Evolution of Uppsala Model, a Literature Review through the years

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Abstract: Internationalization of firms has been profusely studied to identify and understand the variables, stages and elements which promote or inhibit the consolidation of this process. Uppsala Model was proposed to explain the firms' internationalization path in terms of variables of Change and State. Since its apparition in 1977, it was designed to be a general rather than exhaustive list of variables considered important by the auhors, Johanson and Vahlne. During this 4 decades the world business has been constantly evolving, thus the Uppsala Model has been revised several times; however, this paper is focused on presenting the versions of 1977, 2009 and 2017 to contrast the original version and 2 most modern ones offering a more visible appreciation of its evolution. As a result of this literature review, it is concluded that Uppsala Model has been important for the internationalization theory considering not only the quantity of updates and incorporation of new and relevant elements of the world businesses but also the additional research emerged from their proposals. The most important is the prevalence in the Model of the person, as the central element which, ultimately leads and develops the present and future variables of State and Change. Finally, the value of the Uppsala Model is found in its dynamic orientation to both, internal and external enterprise's processes, as well as to the challenges generally faced by international firms.

Keywords: Uppsala Model, change, state, internationalization

1. Introduction

Internationalization of firms has been profusely studied to identify and understand the variables, stages and elements which promote or inhibit the consolidation of this process. Different approaches have been proposed with that aim, like the product life cycle, the transaction cost, the international business network, and more recently, REM and eclectic models to mention some of them. Among those, Uppsala Model was proposed to explain the firms' internationalization path in terms of variables of Change and State.

Since its apparition in 1977, it was designed to be a general rather than exhaustive list of variables considered of importance by the authors, Johanson and Vahlne. During this 4 decades the world business has been constantly evolving, thus the Uppsala Model has been revised several times; however, this paper is focused on presenting the versions of 1977, 2009 and 2017 to contrast the original version and 2 most modern ones offering a more visible appreciation of its evolution. However, other important updates are also included when presenting the statements of the Model, referring respectively to the correspondent work and year.

A revision of the original research papers was carried out to present the classification, variables and elements of version 1977, 2009 and 2017 of the Uppsala Model, which are schematized in Figure 1.

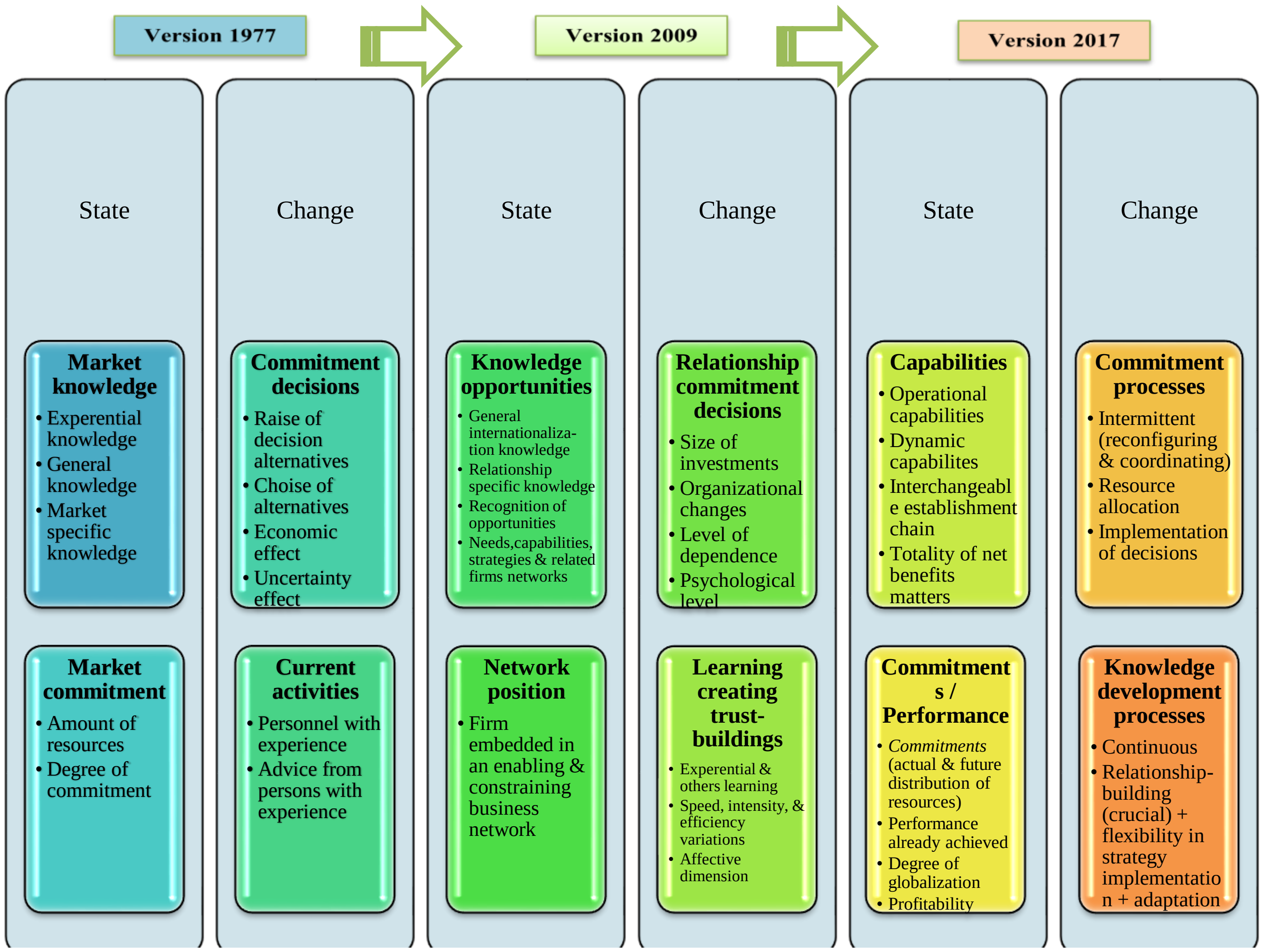

Figure 1. Evolution of Uppsala Model (Source: Author's creation).

2. Uppsala Model

Version 1977

The model was based on empirical observations from international business studies at the University of Uppsala. It was showed that Swedish firms often develop their international operations in small steps, rather than by making large foreign production investments at single points in time. Typically, firms start exporting to a country via an agent, later establish a sales subsidiary, and eventually, in some cases, begin production in the host country (Johanson & Vahlne, 1977).

Uppsala Model confirmed statements which already prevailed at that time such as the following: On its part exporting is a means also of reducing costs of market development. Even if investment is necessary in the future; exporting helps to determine the nature and size of the market. As the market develops, warehouse facilities are established: later sales branches and subsidiaries. The record of company development indicates that the use of selling subsidiaries at an early stage reduced the later risks of manufacturing abroad. These selling affiliates permitted the slow development of manufacturing from repairing, to packaging, to mixing, to finishing, to processing or assembling operations, and finally to full manufacture (Behrman, 1969).

Within countries there is often a pattern of exports from the United States, followed by the establishment of an assembly or packaging plant, followed by progressively more integrated manufacturing activities (Vaupel, 1971). Johanson and Vahlne (1977) proposed a model in which the same basic mechanism can be used to explain all steps in the internationalization in a dynamic way. In such a model the outcome of one decision-or more generally one cycle of events-constitutes the input of the next. The main structure is given by the distinction between the state and change aspects of internationalization variables.

State Variables

The two state aspects are (1) resources committed to foreign markets market commitment, and (2) knowledge about foreign markets possessed by the firm at a given point of time. The reason for considering the market commitment is that it was assumed that affects the firm's perceived opportunities and risk (Johanson & Vahlne, 1977).

2.1.1 Market commitment.

It is composed of two factors: (1) the amount of resources committed and (2) the degree of commitment, that is, the difficulty of finding an alternative use for the resources and transferring them to it. The degree of commitment is higher the more the resources in question are integrated with other parts of the firm and their value is derived from these integrated activities. Thus, as a rule, vertical integration means a higher degree of commitment than a conglomerative foreign investment. However, resources located in the home country and employed in development and production of products for a separate market also constitute a commitment to that market. The more specialized the resources are to the specific market the greater is the degree of commitment (Johanson & Vahlne, 1977).

The other part of market commitment the amount of resources committed is easy to grasp. It is close to the size of the investment in the market, using this concept in a broad sense, including Investment in marketing, organization, personnel, and other areas (Johanson & Vahlne, 1977).

2.1.2 Market knowledge.

It is of interest because commitment decisions are based on several kinds of knowledge. First, knowledge of opportunities or problems is assumed to initiate decisions. Second, evaluation of alternatives is based on some knowledge about relevant parts of the market environment and about performance of various activities. Very generally, the knowledge relates to present and future demand and supply, to competition and to channels for distribution to payment conditions and the transferability of money, and those things vary from country to country and from time to time (Carlson, 1974).

In the experiential knowledge, emphasis is placed on the change in the services the human resources can supply which arises from their activity and experience itself, can never be transmitted, it produces a change-frequently, a subtle change-in individuals and cannot be separated from them. Much of the experience of businessmen is frequently so closely associated with a particular set of circumstances that a large part of a man's most valuable services may be available only under these circumstances (Penrose, 1966).

This experiential knowledge is the critical kind of knowledge in version 1977 of Uppsala Model. It is critical because it cannot be so easily acquired as objective knowledge, it must be gained successively during the operations in the country. It is particularly important in connection with activities that are based on relations to other individuals. An important aspect of experiential knowledge is that it provides the framework for perceiving and formulating opportunities. On the basis of objective market knowledge, it is possible to formulate only theoretical opportunities; experiential knowledge makes it possible to perceive concrete opportunities-to have a feeling about how they fit into the present and future activities (Johanson &Vahlne, 1977).

It can also de distinguished (1) general knowledge and (2) market-specific knowledge. General knowledge concerns, in the present context, marketing methods and common characteristics of certain types of customers, irrespective of their geographical location, depending, for example, in the case of industrial customers, on similarities in the production process. The market-specific knowledge is knowledge about characteristics of the specific national market-its business climate, cultural patterns, structure of the market system, and, most importantly, characteristics of the individual customer firms and their personnel (Johanson & Vahlne, 1977).

Change Variables

Are (1) current activities and (2) decisions to commit resources to foreign operations (Johanson & Vahlne, 1977).

2.1.3 Current business activities.

Current activities are also the prime source of experience. It could be argued that experience could be gained alternatively through the (1) hiring of personnel with experience, or through (2) advice from persons with experience. For the performance of marketing activities, both kinds of experience are required; and in this area it is difficult to substitute personnel or advice from outside for current activities. The more the activities are production-oriented, or the less interaction is required between the firm and its market environment, the easier it will be to substitute hired personnel or advice for current activities; and consequently the easier it will be to start new operations that are not incremental additions to the former operations (Johanson & Vahlne, 1977).

The best way to quickly obtain and use market experience is to hire a sales manager or a salesman of a representative or to buy the whole or a part of the firm. In many cases this kind of experience is not for sale; at the time of entry to a market the experience may not even exist. It has to be acquired through a long learning process in connection with current activities. This factor is an important reason why the internationalization process often proceeds slowly (Johanson &Vahlne, 1977).

2.1.4 Commitment decisions.

Such decisions depend on (1) what decision alternatives are raised and (2) how they are chosen. Regarding the first part we assume that decisions are made in response to perceived problems and/ or opportunities on the market. Problems and opportunities - that is awareness of need and possibilities for business actions - are assumed to be dependent on experience (Johanson & Vahlne, 1977).

Johanson and Vahlne (1977) distinguished between an economic effect and an uncertainty effect of each additional commitment. The economic effect is associated primarily with increases in the scale of operations on the market, and that the uncertainty effect concerns the market uncertainty, that is the decision-makers' perceived lack of ability to estimate the present and future market and market-influencing factors.

Additional commitments will be made in small steps unless the firm has very large resources and/or market conditions are stable and homogeneous, or the firm has much experience from other markets with similar conditions. If not, market experience will lead to a step-wise increase in the scale of the operations and of the integration with the market environment where steps will be taken to correct imbalance with respect to the risk situation on the market. Market growth will speed up this process (Johanson & Vahlne, 1977).

Globalization is the source of internationalization of firms, the concern of Uppsala Modern, then it is appropriate to mention some generalities of their development. Schwab (2016) states that Globalization is divided into 4 stages characterized by: the advantages of the mechanization, waterpower and steam power (1st stage), mass production, assembly line and electricity (2nd stage), computer and automation (3rd stage) and finally the cyber physical systems (4th stage). While Thomas L. Friedman (2006), stablishes 3 stages in the development of globalization, globalization 1.0 from 1500 to 1800 managed by State-nations, globalization 2.0 from 1800 to 2000 controlled by multi-national corporations, and globalization 3.0 since 2000, led by Internet.

The presented version (1977) of the Uppsala Model, was conceived in the 2nd stage or Globalization 2.0. According to Baldwin (2017), at that time the great difficulty was still the physical development of the ideas and the business world was constricted in several ways by these barriers as it was incorporated in the Uppsala Model.

It was previously mentioned that this model was revised several times; the following two versions are the newest updates that offer a more visible appreciation of its evolution, by contrasting the changes with respect to the very first version. This way, not only the pass of the time is evident but also the evolution of ideas since Version 2009 and Version 2017 were conceived between 3rd and 4th Stages or Globalization 3.0 and account for some of the biggest changes in the business world and relationships.

Version 2009

Some years ago, the business environment was already viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers. Outsider ship, in relation to the relevant network, more than psychic distance, is the root of uncertainty. The change mechanisms in the revised model are essentially the same as those in the original version, but trust-building and knowledge creation were added, the latter to recognize the fact that new knowledge is developed in relationships. This update of original model was made as a response to further in light of such clear evidence of the importance of networks in the internationalization of firms (Johanson & Vahlne, 2009).

The research that had been done had studied the ways in which networks influence internationalization, without discussing how those networks have been created, and without considering the network structure in the country or countries firms entered (Johanson & Vahlne, 2009). This idea was supported by a number of studies which had demonstrated the role of networks in the internationalization of firms (Coviello & Munro, 1995, 1997; Martin, Swaminathan, & Mitchell, 1998; Welch & Welch, 1996; Chen & Chen, 1998; Ellis, 2000; Chetty, & Blankenburg Holm, 2000; Elango & Pattnaik, 2007; Loane& Bell, 2006) from different points of view but not focusing in the networks.

2.2.1 Knowledge and learning.

In developing Uppsala Model (version 1977) it was stressed that there is general market knowledge that may be transferred between organizational units. Subsequent research showed that more general internationalization knowledge – knowledge that reflects a firm's resources and its capabilities for engaging in international business – is also important (Eriksson et al., 1997; Welch &Luostarinen, 1988). Furthermore, several studies have shown that different aspects of general internationalization knowledge may be important as well (Johanson&Vahlne, 2009).

Considering that, (Johanson&Vahlne, 2009) proposed that the general internationalization knowledge that encompasses several kinds of experience, including foreign market entry (Sapienza, Autio, George, & Zahra, 2006), mode-specific (Padmanabhan & Cho, 1999), core business (Chang, 1995), alliance (Hoang & Rothaermel, 2005), and acquisition (Nadolska&Barkema, 2007), and other specific kinds of internationalization experience, is probably more important than they assumed back in 1977. It is worth notice that knowledge about internationalization does not only result from the types of learning identified above. For instance, it has been shown that internationalization knowledge is positively related to variations in the experiences (Johanson & Vahlne, 2009).

Also, (Johanson & Vahlne, 2009) added the concept of relationship-specific knowledge, which is developed through interaction between the two partners, and that includes knowledge about each other's heterogeneous resources and capabilities. Indeed, variations in the character of relationships may have a positive impact on the development of general relationship knowledge. Furthermore, the importance of business network coordination suggests that learning how to coordinate sets of relationships is important. Moreover, knowledge development in business networks is different from the kind of knowledge development initially assumed. In business networks knowledge development is not only a matter of learning extant knowledge from other actors. The interaction between a buyer's user knowledge and a seller's producer knowledge may also result in new knowledge. They retained experiential learning as a basic mechanism in the business network view of the internationalization process while admitting that experiential learning can be complemented with other ways of knowledge development (Johanson & Vahlne, 2009).

2.2.2. Trust and commitment building.

Uppsala model (version 1977) does not explicitly include any affective or emotional dimensions in relationships, though it can be argued that they are implicitly present in the concept of knowledge (Johanson & Vahlne, 2009). Considering the statements of several authors (Morgan & Hunt, 1994; Johanson & Mattsson, 1987; Nahapiet and Ghoshal, 1998; Granovetter, 1985, 1992; Madhok, 1995, Hadjikhani, 1997; Morgan and Hunt, 1994; Madhok, 2006; Thorelli, 1986; Morgan & Hunt's, 1994; Gounaris, 2005; Mathieu & Zajac, 1990; and Ghauri, 2003) the aforementioned dimensions were clearly considered by Johanson and Vahlne as previously recognized in a later note on the Uppsala internationalization process model (2006).

Then, trust was pondered as an important ingredient for successful learning and the development of new knowledge. Trust can also substitute for knowledge, for instance when a firm lacks the necessary market knowledge and so lets a trusted middleman run its foreign business (Arenius, 2005).

In this updated version of Uppsala Model, Johanson & Vahlne (2009) also introduced a definition of commitment without the superfluous relationship to knowledge. They stated that it is unrealistic to assume that trust is permanent, or that commitment or extreme opportunism are either. It is realistic, to assume that an extant degree of commitment will persist and increase when partners believe that continuing a relationship is in their long-term interest. While opportunities are the key factor in making commitments, the other side of the coin is dependency.

2.2.3 Opportunity development.

Since the first version of Uppsala Model generally had been regarded as a risk/uncertainty reduction /avoidance model and recognizing that at some extent it had been neglected the opportunity dimension of experiential learning, Johanson and Vahlne (2009) took take a step forward in discussing opportunities in the internationalization process.

Parting on the basis of the contributions of several authors (Kirzner, 1973, 1997; Denrell, Fang, & Winter, 2003; Barney, 1986; Shane, 2000; Ardichvili, Cardozo, & Ray, 2003; Agndal& Chetty, 2007; Von Hippel, 1988; Ghauri, Hadjikhani & Johanson, 2005; Andersson, Holm &Johanson, 2005; March, 1991; Birkinshaw, 1997; Gelbuda, Starkus, Zidonis & Tamasevicius, 2003; Schumpeter, 1934; Weick, 1995; and Ardichvili, Cardozo & Rey, 2003), in the Uppsala Model version 2009, Johanson and Vahlne established that opportunity research usually distinguishes between two stages: recognition and exploitation. Their position was that opportunity development is an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust being an important lubricant. It follows then that the process of opportunity identification and exploitation in the network perspective is very similar to the internationalization process and to the relationship development process (Johanson & Vahlne, 2009).

2.2.3 Declining validity of establishment chain.

The establishment chain implied that companies start to internationalize in neighboring markets and subsequently move further away in terms of psychic distance, and also that in each market companies begin by using low-commitment modes, such as a middleman, and subsequently switch to modes that suggest a stronger commitment, such as wholly owned subsidiaries (Johanson & Vahlne, 2009). Reviewing the previous research of (Hedlund &Kverneland; 1985, Oviatt & McDougall, 1994, 2005; Zahra, Ireland, &Hitt, 2000; Madsen & Servais, 1997; UN World Investment Report, 2000; Andall& Fischer, 2005; Knight & Cavusgil; 1996, Rugman & Verbeke, 2007; Johanson & Wiedersheim-Paul, 1975; Coviello, 2006; Reuber& Fischer, 1997; Nahapiet and Ghoshal, 1998; Granovetter, 1985; Ring and van de Ven; 1992; Sousa & Bradley, 2006; Moen & Servais, 2002; Contractor & Lorange, 2002)

Johanson and Vahlne (2009) pointed out that international new ventures and born regionals are old phenomena; since such firms are frequently founded by individuals with previous international experience and have established relationships with foreign companies. The knowledge and the relationships might indeed be in place prior to the formal founding of the focal firm, but that is a formality of no major significance. It is true too that having those factors already in place may accelerate the process. If a firm starts from scratch though, as argued above, the processes of learning and building commitment will take time.

However, they also deepen that there is nothing in their model that indicates that international expansion cannot be done quickly. In fact, it can, if there is enough time for learning and relationship building. But the correlation between the order in which a company enters foreign markets and psychic distance has weakened. This does not mean that psychic distance is unimportant following their previous ideas (Vahlne & Johanson, 2002).

The domestic market may not be the most relevant unit in terms of psychic distance. Also, those companies gradually enter into what could be seen as riskier, but also potentially more beneficial and controllable, modes of operation. Increased knowledge and commitment make such risk taking desirable and possible. On the other hand, entrepreneurs behind international new ventures are expected to optimize mode choice depending on resources constraints and outside opportunities. They noted that acquisitions had become the primary mode of entry in terms of value, but it is not necessary a way of rapidly building a position on a foreign market (Vahlne & Johanson, 2009).

In sum, the version 2009 of Uppsala Model stablished that the firm is embedded in an enabling, and at the same time constraining, business network that includes actors engaged in a wide variety of interdependent relationships. Internationalization is seen as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market; this is also in accordance to Hakansson & Snehota (1995).

Vahlne and Johanson (2009) stated that internationalization is contingent more on developing opportunities than on overcoming uncertainties. Considering to Sarasvathy (2001), both authors concluded that internationalization resembles entrepreneurship and may be described as corporate entrepreneurship. Internationalization too is characterized by high degrees of uncertainty.

Although the basic structure of the model is the same as the one of 1977, they made some slight changes. For instance, they added recognition of opportunities to the knowledge concept; considering it as the most important element of the body of knowledge that drives the process. Other important components of knowledge include needs, capabilities, strategies, and networks of directly or indirectly related firms in their institutional contexts (Vahlne & Johanson, 2009).

The network position referred in 1977 version as market commitment means that internationalization process is pursued within a network. Relationships are characterized by specific levels of knowledge, trust, and commitment that may be unevenly distributed among the parties involved, and hence they may differ in how they promote successful internationalization. Nonetheless, if the process is seen as potentially rewarding, a desirable outcome of learning, trust and commitment building will be that the focal firm enjoys a partnership and a network position (Vahlne & Johanson, 2009).

Current activities were changed to learning, creating, and trust-building to make the outcome of current activities more explicit. Learning is at a higher level of abstraction: more than experiential learning, although that was considered the most important kind of learning. The speed, intensity, and efficiency of the processes of learning, creating knowledge, and building trust depend on the existing body of knowledge, trust, and commitment, and particularly on the extent to which the partners find given opportunities appealing. The affective dimension of trust-building more explicit as it deserves a status similar to that of the cognitive dimension. In addition, opportunity creation is a knowledge-producing dimension, because developing opportunities is a critical part of any relationship. And high levels of knowledge, trust, and commitment in a relationship result in a more efficient creative process (Vahlne & Johanson, 2009).

Finally, it was relationship to commitment decisions to clarify that commitment is to relationships or to networks of relationships. This variable implies that the focal firm decides either to increase or decrease the level of commitment to one or several relationships in its network. Usually the decision will be visible through changes in entry modes, the size of investments, organizational changes, and in the level of dependence; in an extreme case scenario, this decision may manifest only on a psychological level. A change in commitment will either strengthen or weaken the relationship (Vahlne & Johanson, 2009).

Some implications of the revised model for the internationalization process are the following: Internationalization depends on a firm's relationships and network, there are two possible reasons for such foreign expansion: (1) the likelihood of finding interesting business opportunities and (2) when a relationship partner who is going abroad, or already is abroad, wants the focal firm to follow. The focal firms and partners go where they detect opportunities. The starting point of the process is the founding of the company, the first international market entry, or the establishment of a specific relationship; Uppsala Model implies that explanations are content in the state variables, such as knowledge, trust, or commitment to the firm's specific relationships (Vahlne & Johanson, 2009).

Version 2017

The last version of Uppsala Model was introduced by Vahlne and Johanson (2017) as a general model of the evolution of the multinational business enterprise (MBE), from early steps abroad to be a global firm. The updated, augmented model explains MBE evolution in general, not only characteristics of the internationalization process in a narrow sense. In their description of Version 2017, both authors referred to the change variables to underscore the emphasis on the ongoing evolution of the MBE and stated that their capabilities and performance are the ultimate outcomes of change.

2.3.1 Commitment process.

This variable is formed by 2 sub-processes: (1) reconfiguring and (2) coordinating, which develop in conditions of risk, uncertainty, and partial ignorance, and hence, after capabilities and relationships have been altered and particular performance levels achieved, trigger new knowledge development in the form of learning, creating and trust- building (Vahlne, Ivarsson, & Johanson, 2011). The resulted outcome becomes a new input into commitment processes to reconfigure resources and to coordinate action. The Uppsala model process approach in terms of technical or operational and competitive fit, describes the essence of dynamic capability formation (Helfat et al., 2007).

To update the Uppsala Model, Vahlne and Johanson (2017) focused on the resource allocation generated by the managers decisions. They stated that they are by no means restricted to highly visible decisions about large-scale investments made by top management, but also include more routinized and discrete resource allocation decisions made by middle managers.

In the last version of Uppsala Model, it was included the implementation of decisions made in order to shift the focus from the identification of opportunities to their exploitation (Foss & Klein, 2012) as Johanson and Vahlne (2009) have previously referred. The implications of (Mintzberg & Waters, 1985; Klingebiel& De Meyer, 2013; Sarasvathy, 2001; Sarasvathy, Kumar, York, & Bhagavatula; 2013, Knight, 1921; March, 1982; and Weick, 1979).

The Uppsala model assumes that commitments or resource allocation decisions are made when there is a reasonably positive trade-off between expected benefits and downside outcomes (Johanson & Vahlne, 1977; Figuiera de Lemos, Johanson & Vahlne, 2013). Expectations are formed by drawing on experience and on knowledge of opportunities and are often developed jointly with network members. The perceptions of future, downside outcomes are also formed based on past risk experience, uncertainty, and partial ignorance, and on knowledge about the value of the resources that could potentially be lost should expectations not be met.

Finally, Vahlne and Johanson (2017) established in this update that reconfiguring and coordinating allow differentiating units to achieve scale advantages, advantages of specialization and adaptation, and on the other hand allow for realigning them so they can serve better the common organizational purpose.

2.3.2 Knowledge development process.

Regarding this variable and driving attention to previous works (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1990; Johanson &Vahlne, 2009); Vahlne and Johanson (2017) updated that learning, creating, and trust-building occur in all network units, internal and external.

This subject also had been profusely studied by authors (Berger &Luckmann, 1966; Gavetti & Levinthal, 2000; Weick, Sutcliffe & Obstfeld, 2005; Brown & Duguid, 1991; Cohen & Levinthal, 1990; Nightingale, 2008; Steen &Liesch, 2007; Denrell, Arvidsson & Zander, 2004; Janssen, Stoopendaal& Putters, 2015; Van de Ven, Polley, Garud& Venkataraman, 1999; Pavitt, 1991; Dosi, 1982; Dodgson, 1993; Arvanitis, Fuchs & Woerter, 2015; Janssen et al. 2015). In this Uppsala Version, Vahlne and Johanson (2017) parted from previous research results (Anderson & Weitz, 1992; Morgan & Hunt, 1994; Johanson & Vahlne, 2009; Mintzberg & Waters, 1985; Salvato, 2003; Santangelo & Meyer, 2011; Hatch, 2004; Baum & Rao, 2004; Van de Ven & Hargrave, 2004) to conclude that entrepreneurial knowledge development process includes at least three sub processes, relationship-building, flexibility in strategy implementation, and adaptation to the organization's task environment so as to achieve a properly calibrated, entrepreneurial attitude.

They also highlighted that what matters most in the Uppsala model approach is how adaptation ultimately affects entrepreneurial attitudes, since these will directly affect the resource commitment process. The general resource commitment and knowledge development processes mirror the more specific internationalization and globalization processes. This should not come as a surprise, since internationalization/globalization is just one component of strategy and organizational evolution. Because it is rooted in such evolutionary processes, the Uppsala model explains the MBE evolution, including its development of operational and dynamic capabilities (Vahlne & Johanson, 2017).

Finally, it was added that much of the learning and creating in an MBE is actually initiated in relationships between parties in the network (Johanson & Vahlne, 2009), and considering to Nahapiet and Ghoshal (1998), and Granovetter (1992) included trust-building as a crucial sub-process of the knowledge development process; as important as learning and creating. From a normative perspective, some caution should be exercised in prescribing successful learning recipes.

2.3.3 Operational capabilities.

Vahlne&Johanson (2017) took into account previous works of Firms Specific Advantages (FSAs)(Hymer, 1976; Sandén&Vahlne, 1976; Rugman et al., 2011; Almódovar and Rugman, 2015; Johanson&Vahlne, 2009; Verbeke, Zargarzadeh, &Osiyevskyy, 2014; Dunning & Rugman, 1985; Dunning &Lundan, 2008; Rugman, 1981; Teece, Pisano, & Schuen, 1997; Vahlne & Johanson, 2013; Teece et al., 1997; Teece, 2014) to use the term capabilities from the mainstream strategy literature and focus especially on the evolution of FSAs.

The establishment chain refers to a firm starting its internationalization by receiving orders from foreign markets; then as exports grow to forming a relationship with a distributor or an agent; after which it establishes its own sales organization, often followed by local manufacturing. In this new version of Uppsala Model, Vahlne & Johanson (2017) stablished that the chain progresses from low commitment modes to gradually higher commitment modes, but a firm may retreat to what may appear to be less of a commitment. Such a retreat may depend on industry maturity, that is, a lower commitment mode may make sense when sales involve products that embody mature technologies. Thus, both authors shifted their perception and did not longer consider the mode of operation in a foreign market to be a valid measure of the degree of commitment to it. Commitment can take many forms, especially over longer periods of time.

What matters is the totality of net benefits from the alternatives, including the dynamic benefits such as the learning potential. In fairness, internalization theory implicitly takes learning into account, since obviously what matters is not expenditures per se, and not even the static technological advantages, but rather any further knowledge development that can result from the choice of specific operating modes (Vahlne & Johanson, 2017). Then, Uppsala model approach, argues that for an operating mode choice to be fully understood, it should be seen as a phase in the dynamic evolution of the MBE (Vahlne & Johanson, 2013).

2.3.3.1 Dynamical capacities.

Despite this type of capabilities was not explicitly considered in the 2017 Version, Vahlne & Johanson (2017) affirmed that its literature is largely consistent with the Uppsala Model, for three reasons: (1) the process of building dynamic capabilities is typically specific to the firm's history, experience, culture, and creativity (Jacobides & Winter, 2012), (2) view dynamic capabilities as resulting from a knowledge development process, including experiential as well as deliberate search elements and (3) the dynamic capabilities approach has its roots in the resource-based view, which in turn goes back to Penrose (1959). The same foundations apply to the Uppsala model: the MBE is conceptualized, at least in part, as a set of resources/capabilities resulting from prior resource accumulation; judicious entrepreneurial choices must be made regarding new resource commitments; and managerial resources are scarce (Vahlne, & Johanson, 2017).

2.3.4 Commitments/Performance.

In this part, Vahlne and Johanson, (2017) referred to the outcome of the change process. One outcome is the MBE's reservoir of operational and dynamic capabilities. Commitments describe the distribution of resources over the MNE's functions, its product lines, the countries where it is active, and the relationships in which it has invested. The term also has a forward-looking connotation: positions reflect commitments to courses of action. In contrast, performance refers to what has been achieved already. Both connotations are relevant, and they are present simultaneously, and both will determine the scope and content of the ensuing knowledge development processes.

Relevant dimensions of resource positions and performance depend on the context and the focalissue of a research process. The degree of globalization is sometimes considered a relevant performance variable and a meaningful measure of the firm's resource position that drives the potentially virtuous circle of MBE evolution (Vahlne & Ivarsson, 2014; Asmussen, Pedersen & Petersen, 2007). Finally, in this version of Uppsala Model, profitability may also be a relevant dimension of the firm's resource position and of its performance.

3. Discussion and Conclusions

In this paper, 3 versions of Upssala Model were analyzed beginning with the original version (1977) and 2 most recent updates (2007 & 2017). It was possible to appreciate the evolution by contrasting the changes included in the revised versions.

The version 1977 highlights that small approaches, rather than large foreign production investments conform the internationalization process of the firms. Thus, Uppsala Model confirmed statements which prevailed previously in the internationalization theory of that time, also that exporting helps determine the nature and size of the market. Another remark is that market commitment affects the firm's perceived opportunities and risk; thus, it is a quite subjective element where the person in charge of commitments decisions plays a key role.

Since decisions are based on several kinds of knowledge and considering that experiential knowledge cannot be so easily acquired, it must be gained successively during the operations in the country making this process rather slow. Finally, this version 1977, states that relations to other individuals are relevant for perceiving and formulating opportunities (this idea will be deeply developed in version 2009); and that current activities are also the prime source of experience forming a long learning process in connection with them.

The version 2009 of Uppsala Model was developed when the business environment was already viewed as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers. In this model, outsider ship more than psychic distance, is the root of uncertainty. Also, trust-building and knowledge creation were added, to recognize the fact that new knowledge is developed in relationships and the rising importance of networks in the internationalization of firms.

In this update, authors affirm that that neither trust not commitment is permanent; unless a long-term interest, while opportunity development is an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust. Then, the firm is embedded in an enabling but constraining, business network.

In version 2009 it was added recognition of opportunities to the knowledge and relationship to commitment decisions to clarify that commitment is to relationships or to networks. It was stated that internationalization depends on a firm's relationships and network, and the implementation of decisions shifted the focus from the identification of opportunities to their exploitation.

The version 2017 of Uppsala Model focused on the resource allocation generated by the managers decisions. Additionally, entrepreneurial knowledge development process was considered as conformed by relationship-building, flexibility in strategy implementation, and adaptation to the organization's task environment. What matters most in this Uppsala Model approach is how adaptation ultimately affects entrepreneurial attitudes, since these will directly affect the resource commitment process.

In this update the MBE is conceptualized, at least in part, as a set of resources/capabilities resulting from prior resource accumulation; judicious entrepreneurial choices must be made regarding new resource commitments; and managerial resources are scarce relevant. Finally, dimensions of resource positions and performance depend on the context and the focal issue of a research process

As a result of this literature review, it is concluded that Uppsala Model has been important for the internationalization theory considering not only the quantity of updates and incorporation of new and relevant elements of the world businesses but also the additional research emerged from their proposals. While version 1977 builds the idea that internationalization of firms is made progressly and suggests a general path, the version of 2009 evolved around the importance of networks for a successful internationalization; meanwhile the version 2017 focused on the resource allocation generated by the managers decisions.

It is clear that evolution of Uppsala Model is not a mere succession of random updates but that it answers to the changing business world and the evolution of the firms in a globalized environment where a fusion of technologies is disintegrating the boundaries between the physical and digital spheres. The most important is the prevalence in the Model of the person, as the central element which, ultimately leads and develops the present and future variables of State and Change.

To conclude, it can be assured that the value of the Uppsala Model is found in its dynamic orientation to both, internal and external enterprise's processes, as well as to the challenges generally faced by international firms.

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