Comparing different internationalization theories and developing an integrated model of SME internationalization

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Abstract: Many firms consider internationalization as a part of their growth strategy that implies the moving from local markets to global ones. As entering the international markets provides companies with access to larger markets, mass production, higher revenue, and profit advantages, internationalization is considered as a very important decision for all companies, especially the small and medium- sized ones which cope with restricted financial sources and smaller markets. This research studies some existent internationalization theories such as Uppsala model, innovation related model, transaction cost theory, international product life cycle, Eclectic paradigm of internationalization, Network Based View(NBV), Resource Based View(RBV) and knowledge based view(KBV) and International Entrepreneurship(IE). Then, based on the insights obtained from the mentioned models, an integrated model will be presented.

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1. Introduction

Globalisation has been accompanied with greater liberalization of international economy, integration of markets on a global scale, and move toward a world without borders. These complicated and rapid developments have caused many communities to try to cope with dynamic environments and accept the change more than before. These changes, especially population pressures, various demands, continuous innovation and more complicated decision-making process, have shown the need for quick decisions and the necessity of quickly respond to changes more than before. In this environment, the organizations which are flexible, with the ability of adapting to changes are more successful. The small and medium enterprises (SMEs) due to their simplicity, small size, and flexible structure can adapt to dynamic conditions and changing environment.

These Small and Medium size Businesses (SMEs) due to the large share of GDP, employment and facilitation of economic problems have special importance. So, the necessity of growth is shown in such companies, which internationalization is one of the manifestations of that. These companies because of limited domestic markets, have a tendency to reach wider markets with higher demand, mass production and achieve to economies of scale and technological benefits, increase the revenue and ultimately more profits and also helping to deal with the problems of poverty and unemployment (Karadeniz and Gocer, 2007; Koksal, 2008; United States International Trade Commission, 2010), are moving toward international markets (Etemad, 1999).

According to statistics provided by the Europe Union in 2010, small and medium business organizations constituted 99.8 percent of total. 66.9 percent of staff are working in this level of companies and produce a gross value added estimated to 58.4 per cent (EUrostat,2011).EU (European Commission) said that SMEs were the main drivers of economic growth between 2004 and 2006 (Eurostat, 2009). As you see, SMEs are valuable and vital elements in today's world economy and their growth strategies are so important. Presence in global markets and internationalization is considered as a growth strategy.

Internationalization is a process in which a company spreads its activities outside of its geographical borders (Welch and Luostarinen, 1988), consciously explores the opportunities in global markets and uses them for the growth of itself. Various theories and models proposed to explain the process of internationalization, which are derived from economic and behavioral theories. some of them have proceeded the process of internationalization of small and medium enterprises (SMEs) and others assigned to large multinational enterprises (MNEs).The most important theories which are discussing in this article are Uppsala internationalization model (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975), innovation related model (Bilkey and Tesar, 1977), Transaction Cost Approach (TCA) (Williamson, 1975, 1985), International Product Life Cycle (IPLC) (Vernon, 1966, 1979), Eclectic Paradigm of internationalization (Dunning, 1988), Network Based View (NBV) (Johanson and Mattsson, 1993), Resource Based View (RBV) (Wernerfelt, 1984), Knowledge Based View (KBV)(Nonaka and Takeuchi, 1995) and International Entrepreneurship (IE) (McDougall, 1989). This research has described this theories and models. Then, based on the insights obtained from the mentioned models, an integrated model will be presented

2. Internationalization

Internationalization is a major dimension of the ongoing strategy process of most business firms (Melin, 1997), that during the past two decades, has attracted the attention of many corporate executives, investors and also academic researchers. There are different definitions about the concept of internationalization that vary in the scope of phenomena they include. Welch and Luostarinen (1993) has defined internationalization as "*the process of increasing involvement in international operations*" that often known as a sequential process which a firm gradually present in international activities. Johanson and Mattsson (1993) described internationalization as a "*cumulative process, in which relationships are continually established, maintained, developed, broken and dissolved in order to achieve the objectives of the firm*". Based on their definition, Johanson and Vahlne (1990) defined internationalization as the "*process of developing networks of business relationships in other countries through extension, penetration, and integration*" Their definition was based on network concept that the communication within the networks is a major source for international moving. Calof and Beamish (1995) States that: "*Internationalization is the process of increasing involvement in international operations*". They also said that internationalization is "*the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments*".

According to Andersson, S. (2000), there are two perspectives to classifying the theories of internationalization: the first one is economical perspective which has been proposed to explain the choice of foreign entry modes and different approaches of investment strategies of the the multinational enterprises. Among the best known are works of Dunning (1988) on his Eclectic Paradigm, Vernon's International Product Life Cycle Model (IPLC) (Vernon, 1966, 1979) and the Transaction Cost Approach (Williamson, 1975, 1985). The second is behavioral perspective that referred to as the Uppsala model. In this model, internationalization referred to be a gradual and sequential process which the firm increase its commitment to international market as it proceeded through each stage. This pattern oriented approach, because it uses stages as its central concept, is often referred to as the stages model. Various stage models have been proposed: first, the Uppsala model (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975), second, the innovation-related models (Bilkey and Tesar, 1977), and third, the management decision making process towards internationalization (Reid, 1981).

Other theories are: Resource Based View of internationalization (RBV) (Wernerfelt, 1984), Network Based View (NBV)(Johanson and Mattsson, 1993), Knowledge Based View (KBV) (Nonaka and Takeuchi, 1995) and more recently International Entrepreneurship (McDougall, 1989).

3. Theories of internationalization

3.1. Economical theories of internationalization

3.1.1. The Eclectic Paradigm of internationalization

The eclectic paradigm is one of the most commonly used theories to explain the international production. Dunning (1988) present eclectic paradigm to explain "The extent, form and pattern of international production" which considers three sets of advantages. The first is ownership-specific advantage (Dunning, 1988) that is a firm characteristic. ownership of intangible assets such as technological or marketing knowledge, and managerial capabilities to control and coordinate international transactions are some examples of this firm-specific advantage (Buckley and Hashai, 2009). The second advantage is Internalization which relates to the ability of multinational enterprise (MNE's) to internalize advantages and exploit them across national borders rather than by licensing or any other collaborative mode ,to overcome market imperfections such as reducing transaction costs (Buckley and Hashai, 2009). locational advantage is the last part of OLI advantages which implies to country-specific characteristic. Ruzzier (2006) state that " location advantage refers to the institutional and productive factors present in a particular geographical area" (Ruzzier et al, 2006). When a company operates in a specific geographic area, can use especial advantages which exist in that particular location such as natural resources, labors, and also government policies. These advantages are nontransferable between countries. Dunning suggests that market seeking, resource seeking and efficiency seeking are some motivation to be international. more recently he proposed that knowledge- asset-seeking is other important motivation of internationalization (Buckley and Hashai, 2009).

3.1.2. The International Product Life Cycle(IPLC)

Vernon (1966, 1979) proposed International Product Life Cycle(IPLC) to explain the process of international trade. According to Vernon, a new product goes through a full-life cycle from innovation to standardization (Markusen et al., 1996). The international product life cycle (IPLC) has been explained as: *the diffusion process of an innovation across national boundaries. The life cycle begins when a developed country, have a new product or service to satisfy needs, wants to exploits its technological breakthrough by selling it abroad. Other advanced nations soon start up their own production facilities, and before long the low developed countries do the same. Efficiency /comparative advantage shift from developing nations. Finally, advanced nations, no longer cost effective, import products or services from their former customers.The advanced nation ends up buying its own creation*. (Onkvisit and Shaw, 1983)

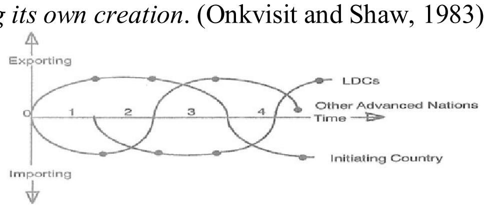

Figure 1: The IPLC curves .Adopted from Onkvisit and Shaw (1983)

Stage 0- Local innovation. In this stage an innovative product is developing in original market. This country is likely to be one of the developed countries because of the customer's characteristics and also environmental features. Customer's characteristics such as unfulfilled wants and high standard of living and environmental features such as technology assets and enough capital makes it more likely and possible to create new products.

Stage 1- Overseas innovation. In this stage "international introduction" begins. technological advances in developing new products, technological gap created between countries, and attempts to achieving economic advantages through mass production, lead to exporting the new developed product to other developed countries. Lower competition in target market couple with firm's capabilities makes it monopolist.

Stage 2- Maturity. The main feature of maturity stage is "stability". Sales and exports are start to be stable. Demand for new product in other developed countries are increasing. Countries which acquired the new technology in pervious stage, will fulfill the new demands and their export to other countries are increase.

Stage 3- Worldwide Imitation. At this point exports from the initiating country decline because other advanced nations are now "self sufficient" and these countries "replace with the initiating company" in export to lower developed countries. These markets divided among other nations, market share of initiating country decline, its production cost increase and export level decrease to minimum level.

Stage 4- Reversal. The main characteristics of this phase are "product standardization" and "comparative disadvantage". Standardization implies that lower developed countries produce the simple product without any change or adjustment . "comparative disadvantage" arises because the "*product instead of being capital intensive or technology intensive, becomes labor intensive*" . price competition is at high level because of mature products.

3.1.3. TCA approach to internationalization

The Transactin Cost Approach (TCA) was developed by Williamson (1975, 1985). Costs and their impact on market selection and mode of entry are the main axis of this theory (Wilkinson 2002). It suggest that firms through transaction cost analysis should focus on the costs of entering into transactions and try to select a market or mode of entry which minimize these costs. According to Hobbs (1992), transaction costs can be split into the following:

A. Assessing value-for-money (information costs) with two elements withininformation costs, the price discovery costs (finding out prices) andevaluating the quality of the item being exchanged (measurement costs).

B. Physically making the transaction (negotiating the contract costs).

C. Ensuring the contract is adhered to (monitoring or enforcement costs).

This theory predicts that, other things being equal, firms will always adopt the policy (either externalise or internalise) which involves the smallest amount of transaction costs **(A** + B + ***C)*** (Hobbs, 1992).

3.2. Behavioral theories of internationalization

3.2.1. The Uppsala Internationalization Model

The dynamic process of internationalization could be explained by the Uppsala model (Johanson and Weidersheim-Paul, 1975; Johanson and Vahlne, 1977). According to this model internationalisation or international involvement proceed in an incremental process. As a result of operating in a foreign market and being more familiar with such market, knowledge will be gradually increase and this increased knwoledge lead to more resource commitment and more involvement in that market (Johanson and Vahlne, 1977). Johanson and Vahlne (1990) make difference between state and change aspects of internationalization. The state aspects are market commitment and market knowledge; the change aspects are current business activities and commitment decisions. They suggest that the four core concepts are linked and affecting each other, as well as dependent on each other's existence as stated below: *"Market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decisions."* (Johanson & Vahlne, 1990)

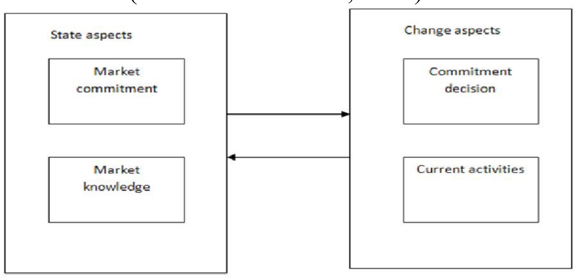

Figure2: the Uppsala model of internationalization
Sours: Johanson and Vahlne, 1990

The market commitment concept is composed of two factors: the amount of resources and the degree of commitment. The amount of resources is described as the size of the investment in the market. degree of commitment is define as the strength of the links with the foreign markets, (Johanson and Vahlne, 1990) from low commitment mode (e.g. minority JV) to progressively higher levels of commitment (e.g. majority JV and wholly owned subsidiary). (Sim and Pandian, 2007).

This model explain two patterns in the internationalization process of the firm (Johanson & Vahlne, 1990). The first pattern is that the commitment to engage in operations in a specific foreign market develops according to the so-called establishment chain, which is a sequence of stages that are made in small incremental steps with extended commitment and a higher degree of commitment for every new step. Johanson and Wiedersheim-Paul (1975) identified four different stages such as: 1. No regular export activities, 2. Export via independent representatives (agent), 3. Sales subsidiary and, 4. Production/manufacturing.

The second pattern explained is that firms tend to enter new markets with successively greater psychic distance, and in most cases also greater geographical distance (Johanson & Vahlne, 1990). The psychic distance is defined as: *"...the sum of factors preventing the flow of information from and to the market. These include differences in language, education, business practices, culture, and industrial development."* (Vahlne and Wiedersheim-Paul, 1973).

3.2.2. Innovation related model of internationalization

Innovation-related model of internationalization is another kind of stage models that investigates firm's internationalization through export behavior in particular of small and medium-sized firms.. It looks upon the internationalization process as an innovation to the firm (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981). Bilkey and Tesar (1977) propose a model that the export development process of firms tends to occur in the following stages:

"*-Stage One. Management is not interested in exporting; would not even fill an unsolicited export order.*

-Stage Two. Management would fill an unsolicited export order, but makes no effort to explore the feasibility of exporting.

-Stage three (which can be skipped if unsolicited export orders are received). Management actively explores the feasibility of exporting.

-Stage Four. The firm exports on an experimental basis to some psychologically close country.

-Stage Five. The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.

-Stage Six. Management explores the feasibility of exporting to additional countries that, psychologically, are further away.

-And so on"(Bilkey and Tesar, 1977)

Additional proposition in this model is that the determinants of firms' behavior are ascertainable empirically, and that they may differ from one export stage to another. (Bilkey and Tesar, 1977). generally the innovation related models are relatively similar and the differences is in the number of stages and terminology used. (Andersen, 1993)

3.2.3. Network approach to internationalization

Network Based View is another approach to understanding SME's internationalization, since all firms are embeded as actors in the business networks and have relation with eachother within the networks(Johanson and Mattsson, 1993). According to Hakansson and Snehota (1989) "no business is an island" and business takes place in a network context and there is an inter-dependency amongst members of this network. Johanson and Mattsson (1988) define a firm's network as "the long-term business relationships that a firm has with its customers, distributors, suppliers, competitors and government. This network also includes the inter-connected relationships of these partners, for example the customer's customer, the customer's suppliers, the customer's competitors, etc". Chetty and Holm (2000) define business networks as "a group of two or more companies connected by relationships, where the relations happen via commercial companies and they are contextualized by collective actors. These actors are competitors, providers, consumers, distributors and the government. Different actors are connected to each other through direct and indirect relationships". internationalization is defined like a network developing through the commercial operations carried out with other countries *via* the three stages defined by Johanson and Mattson (1988): prolongation, penetration, and integration. Prolongation being the first step started by the firms to integrate the network. It is accompanied by new investments for the firm. The penetration refers to the development of the positions of the company within the network and the increase of its resources of engagement. Integration constitutes an advanced stage where the firm is related to several national networks which it must coordinate. Networks are important in identifying opportunities during the firm's internationalization process (Johanson and Vahlne, 2006). SMEs are rely on their network relationships to learn about internationalization, to select their mode of internationalization, to acquire information about new markets and to acquire resources from them in order to internationalize (Chetty and Wilson, 2003). In addition, network approach Focus on the dynamics and evolution of internationalization rather than just motives or patterns of Internationalization (Chandra , Styles, Wilkinson , 2009).

Further to above theories, there are other approaches to internationalization such as:

3.3. Resource base view to internationalization

resource-based theory has emerged as one of the most promising theoretical frameworks in the field of strategic management (Smith et al. 1996). It stress the importance of organization's resources in delivering the competitive advantages and value added to the firm (lynch, 2009). whether this firm is domestic , international or global . (Ruzzier et al, 2006). This theory was introduced by Wernerfelt (1984) and developed latterly by Barney (1991), who points out that when "the resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage". The original RBV publications generally focused on single resources, However, more recent contributions have argued, that it is the combination of several resources or resource bundles (Vicente-Lorente, 2001) that often generates the competitive advantage. some variables which mentioned in different studies as source of competitive advantages are : "human " (e.g. skills and experience), "reputation" and "internal systems" of the organization, its "strategy" and "structure" (Harms et al., 2010), " social capital" (Stam and Elfring, 2008), "networks" (Samiee et al., 1993), "financial capital" (Wermerfelt, 1984), knowledge embedded within the firm (St-Jean et al., 2008) and organizational learning capabilities(Smith et al. 1996). Entrepreneurs and their knowledge, relationships, experience, skills and abilities are viewed as a source of competitive advantage because it can not be easily imitate by competitors (Barney et al., 2001). Also Reuber and Fischer's (1997, p. 820) mentioned that "internationally experienced management teams are viewed as a resource that influences SMEs to engage in behaviour leading to a greater degree of internationalization."

The hierarchy of resources suggest four area of resource . The distinguishing feature of each level is an increased likelihood of sustainable competitive advantage in its higher levels .

Figure 3: hierarchy of resources

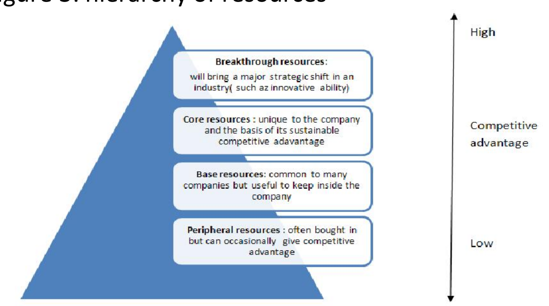

Figure 3: hierarchy of resources . Source: Adapted from Charharbagi, K and Lynch R (1999) "sustainable competitive advantage: toward a dynamic resource based strategy", management decision , 37(1), pp 45-50

There is no difference between domestic and international firms in using different class of resource hierarchy. But international and global firms due to the dynamic nature of the environment and fast changes that occur, should access to the resources that are in the higher level of the hierarchy such as innovation and entrepreneurial abilities. Also in order to access to the strategic resources , firms should co-operate with their suppliers or competitors and this aim do not realize without the network relations. Through the networks, firms can access to the sources that they do not have for themselves .they can joint with each other and make stronger competitive advantage against the common competitor.

Ahokangas (1998, cited in Ruzzier, 2006) developed the most promising model of resource base internationalization. This model combined the strategic and network perspective of resources. Ahokangas (1998) assume that SMEs are dependent on the development of key internal and external resources, which can be adjusted within the firm and between firms and their environment through the networks. This model has two dimensions:

1. Resources that are internal or external to the firm

2. The development of resources take place in firm oriented manner or network oriented manner.

The first area is internal resources that developed in the firm. In this development strategy, the firm tries alone to develop the critical resources needed for internationalization. In this kind of strategies organizational learning, and human resource abilities are so important. The second scope is the external resources that are developed within the firm such as expert persons and universities that help an organization . The third scope are internal resources that developed in the external environment through the networks. In this scope collaboration and co-operation between firms and in the network is so important. The last development mode are external resources that develop in network and between firms and with its environment .this networking behavior is taken a step further, from sharing only resource stock interdependencies to also sharing control over the firms resources..

3.4. Knowledge Based View to Internationalization

Knowledge is one of the most important internal resources of the company and can be regarded as an element of resource based view to the internationalization. Since Knowledge has the features of being valuable, rare and imperfectly imitable, it can be considered as a source of sustainable competitive advantage (Barney,1991). With the emergence of knowledge based view of firm in 1990, researchers have focused on the organizational knowledge, individual knowledge and the applications of knowledge (Nonaka and Takeuchi, 1995).

In 2010, Mejri and Umemoto, proposed a knowledge based model of internationalization. Their internationalization model consists of three phases, Pre-internationalization phase, novice-internationalizing phase and experienced internationalizing phase. Market knowledge and experiential knowledge are two kinds of knowledge that impact these phases. They stated that experiential knowledge includes Network knowledge, Cultural knowledge and Entrepreneurial knowledge. In this model novice is a person, who is experiencing the internationalization in a particular foreign market for the first time. By accumulating some knowledge and gaining experience about a particular market, firm gradually is going to be an experience in internationalization. In their definition, market knowledge is a type of knowledge that includes some information about the size of foreign market, competitors, regulations and so on (Mejri and Umemoto, 2010). According to Penrose (1966), experiential knowledge "can be only learned through personal experience" and it is resulted from practice. Network knowledge can be gained through having relations with others within the business and social networks that facilitates the process of internationalization. Cultural knowledge is obtained through being familiar with beliefs, customs, values and ways of thinking in that market. Entrepreneurial knowledge is defined as the abilities of entrepreneurs to recognition and exploitation of opportunities in foreign markets (Mejri and Umemoto, 2010). They proposed that internationalization has three phases, Pre-internationalization, novice internationalization, experienced internationalization. Four kinds of knowledge are interfered in each stage.

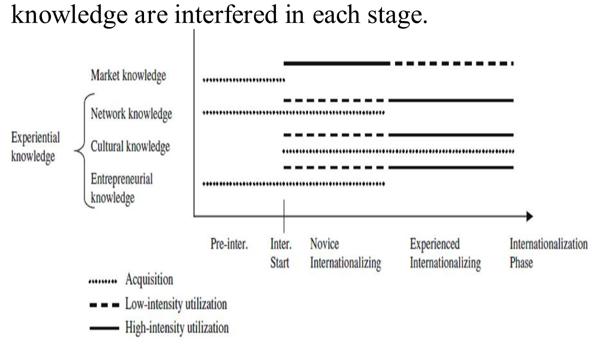

Figure 4: Knowledge-Based Model of SME Internationalization . Source: Mejri and Umemoto, 2010

The first stage is pre-internationalization.

Wiedersheim-Paul et al. (1978) suggest that pre-export information activities drives export phases. Gaining the market knowledge is one of the most important information activities that happen in this stage. Market knowledge which is acquired through this phase is so useful in next stages. Mejri and Umemoto, (2010) state that as the company continued the process of internationalization, the intensity of utilization of market knowledge decreased and other kinds of knowledge such as network, cultural, and entrepreneurial knowledge will be increased. Also entrepreneurial knowledge that means opportunity recognition and exploitation starts in this stage. When a company is working in domestic market, decision makers and entrepreneurs tries to recognize the opportunities in foreign market and plan to exploit that opportunity. Building of networks has been started in this stage and network knowledge can be gained through the relations that happen in the networks. The second stage is novice internationalization. Using all kinds of experiential knowledge continues in this stage. As a firm is moving toward internationalization, it acquires more experience and experiencial knowledge is increased. Also when a company have more communication with foreign market and extends its networks , as a result of having more interaction with partners within the network, network knowledge is increased too. As figure shows, in this stage, due to the restriction of relationships with foreign market, the amount of this kind of knowledge is less, with increased communication, it increases too. Also, cultural knowledge will be increased because of these relationships. Entrepreneurial knowledge is increased too, because when it enters to foreign market, Becomes more aware of opportunities and know how to exploit them in an effective manner. Of course using all kinds of experiential knowledge is limited in this stage, because of being newcomer. It will be increased in the next stage.

The third stage is experienced internationalization. As it is shown in t figure, using of market knowledge is continued in a more limited way. Instead of that, all kinds of experiential knowledge are used in its maximum level because of having more relationships with foreign market and acquiring experiences. The company can use the gotten experience to expand its business market. (Mejri and Umemoto, 2010).

3.5. International entrepreneurship

Recent approaches to conceptualize the SME internationalization process reflects an emerging consensus that SME internationalization is an entrepreneurial activity (Knight, 2000). A theoretical point of international entrepreneurship is a criticism of the stage models for being too deterministic (Autio, 2005), overlooking the possibility of individuals making strategic choices (Andersson, 2000) and less appropriateness for understanding radical strategic change, where entrepreneurs and top managers play an important role in it (Reid, 1981; Andersson, 2000). In this theory entrepreneurs are individual-specific resources that carrying out entrepreneurial actions (Andersson, 2000). Entrepreneurs are willing to take risk, they are innovative and alert to exploit business opportunities (OECD, 2000).

McDougall (1989) states: "*international entrepreneurship is defined as the development of international new ventures or start-ups that, from their inception, engage in international business, thus viewing their operating domain as international from the initial stages of the firm's operation*". McDougall and Oviatt (2000), defined the concept as "*A combination of innovative, proactive, and risk-seeking behaviour that crosses or is compared across national borders and is intended to create value in business organizations*".they note that firm size and age are defining characteristics here. A review of literature shows that the three most common components are proactiveness, risk taking and innovation (McDougall and oviatt 2000, p. 203).

Hitt (2002) examined three factors that influence international entrepreneurship: top management team (TMT) characteristics or individual -specific factors, firm resources, and firm specific variables. TMT characteristics are some features such as foreign business experience (Eriksson et al., 1997), level of foreign education (Simpson and Kujawa, 1974), background, and vision (Hitt, 2002) as they relate to internationalization. Firm's unique assets such as product innovativeness, management capabilities (Cavusgil and Nevin, 1981), reputation, networks and knowledge bases. Firm size and structure are two firm specific characteristics that affect international entrepreneurship (Hitt et al, 2002).

4. Integrated model of internationalization

Although internationalization is a "complex phenomenon that has many different parts which they are connected to each other in a complicated way" (Cobuild, 2006), the concentration of many of these theories mentioned above, is on certain aspects and other important aspects of internationalization are neglected. This has led to the need of a comprehensive and integrated perspective to internationalization that considers the majority of important factors affecting this phenomenon. Efforts to create an integrated model have been started. For instance, Etemad and Wright (1999) state that "no single and established model explains the success of firms adequately". Rather, their behavior must be regarded as a holistic process in which insights are drawn from a variety of theoretical models, including the stage models, FDI theories, and network theories". Coviello and McAuley (1999), combined stage model approach, network perspective, and FDI (foreign direct investment) theory and proposed an integrated model of internationalization. Fletcher (2001), as well, proposed an integrated framework that includes outward, inward and link strategies, which internal and external environments have influence on them. Bell et al. (2003), tried to develop an integrated model that includes three pathways for internationalization such as "traditional model (stage models)", "Born global" and "born again global". Manager's characteristics and mental model are at the center of this model that has been influenced by internal and external environments and technology transferability. Chetty and Campbell (2003) integrate internationalization theories, SME characteristics and strategy configuration for developing a model. Etemad (2004) suggests that internationalization is affected by three factors. First, push factors that are internal to the firm like manager and entrepreneur's characteristics, push factors that are external and environmental which motivate the firm to be internationalized, and also mediating factors. As a result of interaction between these variables decision for internationalization have been made. Wiklund et al (2009) state that internationalization is one of the most important ways of growing the small businesses and proposed an integrated model of factors that influences the growth of a small firm.

In order to develop an integrated model of internationalization, we use the variables and concepts discussed in several approaches such as eclectic paradigm, transaction cost approach, Uppsala model, innovation related model, international entrepreneurship, network approach, recourse based view and knowledge based view to internationalization. Also we will mention that each part of our model is inspired by which theory. Finally we will reach the conclusion that internationalization is a combination of all these theories; In fact each of these theories explains part of this phenomenon.

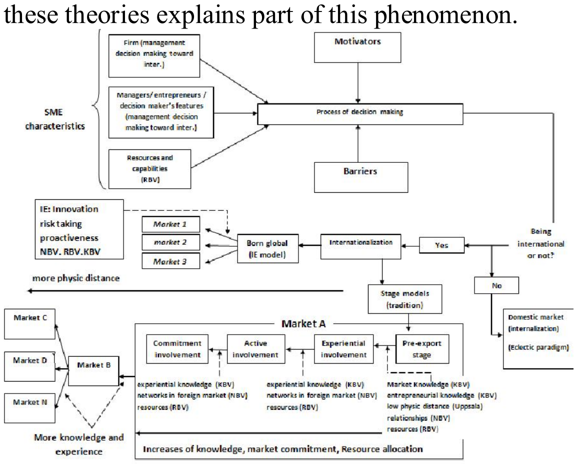

Figure 5: an integrated model of SME internationalization

First we will mention some factors that interaction between them lead to decide on being international or not. These factors are some variables such as firm characteristics, manager or decision makers' characteristics, resources and competencies (these three factors together named SME characteristics), internal and external environments, motivators and barriers. We separate resources and competencies from firm characteristics due to their importance for internationalization. As a result of interviews with specialists of international business, exporters and university professors, we find out that SME characteristics are one of the most important factors which push a firm to be international.

Firm characteristics that influence internationalization include some factors such as firm size, age and industry (Wiklund, 2009), number of employee (Ruzzier et al. 2006), Product age, quality and uniqueness, (Mtigwe, 2005; Ibeh, 2003), organization structure (Kuratko et al. (1990), Planning orientation (Bracker and Pearson, 1986) and Strategic orientations (Berry, 1993). Many authors have supported the importance of planning and strategic orientation in export behavior. For example, Diamantopoulos and Inglis (1988), suggested that firms with formal market planning and export exploration procedures are more likely to have successful exportation. Aaby and Slater (1989, p. 19), stated that "the implementation of a process for systematically exploring, analyzing, and planning for export, seems to be a very powerful discriminator between exporters and non-exporters". As you see top managers and decision makers are as key variables for propelling SMEs into internationalization (Reid, 1981; Cavusgil, 1984). Their knowledge, past experience, perceptions and attitudes toward internationalization (Welch and Luostarinen, 1988), the ability to speak foreign language, the number of languages that they speak, bearing, living and working abroad (Wiedershiem-Paul et al. 1978) are some important managers' characteristics that influence the internationalization.

Knowledge and experience of managers are considered as the main sources of competitive advantage. A company, which operates in foreign markets, as a result of responding to various needs and wants, acquires knowledge and experience then uses these abilities as a source of innovation for other activities. These knowledge, experience and innovation enhance the firm's capabilities. Having a strong network relationship and an ability to learn from different interactions which happen in this network (Smith, 1996) are two of other capabilities of firm. Financial capital (Wermerfelt, 1984), social capital (Stam and Elfring, 2008), technology intensity, R&D, market research (Samiee et al., 1993), distribution/channel relationships (Styles and Ambler, 1994), and so on, are other resources and capabilities that are influential for internationalization.

Other factors that influence the process of making decision about being international or not, are motivation and barriers.

Besides motivators, which are some factors that encourage a firm to be international there are barriers which dissuade the firm from being international. Korsakienė and Tvaronavičienė (2012), as a result of studing on 300 Lithuanian and Norwegian SMEs, explored the main motives and barriers about internationalization. They said that "Small domestic market, Competitive pressure, Proximity to customers and suppliers and Unstable business environment in home country" are the main external factors that encourage a firm to be international. Government, trade associations incentives (Mtigwe, 2005), and fall in domestic demand (Johnston and Czinkota 1985) are two other incentive external factors. Profit goal (one of the most important internal factor) (Cavusgil, Godiwalla 1982), Sophisticated personel and high-tech competencies (Mtigwe, 2005; Korsakienė and Tvaronavičienė, 2012) are internal factors that embrace a firm for nternationalisation. political and operational risks in home and foreign market, lack of financial resources, competitior's capabilities, cultural issues, export regulations lack of knowledge about foreign market, Domestic market focusL and ack of managerial skills (Korsakienė and Tvaronavičienė, 2012; Mtigwe, 2005) are some types of internal and external barriers to internationalization.

All of the mentioned factors affect in the decision making process of entering to foreign markets. managers and decision makers decide whether the firm enters to foreign markets or not. The answer to this question will determine the next firm's orientation.

If the firm, based on the results of their studies, reaches to the conclusion that activity in domestic markets and inner fields is more useful for the company, in that case it will use all of its capacities and capabilities to identify the internal opportunities and exploitation of them and also its development of the internal market. For this purpose firms may use the strategies of internal market penetration and internal market extension. By choosing this strategy, the firm takes some steps to create the new markets for existing products, produce new and innovative products for existing markets, offer new products for new markets or try to use current product more in the current market, with marketing and promotional activities. Internalization was one of the advantages which Vernon (1966, 1979), mentioned in his Eclectic Paradigm theory**.**

If the investigation leads the company to the conclusion that entering foreign markets have benefits for them and will facilitate reaching to the growth and profitability goals, in this case, the firm decides for being international. From this point the internationalization category begins.

As the diagram shows, the firms enter to foreign markets in two ways. By Born Global (Oviatt and McDougall, 1994)which is based on International Entrepreneurship theory or in stages and based on the traditional theory and stage models.

The firms which are entered to foreign market as Born Global are known as International New Ventures (INV). These firms possess a great amount of resources and right after their inception they enter to international markets and don't pass the stages of growth gradually. These firms are knowledge intensive and knowledge is one of the most critical recourses of them. The ability to create knowledge and using them is very high in these companies. For this purpose they rely on their human resources, managers and entrepreneurs. As a result of involving with the environmental changes and challenges and responding to them these resources learn and gain knowledge and transfer this knowledge to other people through interactions within the network. In addition, these companies have made extensive international networks of suppliers, customers, competitors and other existent elements in the environment. Having communication with customers lead to identification of their needs and tastes. Through communication with suppliers, information on raw materials, their characteristics, how they are made, and even information on the opponent and competitors and their capabilities and resources are gained. It is also possible that these companies use each other's strengths points through networking with their competitors, and become stronger so that they can use the opportunities better or be ally against their common opponent. Innovation is another important feature of these companies which affects on the internationalization. This innovation occurs in product, process and technology. By innovation made in the process, the companies made some changes in procedure of their activities which leads to increasing in performance and efficiency. With innovation in technology, these companies will have the access to the tools and methods for producing more qualify products, more quickly and more cost-effective, innovation in product will lead to producing newer products which most of them are consistent with the needs and tastes of consumers. As the figure shows, there is a combination of International Entrepreneurship, Resource Based View (RBV), Knowledge Based View (KBV), Network Based View (NBV) is effective.

It is likely that the company doesn't have the capacity and capability of a quick entry to foreign markets and as the result of the internal and external studies, the company has reached to the point that it is better for it to enter to the foreign market gradually. In that case, traditional theories which are in the form of Stage Models are considered. The most important and practical concept that is used in this field is derived from Uppsala theory. This theory says that the company due to no having enough knowledge about foreign markets prefers to enter to closer psychic distance markets and as it goes forward, by increasing the knowledge, experience, resources and capabilities they enter to markets with more psychic distance. So, psychic distance, is one of the important and effective factors in the first stage of entrance which is choosing the target market. In this stage market knowledge is so important because the lack of enough information and knowledge in the target market is one of the barriers of entering to foreign markets. The company does complete market researches to identify the foreign markets and choose the most suitable one and also the key and influential conditions and factors in foreign markets before the entrance. In this stage the existence of people with the entrepreneurial spirit is so influential. These people investigate the foreign markets with an opportunistic point of view and if they find the suitable opportunities they take the action to mobilize resources of the company to exploit of that. These people can be managers or the people who exist in the foreign markets and observe opportunities and threats and conditions of the target market in the company. The ability of making communication with these people in this stage of the process of internationalization is so important because the starting point of this process is the identification of the opportunity in the foreign market. Also the company tries to make communication networks between the target market and the origin market. Usually the companies which enter to target markets in stages, they sell their products via selling agents and independent agencies in the first step and these chains are in fact the first intermediate chains between the company and the foreign market. In this case, the first network consists of the main company, the intermediate company, customers and existent companies in the foreign market. This method of sale helps the company to decrease the risk of export through intermediates. Because the company has restricted resources in this stage or it doesn't have so much tendency to invest in that country. It means that commitment resource is low in this stage and the company does not accept the risk of losing its investment, so it shows its interest in export which are done by intermediate companies. Also because of the lack of enough identification of foreign market their direct existence may cause to waste the resources and lose the opportunities. Influence of all of the factors is on market knowledge (Knowledge Based View), entrepreneurial knowledge (Knowledge Based View), physic distance (Uppsala model), relationships (Network Based View) which all of these factors except psychic are placed in the form of (Resource Based View) of company sources. It is noteworthy that the export process in this model which is shown in the model of Market A is based on Innovation related Models. The company takes more experimental knowledge by presenting in foreign markets and gaining knowledge about customers, cultural, political, legal and economical factors. The company makes more communication networks in the target markets with customers, providers and intermediates in this stage of the export process which means that it expand its communication networks. As the amount of knowledge is increasing, especially the experimental knowledge, which is gotten in the result of activities in the foreign market according to concepts of Uppsala model the company, is encouraged to invest more in the target market and increase the resource commitment. This gaining knowledge and more identification itself are some of important factors which decrease the risk of activity. Also the company may use the existent resources in the target market like human and natural resources or have more legal supports. As figure shows, as the amount of experimental knowledge increases and also the company's capability to communicate and make expander and stronger networks with providers or even competitors rises , the possibility of directly identification of opportunities in the target market increases, too. It is likely that the company make a joint venture with other active companies of foreign market and leads to producing directly in foreign market.

5. Concolution

Internationalization is a multidimensional phenomenon and several factors influence it but each of the theories that explain this phenomenon just focus on one aspect and neglect other important dimentions. This has led to the need for a comprehensive and integrated model which considers the majority of important factors affected this phenomenon. Inorder to developing an integrated model of SME internationalization, we use the concepts of several approaches that exist about internationalization and reach this concolution that internationalization is a combination of all these theories, in fact each of these theories explain part of this phenomenon. The newly developed integrated model has not been empirically implemented and should be tested in a real environment.

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