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**Accelerations in the internationalization processes of logistics firms**

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**Abstract**

*Despite the increasing prominence of international services in the world economy, little is known about the internationalization of service firms. This paper discusses the results of an exploratory comparative case study of accelerations in the internationalization process of three logistics firms. The Uppsala model of internationalization is adopted as theoretical platform. The findings illustrate that service internationalization processes can be explained within the theoretical logic of the Uppsala model. However, the cases do not support the 'classical' manifestations of learning – 'psychic distance' and 'establishment chain' – identified as the operational part of the Uppsala model. Other manifestations of learning are apparent though. In particular, a strong reliance on newly built network relationships and the choice for inward internationalization are interpreted as manifestations of the learning idea central in the Uppsala model.*

*Key words: internationalization process, service companies, and manifestations of learning*

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## **Accelerations in the internationalization processes of logistics firms**

### ***Introduction***

“The internationalization of service firms has not been the topic of significant research yet” (White, et al., 1999: 196). “The internationalization of business services has yet to be fully explored” (Roberts, 1999: 68). “[...] there is a substantial literature on internationalization, but this is a literature that does not have an explicit service focus.” (Bryson, 2001: 227). Conclusions like these seem to call for more research on the internationalization of service companies. On the other hand, why bother? Why should researchers study the internationalization of service companies? The most important arguments seem to be the increasing importance of services in today’s global economy, including the continuing increase of cross-border trade of services as well as the increasing importance of service as a tool for strategic differentiation in product markets. Although academic attention to service internationalization seems to increase, results remain highly descriptive and inconclusive at best. The aim of our study is to contribute to a better understanding of how international expansion of service providers proceeds. The study is theoretically anchored in the so-called Uppsala model of internationalization (Johanson and Vahlne 1977, 1990) as an explicit process oriented theory of international expansion. Although the validity of the Uppsala model has been questioned in a services context, it is argued that the model promises to be a suitable point of departure that still requires translation to a service environment. In this context, the paper discusses preliminary findings of a comparative case study conducted in three internationalizing logistics companies.

Today transport and logistics companies in Europe face fierce competition. A prime reason is the harmonization of the European Union that opened the borders in the early and mid 1990s. Industry wide consolidation (e.g., DANZAS, ABX, EXEL) is an evident consequence of increasing cross-border competition. Apart from consolidation, differentiation and specialization seem to be strategies to escape from further price erosion. Whereas the European logistics and especially the transport industry showed a relatively low degree of strategic differentiation until recently, small and large companies alike now tend to specialize in their service offering while including various specific value added logistic services. As a logical consequence, this more focused strategy thins out the potential market in a particular

geographical area. For instance, transport companies deciding to specialize in handling fine chemicals, lose their possible competitive strengths in other markets. To compensate for this, logistics companies are seeking cross border opportunities. Surprisingly enough, until now many European middle sized and small transportation firms remain predominantly domestic players. Although these firms regularly operate in foreign countries when delivering goods to customers of their clients, this does not make them international. Rarely do they deal with foreign customers, or even less do they own foreign installations. This paper focuses on the internationalization of small logistics companies through ways other than buying or being bought by emerging conglomerates.

The structure of this paper is as follows. Firstly, we develop upon the theoretical underpinning of the study. Next, we shortly discuss the applied methodology. Then, the cases are introduced, analyzed and discussed with the conclusions in a final section.

### ***Theoretical platform: accelerations and the Uppsala model***

A literature review reveals that researchers that study the internationalization process of service companies use a wide variety of theoretical frameworks as starting point. Some researchers rely on one extant theory (e.g. Bell, 1995; Coviello and Munro, 1995), whereas others develop their own theory (e.g. Edvardsson et al., 1993; Roberts, 1999; O'Farrell and Wood, 1998). However, the majority of the identified studies take several existing frameworks into account, in which various combinations are made. For instance, Björkman and Kock (1997) and Coviello and Martin (1999) use the logic of the Uppsala model, the industrial network perspective and internalization theory. Sharma and Johanson (1987), and Majkgård and Sharma (1998) use the Uppsala model and the industrial network theory. Li (1994) examines international expansions strategies of service multinationals on the basis of FDI-MNE theories, the Uppsala model and industrial organization theory. Overall, the Uppsala internationalization model and the industrial network theory are most often included in the theoretical foundations of service internationalization process studies due to their inherent process perspective. However, opinions on the applicability of the Uppsala model in a service sector differ as conflicting evidence is found that – to a certain extent – supports and/or questions the assumptions. For instance, Eriksson et al. (2000a; 2000b, and 2001) and Li (1994), among others, find support for the Uppsala model whereas Sharma and Johanson (1987), Bell (1995) and Hellman (1996), among others seem to contradict its basic logic. The

present study aims at helping to break through the current impasse around the Uppsala model as a valid theoretical platform for the study of the internationalization process of the service firm.

The Uppsala model assumes that the internationalization of a company is a path dependent learning process. Internationalization is considered to be the result of an interplay between increasing commitments to and evolving knowledge about foreign markets. A critical assumption is that experiential market knowledge generates business opportunities and reduces market uncertainty. Consequently, experiential knowledge is the main driving force in the internationalization process. A firm gains experiential knowledge through current activities in the foreign market and by learning from others through relationships with various actors in the foreign market. Important to note is that in the 1990 article, Johansson and Vahlne extend their original model with the industrial network perspective as they argue that: “In terms of explanatory variables the difference is dramatic. The internationalization model in its original version explicitly used only one – the firm’s knowledge. Implicitly there was another – relationships to other bodies on the foreign market. This is now made explicit in the present article.” (p.17).

The Uppsala model is often associated with two manifestations that operationalize the fundamental idea of incremental learning behind internationalization: psychic distance and the establishment chain. The notion of psychic distance predicts that firms first enter markets that are culturally and geographically close to the home market and gradually expand into countries characterized by successively greater cultural and geographic distance. Hence, due to knowledge and experience deficits, firms first go to markets that they can most easily understand. The notion of the establishment chain refers to the assumption that firms initially employ entry modes with low resource commitments, like export, and then step up to modes requiring greater commitment and risk, where the final step is production abroad. The inexperienced firm is assumed to be uncertain and unwilling to commit too many scarce resources. As experience with foreign operations grows, uncertainty is reduced which results in more commitment and more advanced entry strategies.

Since it was put forward in the mid 1970s, the external validity of the Uppsala model has been questioned because the two manifestations failed to occur in contexts other than those in which the model had been developed, as is the case for the service context (Axinn and

Matthyssens, 2001; Rosenzweig and Shaner, 2001). For service companies, the two manifestations of learning seemed to be invalid as it was observed that service companies enter geographically and culturally distant markets from the early beginning with entry modes that require higher resource commitments (e.g., Hellman, 1996; Coviello and Martin, 1999). Furthermore, subsequent entries do not necessarily seem to manifest in entry modes that represent higher resource commitments or markets at farther geographic and cultural distances (Bell, 1995; Léo and Philippe, 2001).

While refuting the operational manifestations of the Uppsala model in various empirical contexts, no study was found that explicitly argues against the fundamental logic of the model. As a consequence, we endorse Petersen and Pedersen (1997) and Hadjikhani (1997) who suggest refocusing on the theoretical level of the Uppsala model to study internationalization processes. Moreover, the manifestations of the learning process in a service context are expected to be different from the ‘classical’ notions of psychic distance and establishment chain anyway. Fundamentally, this exercise does not violate the Uppsala model as it is in line with Johanson and Vahlne’s (1990) argument that psychic distance and the establishment chain are not the only possible manifestations of learning.

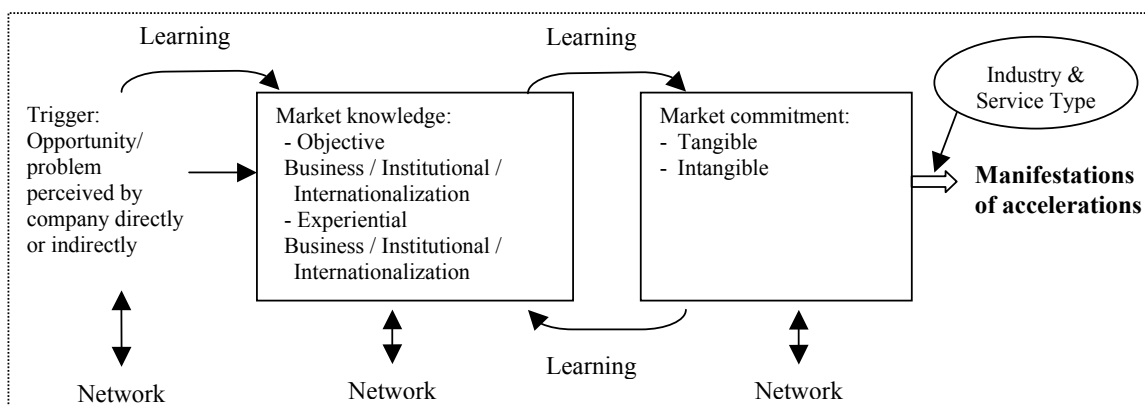
The aim of this study is to gain insight in the internationalization process of service firms. However, this is a broad topic, therefore a stricter focus is needed to guide the research efforts. Two restrictions are made; first we focus on services provided in a business-to-business context and especially in one industry to limit the tremendous heterogeneity in service activities. Second, we choose to put the emphasis on particular events in the internationalization process, namely on accelerations. We aim at understanding the manifestations of learning that drive internationalization in the context of business-to-business service providers. For this study, an acceleration is defined as a change in the degree of internationalization (in line with Sullivan 1994) of a business unit, which is predominantly the result of exploratory learning (March 1991). An acceleration is closely related to what Kutschker et al. (1997) define as an ‘international episode’: a period of substantial change that critically challenges and/or alters the company’s prior thinking, norms and procedures with respect to its internationalization process and which has a significant impact on future internationalization decisions. During accelerations, the inherent, though mostly implicit drivers of internationalization – and with them the manifestations – are expected to become clearly visible due to a flare-up of exploratory learning.

In contrast to exploitative learning that aims at optimizing within the current set of established organizational procedures and options, exploratory learning aims at discovery beyond the current set of established procedures and options (March 1991). This acceleration idea fits within the established punctuated equilibrium theory of organizational change as put forward by Tushman and Romanelli (1984) and Romanelli and Tushman (1994), among others. In general terms, punctuated equilibrium theory presents organizational change (e.g., the internationalization process) as an ongoing cycle of longer phases of convergence that are characterized by exploitative learning, punctuated by short outbreaks of reorientation driven by exploratory learning. This conceptualization is also related to Kutschker and Bäurle's (1997) notion of an internationalization process as a cycle of incremental periods of muddling-through (evolution) that are occasionally interrupted by periods of substantial changes (revolution).

In figure 1 an acceleration in the internationalization process is graphically depicted. Briefly summarized, the idea is that an acceleration is triggered by an opportunity or problem perceived by the company directly or indirectly. The trigger causes the knowledge base of the company to change, which affects its commitment to internationalization. Eventually the cycle of changes in knowledge and commitment results in a manifestation of acceleration. In particular, an acceleration is assumed to be the result of exploratory learning. The company's current knowledge base and associated routines, rules and structures are modified because they do not match any longer with the context in which the service provider operates. As such exploitation is not sufficient any more, the firm's knowledge framework needs more severe restructuring, which will occur through exploratory learning.

The specific manifestations of the accelerations are affected by environmental factors such as the industry type and type of service. Furthermore, the network in which the service company is embedded has an effect on the acceleration in the sense that the initial trigger might be perceived and communicated by the network, additionally the changes in market knowledge and market commitment is colored by the organizations network of relationships.

**Figure 1: Service internationalization as a learning process**



## Methodology

The research question that guides this study of industrial service internationalization is: *How and why do accelerations take place in the internationalization process of industrial service providers ?* A comparative case study built upon strategy process methodology (e.g., Pettigrew 1992, 1997; Ferlie and McNulty 1997) is adopted to unravel the sub-processes underlying an acceleration in the internationalization process. To control for contextual factors, eventually three accelerations cases were selected from a population of Belgian SMEs in the logistic services industry with recent accelerations during their internationalization process. The logistic services industry is appropriate for a study of service internationalization processes since logistics is undeniably an activity that can be classified as a service due to the two distinctive service characteristics in Hill's (1999) terminology. Firstly, logistic services cannot be provided without the agreement, cooperation and usually active participation of the companies that need logistic services. Secondly, the outputs produced are not separate entities that exist independently of the producers and/or consumers. For instance, inventory management for company A's product by company B. Nevertheless, transport as one of the main logistic activities is often provided internationally as the loads have foreign destinations, which might confuse the discussion. In this paper, a logistic service provider is defined as international from the moment that activities are provided for and invoices are sent to companies in foreign countries. Merely offering international transport for clients in the home market is not seen as an international activity as the client searching is a domestic issue.

Accelerations, however, cannot be identified easily. While exploratory learning is the key discriminating characteristic of an acceleration, it is mostly difficult to be defined or observed

a priori (Kuwada 1998). To screen potential cases, proxies are required that may indicate accelerations in the internationalization process of potential case companies. Proxies we used are: the pro-active call for help and or information from third parties (e.g., the National Export Agency or a consulting firm) to cope with newly recognized triggers, the formation of a temporary management team to prepare a response to the trigger, the discussion of the trigger at a higher management level than that where the trigger is perceived, and the consideration of an action that is quite different compared to current international activities. After a first exploratory interview with firms that reacted in a positive way to these proxies, eventually three companies that showed clear signs of a potential recent acceleration in their internationalization process were approached and found prepared to engage in the study (Table 1 for an overview).

**Table 1: Description of three cases**

|  | Alpha  | Beta  | Gamma  |
|--|--|---|--|
| Year of origin                                     | 1928   | 1984  | 1947   |
| Activities (% refers to relative share of clients) | Transport (50 %), logistics (50 %)   | Specialized logistics (100 %)                                 | Transport and simple warehousing (97 %), specialized logistics (3 %) |
| Transport regions                                  | Belgium, Eastern and Southern Europe   | Worldwide transport   | Belgium and Europe   |
| Sectors (clients)                                  | Automotive, chemicals, high-valued goods in various sectors but food.  | Fine chemicals and pharmaceutical products.                   | No preference except exclusion of refrigerated foods.                |
| International experience                           | - International transport in Europe in cooperation with partners.<br>- European distribution center for a few multinational clients. | - Worldwide logistics due to international nature of clients. | - International transport in Europe in cooperation with partners.    |

Semi-structured in-depth interviews were the primary source of information. The managers involved in the decision processes on international expansion were asked to tell why and how their company went international and what actions they are currently taking in this respect. As such, the interviewer could obtain a clear perspective on the established strategies and procedures concerning international expansion. The closer related to what was observed as the nucleus of the acceleration the more detailed the interviews went. Eventually, the interviews allowed us to compare mainstream internationalization strategies and procedures with strategies and tactics directly related to the acceleration. In case Alpha the head of the business development team was interviewed, in Beta the founder who is still in charge and in



Gamma the CEO. All interviewees were interviewed several times. Interviews lasted between 2 and 4 hours and were transcribed and summarized. Next, the managers were asked to correct and/or complete the summaries where necessary which all three did. Secondary data from websites, newsletters, and news articles were used to complement the findings. Furthermore, to triangulate the interviews, the internationalization processes of the three companies were discussed with an expert from the National Export Agency who was knowledgeable about these firms' internationalization track. In the following paragraphs, the accelerations in the internationalization processes of the three case companies are presented and analyzed.

### **Data**

**Alpha** is a logistics company that was founded in 1928. The main activity of Alpha is the provision of transport of packed goods, bulky chemicals (polymers) and automotive parts in Europe. However, since the last decade, the company gradually added more services to its core offering aiming to become a full-fledged logistics supplier. Despite the fact that Alpha provides many transport assignments across Belgian borders and organizes the complete European warehousing and distribution for a few multinationals, Alpha is a young internationalizing firm. Their main focus is the Belgian market. Alpha works with many correspondents to deliver transport services throughout Eastern and Southern Europe. Correspondents are foreign transporters from which Alpha receives orders and/or to which Alpha subcontracts orders. This implies that aside from a new warehouse and transit center in France, Alpha mainly operates from its Belgian facilities. Alpha's activities in the automotive sector are an exception to this common approach. In the automotive sector Alpha has a joint venture with a Canadian logistics company and this joint venture has subsidiaries in the UK and Germany. Alpha is already international in the sense that (products of the) foreign clients cross the border and are treated from and/or within Alpha's domestic market (i.e. the movement of the receiver of the service, Sampson and Snape, 1985).

The interviewed manager reports that the majority of new clients however, are Belgian because that is where the present focus is although attempts are made to diversify the client portfolio with foreign customers. Currently, Alpha gains its foreign clients in a reactive way, in particular through unsolicited orders or by following clients abroad. Alpha's manager states that the Belgian market still has enough sales potential and that foreign projects are

either accepted to please domestic clients or to gain some experience in a specific market at a guaranteed low risk. As a consequence, the (potential) client mainly determines the particular country where services are expanded to and the way in which this happens.

The current acceleration in Alpha's internationalization process is manifested in a switch to an active search for clients from the United States that want to use Alpha's European distribution facilities. Top management of Alpha believes that the logistics services currently delivered to companies located in domestic market are suitable to being offered internationally. This idea made Alpha's managers attentive to potential opportunities. As such, management came across a consulting report that indicated the United States as an interesting market. Apparently, numerous American exporters look for warehousing and logistic services to enter the European market. This triggered Alpha's top management to explore the North American market for concrete opportunities. A special team was formed to search for information as Alpha's managers experienced that their current contacts did not give them access to the required information. A different network seemed to be required to locate clients in the USA. Currently, Alpha tries to find leads by contacting people from the National Export Agency that represent Belgium in the USA, by talking to representatives from the harbor of Antwerp where most American cargo ships arrive, and by hiring an American lawyer's office to get in touch with potential clients. The first goal of these networking activities is to inform the newly established network of the suitability of Alpha's services for American clients. Additionally, the team members for the first time rely on more formal gateways like trade fares and general trade intermediaries. However, despite some very specific attempts, no contract with an American company is signed yet. The interviewed manager stated that they feel very insecure about the way in which they approach the situation although they do not see better alternatives yet.

**Beta** is a logistics company that was founded in 1984. At the beginning they bought and sold cleaning products, later on a switch was made to chemical products. In 1995 they drastically changed the scope of their activities and limited their offer to the mere transport and warehousing of dangerous chemical goods without gaining ownership of the products. Currently, Beta further specialized in the logistic treatment of very particular products that are used as raw materials in chemical and pharmaceutical applications. Beta operates from its site in Belgium. Notwithstanding the fact that Beta offers a wide range of logistic services all over the world, the organization of these activities is centrally situated in Belgium. The use of

foreign partners to take care of the intermodal transport to various countries is very common but is always organized and coordinated from the home base. The majority of Beta's clients are multinationals that require very specialized logistics all over the world. The first client after Beta's activity-refocus in 1995 was the Dutch division of an American chemical company that needed a logistics provider for The Netherlands. The successful cooperation led to a similar assignment for the Belgian, German and French division of the same multinational, in 1996, 1998 and 1999 respectively, all organized from the Belgian site. Over time, positive word-of-mouth led to more clients in the client portfolio that need very specialized logistic services all over the world.

Beta's founder/CEO spends a lot of time on addressing new potential clients in the highly specialized sector in which Beta operates. The expertise of Beta is their strength and new clients are carefully selected so that the expertise can be exploited and further developed without harming the existing client relationships. Additionally, word-of-mouth leads to the more reactive situation in which Beta receives unsolicited orders and/or that clients ask Beta to follow them in their further expansion abroad. In short, for Beta, the nationality of the clients is unimportant, it is the need for a particular services that should match with Beta's expert offer. However, currently, the clients are located in Belgium or in the neighboring countries although the decision-making units often reside in the United States.

The recent acceleration in Beta's internationalization is manifested in the active evaluation of Russia, China and India as possible new markets. The CEO already narrowed this number of countries down on the basis of his beliefs concerning business manners and market potential. For instance, his deontological perspective on doing business created a barrier for African countries and reduced this barrier for Russia, China and India. Furthermore, in these countries a tremendous potential of products exists that can be used in the European chemical and pharmaceutical sector. Beta has specialized knowledge and facilities to provide logistic services for this kind of products in the European market. As such, Beta can offer the producers of these products an entrance into the European market. Beta is by no means interested in setting up a foreign subsidiary. Beta's CEO claimed that they do not want to "waste their money abroad" because enough capacity remains unused in their domestic facilities. Besides, the CEO argues that insufficient financial resources and a lack of foreign experience hinder the establishment of a foreign subsidiary. The CEO visited China several times. However, he did not obtain the business contacts that he hoped for. He states that it is

very difficult to get in contact with the proper people on your own. At the moment the CEO concentrates on obtaining information about the three potential markets from various sources in Beta's network such as the National Export Agency, trade intermediaries, Beta's international clients, the client of the clients, other logistics companies, and more. Overall, the CEO has the feeling that the current knowledge is insufficient to approach any of the three markets yet. He is convinced that a thorough preparation is needed because Beta's good reputation is at risk. He states that he cannot afford to attract inferior clients that might jeopardize Beta's current relationships with leading pharmaceutical and chemical companies.

**Gamma** is founded in 1947 as a transport company. After the purchase of several warehouses since the early 1980s, Gamma is a logistics firm that is still very much focused on transport and the storage of goods. Nevertheless, Gamma's CEO realizes that a switch to more integrated warehousing and logistics services is necessary due to the highly competitive nature of transport services in the changed European environment. At the moment 97% of the assignments is pure transport whereas 3% of them involves extra activities like storage, labeling, order-picking, packing, and so on. Gamma has several sites in Belgium due to the warehouse facilities that are scattered over the country and as such all orders are organized in Belgium. With respect to the international transport assignments, Gamma provides daily rides to most European countries. They organize and perform some of the transport assignments themselves but they also subcontract to numerous Belgian and foreign transport partners. Subcontracting gives them flexibility and a wide area of regions to which transport is possible.

Currently, Gamma's clients are mainly Belgian SMEs although for their logistic range of services they have two multinationals as most important clients. Nevertheless, Gamma is actively trying to expand its client portfolio with clients that want more than just export. Gamma's international activities are very limited. Gamma puts the emphasis on Belgian clients that need transport and distribution services in Belgium and the neighboring countries. Occasionally, risk-free projects are carried out for a domestic client abroad but these are always very limited in time and size.

The present acceleration in Gamma's internationalization process concerns their recent deal with an Irish company that requires warehousing and logistics services for its products on the Belgian market. This deal is the result of networking activities of Gamma's marketing

manager who met representatives of the Irish company at a trade fair. Gamma's decision to comply with the Irish company is quite a reactive decision. The Irish company took the initiative and Gamma decided to go for it despite their lack of experience in the Irish market. The main reason to go along is the guaranteed volume of services that the Irish company buys during a period of two years. Still, we consider the deal as an acceleration because Gamma is taking the opportunity to work with the Irish company and complements it with an active search for domestic clients that need transport to Ireland. Every day Gamma has to organize various rides from Ireland, therefore they seek clients that need transport to Ireland. Unfortunately, Gamma's current client portfolio does not contain clients that need transport to Ireland. This was already expected because Gamma never developed relationships with Irish partners to exchange loads. Even a direct mail campaign did not reveal any demand from their current clients. Consequently, the three Belgian transporting unions (SAV, Febetra and UPTR) were contacted to help Gamma in its search for clients. Additionally, Gamma's dispatchers are urged to explore auctions organized on the internet that link demand and supply for transport. The disadvantage is that these auctions work on commission, which puts a high pressure on the prices. Nevertheless, Gamma sees these contacts as valuable starting points to build relationships with clients that need transport to Ireland in the hope that these relationships will lead to a future demand of more extensive logistic services.

### ***Analysis and Discussion***

The aim was to gain insight in the internationalization processes of service companies by studying accelerations in the internationalization of three logistics companies. Table 2 summarizes the current situation in the three companies. As expected, no evidence is found for the notions psychic distance and establishment chain as described by Johanson and Vahlne (1977; 1990). However, accelerations occur because particular environmental triggers incite a knowledge acquisition process that eventually results in an alteration in market knowledge and market commitment, which is manifested in different ways. In the following paragraphs, the three cases are discussed in terms of their changing market knowledge, market commitment, and the lack of the learning indicators psychic distance and establishment chain, to conclude with alternative indications of exploratory learning.

**Table 2: Current situation acceleration in three case companies**

|  | Alpha  | Beta  | Gamma  |
|--|--|---|--|
| Acceleration                                   | Active client searching in United States   | Assessment Chinese, Indian and Russian market for selection new market  | Deal with Irish company that needs logistics for products on Belgian market                      |
| Trigger  | Conclusions consulting report that incited top management  | Vision founder that current market is insufficient for growth   | Irish company that approached Gamma at trade fair  |
| Preliminary manifestations of the acceleration | Attempts are made to access international networks in order to meet potential clients (e.g. by attending trade fairs, by informing consulting firms that meet with potential clients, by participating in international trade missions). | Formal and informal information searches through the current network of clients, subcontractors and competitors but also by participating in seminars and international trade missions. | Preparation of specific business procedures to specify the particular needs of the Irish company |

*International market knowledge:* The three cases gained experiential knowledge with doing business abroad in the sense that they provide international transport. This implies that they are confronted daily with foreign markets and business cultures when delivering goods to the clients of their clients. In this way, the service companies gain foreign business knowledge in the terminology of Eriksson et al. (1997). However, the clients of the three cases are mainly Belgian companies because they operate almost exclusively from their Belgian sites. Additionally, Alpha and Gamma learnt about doing business internationally by doing limited projects for domestic clients or for foreign companies that placed unsolicited orders. Both Alpha and Gamma considered these projects as coincidental learning opportunities with a restricted risk that they made use of. As such, the first internationalization knowledge (Eriksson et al., 1997) is developed. Nonetheless, Alpha and Gamma did not see any of these projects as particular market openings for entering the market more permanently. Beta has more international experience because the specialized nature of their services attracts clients – both Belgian and international – that have an international action radius. However, Beta does not yet felt the need to expand its facilities outside Belgium.

*International market commitment:* Overall, the three service companies are not highly internationalized so far. Nevertheless, the managers in the three case companies acknowledge the growing importance of international competition and they feel the need to become engaged in the international market. As such, the intangible commitment towards

internationalization slowly grows. For Alpha and Gamma this commitment is more limited than for Beta as is reflected in the more reactive versus active cause of the current accelerations in their early internationalization processes. However, the growing intangible commitment is steadily leading to tangible commitments as well. For Alpha this means for instance that the business development team invests time and energy in letting their network know what they want by organizing meetings and seminars, letting consultants know Alpha's specialties so that they can propose Alpha as a solution to their clients, and so on. Gamma puts the emphasis on informing (potential) clients that transport to Ireland becomes possible by means of a direct marketing campaign. What concerns the inward internationalization by providing services to the Irish company, Gamma solely focuses on the current deal that is large enough, hoping that it will lead to more Irish clients later. The ideas of Beta's CEO represent a large intangible commitment which is reflected in the present efforts of information seeking by means of international trade missions but also by talking to clients, subcontractors and competitors.

*Psychic distance:* The recent accelerations in the early internationalization process of the three companies occur in countries that are distant both geographically and culturally. Alpha aims at the American market, Beta assesses the Chinese, Indian or Russian market and Gamma prepares an entrance in Ireland, these countries are indeed very different from Belgium in terms of Hofstede's maps (in Bartlett and Ghoshal, 2000). Thus, the accelerations of these three companies are planned in countries that are no obvious choice according to expectations based on the notion of psychic distance. The explanation for the specific country/market choices relates to the underlying motives of the accelerations. The most important reason in the case of Alpha and Gamma to approach the USA and Ireland respectively is the identification of specific opportunities in these markets by third parties. For Alpha a consultant report was the trigger to assess the suitability of the American market. For Gamma the trigger consists of a concrete question of an Irish company that stands for a guaranteed turnover. In other words, the network of Alpha and Gamma identified an opportunity to which reaction seems desired. In these cases, it is the network that strongly affects the country/market selection. As is stated above, experiential internationalization knowledge is limited in Alpha and Gamma. However, leaning on business relationships helps overcoming the lack of knowledge and ensuing uncertainty, as a consequence countries that are distant are entered. The fact that the decision to go abroad is influenced by parties outside the service firm is often reported in a service context (e.g. Grönroos, 1999; Patterson

et al., 1999; O'Farrell et al., 1996). The importance of client following like in the case of Gamma is even stressed as distinctive characteristic of international service companies (e.g. Terpstra and Yu, 1988; Erramilli and Rao, 1990; Bryson, 2001).

Beta shows a more active approach that might be explained by the more extensive experience with international clients. In the terminology of Eriksson et al. (1997) Beta's internationalization knowledge is larger than that of Alpha and Gamma. Beta's experience with clients that need logistic services all over the world led to an investment in resources and capabilities to engage in international operations. Beta's CEO is convinced that further growth requires a search for producers of chemical products that need a logistics provider in the European market. A first assessment led to the selection of China, India and Russia as possible markets. As such, Beta's proactive motive can be denoted as the belief that potential markets for their specialized service are available abroad. This combined with the managerial urge leads to an active search for opportunities. Coviello and Munro (1995) and Sharma and Johanson (1987) noted similar findings in the context of software developers and technical consultancy companies respectively.

*Establishment chain:* With respect to the establishment chain the logistics companies again act in contrast to the expectations. The companies do not start with export for the mere reason that transport and warehousing services cannot be exported in the traditional meaning of the word. These services are bound to the location where they are simultaneously produced and consumed. In the literature it is suggested that these services need to set up foreign subsidiaries, requiring large resource commitments from the early beginning (e.g. Erramilli, 1991). However, neither one of the cases confirms this expectation either. Alpha and Gamma did exploratory projects as these came along and as such gained experience with working for foreign clients. Currently, both companies are in a situation where they try to internationalize by 'importing foreign customers' to utilize the facilities in the domestic market. Although the immediate cause for importing customers comes from the network environment in which companies operate, both Alpha and Gamma decide to respond actively to the opportunities by creating more permanent openings in the specific markets. Beta takes a more active approach in the sense that the trigger is the CEO who is convinced that opportunities need to be searched. In this case the network is used to assess and select the best foreign market to expand to. However, the aim of Beta's CEO is also an inward internationalization.



*Alternative learning indications:* Despite the absence of evidence in favor of the notions psychic distance and establishment chain in the three studied acceleration processes, the three cases clearly show the interplay of market knowledge and commitment that leads to an increased international activity. The internationalization processes represent the planned evolution idea of Kutchker and Baurle (1997). In the three cases the particular triggers cause the service company to collect information on the possible acceleration in order to assess its suitability. In this regard the network in which the service firm is embedded is heavily relied on. As expected, exploratory learning occurs because the companies experience that with their current knowledge base no solutions are available to respond to the identified opportunities. For instance, in the case of Alpha, knowledge of the American institutions and market is clearly lacking. Consequently, a lot of efforts are done to overcome this problem by relying on but also enlarging the network in which Alpha is implanted. Alpha tries to gain experiential knowledge not by entering the American market yet but through business relationships and a focused search for new information, two extra dimensions of organizational learning (Forsgren, 2002). Beta and Gamma also show learning that goes beyond the adaptation of current knowledge because the planned accelerations imply different approaches than what belongs to their set of rules and procedures. For instance, Gamma enrolled in various internet auctions where loads are offered and demanded in order to obtain loads to Ireland. Their current client portfolio does not contain companies that need transport to Ireland. As such, a new way to attract potential customers was needed. In the case of Beta, the CEO participated in several missions to China because he learnt that his usual approach of exploring a foreign market on his own was not successful. Apparently, the formal nature of governmental missions is needed to open Chinese doors and meet potential business partners. Similar missions to Russia and India are planned in the near future.

## **Conclusion**

In our opinion, the basic learning assumptions underlying the Uppsala model remain valid. Briefly summarized, Forsgren (2002) states that the Uppsala model has three underlying assumptions. The first assumption is that a lack of knowledge about foreign markets is a major obstacle to international operations, but such knowledge can be acquired. The second assumption states that market uncertainty leads companies to commit resources incrementally. The third assumption is that knowledge is highly dependent on individuals, who are

responsible for identifying and responding to problems and/or opportunities intrinsic to a certain market. The accelerations in the internationalization of the three studied service companies do not violate these three assumptions. The environmental triggers incite the three companies to acquire new knowledge to deal with the offered opportunities as discussed above. Extant routines and procedures are found insufficient to respond to the opportunities. As such, different approaches are looked for. Furthermore, uncertainty is reduced neither by entering culturally and geographic close markets nor by any of the steps demarcated in the establishment chain but through inward internationalization and relying on network parties. Finally, the importance of people in the internationalizing companies shows as well. In all three cases, management decides to respond to the trigger and starts the acquisition of knowledge that leads to an acceleration in the internationalization process. That particular acquisition of knowledge is further highly dependent on the people in and around the service organization.

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