DOCUMENT DE TRAVAIL 2002-009

INSTITUTIONAL PIGGYBACKING – ACCELERATING THE INTERNATIONALIZATION OF THE FIRM IN THE TELECOMMUNICATIONS INDUSTRY

André Richelieu

Original manuscript : Version original :
Série électronique mise à jour : 09-2002
On-line publication updated :
Seria electrónica, puesta al dia
Institutional piggybacking — Accelerating the internationalization of the firm in the telecommunications industry

Author: Prof. André Richelieu
Marketing Department, Faculty of Business Administration, Laval University, Québec City (Québec) G1K 7P4 Canada
Phone: (418) 656-2131 Ext. 7710
Fax: (418) 656-2624
E-Mail: andre.richelieu@mrk.ulaval.ca

Biographical note: André Richelieu is Assistant Professor of Marketing at Laval University. His research interests focus, among others, on the internationalization of the firm and on the institutional levers firms can use in order to enter foreign markets.

Abstract

The institutional support a company can get when going international is often overlooked in the literature. In this paper, we articulate the concept of “institutional piggybacking”, which is described as a catalyst to enter foreign markets and accelerate the internationalization of the firm, using institutional levers. Referring to the case of Canadian telcos as an example, we aim at developing new points of reference for managers who operate in industries where risks are irreversible and who need to exploit or influence the business environment when entering a foreign market.

Key words: internationalization, institutional support, risk, international projects, governance models, telecommunications.
In search of new guidelines

If the telecommunications industry has long been limited to phone services, it has now diversified to include mobile, Internet, cable and entertainment. The telecommunications industry is less and less telephone oriented, and more and more geared toward communications. It is merging with the media and entertainment industries, as exemplified by the acquisition of sports teams by communications corporations in Canada, the United States and Europe. The reason beyond the redefinition of the telecommunications industry is that phone companies, along with their competitors in the mobile, long distance, Internet and cable are looking to combine the dissemination of voice, image and data through one network, in order to deliver value added services. In other words, companies try to combine the content with the pipeline, as the race for convergence is on. This integration implies a redefinition of the markets and products, as well as of the way firms compete in these markets, among others international ones. As telephone operators (telcos) are increasing their involvement outside their boundaries, our knowledge of the internationalization of the firm is challenged to provide new points of reference. By internationalization, we refer to the process through which a company increases its international involvement and the strategies, or modes of entry, it uses to do so. Thus, the main objective of the paper is to introduce and articulate one key variable in the internationalization of the firm which is often neglected, looking at specific actors. This variable is the institutional support, national or foreign, used by companies to enter
foreign markets and accelerate the internationalization process of the firm. The specific actors are Canadian telcos. Even though Canadian telcos may appear to be marginal on the international scene, the telecommunications sector is vital to the national interest of any country. Limited resources may force Canadian telcos to find ways to go international that could help bring another perspective to the internationalization of the firm, especially in an industry where the risk associated with a given project is high or even irreversible, and the potential reward very uncertain. Our intent is to add a managerial contribution to the existing knowledge on internationalization.

With this idea in mind, we will first look at the recent trend in the telecommunications industry. Second, we will underline the need for the inclusion of an institutional dimension in the reflection surrounding the internationalization of the firm. Third, as a case in point, we will present how the institutional support can be articulated within the internationalization of the firm. Fourth, we will highlight the success criteria of an international project, using institutional levers, before ending the paper with some concluding remarks.

The “great disturbance” in the telecommunications industry

Two main factors are behind the major changes underway in the telecommunications industry: deregulation and technological innovations. The United States and Great-Britain paved the way of deregulation in the 1980s. In Great-Britain, British Telecom was privatized under the government of Margaret Thatcher, which initially led to a spectacular improvement in both the bottom-line of the company, and the infrastructure and quality of telecommunications. In the United States,
AT&T was broken up in several regional operators, the Regional Bell Operating Companies (RBOC) or Baby Bells, in 1984. That year marks the beginning of competition in the long distance market, as well as the emergence of regional monopolies for local calls, each region being served by only one RBOC. Deregulation had a major shift in 1996, when President Clinton signed the Telecommunications Act, which allowed competition among local and long distance operators in the same market.

In Canada, deregulation took off in 1992, when long distance was opened to the competition, before the same occurred with the local calls in January 1998. Then, in October 1998, the Canadian Radio and Television Commission (CRTC) put an end to the monopoly of Teleglobe on international calls. Thus, it is theoretically possible for a customer in Canada to choose their provider for the local, long distance and international services. In theory only, because if the long distance has seen the competition increase steadily, it is not the same for the local service, the latter not being profitable enough on its own to attract newcomers.

Technological changes happened essentially through the Internet, even though people believed the catalyst would be cable television. The surge of Internet among businesses and households in the mid-1990s has allowed, first, the dissemination at low cost and high speed of voice, image and data. Second, Internet has provoked a disintegration of the value chain in the telecommunications. In other words, companies specialize in what they do best in order to consolidate their position, and create alliances according to their needs.

Moreover, technological breakthroughs bring with them new players, which offer customers more choice, because the variety of products and services is increasing. Mobile
phone, cable and digital television, to name a few, create new ways of reaching the customer, as well as opportunities for new players. The progress of technology helps reduce constantly the cost of services offered to customers, who can decide how and where to communicate, and from which provider to buy the service, à la carte or in a package.5

For the telcos, the monopoly disappears and the telephone minute becomes a commodity.36 For example, in a year [1999], long distance tariffs have dropped between 30% and 70% in Europe.5 In fact, the rhythm of technological developments leads to a fast commoditization of value added services, which forces companies to find new sources of revenues faster than they used to.36 Competition develops in long distance, mobile phone, cable television and the Internet. The newcomers, whom Rabeau35 calls the «Agile Gladiators», are challenging the incumbents («Titans»). The incumbents aim at accelerating the integration of voice, image and data, and win the «battle of the telecommunications». This is especially true in international markets, where incumbents try to satisfy needs that are local, regional and international at the same time.38 That is why some telcos develop or acquire local networks, before connecting customers to their regional or global network. Among these customers, are the Multi National Corporations (MNC), which ask for better communications services that enable them to connect their local subsidiaries at a global level.13

The need for an institutional dimension on internationalization

Since the cow milk, once represented by the long distance calls, has disappeared, revenues from international endeavors are critical to finance the development of new
services as well as the appropriate infrastructure, and consequently nurture the growth agenda of telcos around the world. This is especially true in Canada, which has a population of only 31 million people spread over 10 million km². In order to better understand the international endeavors of these telcos, we should first have an overview of the theories on the internationalization of the firm. There are two main schools of thought on the internationalization of the firm: the sequential and the leapfrog models.

**The sequential school**

The key model of the sequential school is known as the Uppsala model, following the work of Johanson & Wiedersheim-Paul, as well as of Johanson & Vahlne. The Uppsala model states that a firm will gradually increase its international involvement abroad, starting with exporting until it reaches foreign direct investment (Graph 1). Inspired by behaviorist theories, the Uppsala model makes the assertion that the more a company gets involved in foreign markets, the more it learns about them, thus reducing the uncertainty and the perceived risk. Consequently, a firm can then use strategies or modes of entry that require more resources and get involved in countries that are culturally more distant in terms of business habits and practices, law system, economic development, etc.

The sequential school is very mechanistic and deterministic in its approach. In fact, the sequential model is influenced by the period when it was introduced, when the means of communications were less developed and the nature of competition more regulated than today. Furthermore, the sequential model would seem to apply more to smaller firms which have very limited resources, and are more vulnerable to irreversible risks in the
event that the international endeavor fails. That’s why some authors have tried to conceptualize other models that take into account today’s access to information and the fact that industries are opening to a world scale competition.

**Insert Graph 1 about here**

*The leapfrog school*

The main idea behind leapfrog is that companies can increase their internationalization process by jumping steps, often bypassing exporting, and go directly to modes such as joint ventures (JV) or foreign direct investments (FDI) (Graph 1). Factors that could trigger leapfrog are twofold, and take into account push (threat) as well as pull (opportunity) reasons.³ On one hand, there are internal factors, for example the competencies and resources of the firm, the attitude of managers toward international endeavors, and formal planning of international activities within the core business of the firm. On the other hand, there are external factors, such as heavy competition in the industry, the means of communications available, and the needs and wants of customers worldwide.²⁵³⁰³²

Born global firms are an example of a more voluntarist approach in accelerating the internationalization process.²⁵ Born global firms are relatively small companies, with revenues under $100 million U.S. They integrate technology in their processes and in their products, in order to develop innovative products, and start getting involved internationally within two years of their inception. Their dynamism and their vision of the world, which they associate to a big market, enable these born global firms to compensate for their relative lack of resources. By focusing on niches that cut across boundaries,
these firms can minimize the competitive pressures from bigger companies. These companies operate in high-tech sectors, whose markets and products have a broader global appeal than more traditional manufactured goods.

Undoubtedly, an early entrant which penetrates the market before its rivals is potentially able to generate superior economical rents, position itself as the reference to customers, and even shut down the market by monopolizing the resources and networks available. This being said, leapfrog can be somehow very idealistic. Leapfrog is engraved in the enthusiasm for joint ventures in the 1990s, and the use of new technology, such as the Internet that gives visibility but not necessarily the capacity to deliver goods in foreign markets. Authors who conceptualize leapfrog do not emphasize enough the need for resources required to bypass export and jump to a joint venture, for example. In capital intensive industries, such as the telecommunications, where the risks become irreversible because of the nature of the investment involved, this is an element to consider.

*The institutional support — A missing variable in studies on internationalization*

Both the sequential and the leapfrog schools underline a series of variables that help understand the internationalization of the firm. These variables include, on the internal side of the firm, the knowledge managers have of the foreign market, the attitude of the managers, the resources of the company, the use of formal planning in integrating international activities within the overall operations of the firm, etc. On the external side, variables encompass the cultural distance between the home and foreign market, the nature of the competition in the industry, the means of communications available, the needs and wants of customers, etc.
But one variable that is generally missing in the literature when analyzing how a company goes international is the institutional support a company must get in order to anchor its project abroad. The reasons for this need are threefold, and are in line with the new governance models that are emerging. First, the projects are becoming increasingly complex and the actors involved are more and more diverse. Second, the business environment of a country, also known as the institutional framework, creates or destroys a business opportunity. Third, the ability to influence and exploit the institutional framework can help a firm create value. In this instance, a failure or careless involvement abroad can easily become irreversible, because it can seriously undermine the financial viability of the company and its ability to undertake new endeavors. An example is given by the phenomenal debt of European telcos which acquired third generation mobile licenses, while the network and the applications still need to be developed. As a case in point, the debt of British Telecom rose to $43 billion U.S. in 2001, which forced the company to sell its stakes in the two Japanese companies it owned to Vodafone. Vodafone itself announced the biggest losses ever registered by a British company in May 2002. Japan’s NTT revealed that it would write off $15 billion U.S. from the value of overseas assets acquired when prices and expectations were high. Losses for 2001 were estimated at $6.5 billion U.S. This leads us to the main contribution of the paper, which we will now introduce: institutional piggybacking.

**Institutional piggybacking (IP)**

We define institutional piggybacking as a way for a firm to use the resources and network of national and international institutions and companies, in order to exploit or influence...
the institutional framework to its advantage and gain market share abroad. As we will see in the next section with a concrete example, institutional piggybacking would allow the firm to reduce the risk in its international endeavours, using three levers: i) international institutions (World Bank, for instance); ii) national and foreign governments, including their ramifications (Canadian International Development Agency [CIDA], Export Development Canada [EDC] or their equivalent in other countries, etc.); as well as iii) private partners that have contacts within national or international institutions. Through institutional piggybacking, a company would be able to gain the necessary legitimacy to anchor its project abroad, thus increasing the chances of success on foreign soil. For the reader’s benefit, Export and Development Canada offers, among other services, insurance to Canadian exporters to cover the risks of non payment. The Canadian International Development Agency finances international projects in developing countries.

Furthermore, institutional piggybacking would play the role of a catalyst. Indeed, it would enable a firm to accelerate its international involvement by using more committed modes, such as joint-ventures and foreign direct investments, or by going into markets that are culturally distant. This process is done faster than what the sequential model suggests, but takes into account the limited resources of relatively smaller firms that are overlooked by the leapfrog model. By introducing institutional piggybacking, we aim at incorporating an institutional dimension in the discussion on the internationalization of the firm that is often neglected, even though it is more and more documented that institutional support can increase the chances of success of international projects.131

For companies doing business in emerging countries or countries in transition, an institutional approach to internationalization could be appropriate. Indeed, «government
and societal influences are stronger in these emerging economies than in developed
countries».(p. 252) More economically oriented theories appear to focus solely on the
firm as the center of the internationalization, whereas the firm is one actor among others
in a complex system, which needs help to manage risks.31

In a word, going international is vital for Canadian telcos and the use of institutional
support could be valuable in entering foreign markets. Now, how does it transpire in the
internationalization of the Canadian telcos we studied?

Institutional piggybacking as a catalyst

_Institutional piggybacking in action — Diogenes in Tanzania_

We will look at a project undertaken by a company we called _Diogenes_, for
confidentiality reasons. The name _Diogenes_ comes from the fact that the company is
looking for its niche, like the Greek philosopher who was searching for the Truth with his
candle. Diogenes started its international endeavors in 1984. The operating revenues of
the mother company are below $ 1 billions U.S. The revenues from international projects
represent 3% of the revenues of the mother company. We should take note that Diogenes
is a Crown Corporation, owned by its provincial government. Every dollar spent and any
loss must be explained to the Parliament. Thus, Diogenes is very risk averse, and we will
see that this has a strong influence on the approach the company takes internationally. As
a point of comparison, the most dynamic telcos worldwide can generate revenues from
international projects that are worth 20% or more of the revenues of the mother company,
such as Deutsche Telekom.14
Diogenes’ endeavor was a two-phase turnkey project which consisted in exporting equipment and expertise to Tanzania. The client was the Tanzania Railways Corporation (TRC), the national railways company owned by the Tanzanian government.

The first phase took place between 1988 and 1993. Diogenes used an export consortium which involved a Montréal-based consulting firm, in order to design and implement the telecommunications system along the 1,500 kilometer route from Dar Es Salaam to Mwanza, in the North-Eastern part of the country. Diogenes was responsible for managing the project, and providing the engineering, design and consulting services necessary to complete the project. Diogenes basically helped the TRC improve its telecommunications services along the Dar Es Salaam to Mwanza route. It was a CIDA sponsored project, with a financial guarantee provided by EDC to secure up to 90% of the revenues from the project. In fact, Diogenes now only undertakes projects where CIDA, EDC and international institutions are involved, in order to reduce, among other things, the financial risks. As a Crown Corporation, the possibility of losing money is a major psychological barrier when it comes to pursuing international endeavors. Furthermore, institutions and companies allow Diogenes to acquire information on the market and the actors that do have a decision-making authority, to integrate business networks abroad, and thus gain legitimacy to exploit or modify the institutional framework in the host country.31

The second phase started in 1999 and ended in 2002. Diogenes’ mandate was to modernize and improve the TRC telecommunications network from Morogoro to Dodoma, a 264 kilometer route, in the center of the country. Diogenes was responsible for the installation of the fiber optic and transmission material. Diogenes was the project
manager, hiring local companies to transport the equipment and install it. Diogenes offered a one-year maintenance service until March 2002. Once again, it was financed by CIDA, with a guarantee from the EDC. Both phases combined brought Diogenes $13 million U.S.

**Insert Table 1 about here**

The project, overall, was a success because of the following elements that we identified during our analysis (in brackets the success criteria, as they are identified by the literature in relation with exporting, Table 1):

- The client was satisfied with the work done by Diogenes, which is a key element for all of Diogenes’ projects according to their managers.
- The timeframe and the budget were respected (“respect of the budget”).
- There was no human tragedy among Diogenes’ employees sent to Tanzania.
- Diogenes acquired an international experience. In fact, the TRC project was one of the first international projects undertaken by Diogenes, and it took place in Africa.
- The TRC project was the first step in opening an office in Tanzania, which is the equivalent of a sales subsidiary abroad (“strategic expansion in foreign markets”).
- Diogenes positioned itself for other projects in Tanzania, in Africa and in the railways industry (“contribution to the overall international objectives of the company”).
- The financial objectives were achieved, Diogenes making a profit (“increase in the company’s sales and profits”). The rate of return varies from one project to another, but Diogenes must not face losses: “we cannot afford loss leaders” said one of the managers interviewed. This may seem like a short term view, but as we mentioned before, the fact that Diogenes is a Crown Corporation explains this situation.
This being said, two problems arose during the TRC project. First, the Tanzanian government hired a Western consultant to make sure all the standards were respected by Diogenes. This consultant appeared to be very zealous with the standards Diogenes had to comply to, which caused Diogenes to incur extra costs. Second, the maintenance of the equipment will be a problem in the future in order to preserve the integrity of the infrastructure. The TRC got accustomed to having Diogenes take care of everything. Now that the maintenance contract is over, it will be another story.

If we go back to Table 1, the following success criteria transpire in the TRC project: strategic expansion in foreign markets, increase in the company’s sales and profits$^{12,23,24}$, respect of the budget and contribution to the overall international objectives of the company.$^8$ Even though the last two criteria appear in the literature as relating to FDI and not specifically to exporting, they are highlighted in relation with the TRC project. We believe this is due to the fact that this was a turnkey project which required an involvement in the foreign country, as would have a FDI, but without the same intensity.

**Beyond Diogenes**

Now, the question we might ask is the following: Is Diogenes an isolated case? Moreover, is the TRC project unique? In fact, through in depth case analysis of nine international projects undertaken by three Canadian telcos, we were able to highlight the use of institutional support by the most successful companies (Table 2). Three telcos have been chosen by convenience and represent 50% of the total population of Canadian telcos. The other two telcos we studied are *David* and *Ulysses*. 

© Copyright André Richelieu 2002
David refers to the David who challenged and defeated Goliath, as David in our sample is motivated to compete with the biggest telcos. David started its international activities in 1997. The operating revenues of the mother company are between $1 and 5 billion U.S. But the revenues from international projects represent only 0.5% of the total revenues of the mother company. Unfortunately, David appears more confident in what it has to offer than what the company really seems able to achieve internationally.

Ulysses is a conqueror, with huge resources, thus inviting us to make a parallel with the hero of Homer. Ulysses started its international projects in 1978. The revenues of the mother company are above $4 billion U.S. The revenues from international projects represent 5% of the revenues of the mother company.

Insert Table 2 about here

Institutional piggybacking and the success of international projects

What makes for a successful project — Some points of reference

Beyond the outcome of the projects per se, it is interesting to analyze what might be the criteria of success for an international project in the telecommunications industry. According to our analysis, three categories of elements can be highlighted: i) the business environment of the host country, ii) national and international institutions, and iii) financing.

First, the business environment of the host country must be relatively structured and stable. The company should also be able to exploit or influence the business environment or institutional framework. Diogenes is counting on the institutional framework to anchor its projects and avoid major disturbances its limited resources would not permit to face.
For both Diogenes and Ulysses, the idea of anchoring a project in the institutional framework of the host country is underlined by their managers. Truly, a company needs to take foot in the institutional framework, at home but fundamentally abroad to gain legitimacy. The company also must know how and where to influence the institutional framework\textsuperscript{31}: in Tanzania, Diogenes succeeded; in Cuba, David failed, mainly because the institutional framework destroyed the business opportunity due to the lack of infrastructure, people’s mentality, work ethics and red tape (Table 2). We could also say that by anchoring its project abroad, the company creates a relationship with a customer, and this relationship can be stronger when the customer finds a personal interest.\textsuperscript{6} For potential competitors willing to get a foothold in the market, this relationship could even be a serious entry barrier.

Second, the national and international institutions, as well as private partners, legitimate the company abroad and help it anchor the project in the institutional framework of the host country. Diogenes has developed an expertise in the use of these institutional levers, to the point that this expertise has become a key success factor. Institutions and companies allow Diogenes to acquire information on the market and the actors that do have a decision-making authority, to integrate business networks abroad, and thus gain legitimacy to exploit or modify the institutional framework in the host country.\textsuperscript{31} This was underlined in the presentation of the TRC project.

As we said earlier, Ulysses favors joint ventures which give Ulysses a local flavor, and help the company anchor its projects as well as gain legitimacy on foreign soil. Joint ventures allow Ulysses to take advantage of its partners’ influence locally. David is the
only one which neglects the help from institutions, limiting its involvement in partnerships and avoiding the use of institutional levers.

Third, the opportunity to get the financing for the project reduces the risk, which is not negligible considering the uncertainty that comes with international projects.\textsuperscript{7} 31 The importance of financing is obvious with Diogenes’ and Ulysses’ respondents. It is non-existent with David. This could be explained by the kind of projects pursued by David, which uses exporting or exporting combined with licensing, but also by the absence of institutional levers borrowed by David, such as EDC or CIDA. EDC can secure up to 90\% of the revenues from an international export-related project. We clearly observe a negative attitude toward these actors among David’s managers who “don’t want to deal with bureaucracies”, which in the end closes some doors for the company when trying to initiate international projects.

As for Ulysses, the company is looking for partners, either private or public, that can also contribute financially to the project. Ulysses doesn’t want to be a milk cow, which can happen sometimes to Western firms in emerging countries.\textsuperscript{39}

Hence, not only should the institutional framework be stable, but the company must be able to influence the institutional framework, using institutional levers, in order to create value; external value for its customers, but also internal for its shareholders and employees. By using institutional piggybacking, the company surrounds itself with “legitimizors” which help the firm be seen and accepted as a trusted player in the foreign environment, in addition to enabling the company to exploit or influence the institutional framework. The more a company feels legitimized or is indeed legitimized, the more it could be willing to undertake more complex projects, which enables a telco to
differentiate itself from its competitors and create additional value. Graph 2 positions each project of the three telcos studied in terms of the complexity of the project and the stability of the institutional framework in the foreign country. Projects that are above the curve are generating value.

**Insert Graph 2 about here**

*Some competencies to influence the institutional framework and manage the risks*

Thus, it is important that the firm develops some competencies in order to interact with national and international institutions and companies in order to understand, exploit and modify in some cases the institutional framework. By exploiting and influencing the institutional framework, the firm reduces its risks and increases the chances of success of the project. The ideal situation would consist in combining a local partner who knows the situation in their country and possesses certain levers, with an international institution that can influence the institutional framework in the host country. Not only should the firm be able to influence and exploit the institutional framework, it should know how and where to influence it. According to our analysis, here are the three sets of competencies required to influence the institutional framework and reduce the risks.

First, the firm must secure its long term perspectives before undertaking an international project. That’s why Ulysses is partnering with recognized local partners via joint ventures that allow Ulysses to share and reduce the risks, in addition to influencing the institutional framework in the host country.

Second, partnerships should be flexible enough in order to enable the partners to adjust when unexpected events arise. In this area, Ulysses is choosing joint ventures which are a
less static form of collaboration, according to Chan-Olmsted & Jamison. Diogenes tried to use a kind of flexible arrangement through an investment consortium in the Philippines, for the last phase of the MTPO project. This can be associated with an attempt to be part of the new forms of governance where risks are shared among a series of complementary actors. But the truncated institutional framework led to the failure of this phase of the project: the contract was awarded to Diogenes without a proper tender process.

Third, the company has to win its legitimacy when facing lobbies and public opinion, which can happen sometimes. Diogenes has learned it badly during the last phase of the Philippines’ project. Diogenes realized that the benediction of the government is a necessary but not sufficient condition to legitimize a project in a turbulent environment. At the end of the day, the project just disintegrated: “Events combine with strategic inaction to trigger feedback processes that sponsors try to stop, but in the absence of solid governance and without the capacity to face difficulties, disintegration ensues”.(p. 133) As far as Ulysses is concerned, it seems that the company has succeeded in cajoling the population of countries where it does business, by giving among other things a local flavor to its joint ventures, such as in Colombia with Colombcel.

Conclusion

In this paper, we introduced and described institutional piggybacking as a catalyst that would enable a firm to accelerate its international involvement by using more committed modes, such as joint-ventures and foreign direct investments, or by going into markets that are culturally distant. This, more quickly than what the sequential model suggests,
but by taking into account the limited resources of relatively smaller firms that are overlooked by the leapfrog model.

In this regard, a solid and coherent institutional framework is considered as the most important factor in the performance of a project, because clearly established business rules allow the actors involved to focus on creating value and not only on playing political games. The institutional framework influences the attitudes and behavior of the different actors and draws the limits within which the projects can be anchored. It offers different possible scenarios and helps reduce the risks and uncertainty. David’s project in Cuba is an example of a poor institutional framework, even though the company was able to get the initial contract.

We believe that institutional piggybacking could be positioned in the context of the new governance models, where complementary partners combine to reduce the risks and create value in international projects. In this regard, we identified three factors for an international project to succeed and three competencies firms should develop to influence the institutional framework and manage the risks. Indeed, going international can be seen as a matter of how to influence and exploit the institutional framework in order to anchor a project abroad, and thus increasing the chances of success of the project. This seems even more relevant in industries where risk has become irreversible because of the money involved in international projects, such as in the telecommunications sector, but not limited to the latter. In this study, we have looked at Canadian telcos. Nonetheless, European telcos, as well as players in industries where the risk of international projects is considered irreversible, would definitely be interesting cases to analyze in relation with the use of institutional levers in future investigations.
REFERENCES


35. Rabeau, Y. 1999a. Les titans et les gladiateurs agiles. Conference organized by the Bombardier Chair, (March 23), Montréal, Université du Québec à Montréal.


GRAPH 1

The sequential vs. the leapfrog models

Time

Commitment of resources

Indirect Exporting

Direct Exporting

Licensing

Joint Venture (JV)

Foreign Direct Investment (FDI)

Leapfrog

Sequential
### TABLE 1

**Criteria of success for each mode of entry**

<table>
<thead>
<tr>
<th>Exporting</th>
<th>Licensing</th>
<th>Joint venture</th>
<th>FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strategic expansion in foreign markets</td>
<td>- Innovation in products and processes</td>
<td>- Respect of the budget (keeping expenses under control)</td>
<td></td>
</tr>
<tr>
<td>- Higher notoriety of the company’s goods and services</td>
<td>- Successful transfer of technology and knowledge (especially tacit)</td>
<td>- Reduction of the company’s costs</td>
<td></td>
</tr>
<tr>
<td>- Market share increase</td>
<td>- Ability to keep the best employees</td>
<td>- Contribution to the overall international objectives of the company</td>
<td></td>
</tr>
<tr>
<td>- Increase in the company’s sales and profits</td>
<td>- Keeping control of the intellectual property</td>
<td>- Innovation in products and processes</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** 8, 12, 18, 23 & 24.
TABLE 2
Overview of the nine projects undertaken by David, Diogenes & Ulysses

<table>
<thead>
<tr>
<th>Telco</th>
<th>Project and targeted country</th>
<th>Mode of entry</th>
<th>Outcome</th>
<th>Criteria of success as perceived by the respondents (by decreasing importance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>David</td>
<td>NterWeb, United States</td>
<td>Exporting and licensing (platform and software for government services)</td>
<td>Mixed</td>
<td>Selling licenses to telcos.</td>
</tr>
<tr>
<td>David</td>
<td>Cubacell, Cuba</td>
<td>Exporting (expertise and solar panels to Cuba’s national telco)</td>
<td>Failure</td>
<td>Less bureaucracy. Less uncertainty. Client with sufficient resources (financial, human).</td>
</tr>
<tr>
<td>Diogenes</td>
<td>TRC, Tanzania</td>
<td>Exporting (turnkey project for Tanzania’s railways company)</td>
<td>Success</td>
<td>Customer satisfied. Schedule and budget respected.</td>
</tr>
</tbody>
</table>
No human tragedy. Financing. Strategic expansion in foreign markets. Increase in sales and profits. Contribution to the international objectives of the company.

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Description</th>
<th>Outcome</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diogenes</td>
<td>TTCL, Tanzania</td>
<td>Exporting (turnkey project for Tanzania’s national telco)</td>
<td>Success</td>
<td>Same as for TRC, plus: Higher notoriety of the goods and services of the company.</td>
</tr>
<tr>
<td>Diogenes</td>
<td>First three phases of MTPO, Philippines</td>
<td>Exporting (turnkey project for Philippines’ regional telco)</td>
<td>Success</td>
<td>Same as for TRC, plus: Local sub-contractor. Good equipment provided by suppliers.</td>
</tr>
<tr>
<td>Ulysses</td>
<td>Honsuk, South Korea</td>
<td>FDI (minority stake in a mobile company)</td>
<td>Success</td>
<td>Strategic expansion in foreign markets. Higher notoriety of the goods and services of the company.</td>
</tr>
<tr>
<td></td>
<td>Location</td>
<td>Description</td>
<td>Outcome</td>
<td>Comments</td>
</tr>
<tr>
<td>----------------</td>
<td>----------------</td>
<td>------------------------------</td>
<td>----------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Ulysses</td>
<td>ColombCel, Colombia</td>
<td>Joint venture (mobile phone company)</td>
<td>Mixed</td>
<td>Market share increase. Increase in sales and profits. Contribution to the international objectives of the company.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulysses</td>
<td>IndiaCel, India</td>
<td>Joint venture (mobile phone company)</td>
<td>Failure</td>
<td>Acceptance by consumers. Better coordination between formal planning and internationalization strategy. Contribution to the international objectives of the company. Be less of a merchant banker.</td>
</tr>
</tbody>
</table>
GRAPH 2

Creating value in international projects
(Adapted from Miller & Lessard, 2000, p. 99)

Complexity of the project

Degree of development of the institutional framework in the host country

1: Genium, David 4: TRC, Diogenes 7: Honsuk, Ulysses
2: NterWeb, David 5: TTCL, Diogenes 8: Colombcel, Ulysses
3: Cubacell, David 6: MTPO 1-3, Diogenes 9: IndiaCel, Ulysses
6’: MTPO 4, Diogenes

© Copyright André Richelieu 2002