

ARTICLE 9

Elango, B. and Pattnaik, C. (2007)
Building capabilities for international operations through networks: a study of Indian firms

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Explanatory note

This article is based on empirical research on how firms in a large emerging market, India, are internationalizing. The authors highlight the influential role of networks in the firms' home environment, a factor which can be relevant to firms from other emerging markets which seek to internationalize. The researchers draw on existing theoretical models of internationalization, especially the Scandinavian model of incremental internationalization, which stress the importance of gaining knowledge and experience in new markets. Their research sheds light on the role of networks in gaining relevant experience which contributes to success in international markets. Although the research is based on evidence from Indian firms, the conclusions are relevant to managers from other emerging markets.

Some notes on terms

- **Liability of foreignness:** This term is defined above under Article 7.
- **Uppsala model:** This refers to the Scandinavian theories of incremental internationalization.
- **Parental network:** This is a key term in this article, which might cause some confusion. Contrasted with 'foreign networks', the parental network is a group of companies forming a 'business group' in the firm's home country (India in this case). Member firms are linked by social, economic and ownership ties, although they are legally independent companies. These authors refer to this type of group as a confederation, which implies a relatively loose configuration, characterized as a network. In much IB literature, the MNE 'parent' refers to a more monolithic type of arrangement, where the parent company owns an array of wholly-owned subsidiaries in different countries (discussed in Chapters 1 and 7).

Chapter link

This article is of relevance to chapters 1, 2, 3, 4, 6 and 7. In particular, the Scandinavian model of internationalization is in Chapter 2, p. 54.

Questions**Part A: Grasping key points**

1. Explain the Uppsala model of internationalization used in this research, and why the authors chose it.
2. In what ways does the parental network aid in internationalization for Indian firms?
3. Why do firms from emerging markets choose a cost-based strategy?

Part B: Building skills in critical thinking

1. In what ways does the Indian environmental context make it suitable for generalizing about other emerging markets, and in which ways is it distinctive?
2. Explain which hypotheses were confirmed by the research, and which were not.
3. What are the implications of the research for managers from emerging markets?