Johansen and Vahlne’s internationalization process model has been one of the most influential ideas developed in the Journal of International Business Studies in the 1970s. Many early citations emphasize the typical establishment chain described by the authors. Yet, the model of the underlying processes of knowledge accumulation provides insights in the dynamics of international business that can explain internationalization along different establishment chains, and allows incorporating for example the evolution of international business networks. In fact, Johansen and Vahlne (1977) anticipated some developments of the resource-based views more then a decade later.

The internationalisation process remains an important research paradigm in Nordic international business research, and is increasingly taken up by scholars studying FDI from emerging economies, such as Brazil. It is particularly relevant for scholars focusing on longitudinal aspects of early stages of international business by small and medium size enterprise, and by firms from countries with little experience in operating outside their own borders.

To commemorate the 25th anniversary of the paper, Virpi Havila, Mats Forsgren and Håkan Håkansson have edited a collection of articles discussing internationalisation. Danny van den Bulcke comments on the selection.

Klaus E. Meyer, JIBS Book Review Editor

This edited volume of almost five hundred pages consists of nineteen contributions presented at the ‘Marcus Wallenberg Symposium on ‘Critical Perspectives on Internationalization’ that took place in January 2002. That the symposium was hosted by Uppsala University was very appropriate as research on the internationalization process (IP) of the firm is often cited as the Uppsala School or Scandinavian School or Nordic School. The book is dedicated to Jan Johanson, who together with Jan Erik Vahlne, wrote the frequently quoted 1977 JIBS-article on this subject (Johanson and Vahlne, 1977). This paper was based on a more empirical background article published earlier (Johanson and Wiedersheim-Paul, 1975). While the authors of the so-called ‘establishment chain’ have over the years defended their views against previous criticisms, e.g. (Johanson and Vahlne, 1990), they also wrote a chapter which has been included in the volume.

The internationalisation process clearly became one of the basic early tenets of international business studies.
The number of citations in the Social Science Citation Index increased from only a few to thirty and more at the beginning of the new century and went strongly upward at the beginning of the 1990s. Many doctoral students have taken up the challenge to test the IP in a particular country or industry, either based on case studies or in a more general statistical way.

The 19 chapters in this valuable volume are classified according to two themes and 5 parts. The first theme (8 chapters) deals with critical views on globalization and the multinational corporation and as such includes several chapters that are not dealing explicitly with the IP. The second theme (11 chapters) tackles the critical views on the received theory on internationalisation, either by defending, extending or complementing it by introducing e.g. the new technology, real options, time, expectations, corporate technology and organisational learning in networks. The five last chapters look at internationalization from a network perspective by analysing the integration of subsidiary knowledge, government strategy, clusters, relationship sediments and international mergers and acquisitions. While all chapters, in the first theme are descriptive and/or conceptual, except the Kutscher-Schurig one, eight of the eleven papers included in the second theme have an empirical part, while three in particular rely on an extensive dataset, and five are based on case studies.

As mentioned before, the book is – apart from the two themes – divided in five parts. The first part about ‘The Multinational Corporation as a Phenomenon and its Welfare Implications’ starts off with a chapter by Pervez Ghauri (also the Series Editor) and Peter Buckley in which an overview is given of the past criticisms against multinational enterprises (MNEs) and a new research agenda is discussed that emphasizes the evolution towards greater flexibility and decentralization of activities by MNEs and the increasing imbalance between these firms, governments and non-governmental organizations. This chapter would have been more complete if it had taken up the issue of improved bargaining on the basis of regional economic integration, however. The second chapter by Mats Forsgren analyses the socio-economic consequences of MNEs by investigating if their effects are good or bad. To answer this question he distinguishes three archetypes of MNE, i.e. the multidomestic, global and network firms and ends up in defending the latter, even though admittedly there are still very few of them. The third contribution in the introductory part by Anders Malmberg and Orjan Sölvell and studies the effect of foreign ownership on clusters. These authors conclude that the dynamics of the cluster itself are more important than the ownership of the company, meaning that the more dynamic the cluster is, the more capabilities the foreign subsidiary will built up and the more independent it may be from the parent company. Also the negative effects of foreign ownership would be less because of the cluster effect. This limited role of foreign ownership in industrial districts should be tested in empirical analyses to be really convincing, however.

The second part volume poses the question what kind of MNEs there are and what their true competitive advantages are. Ivo Zander and Orjan Sölvell write in chapter four about the ‘Phantom Multinational’ and suggest caution in accepting global creation of competitive advantage as a reality in today’s multinational as there is little empirical evidence. Internationally dispersed capabilities should be seen as an asset rather than a problem, but to achieve integration on a worldwide basis it is necessary to increase reciprocity in inter-unit relationships, engaging more in exploration rather than exploitation. Michael Kutscher and Andreas Schurig also raise doubts about the extent of the existing knowledge flows in MNEs. In their empirical chapter about the embeddedness of subsidiaries in external and internal networks they conclude that more than three quarters of their large sample of foreign subsidiaries in Germany does not fulfil the prerequisites for functioning as a ‘pipeline’ for knowledge transfer crossing the internal and external network. In ‘Subsidiary Entrepreneurship and the Advantage of Multinationality’ Mo Yamin argues that ‘organisational isolation’ is beneficial as a whole and enhances the potential for entrepreneurship, especially in comparison with subunits of national firms. That the lack of control from headquarters might also have negative effects, as some recent cases of fraudulent activities by subsidiaries have shown, is not included in the analysis, however.

In part three, which deals with the ‘impacts of globalization on people and mind’, Udo Zander (Chapter...
seven) also rejects the scenario of unstoppable global forces leading to an ultimately homogenized world in which local differences virtually be eradicated and states that globalization becomes the new economic, as well as political and cultural order and leads to a more polarized world. He describes the MNEs as the ‘Cathedrals of Modernity’ and brings up human migration as a main outcome of increased interconnectedness of the world. Like some other papers there is no direct link to IP, unless one considers the more complex process of globalization as the ultimate outcome. From a different point of view, Peter Söderbaum in chapter eight focuses on the relationships between globalization and environmental issues and stresses the need for a pluralist political economy. He deals with ‘business corporations’ in general and does not specifically target the MNE. He opts for the stakeholder model, rejects the American neo-classical view and concludes that the transfer of power from citizens and the state to transnational corporations is not compatible with normal western imperatives of democracy and has to be reversed. It is to be regretted that no other author directly challenges these views, as it would have made the book much more lively.

Part four groups six chapters that take as their starting point the Uppsala-Scandinavian-Nordic internationalization model. According to Vahlne and Johanson (chapter nine) the IP-model is still valid as companies still follow the incremental route of internationalization and learning. Yet, they admit that the economic environment has changed and that an update of the IP model is necessary to take into account the developments in information technology and communications. They use case studies of e-commerce companies and internet consulting firms to make their case and even include four of their original firms studied in their original 1975 article that formed the background for their theoretical IP model of 1977. In chapter ten Peter Buckley, Mark Casson and Mohammed Azzim Gulamhussen indicate that the Uppsala model complements rather than contradicts the internalization and globalization approach by developing a more general model of the real options approach by doing away with the confusion over the relation between real options and financial options. Options reduce risks by providing the flexibility to respond to new information when it becomes available. Having developed their arguments systematically and using examples such as the joint venture option, the authors claim that insights from these models can be used to construct ‘dynamic’ versions of existing static theories.

Other chapters in part four introduce or stress neglected factors in the IP of firms. Anders Blomstermo, Kent Eriksson and Deo Sharma argue that the length of time (duration) spent in foreign operations is a forgotten dimension of the IP model. They are also among the few authors who, apart from Vahlne and Johanson, refer briefly to the so-called ‘born globals’ in this volume. In the ensuing chapter Amjad Hadjikhani and Martin Johanson discuss another missing dimension and want to include expectations, besides the other typical characteristics of the IP-model, namely market knowledge, market commitment, current activities and commitment decisions. John Cantwell and Elena Kosmopoulou in chapter twelve link up internationalization with technology and apply it to large companies from large markets into a more complete model, taking into account both inward and outward investment and the research intensity. The theoretical arguments are tested on an extensive patent database. Peter Lorange in chapter fourteen uses the Nestlé case study for petfoods to illustrate an internally driven growth strategy in network organisations, showing that the individual company or subsidiary is able to influence its position and environment.

The network perspective dominates the fifth and last part in this edited volume. Ulf Andersson and Ulf Holm in chapter fifteen analyse the role of the headquarters and the links between the various units within a MNE and its external business relationships. More in particular these authors insist on the importance of external embeddedness of the multinational subsidiary with local business partners. They test two paths of global integration of subsidiary knowledge by investigating subsidiary embeddedness in business relationships external to the MNE that relate directly to the importance of a subsidiary for knowledge development within the MNE and/or indirectly through the formal or informal HQ-subsidiary relationship. The conclusion of this interesting chapter is that HQ control over the knowledge integration between subsidiaries is limited and HQ is to be considered a unit that participates and learns in a similar way as the other corporate units.
On the basis of the case of Volvo Truck in India, Hans Jansson concentrates on the changing government strategy of MNEs in transition economies. His basic argument evolves around the need to establish legitimacy, a concept closely linked to corporate social responsibility, as it is especially important in developing countries and transition economies. Paul Houman Andersen in Chapter seventeen looks at an early stage of the IP model (export marketing) and links it with the so-called Marshallian districts or clusters. Henrik Agndal and Björn Axelsson bring up the influence of specific individuals and their networks on the internationalization of firms under the chapter eighteen heading: the influence of relationship sediments. Like the other authors who used company case studies, they rely on Nordic firms to make their point. They conclude that even in a globalised world location does matter for international behaviour (furniture industry in Salling, Jutland, Denmark). Finally in chapter nineteen Virpi Havila and Asta Salmi use Nordic acquisitions in the graphics industry to show that too much attention is being paid towards the acquiring and the target company and that the way the merger or acquisition is being reacted upon by other actors may be much more important in determining its successful outcome.

The volume ‘Critical Perspectives on Internationalization’ is made up of interesting but uneven papers about a subject that continues to fascinate many international business scholars after having been presented more than a quarter century. As the book includes papers that are not especially related to the ‘internationalization process’ it might have preferable to publish a separate volume with the chapters that deal with the internationalization process model, in order to be more in line with the theme indicated on the cover. Anyhow those readers who are especially interested in IP should not complain too much for getting some additional thought provoking views about globalization and its major actor, the multinational enterprise. Yet, the editors might have put more effort in linking both themes and the individual papers together in a more thorough comparison and putting forward a research agenda in a concluding chapter. This would have allowed to draw the attention to the attempts to apply and test the internationalization model in strategic alliances and cooperative agreements.

References

