

Internationalization Process of Educational Consultancy Firms in Bangladesh: An Evaluation

Mohibul Islam Masum* Md. Habibur Rahman Mohd. Takdir Hossan

Faculty of Business, ASA University Bangladesh, 23/3, Khilji Road, Shyamoli, Mohammadpur, Dhaka-1207, Bangladesh

* E-mail of the corresponding author: masum@hotmail.com

Abstract

The article focuses on the internationalization process of the educational consultancy firms based in Bangladesh, and on the strategies and methods they use. The major aim of this research was to gain a better understanding of the process by comparing and analyzing three main internationalization process theories: the Uppsala Model, Network Theory and International Entrepreneurship Theory. An essential part of this study consists of gathering empirical data from thirty educational consultancy firms in Bangladesh which have already been internationalized. The findings show the application and usefulness of the three theories to these firms. The findings also indicate that the selected firms used a combination of variables from mostly two theories: Network Theory and International Entrepreneurship Theory and that the much criticized Uppsala Model is quite insignificant in describing the internationalization process behavior of the firms in this industry.

Keywords: The Uppsala Internationalization Process Model, Network Theory, International Entrepreneurship Theory, Educational Consultancy Firms.

1. Introduction

Long ago, the academics explained the internationalization process by using a stage model, which follows a step by step process where the firm starts from no international activity and goes on to engage in some international activity and then ends up owning subsidiaries abroad. Such is the case of the Uppsala Model proposed in 1977 by Johanson and Vahlne. Right from the beginning this model has been criticized and after much criticism by scholars and other authors such as Andersen (1993), Johanson and Mattson (1988) introduced a new model known as 'The Network Approach', where they explained the importance of relationships with suppliers, customers and market that can stimulate or help a firm to go abroad. While studying the firms' internationalization process, we find that some of these types of firms are international from inception. McDougall and Oviatt (1994) introduced the concept of International New Ventures (INVs) and Born Globals to explain the characteristics of such firms. Later on McDougall and Oviatt (2000) approached internationalization by explaining the role of entrepreneurship in the process with the International Entrepreneurship Theory (IET).

1.1 Educational Consultancy Firms

An Educational consultancy firm may also be called an education agent. They work as agents for foreign educational institutions, recruit local students, provide necessary information to the students and clients, counsel on the available programs of study, admission and visa process. In short, the educational consultancy firms market and promote one or more foreign educational institutions in their home country.

2. Literature Review

2.1 The Uppsala Internationalization Process Model (U-model)

According to Mitgwe (2006), the research on the firms' internationalization process centers on the U-Model, and that of the Nordic school on the incremental school. The theoretical framework for this theory was first developed by Johanson and Wiedersheim-Paul (1975) in their study of four Swedish firms, in which they observed that when firms internationalize, they move along in a series of incremental steps which they termed as "establishment chain" or "step by step". In 1977, Johanson and Vahlne refined and established the model. The theory focuses on four aspects that firms should face while going abroad: market knowledge and commitment, and commitment decisions and current activities which are divided into stage and change aspects that interact with each other in what seems to be a cycle (see Figure 1). The state aspects are the resources committed to the foreign market: market knowledge and commitment decisions that would affect the firm's opportunities and risks (Johanson & Vahlne 1977, p. 27). Market commitment stands for those resources which are committed. Market knowledge helps the managerial team to make decisions. There are two main types of knowledge: objective knowledge, which can be transferred from one market to another and experiential knowledge, which is gained by experience and learned by doing or acting. The change aspects are the results of the state aspects. Once the firms know the market, they can decide the way they will follow, and will therefore be able to plan and execute the current activities needed to complete the cycle by committing to the market. The basic assumption of the Uppsala Model is that market knowledge and market commitment affect both the commitment decisions and the way the current decisions are performed, and this, in turn, changes market knowledge and commitment. The amount of knowledge of the foreign markets and operations is influenced by the amount of commitments of resources in foreign markets, and vice-versa (Johanson & Vahlne, 1977). Incremental growth also suggests that the companies begin internationalization process in markets that have less psychic distance. Psychic distance is defined as factors such as differences in language, culture, political systems, etc., which disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul 1975, p. 308). The path followed by firms following this stage model states that the firms with no exporting activity will start by exporting via an agent (see Figure 2). The sales subsidiaries can follow exporting. The firms can also use the entry modes such as joint ventures, licensing, franchising, and depending on the nature of the firm. The last step into the chain is taken by the wholly owned subsidiaries.

2.2 Network Theory

The Uppsala Model has been challenged by the network theorists in recent years, whose fundamental argument is that modern high-technology firms do not exhibit the incremental process; rather they achieve a faster internationalization through the experience and resources of network partners (Mitgwe, 2006). All firms in a market are considered to be embedded in one or more networks via linkages to their suppliers, subcontractors, customers and other market actors (Johanson & Mattson, 1988). According to Emerson (1981), a network is a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors. The Network theorists see firm's internationalization as a natural development from network relationships with foreign individuals and firms (Johanson & Mattson, 1988). Networking is seen as a source of market information and knowledge, which are often acquired in longer terms when there is no relationship with the host country. Therefore, the networks are a bridging mechanism that allows for rapid internationalization (Mitgwe, 2006). The emphasis of the network approach is on bringing the involved parties closer by using the information that the firm acquires by establishing close relationships with customers, suppliers, industry, distributors, regulatory and public agencies as well as other market actors. Relationships are based on mutual trust, knowledge and commitment towards each other. The first step a firm must follow in order to internationalize is the understanding of the market where it operates, its environmental conditions and its relationships (Madsen & Servais, 1997). Johanson and Mattson (1988) argue that as the firms internationalize, the number and strength of relationships brought up in the network increases, helping their international extension. By using trust and increasing commitment in established foreign networks, the firm gains penetration. After having some penetration, firms can gain international integration by using the network and getting involved with other firms in various countries (see Figure 3). When the firm follows these activities (see Figure 3), the relationships are formed by gaining access to the market and its resources. The resources in the network are controlled by the firms itself, as well as other actors involved. A firm requires resources that are controlled by other firms, which can be obtained depending on their position in the network (Johanson & Mattson, 1988). Johanson and Mattson (1988, p. 212) have identified four categories of firms: the

early starter, the lonely international, the late starter and the international among others. The early starter is the firm that has only few relationships in the foreign market. They tend to have little knowledge about foreign market and have little chance to acquire it in their home base country. In order to have knowledge, this kind of firms makes use of agents to enter the foreign market. By using the agent's experience, the firm will obtain knowledge. In the lonely international category are the firms that are highly internationalized but in a market environment with a domestic focus. They have the capabilities to promote internationalization of the market. This firm has acquired prior knowledge and experience in a foreign market, so it has what it takes to succeed. Later starters are in a market that is already internationalized. The firm has indirect relationship with the network. By making use of those relationships, the firm is able to internationalize. They have the disadvantage over the competitors, since they have more knowledge. The later starters face difficulties to get a place in the existing network. International among others focuses on a highly internationalized firm, where both the market and the firm are highly internationalized. Since they possess knowledge and experience, it's easier for these firms to set sales subsidiaries, as it needs to coordinate activities in different markets. They are well connected to international networks that provide opportunities.

2.3 International Entrepreneurship Theory (IET)

According to Zahra and George (2002), the term "international entrepreneurship" first appeared in a short article by Morrow in 1988. Morrow (1988) suggested that advancements in technology, declining cultural barriers and increasing cultural awareness have opened once-remote foreign markets to all kinds of companies; small firms, new ventures as well as established companies. "Soon after that, McDougall's (1989) empirical study comparing domestic and international new ventures paved the way for academic study in international entrepreneurship" (McDougall & Oviatt, 2005, p. 537). International entrepreneurship is the study of cross-border entrepreneurial behavior focuses on how actors discover, enact, analyze and exploit opportunities in the creation of new goods or services. McDougall and Oviatt (2000, p. 903) introduced their definition of international entrepreneurship as a "combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations". This definition has been one of the most widely accepted ones. Afterwards, they embrace a deeper concept of entrepreneurship, defining it as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall & Oviatt, 2005). Discovery refers to finding innovative opportunities. Enactment means to proactively put opportunities into use acquiring a competitive advantage. Evaluation is required to interpret the actions taken by developing experience and knowledge. "International entrepreneurship theory argues that individual and firm entrepreneurial behavior is the basis of foreign market entry" (Mtigwe, 2006, p. 16). Technological advancements, cheap and easy ways to access to information and better communication between the countries have helped firms go abroad. Nowadays firms are gaining internationalization very rapidly, if not by inception as in the case of international new ventures. A modification of McDougall and Oviatt's (1994) definition of entrepreneurship is given by Stevenson and Jarillo (1990, p. 23), for them entrepreneurship is "a courageous managerial value creation process through which an individual engages innovative, proactive, calculated risk-taking behavior designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards". International Entrepreneurship has been receiving a lot of interest from the researchers and the academics. According to IET, the key to internationalization nowadays is the entrepreneur. He is the one that possesses the skills and enough information to measure the opportunities in the market with ability to create and make stable relationships with other firms, suppliers, customers, government and media. He can be the one that has experiential and objective knowledge. Since he is a risk seeker, he is also able to commit the resources in an efficient way to achieve competitive advantage. In the international entrepreneurship theory, the entrepreneur needs to be opportunity seeking and internationally experienced in order to exploit the opportunities he might see in the market and be able to commit to it through entrepreneurial activities that would be translated as entrepreneurial services.

3. Methodology

For this study, data were collected from thirty educational consultancy firms based in Dhaka. The sampling technique used is non-probabilistic by nature; more specifically, sample was purposively taken to accommodate a certain

number of firms. Data were collected from different firms at different locations mainly in Dhaka city. Data were collected by using a self-administered questionnaire. Data regarding internationalization process of the firms were collected by using five-point Likert scale and the data collected were assumed to be interval in nature: 1 = not important, 2 = little important, 3 = moderately important, 4 = important, 5 = very important. Time period of the data collection was from 10 January 2012 to 17 February 2012.

4. Objectives

The main objective of this study is to gain a better understanding of the internationalization process of the educational consultancy firms in Bangladesh, particularly the application and usefulness of the three main theories: U-model, network theory and international entrepreneurship theory. Some of the additional objectives are:

- To understand the roles of the three theories in describing, explaining and guiding the internationalization process of the educational consultancy firms in Bangladesh.
- To identify the aspects of these theories which are most useful to the internationalization process of the selected firms.

5. Data Analysis

From the descriptive statistics (See table 1), it can be observed that among the 19 variables, the most significant variable is Foreign Network, which represents both Network Theory and International Entrepreneurship Theory (IET). This variable alone represents highest mean value which is 4.76. The second position in terms of importance is held by three variables: local network, ability to create business network and market knowledge, with mean value of 4.53; the first one belongs to the Network Theory, ability to create business network is related to both Network Theory and IET and the last one is related to all the three theories though its more directly related to Uppsala Model. The third position is held by one variable (mean value 4.10): growth opportunity and it belongs to U-Model directly and to a certain extent to IET since an International Entrepreneur looks for opportunities to expand. The variable 'entrepreneurial activity' representing International Entrepreneurship Theory takes up the fourth position with mean value of 4.06. The fifth position is taken by the variable 'cultural awareness' (mean value 4.03): belonging to the U-model and referring to the factor known as 'psychic distance'. The variable 'managerial motivation' representing the IET takes the sixth position with mean value of 3.96. The seventh position is taken by the variable 'market opportunity' (mean value 3.90): belonging to the U-model directly and once again, to a certain extent to IET since an International Entrepreneur looks for opportunities in different markets. The variable 'international experience of a management' representing the IET takes the eighth position with mean value of 3.83. The ninth position is taken by the variable 'technological advancement' (mean value 3.76): belonging to the IET. The variable 'risk seeking behavior of a manager internationally' representing the IET takes the tenth position with mean value of 3.70. It is evident from the analysis of the top ten variables that IET gets the gold medal and network theory plays an important role while the Uppsala Model incremental steps are not quite present in the internationalization process of the selected firms. It seems that the firms rely heavily on the ability to perform entrepreneurial activities such as creating business networks, looking for new markets and growth opportunities as well as networking both locally and internationally.

In terms of foreign Network, 25 firms (about 84%) out of 30 say that this variable is very important for internationalization process (See Figure 4). For managerial motivation, almost 27% says that this is a very important variable and 44 % says that this is important for internationalization process (See Figure 5). Third significant variable is management ability to take the risk. About 40% firms say that this variable is important for internationalization process (See Figure 6). This variable is also important for internationalization process. About 57 % says that this variable is important. Having previous knowledge about international business, helps firms especially to increase the speed of the process. This can be better explained with the suggestion of McDougall and Oviatt (1997). They say that it requires internationally experienced entrepreneurs to internationalize rapidly (see Figure 7). For local network,

about 64% say that this variable is also very important for internationalization process (see Figure 8). In regard to market knowledge, about 64 % say that this variable is very important for internationalization process (see Figure 9). In terms of ability to create business network, about 67 % of the firms say that this variable is very important (see Figure 10). Respectively 30% and almost 34% says that this variable i.e. creativity is very important and important for internationalization process (see Figure 11). About 57 % say that this variable is important for internationalization process (see Figure 12). In terms of Market opportunity, about 34 % say that this is a very important variable and exactly the same number of firms say that this is important for internationalization process (see Figure 13).

The numbers of the factor extracted were found to be six (See table 2), and the cumulative percentage of variance explained by all these six factors accounts for almost seventy-three percent (72.713). The first factor can alone explain 18.75% of the total variability. The second factor can alone explain 16.61% of total variability and the first two factors together, can explain 35.72% of the total variability. The third factor can explain alone 13.33% of the total variability and the first three factors together, can explain 48.71% of the total variability. The fourth factor can alone explain 9.31% of the total variability and the first four factors, in combination, can explain 58.02% of the total variability. The fifth factor can alone explain 8.34% of the total variability and the first five factors, in combination, can explain 66.37% of the total variability. The sixth factor can alone explain 6.34% of the total variability and the first six factors together, can explain 72.71% of the total variability. In order to clarify the internationalization process of the buying houses in Bangladesh, the rotated component matrix can be explained. The first factor comprises of item numbers 1, 9, 10, 16, 17 and 18 (See table 3). The second factor comprises of item numbers 4 and 5. The third factor comprises of item numbers 2, 11, 13 and 19. The fourth factor consists of item number 3, 6 and 14. The fifth factor contains item numbers 8, 12 and 15. The sixth factor comprises of item number 7 only.

6. Conclusion

From our findings we can say that in most cases IET can successfully explain the internationalization process of the selected firms. It is also evident that these firms rely heavily on their foreign networks and the ability to create networks both locally and internationally and their ability to take risks internationally backed by previous international experience of managers/entrepreneurs. These are the key factors to achieve internationalization in this industry. The Uppsala Model plays its part in the sense that the firms consider market knowledge and market opportunity as an important factor while planning to internationalize.

7. Recommendations and Further Research

The study can generate many possibilities for further research. It would be interesting to investigate the internationalization process of firms in different industries and countries separately. In this study we have interviewed a limited number of firms due to lack of time and resources. But it would be a good idea to categorize firms and then study their internationalization process to see if the theories can describe and explain the behavior of those particular groups of firms. We would like to recommend face to face in-depth interviews for further research which enables an interviewer to acquire more data in a reliable way.

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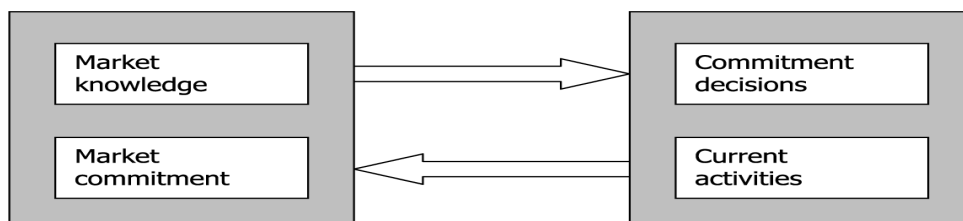
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Source: Johanson and Vahlne (1977)

Figure 1: Uppsala Model, state and change aspects (Johanson & Vahlne 1977)

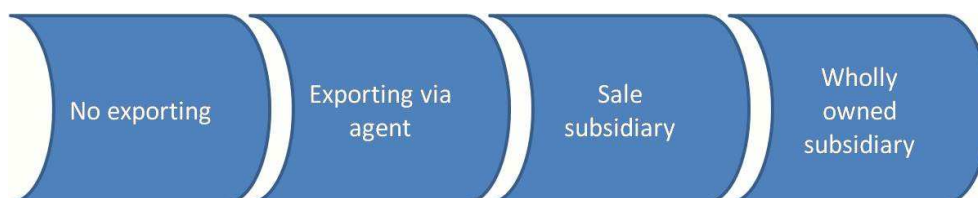


Figure 2: Uppsala Model process, adaptation from the theory.

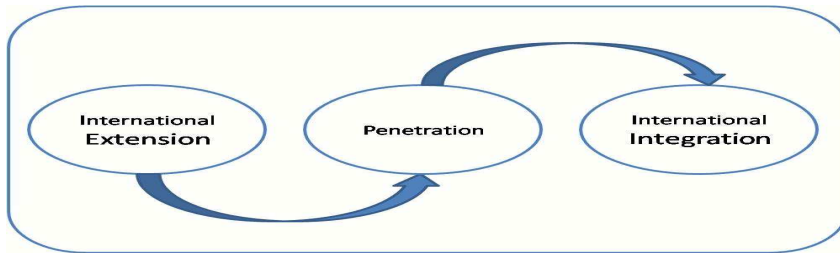


Figure 3: Network approach to internationalization, Johanson and Mattson (1988).

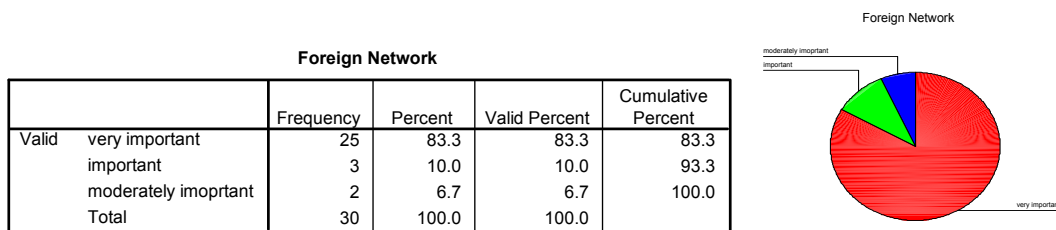


Figure 4: Foreign Network

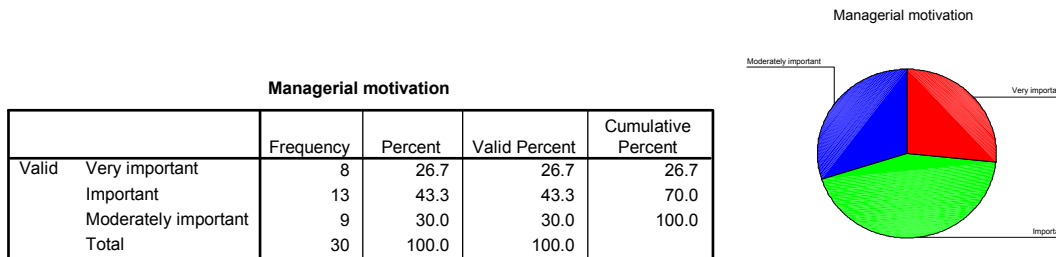


Figure 5: Managerial motivation

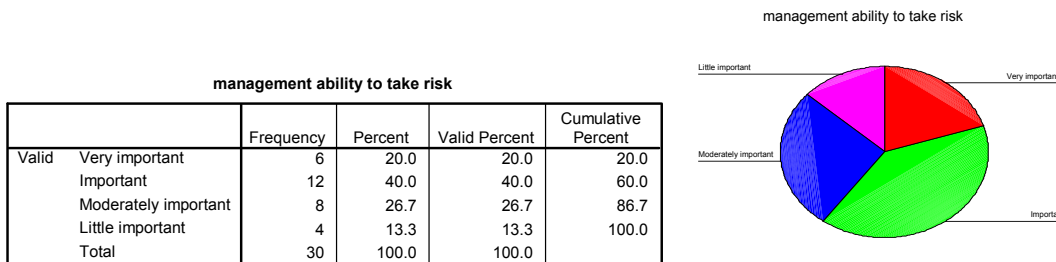


Figure 6: Management ability to take risk

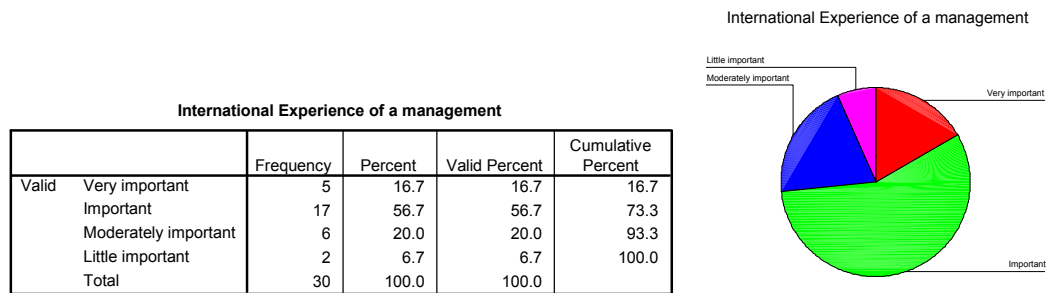


Figure 7: International Experience of a management

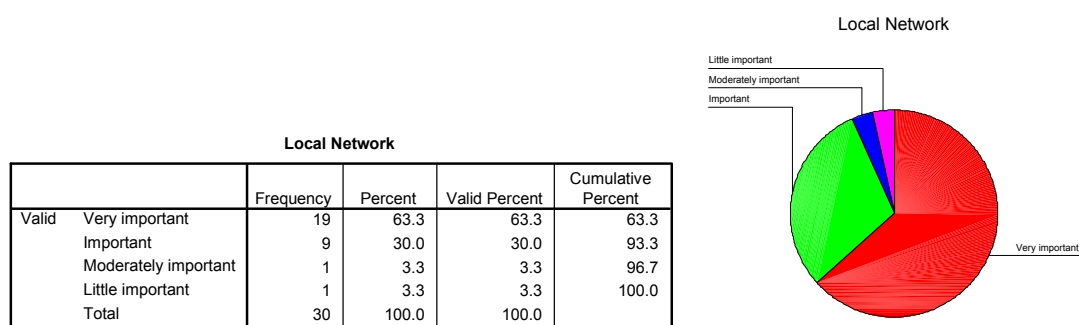


Figure 8: Local Network

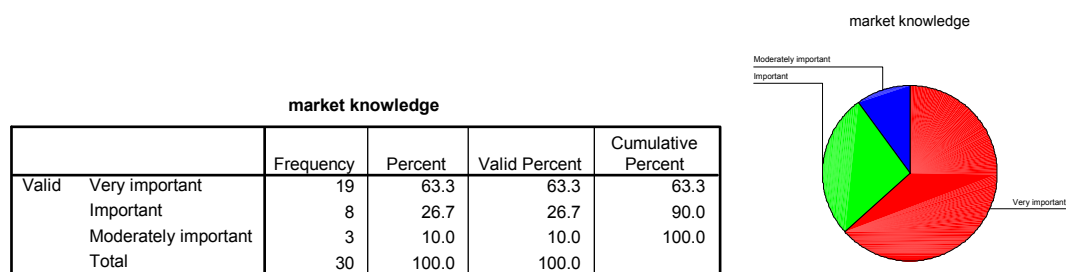


Figure 9: Market knowledge

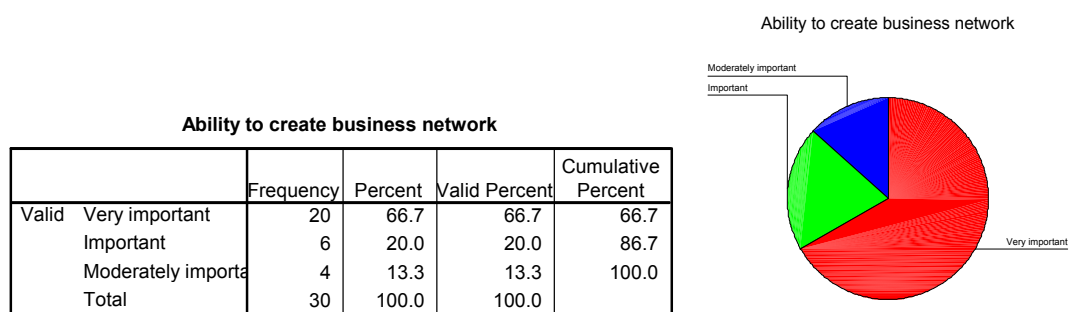


Figure 10: Ability to create business network

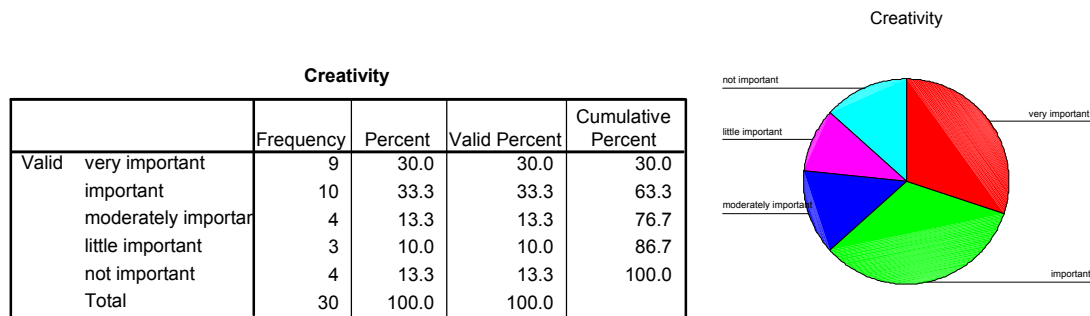


Figure 11: Creativity

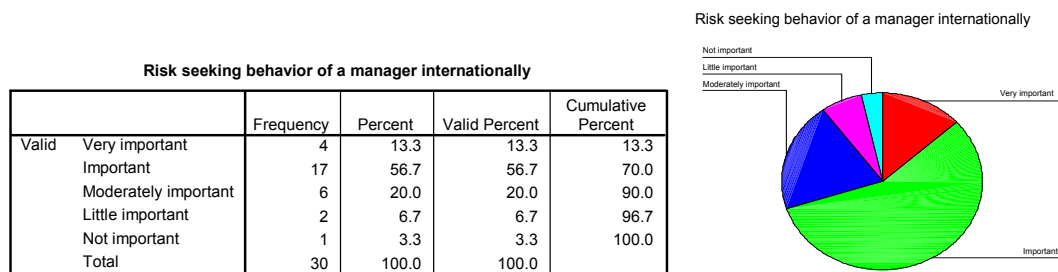


Figure 12: Risk seeking behavior of a manager internationally

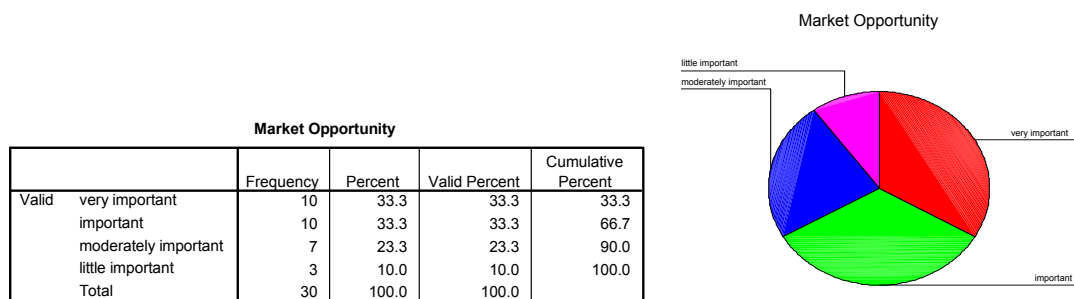


Figure 13: Market Opportunity

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Foreign Network	30	2.00	3.00	5.00	143.00	4.7667	.56832	.323
Local Network	30	3.00	2.00	5.00	136.00	4.5333	.73030	.533
Ability to create business network	30	2.00	3.00	5.00	136.00	4.5333	.73030	.533
market knowledge	30	2.00	3.00	5.00	136.00	4.5333	.68145	.464
Growth Opportunity	30	2.00	3.00	5.00	123.00	4.1000	.60743	.369
Entrepreneurial Activities	30	3.00	2.00	5.00	122.00	4.0667	.78492	.616
Cultural Awareness	30	3.00	2.00	5.00	121.00	4.0333	.80872	.654
Managerial motivation	30	2.00	3.00	5.00	119.00	3.9667	.76489	.585
Market Opportunity	30	3.00	2.00	5.00	117.00	3.9000	.99481	.990
International Experience of a management	30	3.00	2.00	5.00	115.00	3.8333	.79148	.626
Technological advancement	30	4.00	1.00	5.00	113.00	3.7667	1.19434	1.426
Risk seeking behavior of a manager internationally	30	4.00	1.00	5.00	111.00	3.7000	.91539	.838
management ability to take risk	30	3.00	2.00	5.00	110.00	3.6667	.95893	.920
Entrepreneurial activities of a Management	30	3.00	2.00	5.00	108.00	3.6000	.96847	.938
Creativity	30	4.00	1.00	5.00	107.00	3.5667	1.38174	1.909
Size of a firm	30	3.00	2.00	5.00	105.00	3.5000	1.07479	1.155
Age of Firm	30	4.00	1.00	5.00	96.00	3.2000	.99655	.993
Similar Business Culture	30	4.00	1.00	5.00	89.00	2.9667	1.29943	1.689
Similar Market	30	4.00	1.00	5.00	77.00	2.5667	1.43078	2.047
Valid N (listwise)	30							

Table 1

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.563	18.755	18.755	3.563	18.755	18.755
2	3.157	16.617	35.372	3.157	16.617	35.372
3	2.534	13.338	48.710	2.534	13.338	48.710
4	1.770	9.318	58.028	1.770	9.318	58.028
5	1.585	8.345	66.373	1.585	8.345	66.373
6	1.205	6.340	72.713	1.205	6.340	72.713
7	.983	5.172	77.884			
8	.827	4.352	82.237			
9	.753	3.964	86.200			
10	.656	3.454	89.655			
11	.609	3.206	92.861			
12	.387	2.038	94.899			
13	.285	1.500	96.399			
14	.202	1.062	97.462			
15	.152	.801	98.262			
16	.136	.718	98.980			
17	.105	.551	99.531			
18	.067	.351	99.883			
19	.022	.117	100.000			

Extraction Method: Principal Component Analysis.

Table 2

	Component					
	1	2	3	4	5	6
(1) Similar Market	-.673					
(2) Market Opportunity			.673			
(3) Age of Firm				.677		
(4) Similar Business Culture		.725				
(5) Creativity		.714				
(6) Foreign Network				-.500		
(7) Entrepreneurial Activities						-.487
(8) International Experience of a management					-.519	
(9) Entrepreneurial activities of a Management	-.574					
(10) Management ability to take risk	.582					
(11) Risk seeking behavior of a manager internationally			-.653			
(12) Growth Opportunity					.478	
(13) Market Knowledge			.596			
(14) Size of the Firm				.631		
(15) Cultural Awareness					.628	
(16) Local Network	.428					
(17) Ability to Create Business Network	.697					
(18) Managerial Motivation	.529					
(19) Technological Advancement			-.552			

Table 3: Rotated Component Matrix

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