

The CPP Model for Conceptualizing International Business Research

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ABSTRACT

Background

Globalization forces have steered the transition away from a manufacturing toward a worldwide knowledge economy (Teagarden & Schotter, 2013). In this competitive era, studying the path, process, pattern and pace of internationalization of firms can contribute in added value to the growth of a firm. This paper proposes a new model for conceptualizing the internationalization of firms: the CPP (Conservative, Predictable & Pacemakers) model. Existing theories in this area of research are the born-global firms (Knight, Madsen, and Servais, 2004) and the gradual internationalization process of firms (Johanson and Vahlne, 1977, 2009).

Research Objectives

The research objectives of this paper are:

Research objective 1 (RO 1) => To examine the growth path and demographic characteristic features of IT firms from Puerto Rico (following the insights from the literature review, particularly Teece, 2014).

Research objective 2 (RO 2) => To identify the pattern and process of internationalization (of the IT firms using a clustering analysis (following Knight, Madsen & Servais, 2004; Lopez, Cirevegna & Kundu, 2009; Paul & Gupta, 2014)).

Research objective 3 (RO 3) => To propose a theoretical framework titled CPP Model for carrying out industry analysis and internationalization studies with emphasis on pace (extending the theoretical contributions of Rugman & Verbeke, 2004, 2008; Kim & Aguilera, 2015).

Method

According to the Puerto Rico IT Cluster, there are a total of 70 IT firms in the country. Sixty three firms participated in our survey. A questionnaire was sent to the executives of those firms. The executives were all active partners, owners, or top managers. We selected IT sector because of its growing importance. IT has emerged as one of the fastest growing industries in many countries (Paul & Gupta, 2014).

Findings

As for the first research question (RO1), which refers to the demographics, the primary industry of service, the service provided by the firms to the private and public sectors, the number of employees, the number of customers, and the annual revenue are presented. Clustering was designed to discuss the process and pattern of internationalization of firms, as outlined in research objective two (RO 2).

Binomial testing was conducted to determine (RO3) the probability that one-third of the IT firms have total annual revenue of \$10,000,000 USD. This involved the

statement of hypothesis. The null hypothesis is: 33% (1 of 3) IT firms has total annual revenue of \$10,000,000 USD or less. The alternative hypothesis: 33% (1 of 3) IT firms have total annual revenue greater than \$10,000,000 USD.

Discussion

We introduce a CPP model for conceptualizing the internationalization of firms. C stands for conservative firms, P stands for predictable firms, and the other P stands for pacemaker firms. Our study of the IT firms provides a platform for developing a model to analyze the growth path, process, pattern and pace of internationalization of firms, a framework that could be used worldwide for analysis and research. Definitions of the three concepts are presented. *Conservatives* are those firms remaining within the domestic boundary as they lack the vision to take their business into foreign markets. *Predictables* are those firms mostly serving the domestic market plus the predictable markets. This could include markets, which are part of legally valid regional trade agreements or markets with bilateral agreements, territories or markets with legal agreements for international business without tariff or non-tariff barriers. *Pacemakers* are those firms serving not only in the closest international market but also globally for a little more than a decade and generate more revenue than the firms belonging to the categories such as conservatives and predictables.

Implications

Researchers can use CPP framework for conceptualizing internationalization of firms as well as to analyze the likely success of an industry in a country. For instance, CPP Model can be used in a European context, taking into account the integration of EU.

Future Work

The CPP framework development is the main contribution of this paper. Future studies can focus on using the CPP framework to conduct industry analysis and internationalization studies across the industries and across countries, selecting an interesting industry sector or firms from different industries.

Keywords

Internationalization, CPP Model, Industry analysis, Clustering, Conservatives, Predictable Market, and Pacemakers.

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