portunities. Most importantly, however, Polish (small and medium-sized) enterprises, by internationalising their activities and gathering valuable capital and human resources (knowledge or experience) in the face of the overwhelming size and strength of foreign corporations are slowly increasing their chances of having a fair-play fight on equal terms.

2. The main concepts of company internationalization

Marian Gorynia, Barbara Jankowska

2.1. Models of internationalisation[10]

In the course of developing their interest in the issue of company internationalisation, numerous researchers have devised different ways of approaching the problem, and developing various concepts, models and theories. The present chapter critically reviews the most important of them.

2.1.1. The sequential (conventional, traditional, evolutionary) model

Among the concepts of company internationalisation, the one which has gained the greatest popularity is the Uppsala model, developed by three researchers at Uppsala University: Jan Johanson, Finn Wiedersheim-Paul and Jan-Erik Vahlne [Johanson, Wiedersheim-Paul 1975; Johanson, Vahlne 1977]. A starting point for the model is the observation that in the case of many Swedish companies – but also companies from other countries, especially those with a small domestic market – a typical behaviour of a company developing business activities in foreign markets is characterised by the fact that their involvement in serving those markets is divided into steps. The aforementioned researchers found that the behaviour of companies conducting international expansion is characterised by three circumstances:

- The expansion is preceded by success in the domestic market and is a consequence of a series of decisions taken in the company (it is believed, therefore, that the Uppsala model adopts the perspective of the behavioural theory of the firm [Ghauri 2000, p. 142]).
- The expansion usually starts in geographically close markets, and only then does it include more distant markets. The concept of psychological or cultural distance between markets was introduced, defined as a set of fac-

[10] For an exhaustive discussion of company internationalisation models see: Gorynia, Jankowska [2007, pp. 21–44].

tors which hinder the two-directional flow of information (from company to market and from market to company). The distance involves the factors of language, culture, politics, education, level of economic development, etc.
- When entering foreign markets, companies usually start with export activities; only after some time do they undertake activities that require a greater commitment.

The most important thesis of the Uppsala model is that the internationalisation process is sequential, step-wise, evolutionary or gradual. This set of attributes suggests a rational, non-accidental and at least partially predetermined sequence of events, a process which develops in time. The limitations or determinants of this process are:
- lack of knowledge about foreign markets,
- lack of resources essential for expansion,
- the risk associated with entering a foreign market,
- a psychological distance between the home market and the expansion market, usually correlated with a geographical distance,
- transport costs, tariff and non-tariff barriers.

The Uppsala model distinguishes four steps of internationalisation [Johanson, Wiedersheim-Paul 1975]:
- irregular export activities – occasional export,
- export via independent intermediaries (agents),
- establishing a sales subsidiary (branch),
- establishing a manufacturing subsidiary (branch).

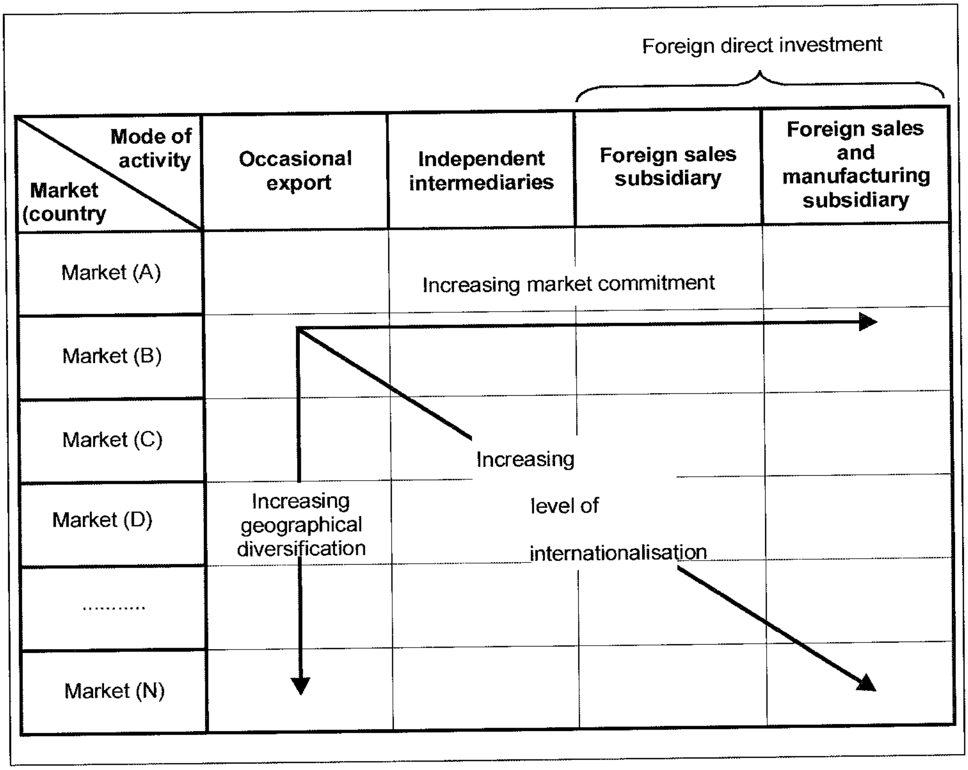
In the first step, there is no regular export activity; the company does not commit any resources abroad, nor does it gain much information about the market.

Export via independent agents means that the company enters the initial phase of committing its resources and gathers information about factors which influence the ability to conduct sales in the foreign market. Moving to a more advanced stage of internationalisation is determined much more by the occurrence of a psychological distance rather than an insufficient size of the foreign market.

In the third step of internationalisation, the company sets up a sales subsidiary abroad. The company is to a much larger degree interested in acquiring knowledge about sales determinants and a necessary resource commitment to the market.

The final phase in an evolutionary internationalisation process is building (establishing) an own manufacturing facility abroad. This step requires the most knowledge about the expansion market and involves the greatest resource commitment abroad. The essence of the Uppsala model is presented graphically in Figure 4.

Figure 4. Company internationalisation – the Uppsala model



Source: Hollesnen [1998].

Each step requires different resources and a different knowledge of the expansion markets. A greater resource commitment is contingent upon having a more comprehensive knowledge of the expansion market. To conduct expansion, two kinds of knowledge are needed:

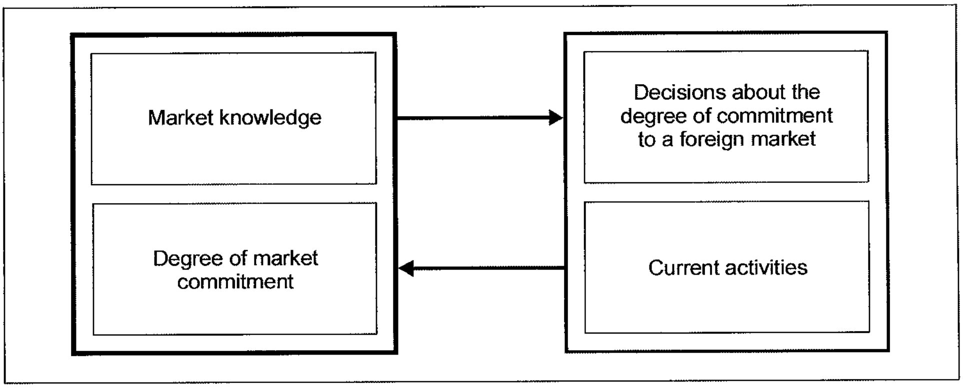
- general, universal knowledge, which can be transferred from one country to another and can be one of the reasons for geographical diversification,
- specific market knowledge, which can be gained thanks to activities conducted in the market or direct relations with partners in the market.

The sequence of steps within the Uppsala model was described by its authors as the establishment chain [Johanson, Wierdersheim-Paul 1975]. It should be emphasised, however, that the creators of the model do not give it an extremely deterministic character, realising that a company will not always go through all the steps in the suggested sequence. The internationalisation process can evolve differently than suggested in the following situations:

- when companies have enormous (particularly financial) resources, and the consequences of a possible failure would be relatively insignificant for them,
- when the market is very stable and knowledge about it can be acquired differently than through experience,
- when the company already has considerable experience of operating in a market with characteristics very similar to those of the market it currently intends to enter,
- a small size of the market can be an argument for giving up the stage of establishing an own manufacturing subsidiary in it.

The original model of internationalisation by Johanson and Wiedersheima--Paul was subsequently expanded, thus becoming dynamic in nature [Johanson, Vahlne 1977]. To explain the incremental nature of the internationalisation process, Johanson and Vahlne formulated a dynamic model in which the effect (result) of one cycle of internationalisation activity is a starting point for another cycle. Within the basic mechanism of internationalisation, two aspects of internationalisation variables were identified: aspects of state (static) and aspects of change (dynamic). Aspects of state are involvement in a given market (resource commitment to a given overseas market) and knowledge about a foreign market and operations. Aspects of change refer to taking decisions about resource commitment and conducting current operations. The basic relationships of the dynamic model are presented in Figure 5.

Figure 5. The basic mechanism of internationalisation – aspects of state and of change



Sourceo: Johanson, Vahlne [1977, p. 47].

It should be emphasised that the empirical basis used by the authors of the Uppsala model as a foundation for its concepts was very limited. It turned out, however, that other studies produced similar results with respect to Japanese, German and American companies [Bridgewater 2000, p. 184].

The Uppsala model has been an inspiration for many developments and continuations of this research approach. Many concepts of internationalisation have been created which refer to the idea of a sequential nature of international expansion. A common feature of these concepts is that they propose different stages of internationalisation than those of the Uppsala model.

The internationalisation steps proposed by the Uppsala researchers concerned ways of entering foreign markets. A different criterion was used by Cavusgil [1984]. Taking into consideration the degree of company export involvement, Cavusgil distinguished three stages of internationalisation:

- experimental involvement,
- active involvement,
- committed involvement.

At the stage of experimental involvement, the company generally restricts itself to exporting, which is a response to tenders. Activities in foreign markets are incidental and marginal, and are undertaken to achieve short-term profits rather than the company's long-term business objectives. The activities are spontaneous and improvised rather than prepared or planned. At this stage the resources needed to conduct foreign operations are allocated with reluctance; such activities are undertaken almost exclusively in psychologically close markets, where the company follows a national marketing strategy.

The criterion for moving to the second stage is the moment the company's management consciously wants to operate in foreign markets. It starts to realise that the company's foreign activities can contribute to the achievement of its objectives. Foreign activities increasingly absorb the management's attention. Surplus production capacity is used to fulfil export orders. Elements of marketing are adapted to the requirements of foreign markets. Export becomes systematic rather than occasional. At this stage, the firm usually concentrates on a limited number of export markets.

At the stage of advanced involvement, the company starts to seek opportunities to do business everywhere, not just in selected markets. The traditional division of activities into those in the domestic market and those in foreign markets becomes meaningless. Actively seeking opportunities to work abroad applies not only to export but also to other forms (manufacturing subsidiaries, cooperative associations, etc.).

Another concept of the sequential model was proposed by Bilkley and Tesar [1977]. It was created on the basis of research conducted among American exporters in Wisconsin. The stages of internationalisation identified in this concept are based on a combination of the following criteria:

- the length of export experience,
- the volume of exports as a percentage of sales,
- the number and type of target countries-markets.

According to this concept, the internationalisation process consists of six consecutive stages:

- the company's management is not at all interested in export and does not fulfil even unsolicited orders,
- the company fulfils unsolicited orders but makes no effort to exploit the potential of the foreign market,
- the company actively exploits the market potential abroad,
- the company experimentally begins to regularly export to psychologically close countries,
- the company is already an experienced exporter in psychologically close countries and can adjust the optimum volume of exports to changing exchange rates, tariffs, etc.,
- the management exploits markets in other, psychologically much more distant countries.

It should be noted that Bilkley and Tesar's concept refers not so much to the internationalisation process as a whole as to those of its stages in which the dominant form of the company's international expansion is export.

Another sequence of internationalisation stages is that proposed by Cieślik [1987]. The author emphasises that the internationalisation process is at the same time continuous and cumulative. This manifests itself in the increasing share of foreign operations in the company's entire activity, in the growing number of countries where the expansion takes place, and in the transition from relatively simple to more complex forms of internationalisation. Cieślik distinguishes three stages of company internationalisation:

- the stage of internationalisation in the sphere of trade in goods. This is an initial stage of internationalisation, in which the company's international contacts take place through the export of their own products and/or through the import of necessary raw materials, components, sub-assemblies, etc.
- the stage of the internationalisation of production. Companies' full confrontation with different conditions in foreign markets takes place the moment the companies start manufacturing abroad.
- the transnational stage. This is the most advanced stage of internationalisation. By taking strategic decisions, businesses seek to optimise economic processes on the global-market scale. The traditional division into the home country and foreign markets decreases in significance.

Another suggestion for organising the stages of the company's international involvement was put forward by Korth [1985, p. 7], who distinguishes four degrees of internationalisation:

- internationalisation of the first degree. The company conducts international business only passively and indirectly. Such low-level commitment often takes place with the help of another company, which serves as an intermediary in relations with foreign customers and suppliers. International activities are dealt with by an existing department.
- internationalisation of the second degree. The company conducts directly and practically independently its business abroad. Although it retains some agents in foreign markets, it begins to seek foreign customers and suppliers actively rather than passively. At this level of international commitment, the company is likely to establish an import or export department.
- internationalisation of the third degree. The company's international business gains considerable significance for all of its activities. Although the company is still oriented towards the home country, it is directly involved in the import, export or manufacture of products and services in other countries. At this stage, some managers move abroad on a permanent basis. The company already has a whole international subsidiary rather than just a branch.
- internationalization of the fourth degree – the last stage in the internationalisation process. The company reaches this level when the management believes that the company is oriented mainly towards activities in many countries rather than focusing on the home country.

A more comprehensive description of the different degrees of internationalisation according to five criteria is presented in Table 3.

Table 3. Korth's four degrees of internationalisation

	Internationalisation			
	first degree	**second degree**	**third degree**	**fourth degree**
Nature of contact with foreign markets	indirect, passive	direct, active	direct, active	direct, active
Location of international operations	in the home country	in the home country	in the home country and abroad	in the home country and abroad
Company orientation	towards the home country	towards the home country	mainly towards the home country	international (domestic operation are treated as part of a whole)
Type of international activity	foreign trade	foreign trade	foreign trade, foreign aid contracts, direct investment abroad	foreign trade, foreign aid contracts, direct investment abroad
Organisational structure	traditional	international department	international subsidiary	global structure

Source: Based on Korth [1985, p. 7], after: Stoner, Wankel [1997, p. 507].

It should be emphasised that the large number of models of the internationalisation process has resulted in the fact that some authors have attempted to group them. The models discussed so far are the Uppsala model and other models, which either referred to or even developed it. Andersen [1993] divides internationalisation models into two groups:

- the Uppsala model (Uppsala Internationalisation Model – U-M),
- the Innovation-Related Internationalisation Models (I-M), treating internationalisation as an innovation from the company's point of view.

Models presenting internationalisation from the perspective of innovation suggest the sequentiality of the learning process associated with the introduction of an innovation. The decision to undertake internationalisation is considered as an innovation from the viewpoint of a company which intends to enter foreign markets. The best known of the group of innovative models are presented in Table 4. The models differ in terms of the number of internationalisation stages and the content of each stage. They differently interpret reasons for undertaking export activity as the first stage of internationalisation. In the early stages of Bilkley and Tesar's and Czinkota's models, there is a complete lack of interest in undertaking a foreign expansion; it appears that the initiation of export requires the activation of some special push mechanism to encourage export or an intervention of an "external agent" from outside the company. In Cavusgil's and Reid's models, the company is more active and prone to expansion as early as the initial stages. Starting internationalisation may result from the occurrence of a pull-mechanism or an internal agent's action.

The basic difference between the above models concerns the perception of the mechanism initiating internationalisation. The other differences are verbal rather than real.

The sequential approach to the process of internationalisation, though shared by many specialists in the field of international business, raises some doubts. It is criticised from various points of view.

Reid [1983] believes that the Uppsala model is too deterministic and general. In his view, the company's choice of a method of entry and then expansion into a given market is more complex: it is more selective and determined by the company's specific situation and the opportunities arising in the foreign market. Therefore, companies entering the market may use any method of entry; and it does not necessarily have to be export activity. According to Reid, the theory of transaction costs better explains the internationalisation of a company's activities than the evolutionary model does.

The Uppsala model meets with the criticism that it is not known where the boundaries lie between the various stages of the internationalisation process [Turnbull 1987]. The same author challenges the view that export or using a distributor's services in a foreign market is tantamount to a lesser commitment, which would also require a more precise definition.

Those doing empirical research have repeatedly pointed out that companies conducting international expansion sometimes behave differently than the Uppsala model would suggest. For instance, while conducting research into Swedish companies' internationalisation activities in Japan, Hedlund and Kverneland [1983] demonstrated that strategies for entry and development in foreign markets often consist of choosing entry methods which are faster and which lead to a greater commitment than those implied by the theory of a gradual, evolutionary and thus slow internationalisation process.

Table 4. A review of innovative models of internationalisation

Bilkley and Tesar (1977)	Cavusgil (1984)
1. Management's lack of interest in export 2. Management is interested in fulfilling spontaneous orders from abroad, but it does not start considering the possibility of conducting export activity 3. Management considers undertaking an active export activity 4. Company experiments by exporting to a psychologically close country 5. Company becomes an experienced exporter 6. The board considers exporting to other countries as well	1. National marketing: company sells only in the domestic market 2. Pre-exporting stage: company seeks information and considers the possibility of exporting 3. Experimental commitment 4. Active commitment: exporting to a larger number of countries – direct export, increased export sales 5. Total commitment: the board constantly takes decisions about allocating the limited resources, choosing between the local market and foreign markets
Czinkota (1982)	**Reid (1981)**
1. Company not at all interested in foreign markets 2. Company partly interested 3. Company discovering foreign markets 4. Company experimenting 5. A small experienced exporter 6. A large experienced exporter	1. Export awareness: recognising opportunities, appearance of demand 2. Export intention: reasons, approach, expectations 3. Export attempts: experience resulting from a limited export activity 4. Export development: effects of commitment to export activity 5. Export acceptance: accepting or rejecting export activity

Source: Andersen [1993, p. 213].

Another doubt raised with reference to the evolutionary model concerns the fact that its logic seems to suggest that internationalisation is a one-directional process [Jatar 1992]. Sometimes, however, companies move in the opposite direction: to enter Venezuela's beer market, an international corporation first invested in its own distribution network, and then entered into franchise agreements with independent entities to use the network's units; Ford modified the configuration of its manufacturing plants in Europe, which resulted in plant closures in some countries. Considering these cases in isolation from overall corporate strategies, according to the Uppsala model both companies' behaviour can be classified as a transition from a greater to a lesser degree of commitment, which would be difficult to justify.

Furthermore, the Uppsala model's relevance to various types of products and services is being questioned [Bridgewater 2000, p. 187]. In the case of many services, a minimum degree of commitment is to build a franchise network, and exporting is out of the question. It is also pointed out that multinational corporations with vast resources and considerable international experience are inclined to skip the steps representing a lesser commitment, which will be mentioned when discussing the phenomenon of leapfrogging. It can be expected that the phenomenon of skipping certain stages of a conventional internationalisation process will intensify and will apply not only to large corporations. This is facilitated by a dynamic development of modern information technologies. The Internet eliminates geographical barriers and enables the company to quickly establish its virtual branch offices around the world. It can significantly improve the communication of a company which is internationalising its business with existing customers, distributors and suppliers, and help the company find other customers and distributors in new markets.

Another criticism levelled at the evolutionary model concerns the fact that the model ignores the relationships that exist between the various markets where the company conducts its expansion. This issue will be developed in the section devoted to network models of internationalisation.

The last objection concerns the narrow understanding of learning and knowledge, which limits the possibility of explicating some forms of internationalisation [Forsgren 2002, p. 258].

The above discussion of the sequential model can be summarised as follows:

- the model is an attempt to formulate patterns and trends in the behaviour of companies which launch internationalisation efforts,
- the model has a positive character in that it seeks to describe and explain company behaviour in an international context,

- the prescriptive aspect of the model was not exposed by its authors – the patterns formulated in the model are to some extent prescriptive (if the firms under research behaved in the evolutionary manner described in the model, this may suggest a recommendation that a given company should act likewise), but we cannot speak of automatic implications for strategies of companies developing foreign operations,
- the model refers to evolutionary concepts – it points to a sequence of stages of the company's involvement in foreign operations and the "incremental," accumulative character of the internationalisation process,
- the model conforms to the convention of strategic management, pointing to the significance of mutual adjustment of the company's internal capabilities (knowledge, resources) and a foreign environment,
- the model refers to the concept of the behavioural theory of the firm – it points to the great significance of objectives and interests within the company for taking decisions about international expansion.

2.1.2. Unconventional internationalisation and simultaneous internationalisation

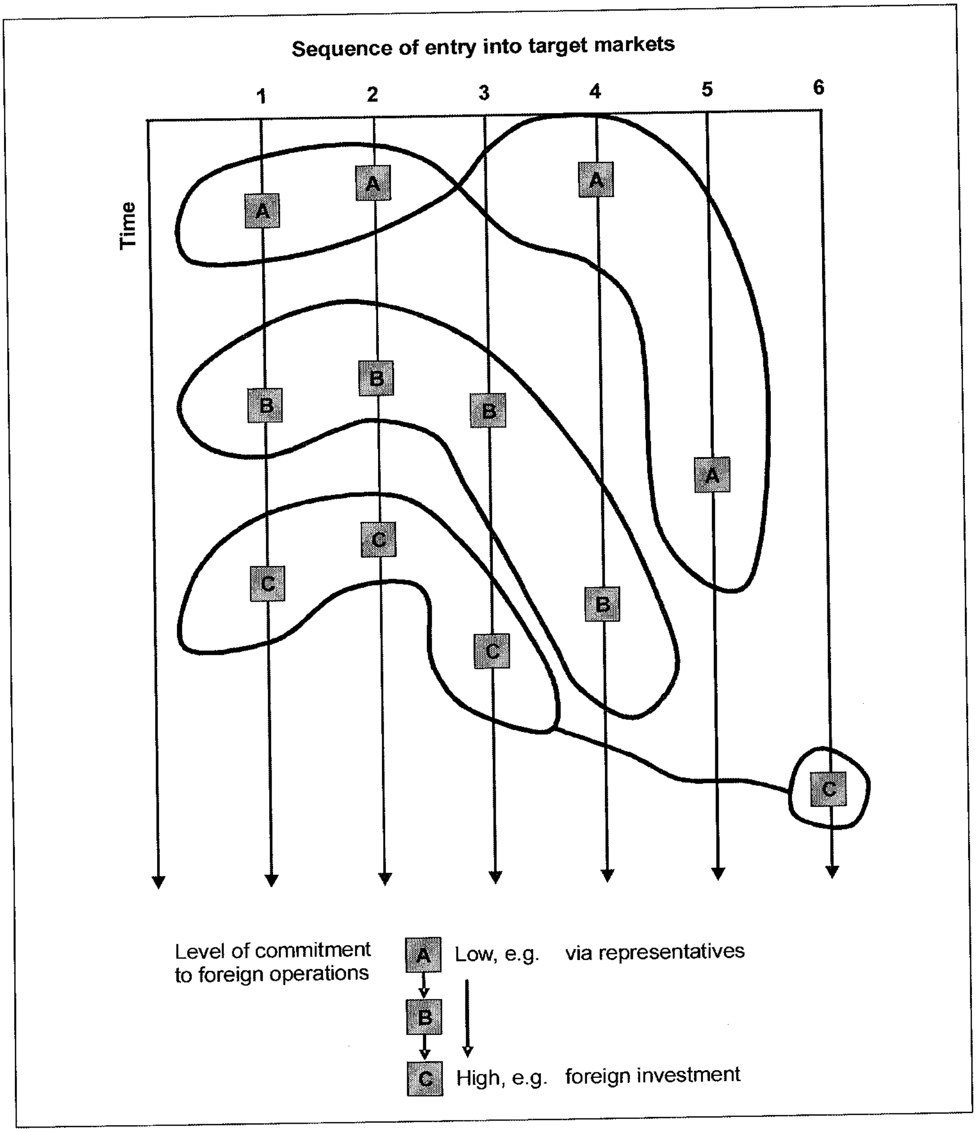
A starting point for building the concept of unconventional internationalisation was criticism of the sequential model, especially the challenging of the thesis of the step-wise and accumulative character of internationalisation. Unconventional internationalisation means that the company does not necessarily direct its expansion at psychologically closest markets, and that the internationalisation process does not pass through each of the successive steps proposed in the Uppsala model. A dispute between supporters of the sequential approach and advocates of the unconventional approach over the nature of the internationalisation process began very early, in fact right after the concept of the evolutionary model was developed. It should be mentioned at this point that it was already the creators of the evolutionary model who realised that, in the case of specific companies, the internationalisation process can evolve untypically, inconsistently with the idea of sequentially moving through particular stages. Business practice has always provided ample evidence that the concept of a conventional and gradual internationalisation process is not universal. Companies often take quick action which is inconsistent with the thesis of the incremental nature of internationalisation. According to G. Hedlund and A. Kverneland [1983], who were among the first to notice this, one is persuaded to undertake internationalisation in an unconventional sense by such circumstances as stabilisation of market conditions, a clear growing trend in the market, companies' experience gained in the domestic market, and knowledge acquired during the internationalisation of business activity in other markets.

A more general opinion is formulated that companies engaged in international expansion, especially large multinational corporations, often skip some of the stages of internationalisation included in the Uppsala model (a phenomenon known as leapfrogging). At the same time, they tend to enter psychologically distant markets at ever-earlier stages of expansion. The latter feature of modern businesses' internationalisation behaviour is very well illustrated in studies conducted by Norbström, who found that Swedish companies more often establish their first sales offices in American, British or German markets than in neighbouring Scandinavian countries [Hollesnen 1998, p. 42]. The phenomenon of leapfrogging, describing the increasingly frequent process of the internationalisation process, is presented in Figure 6. The figure suggests that companies taking their first internationalisation steps behave according to the sequential model (market 1). With time, as the companies acquire more and more international experience, they decide to skip some of the steps and move directly to forms of international activity characterised by considerable commitment and a high degree of control (market 6). The effect of such behaviour is a significantly accelerated internationalisation. The company's behaviour towards market 6 should not be treated as a total opposite of the sequential model. Entry into market 6 should rather be seen in the context of the company's previous internationalisation experiences. In this perspective, entering market 6 is not a leap into the unknown [Welch, Luostarinen 1988].

A very important factor influencing the nature of the internationalisation process is the organisational structure of a company engaged in international expansion. Hedlund and Kverneland [1983] pointed out, for instance, that a departure from the traditional approach to internationalisation can be helped by the tendency to decentralise the structure of companies operating internationally. A factor giving a company which enters a foreign market an advantage over local competitors can be the firm's decentralised structure, which enables it to operate smoothly in the market. There are organic and hybrid structures which allow for a more flexible operation and functioning in a changeable environment.

The relationship between the nature of internationalisation and the company's organisational structure is double-sided. Internationalisation entails changes in the structure [Stopford 1972]. On the other hand, corporate structure to a large extent determines the process of international expansion. It should also be noted that changes in the broadly-defined international environment (competitive conditions, socioeconomic and cultural factors, political and institutional environment) which take place independently of the company determine the development of new strategies and expansion methods, and change the approach to operations in foreign markets [Strandskov 1986].

Figure 6. Company X's foreign operations – the phenomenon of leapfrogging



Source: Welch, Luostarinen [1988].

In the literature, one can also come across the concept of simultaneous internationalisation [Bridgewater 2000, p. 183]. Simultaneous internationalisation models originate from a position opposite to the arguments promoted as part of conventional internationalisation models. In the latter, the starting point is the observation that markets differ from each other and, because of considerable risk, expansion into them consists of stages. Simultaneous models, on the other hand, emphasise the global convergence of markets, the disappearance of national differences, the Californisation of customer needs on a global scale, and the facilitation of travel and communication. These circumstances are supposedly conducive to undertaking expansion into many markets in parallel with skipping some of the steps identified in the sequential model. It seems, therefore, that the concept of simultaneous internationalisation can be treated as a synonym of the concept of unconventional internationalisation in the sense described above.

2.1.3. Internationalisation from the viewpoint of the network approach

The conventional approach to internationalisation lays emphasis on variables relating to the level of a company internationalising its activities. In this case, therefore, we can speak of the dominance of the individualistic approach, which is confirmed by the opinion that – as mentioned earlier – the Uppsala model adopts the perspective of the behavioural theory of the firm. The basic distinguishing feature of the network approach is adopting a different point of view in the perception of economic life. This different perspective refers to taking into consideration the social context of company behaviour, a context which consists in the company being seen as part of a broader system of many actors who influence each other [Knoke, Kuklinski 1993, p. 173]. Very significant from this point of view are the company's relationships with various entities existing in its environment. Therefore, networks are regarded by some as a third possible form, apart from the market and hierarchy, of coordinating economic life [Thompson, Frances, Levačić, Mitchell 1993, pp. 1–19], particularly as an intermediate form between the market and Williamson's hierarchy [Thorelli 1986; Jarillo 1998].

As far as the sources and the origin of the network approach are concerned, we should point to its links with such research perspectives as:

- marketing, particularly the relationships between participants in distribution channels [Hakanson 1982],
- theory of resource dependence in analysing relationships between organisations [Pfeffer, Salancik 1978],
- social exchange theory [Cook, Emerson 1984],
- theory of industrial organisation [Porter 1980],
- new institutional economics with transaction cost theory [Williamson 1985].

A feature of the network approach is the multitude of analytical trends: there is no single, clearly formed paradigm which would precisely define a research area. The network approach is relatively new: its origins date back to the end of the 1970s and the beginning of the 1980s.

A network is a way of coordinating the activities of companies which belong to it. A network has no central coordinating unit (plan, hierarchy); relationships are built freely on principles similar to those in the market. Coordination of activities, however, takes place through various relationships; prices are one of many bases (rather than a single one) for establishing relationships. The spectrum of relationships is broad: technological, planning, knowledge, social, economic, legal, etc. Establishing and maintaining relationships requires time and effort; this is why changes in the system of relationships are not perfectly flexible. The relationships undergo a constant transformation: some disappear, giving way to new ones; others are maintained and modified. The main feature of these relationships is their complementary nature: the activities of companies maintaining relationships complement each other. At the same time, there is a sphere of competitive behaviour – some interests of the network participants may be contradictory.

Entering a new (e.g., foreign) market requires building a relationship networks there. The company's activities in a given industry market are, therefore, a cumulative process: relationships are continually established, maintained, developed and severed. A network is thus characterised by a degree of stability, although it is dynamic in nature.

The basic structure of the network model consists of three groups of elements [Håkansson, Johanson 1992, pp. 28–34]:

- actors,
- activities,
- resources.

Actors may be individuals, parts of companies, companies and groups of companies. Actors control activities and/or resources.

Activities refer to a situation where one or several actors combine, develop, exchange or create resources with the use of other resources. Activities may consist in resource transformation (transformation activities) or resource transfer (transfer activities).

Resources are controlled by actors. Resources are heterogeneous: they have attributes in an infinite number of dimensions.

These three classes of elements of the network model are connected by relationships (ties). All of them constitute structures called networks.

Within a network, there are four groups of forces at work which bond particular elements together [Håkansson, Johanson 1992, pp. 33–34]:

- functional interdependence – actors, activities and resources are functionally interrelated,
- structure of power – among the actors there are relationships of power; some actors influence others and vice versa,
- structure of knowledge – undertaking an activity and using resources depends on present and past actors' knowledge; particular actors' knowledge is interrelated,

- dependence on the past (intertemporal dependence) – the network is always partly a product of its history and is "immersed" in the past.

An important concept in the network approach is the company's market position, which refers to its relationships with other companies. A position is a product of history, determining the company's development opportunities and constraints. The company's position within the network consists of what are called its micro-position and macro-position [Johanson, Mattsson 1993, p. 307]. The micro-position refers to the relationship with another individual firm. The micro-position is the company's role and significance for another company, and the strength of its relationship with another company. The macro-position refers to the company's relationship with the network as a whole or part of it. The macro-position is described by the identity (character) of other network companies with which the company maintains direct or indirect relationships, the company's role and significance within the network, and the strength of relationships with other companies. The company's macro-position is influenced by interdependence in the network as a whole, and by the complementarity of particular micro-positions in the network. In this sense, the macro-position is not a simple sum of micro-positions. Taking into account companies' positions in the network, we can distinguish strongly and weakly structured networks. A high degree of structuring means a strong interdependence between companies and their positions, and a clear definition of the companies' positions. In networks characterised by a low degree of structuring, particular companies' positions are not clear, and the relationships between them are weaker.

Networks understood in this way can be divided in various ways. For instance, we can use a geographical criterion and isolate parts of the network according to their location: in this way we can speak of national and international networks. When the division criterion is specific products, we can isolate production networks.

The company's membership of a network also creates important implications for its ability to raise resources for corporate development. Every company has its own resources at its disposal. A company which is part of a network also gains access to external resources belonging to other companies in the network. The market positions of a company in the network provide it with limited, partial access to these resources. The market positions of a company in the network can, therefore, be interpreted as partially controlled, invisible resources (intangible market assets), as opposed to its own resources. In this way, thanks to its membership of the network, the company has at its disposal not only its own (fully controlled) resources, but also market resources (controlled only partially, depending on the positions occupied).

The network approach outlined above offers a new, interesting perspective for approaching and interpreting company internationalisation. In the convention of network models, company internationalisation means establishing and developing positions in conjunction with other foreign partners in the network. In other words, the idea is to build and develop ties with foreign entities belonging to a given production network. This can be carried out in three ways [Johanson, Mattsson 1993, p. 309]:

- by building positions in relation to new, foreign units of the network (international extension),
- by developing positions and resource commitment in relation to those foreign units with which the company has already maintained a relationship (penetration),
- by increasing coordination between positions in various national networks (international integration).

Examined from this point of view, the degree of company internationalisation refers to the extent to which the company occupies positions in various national networks, as well as how important and how strongly integrated these positions are.

Considering company internationalisation from the viewpoint of the network approach, we should therefore take into account both the individual company (own resources) and the network to which it belongs (market assets). Assuming two extreme variants each for the company and the network (market), we have the four possible situations shown in Figure 7. Since the company is in a network, it is not sufficient to consider internationalisation of the company alone in the sense of the micro-position; it is also justified to take into account network internationalisation, i.e., the macro-position.

Figure 7. Internationalisation and the network approach: four possible situations

DEGREE OF COMPANY INTERNATIONALISATION	DEGREE OF NETWORK INTERNATIONALISATION: Low	DEGREE OF NETWORK INTERNATIONALISATION: High
Low	*Early Starter*	*Late Starter*
High	*Lonely International*	*International Among Others*

Source: Johanson, Mattsson [1993, p. 310].

As demonstrated in Figure 7, we can distinguish four situations:

- the Early Starter,
- the Lonely International,
- the Late Starter,
- the International Among Others.

The company's position as an Early Starter is characterised by very few and insignificant relationships with foreign companies. It is similar in the case of other companies which belong to the network. Competitors, suppliers and other firms in the network, both those operating in the domestic market and those in foreign markets, are less developed in terms of foreign relationships. The company's knowledge of foreign markets is limited and its experience of operating in them is limited. Undertaking foreign expansion is hampered by the difficulty of adjusting one's own resources and obtaining external resources. Possible choices of a company in the position of an Early Starter which are associated with entering foreign markets will depend on company size. In the case of a small firm, the following circumstances often take place:

- the initiative to undertake international expansion tends to come from the outside,
- agents and other intermediaries are used in the internationalisation process – they have knowledge of the markets and a good position in them; cooperation with them does not require large investment,
- expansion takes place first in geographically and culturally "close" markets.

Large companies with substantial resources even before starting internationalisation can pursue a different strategy. It may consist of making an acquisition or green-field investment, which, however, usually involves taking a considerable risk. Such a strategy requires significant investment in the short term. In its weaker version, the strategy can be pursued by establishing a joint venture, which in turn means reducing control in favour of reducing risk.

As the company becomes increasingly internationalised, it moves from the Early Starter position to the position of a Lonely International. The latter position means a highly advanced internationalisation of the company, which still operates in a market environment which is only slightly internationalised. Such a company has a considerable knowledge of often differing foreign markets and has mastered a repertoire of resource adjustments needed to carry out operations in different markets. An advantage over other domestic companies results not only from knowledge and the skill of flexibly adapting one's own resources, but also from ample opportunity for obtaining external resources. In the case of a company occupying this position, internationalisation initiatives are not launched by its network partners because these are characterised by a lack of internationalisation. Conversely, the Lonely International often initiates and promotes moves which internationalise the activities of its network partners. It should be emphasised that the Lonely International may serve as a bridge both for domestic companies to foreign markets and for foreign companies to the domestic market. The Lonely International's activity may also be a catalyst for its competitors' internationalisation. Therefore, the Lonely International' possible strategic choices will be:

- initiating international relationships,
- serving as a bridge to foreign markets for suppliers and domestic customers,
- serving a bridge to the domestic market for foreign suppliers.

Two basic features of the Late Starter position are as follows:

- relatively easy access to internationalised domestic resources – many representatives of the domestic environment have already reached a significant level of activity internationalisation,
- a delay in internationalisation in comparison with other domestic companies.

If the company's suppliers, consumers (customers) and competitors are international in nature (are internationalised themselves), then even a typically domestic company has many indirect relationships with foreign networks. Relationships enjoyed in the home market may be conducive to entering foreign markets. Market investments made in the home market can be used for international expansion, which, rather than being gradual, limited or cautious, can take the form of bolder and more considerable entries into more distant markets. In the situation of the Late Starter, company size is of utmost importance. In the case of a relatively small firm, strategic choices are likely to take the following directions:

- a narrow specialisation, orientation towards solving specific, unique problems occurring in the production network,
- quite a rapid and dramatic entry into a foreign market (e.g., sales offices and sales subsidiaries), relatively soon followed by a possible launch of production abroad (if justified by customer relations – e.g., production planning, technical improvement of the product).

In the case of a larger company, the situation is more complicated. Companies which reached a considerable size before undertaking internationalisation are usually less specialised than smaller businesses. The situation of a large firm in the position of a Late Starter is characterised by the following:

- the difficulty of entering foreign markets – niches which could be exploited in these markets are too small,
- acquisitions and joint ventures involve a significant risk – this is due to lack of experience in such undertakings,

- the difficulty of taking new positions in closely-structured networks (e.g., the best distributors already cooperate with competitors).

A comparison of the Late Starter's and the Early Starter's strategic positions demonstrates clearly the great importance of time in shaping the company's internationalisation strategy.

The situation of the International Among Others is characterised by a high degree of internationalisation of the company and its environment. The most important features of this position are:

- enjoying numerous, close and structured relationships with partners in many markets; these are not only hierarchical relationships (e.g., with one's own subsidiaries or branches) but also decentralised horizontal and lateral relationships,
- a possible occurrence of synergistic effects – relationships maintained in one network can be used to build and develop relationships in other networks,
- the possibility of obtaining the benefits of the first move – such benefits can be enjoyed by observing markets at different stages of development and by using forms of activity tried and tested in more developed markets to undertake activity in less developed markets,
- the possibility of noticing changes in the company's environment before others, if the changes move gradually from market to market,
- the need to coordinate activity within both the company and the network,
- the situation of the International Among Others is often aptly described by the model of oligopolistic competition – entries are made into markets considered by competitors to be their most important in order to prevent competitors from making significant competitive moves in other markets,
- unlimited access to external resources resulting from participation in many national networks – this increases the likelihood of transaction externalisation (e.g., purchasing components instead of manufacturing them, i.e., a shift from "make" to "buy"),
- the most common position changes tend to apply to moves such as establishing a joint venture or carrying out mergers and acquisitions. This is what distinguishes this position from the three discussed earlier.

To conclude this subsection, let us highlight the following important features of the network approach:

- departing from an individualistic perception of the company and emphasising relationships with the immediate environment (a national or industry network),
- articulating the significance of time and the cumulative nature of network evolution, including the internationalisation process,

- directing attention to companies' limited strategic discretion in the internationalisation process – companies' actions are determined by the situation within the network.

The creators of the network approach also point to its specificity in comparison with two other theories addressing the issue of company internationalisation, namely internalisation theory and internationalisation theory from the perspective of the Uppsala school [Johanson, Mattsson 1993, pp. 316–318]. By referring to the theory of transaction costs, internalisation theory deals with the exploitation and protection of the company's internally-created intangible resources (knowledge), whereas internationalisation theory considered from the perspective of the network approach points to the need to gradually develop knowledge about the market and to learn from other companies. Internalisation theory does not take into consideration the cumulative nature of internationalisation activities, the possibility of using resources external to the company, the development potential of relationships within the network, and interdependencies between various national markets. Conventional internationalisation theory, in turn, is characterised by various degrees of relevance and usefulness, depending on which of the four possible positions within the network the company is in (e.g., it matches the Early Starter position quite well, much less the International Among Others position).

The theories, concepts and models of company internationalisation presented here differ in many respects. The main difference concerns determining what is important in the process of company internationalisation and what to pay attention to when conducting research into these issues. Those who study problems of company internationalisation should be warned against an orthodox, demagogic and mutually exclusive treatment of any of the proposed descriptions and explications of internationalisation. Each of these proposals makes an interesting contribution and suggests interesting hypotheses which can be verified or falsified through empirical research. None of the presented theories has a universal application, irrespective of the company type, industry, country, company age, etc. The literature stresses the special significance of company size and the industry the company operates in [Bridgewater 2000, p. 187]. We should, therefore, distinguish internationalisation taking place in processing industry sectors and in services, in companies operating in one or a small number of markets and in multinational and global companies, as well as in small and large companies. Recent research in the field of company internationalisation seems to present a compromise position, boiling down to an eclectic use of the achievements of all the theories presented, depending on the broadly defined context of the process of company internationalisation. A common feature of the existing consensus is making frequent references to knowledge and learning and to a broad treatment of internationalisation (going beyond the boundaries of a single company) in accordance with the postulates of the network approach [Anderson 1994; Forsgren 2002; Hadjikhani, Johanson 2002; Yli-Renko, Autio, Tontti 2002; Chetty, Eriksson 2002; Pedersen, Petersen, Benito 2002; Andersen, Buvik 2002].

2.2. Measuring internationalisation

The task of measuring internationalisation is, like that of measuring competitiveness, very difficult because of the absence of a universal measurement tool. Case studies of companies conducting foreign expansion can be regarded as a way of making a qualitative assessment of the phenomenon. However, what makes this method imperfect is the difficulty of making comparisons between various entities.

The set of basic internationalisation measures includes [Geringer, Beamish, da Costa 1989; Rymarczyk 1996; Albaum, Strandskov, Duerr, Dowd 1998]:
- the number of foreign markets served,
- those employed in foreign markets as a share of the total number of company employees,
- profits made in foreign markets as a share of the company's total profits,
- overseas sales as a share of the company's total turnover,
- the book value of assets abroad as a share of the company's total assets,
- the value of foreign/domestic production per employee.

Asmussen, Pedersen and Petersen [2005, p. 6] show that in the set of measures of internationalisation we can distinguish dichotomous measures, measures of range and diversity, and psychological measures. The first ones refer to the division of activities between the country and abroad; the second ones are related to the territorial range of activities, and the third ones, among other things, to managers' international orientation. In addition to the internationalisation researchers mentioned already, of special significance are Sullivan [1994, pp. 325–342], Ietto-Gillies [1998, pp. 17–39], Dörrenbächer [2000] and the United Nations [World Investment Report 1995].

In his paper, Dörrenbächer [2000, p. 5] demonstrates that the measurement of internationalisation may be unidimensional or multidimensional. Unidimensional measures are structural indicators, indicators of market performance, and indicators of foreign orientation [Dörrenbächer 2000, p. 4]. The first ones take into account the value of a variable which characterises a transnational company, e.g., the number of countries in which the company is active. The second ones concentrate on the dependence of an entity's success or failure on its activity in foreign markets, e.g., foreign sales as a share of the company's total sales. The third ones refer to the international orientation of the company's managerial staff. In spite of being clear, unidimensional indicators meet with criticism because they do not take into consideration certain external determinants which strongly influence the degree of internationalisation: for instance, they do not take into account the size of the country of origin of the entity engaged in internationalisation, which is significant for the internationalisation strategy pursued. Dörrenbächer [2000, p. 7] points out that unidimensional indicators are very general measures of internationalisation which do not take into consideration a systematic checking of the measurement error, the influence of factors causing no real changes, and manipulations resulting from the use of transfer prices.

A multidimensional measure of internationalisation was proposed by Sullivan [1994, pp. 331–335]. His index is based on basic measures such as the share of foreign sales in total sales, the share of foreign subsidiaries in the total number of subsidiaries, the share of foreign assets in total assets, the cultural distribution of foreign operations, and managers' foreign experience. Another multidimensional indicator is the transnationalisation index, developed by the UNCTAD. As a synthetic indicator, it is based on the following unidimensional indicators: the share of foreign sales in total sales, the share of foreign assets in total assets, foreign employment as a share of total employment. The index is calculated as the arithmetic mean of individual indicators. It is worthwhile to mention here Ietto-Gillies's proposal [1998, p. 23]. In the author's view, the index proposed by the United Nations disregards the scope of the company's foreign activities, which is a weakness. The researcher developed her own index of the transnational scope of company activities, which refers to dichotomous measures and the issue of geographical dispersion.

A special form of the company's internationalisation is its globalisation. Measuring this phenomenon also poses a considerable challenge. Porter argues that it is worthwhile to examine the geographical configuration of the company's value chain [Porter 1996]. Porter assumes that the company can operate in one or in many countries, which is quite imprecise. A more precise approach is that proposed by the aforementioned Assmussen, Pedersen and Petersen [2005, p. 11], according to whom, the phenomenon of globalisation includes internationalisation and global specialisation. Internationalisation involves the geographical scope of company activity: activity on a local, regional and global scale. Globalisation is determined primarily by global specialisation. Measurement of a globalisation identified with the geographical dispersion of company activities is also the subject of research by Fisch and Oesterle [2003, pp. 2–22].

Each of the above indicators of company internationalisation has its advantages and disadvantages. When estimating each of them, the researcher faces serious difficulty in obtaining appropriate data and in properly interpreting the information obtained, which is particularly evident in the use of psychological measures.