International Business and Economic Growth:
The Dimensions and Challenges of Internationalization

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Abstract
This paper will examine the context of globalization and the development of companies. It is now established that internationalization is one of the essential strategic components from the outset. Smaller companies have an advantage due to the flexibility provided by their small size and dimension of a structure such as a representative office abroad. Whatever the scale, internationalization takes place in stages, although the crossing of these different stages can be rapid, depending on the incentives, provisions, means and motivations for export. As soon as they have the opportunity, small companies try the cross-border adventure, and they no longer hesitate at all to tackle sectors on other continents. The consensus is that small companies are also subject to several risks: product inadequacy, organizational complexities due to the increase in the size of the company, currency risk, the competence of local employees, social risks of labour protection, the financial risk of unprofitable investments, difficulties in obtaining credit and, above all, intercultural risk. In this paper we will discuss how small companies need to ask the right questions, and how can four steps of critical path analysis assist businesses? The four steps are: identify tasks, determine proper sequence of tasks, estimate the time required to perform each task, and prepare time-scaled chart of tasks and events to determine the critical path. The outcome of this study and our findings suggest that the support of theoretical models will help companies, through practice, the effective management of risks complexity in the context of internationalization.

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Introduction

The Internationalization Concepts: Three Levels of Competencies

In the context of globalization, it is now established that internationalization is one of the essential strategic components from the outset. Smaller companies have an advantage due to the flexibility provided by the small size and dimension of a structure such as a representative office abroad. Whatever the scale, internationalization takes place in stages, the crossing of these different stages can be rapid, depending on the incentives, provisions, means and motivations for export. From now on, management boards invest if they can in neighboring and distant markets. As soon as they have the opportunity, small companies try the cross-border adventure, and they no longer hesitate at all to tackle sectors on other continents. These three reasons have led to the globalization of the distribution of products and services, as well as other business services production, HR, R&D, finance, and capital contribution. We can consider three main phases of international development:

- Initial internationalization: first orientation of national or regional organizations towards the outside.
- Local development: This corresponds to the strengthening or consolidation of the various structures. This type of foundation corresponds to the complex processes of internationalization.
- Multinationalization: Establishment of homogeneous and integrated entities in the various building areas.

The Initial internationalization is a first phase of a cautious and exploratory approach. During this phase, the parties and project managers get to know the targeted geographical location. The establishment in the country is done in an exploratory and flexible form. The main objective is to assess the potential of local markets. After a good reading of the market, the company commits itself in ways that do not involve much: at any time, it can go back without having to resort to excessive costs. In this approach phase, the structure relies on intermediaries and local partners. These two categories limit the impact of any lack of trading knowledge. After a year or more time, this preparatory phase leads either to a total withdrawal from the market or to a more significant commitment such as establishing a subsidiary. In this way, the head office is moving towards the second stage, which is local development.

The local development is a second phase that concretizes the promising nature of the project or initial idea. The company can choose to build their business alone or to create a partnership. In the case of a partnership this is done for financial, marketing, cultural, legal, and cultural reasons. In some cases, companies rely on large groups or holding companies to set up in the country, who act as guarantors that negotiations are going well. This second step enables companies to optimize the different facets of their marketing mix. This implies the development of a certain local adaptation of the product and its strategy, the objective is to remove the foreign aspect of the product. This second phase consolidates the tactics and product in the host country. To validate this second transition and qualify for multinationalization, the company has to develop over several years and strengthen its presence in the territory. The volume of sales must be transcendent, the margins high and the management method efficient to maintain the structure financially viable. It is very common for companies, especially small companies, to stop trading at stage two of the international development phases.

The multinationalization is a final period of commercial development that requires a significant number of local establishments and should no longer be considered as an isolated group, but as a homogeneous group. This third level includes harmonizing procedures and centralizing certain functions, particularly the finance function. If properly conducted, this third stage can lead to globalization. In this stage, the most important element is the company international image, in terms of marketing, sales and finance. The most important financial element is the company's ability to raise funds, both to strengthen its position and to seize opportunities. This affects both the company self-financing and investments.

The Global/Local Grid and the Identification of the Potential for Internationalization of Activities

The Global/Local (G/L) grid makes it possible to highlight the intensity with which local adaptation forces are exerted that drive the geo-centralization of an activity. And the intensity with which global adaptation forces are exerted are the ones that push for the internationalization of an activity. When an activity such as the forces of globalization have a strong role and the forces of localization have a weak role, we are in the presence of an activity with global dominance. For this type of activity, competition is global, and involves companies that combine both volume strategies and strategies of cost competitiveness domination. For these companies, the offer is standardized, and the geographical distribution coverage of the product is at its maximum. As the demand for a product expands, a certain degree of standardization usually takes place. (Vernon (1966).

But when the forces of globalization play a limited role, and local adaptation forces have a strong role, then we are involved with an activity that is predominantly local. Between these two extremes, there are mixed activities, i.e. global-local activities. The main characteristics of global activities are based on two things: the nature of the products, i.e. standardized products with wide distribution, and the extent of the resources used, including financial, industrial and marketing resources. For most of the 20th century and the present century, the deployment of resources and capabilities in market-oriented economies has been shaped by a micro-organizational system (Dunning 1995). The company and the strategic options/organizational methods for globally dominant activities can be characterized by five dimensions, and all these dimensions converge towards the implementation of a global cost advantage. By one strategy, a single company began to expand and integrate through creating its own marketing organization. (Chandler 2003)

The five dimensions are the development or implementation of strong, even dominant commercial positions: in the main global markets, and to maximize sales volumes. The standardization of service is always done on a global scale: to take advantage of the experience effect, and to extend the sizes of the series products produced. The concentration of each of the elements on the value chain: R&Di, production, assembly, and distribution to benefit from a comparative advantage. The choice of a positioning and marketing strategy that is almost uniform throughout the world. The possibility of developing a major integrated global approach to all strategic movements to generate interdependencies between different locations, marketing, management, and product-specific R & D can be used to service production plants in countries other than the country in which these inputs are employed (Helpman 1984: 451). This corresponds to the search for partners, internal or external growth, the sale of assets and R&Di. It is important for a company to analyze the consequences of the progression of a certain number of its activities towards globalization. This should include the weight to be given to the international dimension. As companies lose their geocentricity in favour of an opening towards the outside world, three characteristics emerge: Increasing and progressive local involvement of most administrative, financial, and commercial functions in the internationalization process. The activities have an increasingly international aspect that takes the structure out of its original space. This corresponds to the shift from an ethnocentric management model to a polycentric system. The international aspect is considered in upstream decision-making processes. This internationalization of the business is more sensitive and is felt more at the level of functional strategies than at the level of overall strategy. When the opening is in its infancy, it is first and foremost the supply department that is more involved, or more often the purchasing department. Globalization occurs at the level of the responsibilities, rather than the firm, and highlights important differences in the timing, sequence, and objectives of the process across functions (Malnight1995).

These different categories are grouped around a decision-making circle, which highlights the interactions between functions in the context of internationalization.

The three main orders are: the basic strategies; marketing, including business development, and procurement. From the outset, they are the most solicited. The strategies include human resources, accounting and financial management, industrial policy, and patent management. They are there to implement the basic ideas. The structural strategies: legal functions and controls. They make it possible to adapt to their new surroundings. It is also expressed in terms of sales and then downstream logistics. Human resources and R&Di will only be involved afterwards, in a third phase and at the last moment during recruitment.

Incentives for Internationalization: Reasons for the Key Role of Specific or Competitive Advantage in the Initial Phase

In the first phase of internationalization, triggers are essentially related to specific advantages and competitive advantages that differ from localization or internationalization advantages. In the case of a domestic company, it will be encouraged to expand its reference space for several reasons. Two main categories of motivation can be highlighted. Either it is a question of asserting its distinctive skills and competitive advantages across borders, or it is a question of compensating for a saturated domestic market, or one that is on the way to being so. Firms that benefit from a location advantage in the country of origin are more likely to start multinationalizing. (Cuervo-Cazurra 2007)

The first set of incentives or triggers related to the specific benefit is directly related to the desire to preserve and enhance the benefits acquired during its domestic expansion. For sectors where marketing-mixing techniques are evolving rapidly, there is a need to develop a monitoring capacity, particularly to maintain a marketing lead. In this case, innovation can be considered as a trigger mainly for service activities. Conversely, for sectors where obsolescence is less rapid, the requirement to develop a monitoring system and the obligation to create one is less important, but this does not mean that it does not exist. The need to respond to the foreign threat in the short, medium or long term is a concern to reduce the risks of saturation of the domestic market or a decline in domestic demand. The following sectors can be mentioned here that do not always follow the conventional internationalization stage: mobile telephony, electrical devices, construction, automotive, agri-foods and clothing. Common to all these sectors are several factors that are likely to generate threats: demographic changes, large volumes of investment in the short term, pressure from substitute products, and improvements in living conditions and consumption habits. (Bell 1985)

Thus, technological renewals are frequent to ensure market share even when sectors are in difficulty. At the time of the local development phase, incentives are mainly based on the opportunities contained in the foreign geographical areas in which companies are likely to grow. There are three main triggers in this phase: The growth of the potential of a target location, which are the most important objectives to be addressed first. To which type of industry and firms have we directed our research? If the geographical area selected by the company is limited and its market is saturated, it is advisable not to embark on the process of internationalization. The transition for companies was in part accomplished through the rapid deployment of new organizational form and new technologies in production. (Harvey 2000: 82) If the company is certain of getting involved in the market, it does not hesitate to invest in resources and human capital.

Country Risk

Every country presents its own investment opportunities. Before expanding a company overseas, however, one should be aware of the additional risks of the foreign trade market. In general, the risks of conducting international business can be segmented into four main categories: country, political, regulatory, and currency risk. Assess risk at an early stage rather than later if a risk become too high. Document and communicate risk through a risk register (ERP) Enterprise Resource Planning. A risk is an event or situation for which there is no corrective action that can be taken, and which can endanger part or even the whole project.

To prevent a failure of the project we need to use a contingency plan, an activity or a budget that will have to be activated should a specific situation arise, or a risk for which one has an action plan should it occur. The risk management is the art and science of identifying, analyzing, and responding to risk factors throughout the life of a project and in the best interest of its objectives. Risk can be defined as any possible event that can negatively affect the viability of a project. To complete an internationalization project, companies have to work with an external partner, thus relying on a third party outside the direct control of the project to supply components or services necessary to complete the project. The Strategic decision contributing to this pattern is one that is effective over long periods of time (Andrews 2011).

Global risk includes the political risk. The political risk defines the political climate of another country where the company wishes to work. Before starting any processes, the company must make sure and be aware of the political situation and the business perspective of the foreign government. The company should target the political issues in a market and work on the possibility of developing an investment inside the country. The statistics based on the FDI (Foreign Direct Investment) which can be provide by the IMF (International Monetary Fund) or the World Bank can be very useful to determine if one country is likely to receive foreign investments. Some countries involve crime and corruption. FDI does not have any significant impact on international transparency. In all different types of estimations and despite different control variables. (De Groot 2014: 196)

It is important for a company to analyze the currency exchange risk. The currency is one of the most important risks within international trade. The volatility of currency must be studied for all countries the company wishes to work in. Stable governments are more likely to have a stable currency while less developed countries can have very volatile and unstable currencies. The changes or any political changes can drastically reduce the profits of a project. Currency rates and trends must be checked every week and the political or economic events must be studied by the executive board.

At the same time, this leads these companies to analyze the credit risk. Credit risk is linked to the banking system, how a foreign company will be able to be supported by banks and how the company will be able to get credit lines, mortgages, and other financial products indispensable to an international development. From where will the investment come from? The original country or the receiving country. The management of logistics activities must be coordinated with the transport risk. Costs, deadlines, damages, and security are the most important risks in all international transport.

By setting up abroad, head offices are increasing benchmarking by competing with local competitors: product quality, after-sales service quality, improved marketing mix, and an acceleration in the pace of R&Di investment. Benchmarking has in recent years become an increasingly common practice not only among companies but also among groups that carry out these studies to compare companies with each other. The greater the geographical scope of internationalization, the more efficient and effective the information system must be today, and the more favoured it will be for the EDI (Electronic Data Interchange) The preceding paragraphs included the basic and essential elements to understand the simple and complex processes of internationalization. We have seen in what contexts they apply or not, otherwise companies can find themselves in clear financial difficulties.

This gives the company specificity and identity. Porter's concept, the value chain, shows that it is inevitable to evaluate the interdependent activities of a company along a chain to determine the ability of the organization to create value; this will be perceived by customers. Porter's analysis leads to the value chain principle diagram. This diagram structures the company in a horizontal axis (main activities) and a vertical axis (support activities). The common goal of the core and support activities is to create a profit margin. However, even within an industry, the choice of strategy depends of the segment of the value chain that a firm competes in. (Perlmutter 1985) There will only be a profit margin if the value that customers receive is higher than the cost price of the product. Distinctive skills, within a business or organization, a company are present when the company can master a technique, a management dimension or know-how better than its competitors. In this case, the company has a distinctive competence. In general, trade requires several distinctive skills. Considering the three previous elements, we will present the following diagram to better understand these three core areas of strategic positioning.

Diagram mixing the three concepts:

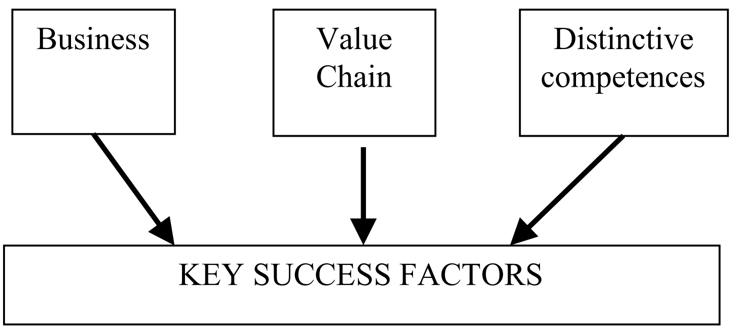

Figure 1. Key Success Factors

These Key Success Factors (KSFs) must be reduced to the sector level, segmentation, and analysis identifying the different strategic segments. A strategic segment is a subset of the market in which the combination of KSF is specific. This analysis can be done from different perspectives: types of customers, technical (in relation to know-how), segmentation of the product, and geographical location. This strategic segmentation determines the Strategic Business Areas (SBAs). The SBA determine whether the company has the right segment and competitive advantages. With the steps of the strategic approach, and considering the key concepts of the analysis, we can detail this approach in four successive steps:

1) Knowledge of the environment and society: a precise diagnosis should enable the company to develop its strategy by reducing uncertainty and complexity, it is both an internal and external evaluation. This diagnosis corresponds to the synthesis of information that is relevant for the company at a given time. The diagnosis concerns the environment near and far from the company and integrates the criteria of the competitive system.
2) System highlights the strategic segments analyses the position of the structure of the company segments. It positions the company specific skills and assets forward on which it can base a strategy.
3) Characterization of strategic alternatives: the internal and external diagnosis make it possible to delimit the company distinctive skills (i.e., strengths and weaknesses). At the external level, the diagnosis presents the attractions of the environment and its constraints, in economic, sociological, political, fiscal, and international contexts. Based on the diagnosis, the manager determines strategic alternatives that present themselves to the company. The decision resulting from the strategic alternative will then create the positioning.

Once the strategic orientation has been chosen, the manager evaluates each of the components of the strategic alternative among several possibilities. The components of the analysis are compared in a cost-benefit assessment, to decide objectively and comprehensively what to do. However, the selection criteria used to determine the final strategic direction are rational, and contingent. The selection indices can also be the result of compromises, and power games between decision-makers. The company, however, remains in a context of limited rationality. This rationality is limited by the level of information of the decision-maker and the capacity for competence. The manager sets up indicators to monitor actions and measure results. The control system, which will be visualized by a project plan dashboard, will make it possible, if necessary, to refocus the strategic orientations over time.

Business Strategies

A company's strategy is determined by the market breakdown, which is achieved by segmentation. Once this market breakdown is done, the strategy is driven by the positioning of product/market pairs. The company is looking to focus its activities to develop the product/market combinations that will enable it to succeed. To do this, the company must determine its Strategic Business Areas. This field of activity can be analyzed either by its nature or by its dimension. The nature of the DAS will define the distinct strategies, a single activity, specialization or several activities, diversification, and differentiation. Which strategy is better is not a matter of opinion but of necessity. (Levitt 1983: 92)

The reasons that lead the company to this choice are multiple: a better control and for a longer time, a technique, a product, and a market. The company may also suffer from a lack of resources to deploy in several directions. It will, therefore, focus its efforts on a specific sector. Niche strategies are not only the responsibility of a small company. A large company can develop this type of strategy in certain segments. There are several forms of specialization, they are generally dependent on the choice of companies, the focus can be geographical, the product range or on market specialization. It should be noted that the niche strategy is not without risk; here are the risks faced by the company that wants to work in a local context: Risk of market saturation, the trade can mature or decline, the high-growth sector could quickly attract other firms, the environment that may evolve unfavorably for this activity.

Management of International Subsidiaries: The EPRG

The EPRG model was proposed by Perlmutter in 1969 to highlight the different conceptions of company management in international markets. He considers four important strategic predispositions in a multinational company: the Ethnocentric model, is a predisposition where all strategic decisions are guided by the values and interests of the parent company. Such a firm is concerned with global viability and legitimacy in its domestic country.

The ethnocentric model is characterized by the unification of systems and strategies: the model applied to subsidiaries is that of the parent company. The polycentric model is a predisposition where strategic decisions are tailored to suit the cultures of the different countries in which the multinational company competes. A polycentric multinational is mainly concerned with its legitimacy in each country in which it operates, even if this means some loss of profit. The polycentric model is characterized by a fragmentation of systems and strategies between subsidiaries and the parent company, the management of entities is as local as possible.

The predominant orientation of a multinational is called an EPRG profile. An ethnocentric or polycentric EPRG profile is very common (Perlmutter 1969), while a regiocentric or geocentric EPRG profile is relatively new between multinational companies. This model has contributed to a better understanding of the strategic and organizational orientations followed by companies at the international level. » The theory is a comparative synthesis of headquarters-subsidiary relationships based on the approach developed by Perlmutter. The comparison is based on three main criteria that represent differences in:

- organizational approaches: degree of complexity, authority and decision-making, evaluation, and control.
- intra-firm relationships: cultural orientation, degree of interdependence and autonomy, origin of flows. Theoretical and methodological strengths and weaknesses of the different conceptual frameworks are next discussed. (Andersen 1997)

Internationalization Implicates Intercultural Changes

Intercultural ignorance is a real factor, and many are affected in their daily functions. No expatriate or executive can ignore these barriers, they are real, present, and part of everyday life. Learning, knowledge, and mastery of theoretical elements are an asset to anyone who wants to apply them in their work and this learning has a profound impact on how the firm is seen to approach foreign markets (Forsgren 2002). It is our objective to study the phenomena related to culture in the future. Internationalization should be progressive and incremental and explores the issue of de-internationalization and its role in the long-term internationalization of the firm (Richard 2001: 25).

Conclusion

Companies needs to ask the right questions, how with four steps can critical path analysis assist the business? Identify tasks, determine proper sequence of tasks, estimate the time required to perform each task, prepare time-scaled chart of tasks and events to determine the critical path.

There are three factors that explain the dynamism of international trade. First, transport costs have fallen significantly as a result of a series of innovations and increased efficiency of transport modes and infrastructure. The second decisive criterion is that integration processes such as the emergence of economic blocs and the abolition of tariffs on a global scale have been successful in promoting international trade. Finally, the third factor is that production systems are increasingly flexible and interlinked, stimulating the exchange of goods and services of all kinds. Globalization covers many facets, including tariff liberalization, increased capital movements and international labour mobility are some of these well-known features. We can prepare ourselves with the following information:

At first glance, globalization appears to be a phenomenon of the last two decades of the twentieth century in relation to the economy. We were already talking about the global village and the impact of multinationals. Then, in 1986, the long working sessions of the Uruguay Round began, which led to the creation of the World Trade Organization (WTO) in 1995. Meanwhile, capital was becoming more mobile across borders, giving rise to geo-finance or financial globalization.

Globalization is a process that tends to make the same goods, services and factor services accessible at the same price and quality conditions in all countries at the same time. The search for a better organization, optimizing the internal structure, rationalization with the right recruitment of human resources who will manage the establishment and represent the parent company abroad. It is thanks to innovations that the company becomes competitive, R&D creates more modern products and business perspectives.

Companies are also subject to several risks, product inadequacy, organizational complexities due to the increase in the size of the company, currency risk, the competence of local employees, social risks of labour protection, the financial risk of unprofitable investments, difficulties in obtaining credit and, above all, intercultural risk. The above elements will gradually lead us to the importance of considering interculturality in remote and relocated entities. It is essential to design detailed learning with the support of theoretical models that will help and lead expatriates through practice to effective management of intercultural complexity in the context of internationalization. Entrepreneurs must have the will to define and develop an excellent international strategy, based on global competitiveness where firms in a competitive, globally integrated environment face a liability of foreignness. (Zaheer 1995)

Management frameworks that are not familiar with the vast aspects of cultures are first invited to study the theoretical and literary outlines of the subject. These models and theories are based first of all on large-scale studies conducted by recognized researchers in world-class companies.

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