Practice*, 35(2), 2011, pp. 275–292.

<sup>5</sup> **Hilmersson, M. & Johanson, M.**, Speed of SME internationalization and performance. *Management International Review*, 2016, vol. 56: 1, pp. 67-94; **Chetty, S., Johanson, M., & Martin Martin, O.**, *Op cit.*

## 2. The multifaceted nature of time and change

In general, there is no clear definition of the concept of the “speed of internationalization”. However, if we depart from the traditional understanding of the notion of speed, we may say that it is a ratio between a specific variation of the studied variable and a specific unit of time. Therefore, to calculate this ratio, we need to measure its two components: the variation of the variable examined as an embodiment of the undergone change and the unit of time that we use to “place” this variation in reality.

### 2.1. *The multifaceted nature of time*

The concept of time is central for a number of sciences which define it in different ways. Philosophy offers us the view that it is a dimension in which events follow each other but also the view that it is not real but an invention that allows us to order and compare events. For Physics, time is an instrument to measure the duration of states and events. Even regarding the conceptualization of time in terms of organizations, researchers suggest various ways to describe the continuum – as linear and infinitely divisible into measurable, equal units; as cyclical, in which events repeat over and over; as subjective or objective, measurable by the clock or by events, the repetition of which can be predicted or not, etc.<sup>6</sup>.

Obviously, there are various ways to conceptualize time. Usually we use the clock’s time to map activities against a linear continuum. However, we should be aware that, first, the unit of time can be other than the clock’s, and second, that modern Physics routinely considers our world to be embedded in a four-dimensional space-time continuum, all events and actions being described in terms of their location in space-time. Of course, we are not going to delve into this matter - for the needs of this paper we adhere to the Western view of time as clock time. However, in view of the above, we need to consider the concept of “distance” and its relation to time as well.

The view of the internationalization of the firm as a process that unfolds over time implies that during its life the firm covers some “distance”. Whether its route is path-dependent or not, it performs activities which are embodied in specific events. These events can be used as milestones that cut off intervals of time. The role of events as milestones is discussed below, what is more important here is that it only makes sense to consider events as reference points in time when they are seen as representing changes in the status of the variable under examination<sup>7</sup>. This brings to the fore the question about *the type of change* involved.

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<sup>6</sup> Ancona, D.G., Okhuysen, G.A. and Perlow, L.A. Taking time to integrate temporal research. *Academy of Management Review*, 26, 2001, pp. 512–529.

<sup>7</sup> Casillas, Acedo, Op cit., p. 19.

## 2.2. *The type of change*

Depending on the way we understand the internationalization process, the changes involved can be characterized as either evolutionary or revolutionary. Dividing the continuum into intervals of time, suggests that the changes are revolutionary, and the process of internationalization is a sequence of discrete steps (stages, phases). However, the process of the internationalization of the firm can also be understood as a sequential build-up of foreign commitments over time, involving evolutionary changes which suggests that the period of study should start at its beginning and stretch up to the present.

Of course, this distinction is quite theoretic and deterministic. Probably, at least part of the revolutionary changes in the internationalization behaviour are created by evolutionary changes that take place at different organizational levels. Nevertheless, at this point we can say that when choosing a temporal framework to study the speed of internationalization, we need to consider “how continuous and discontinuous changes combine to determine international behaviour“.<sup>8</sup>

## 3. **The choice of a temporal framework – a discussion.**

As described above, three temporal frameworks have been employed in the studies of the speed of internationalization: 1) the time elapsing between the foundation of the firm and its initiation of international operations; 2) the subsequent period once the internationalization started and 3) the time from inception and until after internationalization starts.

Regarding the first framework, we may note that we fully support the opinion that it is limited and that “in reality, deals more with the pre-internationalization period than the internationalization process *per se*”<sup>9</sup>. We also find relevant the doubts of Chetty et al. on its content validity in that “referring to speed solely as time...discards the central aspects of the internationalization process of firms ... i.e., the numerator of the definition of speed.”<sup>10,11</sup>

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<sup>8</sup> Вж. Casillas, Acedo, Ibid. p. 19.

<sup>9</sup> Casillas, J. C., & Acedo, F. J., Speed in the internationalization process of the firm. *International Journal of Management Reviews*, 15(1), 2013, pp. 15–29.

<sup>10</sup> Chetty, S., Johanson, M., & Martin Martin, O., Speed of internationalization: conceptualization, measurement and validation. *Journal of World Business*, 49(4), 2014, pp. 633–650, p. 634.

<sup>11</sup> In fact, this can be easily traced in literature - some researchers are quite cautious in referring to this period as „speed”, naming it „age“, „time lag” or „precocity”. It seems that they are aware that simply measuring the length of the period between two points in time is not enough.

Regarding the second framework, we find a number of theoretical and methodological issues. For example, the conceptualization and operationalization of the construct, the “speed of internationalization” suggests a definition and measurement that embraces speed during the lifespan of the firm. This means that nevertheless we divide the time from inception to a point in time into two intervals, separated by an event (the initial entry), we should measure the speed in these two intervals in the same way. Since the speed of initial entry has been measured as time elapsed to reach a target, then we should measure the speed between all subsequent events accordingly. It seems that we shall either elaborate this operationalization or speak of “time to internationalization” and “post-entry speed”.

Even then, the view that a firm’s internationalization process does not begin with the first international event but much earlier, in what has come to be known as the “pre-exporting stage”<sup>12</sup>, questions the boundaries of the thus formulated intervals of time. Another issue that also sheds doubt on the thus defined temporal brackets<sup>13</sup> is whether there is in fact a rigid cut-off point that marks the completion of initial entry, if we understand early internationalization as less of an “event” and more of “a process”<sup>14</sup>.

As we have stated above, the third framework, *that begins from inception and continues to the time of the event in focus, is the one that we find most appropriate*. This is the approach that most fully corresponds to our understanding of the process of internationalization as an evolutionary and sequential build-up of foreign commitments over time. Of course, we are aware that the view of the process of internationalization as a sequence of discrete steps would allow us to measure the variation in the status of the variable between any two specific points in time, thus integrating the initial entry on a foreign market into the conceptualization. However, we believe that, in the best case, this can give us the speed of change in the variable between two events, which we strongly doubt that can be referred to as the speed of the process of the internationalization of the firm.

### **Conclusion**

Since the way firms progress along the internationalization continuum can be represented as a sequence of events, measuring the

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<sup>12</sup> Casillas, Acedo, Op cit., p. 16.

<sup>13</sup> Runge, W., Technology Entrepreneurship, A Treatise on Entrepreneurs and Entrepreneurship for and in Technology Ventures, Vol. 2, KIT Scientific Publishing, 2014, p. 722.

<sup>14</sup> Prashantham, S., & Young, S., Op cit, p. 285

interval between two events seems simple. If we go beyond this straightforward approach, however, we can easily find out that it is not so.

The construct of time is complex and multifaceted per se, so we are often tempted to consider time as objective, divisible and measurable by the tick of a clock. However, we should be aware that the unit of time is an artificial value, created to measure the transformation from one state into another and that the intervals between states may be characterized as periods of stability or periods of change, depending on the type of change involved – evolutionary or revolutionary. In this light, conceptualizing the internationalization of the firm as a process that unfolds over time brings to the fore the ongoing changes that are embodied in specific events, that can be integrated in reality with the help of the unit of time. Therefore, the choice of a temporal framework for conceptualizing and operationalizing the speed of internationalization must be theory-based, in terms of both a specific unit of time and the related type of change.

### References

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6. **Prashantham, S., & Young, S.**, Post-entry speed of international new ventures, *Entrepreneurship: Theory & Practice*, 35(2), 2011, pp. 275–292, p. 28.