

Role of organizational learning and knowledge in internationalization process

Meriem Alaoui and Soukayna Ouachi

¹ University Hassan II Casablanca, Morocco;

² University Hassan II Casablanca, Morocco;

Abstract

Rare are research studies that focus on the role of capacity for organizational learning and the process of internationalization of the company. The objective of this theoretical contribution is to analyze internationalization in the light of theoretical developments relating to learning and knowledge within organizations. We study the role played by organizational learning in the development of the internationalization process by identifying the role of experiential knowledge within the process. Hence, we discover through our study that organizational learning is an incremental process of continuously improved actions thanks to new developed knowledge. Therefore, we consider internalization as a result of knowledge's development within the organization. It is also the process of transforming knowledge into entrepreneurial learning. Through our theoretical explanations regarding the links between knowledge and internationalization, we demonstrate a theoretical interdependence which can then be subject to further empirical validation.

Keywords: internationalization, learning, knowledge, organization.

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I. Introduction

The majority of internationalization research studies focus only on multinational companies, reasons for their existence as well as their influence. Thus, the multinational enterprise was taken as the starting point for the analysis, which consequently obscured the questions relating to its process of genesis and development. Therefore, many studies emerged in order to call for a more longitudinal and process oriented analysis of internationalization (Welch & Luostarinen, 1988).

However, our understanding of the role of knowledge in the internationalization process of companies remains unfulfilled (Dimitratos, Buck, Fletcher, & Li, 2016; Dimitratos, Johnson, Plakoyiannaki, & Young, 2016). Despite all the research available, few have studied the role of the manager's prior knowledge and past experiences in the internationalization of companies (Muzychenko & Liesch, 2015; Peiris, Akoorie, & Sinha, 2013). It is with this in mind that (Mathews & Zander, 2007) call for more theoretical and empirical research on the link between manager's experience and internationalization. Obviously, this is the same link that some researchers today recognize as essential for identifying and understanding the internationalization process (Chandra, Styles, & Wilkinson, 2009; Jan Johanson & Vahlne, 2009).

(J. Johanson & Vahlne, 1990) define the concept of internationalization as a process of learning and progressive commitment of resources, according to which companies develop their international activities in a progressive manner, according to their international expansion and to their aversion to taking risks. Within this approach, internationalization is "a process in which the company gradually increases its international involvement". (J. Johanson & Vahlne, 1977) and (Luostarinen, 1979) attempted to identify key factors, of a dynamic nature, underlying international progress of companies' internationalization. This school analyzes the development process abroad as a sequence of steps during which the company learns about the international environment. Also, (J. Johanson & Vahlne, 1977) did take into account the variable "knowledge" within the framework of internationalization. However, we notice the scarcity of work that attempts to transpose studies on organizational knowledge, in general, in the field of internationalization. Hence, we also conclude that although these past researches, only few focused on internationalization of the firm as a process of organizational learning.

Multiple authors observe the use of the term "organizational learning" in order to characterize a fairly heterogeneous set of organizational phenomena which generally have nothing in common except the fact that they describe "a change for the better". For many authors, learning is equivalent to adapting the organization to its environment or a process by which members of an organization detect "errors" and correct them by modifying their "action theory". For certain researchers, it is the process of improving actions thanks to new knowledge allowing a deep understanding of the company and the environment. Internationalization can then be

conceived as a process of learning and development of knowledge. The recent developments of these "theories", based among other things on organizational learning, can shed new light on the concept of internationalization.

Many authors tried to forge an integrated vision of the firm as a place of knowledge creation or as a knowledge applicator, knowledge being, notably from the strategic point of view, the only valuable resource. These new trends lead the researchers to consider a new vision of the organization. They see the firm as a portfolio of resources based on knowledge, varying in terms of transferability and imitability and evolving along a life cycle or phases of maturity (Wright & Ricks, 1994). For these authors, the elements of the enterprise value chain can be redefined in terms of knowledge-based activities or services.

These corpora can challenge, supplement and develop the original presentation of the role of knowledge in the internationalization process. Recent theoretical developments in what is known as "Knowledge-Based View" now recognize that knowledge has a more complex role. The theoretical construction of sequential models of internationalization has not accompanied this development and shows its limits as regards to the analysis of knowledge. Questions relating to its content, its development and its sharing remain pending. Thus, a more explicit consideration of the "role of knowledge" during the study of internationalization is increasingly requested. Hence, our objective through this research is to analyze the internationalization of the company as a learning and knowledge development process.

II. Materials and Methods

2.1 Experiential knowledge: Literature review

"Experiential knowledge of foreign markets" is defined as "all types of knowledge that companies accumulate by being active in international markets and involve the ability to research, analyze and act on commercial issues in the markets local" (Sharma & Blomstermo, 2003). The acquisition of relevant knowledge in the context of the internationalization process of companies is very often considered to be crucial and has been treated by different researchers (Freeman, Hutchings, Lazaris, & Zyngier, 2010; Grosse & Fonseca, 2012; Hewerdine & Welch, 2013; Xiaotian Zhang, 2013; Zou & Ghauri, 2010). Based on the incremental theory, experiential knowledge is considered to be a central element in the process of internationalization of companies (Fletcher & Harris, 2012).

The internationalization process is then described as a causal cycle where knowledge of the company is considered as the main explanatory variable (J. Johanson & Vahlne, 1990). According to this school, the assumption is that companies develop their activities abroad gradually, based on the evolution of their knowledge (Whitelock, 2002) and that they must continue their entrepreneurial learning or what we call their "learning curve". Other studies by the Helsinki School on internationalization emphasize the importance of knowledge of foreign markets. However, the Finnish model explains that companies can acquire knowledge from other channels such as imports (Luostarinen, 1994; Welch & Luostarinen, 1988).

Prior knowledge is often linked to the distinctive information of an individual on a particular question which gives him the capacity to identify certain opportunities (Shane, 2000). For (Venkataraman, 1997), the idiosyncratic prior knowledge of each individual creates a unique "knowledge corridor". This special field makes the entrepreneur better equipped to interpret, understand and integrate new information.

2.2 Role of experiential knowledge in the internationalization process

For (Kolb D., 1984), experiential learning is "a process by which knowledge is created by the transformation of experience". Entrepreneurial learning influences manager's perceptions and his learning acquisition (Aouni & Surlemont, 2007). In the same logic, (Minniti & Bygrave, 2001) emphasize that this process involves experimentation and can contribute to increase leader's confidence and to improve his level of knowledge.

Knowledge resources can be leveraged through an educated workforce, R&D, networks and other channels. From a resource perspective, knowledge is seen as one of the resources that companies need to internationalize (Barney, 1991). One of the motivations that push companies to expand into foreign markets is to access a better resource base (Westhead, Wright, & Ucbasaran, 2001). Companies want access to various resources such as production equipment, human capital, management know-how, etc. In light of globalization and technological development, intangible resources are also seen as increasingly important for the internationalization of businesses. The resource-based vision is linked to supply-driven internationalization motivations (Fahy, 2002; Penrose, 1959; Wernerfelt, 1984).

Integrating previous and new knowledge is a process that depends on two factors: ability to absorb new knowledge and compatibility of new knowledge with previous knowledge (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009). In this scheme, the knowledge absorption capacity of the company is defined as a dynamic skill which determines the competitiveness of the company made up of four dimensions: acquisition, assimilation, transformation and use of new knowledge (Zahra & George, 2002).

III. Results and Discussion

3.1 From organizational learning and knowledge to the development of internationalization's process

The role of knowledge in the internationalization of businesses is still unclear and subject to several discussions. Firms that lack knowledge can internationalize slowly and prefer simple entry methods, while others can still access distant markets despite their limited or non-existent knowledge. Knowledge also has different levels of importance with regard to the internationalization process. It is therefore interesting to discover the role of organizational learning and knowledge in the process of internationalization.

Prior knowledge and past experiences of the entrepreneur are essential for international entrepreneurship (McDougall & Oviatt, 1994). First, the manager begins to forge professional links internationally and develops the idea of marketing his products and services even before starting his commercial activity (Madsen, T. K., Servais, 1997). Experience-based market knowledge helps companies reduce uncertainty and risk related to foreign markets and creates new opportunities (Johanson, J. & Vahlne, 2003).

Experiential knowledge also significantly influences the identification of new business opportunities because managers are more familiar with the rules, regulations and operations of international markets (Davidsson & Honig, 2003; Shane, 2003). Prior knowledge influences the nature, number and degree of innovation of identified opportunities (Shepherd & DeTienne, 2005).

Acquired experience also contributes to the development of skills and capacities and influence managers' motivations and decisions (Shane, 2003). (Grégoire, Barr, & Shepherd, 2010) show in their study that past experiences contribute to the increase in the cognitive capacities of entrepreneurs and help them interpret and evaluate new information. (Ucbasaran, Westhead, & Wright, 2009) also find that experienced leaders identify a greater number of cross-border opportunities compared to novice entrepreneurs.

3.2 Role of organizational learning for Born Global companies

Many researchers in international entrepreneurship have also recognized the central role of past experience of leaders in the development of fast and early internationalized companies (Oviattl & Mcdougall, 2004), of the acceleration of the learning curve (Weerawardena, Mort, Liesch, & Knight, 2007), of the initiation of activities abroad (Chetty & Campbell-Hunt, 2003) and international competitiveness (Evers, 2011).

(Chetty, 1999) cites that some companies can skip certain steps and internationalize more quickly. BG1 companies generally have a high level of knowledge, which is certainly the engine of their rapid development activities abroad (Cavusgil, S.T. and Knight, 2009). The international vision and their foreign experimental knowledge exist at the very beginning of internationalization (Oviattl & Mcdougall, 2004). In addition, BGs often prepare a differentiation strategy (Lummaa, 2002), which requires a certain level of knowledge in order to be successfully launched and implemented.

Other researchers (Naudé, 2009) believe that experiential knowledge is not always necessary for the first stages of rapid internationalization. In his research on Chinese companies, (Xiaotian Zhang, 2013) cites the example of China which launched in 1978 its "policy of openness and reform". This program consisted in authorizing the majority of first generation of Chinese entrepreneurs, who were previously farmers, construction workers and even civil servants to rapidly establish technology manufacturing companies or workshops to supply the huge domestic market, and the even greater and growing demand of the world market. Within this general environment, many Chinese companies have become successful BGs without any experiential or market knowledge.

During this learning process, companies can then choose to use more complex modes of operation to enter culturally and geographically distant markets, with a much greater commitment to the foreign market. However, when a company lacks experiential knowledge, it can be forced to internationalize slowly, often using simple international modes of operation such as direct or indirect export, and to enter culturally and geographically closer countries. In this case, there will be a weak commitment to the world market (Johanson, J. & Vahlne, 2003).

3.3 Theoretical framework of role of organizational learning and knowledge in internationalization process

Knowledge is essential for the company's internationalization strategy but not sufficient to achieve the expected goals in terms of growth and development of acquiring foreign markets (Casillas et al., 2009). This is due to the fact that the manager must embark on a cycle of continuous research and various updates. These must be assimilated and combined with his experiential knowledge which triggers entrepreneurial learning leading to a rapid and efficient internationalization process.

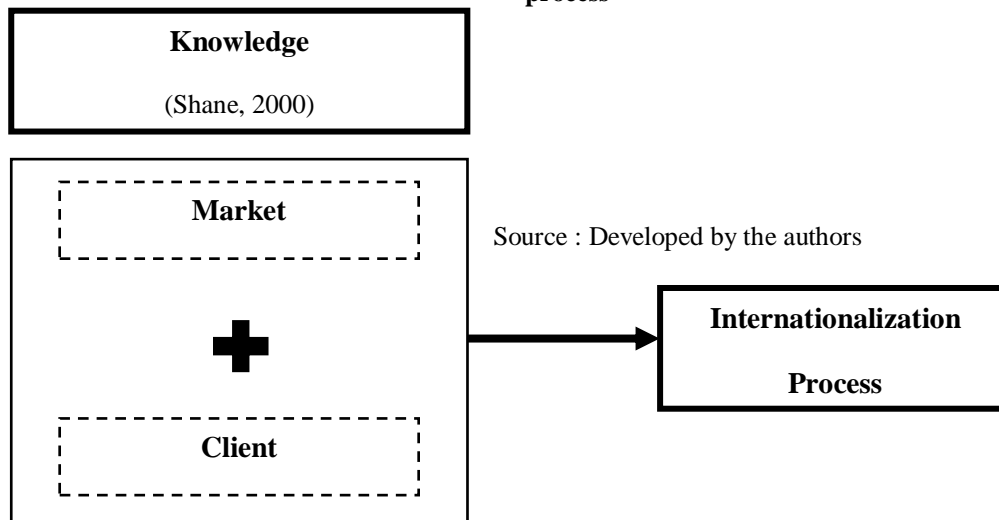
This theoretical framework clarifies the correlations likely to exist between the organizational learning capacity and the process of internationalization of companies. In previous works, several studies focused on each concept in its own without linking them. Moreover, we also observe that only few research projects

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combined the two variables. Our review of the literature on the interrelation of learning and internationalization will provide future research with the premises of a theoretical framework identifying the different grounds of the key variable underlying the internationalization of the firm. According to this framework of ideas, we propose the measurement of the correlation of both knowledge and internationalization variables. The explanatory and independent component "Knowledge" can be operationalized by two main dimensions of prior knowledge which are important for the internationalization's process of companies (Shane, 2000) and which are:

- 1) Prior market knowledge.
- 2) Prior knowledge of customer problems.

Figure 1: Theoretical framework of role of organizational learning and knowledge in internationalization process



3.4: Hypotheses:

H1: Prior market knowledge impacts internationalization process positively.

H2: Prior knowledge of customer problems impacts internationalization process positively.

IV. Conclusion

Thanks to their original model of the internationalization of the firm, (J. Johanson & Vahlne, 1977), distinguished objective knowledge from experiential knowledge. Experiential knowledge is unique to the firm since it is only obtained through experience in the field. Knowledge-based approaches allow us to understand the role played by organizational learning and also by knowledge in business processes. According to this approach, we aim through this research contribution to shed light on the process of internationalization through the role played by learning and knowledge.

Entrepreneurial learning focuses on the accumulation of experiential knowledge and on the mechanisms that leaders use to acquire, assimilate and organize this knowledge (Corbett, 2005; Politis, 2005). However, some researchers found that knowledge had a negative impact on the internationalization of companies, claiming that they could internationalize very quickly despite little or no foreign experience, and that experiential knowledge was not always necessary for the first stages of internationalization (Xiao Zhang, Ma, Wang, Li, & Huo, 2016).

We invite further studies to focus on empirical validation of our theoretical model that explains the links between knowledge and internationalizations.

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