

Internationalisation theories: a revolutionary change or a Darwinian
evolutionary process?

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1. Introduction

Ten years ago the Portuguese glass and crystal sector was in a difficult situation as many companies were lacking competitiveness. Firms located in a Marinha Grande region identified cooperation as the only way out of crisis and joined efforts in a network – Vitrocristal. One of Vitrocristal's main goals was the development of a brand name and its internationalisation. This only became possible after the identification of gaps in the value chain and the incorporation into the network of actors who held the knowledge that was identified as missing.

The Vitrocristal case was studied and two internationalisation theories were used to understand the development of the internationalisation process: the stages theory and the network theory. Using an inductive approach, we argue that instead of alternatives these two theories can be regarded as complementary. Moreover, network theory preceded the stages theory, and the latter included the basic principles of the former, enhanced with further elements. Our argument is based on an evolutionary approach to internationalisation theory development.

This paper is organised as follows: the principles of both theories are introduced; then a methodology is proposed; the analysis focuses on the internationalisation phenomenon using previous theoretical constructs and uses an inductive approach to understand how both theories are related. An evolutionary theory is then applied to the theory production process. Finally, a claim of evolution by incremental changes and in small steps is proposed to explain differences between both internationalisation theories.

2. The Stages of Internationalisation Theory

The theory developed initially by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) claims that firms expand their international activities through small incremental steps and not in a single large investment effort. The initial purpose of the theory was filling the gap left by previous works, essentially based on North-American multinational companies. An empirical study in Sweden suggested that firms were internationalising according to a certain pattern, denominated “establishment chain” (Johanson and Wiedersheim-Paul, 1975): in the first stage, there were no regular export

activities; in the second, exports occurred through agents; in the third stage, firms established a sales subsidiary; and finally in the fourth stage, they would set up a production subsidiary. The underlying assumption is that firms initiate their internationalisation process facing lower levels of risk. They start with modes involving less commitment and control, and, after gaining market knowledge, evolve to more complex modes.

The obstacles to the internationalisation process are essentially the lack of knowledge about the market and the lack of resources. These difficulties can be reduced through incremental decision-making processes (Luostarinen, 1980), as well as with the knowledge that firms gain with the involvement in the market and the internationalisation process, itself. As perceived risks tends to diminish, firms move progressively from simple international modes to more complex ones, and from closer markets to more distant ones. Johanson and Vahlne (1977) consider knowledge as an asset. Thus, a deeper involvement in foreign markets implies the development of firm knowledge and, as a consequence, an increase of the firm's assets. They claim that knowledge is obtained through experience, which can be developed within the company or brought from outside. The result of a decision constitutes an input for future decisions. This is why firms tend to move incrementally. Nevertheless, Johanson and Wiedersheim-Paul (1975) argue that it is not always easy to assign an entry mode to a single stage and that, occasional jumps over the conventional steps may occur.

According to the previous authors, there are two factors affecting the extension of international activities: psychic distance and potential market size. The first concept relates to factors that cause disturbances or constitute barriers to information flows between the company and the market. Some examples are: language, culture, political system, education, industrial development and business practices. As a consequence, it is expected that psychic distance contributes negatively to the development of the internationalisation process. The concept of potential market size attempts to measure the impact of potential market size on internationalisation decisions, but its expected influence is in fact unknown. There are firms that internationalise to large markets looking for more opportunities, but there are others that prefer smaller markets with fewer competitors and demanding fewer resources. Some other companies prefer small market niches disregarding the total market dimension.

Johanson and Widensheim-Paul (1975) apply these indicators to distinguish the different stages of their model. They conclude that in initial phases of the process, agency contracts prevail and the influence of psychic distance indicator is dominant. Market size becomes more important in more advanced forms of internationalisation. Furthermore, the internationalisation processes of firms that take place with some delay, when compared to the market tend to produce faster effects. One important finding is that when assets specificity prevails, market size tends to have a positive effect on the internationalisation decision-making. On the other hand, when such specificity does not exist, companies tend doing business in markets with a size similar to their domestic one, since these are more likely to have similar conditions of competitiveness.

This theory received criticism, namely from McDougall *et al.* (1994), who claim its partiality. Turnbull (1987) also concludes that firms could skip some stages in the chain and that others could start their international activity immediately through foreign direct investment. O'Grady and Lane (1996) propose changes in the way psychic distance is conceptualised and measured, and suggest the inclusion of manager's behaviours variables in the model, given that some differences in cultural perceptions could influence the psychic distance concept. [Sousa & Bradley, 2004 – paper on cultural distance and psychic distance]

3. The network theory

This theory has grown with the studies of Scandinavian and English authors such as Håkansson (1982), Håkansson and Johanson (1984), Ford (1982), Håkansson and Snehota (1990), Mattsson (1985) and Johanson and Mattsson (1987). The first developments were a reaction to earlier theories, based on the North-American reality, where the focus was placed either in the buyer, or in the seller. No role was assigned to interaction or to any dialogue between market actors. Cooperation was not given much importance when compared to the central question of competitors' rivalry (Porter, 1980).

Simultaneously, the advent of massive consumption provoked a splits in the field of Marketing into different domains such as goods marketing vs. services marketing, and

consumer marketing vs. industrial marketing (Grönroos and Gumesson, 1985; Gumesson, 1995; and Grönroos, 1990). In this context, the new opportunities to benefit from product differentiation changed the concept of competitiveness. Collaboration and cooperation started to be seen as of important for companies wishing to be competitive, and the word “relationships” gained relevance. This school of thought extended the study of relationships to include also networks of companies (Håkansson, 1987; Ford, 1990; Anderson *et al.*, 1994) with the main idea of assigning value to other relations besides the buyer-seller.

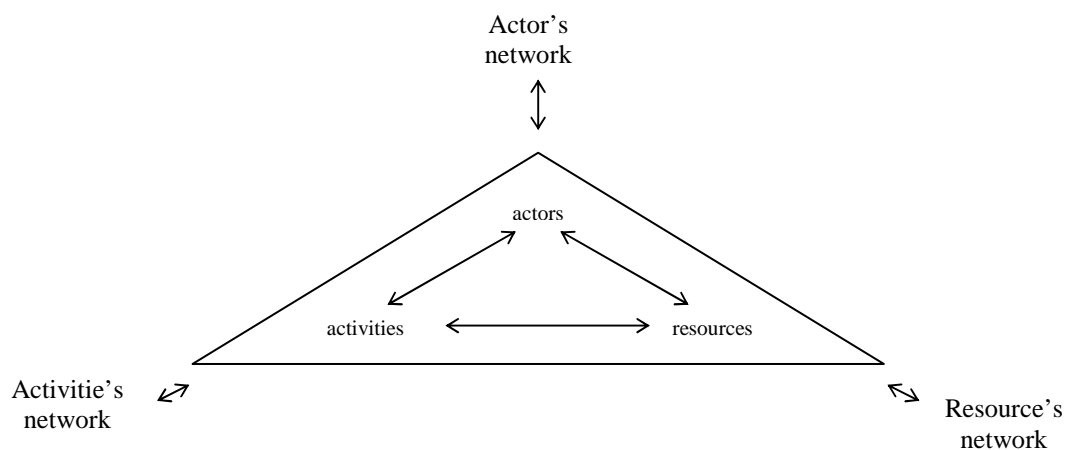
According to Easton (1992) a network is a model or a metaphor describing a normally higher number of connected entities. If those entities are organizations, then we will have inter-organisational networks which may include companies, associations, universities, financial institutions, public bodies, etc. Johanson and Mattsson (1988) consider networks as the privileged form of organisation. Other authors, however, consider it in parallel or complementary to market and authority (Williamson, 1985; Cox, 1996; and Ring and Van de Ven, 1992; Thorelli, 1986; and Hennart, 1982). These supporters of transaction costs economics theory consider networks as a part of a continuum ranging from market to authority. Market as a mode of governance is adequate if assets are not specific and transactions occur frequently. In the opposite situation, hierarchy is the alternative. In between, there is room for networks (Cox, 1996). Markets and hierarchies are associated with low levels of trust. This is why Ring and Van de Ven (1992) suggest that in the case of high levels of trust, networks should be the appropriate mode of governance. Thus, when relationships become vital, networks should be privileged and trust the governance mechanism chosen.

An important input for network theory is the “interaction approach” of Håkansson and Snehota (1990). This approach is based in the concept of change, which can be of products, services, information, financial or social, and have a time horizon short or longer (Håkansson, 1982). This way of looking at exchange of firm’s assets is defended by those authors as well as the importance of long-term stable relationships in industrial markets. Ford *et al.* (1998) add that firms must know how to act with their partners, but also through them and instead of them. They must also recognise with whom and when to compete and/or to cooperate. The main argument is that acting through a network enables better results than those resulting from the sum of the results of different dyads

involved (Håkansson and Johanson, 1993). This is possible due to the relationships between actors and their environment. Johanson and Mattsson (1987) asserted that, in addition to the actors normally involved in an exchange process, it is also necessary to consider other entities acting in the environment. Even in an indirect manner, relationships within the network allow actors to have access to other actor's resources. This is why relationships should also be considered as an asset (Easton, 1992).

Networks modelling become an important issue for this group of scholars. Håkansson and Johanson (1984) conclude that any network has three elements: actors, activities and resources. Actors can be individuals, groups of individuals, companies or groups of companies. They perform activities and/or control resources. Activities can assume different forms and allow transforming resources. Resources are what actors use to perform activities. Figure 1 shows their model, which employs circular definitions, and where the network is assumed to be the synthesis of the three former networks: actors, activities and resources.

Figure 1 – Basic structure of industrial network model



Source: Håkansson e Johanson, 1984, in Axelsson e Easton, 1992, p. 29.

A network is vast and it is almost impossible to know its limits (Anderson et al., 1994). Therefore, knowing its horizons becomes more relevant than knowing its borders. It is important to identify the part or parts of the horizon that each actor considers relevant for its case. Thus the concept of network position becomes central (Håkansson and Johanson, 1988), giving visibility to the interaction between market and its actors as a

strategic option to be followed by companies in opposition to the traditional view of being competitive.

In each moment in time, a firm occupies a position in the network characterized by the existence of interactions with other actors. That position results in opportunities, as well as in relationships constrains (Mattsson, 1985). In fact, individual transactions tend to occur within an established relationship framework. Nevertheless, new relationships can be created and old ones can be broken. Ford (1982) and Johanson and Mattsson (1988) talk about relationships maintenance, change, development and failure, and in 1998, Ford *et. al.* refer to relationship development and to a firm relationships portfolio. Relationships are thus considered a resource, requiring a special attention, namely through a continuous investment (Johanson and Mattsson, 1987).

Besides the interchange processes between individuals or organizations in the short term, “interaction approach” also refers to adaptation and mutual trust processes. Those processes can be observed in the long term (Ford, 1990) and are considered as a pre-requisite for the development and preservation of relationships (Håkansson, 1982). Morgan and Hunt (1994) also made important contributions in this area, enlightening the importance of commitment and trust in firms involved in networks. They state that those characteristics tend to prevail in relationships characterized by the existence of high corporate values and by the alignment of each company towards the partner with similar set of values. This means that there is a real investment of parties in the relationship. Efficient ties will only exist if common interests are pursued and this implies that each party gives up some autonomy in its decisions. Those authors believe that those factors allow cooperation and make partners to accept that opportunistic behaviors can be resisted as well as short-term options when contrasting with long-term ones.

4. Methodology

Normally case studies are more appropriate as a method for the analysis of research questions involving a “how” and a “why” and are more suitable for the exam of actual events over which the researcher has little control (Yin, 1994). The Vitrocrystal case seemed to be an adequate concrete situation, for study cooperation in a network. It

involved several cooperation elements successively formed and the resulting structure, which started gaining the competency needed to evolve by it. Even if initially the cooperation behaviours had to be replicated by public entities, after a few years the network was able to functioning itself. The objective of this study is twofold: the understanding of this process of substitution of behaviours; and the understanding of how those companies, working together in a network, built competitiveness by creating a brand name and internationalising.

A network based on a concrete subject is, according to Brito (1999), a network of relationships between actors dealing with a particular topic through mutual or conflicting interests. In the Vitrocrystal case, the unit of analysis will be the network of relationships between all the actors with the aim of, through collaboration and collective action, pursues the project of creation and implementation of an international brand associated to the Marinha Grande Glass Region. What links actors is the “issue-based net” (Brito, 1999), a concept that locates the unit of analysis between two extreme positions: the study of focal organizations and the study of the network as a whole. Thus, the aim of the study is looking for connection effects that characterize the network action. This action can be spontaneous or deliberated. The important thing is to capture the dynamic characteristic from industrial systems moved by collective interests.

The case study involved the use of semi-structured interviews. The questions were designed to investigate an actual phenomenon within a real context. Frequently the borders between the phenomenon and the context are not well defined (Yin, 1994). In the present case, the main questions were based on the actors, activities and resources model (Håkansson and Johanson, 1984) and in the use of this framework to study the internationalisation (Johanson and Mattsson, 1988). The questions were built in order to obtain information about actors interests, sharing of resources, coordination of activities, trust built and developed and also about the ongoing internationalisation process.

There were 24 companies in the network. Some of them were producers and the others were transformers, some were members of the trade association while others were not, some were quite small (less than 10 employees) and others had a relative small size

(less than 25), some joined the project from its beginning and others not. Thus, it was decided to pick a representative sample from the 24 and 6 companies were chosen. For the sake of consistency, a triangulation process was used as proposed by Yin (1994). Eisenhardt (1989) also refers to the overlapping of data to foster case analysis and these principles have been used throughout the data collection and analysis. Therefore, not only interviews were used, but also data obtained in the local and national press and data obtained through direct observation. Criteria such as prudence and embeddedness in the context were used in order to guarantee data relevance.

Interviews were conducted with major stakeholders in the Vitrocristal network, namely the Vitrocristal itself, the trade association, the regional crystal commission, the national institute supporting small and medium sized firms, and the strategic consultants – Augusto Mateus & Associados, and Roland Berger & Partners.

5. The Vitrocristal case: a brief presentation

The crystal sector, which includes products of crystal and glass products obtained through semi-automatic and automatic processes, is one of the most vulnerable in Portugal, suffering from several constrains such as:

- strong external competition from low wages countries, mainly from the Eastern Europe,
- low productivity rates,
- dependency from highly skilled work,
- highly unionised work force,
- dependence from a small number of clients,
- low intermediation margins,
- no control over distribution channel,
- absence of a brand name,
- no reputation outside Portugal,
- absence of design and market trends,
- difficulties in the development of communication and marketing strategies.

The majority of companies operating in this sector are located in the region of Marinha Grande, with 80% of the crystal production based in the region and where 30% of the active work force is employed in this industry.

Vitrocristal is a group of companies which was formed with the support of the trade association in 1994. Its creation was an attempt of modernising the glass and crystal industry, as companies were facing a lack of competitiveness. The Government decided to intervene in the recovery of the sector and it gave the institute for support small and medium sized firms (IAPMEI) the task. Through Vitrocristal, funds arrived and were distributed to the companies enrolled in a production capacity improvement programme.

By 1996, the weaknesses of the industry persisted and Vitrocristal tried to implement other measures beyond improving production conditions. More aggressive measures were advisable to face the new global context. Thus, some interventions in terms of brand, design, commercial conditions and new markets were investigated. A major role was given to the trade association. The trade association leader, that became Vitrocristal mentor too, played a crucial role. A strategic consultant agency developed a cooperation model, in which speed of decisions, contact with the market, ability to profit from market opportunities, products differentiation, flexibility and diminishing of response times were vital. A result of the association of the advantages of small and big companies was the increase of internationalisation potential. The idea was to build a horizontal cooperation model in a gradually, basing each step in the results of the previous ones .

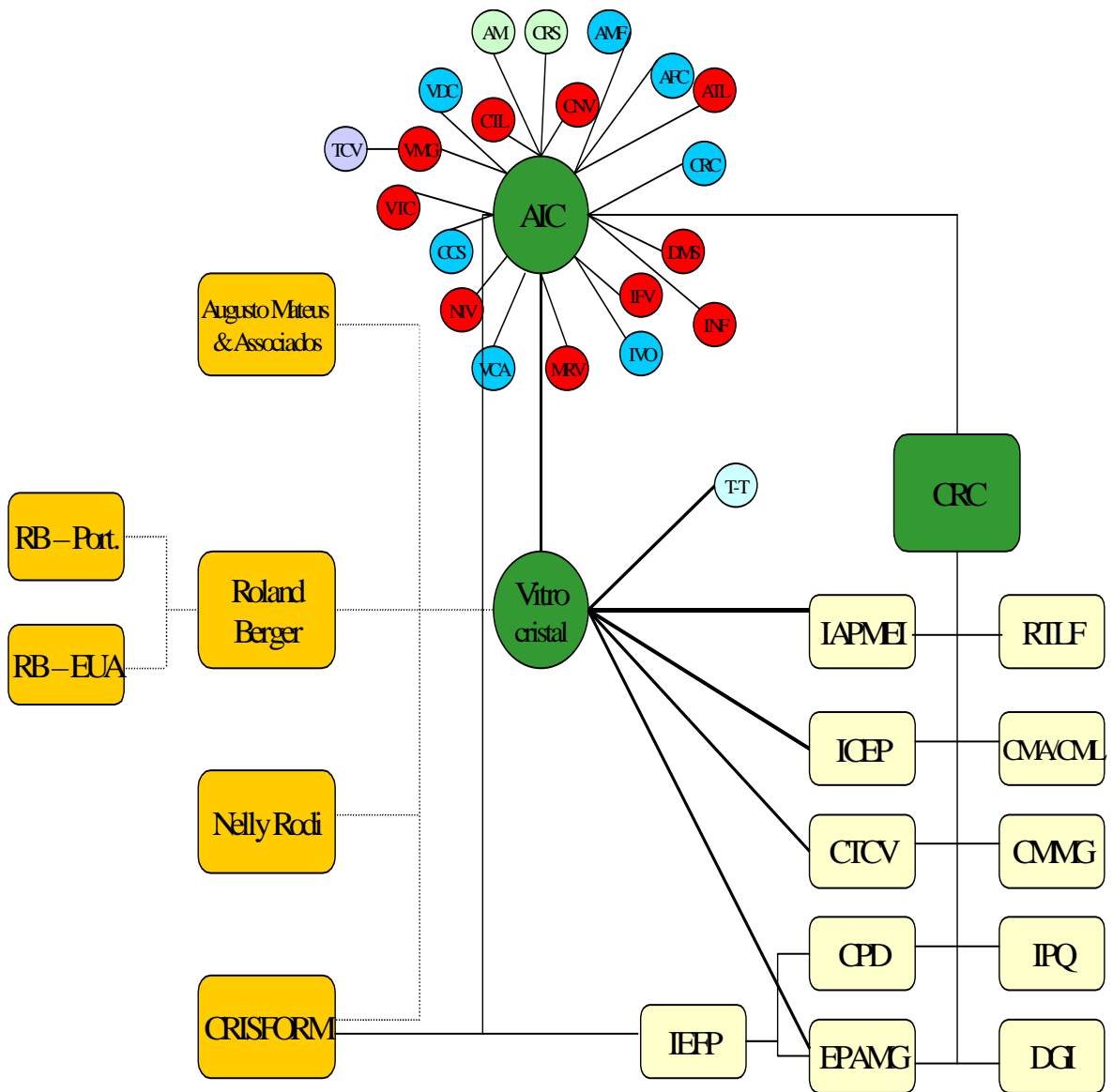
The value chain of the sector was analysed as well as the activities that had to be performed with the help of outsiders identified. As a result, three elements were identified to have a key role in the process: the Glass Region itself, the Vitrocristal network and a new technical and commercial operator, to be in charge for the marketing, trade and internationalisation. The Glass Region was created with the aims of: articulating policies, implementing a quality certification strategy; promoting a global and differentiated image of the sector and the region; and, improving supply conditions. Vitrocristal was expected to connect the companies, the public policies, the trade association, the support infrastructures and the society. One of its main goals was the creation and development of management capacity, through the recognition of

special needs of the sector and of a cooperation model. The technical and commercial operator had to be brought from outside the network and provide the knowledge that companies did not have. Thus, considering the strategic positioning desired for that industry based at Marinha Grande, a consultant company was hired: the Roland Berger & Partners. The choice was made by considering that this company occupied an important position in market studies and was an expert in the definition of strategies for crystal industry all over the Europe. It was also recognised its expertise in the sector throughout the world, as well as a close contact with some specific markets.

The implementation of this cluster concept demanded some measures to take place, such as the creation of a demarked region and also the establishment of an education centre. A Regional Crystal Commission assured the involvement of all the forces of the region. This commission was expected to support projects promoting the region and its products, and improving technical processes. It was also responsible for ensuring production conformity according to established standards.

As explained above, the Vitrocristal cluster aggregates different entities. Figure 1 illustrates an overall sketch of the network. The figure serves here simply an illustrative purpose, since a more detailed explanation is beyond the scope of this paper. The legend is provided in the appendix. Vitrocristal included other actors, such as the professional education and training centre – Crisform, that was in charge of the education of the specific labour force of this industry; and the French fashion analyst – Nelly Rodi, in charge with the definition of the fashion and market tendencies.

Figure 1 – Vitrocristal network



The intent of creation of a brand name able to identify and promote the companies of the region was present since the beginning of the Marinha Grande Glass Region project. The idea was to create an industrial brand as a “denomination with controlled origin”, capable of projecting the quality of the crystal produced in the Marinha Grande region.

The brand name created was MGlass and it constitutes a distinctive factor of the region. The pieces of the different companies are evaluated and only if the standards in terms of quality and design were fulfilled the product would be branded with a seal, guarantee that the required specifications were there. There are periodical inspections of products and processes to check if all the conditions are fulfilled and whether the seal granted by an independent entity should be maintained. So, companies are compelled to achieve the patterns and maintain them to be able to use the insignia, meanwhile getting popular in the market.

6. The Internationalisation Process of Vitrocristal

Considering the attractiveness of different markets, Vitrocristal network decided to move towards Europe and The United States. Important growing rates were identified in the Spanish market. Markets like France, Germany, Italy, United Kingdom, Sweden, Belgium, The Netherlands, and Japan were also considered interesting. In some European countries Vitrocristal decided to use exports as an entry mode, as that was already done by some of the participating companies when acting alone. However, a major emphasis was placed in The United States since there were important opportunities in that market, Vitrocristal decided to enter it using MGlass brand name. The objective was the achievement of a 1% share market within five years, and for that a considerable investment was necessary.

An active position was taken with an exhibition in a showroom in New York. An advisory company was hired to help defining New York trends. Market knowledge from Roland Berger and ICEP (Investments, Trade and Tourism of Portugal) were also brought into the network. A permanent showroom was then opened in one of the most famous avenues in Manhattan.

The creation of a company in the American market was considered the best option given that Vitrocristal wanted to be placed near its customers and be able to better pursue negotiations. Being aware of New York market trends was a major worry for Vitrocristal. The company operated as a sales subsidiary, option that allows a better control over the distribution channels and a better way to profit from the investments made in the brand name creation and potential reputation.

In terms of marketing programme, Vitrocristal always thought that it was necessary to fill the specific needs of this market. Consequently, it was decided to use local advertisement companies who were put to be in charge of brand name communication. Public relations were also used, as it was considered very important to succeed in a market of highly designed glass and crystal products.

7. Analysis

For the internationalisation process of Vitrocristal we can use among others the stages theory and the network theory.

7.1 Stages theory

Recognising the importance of learning and of interaction with other companies, this theory explains why sales subsidiaries should be the next phase after agents in international entry modes (cf. Johanson and Vahlne, 1977). Nevertheless, this approach is somewhat deterministic in the way it faces entry modes and their subsequent development. The question is that going from one entry mode to another seems to depend more from the context than what is assumed by this model.

In highly internationalised markets the decision to whom to relate to is important. The set of opportunities accessible to the companies operating in such contexts are broader than in a non-internationalised environment. Those opportunities are far from being pre-defined as postulated by the stages theory. Thus, although this theory considers the cumulative nature of activities and its importance in future directions, it only recognises the knowledge of the firm and its resources in an internal way, based on ownership and not in relationships.

Concerning the extension of activities to other markets, this theory seems to have parallel or even common points with the network theory. In both cases the concept of proximity is used. In the first case a geographical and psychic distance is considered. In the second case the target markets are those where companies have resources in a direct

or indirect way, meaning that resources can be obtained through the established relationships within the network.

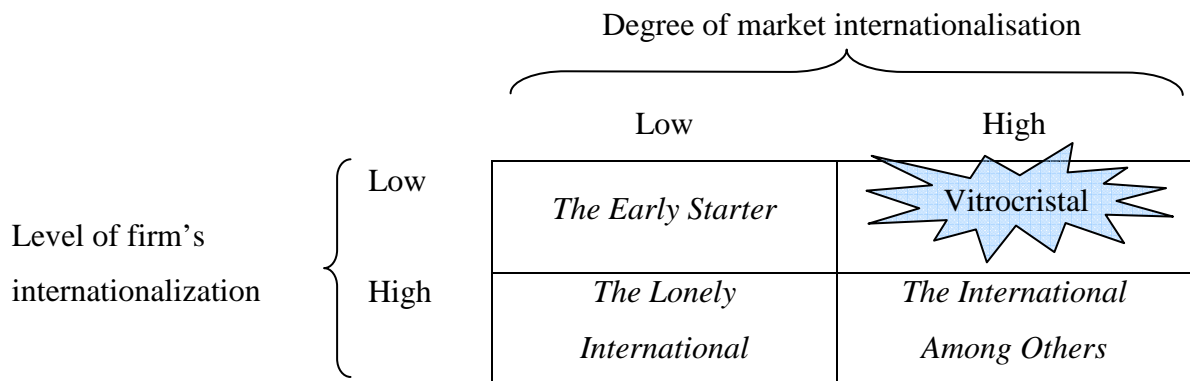
In the case of Vitrocrystal case, opting for the United States (U. S.) market was due, not only to market attractiveness (variable of the stages theory, included in the market size), but also to the positions held by other elements of Vitrocrystal in that market, namely Roland Berger and ICEP. Those positions were seen as assets too. And is knowledge brought to the network from these other elements allows us to say that the U.S. market was, in a certain way, “near” too.

Considering the way of access to the market, the case also reveals that the pattern assumed by the stages theory could not explain the decision of establishing a sales subsidiary as a primary entry mode. This decision was made under consideration of the relationships and positions detained by the Vitrocrystal partners and no incremental process was followed. Thus, it seems that the stages theory loses some of its explanatory power in the Vitrocrystal case.

7.2 Network theory

Internationalising means, under this approach, establishing and developing positions in relation to partners belonging to international networks (Johanson and Mattsson, 1988). One possible way to achieve a position in international networks is through the establishment of relations with new partners for the company, that is, through an international extension. The objective of a firm is the use of its resources in order to achieve its economic goals. The way those resources are used depends on the levels of internationalisation of the company and of the market. Taking these two dimensions into account, and according to Johanson and Mattsson (1988), four situations can occur: Early Starter, Late Starter, Lonely International, and International Among Others. It seems that the type that better reflects the situation of Vitrocrystal is Late Starter (Figure 3). Indeed, the internationalisation process is characterised by the existence of a highly internationalised environment. However this does not apply to the case.

Figure 3 – Vitrocrystal situation in Johanson and Mattsson model



Source: Adapted from Johanson e Mattsson, 1988, p. 310.

Most actors in this network have already internationalised. They obtain supplies and place orders wherever it seems most convenient, based on quality, design, costs, orders flexibility and deliver conditions. Competitors act all over the world as Vitrocrystal immediately noticed when trying to position the MGlass brand name among other well-known names. Consultants should also be considered international given their knowledge and experience with international markets.

Before Vitrocrystal, most of its companies used to export, but they did it at the request of their clients. The process was the following: the clients contacted the companies and set their orders. Clients based their options in criteria such as the ability of producing small series, according with their specifications, the knowledge of specific techniques, and the quality of the products. Despite of achieving a large part of their sales in the foreign market, companies belonging to Vitrocrystal cannot be considered as highly internationalised. “To be international,” means much more than just selling to foreign clients that look for a company to place their orders. It means having a pro-active attitude, knowing the market where products are sold, facing high uncertainty, and bearing a high-risk level, all of which are characteristics of an international strategy.

Under these conditions, the pressure to act in an international basis increases. In fact, even the established relationships in the domestic market can be seen as important assets in the internationalisation process. The existence of relationships in a network

allows firms to better face the uncertainty and complexities associated with internationalisation processes and move forward. This could be one explanation for the choice of Vitrocristal to enter in the U.S. Market (where geographic and psychic distance would not be favourable to investments): there were important assets in that market, which Vitrocristal could access indirectly. Therefore, a great resource commitment was made in the very beginning of the internationalisation process of the network, in opposition to the claim of stages theory. Frequent meetings and teamwork were needed, fact that motivated the establishment of the subsidiary there. The commercialisation of MGlass collection in New York was made in order to achieve a good adaptation to the needs of that market.

As a Late Starter, Vitrocristal faced a great delay when compared with other agents already in the market. Thus, it seemed convenient that the entry process was made carefully. This is as much important as the incumbent's dimension is small. Besides that, the entry process should be complemented by specific abilities or a high adjustment capability, preferably in some niche market. This was the case in the Vitrocristal. The network recognised its own strengths and weaknesses and tried to establish a head position in a small portion of the New Yorker crystal market. Specialisation works therefore as a pillar to support all the international presence and face competition. The target market was essentially young people with high-income levels; art lovers such as to appreciate highly designed crystal pieces. MGlass products were sold in specific retail chains and department stores and with prices according with the high positioning elected, but cheaper than Italian and French competitors.

8. The two theories and the Vitrocristal case

Each of the above mentioned theories seems to have its own time and place. The stages theory was concerned with the limitations of a previous theory, namely internalisation theory, and tried to fill its gaps, adding important aspects to the decision making process as the learning and the experience. It also tried to claim the need of taking these decisions in small steps (each step should only be give after securing the previous one because of the risks and uncertainties associated with the process) and in an incremental way (market commitment increases in a progressive way). Network theory uses some of the most important topics raised by the previous approach and adjusting them to its

present context. This is the case of the importance of interaction among firms, namely through cooperation in order to decrease risks and maximizes opportunities. Besides that, this theory adds further topics like the interaction with the environment where firm's action takes place. In that environment there are several actors with whom firms have relationships and share resources, direct or indirectly.

Taking the Vitrocristal case, we may conclude that entering in the New York market through a sales subsidiary would not be a reality if a strong relationship investment had not occurred. Vitrocristal successfully managed cooperation relationships, which is not an easy task. This lead to a multiplication of resources and companies are no longer confined to ownership. This is why intangible aspects of management should receive a special attention. A step in this positive sum game is the analysis of those activities of the value chain that actually add value and identification of the actors who perform those activities.

We tried to look at the case under study from different points of view, having no intention of electing one theory over the other. The Vitrocristal deserved study because it reflects a will of survival when all the guesses pointed to a short life for the companies involved. Indeed, the theoretical explanation that seemed to better fit the understanding of the case was the network approach. However, it is impossible not to recognise some affinities concerning the stages internationalisation theory. Are there real dissimilarities or is there just a difference between the perspectives in use? It is possible to get a better understanding of theories if we keep in mind that they have similar origins and followed parallel development paths?

9. Discussion

9.1 The evolutionary theory of Darwin and its application to production of theories

One of the objectives of this paper is to understand how theories evolve when the environment where companies act follows its historical course and also changes. Or, in other words, how companies face the evolutions on the context. In the examination of how firms co-evolve with their environments, Morgan and Hunt (2002) identify in the literature three theoretical strategy traditions: sociology (Hennen and Freeman, 1977;

DiMaggio and Powell, 1983)); economics (Nelson and Winter, 1982); and strategy and organization (Lawrence and Lorsch, 1967; Lewin and Volberda, 1999).

In what concerns strategy and organisation, researchers claim that organisation's configuration should differ as a result of environmental change. They also say that it is the responsibility of the management to ensure constant strategic adaptation and to govern the structural-environmental fit. Managers should know how to interpret and react to changes in the environment, keeping in mind that past strategic actions and new insights are important elements for planning and acting (Lawrence and Lorsch, 1967). Monitoring and shaping the environment should also be part of strategic thinking and in this line of reasoning Lewin and Volberda (1999, p. 522) state, "... adaptation is a dynamic process subject to both managerial action and environmental forces". This means that the environment is in constant change and that companies should go along with that. Thus, companies make use of strategy to adapt and/or change aspects of their environment in order to get more favourable alignments. Analogously, we argue that the two internationalisation theories studied follow this evolutionary path too. They change in order to incorporate past experiences and to include new insights about the environment. Those changes are often a product of time. And time is a factor of major importance in the way context changes. Even when no major events occur, still the experience gained over time and the learning processes on going must nevertheless be noticed and incorporated into theoretical strategic thought. Research and literature must embrace this procedure.

Darwin became famous primarily due to his evolutionary theory. He "...supposed that offspring would always exhibit a sort of blend or average of their parents' features." (Dennett, 1995, p.20). Analogously we can also advocate a similar process for the production of theories. Considering the two theories analysed, the last one – network theory – could be seen as carrying a sort of "genetic material" from the previous - stages theory. That "genetic material" is used to improve internationalisation explanations. It is used to select, from a range of characteristics, which are the ones, which better deserve to be retained in the new theory, after a competitive struggle over the others. Surely, this is not the only way of creating new theory, but might be an important one. And in the case of the two theories under study, the process seemed to be like this, although authors had not considered it (Axelsson and Johanson, 1992).

9.2 Internationalisation in the stages theory and in the network theory: a natural evolution

Using the Vitrocristal case we investigate some explanations for the compatibility of stages and network theories. In fact, we can find some rationalisation in the decision of addressing the American market through a sales subsidiary, as Vitrocristal did, when what would be expected with the stages theory approach, would be to use entry through exports. We can regard this as being the climax of a global learning process resulting from the synthesis of all actors' experiences that can be considered a resource. Actually, the companies of the network had already some international experience, although a small one, through direct and indirect exports. Consultants had already a reasonable international experience. Thus, moving to the American market can be regarded as the commitment of more resources after a number of experiences had been gathered, what agrees with the network perspective that considers the cumulative nature of activities performed. Gathering individual knowledge under a cerebrum entity, as it was in the case, allows the matching and the synthesis of all that knowledge. In the Vitrocristal case, those competencies were brought from the outside and some of them incorporated in the own organisation and the cerebrum was precisely the organisation, itself, its mentor and its staff.

In what concerns the decision of entering in the American market it is possible to use a similar understanding. In fact, also here previous experiences of network actors should be taken into account, even if their experience mainly based on European countries like France, Germany, Belgium and The Netherlands. They used to have mainly passive approaches to international markets. It was foreign clients that normally took the initiative and those clients were mainly from near markets. Thus, in a certain way, the internationalisation process started by near markets, from a geographically point of view.

Market knowledge has played an important role in the case of both, stages and network theory. This is the knowledge obtained through market research and experience that allows reducing both uncertainty as well as the complexity associated to new markets' operations. In their model, Johanson and Vahlne (1977) believe that knowledge can be

seen as a resource, which is precisely one of the vortices of Håkansson and Johanson (1984) model. The latter authors claim that resources can be directly and indirectly accessed, depending on being held by focal firms or by other firms in the network. By considering the use of indirect resources those academics of network theory are conventionally admitting an increase in the firm's asset portfolio. And this situation is perfectly treated in the stages theory. What really seems to distinguish the two approaches is the notion of environment. Whereas in network theory, the environment is constituted by relationships among firms, which allow the access and the control of resources not owned, this is not the case in stages theory, even if this theory considers the environment as well.

Given the knowledge of companies and actors of the Vitrocristal network, the bet in international markets pointed to large sized markets. And size and growth sales rate of the U. S. market acted as attractiveness indicators and as a potential target for Vitrocristal investment. Those indicators seems to have worked as would be expected by the authors of the stages theory, when referring to the great influence of this variable in more advanced phases of internationalisation process. In fact, big sized-markets become more attractive because it is easy to find gaps in them. With a strategy of product differentiation the likelihood of finding gaps in market segments is high. In the Vitrocristal case, it was decided to bet on the creation of a specific collection of differentiated products - products in glass or crystal, with high quality and design outline. As a consequence, adequate marketing-mix policies were implemented in the higher market segments targeted. Given the high competition in the sector, firms seemed to have no other choice than differentiation in order to benefit from the good opportunities offered by a full-sized market like that one.

Summing up, it is important to realise that the network included companies that were already operating in the sector for a long time. Therefore, they should not be considered as totally inexperienced and as not being knowledgeable once they are integrated in a network. Those characteristics are non-dissociated and non-inalienable from them and thus we should count on it when they join a network. Accordingly, when aggregated under a network with a well-defined cerebrum, the conditions to benefit from the sum of individuals firms knowledge are met. This will enable the progress to forms of international activity more consentient with more experienced firms, with more

resources, and with higher awareness of the difficulties that have to be faced. All these are reasons that lead us to consider that, after analysing this case based on the network theory, stages theory maintains its validity. Indeed, it does not deny the idea of interaction. However, it does not consider explicitly that relationships are market assets. For that to happen, the notion of resource must be extended as far as to include in the concept those assets to which is possible to get access in an indirect way. That is, it is “just” necessary to add to the first theory a broader notion of environment.

10. Conclusions

Hence, the theory development under study follows more an evolutionary process, than a clear cut with the thoughts of previous work, as some authors defended (Axelsson and Johanson, 1992). Prior work should not be isolated from the time and place where it had been created and developed and subsequently one should not have the overconfidence to impose itself without the consideration of the learning process, only possible because others have been theorising before. This is why the Darwinian theory can be used here as a metaphor in terms of theoretical production. And this is why we may conclude that the process between the two theories under analysis, instead of consubstantiating a revolution, as was supposed in previous works (Axelsson and Johanson, 1992), can be considered as a natural evolution. They even have the same geographical origin (mainly Nordic countries). Thus, it is almost inevitable that characteristics from the first are included in the second, besides those aspects that time revealed important in adaptation to the changing environment, as claimed by Darwin.








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Appendix

-  Companies' members of AIC (Crystal Trade Association) and that supply Mglass brand
-  Companies' members of AIC but that are not yet affiliated of RVMG
Note: Crisal is a firm that cannot be a part in the project because it only produces automatic glass
-  Companies affiliated in the RVMG but yet not suppliers of it
-  Company only indirectly related with the network
-  Company of Vitrocristal, but not member of AIC neither participant of RVMG project
-  Actors that make consultancy services for the network
-  Strategic actors: public agencies, tourism regions, technologic centers, institutions and local autarchies
- Non-economic relationships

AIC – Associação Industrial de Cristalaria (Crystal Trade Association or *Crystallire Industrial Association*)

Companies:

VDC – Vidrocristal – Transformação de Cristais, Ld^a
AM – A.M. – Decoração de Vidro, Ld^a
CRS – Crisal, SA
CNV – Canividro – Fabricação de Vidro, Ld^a
AMF – Alberto Martins & Filhos – Transformação e Decoração de Vidro, Ld^a
AFC – Arte Fosco – Transformação e Decoração Vidreira, Ld^a
ATL – Atlantis II- Cristais, SA
CRC – Cristalcôa – Cristais de Arte, Ld^a
DMS – Dâmaso – Vidros de Portugal, SA
INF – In-Fusão – Transformação de Vidro, Ld^a
IFV – Ifavidro – Indústria de Fabricação de Vidros, Ld^a
IVO – Ivo de Sousa Ferreira Neto, Ld^a
MRV – Marividros – Produção de Vidros, Ld^a
VCA – Vicriarte – Fabricação de Vidros e Cristais, Ld^a
NIV – Nova Ivima – Indústria de Vidro, SA
CCS – Carlos de Ceia Simões
VIC – Vetricor – Fabricação de Vidros, Ld^a
VMG – Vicrimag – Vidros Artesanais da Marinha Grande, SA
TCV – TVC – Técnicos Vidreiros Consultores, Ld^a
CIL – Cristul II – Tecnologia do Vidro e Iluminação, Ld^a
T.-T. - Tovil-Tosel – Vidros para Iluminação, Ld^a

CRC – Comissão Regional de Cristalaria (*Regional Crystal Comission*)

IAPMEI – Instituto de Apoio às Pequenas e Médias Empresas (*Institut for the Support to Small and Medium Sized Firms*)

ICEP – Investimentos, Comércio e Turismo de Portugal (*Investments, Trade and Tourism of Portugal*)

CTCV – Centro Tecnológico da Cerâmica e do Vidro (*Technological Centre for Ceramics and Glass*)

CPD – Centro Português de Design (*Portuguese Centre of Design*)

EPAMG – Escola Superior e Artística da Marinha Grande (*Marinha Grande Graduate Arts School*)

RTLf – Região de Turismo de Leiria-Fátima (*Leiria-Fátima Tourism Region*)

CMA – Câmara Municipal de Alcobaça (*Alcobaça City Hall*)

CML – Câmara Municipal de Leiria (*Leiria City Hall*)

CMMG – Câmara Municipal da Marinha Grande (*Marinha Grande City Hall*)

IPQ – Instituto Português da Qualidade (*Portuguese Institute for Quality*)

DGI – Direção Geral da Indústria (*General Industry Board*)

IEFP – Instituto de Emprego e Formação Profissional

CRISFORM - Centro Protocolar de Formação Profissional para a Indústria Vidreira (*Centre for Education in the glass and crystal sector*)