BUSINESS IN AN INTERNATIONAL ENVIRONMENT

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The objective of this study is to examine business in an international environment and to provide recommendations that can be used for firms that are currently in the internationalization phase or planning to internationalize. In addition, this study will provide secondary data that companies can use to create competitive advantage with their available internal resources during their internationalization process. This study aims to provide general information about possible risk in the international business environment.

The theoretical framework of this study was built around the dynamic capability and resource-based view theory and. Hence, it is important for companies to identify new business opportunities by critically analyzing different business environment in order to identify the best applicable business strategy that can create competitive advantage for them during their internationalization activity.

This study was conducted with the use of data gathered from reliable academic database. These data were analyzed with the content analysis research method. However, previous research in dynamic capability and resource-based view was used to create a pattern that was implemented for the analysis of this research.

As a result of this study, companies that want to internationalize should have generic resources and ordinary capabilities that can be bought from their interested market. In addition to this, they are required to have the dynamic capabilities and VRIN resources. It is important that companies should combine building new resources and exploiting their resources during internationalization activities.

In conclusion, it is suggested that companies should consider the country risk, financial risk, cross-cultural risk, and commercial risk before embarking on their internationalization activity because these risk can negatively affect their business operations if they are not properly managed.

**Keywords**
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- Internationalization
- Dynamic capabilities

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1 INTRODUCTION

This research study was designed to build a clear view of business in an international environment strategy for business organization to be successful in their internationalization process. This study also provides a profound view of internationalization theory in an international business environment.

“Entrepreneurship is about understanding opportunities, getting things started and finding new and better ways of putting things together. It is about coordinating on a global basis the assembly of disparate and usually co-specialized elements, getting approvals for non-routine activities, sensing business opportunities and finding ways to scale capabilities globally” (Teece 2013, 166). From this definition, we can assume that part of the motives of an entrepreneur is to solve global problems in return for a financial benefit. Nevertheless, the global and environmental problem are becoming complex that it requires innovative and creative skills from business organizations.

1.1 Background

Over the decades, research on internationalization of firms has become increasingly popular because firms are beginning to identify opportunities in foreign markets and the competition in firms own local market is beginning to become gigantic that they need to increase their sales margin and generate more profit from a foreign market. Among other reasons why firms decide to internationalize to foreign market is because, they want to be able to have access to resources outside their local countries, they want to have the capacity to better serve their customers and grow their customer base, they want to make their product available and affordable by implementing an economy of scale model which allows them to produce their product in large quantity in other countries in a cheap price, and to allow them to have access to diverse innovative ideas from different countries. (Cavusgil et al. 2014. 57).

The fact that companies decide to go international in order to increase their profit margin and to gain access to competitive resources in a foreign market does not determine their success in the international business environment. It is important for a business organization to understand and have good knowledge of their potential international business environment before moving to such an environment.

International business has to do with trade, business, and investment that happened across national borders (between different countries). A business organization international business activities could be in form of
international trade, which is elucidated as the exchange of goods and services between different firms in different countries. International trade as a form of international business happens through the import and export of goods and services. Hence, the term “Import” in international business is defined as the number of goods and services that are coming into a particular country from another country, and the term “export” in international business is defined as the number of goods and services that a country sent to another country. (Cavusgil, Knight & Riesenberger 2014. 57). In this sense, the amount of goods that are imported into a country or being export out of a country determines the country Gross domestic product, which apparently affects countries economic performance.

1.2 Research Objectives

The purpose of this study is to examine business in an international environment in order to provide recommendations for companies that are currently in the internationalization phase or planning to internationalize. However, it will also provide reliable answers to the research questions that were created for this research. This study will provide vital information that companies could use to build a structured competitive advantage with their available resources. This research will include relevant scientific data of internationalization theory.

This study will also add to the extent to which the concepts of internationalization has been addressed in international business research. Additionally, it will provide recommendations for further research on business in an international environment.

1.3 Scope of the study

The motive behind conducting this research on business in an international environment is because business organizations are beginning to move their business activities outside their home countries either because they want to have access to new resources, increase their profit margin, or to better serve their customers and to increase their customer based. As such, it is relevant for business organizations to have a profound knowledge of factors that could either positively or negatively affect their activities in an international environment. (Cavusgil et al. 2014. 57).

The main motive of this research is to provide vital information and strategy that enables business organizations to be successful in their internationalization activities. However, to achieve this motive, the following research questions are answered;

➢ Which resources are needed for business organization to internationalize?
➢ What are the potential risks that could be faced during internationalization?

Providing answers to these research questions would create strategic information that would foster business organizations internationalization process and activities.

The researcher assumed that the secondary data gathered from scientific research database are valid to provide reliable answers for the research questions.

The limitation of this study is that it is based on secondary data. Hence, the researcher did not conduct interviews or send questionnaires to employees or employer of companies that are planning to internationalize or currently internationalizing their business operations. The second limitation of this study is that this research does not focus on a specific industry and it does not explain or propose a framework for internationalization process for an exact industry.

1.4 Structure of the study

This research study entails five different chapters; the first chapter consists of the introduction that entails the research background, research objectives, the scope of the study, and the structure of the study.

The second chapter of this study consist of a summary of internationalization and culture in a business environment. In this chapter, Internationalization process, special features in internationalization process, prerequisites, drivers, and barriers of internationalization, digitalization as a new business model in internationalization, risk in international business environment, business culture and business etiquette according to Lewis’ models, and business culture and business etiquette according to Hofstede’s models was analyzed.

The third chapter is the theoretical framework that consists of an extensive summary of the resources based view theory. In this chapter, the VRIN framework and the VRIO framework was analyzed, and the conceptual framework of the research study was presented.

The fourth chapter of this study is the research methodology and design, which includes the research approach, and the data collection method of the research.

The fifth chapter of this research is the discussion and conclusion part which includes the theoretical contribution, the practical implications, the reliability and validity of the research, the research implication, and suggestion for future study. Meanwhile, this section also discussed the research questions and valid answers were provided based on the
analyzed data and the theoretical framework. Figure 1 illustrate the flowchart of this research.

![Flowchart and structure of the research](image)

1.5 **Key concepts**

The key concepts of this research entails Resource-based View, internationalization, dynamic capabilities, the VRIN and VRIO model, business strategy and business model. The key concepts show the theoretical pattern of this research, and it allows the researcher to build a constructive literature review that supports the research outcome. Chapter two of this thesis will provide a comprehensive literature review of international business strategy that are applicable to business in an international environment. As such, these includes different research views of strategies that can either facilitate or hinder firms to achieve success in an international business environment.
2 INTERNATIONAL BUSINESS ENVIRONMENT

Internationalization is explained as a process or activity where an existing business enterprise moves its operation to another market. There are different reasons why business organization decide to internationalize. However, the followings are practical examples of why business organizations decide to internationalize.

Increase sales volume: Business organizations might decide to internationalize with the primary motive to increase their sales volume. However, firms in this category must have fulfilled their domestic business obligation of being capable to meet the demand of their domestic market; market expansion: In some cases, business organizations decide to internationalize in order to expand their market, which apparently allows them to be relevant and becomes part of the major players in the industry. Nevertheless, expansion of the market in most cases attracts more responsibility and creates more industrial control for such business organization; resource acquisition: Resources are considered as part of a company’s competitive advantage. Hence, resources, in this case, could be either human resources, financial resources, or natural resources. (Cavusgil et al. 2014). A business organization might decide to internationalize in order to source for resources that are not available or rare in their domestic market from foreign markets; minimize competitive risk: Internationalization in some cases might reduce competitive risk, most especially for a business organization that their domestic market is already saturated. Some companies decide to move to a new market where there are fewer competitors so that they can avoid the hurdles of competing with other companies that are in the same line of business; diversification: Companies that decide to move into a new industry in a foreign market are diversifying their business. Among other reasons why some business organizations diversify their business operations in a foreign market is because they already identified some potentials in the new business or industry that the company stands to benefits from on a larger scale. (Cavusgil et al. 2014).

Organizational culture has a strong influence on companies in terms of achieving a competitive advantage over their competitors and achieving success in a new market. Firms with a strong set of managerial values often have the capability of achieving a sustainable competitive advantage. (Barney & Clark 2009). Culture in a business environment is defined as a set of values, beliefs, symbols, and assumptions that outlines the pattern or way a business organization conducts their business. Company culture could be a source of their competitive advantage if such a culture is rare, valuable, not imitable, and could not be managed in a planned procedure. (Peters and Waterman 2015).
Business organizations in the international business environment in most cases deals with import and export of goods and services in different countries. Meanwhile, the importance of international business to different countries economy was that countries should engage in export of goods and services with other countries with the aim of generating revenue that would be directed towards the finance of import goods and services that are not available between the boundary of a country. (Coutts and Godley 1992; McCombie and Thirlwall 1992).

Adam Smith (1976) theory of international trade was built on the concept of free trade. Hence, he developed the absolute cost advantage law that is applicable for international trade between different countries. The absolute cost advantage in this case implies that countries that are capable of producing products with less production cost have absolutely cost advantage over others. Countries should import products that are less expensive to produce in another countries and export goods that are cheaper to produce in their country to other countries. (Ingham 2004). In addition, Adam Smith’s believe that free trade between countries will enhance product quality because countries will specialize in a particular group of products that they believe to have absolutely cost advantage which will create cheaper production cost and allow different countries to have higher return for goods produced that are sent to other countries. Contrary to Adam Smith’s theory is David Ricardo (1817) that believe that absolute advantage is not so important to have higher return in international trade. He argued that it is important to have relative or comparative advantage in international trade because this would allow different countries to concentrate on the production of specific product that the amount of labor involve in the production process is would be lesser than other countries. He believes that having absolute cost advantage means that countries have greater production efficiency in production process with the use of less labor factor in production process activities. (Hunt 2002).

David Ricardo’s theory has led to the Heckscher – Ohlin model that states that countries in international business environment mostly prefer to export product that are cheap to produce and in abundant supply, relatively, they import products that are not abundantly available or products that have scarce factors of production within their border. (Blaug, 1992). Meanwhile, Wassily Leontief tried to illustrate this model with an empirical research, but while doing that, his research led him to a new finding called the Leontief paradox of 1954 which shows that countries with higher per capital income have lower capital. Hence, this means that the ratio of export labor is greater than the ration of import labor. In order to create an empirical research pattern that clearly illustrates the Leontief paradox, the Linder hypothesis was created by Staffan Linder (1961). Thus, this hypothesis illustrates that similarities in countries product demand structure influence the potential of trade between countries. That is,
countries that have similar demand structures are likely to have more international trade activities.

Towards the early 80s, a trade theory called the new trade theory was created by Paul Krugman (1979). This theory comprises of different economic models that considered the role of networking and how to increase return to scale. Meanwhile, to create this theory, two countries were used as case study, and majority of consumers in these countries prefer product varieties. Hence, there is an issue of tradeoff between varieties and cost. However, it is possible to reduce the cost of production if the quantity of production increases. This is called economic of scale because the unit cost decreases due to the large number of quantity produced. As such, if consumers prefer varieties, then there would be increase in price of goods because firms would not benefit from the economics of scale as the quantity produced will reduce due to different varieties of product. Although, varieties will allow increase in trade welfare and the scale of production will increase overtime which will reduce cost in the long run. (Paul Krugman 1979).

On a global context, increase in customer varieties will enhance global trade between countries. In conclusion, this theory suggests that countries that have competitive advantage of producing some certain products will be in a good economic position compare to others. Hence companies in these countries will control the global market that would allow them produce those products at a cheaper price. Hence it will be difficult for companies in other countries to compete with them. (Paul Krugman 1979).

Another significant model in international trade theory is the oli model that was introduced by Dunning (1980). This model was built on the transaction cost theory with the addition of the ownership, location, and the internationalization advantage as important factors that enhance internationalization process. This model illustrates that for companies outside a domestic market to compete with companies in the domestic market, they need to show their superior asset that will help them gain more profit than domestic companies which will apparently allow them to gain more profit that covers their cost.

The ownership advantage in this case refers to the company size, and their experience in terms of developing different products. (Stopford and Wells 1972). The location advantage entails company investment risk and market potential that defines international market attractions. However, the international advantage entails all potential contractual risk that are possible to occur in international trade. (Andersen and Weitz 1986).

Keegan (2014), explained that countries in the international business environment can be categorized into different groups based on their income level. However, the followings are the categories of countries in the international business environment:
High-income countries: This entails countries with a minimum income level of $12,475 and more per annum. Countries in these categories are the advanced countries that encompass the world power countries, mostly the rich and developed countries. These countries economic, social and environmental advance countries. They spend so much on research and development. Hence, majority or breakthrough innovations come from there, and they are always at the top of the list as the world powerful nations. (Keegan 2014).

Upper middle-income countries: This entails countries with an income level of $4,036 and $12,475 per annum. Countries in this category are also considered as industrialized nations. However, the percentage of people in the agriculture industry is low compared to other industries in the country's economy. (Keegan 2014).

Lower-middle-income countries: This entails countries with an income level of $1,036 and $4,035 per annum. These countries consist of those that are living almost under the bottom of the pyramid. However, countries in these categories are considered to be the emerging markets countries that have a future potential of contributing more to the global economy. (Keegan 2014)

Low-income countries: This entails countries with income level under $1,025 per annum. These countries consist of those living under the bottom of the pyramid. Majority of the people in the countries under these categories are poor people that do not have access to standard healthcare and lack the basic amenities. Doing business in such a business environment is challenging due to the level of corruption and the uncertainty of government policy on business operations. A large number of people in these countries works in the agriculture industry, but they lack the required technology that could help make their agriculture sector rewarding. (Keegan 2014).

2.1 Emerging market in international business environment

The term emerging market or developing market is becoming popular in the international business environment, and companies are beginning to explore different prospects in these market. Emerging market in today's international business environment have more growth potential compare to developed market because per capital income in these markets are lower, and the population of middle class citizens are increasing in developing markets. Another significant factor about developing market is that these market are rich with different raw materials that are needed for production process. However, the cost of labour in developing market are less expensive compare to developed market. To mention a few, examples of developing market are India, Mexico, Russia, South Africa, Indonesia, China, and Brazil.

Grosse (2016).
It is important for companies while moving into a developing market to take into consideration some important factors that could either facilitate or hinder their success in any developing market. Among these significant factors that are needed to be considered is the political situation of the country, government role in facilitating international business, the country population and their infrastructure development. Grosse (2016).

For the purpose of this research, Africa as a developing market will be looked at closely because the international market environment in Africa has shown significant growth. Hence, companies in developing countries are constantly looking at expanding their operations to Africa. Although, Africa is a large continent that comprises of different countries with different with different stages of economic development. It is important to carefully analyze several mega trends that are shaping the conduct of international business activities. Mataen (2012), suggested that the following megatrends should be carefully analyzed by companies before embarking on internationalization to Africa; country capital market and development, their cultural revolution, their population growth and demographic shifts, the regionalization of their market and evolution of intra – African markets, the rate of rapid urbanization, the commercialization of essential services, and the deregulation and liberalization within the country.

Other factors like the barriers of moving goods from one African country to another is another significant problem that is important to be considered while moving your business to developing countries. The persistent problem in different African nations bother that allows high bureaucracy in custom procedure hinders the ease of doing business in Africa, and could discourage investors or business from develop countries from internationalization activity. (Mataen 2012).

For some decades, African countries have moved from the dictatorship system of government to a more democratic system of government. This has helped to make African countries a perfect destination for international companies. In addition to this, the rising middle class in most African nation is another significant reason why Africa is considered to be a great choice of internationalization for business organizations from the developed market. (Mataen 2012).

Chin and Michael (2014) explained that developing market will continue to experience growth for decades due to their population growth rate, and the urbanization rate.
2.2 **International entry strategy**

Business organizations might decide to enter into a new market in different ways that best fit their company strategy and their available resources. However, from a strategic point of view, it is better for companies to conduct a comprehensive market analysis for them to be able to choose the best or the most appropriate entry mode. Figure 2 below illustrates different market entry modes that companies might decide to adopt while moving into a new market from their domestic market. (Johnson et al. 2009, 224. Grafers and Schlich 2006, 109).

Companies can decide to either enter into a foreign market through indirect export, direct export, corporation, and direct investment. Figure 2, illustrate different market entry mode that companies could use to enter into a new market. It is important for a company to have a clear knowledge of all available entry options in order to be able to determine the market entry mode that is better for their business.

![Market entry mode](image)

**Figure 2: Market entry mode (Grafers & Schlich 2006, 109).**

New business organizations all over the globe constantly search for business opportunities in different market. Hence, doing that, they need to identify unique business strategy that allow them to easily identify new business opportunity in several business environments. To facilitate these new business opportunities, Park and Bae (2004) introduced seven different strategies help firms to identify new business venture in business environment. The fist strategy that was introduced is the reactive imitator strategy. This strategy entails firms that are interested in identifying
business opportunities in existing market. Firms that implement this type of strategy are not innovative by nature because they imitate existing product, service, or technology.

The second type of strategy that was introduced is the import substitution strategy that can be used by firms that have more competitive advantage in highly technology products. Hence, these firms tend to deal with expensive goods as such, for them to be competitive in the market, they identify means of reducing the cost of their product by substituting several components of their product.

The third type of strategy that was introduced is the proactive localization strategy that allows new business organizations to use existing technology in order to reduce uncertainty.

The fourth type of strategy that was introduced is the creative imitation strategy that allows companies to imitate other companies with the aim of penetrating into a local or global market.

The fifth type of strategy that was introduced is the global niche strategy that allows firms to concentrate in specific sectors in order to provide goods and services for their customers. Meanwhile, companies in these case have competitive advantage over their competitors through their technological and innovative capabilities to satisfy their unique customers.

The sixth type of strategy that was introduced is the early market entry strategy that allows companies to quickly react to technological change that makes them relevant in the market. In this case, companies that react quickly to technological change have high potential of growth.

The seventh type of strategy that was introduced is the global innovator strategy that allows companies to create new market, technology, and products. I believe that the international business environment is more saturated and companies need to have proper strategy, substantial market specific knowledge, good networking and they need to select the best entry mode that best fit their business model. (Park and Bae 2004).

2.3 Pre – requisites, drivers, and barriers of internationalization

It is important for a business organization to have a structured strategy when it comes to internationalization activities or moving into a new market. Companies that are moving into new markets need to have a clear knowledge of their current strategy and what their strategy will be in the future. However, for companies to create a more sustainable business strategy, it is recommended that business organizations should implement the strategic diamond framework.
“The strategy diamond framework provides executives and consultants a concise, coherent way to analyze, integrate, summaries, and communicate product, business, and corporate level strategies. The model covers strategy formulation. That is, it helps answer questions about what the strategy is and what it will be in the future.” (Provenmodels 2014).

The aim of this strategy diamond is to analyze, visualize, summarize, and recommend a structured and standard strategy for companies that want to move to an international market. Figure 3 presents questions that a company need to answer while formulating their international business strategies into a new market.

The five major trends in today’s business environment are the; demographic and social change, shifts in global economic power, rapid urbanization, climate change with resource scarcity and technological breakthroughs. (Lancefield et al. 2015.)

These trends are described to be the factors that initiate business organization to go international because it creates opportunities for business out of their domestic market.

Internationalization business entails business in an international environment with diverse culture and different business orientation. One significant difference between business in an international market and business in a domestic market is the dimension of risk. Business in an international environment is prone to different social, economic and environmental risk ranging from; country risk, financial risk, cross-cultural risk, and commercial risk. The ability of a business organization to manage and control these risks determines their success in the international business environment. (Cavusgil et al. 2014).
Cross-cultural risk: Cross-cultural risk occurs when there is a difference in the method some set of people do business in a business environment. For example, bribery and corruption is a big criminal offense when it comes to doing business in the western world, but in other hand bribery and corruption in developing countries are considered to be business as usual. Firms that want to internationalize to a new market where bribery and corruption are considered to be normal business activity should decide if they are to adapt to the new market culture or to maintain their domestic market ethics. (Keegan 2014).

Country risk: Country risk which is also referred to as political risk occur when there is political instability in a particular country. A county that is politically unstable is considered to have a high risk of country risk, and a country that is politically stable is considered to have a low rate of country risk. From a strategic point of view, it is not a good idea for a company to internationalize into a country that is politically unstable or a country with high risk. a political risk could lead to high loss of profit. (Cavusgil et al. 2014).

Financial risk: Financial risk in an international business environment has to do with the exchange rate of the domestic market currency and the new market. The exchange rate fluctuation could lead to a financial loss because it is unpredictable. To deal with this problem, a company might decide to trade with their domestic currency to reduce the risk that is associated with the currency exchange rate. (Cavusgil et al. 2014)

Commercial risk: commercial risk as the name implies entails the risk that occur due to poor implementation of business strategies or insufficient knowledge of the new market. To deal with such risk, it is recommended that companies should have a vast knowledge of the price that people are willing to pay for their product, the right place or location to open their company branch, the product that is acceptable by the people in their new market, and the best promotion channel. (Cavusgil et al. 2014).

Since these risks are unpredictable in a business environment, it is important for a business organization to make provisions on how to reduce the effect of the likely risk that might affect their business operations in their respective new markets. Business organizations should ensure that they carry out a comprehensive PESTEL analysis of their new or potential market in order to identify several perils in their Political, economic, social, technological, environmental and legal aspect. (Johnson et al. 2009).

2.4 The general and industry environment

The general environment in international business comprises of all elements that can either positively or negatively affect an industry or a firm that operates in an industry. These environmental elements can be classified into the economic, demographic, political / legal, sociocultural,
and technological segments which cannot be directly controlled by firms. Hence, it is important for firms to have good knowledge of each segments and their potential implication to their business operations in order to act appropriately by implementing the proper strategy to each segment. The industrial environment in this case comprises of firm’s suppliers, buyers, the threat of new entrants, rivalry intensity, and product substitute. Apparently, the interaction between these factors in the industrial environment determines firms profit potentials. It is important for firms to be able to influence these factors favorably, or in a situation where they cannot influence these factors, firms should be able to defend against the impact of these factors because their capacity to either influence or defend these factors defines their profit potential. Figure 4 illustrates the relationship between the general environment and the industry environment. (Michael et al. 1995).

![Diagram of General and Industry Environment](image)

Figure 4: General and industry environment (Michael et al. 1995, 36).

The interaction between firm general and industry environment can influence their profit potentials. As such, it is important that firm organization structure supports the relationship between their general and industrial environment.

### 2.5 Classification of stakeholders in an international business environment

The international business environment comprises of different parties that have interest in the business operations of a business organization. These stakeholders can be classified into three groups which are; the capital market, product market, and the organizational stakeholder. The capital market stakeholder comprises of the company shareholders and their major capital suppliers. Both the shareholders and lenders expect the company to enhance the wealth they have entrusted on the company business operations. In most cases, the returns for capital stakeholder is
equivalent to the agreed risk that was accepted at the inception or their investment in the company. (Michael et al. 1995).

The product market stakeholder category entails company primary customer, their suppliers, the host government, and the trade union that represents the work force. The parties in this categories benefits from a company ability to posse competitive advantage over their competitors in their operating environment. As such, these group are important for company to gain competitive advantage. (Michael et al. 1995).

The organizational stakeholder category includes all employees of a company that consist of their managerial and none managerial staff. These group expect their company to provide work security, a stimulating, and a rewarding career. These companies’ personnel’s feels satisfied when their company is growing, and the employees are able to develop their skills while working for the company. (Michael et al. 1995). Figure 5 illustrates the categories of stakeholders and the different groups in each category.

The aim of firm’s stakeholder is to ensure that a firm achieve success in their operating general or industrial environment. chapter three of this research presents the resource based view theory and firm internal and external analysis that could be used to build their core competence which allows them to have competitive advantage over their competitors during internationalization of firm or in an international business setting.
3 THE RESOURCE BASED VIEW

The international business environment is saturated that it requires firms to be innovative and creative for them to remain relevant and to be able to compete with their competitors. These innovative and creative thinking of firms should include business models diversification or business models innovations. Business model diversification seems to be challenging for business organizations because it requires that firms create or build a new business model which is different from their old business model, in some cases, some firms diversify to a new industry that is different from what the company is known for. (Ansoff 1957).

According to Ansoff (1957), business models diversification should be done with the following strategies; lateral diversification, horizontal diversification, and vertical diversification. The right strategy for business model diversification is mostly determined by the current market trends and firms’ competitive position. Whatever strategy a firm decides to implement should be determined with the following factors: the long-term company product market policy, comparing the diversification opportunities with the diversification objectives and there should be a quantitative evaluation that allows the comparison of potential profit from different alternatives. (Ansoff 1957). It is important to consider these factors while selecting a business model diversification strategy because it allows firms’ to be sure that the best strategy that fits their potential business model was selected. One critic in this framework is that the framework does not make provision for firms to consider their internal factors during their business model diversification strategy selection. Although, these frameworks are relevant in internationalization strategy theory.

In the international business environment, it is important for business owners or directors to have a clear knowledge of their industry and to be able to identify who their competitors are in order to be able to develop a competitive advantage over their competitors.

The porters five forces framework provide a clear path that companies could implement in order to determine how attractive a potential market is for their business as illustrated in figure 6. These five forces allow strategic managers to understand the bargaining power of buyers and bargaining power of suppliers in the market, the threat of new entrants into the market, the threat of substitutes, and their competitors. (Porter 1980).
Contrary to Porter’s industry attractiveness model, (Wernerfelt 1984) proposed that the market possibilities of a firm should be accessible through their available resources. Hence, Wernerfelt is considered as the pioneer of the resource-based view theory in international business research. However, in his study, he suggested that company resources should be considered as their strength and weakness. In addition, he explained that firms can create their competitive advantage if they are critical during their resources analysis.

In his study, Wernerfelt did not explain more on firms most valuable resources and the potential sources of firms’ competitive advantage.

Disagreeing to Wernerfelt’s study, (Barney 1986) explained that firms’ culture that includes their values, beliefs and their company symbols could be a source of competitive advantage. Hence because it is difficult to copy or imitate firms’ culture, such values, beliefs, and symbols would be difficult to be copied by competitors. However, for company’s culture to be a source of their sustainable competitive advantage, it must be rare, valuable and imperfectly imitable. This approach is considered to be the inception of the VRIN-framework which extended to the VRIO-framework of the resource-based view approach.

In his study, he explained the Schumpeterian competition model, the Chamberlinian competition model and the industrial organization competition model in the international business environment.

Schumpeterian competition model: The Schumpeterian competition model is an unstable and unpredictable model. However, the Schumpeter competition model sees competition in the international business environment as creative destructions which are unpredictable. (Barney 1986).

Chamberlinian competition model: This model suggests that firms should develop their competitive advantage through their strength. Hence, they
should, by all means, avoid their firm weakness because it could hinder their competitive advantage. The chamberlinian competition model’s view matches the industrial organization competition model because the industry structure determines firms’ valuable skills. Examples of firms’ resources that can lead to their source of competitive advantages are as follows: company reputation, company brand awareness, company know-how and the company skillful management.

Industrial organization competition model: The industrial organization competition model was focused on firms’ industry structure. That is, the position of the firm in a specific industry (Barney 1986).

3.1 Internal analysis

Firms in the international business environment poses some unique resources and capabilities that other companies do not have. Resources are considered to be an internal organizational source of capabilities. Hence, they are categorized as company’s core competence. With the use of company core competence, they are able to create values better than their competitors. Value in this case entails all goods and services that are provided by a company which customers in the international market environment are willing to pay for. (Michael et al. 1995).

Identifying, developing, protecting, and deploying of company internal resources, capabilities, and core competence is a challenging task that need to be evaluated carefully by managers because it determines their company ability to achieve sustainable competitive advantage. (Michael et al. 1995). Figure 7 illustrates the flow and component of company internal analysis.

Figure 7: Internal analysis components. (Michael et al. 1995, 71).
3.2 **Competitors analysis**

It is important for firms to understand their external environment for them to identify their potential competitors, and to take actions on their competitor’s activities that affect their profit potential. Aside from having an industrial analysis, the competitor’s analysis is directed towards specific companies that a firm is competing with. Hence, the competitor’s analysis is used to determine what drives a firm competitor, what the competing firm is doing and can do, what do the competing firm believes about themselves and the industry, and what are the competing firms capabilities. If a firm is able to identify this information’s about their competitors, it will help them to be proactive towards what strategic response they will proceed with concerning each competitor. While gathering information about firm’s competitors, it is important to ensure that such information’s are not gathered through unethical means. (Michael et al. 1995). Figure 8 illustrate the components of competitor’s analysis.

![Figure 8: Component of competitor analysis (Michael et al. 1995, 58).](image)

3.3 **Resources as valuable assets**

Recognizing company resources is difficult because managers might not pay so much attention to some of their resources in order to protect such resources from being imitated. Meanwhile, research has shown that it is vital for companies to concentrate more on their unique resources and
skills than to concentrate on their operating environment. (Dierickx & Cool 1989).

Companies strategic resources are regarded to be the source of their competitive advantage. However, it is important for firms to consider itself as a collection of competence, not as a collection of business because the competitive advantages of their firm are built on their core competence, not on their service or product range. Nevertheless, identifying companies core competencies is another hurdle for business managers. The following factors were proposed for managers in order to identify the core competence of a firm: Managers should consider if the competence make a remarkable contribution to their customer values, they should also consider if these competencies provide access to a variety of markets, and they should consider if these competencies are they difficult for their competitors to imitate (Prahalad & Hamel 1990).

If a firm is able to build a sustainable core competence through their resources, it is reasonable for them to use these competencies to create more core product or services. However, they should ensure that they develop a strategic architecture that allows their company resources to be easily allocated and visible. (Prahalad & Hamel 1990). Business organizations should create a business environment that protects their competitive advantages. Hence, for firms to protect their core competence, they must always improve their skills and always lead their competitors by creating new skills faster than them.

Firms need to use their resources to innovate and be proactive in their respective industries because it allows them to dominate the market and remain relevant. Today’s business organization comprises of different companies with various ideas that are very competitive. The pace at which companies implement their ideas also matters in some cases because several companies are also thinking of implementing the same ideas. (Hamel & Prahalad 1991).

Business organizations should attempt different business opportunities that are different from their primary business because if they are able to perform better in the new business line, they might be able to create and build new competitive advantage from their new business model and generate more income from their new business. For companies to create a new business model, they need to be able to identify new product and service concepts, ignore their traditional price-performance assumptions and instead of following their customers, they need to lead their customers (Hamel & Prahalad 1991).

Among other roles of a manager in a business, the organization is to generate income (rent) for the organization. However, for a manager to be able to perform efficiently in his role, he needs to fulfill the three level of managerial skills. These skills are as follows: business or industry related,
generic, and firm-specific skills. However, these skills can also be referred to as a company’s competitive advantage. (Castanias 1991).

3.4 The VRIO and VRIN framework

The ability of a company to diversify their business model, implement change, adapt to change and the ability of firms to obtain sustained competitive advantages while responding to their environmental opportunities is pivotal to their success in today's business environment. Most successful companies today are known to have the ability to easily adapting to change and create multiple business models. (Ansoff 1957; Barney 1991).

However, the resource-based view theory explained that the heterogeneous nature of firms correlates with their strategic resources. Nevertheless, strategic resources, in this case, was explained as “all assets, capabilities, organizational processes, firm attributes, information, the knowledge that are controlled by a firm which enables them to implement strategies that improve the firms’ efficiency and effectiveness”. (Barney 1991).

For firms to be able to compete with their competitors and have a competitive advantage over their competitors, their strategic resources must not be imitable, valuable, rare, and it must not be easily replaceable. (Barney 1991).

According to Barney (1991), the VRIN framework in resource-based view theory explained that for firm resources to be considered as a source of their sustainable competitive advantage, their resources must meet the following conditions:

➢ Valuable: Resources must allow “firm to conceive of or implement strategies that improve its efficiency and effectiveness”.

➢ Rare: This means that resources must be scarce and other firms should not have easy access to such resources

➢ Inimitable: This has to do with the difficulty in imitating firm resources, based on their complexity or uniqueness nature.

➢ None substitutable: This has to do with when firms resources cannot be substitute for another one. That is, when there is no substitute for firm resources.

The VRIO framework which was an improvement of the VRIN framework buttress the framework further and provide questions that are useful for the resource-based analysis. According to Barney & Clark (2009), the VRIO framework presents the following questions:
Does the resources or capability of firm valuable when it comes to responding to opportunities and threats in the environment?

Is the resources or capability rare and can only be controlled by few firms?

In case of the companies that do not have the resources or capability, is it cost for them to imitate such resources or capability?

do the firm have a clear structure that facilitate full exploitation of their resources?

Based on these four questions, companies that meet all requirements has the tendency of gaining a sustainable competitive advantage over their competitors.

It can be argued that knowledge is one of the strategically most important resources of a firm, and the main task of a firm is the coordination of the individual knowledge of its employees. An organization can learn in two ways: by the learning of the individuals in the firm or by hiring employees with knowledge that the organization didn't previously have. (Grant 1996).

When thinking about the resources that could potentially be sources of competitive advantage for a firm, one resource or skill could be the ability to harness and integrate the knowledge of many individual specialists. (Grant 1996). This is especially so because of the costs and difficulties in transferring knowledge.

3.5 Resource based view and network

There are different options available for companies that lack the required capacity to compete strategically in an international business environment. Among these choices is to corporate with companies that posse those capabilities, develop the capability themselves or acquire companies that have those capabilities. Although, they often consider the cost of acquiring other firms and the time it would take to developing their strategic capability while deciding which option to go for. Hence, companies would mostly prefer to corporate with other firms. (Barney 1999).

Cooperating with other companies’ entails firms to create a network with companies either in their industry or outside their industries depending on what strategic capability they are cooperating for. Meanwhile, this networking by firms could lead to a major source of knowledge about new business opportunities, and it could lead to a competitive advantage for companies that decide to form an alliance together through networking. (Gulati 1999).
It is required for a company that intends to form an alliance to have a good knowledge of the firm they want to cooperate with. In most cases, this information’s might be difficult to get without establishing a good networking relationship between companies. Networking is very important when it comes to creating an alliance with companies because it allows firms to have better knowledge of each other before making the decision to corporate with other companies. (Gulati 1999).

The resource-based view can be used to examine companies reason for creating a strategic alliance with other firms. Although, some companies might decide to create an alliance with other companies in order to have access to their valuable resources. The reasons that companies corporate with each other is because they want to strengthen their companies’ resources. As such, the alliance is voluntary with the aim of achieving a competitive advantage. (Das & Teng 2000).

Before creating an alliance, it is important to analyze companies’ property based and knowledge-based resources. Property-based resources are easily transferred, while knowledge-based resources are difficult to be transferred, but in an alliance, it is necessary to carefully analyze both resources. (Das & Teng 2000).

The resource-based view is applicable to either big companies or small companies because companies’ needs are the same irrespective of their size. For companies to be able to have a competitive advantage over their competitors, they should be able to portray innovative capability, production capability, and market management capability that put them ahead of their competitors in the same industry. (Barney, Wright & Ketchen 2001).

The resource-based view in international business management determines companies core resources which allows them to have a competitive advantage over their competitors. Recently, the resource-based view theory is becoming common in international marketing. According to Kozlenkova et al. (2014), companies existing resources could be used in a new market. As such, this could give them a competitive advantage over their competitors and allow them to develop new resources. In this case, companies existing resources are being used to develop new resources in a new market. However, he added that companies should concentrate on how they could use their existing resources to create new resources in new markets, instead of concentrating on which of their resources could be used in new markets. It would be extremely risky for companies not to consider how they could use their existing resources to create new resources in new markets. Companies that consider their existing resources as a means of creating new resources perform better than other companies because they tend to be more creative and innovative than their competitors.
3.6 The I/O and resource based model of superior profitability

The I/O model explain the dominating effect of companies’ external environment on their strategic actions. However, this model encompasses three significant assumptions that the external environment determines firm’s strategy that will lead to profitability, it also assumes that most firms competing within the same industries controls similar strategic resources, and they have similar strategy. The third assumption is that the resources that are used to implement different strategies are mobile across different firms. The I/O model challenges firms to identify the most attractive industries that they can compete because most firms are assumed to have similar strategy and relevant resources that allows them to compete with each other. The I/O model as illustrated in Figure 9 shows that firms achieve superior profitability when they implement the dictated strategy from their general, industry, and competitive environment. Meanwhile, firms that have the internal skills need to implement the external environment required skills. Hence, the firms have more potential to succeed. This means that superior profitability is determined by the external characteristics of a firm, not by firm’s internal resources or capabilities. (Michael et al. 1995).
In contrast to the I/O model, the resource based model of superior profitability is built on the basis that firms' internal environment that comprises of their resources and important capabilities that determine their strategic actions. This model believe that the external environment is less important in strategic choice selection compared with the internal environment. The resource based model suggest that firm's unique resources and their internal capabilities determines their strategy which allow the firm to exploit their core competence in terms of several opportunities in their external environment. (Michael et al. 1995). Figure 10 illustrates the resource based model of competitive advantage.

![Diagram](image)

**Figure 10:** Resource based model of superior profitability (Michael et al. 1995, 17).

In line with these models, it is important for firms to understand their strategic intent and strategic mission. A firm strategic intent should entail all their activities that allow them to use their internal resources, their capabilities, and their core competence to accomplish their company goals in their operating environment. Strategic intent is more about how companies win competitive battle, and how they gain leadership in a competitive environment. Hence, strategic intent leads to strategic mission. As such, strategic mission comprises of firm’s statement that explain their unique product and service. The strategic mission provide clear description of companies intended product, and the market they intend to serve with the use of their internal based core competence. (Michael et al. 1995). Figure 11 shows the interdependent relationship between the strategic intent, and strategic mission.
Strategic intent can be used to gain competitive advantage, and the strategic mission that is the practical application of firm’s strategic intent are both vital to gain core competence. As such, they enhance firm’s superior profitability.

3.7 Resource base view and competitive advantage

Competitive advantage is important for companies to perform better than their competitors. Meanwhile, a company is said to have a competitive advantage over their competitors if they are able to create more economic values than their competitors. A competitive advantage could be either sustainable competitive advantage or ordinary competitive advantage. The difference between both of them is that the sustainable competitive advantage lasts longer than the ordinary competitive advantage. Hence the sustainable competitive advantage is not easily imitated while the ordinary competitive advantage could be easily imitated. (Barney & Clark 2009).

For companies to have a sustainable competitive advantage over their competitors, they are expected to implement a good strategy that allows them to create new strengths. However, a good strategy should explain companies’ challenges, systematic approach of how to deal with the challenges, and outlined actions that could lead to achieving the company goals. (Rumelt 2012).

Companies in today’s business environment perform better than others due to their market power analysis and their ability to use their company resources more efficiently and effectively than their competitors. Hence, the resource-based view theory is concerned with the ability of companies to use their resources more efficiently and effectively than their competitors. Companies resources can be classified into the physical capital resources, the financial capital resources, the human capital resources, and the organizational capital resources. (Barney & Clark 2009).
For company resources to be considered as a source of their competitive advantage, such resources need to be valuable, rare, imperfectly imitable, and the ability of the organization to exploit the potential of such resources. (Barney & Clark 2009).

The VRIO framework of the resource-based view provides the following questions that could be used to determine if company resources are classified to be a source of their competitive advantage. Those questions are as follows: does the company resource allows them to respond efficiently to threat and opportunities in their business environment, are those resources controlled by a limited amount of firm, does these companies that do not possess these resources have a cost advantage while acquiring or developing their resources, and do the firm have a structure that allows them to fully exploit their resources. (Barney & Clark 2009).

For companies to be able to implement their strategy, they need to get rid of resources that are not valuable in order to reduce their organizational cost that could negatively affect the company revenue. However, in some cases, some companies possess some resources that are valuable but not rare. Such resources are not considered to be the source of company competitive advantage, but they are considered to be crucial for companies because they generate competitive parity. (Barney & Clark 2009).

3.8 Core competence as sustainable competitive advantage

Company resources and capabilities allows them to build sustainable strategy that improves firm efficiency and effectiveness which create strategic competitiveness. Although, it is not all company resources and capabilities are considered to be critical strategic asset because they represent some competitive aspect that the firm operations is weak compare to their competitors.

Selection of capabilities that are core competence which leads to sustainable competitive advantage requires a critical analysis of customers and competitors. Company capability leads to core competence when they help to produce distinctive product. As such, distinctive products are considered to be company goods and services that have features and characteristics that are valued by customers. Company capabilities that are valuable, rare, imperfectly imitable, and none substitutable are considered to be source of sustainable competitive advantage. However, firm capabilities that fail to satisfy these criteria are not classified as firm’s core competence. Companies core competence leads to their capability, but not all of their capabilities leads to core competence. Figure 12 illustrates how core competence is considered to be company strategic capability and how their capability might not be considered as core competence. (Michael et al. 1995).
Firm capability can lead to either their core competence which is a strategic capability or it could be an ordinary capability which is a nonstrategic resource. In order for company capability to be their core competence, such capability must satisfy the firm sustainable competitive advantage criteria.

### 3.9 Dynamic capability framework

The dynamic capability framework allows companies to constantly actively look for new business opportunities, and analyze identified opportunities in order to create a competitive business model that could not be easily imitated by other companies. Companies should have these capabilities for them to be able to compete with competitors in their business environment. The dynamic capability and the resource-based view theory are similar to each other because they both consider a company as a bundle of resources that could be used to identify new business opportunities that create value for a company. (Teece 2013).

For companies to be relevant in today’s business environment, it is important for them to constantly search for different opportunities in the new market that could allow them to be competitive and create a competitive advantage over their competitors. The dynamic capability process should be considered as a long term process. As such, companies should constantly always search for new opportunities in their business environment. (Teece 2013). The management and the management skills are very important when it comes to dynamic capability because they need to be able to identify new opportunities, and at the same time, they need to keep satisfying their old customers in order to secure the company revenue. (Castanias & Helfat 2001).
Figure 13 illustrate the structure of dynamic capability in a logical approach. Hence, it shows how dynamic capability framework could be used to sense new opportunities, seize the identified opportunities, and manage them in order to identify the threats that it does not negatively affect the company performance. The dynamic capability and the VRIN resources are integrated into companies’ boundaries, while the ordinary capability and the generic resources could be easily bought from the market as it is not rare. (Teece 2014).

![Figure 13: The Logical Structure of the Dynamic Capabilities Framework (Teece 2014, 334).](image)

As mentioned earlier that both the dynamic capability and the resource based theory are similar to each other, Although, there is a little difference in their area of concentration that the dynamic capability concentrates on building new resources while the resources based view is more of exploiting companies’ resources in a way that could create competitive advantage.

### 3.10 Business model in an international business environment

Business models is an important factor in doing business in an international environment. The ability of a business organization to formulate an accurate business model that critically analyze all aspect of a business model canvas will enhance their success in new market. Meanwhile, a business model should define the rational of how a business organization will create, deliver, and capture value in a new market or industry. (Osterwalder & Pigneur 2010; Kaplan 2012). In addition to this, a business model should explain clearly the architecture of a product, the service and information flow that includes the description of different business actors and their respective roles. The description of potential benefit for business actors should be clearly illustrated in a business model. The choice of business model in international business environment in most cases determines their organizational success. (Timmers 1998).
Research in this field has shown the importance of business models in an international business environment. Hence, the IBM’s global CEO report conducted a survey that comprises of 765 CEOs, and most of them agree that competitive pressure have pushed companies to concentrate more on business models than expected, and this has led to the reason why business model is one of those factors that CEOs have added to their priority list. However, managers are constantly seeking guidance from professionals on how to incorporate innovation in their business model. (Pohle & Chapman, 2006). Figure 14 below illustrates the increase in business models articles in business models field.

![Business Model Articles in the Business/Management Field](image)

Figure 14: (Zott, Amit and Massa 2011).

The business model canvas as a tool in business model formulation is important because it allows companies to get a quick view of different business areas that determines their position in a new international market. The business model canvas allows a visual look of company business model and it enables them to know which area they need to improve on before implementing their business plan in a new market. A good business model canvas should answer the following questions: Customer segment: who are the organization customers or who do they serve as their customers?; value proposition: how do they address customers problems and their needs?; channel: how do they communicate their value to customers or how do customers buy their value proposition; customer relationships: what is the established relationship between the organization and their customers; revenue stream: what values do the customers pay for, how do they pay for those values, and how do the company generate profit; key resources: what are the required assets to satisfy customers need, and what are the most important factors that the
company need to offer the value proposition?; key activities: what is the important activities that the company need to perform to offer value?; key partners: who are the company important actors, what do they need to do as business partners?; cost structure: what are the most important cost that are incurred in operating the business model in a new market or industry? (Ostenwalder & Pigneur 2010).
Answering these questions in different segments of the business model canvas will allow business organization have more knowledge of their new business environment and what they should do to make their business thrive and be competitive in the business environment.

3.11 Conceptual framework

The conceptual framework in this research was developed such a way that it illustrates different factors that companies need to consider while diversifying into new markets or moving their business to an international environment.

In this case, the researcher identified that the international business environment is unpredictable. Meanwhile, it is possible for companies to reduce their potential of failure if they have the required resources and capability for diversification or internationalization. Although, companies could engage in networking with similar firms in order to create a competitive advantage that is important in the internationalization process. Moving into a new market is considered to be difficult as it entails different reorganizing and in some cases, it has to do with the change of strategies. (Ansoff 1957).

Company culture is another important aspect that should be considered before internationalization. As explained, company culture could determine if their internationalization would be successful or not because it is considered to be some set of rules, beliefs, and values that could be used to create a competitive advantage over their competitors in an international environment. (Peters and Waterman 2015).

To create a competitive advantage with the use of company resources is important for companies to be successful in their internationalization process. The resources based view and the dynamic capability theory illustrates the importance of company resources which could be used to determine new opportunities that could be the source of competitive advantage in an international environment. (Teece 2014). Figure 15 illustrate the conceptual framework of this study.
Business organization core competences lead to competitive advantage that allows them to perform better than their competitor in an international business environment. Meanwhile, it is important for firms to identify the best strategy that is compatible with their business model for them to be the major player in their industry. Chapter four of this research illustrates the research design and method that was implemented while conducting this research.

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<thead>
<tr>
<th>Business in an international environment</th>
<th>Resource based view</th>
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<td>Trend, emerging market, risk, culture, business etiquette</td>
<td>VRIN and VRIO framework</td>
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**Internationalization theory**
- Emerging market in international business environment
- International entry strategy
- Pre – requisites, drivers, and barriers of internationalization
- General and industry environment
- Stakeholders in international business environment

**Company resources for internationalization activities**
Which resources are needed for business organization to internationalize?

**Internationalization risk**
What are the potential risks that could be faced during internationalization?

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Figure 15: Conceptual framework of the study
4 RESEARCH DESIGN AND METHODOLOGY

This chapter presents the research method that was implemented in this study and it justifies the reason for selecting the research method that was used in this study. It also explains the data collection process that was used for this research. Finally, it explains the data analysis method that was used with an emphasis on the reliability and validity of the study.

The qualitative research method was implemented in line with the content analysis technique. Data that was used for this research was gathered through secondary data, using the qualitative data case study research method. The reason why this study was based on a case study research was that a case study research explains a specified phenomenon in conditions that the existing or available theory is insufficient to create a clear description of such phenomenon. Another reason why this research was established on a case study research was that it examines a phenomenon in its real-life perspective. (Yin, 1994).

Yin (2003) explained that a case study is an "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when boundaries between phenomenon and context are not clearly evident". However, case studies could be in form of single or multiple case studies. The single case study method was applied in order to explore the case and to be able to analyze the data within and between the case analyses. This type of method allows the researcher to identify subunits that are located within a large case analysis. (Yin 2003).

4.1 Case description

This study is intended to answer the research question of which resources are needed for a business organization to internationalize? and, what are the potential risks that could be faced during internationalization?. Answering these research questions with scientific data will create strategic information that would foster business organizations internationalization process and activities. Meanwhile, this research will contribute to the research stream of business in an international environment, and can be used as secondary data for schoolers that are researching in this field or by companies that want to move their business activities to an international environment. Although the result of this research might not be applicable to some sectors because the researcher did not concentrate on a particular sector.

4.2 Data collection method and process

The content analysis was implemented in this research because it is the most compatible method that is applicable to this case. Content analysis is
a method that can be used in qualitative research, and it entails comprehensive and diverse scientific domains which can be used as a theoretical framework and as a single technique. The content analysis can be used to analyze communicative material in a systematic, objective, and reliable method. As such, the content analysis aims at transforming fragmented data into a comprehensive, compact and distinct shape such that the scientific information does not lose any vital information in the process of data analysis. Content analysis systematically reduces raw data such that the necessary and important contents are conserved, and comprehensive and short text is produced afterward. (Mayring 2004). With the help of content analysis in this research, the researcher was able to modify and codify the text into different groups or categories in the literature review based on the selected criteria in the study. (Gutherie et al. 2004).

Content analysis can be separated into different steps in a particular order in research analysis. Although, the analysis of scientific data follows the data gathering procedure. The first step in implementing the content analysis procedure in a research study is to decide which parts of the scientific data interests the researcher, after deciding which part of the data interest the researcher, then the researcher can sort out the concerned content or part from the rest of the raw data. Hence, while doing that, the researcher should fully ignore the irrelevant content from the data. (Gutherie et al. 2004).

Content analysis in research can be in an inductive or deductive approach. (Elo & Kyngas 2007). However, the inductive approach is possible when the categories are resulting from the data in a study. The deductive approach is possible when the arrangement of the analysis is placed on earlier knowledge, and the purpose of the study is for theory analysis. (Elo & Kyngas 2007). For this research, the deductive approach was implemented. Figure 16 illustrate the inductive and deductive approach to content analysis research method and how the procedure a that can be followed in a different approach. The general international business and culture in business environment theory was examined, after which the analysis was narrowed down to the resources based view theory with different thematic areas.
I began to gather data for this research by searching for academic materials in the international business field. After collecting raw data from a different academic database on internationalization of firm research, I proceed to examine different thematic areas like the resource-based view, and dynamic capability in order to create familiarity with those theories and to be able to analyze how these theories affect internationalization decision of companies.

This analysis allows me to provide a valid answer to the research questions; which resources are needed for a business organization to internationalize? and, what are the potential risks that could be faced during internationalization?. Figure 17 illustrate the steps in the data collection process with the use of content analysis as a research method. However, it is common that the researcher began to analyze the data already in the data-gathering phase in a qualitative research study. Meanwhile, the researcher knowledge of the phenomenon plays a significant role in the analysis procedure. Which have a great impact on the reflecting and interpreting of data analysis that is considered to be the most fundamental parts of the content analysis. (Mayring 2004).
Data collection/selection of the unit of analysis

In this stage, I began to search for scientific materials from academic databases in the international business research field.

Examination of the data to create familiarity

In this stage, I started to read different academic materials in international business research in order to familiarize myself to previous research and theories in this research stream.

Identification of coding unit

In this stage, the international business theories were used as coding units in order to have a clear knowledge of these theories.

Application of coding unit to analyzed data

In this stage, different theories in the international business research were summarized and their impact on business decision for internationalization was established.

Figure 17: Data Collection Process with content analysis (DCP).

It is important to know that there are limitations in using content analysis in a research study. However, one of those limitations is that it entails subjectivity in the coding of different units. Hence, the researcher might be biased while doing the coding of different units in the research analysis. Also, the success of the research and how reliable the result of the research would depend on how intensely the researcher understands the specific literature and the gathered data. (Guthrie et al. 2004). In some cases, even if the researcher has created a detailed description of the research analysis, there might still be some shortages in the process of presenting the conclusions. (Guthrie et al. 2004).
4.3 Reliability and validity of the study

Reliability and validity contribute to the studied knowledge of the social phenomena in research. Hence, an assessment of reliability and validity is important in this study in order to contribute to the social phenomena of business in an international environment. Reliability and validity are important because it gives a researcher the ability to present qualitative research with good quality. However, reliability is considered as the consequence of the study validity, which means that validity leads to reliability in a research study. (Patton 2001).

The study of validity in qualitative research is mostly being modified with the question; "whether the researchers see what they think they see" Flick (2009 p. 387).

It is likely for the researcher to make an error while conducting a research study because errors in qualitative research studies are inevitable but can be minimized. The researcher might not have an idea of errors while conducting the research because errors in qualitative research studies can be either type 1, type 2, or type 3 error. (Kirk and Miller 1986, pp. 29-30).

Type 1 error: These are the kind of errors that occur when a researcher sees a relation in a case study, whereas the relationships or principles are incorrect.

Type 2 error: These are the kind of errors that occur when a researcher is rejecting correct relations or principle.

Type 3 error: These are the kind of errors that happen when the wrong question is being asked in research studies that lead to the wrong answers.

The process of creating a link among principles and the description that is delivered by the researcher is a challenge for the researcher in creating validity in qualitative research. To deal with this, the spot of subtle realism paradigm that which is based on three premises can be implemented in order to create validity and reliability in qualitative research. The subtle realism paradigm explained that the validity of knowledge cannot be observed with certitude in research studies. Hence, phenomena being studied exist autonomous of external statements and the research should be aimed at showing authenticity. (Flick 2009).

Data collection in qualitative research is another aspect that determines the validity of research studies. However, it is important to examine how trustworthy is the source of data, in order to ensure that the data was from a reliable database. (Seale 1999). Data collection in this research was done through reliable academic materials and database, and the researcher make use of academic material that concentrates on business in an international environment.
The data collection technique that was used in this research facilitates more qualitative answers to the research questions that were answered in this findings of this research. Chapter five present detailed analysis of the findings and theoretical contribution, practical implication, and suggestions for future research that could be useful for further studies in this field.
5 FINDINGS AND CONCLUSION

Internationalization activities in a business organization are important for economic development. However, it is important for companies to understand how their resources can contribute to their internationalization activities which in return increase company revenue, and create economic development.

Business organizations decide to internationalize because they want to have access to foreign market or resources, which relatively increases their revenue and creates economic growth.

This chapter explains the findings of this research with the theoretical framework that was used for this study. The research questions that were introduced at the beginning of this study were duly answered.

Internationalization activities concern both the public and private sectors in developed and developing nations. Hence, research on the internationalization of firms in developed and developing nations is crucial to achieving economic development.

5.1 Theoretical contributions

The theoretical framework of this study comprises different proposed framework from prominent scholars in the field of international business management. For example, the porter five force framework that explicitly explains how companies should identify whether a potential market is attractive for their business. Hence, this framework further allows managers to understand buyers and suppliers bargaining powers, and the potential threat that a company could face in the market. (Porter 1980, 4).

Another framework that was introduced was by Wernerfelt where he explained that companies’ resources should be able to access their market potential. He suggested that companies’ resources should be viewed as their strength and their weakness. Wernerfelt was described as one of the pioneer researchers that introduced the resources based view theory in international business research. (Wernerfelt 1984).

A different study by Barney explained that the firm culture can be a source of their competitive advantage because of the fact that these cultures are difficult to imitate easily. Although, he suggested that for firm’s culture to be a source of their competitive advantage, such culture must be rare, valuable, and imperfectly imitable. This framework has led to the VRIN – framework and the VRIO – framework of the resource-based view theory. (Barney, 1986, 658).
In addition to the introduced internationalization framework that was introduced by different scholars, the dynamic capability framework is another theory that makes provision for firms to search for new business opportunities in order to have a competitive advantage over their competitors. The dynamic capability framework and the resource-based view theory are similar because they both consider company resources to be the tools that can be used to identify a new business opportunity and create competitive advantage. (Teece 2013).

There are several criticisms of these frameworks, for example, the Porters framework was criticized because some scholars believe that the framework makes it difficult to determine the limit of industries, and the difference between firm’s resources and capabilities.

5.2 Practical implications

Internationalization activities in the international business environment are crucial for global economic development and it also allows companies to have access to resources outside their market which can help to increase their revenue and facilitate competitive advantage. However, globalization in today’s business environment has made it impossible for a country to stand alone. As such, countries rely on each other through international trade and international business.

To answer the research questions of which resources are needed for a business organization to internationalize? and what are the potential risks that could be faced during internationalization? It is important to implement the frameworks that were analyzed in this study.

To be precise, the first research question of which resources are needed for a business organization to internationalize? can be answered using the resource-based view theory and the dynamic capability theory. These frameworks illustrate that it is important for companies to have ordinary capabilities, generic resources, and VRIN resources and dynamic capabilities. As such, companies can purchase the ordinary capabilities and generic resources from the market, but the VRIN resources and the dynamic capabilities can only be learned between the boundaries of the company. Meanwhile, it is recommended that the company should combine both the dynamic capability and the resource-based view which illustrate that firms should build new resources and exploit company resources.

The second research question of what are the potential risks that could be faced during internationalization? can be answered by implementing the international business environment aspect of this study. Hence, this analysis explained that business in an international environment can face
different risk ranging from: cross-cultural risk, country risk, financial risk, and commercial risk.

It is important for companies to carefully analyze these risk before proceeding to internationalization activities. However, as suggested in the theoretical framework that it is important for firms to carry out an internal and external analysis of firms operating environment before internationalization. Hence, a comprehensive analysis of firm external environment will allow them identify what they might choose to do. Accordingly, an analysis of firm’s internal environment will allow them identify what they can do in their potential international environment. (Michael et al. 1995).

The basics of the resource based view that was analyzed in this study can be easily applied to business model innovation. However, it is suggested that firms that want to internationalize should combine the fundamentals of the resource based view, the VRIO framework, the dynamic capabilities framework, and the business model canvas in order to build a unique business model that allows them to have competitive advantage over their competitors. Figure 18 illustrates a business model canvas that can be implement by firm during their internationalization process. This business model canvas is a suggestion for companies and it can be adjusted based on different industries, company structure, operating environment, and their resources.

![Business model canvas](source: Author)
5.3 Suggestion for future study

Business organizations in the international business environment are beginning to be more aware of the social, economic and environmental implications of their business operations, and there is more attention on globalization between different countries, there is a need for in-depth research that improves and reduce the risk that companies face during internationalization activities.

The limitation of this research creates directions for future study. Because this research is a case study research that was carried out with secondary data from a reliable database. Hence, the result of this study might not be suitable for some companies, but it will provide some guidelines that can help them have a successful internationalization activity. Nevertheless, future research can focus more on a specific company that wants to internationalize their business operations using a different research approach from what was used in this research.

Future research, can introduce a multiple case study where the research is conducted for different case companies that want to internationalize their business activities. Hence, suggestions on how companies can avoid the potential risk that are likely to occur during internationalization activities can be carried out in order to facilitate companies’ internationalization activities.
REFERENCES


