Review 2

The first steps to internationalization (and the Internationalization Process Model)

I have read two articles by Jan Johanson and Jan-Erik Vahlne, one from 1977 *(The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments)* and one from 2009 *(The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership)*. Both articles are about the IP model (internationalization process model) and how the model can be used when internationalizing. In the first article it is described how companies often expand their business international through gradual steps by, for an example, starting with exporting via an agent and later on starting a production subsidiary. The reason for why internationalizing often is in these gradual steps is because, according to Johanson & Vahlne (1977), the companies have a lack of knowledge. In the first article it is stated that lack of knowledge about foreign markets and operations is an important obstacle to the internationalizing development. Without knowledge about the foreign market, the companies do not know what, how or where to internationalize or how to increase market commitment.

In the IP model there are two aspects; state aspects and change aspects. Market commitment is a part of the state aspects (Johanson & Vahlne, 1977) For the companies to increase market commitment, they have to go through each step in the IP model. In the article from 2009, commitment is defined as “the product of the size of the investment times its degree of inflexibility” (Johanson & Vahlne, 2009). The authors describe that just because the investment in sales equipment is large, it does not mean that the market commitment is strong. On the other hand, the author mean that strong market commitment is when a company have an “unwavering dedication” to meet the customers need (Johanson & Vahlne, 2009). Therefore, I think that market commitment is not as easy to count as the definition states.

From the articles, I interpret that the purpose of the IP model is to create a dynamic model. The dynamic part of the model are the two aspects; state and change. I think that with the IP model, companies can judge where in the cycle they are just by looking at the “state aspects” and what will happen next by looking at the “change aspects”.

Since the IP model is so dynamic, all aspects are connected. For example, market knowledge is connected to market commitment via commitment decisions and current activities. But they also have a direct relation. The authors describe the relation as when knowledge about a market is high, the more valuable are the resources and therefor is the commitment to the market stronger (Johanson & Vahlne, 1977).

In the article from 2009 the model went one step deeper in to understanding why companies often internationalize in gradual steps. From the 1977’s article it is stated that lack of knowledge is an important obstacle (Johanson & Vahlne, 1977), but the 2009’s article explores further what kind of knowledge there is lack of. From the 1977’s article it is stated that the psychic distance is the reason for the uncertainty when internationalizing, but to the conclusion of 2009's article the authors mean that the root of uncertainty when internationalizing is relationships or outsidership (Johanson & Vahlne, 2009).

Since the later article from 2009 explored further how relationships are an important part in the internationalization process, it would be interesting to read about other important parts that has occurred through the latest ten years. Perhaps there is more than just psychic distance and relationships that causes uncertainty when internationalizing?

Discussion questions:

- How can online businesses with online products use the IP-model?
- How can market commitment gain market knowledge?
- Why are network/relationships important in internationalizing?