The decision to internationalize: An alternative perspective of the internationalization motivation process.

Abstract

Despite the fact that the field of internationalization motives has been fairly addressed in relevant literature, some crucial questions on the subject have remained unanswered. This paper attempts to enrich existing knowledge on the process of internationalization motivation, by offering an alternative approach on how exactly this process works. Developing a “pull” rather than “push” approach, we show that despite what is believed till now, the motives themselves are not capable of making a company internationalize. The strategies, structures, characteristics of the company will determine its internationalization path, including the activation of the motivation to export process. Additionally, the character of the company, along with some contextual factors such as competition in the industry will also determine the strategies that will be later developed by the company in foreign markets and therefore the level of engagement and success of the company in foreign markets.

Keywords: Internationalization motives, internationalization strategies, capitalized strategies and structures
Introduction
It is generally agreed that the decision to found a new business is the ultimate decision made by an entrepreneur. The next major decision that many entrepreneurs face is the decision to expand their business activity in foreign markets (Dana et al, 2009). A large number of researchers have explored internationalization drivers to answer the big question: what makes companies go international? The potential answers given to this question are important for policy makers trying to increase the external orientation of local companies, as well as for companies’ managers looking for ways to plant the seed of internationalization to their companies, in an attempt to achieve corporate growth and increased revenues for the company.

The decision to internationalize has been conceived as a strategic decision-making process. The conceptualization of this process as a set of dimensions has facilitated the investigation of possible interrelationships with contextual and firm-specific variables, and other environmental factors (Papadakis et al, 1998). Indeed, many researchers have underlined the importance of exogenous to the company factors affecting the company’s decision to internationalize. During the last decade, there have been calls for new directions and theories to be included in the international business literature with one avenue being a return to a focus on international business strategy at the firm level (Peng, 2004). Following this spirit, some other researchers examined the effect of firm’s characteristics and strategies to the decision to internationalize, categorizes internationalization motives as (strategic) proactive or re-active [Leonidou, 2004]. The adoption of different theoretical perspectives has shed light on different aspects of the problem. However, still some critical issues remain to be examined. If so many different motives are out there, and most enterprises are exposed to them, why we still have enterprises not deciding to internationalize? As for the case of internationalized enterprises, why certain sets of motives were activated and led them to go international, while at the same time, other categories remained inactive? To clarify the above issues, proposes an alternative idea on how exactly the process of internationalization motivation works. We propose that the existence of various motives is not just all it takes to make a company decide to internationalize. Where these motives will be activated or not, depends on the “character” of the company itself. This character is expressed by the characteristic of the company, the strategies it develops, its positioning etc, actually reflecting a unique way of thinking and acting. This character will not only lead to the activation or deactivation of certain kinds of motives, ie make the company realize and take advantage of certain kinds of motives, but also will determine the strategic internationalization path that the company will follow in the future.

To examine the above alternative approach of internationalization motivation, this paper sets the research framework by posing some relevant research questions: Why certain kinds of motives make companies internationalize while the same budge of motives doesn’t affect the internationalization decision of other enterprises? Are the different kinds of motives interconnected to each other, ie will the activation of a budge of motives affect the activation/deactivation of another badge of motives? In what way does the character of the company, as expressed through its structures and strategies developed affect whether these motives will influence the company or not? Are the motives which are considered to be reliable for the company’s motivation to internationalize interconnected with its future internationalization path? If the character of the company will indeed determine what kind of motives will be able to motivate the company to internationalize, wouldn’t have been reasonable to assume that the internationalization strategies developed, representing the company’s way of
thinking and acting, will be also related to the strategies that the company will develop in the future in foreign markets as well?

This paper contributes to internationalization literature by enhancing our understanding on the operation of the internationalization motivation process. We attempt to enrich knowledge in this field on several fronts. Firstly, although the issue of internationalization motives has been fairly addressed in the relevant literature, very few have attempted to give an overall explanation on the way these motives interrelate and operate. This paper attempts to explain the interconnection between different kinds of internationalization motives. Secondly, a few previous researchers (e.g., Dichtl et al., 1984; Shoham et al., 1995) have attempted to interconnect internationalization motives with environmental and organizational variables. The attempts they have made are limited and rather fragmented. The picture shaped is unable to provide an overall depiction of the factors activating and deactivating the internationalization activation mechanism. In this paper, by integrating concepts of the RBV and Dynamic Capabilities theories with the internationalization background, we develop an alternative “pull” instead of “push” approach to explain the operation of the internationalization motivation process. We recognize contextual forces such as the level of competition in the industry, as well as the internal characteristics of the company, such as the strategies it develops in the local market, as the regulators of the activation/deactivation of the internationalization process. Thirdly, extremely few researches (e.g., Leonidou and Katsikeas, 1996; Dana et al, 2009) have attempted to examine the interconnection between motives stimulation the company to internationalize and mode of internationalization adopted. In this paper using the “pull” instead of “push” argument, we find evidence interrelating the organizational characteristics—structures and strategies—of the company not only with the kind of motive that will be activated to make the company internationalize and the mode of internationalization that will be chosen, but also to the future strategic choices regarding the operation of the company in international markets.

The rest of the paper is organized as follows. First, a section reviews the literature establishing the theoretical background of this study and including the arguments leading to our hypotheses development. Next, we present the research methodology, along with the collection and analysis of data procedures, and the empirical analysis of the variables under investigation. The paper concludes with a discussion of the main concepts, limitations, implications and suggestions for further research.

Literature Review and Hypotheses Development

Introduction

Internationalization drivers have been one of the most well discussed areas of the internationalization field. There is a very good reason for that, as one of the most interesting research questions to be posed in the international business scientific field is “what makes companies internationalize”. This is an interesting question to be answered as internationalization has been interconnected with large benefits for companies and countries (Leonidou et al, 2007). Integrating, it is generally believed that some firms are mainly pushed into internationalizing by an external change agent (e.g., a foreign customer), some are motivated to initiate operating in foreign markets deliberately, while others simply take advantage of opportunities that come their way with no evident objective in mind (Liargovas & Skandalis, 2008). But is it this the way that the internationalization motivation process really works?
Although a wide range of motives have been identified to explain what makes enterprises decide to internationalize, we observe that a big part of companies still remains inactive, preferring to limit their operation only to the local market. Frequently we see public policy makers astonished watching their export support policies not having the expected results. In such widely researched area, why still we can’t explain in a satisfactory level why motives are not working at all times? What makes motives to become active in some cases and inactive in other ones? How different kinds of motives are interrelated to each other constituting an integrated mechanism of internationalization stimulation? How this mechanism is activated? What kind of implications derive not only for the stimulation process but also for future internationalization strategies developed by the company and its level of engagement in internationalization? A few previous researchers (eg Dichtl et al., 1984; Shoham et al., 1995) have attempted to interconnect internationalization motives with environmental and organizational variables. Also, some others (eg Leonidou and Katsikeas, 1996) have attempted to examine the interconnection between motives stimulation the company to internationalize and mode of internationalization adopted. However these attempts are rather limited, sporadic, partial, and fragmented. Therefore, it is difficult to constitute an integrated explanation of the factors activating and deactivation the motivation mechanism and explain further and more in depth on the effects this process has not only to the mode of internationalization to be adopted in the future by the enterprise, but also to its future overall internationalization strategic planning. In the following parts we’ll use relevant theories, to develop research hypotheses aiming to provide complete answers on the above described issues.

Internationalization Motives and their interconnection

A wide range of papers published during the last four decades has theoretically and empirically explored the different reasons which may drive an enterprise to decide to expand its operations in foreign markets. Some export stimuli literature review papers and even most internationalization textbooks cluster the major drivers of internationalization. The determinants of export behaviour are usually divided into two major groups, factors external to the firm and factors which are internal. Internal stimuli are further separated into those linked to the main operational areas of the company like management (Ifju and Bush, 1993), HR (Leonidou et al., 1998), finance (Crick and Chaudry, 1997; Leonidou, 1998; Westhead et al., 2002), R&D (Johnston and Czinkota, 1982), production (Trimeche, 2002), and marketing (Bradley, 2004), while external stimuli can be divided into those referring to the local and foreign market (Albaum et al., 2004; Hollensen, 2004), the local and home government (Cavusgil and Yeoh, 1994; Czinkota and Ronkainen, 2006), the intermediaries (Hollensen, 2004), the competition (Shoham et al., 1995), the customers (Czinkota and Ronkainen, 2006), and other kind of motives. Another more strategically oriented approach differentiates by proactive and reactive drivers (Leonidou et al, 2007).

However, different factors of the environment and the company itself don’t operate in isolation. On the contrary, they shape and integrated framework of interrelated forces, which related to each other with more or less strongly, positively or negatively. Surprisingly enough we didn’t find much of previous research conducted on the field, exploring how the wide variety of internationalization motives recognized interconnect to each other. In other words, is the activation of a motive responsible for the activation/deactivation of another one? As literature has connected internationalization motives with proactive and reactive strategic behaviour (Leonidou et al, 2007) and has classified entrepreneurs as “opportunity seekers” or “reactive”
we would expect to see different kinds of strategic behaviours to be interconnected with the activation/deactivation of different motives. Following this reasoning, we would expect similar kinds of motives (e.g., Market and industrial) to be positively interrelated while dissimilar ones (e.g., industrial and internal) to be negatively interrelated. Therefore, a first budge of hypotheses can be formed:

**H1a:** Common in nature motives will be positively correlated.

**H1b:** Dissimilar in nature motives will be negatively correlated.

Forming the above hypotheses we’ll explore whether the appearance/activation of a specific kind of motive is related to the appearance/activation or disappearance/deactivation of another motive.

**The power of competition**

Studies concentrating on the decision making context usually investigate the effect of the internal and external environment of the company on the decision making process. As far as the external environment is concerned, numerous studies (Dean & Sharfman, 1996; Eisenhardt & Bourgeois, 1988; Fredrickson & Mitchell, 1984) examine the effect of environmental dynamism and hostility on strategic decision-making processes, and find that these external forces can influence decision-making effectiveness (Dimitratos et al, 2011). The role of the external environment is important since no firm can operate independently from its market context (Perks & Hughes, 2008). The nature of the environment in terms of hostility, munificence, and dynamism will impact the final decision to be made. Many researchers argue that efficient decision making enhances firm performance because it facilitates adaptation to rapidly changing environmental conditions (Eisenhardt, 1989; Harrison, 1999; Rajagopalan, Rasheed, & Datta, 1993; Trull, 1966) (Roberto, 2004). In many cases factors of the external environment have been recognized to act as authentic motives of internationalization. However, there are some other cases of enterprises for which the factors of the external environment don’t act as drivers of internationalization by themselves, rather as drivers or inhibitors of the activation of the internationalization motivation process.

Companies involved in highly competitive environments have to fight harder to sharpen their strategies leading to competitive advantage obtainment, to gain long-term sustainability, to become more innovative and achieve higher levels of performance (Bhatnagar et al, 2010). Company’s competitiveness and performance are largely determined by the characteristics of the competitive environment, in the national market and abroad, and the ability of the firm to attain a strong strategic positioning, through the implementation of effective competitive strategies (Porter, 1980; Ziaie et al., 2011). According to Porter (1980) the concept of strategy development is highly related to the power of competition, as he understands competition as the principal driver of business activity. Therefore, due to high levels of competitive pressure, companies have to find novel ways of operation, to develop new strategies so as to implement changes, in order to build capabilities and competences leading to competitive advantage obtainment in national and international markets. It is reasonable to assume that this competitive pressure will act as a catalyst for the activation of the motivation to internationalize process, as in internationalization managers may see a potential way to strengthen their positioning in the industry and to reduce competitive pressure.

In many cases, in highly competitive/highly internationalized industries, national competitors will try to expand their business activities in foreign markets in order not to fall behind the
competition in the national market (Knickerbocker, 1973). The need to support their competitive strategies and to win the game of competition, will trigger the internationalization motivation process, as companies will try to gain advantage from expanding in foreign markets and from developing new resources and competences to support this new initiative (Mol and Wijnberg, 2011). This highly competitive environment will make companies more focused on the threats deriving from the competition of the industry and how to face it. As a result, their strategic planning, their way of thinking and acting will be more concentrated towards reading and exploiting market/industry opportunities to play effectively the game of competition. Oppositely, companies facing lower levels of competition will be rather concentrated on shaping a more self-focused strategic planning, on developing the right resources and competences to serve the more “autonomous” path of the company towards the achievement of the company’s strategic goals. It is also reasonable to assume that this differentiation will “pull” different kinds of internationalization incentives to be activated for each kind of companies.

Integrating, the following hypotheses can be formed:

H2a: The more intense the competition in the industry is, the more probable will be the company to be affected by market/industry related motives during its internationalization decision-making process.

H2b: The less intense the competition in the industry is, the more probable will be the company to be affected by internal motives during its internationalization decision-making process.

The Structural and Capitalized Strategic Characteristics (SCS) of the Firm

Welch & Luostarinen, (1988) defined internationalization as the process of “increasing involvement in international operations”. Later on other researchers (McNaughton, 2000) emphasised that internationalisation occurs foremost as a strategic initiative. The majority of reviewed literature would also support this stance regarding strategic initiatives (Dana et all, 2009). Various frameworks, such as the RBV, have begun to integrate with the international strategic management field. Apart from the formulation and implementation of the appropriate business strategy, another element of high importance for the firm, leading to the creation of competitive advantage is the development of structural, strategic, operational and management competences and capabilities (Fortune and Mitchell, 2011). These competences and capabilities, when absorbed and capitalized over time, are converted into resources which the company’s strategy is required to exploit in order to achieve the corporate goals (Cepeda-Carrion et al, 2012) such as to implement strategies of growth. The value of these resources, contribute to the attainment of a strong competitive position (Mol and Wijnberg, 2011). The dynamic capability school (Barney, 1991) detects the departure point of strategy development in evaluating the internal resources and developing unique organizational capabilities and core competences that are difficult to replicate. In other words, the capitalized structures, operations and strategy of the firm, constitute the main elements that make each company a unique entity, and lead to the generation of dynamic capabilities, competitive advantage obtainment and higher levels of performance (Barrales-Molina et al, 2013). The existing resources and competences of the organization along with the strategies it develops in the market, mainly assemble and shape the character or in other words the organizational philosophy of the company. As, the existence of these characteristics is considered to be a catalyst of adjustment, assisting to renew the current
organizational routines (Barrales-Molina et al., 2013) and shape new strategies it is reasonable to assume that the motives which finally are going to be responsible for making the firm decide to internationalize, will be in line with this character, strategic orientation, organizational philosophy of the company. Thus, a third badge of research hypotheses can be formed:

\( H_3: \) The Structural and Strategic characteristics of the firm, reflecting its organizational philosophy, constitute the main factors that trigger or inhibit the activation of certain kinds of internationalization motives. Specifically,

\( H_{3a}: \) Companies having a strategic orientation in most important aspects of their operation, like strategic positioning, recruitment, quality management, financial management etc, are most probable to be motivated to internationalize by:

\( H_{3a1}: \) market/ industry related drivers if they don’t show evidence of natal internationalization orientation
\( H_{3a2}: \) internal/ company related driver if they show evidence of natal internationalization orientation

\( H_{3b}: \) Unorganized, not strategically oriented, randomly operating muddling through –ers, are most probable not to activate any kind of motive to internationalize.

The certain way of thinking and acting adopted by the company will not only activate/ deactivate certain kinds of motives. It is reasonable to believe that the company will keep the same strategic behavior (planned/unplanned) after expanding its operations to foreign markets as well. In other words we expect to see certain strategies developed by the company in foreign markets to be interconnected with the driver that actually motivated the company to internationalize. Therefore, we can establish the following set of hypotheses:

\( H_{4a}: \) Companies developing a high level of commitment in internationalization activity, expressed mainly by the level of investment they make in foreign markets, are more probable to have been motivated to internationalize by internal proactive drivers.

\( H_{4c}: \) Companies showing willingness to stay and succeed in the foreign market, developing targeted strategies for their foreign market engagement, are more probable to have been motivated to internationalize by external proactive drivers.

\( H_{4c}: \) Companies adopting a hesitant/ reactive/ low engagement behavior in foreign markets are more probable to have been motivated to internationalize by external reactive drivers.

**Towards the Theoretical Model of the paper**

In order to explore the potential interconnection between internationalization motives emerging and the structures, strategies, and contextual characteristics of the firm, we trace which such characteristics have been linked with internationalization in the relevant literature. To do so, we refer to the main internationalization literature review articles, which, in sum, review the internationalization literature from 1960 to the present. We underline here, that these characteristics have been linked with internationalization *individually*, but never in total. We’ll
contribute to this gap by relating them all to internationalization motivation field. Table 1 classifies the characteristics we mined in thirteen main categories:

INSERT TABLE 1 HERE

At this point it should be highlighted that the strategies, experience, market choice and other characteristics we refer to, are considered to have been converted into structures and resources, as they have been capitalized and absorbed by the company over time (Cepeda-Carrion et al, 2012). Figure 1 presents the theoretical model of this research:

INSERT FIGURE 1 HERE

**Methods**

As proposed by many researchers in the field (e.g. Ramamurti, 2004) our methodology involves qualitative (Rittosa and Bulgacov, 2009; Sullivan, 1994) and quantitative (Hutchinson et al, 2007; Hutchinson et al., 2009) methods. The integration of important constructs proposed by prior research along with the variables deriving from qualitative research assembles a valid research framework of the examined field (Cameron and Quinn, 1999). We conducted in-depth personal interviews to refine our constructs, and to develop a closed questionnaire. The employment of interviews before embarking on the questionnaire, gives a feel for the key issues and confidence that the most important issues are addressed (Saunders et al, 2009). Then, we tested our hypotheses using survey data.

We interviewed internationalization directors employed in ten internationalized manufacturing companies, as heads of internationalization have a broad overview of the under research issues. We chose to address only to already internationalized enterprises and examine what made them decide to expand their operation in foreign markets. We made this choice as one of the main targets of this research was to see how strategies developed in foreign markets are affiliated with the motives that initially drove company to internationalize, rather than to compare internationalized and not-internationalized companies. We used the qualitative data mined, along with the variables collected by the literature review, to develop a structured questionnaire. We pre-tested the questionnaire, forwarding it to ten internationalization directors. We used the feedback to revise the questionnaire by modifying obscure questions in order to reduce perceptual biases. The value of the internal cohesion coefficient “Cronbach’s alpha” is 0.967, indicating a very-high reliability of the questionnaire (96.7%).

The population used in this study consists of Greek internationalized manufacturing enterprises. More than the 3/5ths of the internationalization articles in business journals published during the period 1960–2007 are based on studies conducted in North America and the U.K., while the remaining studies took place mainly in Asia and in Australia (Leonidou and Katsikeas, 2010). The Greek sample offers empirical evidence from a country outside the American and British context where the great majority of the published research comes from (Leonidou and Katsikeas, 2010). However, this contribution is only limited to a geographical scope, since Greece is a capitalist country, a member of the EU, following the western way of life and business development, a fact that makes the way Greek enterprises operate the same as the ones in the rest of the western world (the data were collected before the recession). We
excluded all companies providing services as they constitute a unique case requiring the development of a different theoretical background.

A total of 1400 internationalized manufacturing companies are identified by the “Hellenic Foreign Trade Board” directory. We applied multi-industry stratified sampling so as to broaden the generalisability of the findings. We e-mailed the questionnaires. The unit of analysis is the firm since the under-research concepts affect the entire company. Overall, we addressed 450 companies. The 158 usable out of 165 questionnaires received correspond to 11.29 percent of the population. An effective response rate of 36.66 percent was attained. We compared responding and non-responding companies in terms of size and mode of internationalization. We do not find any significant differences between these two groups, thus there is no response bias.

The responses used in this study resulted from questions relevant to different kinds of motives that drove or not the company to decide to internationalize, and from questions regarding the contextual, structural, and strategic characteristics of the firms.

3.1 Measures

3.1.1 Dependent Variables: Approximately forty different internationalization motives have been recognized in the relevant literature (Leonidou et al, 2007). However, we decided to include in the questionnaire only the ones which was highlighted as important both from literature and the interviews we obtained by internationalization managers. Thus, we examine the impact of 14 different recognized internationalization motives, on the decision of the company to expand its operation to foreign markets. Table 2 shows the operationalization of 14 internationalization motives.

INSERT TABLE 2 HERE

Five-grades Likert scale was used to measure the impact of each motive to after the company’s internationalization decision-making process. The operationalization of each independent variable [x1:x63] is available at http://tinyurl.com/p352ygz.

Analysis and Results

To test our hypotheses, we employ factor and cluster analysis technique, as well as discriminant analysis and binary logistic regression. Our sample’s size, the various variable types, and mainly our research hypotheses guide us to conduct the above analyses. These analyses are suitable for hypotheses validation, as they mainly use correlation and regression techniques to produce results.

4.1 The system of internationalization motivation

We conduct factor analysis to the variables of internationalization motives (dependent variables; y1:y14). Principal components method is used, to identify the correlations between the variables under examination. Results are presented in table 3.
Three groups of variables are created explaining the 73.413 percent of total variance. The first factor created entailed the following variables: Coincidental Opportunities emerging abroad, Product Recognition, Information Network, Challenging operation of the local industry/market, and Unprovoked/ Random Order from the foreign market. We named this factor “Marker/ Industry Motivation”. Reliability coefficient “Cronbach’s alpha” value for this factor is 0.724 (very high). All variables are included in the factor as the “Cronbach’s Alpha if item deleted” values for each variable is lower than 0.724.

The second factor created entailed the following variables: Export Incentives developed by the Local Government, FDI Incentives developed by the Foreign Government, Grants offered by the Foreign Government to support imports of specific products. We named this factor “state motivation”. Reliability coefficient “Cronbach’s alpha” value is 0.888 (very high). All variables are included in the factor as the “Cronbach’s Alpha if item deleted” values for each variable is lower than 0.888.

The third factor created entailed the following variables: Overproduction, Internationalization Experienced Staff, Extroversion/ Level of External Orientation, The company cannot expand any more in the Home Market, Cost of market penetration> cost of market development. We named this factor “internal motivation”. Reliability coefficient “Cronbach’s alpha” value is 0.519 (satisfactory). All variables are included in the factor as the “Cronbach’s Alpha if item deleted” values for each variable is lower than 0.519.

In order to see whether different kinds of motives are interrelated to each other, ie the appearance of the one will affect the appearance of the other, we correlate the three factors. Table 4 shows the Pearson Correlation’s Results.

As we see in Table 4, we find evidence of significant positive correlation between the market/industry- related motives and state-related motives. At the same time we find evidence of weak positive correlation between the internal-related motives and the other two kinds of motives. Our results provide support for H1a stating that common in nature motives will be positively correlated, but not for H1b stating that dissimilar in nature motives will be negatively correlated. In fact we see all kinds of motives been positively correlated, in different degrees, with each other signifying that there is a prominent set of motives that will be mostly related with the decision of the company to internationalize. However, that doesn’t mean that the other kinds of motives will not be even partially taken into account by the company.

The power of competition and the effect of the characteristics and strategies of the firm

To proceed, we conduct cluster per factor analysis. We use the factor “organizational adjustment” formed previously. Cluster analysis per factor uses correlations to group the companies according to whether they have been motivated by the factor to internationalize or not. After applying Hierarchical Clustering we conduct K-Means Cluster Analysis for two groups of companies (one cluster of companies with evidence of influence by each kind of motives and one cluster of companies without). We find that for the first factor – industry/market motivation two clusters of companies are created, one that has been largely affected by industry/market drivers while motivated to internationalize, and one group of companies that has not been very much affected by industry/market drivers while motivated to internationalize. We
have the same findings for the second-state motivation related factor and third internal motivation related factor.

To identify the characteristics differentiating the clusters shaped, we conduct discriminant analysis and binary logistic regression. Firstly, we apply discriminant analysis. Tests of Equality of Group Means were created by selecting «Univariate ANOVA’s» and indicate whether there is a statistically significant difference between the two company groups defined and the particular characteristics of each of them. All three variables were statistically non-significant at significance level $a = 0.05$. All three characteristics are rejected of the Wilks'Lambda, which is a statistical criterion for adding or subtracting variables in the analysis. Each cluster per factor (1,2) is used as the grouping variable and the variables of SCS and contextual characteristics ([x_1; x_{63}]) are used as independent variables. We insert the independent variables per category (see table 1). Some variables, from each category are highlighted as significant. Then, we conduct binary logistic regression. The cluster is used as the grouping (dependent) variable and all variables that were highlighted as significant by the discriminant analysis are used as independent variables. The results are presented in following tables.

INSERT TABLE 5 HERE
INSERT TABLE 6 HERE
INSERT TABLE 7 HERE

The results of discriminant analysis and binary logistic regression indicate that the power of competition along with the structures and strategies of the firm constitute the main factors facilitating or preventing the activation of certain internationalization motives. These results provide support for the second (H$_2$), third (H$_3$) and fourth hypothesis (H$_4$).

**Discussion**

Results suggest that the internationalization motivation process is assembled mainly from three different kinds of motives, a) market/industry related motives, b) state –related motives and c) motives related with the company itself. Market/ industry related and state related motives seem to be positively correlated. At the same time internal motives are also positively correlated with the other two categories of motives, but the correlation is wicker (H1). The power of competition (H2) and the structures and strategies the company develops in the local market (H3) and the strategies developed by the company in foreign markets (H4) are related with the category of motives that mainly affected the company at its decision to internationalize. The integration of the results is depicted in the following model:

INSERT FIGURE 2 HERE

**Internationalization Motives and Their Interconnection**

A wide variety of researchers (eg. Dean & Sharfman, 1996; Eisenhardt & Bourgeois, 1988; Fredrickson & Mitchell, 1984) have examined how factors of the internal and external environment of the organization have acted as motives of internationalization (qtd in Dimitratos et al, 2011). The most prominent classifications of motives are *internal vs external* and *reactive vs proactive* (Leonidou et al, 2007). In particular, Perks & Hughes (2008) underline the significance of the external environment as an important source of internationalization motivation. They support that especially the market will offer important motivation to
internationalize, as no company can operate independently from the industry and the market (Perks and Hughes, 2008). The results of this paper lead us to split the external category of motives to market/industry-related and state-related, in line with the results of Liargovas & Skandalis (2008). This differentiation allows us to integrate the above two main classifications, as we see internal-related motives as proactive, industry/market as in cases proactive and in cases reactive and state-related motives as reactive. Following this reasoning, we can support that the strategic behavior of the company in the local market, will pull the corresponding type of motives.

The correlation matrix for the three categories of motives revealed that Market/Industry Motives and State Motives are positively correlated. That means that a company that is triggered to internationalize from a market/industry related motive is probably going to be affected by the state motives as well and vice-versa. On the other hand, we observe that these two kinds of motives are weakly correlated with the internal motives category. That means that the appearance or activation of the one kind of motive (i.e. internals) will not affect the appearance and activation of the other two kinds of motives (i.e. market/industry related motives and state motives [external]). These evidence lead to a very important finding, that internationalization motives activation has a certain structure or follow a certain pattern, broadening our understanding of the way (how) different motives interact with each other (or not), leading to internationalization decision making (or not).

The power of competition and the structural and strategic characteristics of the firm

Our results show that a) the level of internationalization of the industry the company belongs (high) b) The development of clustering strategies in the local market, c) the high level of External orientation of the company (the company had an internationalization plan developed from the time it was established), d) a strategy of high engagement in the foreign markets (branch), increase the probability the decision of the company to internationalize to be mostly interconnected with internal-related motives. On the contrary, belonging to a highly competitive industry will make this probability decrease.

In addition, we find evidence that a) A high level of competitive rivalry b) an advanced educational level of the internationalization manager c) a “healthy” management of cash-flow challenges and d) evidence of commitment in the foreign market [the company be willing to wait for a significant period of time for the engagement in a foreign market to pay off], increase the probability the decision of the company to internationalize to be mostly interconnected with market/industry-related motives. On the contrary, i) the lack of an organized organizational chart ii) the lack of certification acquisition and iii) the lack of differentiation between the strategies developed for the local and foreign markets will make this probability decrease.

Our results show that as a general trend, companies motivated by internal motives and companies motivated by industry/ market-related motives have adopted an organized strategic behavior in the local market. There are two things that actually make a difference. The one is the level of competition in the industry. In line with Goddard et al. (2009) and Elango (2010) we find that the characteristics of the industry the company belongs will determine its strategic future. Our results here are directly interconnected with the competitive advantage theory (Porter 1980) in which Porter interconnects the competitiveness of an enterprise with the performance of the rest of companies of the industry. A high level of competition will increase the probability
the company to be motivated by industry drivers. The second thing differentiating the two categories of enterprises is that companies motivated to internationalize by internal motives, had a solid internationalization vision, from the times of their establishment. At this point we note a connection with born-globals theory. (eg. Óladóttir, 2009). As Kuivalainen et al (2007), we also find that the firms degree of born-globalness will not only affect the decision to internationalize, but also will determine the mode of engagement and success in foreign market.

As far as the state-related motives are concerned, we found that a) the internationalization evaluation strategy showing no evidence of low commitment in the foreign market [the company is not willing to wait much for the foreign market to pay off], b) the sex of internationalization manager (woman) and c) the development of modest advertising choices in the foreign market (advertize in the press), increase the probability the company to have been induced to internationalize by “state” motives.

These results are possibly interconnected with the research of Farr-Wharton & Brunetto (2006), according to which female managers and entrepreneurs tend to belong to traditional entrepreneurial networks, organizations and bodies. Thus, they are more affected by the implementation of public policies. Also, they are considered to be more risk-avert, so they are more probable to be the ones seeking the governments support for their company’s internationalization. In agreement with Wickramasekera and Bianchi (2013), we also find that management characteristics like the sex and the level of education of the manager will have a special impact on the decision to internationalize.

Regression Results Provided Evidence to support that the level of competition in the industry along with the character of the company as expressed through its strategies and structures will actually define which will be the prominent motive to affect the decision of the company to internationalize. This means that, against what is commonly believed in internationalization motives literature, it’s not the motives themselves that will “push” a company to internationalize. On the contrary, the company itself, according to its contextual, structural and strategic characteristics will actually “pull” a certain type of motives, triggering its activation. Contradicting Dana et al (2009) perception of motives to be either pull, negative push or positive push, we see all motives as push motives. If the company hasn’t developed the structures and strategic characteristics that will make it pull a certain kind of motive, it will not be internationalized at all. Binary Logistic Regression Results provided support for the H3 and H4 as well. The character of the company reflected to the internationalization strategies that the company develops in foreign market will be also related with the kind of motives that led the company to the internationalization decision. This fact strengthens even more the “pull” against the “push” approach. We see that the company, having a certain way of operating and developing strategies, before and after internationalization, will actually “pull” certain types of motives, the ones that fit with its character/ identity. The findings of this paper are supporting the argument of Perks and Hughes (2008), that the decision to internationalize requires mainly an active strategic approach. However, oppositely to their findings, we find that the industry environment plays a prominent role for the decision to internationalize. Our results are in line with the argument of Albaum et al. (2004) that firms motivated by internal factors can been described as more rational- and objective-oriented in their behavior, compared to those stimulated by external factors. Moreover, a proactively stimulated firm is more aggressive and strategic-oriented in foreign markets, as opposed to those stimulated by reactive factors that
adopts a rather passive and opportunistic approach towards entering foreign markets (Albaum et al., 2004).

**Implications**
The results of this paper offer valuable implications for managers and policy makers.

*As for managers:* Firstly, our findings show an increasing internationalization involvement, beginning from companies affected from state incentives, to companies affected by market/industry incentives, to companies affected by “internal” incentives. Secondly, managers of internationalized or not enterprises, should understand that success in the local and foreign markets is directly interconnected with the company itself. Thirdly, managers have to develop the structures, characteristics, strategies overall, to support their local and international activities. Fourthly, these strategies will lead them to the development of mechanisms to identify internationalization opportunities, to choose the right markets to internationalize, to apply the suitable entering and development strategies in these markets, to develop the appropriate strategies to control competition, to conduct successful market research and obtain information on foreign markets.

*As for policy-makers:* Firstly, the relatively moderate aggregate impact of government-related internationalization motives implies that there is a need to improve existing internationalization promotion programs, by designing them according to the specific needs of targeted companies. Secondly, export policies have not been fruitful, because they offer just an exogenous assistance without affecting the strategic planning of the companies. Thirdly, in order an outward-looking vision and extrovert strategies to be successfully develop by local companies, an exogenous state support, taking the form of advising and financing is important but not enough. Fourthly, there should be a change of orientation in the way export policies are designed and implemented, towards the direction of supporting companies develop their own strategic competences, a fact that will lead them create structures, mechanisms and the suitable organizational and managerial characteristics, so as to operate and develop successfully in foreign markets.

**Limitations**
We have examined only companies in the manufacturing sector, as the internationalization processes of enterprises belonging to the services sector call for the development of a different theoretical background. Thus, we should be cautious when generalizing the results to service organizations. Future research might extend this research to services enterprises.

**Conclusion**
Although a wide range of motives have been identified in an attempt to explain what makes enterprises decide to internationalize, we a lot of important questions in the field have not received a convincing and integrating response. This paper showed that i) the internationalization motivation process is assembled mainly from three different kinds of motives, a) market/industry related motives, b) state –related motives and c) motives related to the company itself. ii) Companies operating in highly competitive industries will be more probable to pull industry/market related motives to shape their internationalization decision, and less probable to
pull internal-related motives. However, companies operating in highly internationalized industries are more probable to pull internal-related motives as probably the diffusion of knowledge in the industry has made them develop the necessary relevant strategies and structures. Also, we found that each different kind of motive is not only related to the strategies the company develops in the local market but also to the strategies, level of commitment and success of the company in foreign markets as well.

References


<table>
<thead>
<tr>
<th>Categories</th>
<th>Pertinent Literature/ Bibliographic Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>The influence of the competition/ industry</td>
<td>(Aaby &amp; Slater, 1988, Zou &amp; Stan, 1998)</td>
</tr>
</tbody>
</table>

Table 1 categorizes the elements that have been associated with the internationalization of the company the last 60 years. Characteristics of the external and internal environment of the company are included, as the power of competition/industry as well as structures and strategic characteristics of the firm.
Table 2: Operationalization of Dependent-Motives Variables

<table>
<thead>
<tr>
<th>Y1</th>
<th>Information network</th>
<th>Y9</th>
<th>Excessive production/ overcapacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y2</td>
<td>Coincidental opportunities</td>
<td>Y10</td>
<td>Home market expansion reached the top</td>
</tr>
<tr>
<td>Y3</td>
<td>Recognition of the product</td>
<td>Y11</td>
<td>Cost of market penetration&gt; cost of market development</td>
</tr>
<tr>
<td>Y4</td>
<td>Operation of the Local market</td>
<td>Y12</td>
<td>Extroversion/ external orientation level</td>
</tr>
<tr>
<td>Y5</td>
<td>Unprovoked/ random order from a foreign market</td>
<td>Y13</td>
<td>Internationalization experienced staff/ experts employed</td>
</tr>
<tr>
<td>Y6</td>
<td>Saturated Home market</td>
<td>Y14</td>
<td>Export incentives provided by the local government</td>
</tr>
<tr>
<td>Y7</td>
<td>Investment incentives provided by the host country</td>
<td>Y15</td>
<td>Grants – Direct financial support</td>
</tr>
<tr>
<td>Y8</td>
<td>Information network</td>
<td>Y16</td>
<td>Excessive production/ overcapacity</td>
</tr>
</tbody>
</table>

Table 2 presents the variables of internationalization motives underlines as important by both the literature review and the interviews with managers.

Table 3

Table 3: Factor Analysis Results - Total Variance Explained

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>1</td>
<td>5.221</td>
<td>40.183</td>
<td>40.183</td>
</tr>
<tr>
<td>2</td>
<td>2.659</td>
<td>20.453</td>
<td>60.636</td>
</tr>
<tr>
<td>3</td>
<td>1.661</td>
<td>12.777</td>
<td>73.413</td>
</tr>
<tr>
<td>4</td>
<td>.762</td>
<td>5.863</td>
<td>79.276</td>
</tr>
<tr>
<td>5</td>
<td>.605</td>
<td>4.653</td>
<td>83.929</td>
</tr>
<tr>
<td>6</td>
<td>.543</td>
<td>4.175</td>
<td>88.104</td>
</tr>
<tr>
<td>7</td>
<td>.501</td>
<td>3.856</td>
<td>91.960</td>
</tr>
<tr>
<td>8</td>
<td>.425</td>
<td>3.270</td>
<td>95.230</td>
</tr>
<tr>
<td>9</td>
<td>.342</td>
<td>2.634</td>
<td>97.865</td>
</tr>
<tr>
<td>10</td>
<td>.278</td>
<td>2.135</td>
<td>100.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

Table 4: Factors of Motives Pearson Correlation Table

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Internal</th>
<th>Market/ Industrial</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>1.000</td>
<td>0.229</td>
<td>0.273</td>
</tr>
<tr>
<td>Market/ Industrial</td>
<td>0.229</td>
<td>1.000</td>
<td>0.573</td>
</tr>
<tr>
<td>State</td>
<td>0.273</td>
<td>0.573</td>
<td>1.000</td>
</tr>
</tbody>
</table>

SIG (2-tailed)

<table>
<thead>
<tr>
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<th>Internal</th>
<th>Market/ Industrial</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>-</td>
<td>0.004</td>
<td>0.001</td>
</tr>
<tr>
<td>Market/ Industrial</td>
<td>0.004</td>
<td>-</td>
<td>0.000</td>
</tr>
<tr>
<td>State</td>
<td>0.001</td>
<td>0.000</td>
<td>-</td>
</tr>
</tbody>
</table>
Table 5: Results of Binary Logistic Regression for the Internal Motives’ Cluster

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
<th>Exp(B)</th>
</tr>
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<tbody>
<tr>
<td>Industry</td>
<td>-0.604</td>
<td>0.161</td>
<td>13.972</td>
<td>1</td>
<td>0.000</td>
<td>0.547</td>
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<tr>
<td>Clustering</td>
<td>1.952</td>
<td>0.539</td>
<td>13.103</td>
<td>1</td>
<td>0.000</td>
<td>7.046</td>
</tr>
<tr>
<td>External Orientation</td>
<td>0.802</td>
<td>0.399</td>
<td>4.032</td>
<td>1</td>
<td>0.045</td>
<td>2.229</td>
</tr>
<tr>
<td>Strategy for...</td>
<td>1.192</td>
<td>0.552</td>
<td>4.654</td>
<td>1</td>
<td>0.031</td>
<td>3.293</td>
</tr>
<tr>
<td>Involvement – Foreign Branch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Level of Internationalization of the Industry</td>
<td>0.468</td>
<td>0.249</td>
<td>3.532</td>
<td>1</td>
<td>0.060</td>
<td>1.597</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.264</td>
<td>1.654</td>
<td>14.336</td>
<td>1</td>
<td>0.000</td>
<td>0.002</td>
</tr>
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</table>
### Table 6: Binary Logistic Regression for Industry/Market Motives’ Cluster

<table>
<thead>
<tr>
<th>Step 13&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Industry</th>
<th>.569</th>
<th>.194</th>
<th>8.661</th>
<th>1</th>
<th>.003</th>
<th>1.767</th>
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<tbody>
<tr>
<td></td>
<td>Education Level of the Internationalization Manager</td>
<td>.875</td>
<td>.398</td>
<td>4.837</td>
<td>1</td>
<td>.028</td>
<td>2.400</td>
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<tr>
<td></td>
<td>Organized Organization Chart</td>
<td>-.478</td>
<td>.256</td>
<td>3.496</td>
<td>1</td>
<td>.062</td>
<td>.620</td>
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<td></td>
<td>ISO14000 Certification</td>
<td>-.905</td>
<td>.490</td>
<td>3.406</td>
<td>1</td>
<td>.065</td>
<td>.405</td>
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<tr>
<td></td>
<td>Software for Foreign Customers</td>
<td>-1.488</td>
<td>.516</td>
<td>8.297</td>
<td>1</td>
<td>.004</td>
<td>.226</td>
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<td></td>
<td>Strategy of the Evaluation of Internationalization Activities</td>
<td>.286</td>
<td>.156</td>
<td>3.349</td>
<td>1</td>
<td>.067</td>
<td>1.332</td>
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<tr>
<td></td>
<td>Strategy of Needs Management in case of cash flow problems</td>
<td>.183</td>
<td>.082</td>
<td>4.917</td>
<td>1</td>
<td>.027</td>
<td>1.201</td>
</tr>
<tr>
<td></td>
<td>Constant</td>
<td>-1.761</td>
<td>1.816</td>
<td>940</td>
<td>1</td>
<td>.332</td>
<td>.172</td>
</tr>
</tbody>
</table>

### Table 7: Binary Logistic Regression Results for the State Motives’ Cluster

<table>
<thead>
<tr>
<th>Step 5&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Sex of the Internationalization Manager</th>
<th>1.368</th>
<th>.575</th>
<th>5.653</th>
<th>1</th>
<th>.017</th>
<th>3.928</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategy of the Evaluation of Internationalization Activities</td>
<td>-.334</td>
<td>.191</td>
<td>3.053</td>
<td>1</td>
<td>.081</td>
<td>.716</td>
</tr>
<tr>
<td></td>
<td>Strategic Advertising Choices</td>
<td>.988</td>
<td>.562</td>
<td>3.083</td>
<td>1</td>
<td>.079</td>
<td>2.685</td>
</tr>
<tr>
<td></td>
<td>Constant</td>
<td>-3.102</td>
<td>1.308</td>
<td>5.628</td>
<td>1</td>
<td>.018</td>
<td>.045</td>
</tr>
</tbody>
</table>
Figure 1 – The Theoretical Model of the Paper

**Internationalization Motives**

**Categories of Structural and Strategic, and contextual Characteristics of the Firm**

- Corporate, Demographic Characteristics
- Internationalization manager’s profile, Labor Characteristics
- Structural & Operational Characteristics, Planning & Programming Strategies
- Structure of the Strategy
- Empirical Dimension
- Absorptive Capacity
Figure 2 – The Final Model of the Paper