Conceptual and theoretical framework of the corporate internationalization process.

Internationalization in economics

Therefore, it can be said that the internationalization of an organization is the process that includes increasing the volume of its commercial activity without touching the market. One or more foreign employees to the economy in which they work, the aim of which is to maintain the country's profitability. improve or improve its commercial performance.

Internationalization of the issue

Internationalization means: "the intervention of a state, or a group of states, with respect to another state to limit the cruel practice it practices against its citizens in a way that shakes the conscience of humanity." It appears, from reading the texts of the United Nations, that humanitarian intervention is a matter of legal controversy among researchers. Between those who see it as compatible with the rules of public international law, and those who see it as inconsistent with the sovereignty of states.

Internationalization of production

Producing parts of a product, then modifying them and bringing them to market one by one, rather than the entire product

The concept of internationalization of corporate activity:

The definitions that address the concept of internationalization have varied, and the following are some of these definitions:

Kotler believes that internationalization is the organization's development of its products and services according to international standards that enable it to enter global markets.

According to **Gankema**, internationalization is a process that takes place through stages that allows an organization to market its products of goods and services in foreign markets regularly.

Ruzzier also believed that internationalization is the process of geographical expansion of economic activities beyond the borders of the home country, which allows the institution in question at a later stage to gain the necessary experience in foreign markets.

- Internationalization is a process that occurs through harnessing resources (human, material, technological...) in order to move towards foreign markets.

Based on the above, we conclude that internationalization is the deliberate expansion of activities that companies introduce by entering foreign markets, after developing their products of goods and services, which actually gives them experience in those markets.

The internationalization process requires the following conditions:

1. Design and development in a way that removes the obstacles that stand in the way of localization and global spread. Among these obstacles are allowing the use of Unicode encoding, ensuring the correct use of legacy or legacy encodings, taking care of string consolidation, and avoiding the association of values with variables on the interface.

2. Providing the necessary support for features that are only used when starting the localization process. For example, marking a language direction and language definition in a Document Type (DTD) field, or adding vertical type support and non-Latin font properties to a CSS file.

3. Enable programs to support settings related to language, country, and culture. This includes including data and properties to be localized that have been derived from stored libraries or from user configuration files. An example of this is writing the time, date, numbers, and numerical system, sorting and displaying lists, processing people’s names, writing addresses...etc.

4. Separation between the elements to be localized and the rest of the content so that we can use or choose alternatives according to the needs of other users who belong to different cultures.

It is noted that the above elements do not necessarily include the localization of content, program, or product into another language, but rather they are design and development practices that help in localization, and in general, they are useful even if they are not for the purpose of localization.

The importance of internationalization

The internationalization process influences the localization process in order to facilitate it. Modifying resources linguistically and culturally to become ready for the global market is very difficult and requires a long time compared to resources prepared from their foundations for the global market. (We all remember the problem of writing the year 2000 when the writing of the year was changed from two digits to four digits.)

It is preferable to address the internationalization process at an early stage of design and development rather than adding it later; This often leads to costly re-engineering and inappropriate design.

Internationalization strategy

Internationalization Strategy: It is the strategy through which the company aims to create a competitive advantage through presence in several markets outside its home country.

Companies that aim to transform their products are divided into two basic categories: international trade and foreign direct investment, meaning that the company can export its products from its country of origin, or invest in the host country and produce its products locally and then sell them, but in reality, many multinational companies The two types are combined with varying use, such as exporting some inputs and then installing them locally in the targeted country. However, the field of activity that the company targets plays a major role in adopting the appropriate type, as some activities require export before establishing a local production unit, and other activities are distinguished by their preference for standardized products, in When other activities require products adapted to the tastes of the local market, the balance between these two types represents the most important factors for the success of the internationalization strategy. Standardized products allow the company to reach economies of scale and achieve a low cost advantage, while adapting products allows for meeting the needs of consumers in a better way and ensuring the safety of the environment in which these markets are located. .

Types of internationalization of company activities:

By combining the two types of internationalization and the value of foreign direct investments (limited or significant investments), you obtain four basic types of internationalization activities as follows:

Local activities: These are the activities that are less affected by globalization, and most of the companies that are active in them are local, and in most cases governments intend to protect these activities from external competition. We mention, for example, postal services and urban transportation.

Multi-domestic activities are activities in which the products are distinct according to each host country, and require the presence of locally producing companies. The luxury hotel sector, for example, is controlled by a group of international brands, but these brands must have their managers present in order to ensure Respect its standards locally.

International export activities are activities in which companies produce in a specific place, then export these products across various countries of the world. These products are usually characterized by economies of scale and ease of transport by various means of transportation. Therefore, the location of the production units must be characterized by specific and appropriate characteristics that may be natural, such as Agricultural production, such as olive oil produced in southern Spain, or the jewelry and aircraft industry.

Complex international activities These activities are characterized by economies of scale and relatively homogeneous demand across the world, and they are also activities in which the volume of international trade increases. Foreign direct investment is high, and the flow of goods between the various branches of multinational companies is also very high, as the latter usually works to transfer part of the production process to the host country, providing it with the rest of the production elements from other branches such as the automobile industry and the pharmaceutical industry.

Examples that addressed the topic of internationalization of an institution's activity:

1. The gradual model:

This theory has been the subject of many studies, the most famous of which is the Uppsala model based on the work of (Johanson et Vahlne 2003). This theory was based on the results of studies on the international operations of four Swedish companies. These studies conducted in Swedish industrial companies show that the internationalization of companies is the product of a series of gradual and cumulative decisions. This process also includes four steps that small and medium enterprises take in order to gradually increase their presence in foreign markets through increasingly sophisticated strategies in the option of acquiring knowledge and experience. On the international scene. These institutions begin to internationalize by exporting in an irregular manner, then they export by relying on a customer in the foreign market, then they establish a branch abroad to sell their products, and then finally, once the institution possesses all the necessary information about the foreign market, it begins the process of producing its products abroad. This model is based on one major assumption: absence and lack of knowledge about foreign markets constitutes a major obstacle in developing international business. To overcome this complex, institutions must first carry out work in foreign markets that are psychologically closest, and with experience, enter distant markets. Markets are distinguished due to several factors, such as language, culture, education, administrative practices, political systems, and industrial development.

2. Network theory:

This approach sees the internationalization process as a process of market knowledge that an organization gains through establishing relationships with partners abroad. Networks therefore allow exchanges between partners, manufacturers, and the production system, where resources are used. And introducing a multilateral element into the internationalization process. This approach explains the formation of international agreements with the participation of business leaders and networked institutions. In fact, the formal and informal knowledge of managers with other individuals plays an important role in the internationalization process of enterprises, including the information they provide.

In this case, the internationalization process is the result of the contractor's behaviors and choices that are influenced by the formal and informal relationships that the latter has built with all business partners.

3. Economic theory (foreign direct investment):

Foreign direct investment aims to achieve a permanent interest for an institution operating in another country, and the purpose is to effectively influence the management of the company, instead of waiting for it to accumulate experience in the local markets. The institution carries out the process of internationalization by establishing a production branch in the target country, in many cases. Often, such companies are created without relying on local partners or entering into any network. Institutions exploit competitive advantages until they are established independently and without relying on the resources and knowledge of partners. The reason is that these institutions fear that they will lose their competitive advantages because the partners refuse to operate in an independent manner from the rest of the network members.

Models of the stages of international development of an institution:

Covusil model

(which was proposed in 1984) is a model that distinguishes between stages, which are:

Experimental stage 1 (passive source): It is a representation of the behavior of those institutions that exercise a simple commitment to the development of business in the foreign market, by responding only to external demand orders. They also sometimes practice local marketing policies for nearby markets in terms of the psychological dimension (language, culture, level Educational, commercial practices and legislation...), and they are also hesitant to allocate financial and administrative resources to export activities.

Active Stage 2 (positive source): It is represented by the managers' desire to build and master foreign markets, adapt the elements of the marketing mix to the specific needs of foreign markets, and implement marketing activities on a more regular basis.

Committed Stage 3: It is the most involved in working with foreign markets, and occurs when the organization looks into other international activities not only through export, such as investing in sales and opening production branches abroad.

Bilkey et Tesar, 1982 model:

In investigating hypotheses about the stages of incremental international development for more than 400 small and medium-sized manufacturing firms in a single geographic region in the United States, Pelkey and Tesar used a more detailed framework in dividing the stages of international development into six stages based on a composite criterion that included length of experience. The time frame for exporting, the percentage of export sales volume out of total sales, the number of exporting countries...etc. They proposed the following stages:

The first stage: The administration is not interested in exporting and does not even respond to external demand orders.

The second stage: The administration fills out foreign requisition orders, but does not make any efforts to discover the feasibility of exporting.

The third stage: The administration begins research and makes efforts to uncover the economic feasibility of exporting.

The fourth stage: The company begins exporting on an experimental basis and to some nearby countries on the basis of the psychological dimension.

The fifth stage: The company becomes an expert in exporting to the market or markets indicated in the previous stage.

The sixth stage: The administration begins to explore the feasibility of exporting to other, more distant countries.

The results of their study supported this classification they proposed for the stages of international development. Later studies showed the possibility of classifying different companies into homogeneous groups according to the stages of export development without using management trends, company size, or the nature of the commodity. In practice, we find that the transition from one stage to another depends on several variables, such as the personal characteristics of the decision makers, the company's capabilities, the availability of information about foreign markets, and how the company's management perceives the multiple risks associated 95 with access to global markets, such as non-payment risks and political risks.

The process of internationalization of economic institutions goes through several stages, according to Philip Kotler:

1. **Making the decision to internationalize**: Not long ago: a large number of enterprise managers considered that their most important goals were to be achieved in the local market of the country in which they were located. They considered that the local market was sufficient to sell their products, and in return they considered that selling in foreign markets was considered a difficult process. : Discussing a different language, facing the risk of change, facing different laws and adapting the product and new consumer requirements.

At this stage, the decision to internationalize is made by taking into account the financial and technical capabilities of this institution, and then begins setting goals and harnessing the necessary resources to achieve them.

. Nowadays the situation has changed. On the one hand, the increase in foreign competition in local markets, and on the other hand, selling in foreign markets allows one to benefit from economies of scale... In general, there are several motives that lead an organization to take the decision to internationalize its activity. These motives have been previously mentioned.

In order for an economic institution to succeed in the process of internationalizing its activity, it must change the way it operates. This is not because working at the international level calls for different management methods and rules, but the difference between the data of countries and regions can force the institution to reconsider its ideas. Therefore, it is necessary to study the behavior of the target market consumer, knowing its culture in a way that allows for the implementation of an appropriate commercial policy, without neglecting the local rules of the target market and the additional costs that the organization may face.

2- **Choosing the target market:** The international markets in which the economic institution may operate are full of opportunities and threats. These markets may be more profitable than the local markets, or it may be the opposite. Therefore, the institution must follow the variables of the external environment in order to identify environmental opportunities. Available resources and making the best use of them by developing appropriate strategies on the one hand, and on the other hand, discovering threats and working to adapt to them in an intelligent manner. Especially if we know that external environmental variables are subject to change and change, and the opportunity that may occur at a certain time may not be repeated at another time, and therefore the organization only has to identify the appropriate opportunities at the specified time before it is too late, and that is through actions Activities carried out by the institution that wants to benefit from some facts and not other institutions through marketing research, and it must evaluate the marketing opportunities, which ends with choosing the most attractive markets according to the institution’s capabilities and capabilities.

At this stage, the concerned institution studies the market to be entered according to three basic criteria:

- The activity expected to be carried out is the return of this market

- The advantages provided by this market, such as tax incentives and other facilities granted by the state

- The possibility of access to this market and the risks surrounding it. After that, the institution determines the mechanism of entry into this market according to its capabilities, meaning that if the latter is limited, it is possible to resort to an economic entry method such as

- The possibility of access to this market and the risks surrounding it. After that, the institution determines the mechanism of entry into this market according to its capabilities, that is, in the event that the latter is limited, it is possible to resort to an economic method of entry such as entry through export, and in the opposite case, methods can be chosen. Other income, such as establishing a branch in the host country, which gives it the opportunity to benefit from the investment advantages granted by this country

When selecting **foreign markets, the organization relies on various criteria**: market size and growth, political conditions, competition, similarity of markets. Based on the aforementioned group of environmental variables and others, two basic methods for selecting foreign markets can be addressed, which are:

Expansion method: This method begins by choosing the starting point from the local market or from the current international market. Choosing a market over time depends on the similarity between the structures of the national market: political, social, economic or cultural in nature, as the work of the international marketer extends from one market to another with minimal modifications to the commodity and the rest of the other export functions. Here, the shift is towards neighboring markets first, due to the presence of many similarities with the local markets of the source and knowledge of customs, traditions, culture, economic, social, cultural, and political variables, and sometimes even language. This method is called experience-based market selection.

Contraction method: When using the contraction/deflation method, the ideal choice of the market starts from the total number of markets that are divided into regional groups according to the following principles: political, economic, linguistic, and others. This method involves a systematic screening process of all markets that ultimately leads to the immediate elimination of unpromising markets, taking into account market indicators. The general and specific commodity indicators previously detailed.

3- **Completing an international marketing plan:** An organization that is present in several markets must make the decision whether it wants to unify its marketing mix in all the markets in which it is present, or standardize its mix according to the requirements of the local market. The unification strategy means providing the same product at the same price, the same distribution method, and the same communication policy in all markets. This strategy allows for cost reduction, unlike the diversification strategy, which means changing all elements of the marketing mix to suit the requirements of each market.

Here the organization is in the process of developing an international marketing strategy by choosing a standardization or adaptation strategy.

Each of the two aforementioned strategies has advantages, which we explain in the following :

. Advantages of standardisation

Institutions resort to this strategy in the case of markets similar to the local market in terms of characteristics. In this case, the institution adopts the same marketing strategy that it pursues in the home country, without adapting the products to the requirements of the market to be entered. One of the positives of this strategy is that it allows reducing production costs. And marketing because no changes are introduced to the products

To benefit from economies of scale. Economy in the aspect of communication policy (creating and purchasing communication spaces), facilitating management, integration and consistency in the image of the institution. Approximation in consumer behaviour.

Advantages of adaptation

In this case, the institution has the option of adapting the products according to the requirements of the new market in order to take into account the characteristics of this market and the tastes of consumers in it. One of the positives of this strategy is that it allows the institution to adapt quickly to the requirements of the market.

Changing consumer sensitivity towards marketing operations. Working according to local competition. Working in accordance with the distribution system in force in the country. Change in laws and administrative procedures. Benefit from various local means of communication.

Internationalization requirements:

A- Advantages of ownership:

By this we mean the resources that the company possesses through the context of competition and uses it to possess a proven competitive advantage in its industry sector. The resources intended here are tangible or visible resources such as trade name, trademark, organizational capabilities, technological skill and marketing power. . .etc. The intangible resources owned by the company are of great importance because they are the basis for wealth creation and are the tool for financing the company's other assets. It is sufficient to point out here, as an example and not limited to, that the resources provided by the “Christian Dior” brand name are no less important and in size than its ownership of visible material resources, such as monetary assets and others. Foreign companies that want to enter the markets need to have the advantage of their ownership of the resources. Huge projects in order to fill the gap in the provision of necessary knowledge and information about the local market, which is usually characterized by national companies present in this market.

B- Advantages of the place:

These are factors that affect the advantages of production in the host country rather than the home country. Companies continuously and routinely compare the economic, social, technological and other characteristics of the host country's market compared to its local market with the aim of reconsidering, or to determine where to choose production facilities that provide them with the best opportunities to compete and achieve profits.

The attractiveness and choice of a foreign market depends on several factors, including those related to the advantages of the place: market size, purchasing power, economic stability, wage rate, costs of purchasing land and fixed assets, and additional facilities that are necessary to establish these facilities.

Advantages of internationalization:

These are the factors that influence the company's desire to manufacture its products or services itself rather than relying on participation or partnership contracts with local companies in the host country. The size of the costs

The totality, including negotiation costs, control costs, entry costs, and spending, will be a vital factor in making the decision in this regard. The nature of the industry may affect this decision. For example, international pharmaceutical companies rely extensively on...

Licensing method, while Toyota chose the joint venture method as a strategy to enter international markets.

Internationalization objectives:

Institutions aim to internationalize their activities in order to achieve a number of goals, the most important of which are as follows:

- Increasing its production volume as well as its profits coinciding with its entry into new markets

- Reducing costs through expanding production (economies of scale).

- Reducing the risks resulting from unexpected price fluctuations, as activity in multiple markets ensures that losses are reduced, as falling prices in one market may be offset by rising prices in one or other markets.

- Acquiring technology resulting from contact with and cooperation with foreign institutions

- Creating new financing opportunities in targeted markets

- Exploiting the low production costs in the host country and thus increasing its competitiveness

International strategy:

The international strategy is the strategies for entering the international market, including export strategy, licensing, full ownership...etc. An international company with experience in international business usually chooses one of these methods (strategies) based on its study of the economic, political and social environmental factors, and on its knowledge of the strengths of its products, in addition to the suitability of the host country. The products that companies enter into international markets may be the same products found in the local market, and some modifications may occur to them to conform to the tastes of foreign markets. Among the most important strategies adopted by international companies to enter global markets are the following:

1- Export:

In which the international company directly exports goods and services directly to the foreign country without the assistance of any intermediary or office from the country of the parent company.

2- License:

Where the international company granting the license allows Licensor to give another foreign company abroad (local producer) the licensee the right to use the patent, the trade-market trademark, or the manufacturing processes, its trade secrets, and its administrative and technical services in exchange for the approval of the foreign company. (Local product) to pay the licensor the legal rights or any other form of payment in light of the agreement between the two parties.

It is also called international licensing: International licensing means that the licensed company sells the rights to use intellectual property, technology, work methods and techniques, copyrights, patents, trade names or trademarks to another company in exchange for fees or fees agreed upon by both parties.

3- Turnkey projects:

In this case, the international company bears responsibility for designing and implementing operations related to the project, and upon completion of the project, it is fully handed over to the local management that has previously been trained. In exchange for completing and handing over the project, the foreign company receives its full dues, and they are very rewarding. Examples of these projects include: dams and power stations. , roads, and industrial complexes such as refineries, automobile factories...etc.

4- Administrative contracts:

Where the services of a specialized foreign company are hired that possess a great deal of administrative skills to operate and manage industrial or service facilities and train others in another country, as is the case in renting a company to manage hotel or hospital facilities.

5- Foreign manufacturing contracts:

They are contractual agreements between a company and a foreign producer, through which the foreign producer only manufactures the company's product, and the company carries out the marketing of the product, such as if a producer in India manufactures a product for an American company and the American company carries out the marketing process.

6- Investment portfolio:

An investment portfolio in the field of international business means the transfer of financing across international borders by companies or individuals, for the purpose of purchasing stocks and bonds issued by foreign companies or treasury bills issued by foreign governments, for the purpose of achieving profits or capital interests.

7- Participation:

Where the international company agrees with a partner in another country to establish a joint project. The contract concluded between the company and the partner determines the rights and duties of each party, and through participation, the risks to which the international company may be exposed are reduced.

8- Full ownership:

An international company enters manufacturing by establishing subsidiary factories in foreign countries with full ownership. This method is usually more complex and expensive, but it gives the foreign company more freedom in designing its factories and choosing its workers, and achieves a higher return.

9- Strategic alliances:

A strategic alliance is an agreement between two or more international companies for the purpose of serving the international market, and the allied companies are often from the same industry.

The choice of the method of entry into the foreign market can be clarified:
There are several entrances to moving to international markets, including well-

known traditional entrances such as direct and indirect export, joint or organized export, international licensing and international franchising, and other special entrances such as management contracts and foreign direct investment, whether external or external. Through joint ventures or acquisition strategy. The first problem facing an economic institution when it makes the decision to internationalize its activity is the way it enters the target market. This choice is affected, on the one hand, by the financial resources of the institution, and on the other hand, by the opportunities provided to it by the target markets.

If the institution's capabilities are weak, or if the opportunities available in the target market are very limited, the institution must choose an economic entry method such as:

Export using a local broker in the target market.

Or provide a license for a local product in the target market

However, if the institution possesses significant financial resources, and if the target market represents important opportunities for the institution, the institution can consider a somewhat expensive entry method, such as establishing a branch in the target country alone or in partnership with a local partner in the target market. This method allows the organization to have greater control over its functions in this market, unlike the previously mentioned methods, as the organization does not have complete control over its functions in the targeted foreign market.

Indirect export: Indirect export is done using intermediaries, where a company outsources its export activity to other people from its country or to foreigners who work on their own in order to ensure support and promotion of the company's products in foreign markets. Therefore, the company entrusts its commercial function (export) to people who have good experience and knowledge of the foreign exchange markets. Unlike commission agents, these intermediaries buy products and sell them to their customers. In fact, there are several types of intermediaries who are based either in the exporting country or in the purchasing country and in other countries. We mention among them: the buying or selling representative, granting licenses (franchises), importing distributors, and foreign trade companies.

Direct export: We mean that the institution responds to the demands of foreign markets directly from its local market

Agreements: It is a method widely used by institutions with the aim of investing abroad, through a partnership contract with a local partner in the targeted foreign market. According to this contract, work and monitoring are shared. From the point of view of a foreign investor, it is often necessary to agree with a partner for political and economic reasons. Politically, the authority in the foreign country can impose the participation of the institution as a condition for the latter's entry into its market. Economically, the organization may estimate that its financial resources and management capacity do not enable it to make this investment on its own. Partnership can create some problems. Partners may not have agreement on policy. For example, this difference often arises in the case that the foreign partner wants to reinvest profits, while the local partner wants to store these profits.

Foreign direct investment: The last way to internationalize an organization's activity is to invest in a production unit abroad. Foreign direct investment provides the institution with several opportunities, depending on the country it aims to enter. We mention among them, it allows it to save on the cost of labor, the cost of raw materials, and the cost of transportation. In addition, the institution gains a good reputation in the new market due to its creation of new job positions, in addition to establishing relationships with... Management, customers, suppliers and local distributors, which greatly helps it adapt its products to the local environment, and finally its presence in a market that allows it to monitor its activity well and thus implement a marketing policy that allows it to achieve its goals in the long term. The main problem facing the institution in the case of foreign direct investment is that it must make a huge investment in an environment characterized by monetary, commercial and political risks, but the institution has no other choice if it wants to enter strongly into this new foreign market.