



Globalizing internationals: business portfolio and marketing strategies in the ICT field

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Abstract

The Information and Communication Technology (ICT) companies originating from small and open economies (SMOPEC), such as Finland, face the tremendous challenge of moving from the international to the global arena and developing global marketing strategies. Earlier studies have merely recognized the phenomena and postulated preliminary assumptions about the behavior of globalizing internationals. In the ICT field, all the major globalization drivers—be they changes in the macro environment, industry globalization, or pressure for increased internal efficiency—point in only one direction: globalize or die. Limited managerial and financial resources are often the challenge for companies originating from small and open economies. The study received preliminary empirical support from the ICT field that globalizing internationals select only one or at most a few of a large number of unrelated international businesses for globalization. As globalization matures, they further seek growth through related diversification. Implementation at the business unit level seems to require a change in marketing strategies; both the broadness of the marketing offering and the degree of standardization were found to evolve as globalization proceeds. At the beginning of the globalization process, a more focused marketing strategy was selected, which was then broadened as globalization proceeded. Moreover, the marketing strategy was increasingly standardized in respect to products, but also to a certain extent for brands and channels. The article develops a framework and propositions that are examined with the multiple case-study method. It also suggests further empirical testing with a survey study. Finally, it draws both theoretical and managerial conclusions that are expected to be particularly useful for ICT companies from SMOPEC countries, but interestingly also for the US companies that are competing fiercely against globalizing internationals.

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1. Introduction

In the information and communication technology (ICT) industry, the pressure to globalize existing international business is great. The information and communication technology cluster consists of a large number of different companies, ranging from manufacturers to service providers. The focus in this research is on the ICT equipment manufacturers, including network infrastructure, mobile phones, and component manufacturers. In these sectors, all the major globalization drivers—be they changes in the macro environment, industry globalization or pressure for increased internal efficiency—point in only one direction: globalize or die. Both huge benefits and risks are involved (Yip, 1989).

As ‘globalizing international’ is a relatively new concept describing a particular globalization approach, we will first define it. A globalizing international is a company that has first internationalized its businesses within home continent after the domestic period and only then started to globalize outside its home continent (Luostarinen & Gabrielsson, 2002, pp. 5–6). Although, globalizing internationals account for only a rather small proportion of the ICT companies, their importance for the SMOPEC from which they often originate is huge. The term SMOPEC (small and open economy) refers to countries like Finland or Sweden, Denmark, Norway, and Austria. Take for instance the Finnish company Nokia, which in 10 years has developed from a European challenger into a globally leading telecommunications terminal and infrastructure manufacturer with net sales of over 31 billion euros in 2001, out of which over half is derived outside its home continent of Europe from over 130 countries. The impact of Nokia on the Finnish economy is huge, as it represents one-fifth of the Finnish economy’s total exports (Ali-Yrkkö, Paija, Reilly, & Ylä-Anttila, 2000, p. 10). Or then the telecommunications infrastructure manufacturer Ericsson, which is very important for the Swedish economy. Both of these companies first developed several international businesses and then focused on telecommunications in the 1990s. For academicians, practitioners and government policy-makers it would be valuable to better understand the factors behind their transformation from international to global status and whether another company from the same or another country could possibly replicate their achievement. This understanding is also expected to be useful for companies from larger countries, such as the USA, when planning their strategies against globalizing internationals.

The internationalization process of companies has been widely studied (Johanson & Vahlne, 1977; Luostarinen, 1979). The prevailing knowledge of internationalization as a process focuses on firms in the early phases of internationalization (Melin, 1992, p. 104). Research has also focused on both multinationals and existing global companies. Recently, the globalization process of small and medium-sized companies in particular has become of interest to researchers. Oviatt and McDougall (1994) have suggested that some companies may be international from inception, without proceeding through the conventional phases. These companies, which are often referred to as ‘born globals’ deviate from the ‘globalizing internationals’ examined here, which have first internationalized their business and only then entered the globalization stage (Luostarinen & Gabrielsson, 2002, pp. 5–6). Surprisingly, little research has been done on the globalizing internationals, except for a few studies (see Gabrielsson & Gabrielsson,

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