Internationalization as Interaction: A process perspective on internationalization from a Small Developing Country

Introduction: The Challenge of Internationalization from weak institutional environments

The emerging strategy tripod perspective (Peng et al., 2008) links resources, institutions and industry to explain the effect of country environments on international business activities by emerging and transitional market firms (Gao et al., 2009). This body of research has generally taken a cross sectional approach to identify fixed country specific advantages or disadvantages that may act as enablers or constraints to internationalization of firms (Cuervo-Cazurra and Genc, 2011).

While this approach is acceptable in circumstances where country environments may change slowly, domestic country environments in particular emerging market settings can change in rapidly (Tan et al., 2007). Firms operating in these environments may be forced to adapt to these changes by adjusting internal characteristics or business relationships. As a result, organizational activities, including internationalization may be affected. One type of country setting in which there is a high degree of domestic dynamism is small developing country or small state (Easterly and Kraay, 2000). These countries are generally overlooked in International Business literature despite the fact that 49 exist worldwide (Henrikson, 1999). They are characterized by a population of less than 1.5 million (Will, 1991) and (relatively) weak institutions, narrow resource base, and a high degree of openness (Easterly and Kraay, 2000). Unlike larger developed or developing countries, outside of a main export commodity or service, few firms exist in any industry and resources for development are limited (Easterly and Kraay, 2000). Since these countries are dependent on international markets and have a limited ability to respond to external dynamics, these environments experience high volatility with relatively rapid changes in domestic income. They are therefore an ideal environment to illustrate the effect of a changing domestic context on firm internationalization.

Since this phenomenon has received little research attention to date, the purpose of this study is to investigate how changes in the home economic environment can influence firms' trajectory of internationalization. The research question that guides this work is therefore:

"How do changes in the domestic environment influence firm internationalization from a small state?

The paper is structured as follows. First, existing theoretical perspectives were reviewed and analysed, building a theoretical framework that models internationalization as a country situated, resource development process. Next, a process approach is deployed to capture the effects of macro level change (environment) on micro level (firm) evolution. Data was collected using a nested retrospective case study approach that incorporated the macro level of the country environment and the micro level of firms. Overall, the macro evolution of the domestic environment was evaluated using archival data and major transition periods in economic policy which influenced domestic resource availability were identified. The micro development of firms was then analysed and both levels were integrated to build a framework describing internationalization from a changing domestic context. The findings indicate that instead of distinct stages, internationalization from these environments can be illustrated as "phases" in which firm can follow multiple paths of internationalization. Finally, the framework is compared to existing literature and recommendations are made for further research.

Literature Review

There are multiple perspectives on why (Dunning, 2001, Hessels and Parker, 2013), how (Johanson and Vahlne, 2009, Kuivalainen et al., 2012) and trajectories (Welch and Luostarinen, 1993) of internationalization. However, it has also been defined as an adaptive process (Calof, 1994), that is, the adjustment of organizational resources to the requirements of international markets. This definition links internationalization to the Resource Based View (RBV) in which firms are modeled as a collection of resources that generate rents or returns (Mahoney and Pandian, 1992). Early work in this area viewed firms as a combination of human and non-human resources (Penrose, 1959). Later research identified particular resource characteristics have been suggested by RBV research that can result in sustained returns to organizations (Barney, 1991): Valuable, Rare, Inimitable (difficult to imitate) and Non Substitutable (VRIN). These resources are frequently not tangible, but can be knowledge based processes that are also known as capabilities (Eisenhardt and Martin, 2000).

The RBV has been criticized as tautological since the outcome of sustained competitive advantage is explained as the ownership or control of a resource that provides sustained competitive advantage (Priem and Butler, 2001). However early work in the RBV (Penrose 1959) identified a resolution to this issue by focusing on the need to integrate resources within a firm into systemic combinations known as competencies (Patel and Pavitt, 1997). Researchers have identified four modes of resource development into competencies: Firm Driven Internal, Network Driven Internal, Firm Driven External and Network Driven External (Ahokangas, 1998). In the first mode, resources and capabilities can be developed or accumulated (Barney, 2001) by the firm through its own experience. Internal resources and capabilities can also be acquired or improved by leveraging relationships, such as in alliances with other firms (Denrell et al., 2003). External resources and capabilities are created by the firm's interaction with its environment and other organizations (Andersen and Suat Kheam, 1998). Finally, firms can also enter into arrangements that reconfigure both internal and external resources such as mergers and acquisitions (Roth, 1995). The outcome of these reconfigurations form the basis of the firm's ability to compete and can support internationalization.

Internationalization and resource transformation processes

The RBV has previously been employed in International Business research (Mahoney 1992) and forms an adaptable framework for building internationalization theories (Kogut and Zander, 2003). Previous research on internationalization has identified life cycle and teleological paths of outward development based on resource transformation. Early Stage Models explain internationalization as the result of an Internal Firm Driven (Cyert and March, 1963) resource development process. The Upsalla Model, or U model predicted a life cycle, incremental outward expansion from domestic to highly internationalized firm based on risk tolerance (Johanson and Vahlne, 1977) and later management experience in international markets (Johanson and Vahlne, 1990). Innovation models (Bilkey and Tesar, 1977) were formulated that also view international expansion as a deterministic, outward process to exploit firm resources in external markets. In both models, once the export decision is made, outward activity is sustained by an incremental firm internal resource development process (Leonidou and Katsikeas, 1996, Crick and Czinkota, 1995). While this perspective has been challenged (Bruneel et al., 2010), there is a body of empirical work that confirms firms' incremental approach into international markets(Kuivalainen et al., 2012).

In contrast to deterministic paths of development, teleological models view transformation as a cycle of formulation, implementation, evaluation, and modification (Van de Ven and Poole 2005). Network models (Håkansson, 1982), which describe internationalization as a relationship driven activity (Coviello and Munro, 1997) adopt this approach. Firms may form relationships with a heterogeneous combination of partners (Johanson and Vahlne, 2009) that can facilitate entry into international markets (Johanson and Mattsson, 1992). Later teleological models such as International Entrepreneurship(IE) (Zucchella and Scabini, 2007) or Born Globals (BG) (Gabrielsson et al., 2008) raise the possibility that firms may enter international markets in order to seek resources, not just exploit them. Internationalization in these models is an approach to both deploy resources developed internally and enhance resource/capability profiles through external resource development (Johanson and Vahlne, 2011).

Country Environment and Firm Internationalization

Country resource environments vary by their ability to support organizational activity as distinctive resource allocations, infrastructure and institutions all influence the development of firms at a particular location (Mariotti and Piscitello, 2001). Factors are the resources occurring in each environment while institutions are social structures that determine the structure of economic activity in a given country. In examining the effect of a given country environment on the actions of firms, research identified factors and institutions as enablers of organizational activities (Wan, 2005). Factors are the tangible and intangible resources possessed by a country. They include physical resources, human resources such as skilled people and intangible resources such as reputation (Wan, 2005). Institutions are social structures and have been found to influence a range of country business conditions (Yeung, 2002) such as:

1. Ownership patterns of firms
2. Business formation and co-ordination
3. Intra-firm management and entrepreneurial processes
4. Work and employment relations

Developed and developing countries vary significantly in the type and strength of institutions. Formal institutions that support market driven activity are stronger in developed countries (Yadong and Peng, 1999) while developing country environments typically possess a low level of regulative institutions and enforcement. More recently, Peng (2008) has argued that, due to the power of institutions, this institutional paradigm is of sufficient importance to be considered alongside resource and industry analysis, forming a “strategy tripod”. Research in international business has started to incorporate this perspective, examining the effect of distinctive institutional structures on export performance (Yeung, 2001, Lu et al., 2009). Work in this area also examines the effect of country context on internal firm structures (Peng and Jiang, 2010) and inter-firm arrangements (Abdi and Aulakh, 2012) that can influence outward activities in firms. This research indicates that institutional environments not only affect domestic patterns of activity, but their influence extends to how firms operate in external markets.

However, current work on the influence of country on firm internationalization does not pay much attention to the possibility of change in the domestic environment. Existing models view the domestic environment as presenting fixed barriers (Leonidou and Katsikeas, 1996) or as a source of resources and relationships that may enable internationalization (Johanson and Vahlne, 2011). Generally, a country’s natural resource endowment, such as location, topography or the presence of minerals is fixed (Wan, 2005). Similarly, institutional structures derived from historical and cultural circumstances may be distinctive, but are difficult to change in the short term (Davis and North, 1970, Easterlin, 1981). Most Emerging Markets with the possible exception of Hong Kong (Klak, 1995, Wint, 2003) have deployed selective government interventions in the form of policy to correct deficiencies in the domestic market in a way that could raise local incomes or compensate for external shock. These policies can exert considerable influence in the short term (years rather than decades) and can rapidly change domestic conditions at a given country location (Henry and Miller, 2009). As a result, organizations may adjust their resource profiles in the short and medium term in order to adapt to these changes (Aldrich and Martinez, 2001) which may influence both domestic and international activities. Since policy can change country environments in the short term, there is therefore a need for research to examine how these forces influence the resources available to organizations and the effect on internationalization.

Theoretical Framework: Sustained Internationalization from a changing country environment

The previous sections identified the influence of the domestic resource environment on the resources available to firms to initiate and sustain a presence in international markets. This implies the consideration of dynamic factors at both the Micro (firm) and Macro (country) levels (Figure 1).

At the **micro** level, firms build and adjust profiles composed of a heterogeneous combination knowledge and property resources (Hitt et al., 2001). From previous work on the effect of resources on internationalization have identified the following:

Discrete Property Based Resources (DPBR) are individual resources that require the presence of a supporting institutional framework (Dhanaraj and Beamish, 2003), such as patents or licenses. Outside of this framework, they may be imitated by rivals, limiting any possible advantage (Peng et al., 2006).

Discrete Knowledge-Based Resources (DKBR) or Capabilities are individual skills or patterns of activity that are exhibited by firms (Spender and Grant, 1996). Institutional support is unnecessary and they support adaptation by the firm, allowing it to create new offerings to meet changing environmental requirements (Rodriguez et al., 2004). In environments with strong institutions, however, it is possible to substitute, imitate or acquire them, reducing their value (Miller, 1988).

Systemic Resources or Competencies are patterns of integrative behaviour that combine individual resources and capabilities within a firm (Malerba and Orsenigo, 2000) and act as the basis for the firm to compete against rivals or deliver value to customers(Takeuchi et al., 2005).

Resource profiles of organizations are also dynamic (Welch and Luostarinen, 1988, Sirmon and Hitt, 2003), and over time organizations operating from the same domestic environment may exhibit differing combinations of property and knowledge resources (Chetty and Campbell-Hunt, 2004). These differences can result from reconfigurations done by the individual organization or in collaboration with other organizations . In the first mode, organizations rearrange existing internal resources (Baumol, 1993) to adapt their operations (Zain and Ng, 2006). In the second, organizations work with other entities (Etemad and Lee, 2003), jointly configuring property and knowledge resources (Demirbag and Weir, 2006).

At the macro level, country environments can provide distinctive resources and institutional support (Lu et al., 2009) which can influence the development of firms at a particular location (Mariotti and Piscitello, 2001) and as such, the degree, rate and mode of internationalization. However, the environments in which these interactions happens are not static (Collis, 1991). While factors and institutions are relatively fixed, policy can influence the resources available to firms in the short and medium term (Erramilli et al., 1997). Over time, against a given institutional and resource backdrop (Hammond and Butler, 2003), policy can increase (Bruton, 1998) or decrease (Thomas, 1988) the availability of resources that support internationalization. Organizations are required to adapt to these changes in resource availability, which can influence their ability to operate (Lewin and Koza, 2001).

As a result, policy can become an issue to be considered by the organization within the timeframe of internationalization (Fox-Wolfgramm et al., 1998) and as such, should be considered in internationalization research. Understanding the interplay of dynamics of firm resource reconfigurations (Grant, 1996) and environment resource availability (Jones and Khanna, 2006) requires a temporal perspective that is broader than the cross sectional view that dominates management research (Sminia, 2009). It is therefore critical to deploy a research approach that can capture this phenomenon in a holistic manner.

Research Setting

The most southern of the Caribbean Islands, Trinidad and Tobago (TT), has a population of 1.3 million and is classified as a small tate. A former British colony, it began self-government in

1956 and since then has attempted policy interventions to shift the local economy from export of primary resources to manufactured goods using industrial policy (Rodrik, 2000). The implications for domestic firms were significant because by pursuing a deliberate, policy led strategy of industrialization, political authority (Lenway and Murtha, 1994) superseded market forces. The result has been mixed with the emergence of an energy industry dominated by foreign multinational firms (Jessen and Vignoles, 2004) and a smaller group of indigenous, export oriented firms . With few competitors in each industrial category (Cook and Harrison, 2005) , it is an ideal setting to examine the effect of domestic environment change due to policy on firm internationalization.

Research Method

The previous sections identified macro level changes in the domestic environment that require exporters to adjust resource profiles at the micro level, influencing the trajectory of internationalization. To understand this phenomenon, this study adopts a process perspective which examines how events, actions and decisions evolve over time (Langley, 1999b). In this research approach data is collected at multiple levels and analyzed to understand the patterns of change over time (Van de Ven and Poole, 1995). The outcome of this process is an overall explanatory framework (Pettigrew, 1997) that synthesizes these multiple levels of analysis.

Data was therefore collected at two levels. At the macro level, archival data was reviewed to identify major policy transitions, i.e. changes to regulatory, financial, legal or manpower incentive structures that would affect resource availability to domestic firms. Data was obtained from previously published work and an examination of the archives of the following institutions:

- Trinidad and Tobago Manufacturers Association
- Metal Industries Company (MIC)
- University of the West Indies

Documents were cataloged and the data compared within and across archives. The resulting historical review provides two key contributions to this study. Initially, it enabled the determination of the factors influencing, and variation of, resource availability over time. The second is that it guides data collection for the micro level analysis and provides a source of comparison for findings.

At the micro level, multiple case studies were conducted that employed principles utilized in IB theory building (Pauwels and Matthyssens, 2004) and process research (Van de Ven and Engleman, 2004):

a) Sampling

At the micro level, exporting firms were selected from a database managed by the Trinidad and Tobago Chamber of commerce. The database was reviewed to identify locally owned firms that started international activities in each policy transition period identified in the macro review who continued exporting to the present day. The purpose of this selection was to identify the resource transformations and possible changes to international activities that these firms experienced as they adapted to the differing resource environments created by policy changes.

b) Triangulation

Once the case studies were identified, data was collected using a multi-method design, using the principle of triangulation to compensate for potential weaknesses in any single data collection method/source by providing an alternative method/source. In this research, interviews with respondents were compared with each other and with archival data.

c) Data Collection

As suggested by previous work in process research (Van de Ven and Poole, 2005), a three stage data collection method was used for the multiple case studies. Initially an unstructured interview was held with the owner/manager of the firm to gain insights into the overall historical development of the firm and it's internationalization process. Key incidents in the internationalization process, such as major changes in mode, market or product were identified. These incidents were analyzed to determine firm developments in which resources were acquired, combined or discarded. Any available archival data such as business plans, reports and press releases were also reviewed to improve validity of findings and provide additional avenues of inquiries. Based on these findings, structured interviews were held later with the firm's management to provide additional details. Table 1 provides an overview of the personnel interviewed and documents reviewed for this study and Appendix 1 presents a copy of the interview guides used.

d) Analysis

For analysis, building theoretical understanding or "sensemaking" (Langley, 1999a) also employed multiple strategies, each with distinct strengths in the ability to discern patterns, underlying mechanisms, meanings and prediction. Narratives served as an initial device to summarize data and visual mapping was utilized to support analysis by displaying sequences of events (Langley 1999). Both strategies are not sufficient to support detailed analysis, however, and process theories have been criticized as being descriptive rather than predictive (Van de Ven, 1992). To overcome this limitation a synthetic theorizing strategy (Eisenhardt, 1989) was employed to refine data obtained from events to build qualitative or quantitative measures of process characteristics. These measures can be used to compare different cases and uncover causal relationships that can support development of a predictive theory (Eisenhardt, 1989).

Country Context

Since 1956, TT policymakers have employed 4 distinct approaches to industrial policy in an attempt to build a diversified, competitive export sector. Each of these policy frameworks were adopted to resolve particular historical circumstances, local and international economic conditions, social and political forces as described below.

State as Promoter (1956 to 1967)

TT, like many other Caribbean counties at the time had high levels of unemployment and a low domestic income (Lewis, 1950). Inspired by the success of Puerto Rico, the state adopted a policy of Industrialization by Invitation (IBI). TT marketed itself as a Multinational subsidiary location in an attempt to gain access to technology and foreign markets for domestic firms.

State as Entrepreneur(1967 to 1986)

IBI did not deliver the anticipated benefits and supported by increasing oil revenue, policymakers attempted industrial development through increasing state involvement. Foreign competition was restricted through import barriers and the state made a number of investments and acquisitions in domestic industry. The outcome was a rapidly growing manufacturing sector, albeit one that was high cost and low quality.

State as Facilitator (1987 to 2000)

A fall in commodity prices led to a deep recession in TT. With the guidance of the IMF, TT began to open its economy, dismantling barriers to trade and foreign investments. Some state investments were divested and Local firms were provided with support to encourage exports. As part of the Caricom regional group, TT entered into a number of trade agreements to improve market access for exporters. These structural reforms proved successful and firms moved rapidly into regional and extra regional markets.

State as Architect (2001 to Present)

Increases in energy prices brought improved revenue streams to the TT government. Outside of the energy sector, export growth stagnated due to a combination of increased low cost competition from East Asian firms and shortages of skilled labour. Mindful of the limited nature of their natural resources, the government embarked on an extensive transformation program to shift the economy from commodity to knowledge intensive exports. An overall strategy, Vision2020 was crafted to facilitate this process, supported by investments in institutions to enable research development and commercialization.

Open and Closed Era

These frameworks can be classified based on the approach to managing the domestic economy: Closed Economy and Open Economy. In the Closed Economy era (Promoter and Entrepreneur) vertical industrial policies aimed at controlling market and production inputs were implemented, in a similar manner to other developing countries(Etzkowitz and Brisolla, 1999). Firms experienced a high degree of market munificence (Schott, 2004) with a secure pool of resources that was only accessible by government fiat (Brautigam, 1994), An economic crisis precipitated a change to more Open economic policies (Facilitator and Architect) and the resources available to firms shifted. Initially (1982 to 2001) policymakers implemented support mechanisms for exporters. Later, these incentives were removed, increasing the cost of international entry. In parallel to these developments, investment in education and accumulated experience in manufacturing increased the amount of production resources available to firms (Mottley, 2008). The next section examines the development of firms within this country context.

Comparative Case Study Summaries :Exporter Resource Profiles and Trajectories of Development

This section seeks to map the variations in exporter resource profiles in the face of changing domestic resource availability or munificence. As described earlier, firms were selected that began exporting under the closed or open economic era and continued until the present day (Table 2) . The following are summaries that describe the path of development of these firms under changing resource environments.

TT Electrical (TTE)

Located in Arima and Chaguanas, Trinidad, TTE is a Caribbean manufacturer of electrical products. TTE was started in 1969 as a joint venture between a UK and a local conglomerate to produce electrical cables. The company quickly established a presence in the local market and began regional exports, winning a country export award in 1970. The company grew steadily, diversifying from cable into switchgear, to meet the demands of the new petrochemical sector. Sales fell when construction stagnated in the 1980's and it's owner made the strategic decision to exit manufacturing investments. In 1995 TTE was offered to a competitor and the acquisition was completed in 1997. Under new management, TTE expanded its export presence, entering the non English speaking Caribbean in 2000 and Latin America in 2002. Partnerships were formed with established multinationals who entered into regional distribution and manufacturing arrangements for electrical products. The benefits sought were two fold; high quality suppliers not only provided items for resale, but were a source of manufacturing improvements. With additional knowledge, TTE also began modernizing its factory operation, improving its production facilities and manufacturing practices with investments in automation, quality certification and production planning systems. TTE also cultivated a network of part time agents located in export markets who scan for project sales opportunities. Due to growth in energy revenues, the local construction sector also expanded. However, the open TT market meant that margins on electrical products were small, as local products competed with imports from the Far

East. The company continued investing in production capacity in order to meet the cost and quality levels of international competitors. The managing director remarked:

"We've built our factory up to the point where we are at the optimum scale for a cable plant. If not, we would just import. That means, however, that we have the capacity to serve 5 Trinidads."

Since margins are relatively low and export funding is not readily available, TTE formed a project management division in 2004, acting as the main contractor and supplier on local construction projects. This section has grown rapidly, and acts as a source of finance for the company's extra regional expansion.

Office Furniture

OF is a manufacturer and distributor of office furniture in Trinidad. In addition to their own branded products, OF assembles and distributes furniture for a number of US and European suppliers. Upon his return from a UK university in 1970, OF's owner wanted to start a modern facility producing high quality furniture in Trinidad to serve the emerging business market. Business grew steadily throughout the 70's and 80's in response to growth in the local economy(Lewis, 2004) and the company expanded to include home furniture. In 1988, due to the contraction in the local economy, sales fell quickly and the company failed. It was resurrected in 1990 by a group of investors who merged the furniture manufacturing assets with another failed organization and installed OF's owner as CEO .

The structural adjustment policies implemented by the government began to take hold and economic growth restarted. Using government support, MDC quickly moved into regional markets and established a presence in the English speaking Caribbean. In 1993, the firm began exporting to the US through a distributor and began exploring Latin America, with little success. Increasing competition from Asian firms forced OF to exit the US market in 1997 and focus its efforts on the regional market. In 2001, OF began expansion of its capacity to serve the growing local market. While the company attempted to lobby for increased state support through forming an association of export manufacturers, this effort was ultimately unsuccessful. Instead, OF embarked on a diversification program capture TTs increasing wealth with the objective of doubling sales in 5 years. Support for this expansion came from internally generated funds as banks have been reluctant to lend to export oriented ventures. The CEO states: *"As big as we* *were, our bank manager was surprised that we were still manufacturing".* A new division was created to manufacture wooden furniture as this market segment faced less competition from imports and provided higher margins. To reduce costs, the firm sought to leverage the newly liberalized trade environment and embrace outsourcing. Beginning with a few components, the company expanded the role of external suppliers to distribute production internationally: Designs are done in Trinidad and Mexico, metal bending (Tube) is done in Columbia and pre-cut flat designs are ordered from Taiwan and China.

Cargo Carrying Unit Manufacturer

Cargo Carrying Unit Manufacturer (CCUM) is a manufacturer and rental agency for DNV certified Cargo Carrying Units (CCUs), used in the local energy industry. Located on the Point Lisas Industrial estate, the company was formed in 1996 as an equipment rental agency for welding equipment by a Trinidadian national, as a subsidiary of his Canadian firm, to serve the construction and maintenance sectors of TT. In the late 1990s, increasing competition in the equipment rental market along with difficulties with key clients forced CCUM to consider alternative sources of revenue.

In 2004, CCUM formed a distribution JV with a Canadian firm to rent units locally. In 2005, they expanded internationally by winning a tender in Venezuela. Supported by it's Canadian supplier, CCUM invested in a workshop to manufacture and repair units. CCUM also began lobbying the local safety bureau to implement international standards and were ultimately successful which helped to reduce the level of competition from uncertified units.

The firm ended it's JV in 2006, investing in resources to create designs and expand production. After achieving ISO certification in 2007, CCUM began examining ways to control rising production costs as skilled labour became scarce in the growing local economy. Discussing that period, the CEO mentioned: " *While we were growing, we knew it wasn't as a result of our actions, everybody was growing. What we needed to do was lower costs*"

The company decided to focus on the production of customized or rapid delivery items locally and formed supply agreements with European firms for standard or long lead time items. CCUM has since expanded its presence in Venezuela and keeps a fleet dedicated to that market. The company has since invested in a manufacturing subsidiary in Brazil, and intends to centralize production of units for the Latin American market there.

Stovetop Engineering

Stovetop Engineering (SE) was formed as a subcontract labour supplier in 1996 and is currently the only integrated manufacturer of gas cookers in the Caribbean Region. While still a contract labour firm, the owner began working on his own designs for gas stoves. In 2001, SE began the production and sale of their own brand cooker, selling directly to customers. Staff were transferred to the new venture and the internal components for the cookers were sourced from an Italian firm, with the frame and casing made locally. At that time, no safety standards were in place for gas cookers in the region and SE lobbied the Trinidad Bureau of Standards to implement international guidelines. While this framework has not yet been ratified; it has been accepted as a de facto standard by customers and competitors. Local demand for household furnishings was increasing and based on early customer feedback, the company created its signature product, a “pest proof” stove. This product has since won local innovation awards and remains its highest selling product.

SE then began expanding regionally, with sales to the nearby islands of Grenada, Barbados and St Lucia. The company operates with a low level of staffing since employees have been cross trained in both maintenance and operations, providing flexibility to cope with uncertain demand or skill shortages. In the words of the Operations Manager: *“ It is difficult to get workers in this environment. We have to make the most of what we have”* All tooling for cutting and assembly of equipment is also interchangeable, enabling the company to continue production should any individual machine fail. Designs are based on common components, allowing the firm to minimize inventory while still providing a rapid customer response. The company has continued to innovate based on customer feedback. Designs currently marketed include one that incorporates a spill deflector that reduces the need for maintenance and burner configurations that meet the needs of Caribbean food preparation.

Cross Case Analysis: Identification of Process Patterns

Internationalization is a multidimensional, complex phenomenon involving the firm, domestic and external environments. Using an RBV based framework, the inward and outward internationalization of TT manufacturing exporters, both outward and inward, was examined as an outcome of resource reconfigurations in a changing domestic context. Analysis of findings reveal the presence of two underlying processes: A shift in resource profile composition and an expansion in resource development modes.

Resource Profile Composition from Property to Knowledge Resources

Resource development has been conceptualized as an emergent process (March 1999, p. 29) in which resources and relationships interact to create system specific properties. Within a given industry cluster, similar capabilities can emerge as organizations not only manage their own resources but also imitate and counter the capabilities of competitors (Lampel and Shamsie, 2003). Over time, TT firms evolved from property resource led single site facilities to knowledge resource led dispersed production networks. For Exporters that started in the first two eras (Promoter and Entrepreneur), TT firms required a license (property resource) to begin operation. However, more recently, accumulating country experience in manufacturing and increasingly accessible foreign suppliers have encouraged TT firms to shift from property based to knowledge or capabilities as the critical components of their resource profiles on startup. SC and STE were based around local production expertise, with complementary resources being acquired afterward. TT firms currently acquire components from the far east (OF, TTW), designs from Latin America (OF) or kits from Europe (STE, CCU).These supplier relationships have enabled firms to lower costs by reducing the domestic labour content. In addition, they allow firms to focus on customization/localization demands of sustaining a presence in regional markets which require investments in marketing and product development. Finally, they enable access to technology resources that are not available locally, such as high end furniture designs.

Changes in Resource Development Modes

While improvements in the country skill base through education and training helped reduce resource deficiencies, organizations also built experience and improved their understanding of the production requirements in the domestic environment over time. Both actions increased production munificence and firms' activities became more structured (Sarasvathy, 2001).

TT firms over time employed increasing sophisticated modes, evolving from firm internal and external strategies to network and finally environmental strategies. Organizations started in the closed economic era (TTE and OF), began operations with a focus on internal development of resources. As the economy shifted, these firms began to adopt external resource development, engaging in international outsourcing to expand their offerings while minimizing costs. This expanded resource development approach also created firms as one organizations adjustment resulted in outsourcing of operations which created SE. Newer organizations such as CCUM adopted multiple resource development modes from inception, leveraging the open environment to initially access complementary foreign production resources and later international expansion. In addition to the four modes of resource development identified in the literature review, the Firm Driven Environmental Resource Development was uncovered in this study. Exporters attempted to use lobbying to either secure additional resources (OF) or shape the competitive landscape (CCUM and SE). The latter two were successful in introducing product standards that limited domestic competition in the early stages of their development. This change in local conditions spurred by a local organization can be seen as a co evolutionary development of the domestic environment.

Synthesis: Internationalization from a changing domestic environment

Resource development processes are by their nature non deterministic (Buchanan and Vanberg, 1991) and can result in multiple possible development paths. Constrained by the closed environment, early expansion by TT firms was similarly incremental; moving from domestic to regional markets (**Path 1**). After obtaining a license, firms acquired technology to build domestic manufacturing enterprises. Initial internationalization to regional markets occurred to deploy excess capacity in regional markets. Further expansion occurred after experimentation was proven to be successful. Opening of the TT environment and fluctuating oil prices introduced uncertainty(Knight, 1921) as competition from imports and demand variation increased. Firms' adaption to these conditions helped created firms followed divergent paths of internationalization.

An open economy along with export support in the Facilitator and Architect eras saw more diverse patterns of development. Rapid Regional Expansion (**Path 2**) was observed in SE while others entered extra regional markets quickly (**Path 3**). Alignment of resource profiles and market requirements also resulted in de-internationalization (**Path 4**).

Instead of distinct stages of outward development as indicated by previous research, these patterns suggest that firm internationalization from a changing domestic environment can be viewed as a multipath "phase" process. Firms may follow multiple development paths based on resource development and also change trajectories in response to shifting domestic conditions. Stage models such as the U Model suggests a firm driven internal incremental resource development process as firms experiment with external markets, adjusting resource profiles after experience is accumulated, suggesting an incremental resource development path. These patterns were visible in TT organizations operating in a resource rich, closed economic environment. However, as the economy opened, more complex paths emerged and firms from the early closed era followed paths 2-4 .

While network models allow for the description of multiple paths of firm development, they have been described as context independent(Chetty and Blankenburg Holm, 2000), minimizing the influence of country context. IE models have identified the possibility of external environment influences (Jones and Nummela, 2008), however, little empirical validation has been provided to date. This paper therefore makes an empirical contribution by illustrating the influence of changing country context on firm internationalization. In addition to the empirical contribution, this paper makes a methodological contribution by using a process approach to illustrate the link between a changing external context and patterns of internationalization through resource/capability reconfigurations.

Discussion: Internationalization as Firm-Environment Interaction

Past internationalization research has taken the environment as a fixed constraint (Bijmolt and Zwart, 1994). Emphasis has been placed on identifying fixed export "barriers" at the country, firm and individual level and identifying strategies to overcome them (Zou and Stan, 1998). Developing countries, however, are volatile resource environments, with changes in both the nature and volume of resources. Responding to this volatility requires extensive reconfiguration, not mere adjustments. This research attempted to examine this gap by researching TT exporters who have managed to sustain an external presence over time. The resulting model makes empirical, theoretical and methodological contributions to the literature. The empirical contribution is an exploration of a new country environment of small developing countries or small state. Existing work focuses on the level of the economy (Armstrong and Read, 2002) or FDI into these countries (Barclay, 2000) and this paper is an initial examination of internationalization from these environments.

As a theoretical perspective, the RBV was a useful way of opening the “black box” of organizations(Sirmon, 2007), by modeling the firm as a resource profile. In this way, it enabled the theoretical contribution of a framework based on the examination of dynamics at two levels, both firm and environment. Most current theoretical work on internationalization from emerging markets do not explicitly incorporate the effect of domestic change on organizations (Luo and Peng, 1999, Shi et al., 2012). This work examines the effect of an alternate, but relatively fixed resource environment on firm operations (Li et al., 2010) and hence internationalization. Related work examines the challenges posed by emerging market institutions on developed country firms (Hatani, 2010). While this debate has extended to the level of subnational institutions (Nguyen et al., 2013), researchers in this area have not yet examined the effect of policy on firm internationalization. By incorporating the effect of government policy, which can influence firm resource development, this research has built a holistic theory of firm internationalization that is grounded in the experience of emerging markets. These countries have actively attempted to utilize policy instruments to change domestic resource environments with varying outcomes (Etzkowitz and Brisolla, 1999, Buck et al., 2000, Henry and Miller, 2009) . The resulting framework provides an empirical illustration of the effect of these changes on firm development and contributes to the body of knowledge on firm internationalization.

The methodological contribution is the application of process research to institutionally based research. Data collection and analysis using a process approach was able to uncover the changes in these profiles and the outcome of such changes over time. Tools such as Triangulation using data sources and respondents drawn from suppliers, customers and government agencies enabled verification of any particular claim, improving the validity of findings. Overall, this method enabled the reconceptualization of internationalization as an interactive process in which firm and environment act and are acted upon, resulting in distinct outcomes.

For researchers in small states, a process method has significant value since, generally, the number of firms is relatively small and tend to be privately held, making access to data difficult(Barclay, 2007). Firms of this nature have very little interest in research unless it provides some direct benefit. The iterative nature of process research enabled the provision of interim outputs that were of value to the organization. This enabled progressively deeper access that allowed the generation and confirmation of research insights. Further, a process approach was able to capture episodes of de-internationalization, an act considered to be a “failure” for some organizations (Cuervo-Cazurra et al., 2007).

A process approach also enabled the incorporation of historical data. While history has generally played a limited role in the field of international business (Jones and Khanna, 2006), it allows assessment of processes as a pattern of linked events (Abbott, 1983), providing insights that a variable or conceptual perspective cannot. For this research, it allowed the examination of information that was inaccessible by other means, supporting data capture of both firm and context over a long period of time. While economic history studies can generate similar insights, they tend to focus on single organizations or industrial sectors(Freeman, 2002), limiting their applicability in IB. By employing a nested approach that combined context and organization, this study enabled the performing of “natural experiments”(Andreoni, 1988).

The resource development profile and processes of organizations could be assessed under varying domestic environmental conditions, leading to a stronger theory. Using a process method, it was possible to capture this interplay between changing environmental conditions and firm response, showing the interactive nature of small state internationalization. A particular strength of this approach was the ability to uncover the effect of varying policy approaches on firm development, an area that has not yet been examined to any great depth in emerging body of knowledge on the effect of country environment on internationalization.

Conclusions and Implications

Organizations engage in a range of interactions with their environments within institutional arenas, ranging from arm’s length market transactions to face-to-face negotiations within ‘relational frameworks’ (Scott and Meyer, 1983). While the framework of analysis that focuses on firms, it also examines processes that link the evolution of external resource environments with those of organizations. This paper makes a methodological and empirical contribution to the literature. In methodology, the application of a process approach based on retrospective data allows the generation of new insights. Most work on internationalization has taken a cross sectional approach, with researchers building understanding based on associations between variables. Internationalization, however, is a complex phenomenon and variable approaches, even longitudinal ones, face limitations when attempting to establish causality. The approach deployed in this study allowed the identification and tracing of resource development over time. Process approaches explicitly recognize context, integrating macro and micro interactions to establish causality. This property is especially useful in future developing country research, as the context needs to be explicitly recognized and not taken as a fixed constraint. By observing the development of organizations and the domestic environment in which they operate over time, reasons for firm activity can linked to larger economic and political developments. In this way, the role of the external environment could be delineated and this approach can form the basis of further exploration in the area.

Empirically, this research contributes to the literature on Firm internationalization by exploring an under examined area, small developing countries. These environments vary significantly in domestic conditions, making application of standard constructs difficult. This research is an initial foray into this area, identifying the processes and paths of internationalization of firms from these environments. Further research can develop research propositions from the processes identified in this work to identify further relationships between resource environments and internationalization.

For firm management and policy makers seeking to support the export sector, the process patterns identified in this research may also be of value. Current policy prescriptions focus on the creation of property based resources in the form of patents and provision of generic technical skills through training (Borras, 2009). This perspective assumes that firms **learn to internationalize**, i.e., they build a resource combination from local resources that enables internationalization. The processes identified in TT firms in the current economic environment indicate that firms rely on knowledge based resources which are built through interaction with domestic and external sources. This highlights the importance of inward internationalization using forms such as imports as these firms **internationalize to learn.** Firm management in countries with limited technological capabilities may need to engage in a search process to identify the required resources to initiate as well as expand international businesses.

Support measures for exporters therefore need to reflect this diversity in order to be effective and the development of an export focused institution, an approach already adopted by Ireland ,Finland and Malaysia (Rios-Morales and Brennan, 2009) may be of value. Based on the findings of this early study, the proposed institution could consider taking a holistic view of internationalization that incorporates both inward and outward modes, enabling firms to access and configure resource profiles capable of internationalization. It should be positioned as an the interface and support interactions between a heterogeneous group of participants: current and potential exporters ,domestic organizations and international expertise that can enable exports. The limitations of this study are generic to process and qualitative research (Sminia, 2009). The findings of this research are based have been compared to other theories and not empirical generalization. As a result, further research is required to confirm theoretical findings in alternate contexts and build research propositions that can examine empirical validity.

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