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Internationalization obstacles

A multiple-case study

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ABSTRACT

The purpose of this study is to increase understanding of how firms relate to the phenomenon of internationalization, in order to answer the questions of *How do firms act when internationalizing? and what kind of barriers/deterrence do they perceive? and is culture considered a barrier?* In terms of theory, a framework was constructed consisting of the internationalization phenomenon in combination with the industrial organization approach to entry deterrence and barriers (strategic and static entry barriers). Data was collected through qualitative semi-structured interviews in the context of a multiple-case study encompassing two firms. One of the firms was a virtual advisory firm, while the other a large packaging manufacturing MNC. We conclude that internationalization is not necessarily a rational process (especially for SMEs) and that deterrence from incumbent firms might not be a normal state. When it comes to barriers, it might be possible to become so big that you transcend barriers, while for SMEs recruiting the right representative in a country could constitute the main barrier. Culture was not seen as a major factor nor a barrier to internationalization, though it did hold greater influence on SMEs compared to large MNCs.

Key words: Internationalization, Entry decision, Entry deterrence, Entry barrier, Culture, Strategic barrier, Structural barrier.

CONTENTS

INTRODUCTION

Theoretical Background

Internationalization[1] continues to become even more prevalent in various facets of our lives, so too for companies, and "market entry decisions are some of a firm's most important strategic choices" (Mitra & Golden, 2002). *But how then do firms relate to internationalization and barriers preventing or deterring it?*

Within strategic management (Raduan, Jagak, Haslinda & Alimin, 2009), industrial organization (IO) focuses on the external environment such as barriers to enter/internationalize (Ireland, Hoskisson & Hitt, 2008). One factor affecting internationalizing firms' ability to turn a profit and become self-sustaining is the entry barriers of the new market. Barriers to entry either raise the cost of entry or reduce the post-entry profits, and can be either *strategic* when incumbents initiate entry deterring actions or *structural* in the form of incumbents enjoy e.g. economies of scale or favourable regulations (Besanko et al., 2013).

In terms of entry conditions, three market entry conditions can occur: *Blocked entry* (high structural barriers make entry deterrence redundant), *Accommodated entry* (low structural barriers make entry deterrence ineffective) and *Deterred entry* (structural barriers at a level that make entry deterrence effective). Though denoted as just entry barriers in this text, structural barriers exist in at least three forms: *Essential Resource Control* (e.g. patents or vertical integration), *Incumbent Marketing Advantages* (e.g. umbrella brand efficiencies) and *Economies of Scale and Scope* (cost advantages) (Besanko et al., 2013).

Specific entry deterrence strategies include *limit pricing* (deliberately maintaining a low price), *predatory pricing* (flooding the market with excess capacity at low prices), *strategic bundling* (providing several products/services as a bundle at a lower price) and *judo*

[1] Internationalization – The (more or less) systematic tendency of companies to increase the scope of their international business activities (Ristovska & Ristovska, 2014).

economics (small firms having less to lose). It is worth noting however those entry deterrence strategies can also be used by entrants to remove incumbents (Besanko et al., 2013).

However, culture is not included amongst these internationalization barriers. Through it can be argued that linguistic and cultural barriers can exist relating to internationalization and the strategic management towards the firm's long-term goals in this regard (Hoskisson, Hitt, Wan & Yiy, 1999). Though not seen as a barrier, *psychic proximity* (language and societal factors) can influence decision making, deterring internationalizing firms as lack the know-how compared to local firms in navigate the cultural landscape. It also has aspects of being a structural barrier if e.g. complete fluency is required in the local language to navigate the nuances of cultural perceptions and mind-sets. In addition, it is not impossible then that internationalization will force firms to change the way they do business (Shane 1994, Barkema & Bell, 1996). Many different approaches can be taken to reach understanding of the cultural phenomenon, from e.g. Hofstede (2011) and related studies to Schein (2010), though the latter looks more at the organization. Worth noting however is that every cultural pattern and their associated actions of social behaviour and thought, includes communication in one way or another (Copley, 2000). Semiology (also known as semiotics) is a way to understand how something that represents something for someone is transmitted to produce meaning, as well as how they stand in relation to the user (Hawkes, 1997), making culture something that affects country population characteristics in terms of behaviour/thought-patterns and thus business operations. *How important is the perceived culture in the new market when management decides to enter and is it considered a barrier?*

Furthermore, internationalization also entail risks. Though the perception of risk can be culture dependent (Howell, 2004), actual survivability can also be a factor as almost two thirds of entrants have exited within five years (Disney, Haskel & Heden, 2003). It is thus important to make decisions that are well founded in regards to *why*, *where* and *how* to internationalize, as well as *what type* of entry organization to use (Kotler, 1997). This type of rational decision-making can be seen in the Uppsala model (UKEssays, 2013), though research has also shown that these types of decisions could also be non-rational, what Chilton (2003) calls muddling. Do companies then use or disregard strategic planning when they internationalize, or do they sort things out as they appear? With a globalizing world consisting of a large plurality of socio-psychological meaning and cultures, the answers to these questions aren't necessarily static or clear cut. This can further fundamentally affect the way in which entrepreneurial activity and supporting institutions, including governments, operate (Yang, 2012). *To what extent do companies calculate risk or in what way are decisions to expand internationally rational?*

Practical Background

We have thus far from a theoretical perspective asked three questions: *How do companies relate to barriers and deterrence? Might culture be a barrier? To what extent are decisions to internationalize rational?*

These are important questions as internationalization continues to be an even more important part for companies. In the 1960's c:a 7,000 multi-national corporations (MNC) were in operations around the world while the figure had risen to c:a 61,000 by the turn of the century, with hundreds of thousands of staff working across borders (Scholte, 2005). With many factors facilitating opportunities for firms, from technological and logistical to socio-political and financial as well as changing markets (Ristovska & Ristovska, 2014).

Increased interconnectivity in the digital realm is increasingly evident as billions of people and innumerable companies connect globally, resulting in an increasing number of companies being "born global". With the aid of digital and virtual platforms, internationalization which was previously the purview of large MNC is now increasingly open to SMEs and entrepreneurs all over the world. This naturally puts pressures on incumbent firms as new competitors can enter their markets from any corner of the world, though advanced economies still maintain an advantage in technological infrastructure. Even traditional cross-border transactions are affected by increasing data-flows (Manyika, Lund, Bughin, Woetzel, Stamenov & Dhingra, 2016).

One consequence of this is that markets and entry conditions change, one of many examples being China which was previously just seen as sources for cheap human resources. Now it supports a growing middle class creating new market opportunities not just for domestic, but also international firms (Barton, Chen & Jin, 2013). This phenomenon is not localized to just China however as globalization helps raise living standards for people across the globe (Griswold, 2000).

Research question and Purpose

In this thesis, we will use a theoretical framework based on the three areas of *internationalization/entry decision, entry deterrence* and *entry barriers with some emphasis on culture as a barrier.* And the purpose of this study is to increase understanding of how firms relate to the phenomenon of internationalization.

With this theoretical framework in mind our specific research question is:

- *How do firms act when internationalizing?*
- *What kind of barriers/deterrence do they perceive?*
- *Is culture considered a barrier?*

Restrictions

Given practical limitations in terms of both time and access to interview subjects with relevant knowledge, we have conducted two case studies on how the firms' path towards internationalization is perceived by their practitioners. The two firms are of fundamentally different types with one being a fairly new advisory firm with a global virtual delivery infrastructure. The other firm is an industry leading packaging manufacturer with brick-and-mortar installations/offices in 170 countries and more than half a century of experience. This is not a comparative study however since we deem it to be practically impossible as access to data that is of the type, depth and relevance for a proper comparison. The purpose rather becomes to highlight the research area through the choice of firms that are completely different in nature and activity.

THEORY

From the theoretical components described below, we have constructed a theoretical framework made up of three parts: Internationalization, Entry Deterrence, Entry Barriers and Cultural Entry Barriers.

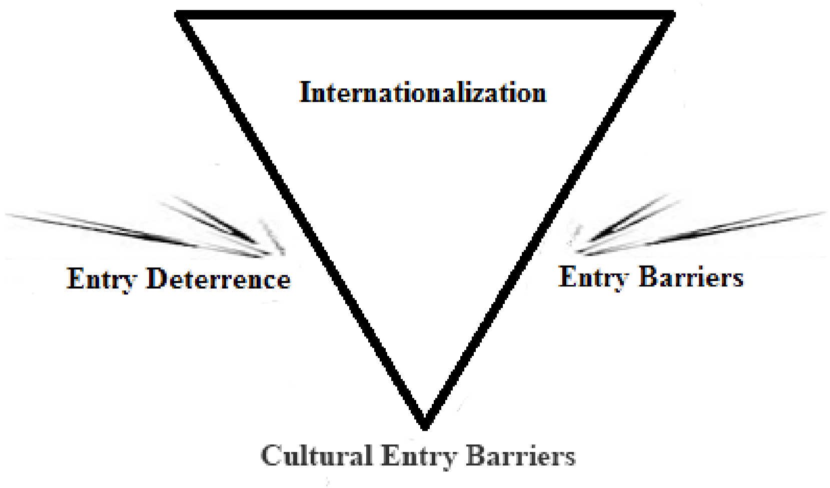

Figure 1 - Theoretical Framework

Internationalization

According to Kotler (1997) internationalization is a rational phenomenon covering a number of aspects including *why, where, how to enter* and *how to organize the process*. *Why to internationalize* varies but can be caused by domestic problems or overcapacity in relation to domestic demand. *Where to enter* can be influenced by high cost of entry, control or communication and product adaptation; decreasing purchasing power in remaining markets; entry deterring strategies of incumbent firms as well as barriers to entry. Geographic proximity of neighbouring markets can be advantageous due to proximity. Psychic proximity could result in firms instead opting to enter markets of similar linguistic, cultural or legal tradition. Three important factors are: market attractiveness (e.g. GDP/capita; market size and growth; imports/demand for the firms type of product), competitive advantage (e.g. the firms prior business dealings in the market; if management can live/work there comfortably; if the firms product/service would be seen as low-cost or differentiated), and risk (e.g. political and financial/currency stability; repatriation rules). *How to enter* includes four market entry modes: Indirect/Direct exports, Licensing, Joint Ventures and Direct investments. Indirect exports is a low risk/low adaptation approach of occasionally/passively selling to unsolicited foreign customers or more actively pursue a certain markets from home, while usually going through an intermediaries. Direct exports involve the company handling its own export operations, e.g. opening a sales branch office/subsidiary in the new country, having sales representatives travel abroad or using foreign-based distributors/agents. Licensing allows foreign manufacturers/providers to pay a royalty fee in exchange for using a firm process/trademark/trade secret/patent or other valuable. Joint Venture is where the firm teams up with another investor to set up operations where they share ownership. Direct investment entails the merger & acquisition of a local company in the new market, or the setting up of operations there from scratch (e.g. greenfield). The Internationalization process can in some cases be encouraged by government seeking to improve its foreign exchange. *How the process is organized* can vary from: e.g. Geographic (subunits are responsible for different countries/regions), Product Groups (subunits are responsible for sales of their respective product group), according to Subsidiaries. Global strategies can further adapt the product offering through national integration/localization or maintain global standardisation/integration.

Entry Barriers

Entry barriers (of the structural type) can be grouped into three main categories according to Besanko et al. (2013): *Essential Resource Control*, *Incumbent Market Advantage* and *Economies of Scale and Scope*. With *Essential Resources Control* the incumbents can protect themselves from new entrants by controlling resources and channels in the vertical chain and use these more efficiently than potential entrants might be able to. Legal forms of resource control also include patents, though specialized know-how can make patents unnecessary. In the case of *Incumbent Marketing Advantages* the incumbent firms can over time build up an advantage through brand reputation by doing business in a particular market. Umbrella branding (a form of economy of scale) enables marketing of different products under the same brand name, which reduces or eliminates uncertainty of new product thus avoiding sunk cost in creating credibility. Umbrella branding can however also carry greater risks if a new product/service do not match expectations of clients, resulting in a loss of trust in the brand. Firms can also have a cost advantage through *economy of scale* (lower costs through high output) or *economies of scope* (lower costs through diversified output).

Entry Deterrence

According to Besanko et al. (2013), in the absence of structural entry barriers, incumbents can engage in entry-deterring strategies, also called predatory strategies. Two conditions must be in effect for this to happen: Firstly, all incumbent must earn more as a monopolist than as a duopolist. Secondly, the strategy must be able to change the entrant's expectation of potential post-entry profits. Four entry deterrence strategies can be used to keep entrants out: *limit pricing*, *predatory pricing*, *strategic bundling* and *judo economics*. *Limit pricing* is when goods and services are sold at a low price in order to deter potential entrants by making them anticipate prices to drop further if they enter, making profits too low to cover entry costs. *Predatory pricing* occurs as firms try to drive out or prevent a firm from gaining a foothold by lowering prices and thus the possibility of profits. This required excess capacity since the lower price would otherwise drive customers to competitors. *Strategic bundling* is when combining goods/services in bundles costing less than when sold separately. Motivators include marketing and consumer convenience (e.g. bundling right shoes with left ones). ”Judo Economics” is the idea that though size and reputation can be beneficial to large firms, this can also be used against them. This is mainly due to large firms having more to lose than a small firm, so trying to wage a price war against a small firm might result in the large firm taking disproportionately large losses.

Culture

According to Fiske (1990) three concepts are central in the understanding of how cultures function and carry cultural content from a semiological perspective: *symbol*, *myth* and *ideology*. A *symbol* works by receiving meaning through convention and usage which enables it to represent something else. A symbol (e.g. a flag) can trigger myths, or a concept chains that are contained within a myth. *Myths* are a way for cultures to describe, perceive or intellectually process (comprehend or put into words) certain aspects of reality, e.g. through stereotypes. Myths are products of dominant group(s) within society, this is reflected in how myths cloud or mystify their foundation so as to reduce, or remove, the social/political/power dimension they have. Thus, strive to seem natural, rather than socially or historically conditioned. Common myths and signs enable cultural identification, resulting in membership being attainable by acknowledging the common myths and values found within the culture. *Ideology* is a system of concepts characteristic for a particular group or community, whether illusionary (false ideas/insights) or true scientifically provable knowledge. An agreement between users and a common cultural background (frame of reference) is necessary to enable identifiable social and communicative functions, as well as suitable mediums and/or channels of communication.

Research overview

Internationalization. Agarwal and Ramaswami (1992) examines factors influencing entry mode of US equipment leasing industry (services) deciding to enter new markets. One of their findings is that exporting should be preferred if alternative entry modes were of higher risk. However, high market attractiveness (e.g. returns) could also reduce the perceived risks and make alternative entry modes (e.g. joint-ventures) acceptable.

Paunović and Prebežac (2010) illustrate the internationalization process of a small Croatian SME entering the US market, analysing how decision makers influence the process. They note that given the hurdles and risks associated with entry, it is important that decision makers make the right decision. Though there is no definitive right answer to what this constitutes, the decision makers' inclination and perception of risk, in addition to education and network, does influence how opportunities are identified. In order to successfully operate in a global environment it is found that a business has to be able to tackle constant change, identify opportunities and decide on risky and unpredictable outcomes as well as show vision and leadership of employees while trying to implement an optimal strategy.

Carlsson and Dale (2011) study internationalization as it relates to knowledge-intensive SMEs (technology/service sub-contractors to the petroleum industry) in Norway. They find that though a variety of internationalization processes, strategies and modes exist, though planned and coincidental processes seem to influence the decisions. A conclusion is further made that the usual reactive and proactive concepts might not be enough and proposes the concept of preactivity. Preactivity is defined as the ability to identify opportunities and exploit them as they appear in the firms' network or chance encounters.

Kaur and Sandhu (2013) examine potential factors of early internationalization of new SMEs in a developing economy context (Malaysia). Three major factors are observed to influence this: the founder/manager, the firms' resources/networking ability and the external environment. The most important factor being the founder/managers education and prior experience (e.g. international experience). Long established networks (formal and informal) also proved important, both in terms of accessing market insights but also for leverage to gain a competitive advantage. Influential factors in the external environment was ICT and production processes, but even more so the industry of the firm as well as the domestic market saturation. Service firms were also seen as having a stronger tendency towards internationalization owing to their industry, but also due to reliance on human resources and founder/managers entrepreneurialism. What was seen as less important or irrelevant was trade barriers and government support.

Arndt, Buch and Mattes (2012) examines how financial constraints and/or labour market friction might hamper internationalization of German firms. They find that financial constraints do not play a role on internationalization decisions, though firm size and productivity does have a positive impact. In addition, they find that labour market frictions (e.g. skill shortage, higher wages and labour union activity) can be seen as an entry barrier, especially for larger firms (500+ employees).

Entry Deterrence. Choi and Stefanadis (2006) examines bundling as a deterrence strategy and conclude that specialists (low marginal costs for one of two assumed component) can be deterred and incumbency secured by bundling, drawing on examples from the software industry. This assumes that the incumbent has a monopoly on all components or a significant technological edge over existing market rivals.

Wang, Gumani and Erkoc (2015) analyse the deterrence effects of pricing and branding on potential market entrants. They find that if a potential entrant has a high capacity, incumbents need to lower prices to deter entry, though if capacity is sufficiently high then accommodation might be an optimal strategy. However, entrant capacity does not lead to monotonically increasing profits (e.g. due to price competition and lower profits). In terms of branding, incumbents can invest to raise customer preference for its products and services which may also lead to increased prices. They also show that demand uncertainties favour the incumbent.

Gelman and Salop (1983) analyse possible interactions between incumbents and new entrants if the entrant practices judo economics (i.e. capacity limitation to push incumbent towards accommodating entry), e.g. within the airline industry. They find that if entrants limits capacity and keeps prices low, it becomes more profitable to accommodate entry since the capacity limitation reduces incumbent's loss of market share and the low price would increase incumbent losses if they'd try to undercut or match prices. In addition to this, they note that an entrant can induce incumbents to share market profits by blackmail (of spoiling the market) and the sale of transferable coupons.

***Entry Barriers*.** Nahata and Olson (1989) discuss the definitions of entry barriers within the IO paradigm. They conclude that though differences in definition exist between Bain (factors enabling supra-competitive profits for incumbents without threats of competitive entry) and Stigler (cost entrants have to pay but incumbents do not), the aspect of scale economies is only a barrier when the number of firms within an industry increases. They also note that outside technological change, government change might be possible but inefficient.

Mata and Portugal (2004) examines entry mode and how this shapes survival and post-entry behaviour. Through extensive quantitative analysis of longitudinal public data their main conclusion is that compared to domestic entrants, foreign entrants typically have larger, better paid and more highly educated staff. In addition, foreign entrants enter industries where foreign firms already exist and entry barriers are higher (e.g. economies of scale and firm concentration).

Ojala and Tyrväinen (2007) analyse entry barriers of SME software firms seeking to enter Japan, noting three main categories relating to Organization, Sales Process and Target

Industry Segment. In terms of Organization aspects such as convincing HQ of special market requirements in Japan, as well as localization of products were noted in addition to language issues (the Japanese workforce has very poor English ability) as well as the adverse effects of networking if personnel leaves. When it comes to the Sales Process the language issues remain, though finding the right contact persons were also mentioned in addition to vertical integration (suitable distribution channels and supply chain). Target Industry Segment included issues with slow purchasing processes and loyalty to suppliers, favouritism to local producers as well as legal restrictions. Some of these factors (e.g. slow decision making process) were attributed to cultural factors (e.g. *ringi*, 稟議).

***Cultural Entry Barriers*.** Mitra and Golder (2002) examines 35 Multi-National Companies (MNC), experienced in foreign market entry, and how both economic and cultural environmental factors affect their entry into new markets. They find that culture and economic knowledge from prior successful entries plays a role in entering similar markets. In addition, cultural and economic distance is not seen as very important while markets economic attractiveness play a more important role than cultural factors. At the same time, firms show a preference for markets that are geography close and have the same language as the domestic market. They conclude that economic attractiveness as well as cultural knowledge from prior market entries are the most important variables in timing of entry.

Gollnhofer and Turkina (2015) examines the market entries of Carrefour over a 40 year period and how entry mode and cultural distance interplay. They note that prior research, though contradictory, usually advocate low resource commitment (e.g. franchise, joint venture) in high culture distance markets. However, in the case of the studied retailer, they find that a high resource entry mode (e.g. acquisition or greenfield) is preferred in order to maintain a consistent brand image.

Barkema and Bell (1996) examines 225 different foreign ventures conducted by 13 different nonfinancial Dutch firms over the course of 22 years (1966-1988). The paper revolves around the assumption that an expansion to a different country can differ in difficulty depending on a number of factors. Some of these are cultural distance, whether the expansion is a wholly owned subsidiary or a joint venture in comparison to a start-up or if you acquire a firm, whether or not the firm has expanded abroad before and in that case, to where etc. The model used is the Uppsala stage model which emphasizes learning, for example about foreign cultures. The model assumes that through learning, firms take small, successive steps to increase their international involvement. Another assumption of the model is that firms only enter distant markets when they have already established a presence in more proximate countries. This is referred to as “psychic distance”, meaning factors that can prevent or disturb the flow of information, for example different national cultures. In conclusion, the authors find that increased cultural distance have a negative relation to the longevity of foreign ventures and that double-layered acculturation (when a firm has to adapt to both a foreign national culture as well as a different corporate culture, common amongst joint ventures or acquisitions) leads to a decrease in the longevity of foreign ventures. They also argue that a prior expansion to the given country or within the same cultural block does provide “experiential” knowledge, leading to success in the foreign venture being more likely.

Kogut and Singh (1988) investigates how and why culture should affect the choice of entry mode from two different hypotheses. The first one is regarding the cultural distance between the two countries and he second one deals with the issue of attitudes towards uncertainty avoidance. The hypotheses are tested against data consisting of 228 entries into the US market, varying between acquisition, wholly owned greenfield and joint venture. The results of the study shows that a great cultural distance between the investing firm and the country of entry increases the likelihood that a joint venture or a wholly owned greenfield will be used instead of an acquisition of an existing firm. Furthermore, cultures which are characterized by uncertainty avoidance are more likely to enter by a joint venture or by a wholly owned greenfield. According to the study, not even diversified firms are likely to enter by acquisition, which has earlier been presumed. Instead, joint ventures or wholly owned greenfield's seem to be the most popular way of entry for foreign firms into the US market.

Dimitratos, Petrou, Plakoyiannaki and Johnson (2011) examines if a firm's strategic decision making is culturally bounded or not. The study uses data from 528 internationalized SMEs in the US, UK, Greece and Cyprus and finds support for the hypothesis that culture does play a role in strategic decision making. This can be seen in the context that top management, acting as strategists, have cognitive biases and can follow subjective judgements as managers are acting on contextual factors. Strategic decision-making is viewed along the axis of Decentralization, lateral communication and formalization while culture scores from Hofstede were also used. They also note that the findings might challenge the view that small firms might internationalize (enter foreign markets) in an unplanned and irrational manner since small firms have processes for decision making and entering foreign markets can be perceived as more risky, thus making firms allocate more resources to planning for such initiatives. Firm size and prior experience of foreign market entry does not seem to play a role, though higher levels of lateral communication and formalized processes possibly achieve better results when entering new markets.

Kosaka (2004) examines the market entry behaviour of large Japanese automotive and electronics firms. He notes strong collectivist attitude within Japanese industries with similar organizational structures. This causes them to follow a herd mentality of market entry with a reluctance to be first (Honda and Sony are usually seen as pack leaders for their respective industries). Following a decision to do something by one firm, management in the following firms feel liberated from responsibility and rushes forth to do the same thing as their peers not to lose out. This type of behaviour is more prevalent in well-established firms where the founding father of the firm no longer has influence. In newer firms where the founder is able to take initiative, it is more common to see first mover initiatives challenging the status quo. The study also draws parallels with Hofstede's premise that as countries become wealthier, individualism will become more dominant. Japan seem to be an outlier in this regard, though it is noted that this might be taking place gradually.

METHOD

The purpose of this study is to increase understanding of how firms relate to the phenomenon of internationalization. This chapter aims to establish the method and methodology in order to achieve this purpose. The methodological goal thus becomes how to access the thoughts of informants in the chosen population.

We thus need to establish what form of methodological approach to use; quantitative or qualitative. Quantitative studies include designs such as experimental studies as well as surveys and similar data gathering activities, followed by data analysis geared towards statistical analysis of frequencies and quantities able to test theories and hypothesis (Bryman & Bell, 2015). In comparison, qualitative research focuses on peoples' experiences, how they are felt, interpreted and perceived (Sherman & Webb in Ely, 1993:11; Bryman & Bell, 2015).

Though the latter might also be possible in e.g. quantitative surveys, we have opted for a more qualitative format as we find this the most suitable in giving the informant greater leeway in how they want to answer and thus a potentially richer and deeper dataset. Though many forms of research designs exist where a qualitative approach can be utilized, such as Grounded Theory[2] and Phenomenology[3] (Bryman & Bell, 2015), this study will be designed along the lines of a Case Study (Yin, 2003).

Case Study

The case study design brings together several features also found in other research designs. Focus is on the individual thing or instance which is being studied, though several instances might be studied as well (a multiple-case study). In order to gain unique insights the thing or instance being studied is examined in-depth, with emphasis on the processes and relationships taking place in the social context that is naturally occurring (as compared to an experiment that is artificial).

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[2] Grounded theory - iterative or recursive approach for developing theory (Bryman & Bell, 2015)
[3] Phenomenology - focusing on how individuals explain their world (Bryman & Bell, 2015).

Four main approaches for suitability being the *Typical instance* (focus on the norm, similar to other potential cases), *Extreme instance* (contrast to the norm, e.g. something much smaller/larger than the norm), *Theoretical Test-site* (contains elements of significance enabling predictions of outcome should a theory be valid) or the *Least likely instance* (contains elements that makes it less likely for something to occur as predicted by the theory being tested) (Denscombe, 1998; Miles & Huberman, 1994).

In addition to the four mentioned above, two more pragmatic approaches include *Convenience* (used to select *between* equally suitable cases) or *Intrinsic interest* (catering to the interest of a wider audience). To this there might be cases where no choice has been made by the researchers, such as *commissioned research* or opportunities so *unique* that their study is a one-off chance (Denscombe, 1998).

In this study two cases were selected based on convenience due to what was available. At the same time, both firms also constitute extreme instances in that one is very large (the packaging manufacturer) while the other is relatively small yet still able to deliver its services globally (the advisory firm).

When conducting a case study the case boundaries also need to be taken into account. Is the case self-contained and its boundaries distinct from the social context? These boundaries can take various forms from physical to socio-historic. However, though the boundaries of a case need to be clearly defined, the researcher also has to be mindful of factors outside the case that can have an influence on the case so that these factors can be excluded (Denscombe, 1998).

In this study the firms themselves became the primary boundaries, with potentially a secondary boundary in the packaging firm being the sub-division in which the informants worked, while in the advisory firm the informants each worked in different regions.

The main advantages of using a case study design is that it focuses on one or a few instances that occur in complex and subtle situations that denied studies employing surveys (Yin, 2003). It is important to note that the "“point of view” of the individual informant is the basis for understanding the shared points of view of the group (in this case, the /../ [firm]) to which the subject belongs” (Ragin & Becker, 1992: 141).

The disadvantage can be found in generalizability, something possibly compounded by what is usually a lack of “hard” data. Boundaries can be subjective and negotiating access can take considerable time while the subject of research might behave differently than what is the norm (Yin, 2003).

Multiple-Case Study. A variant of the same framework as single-case studies, the multiple-case study is seen by some as a different methodology (Yin, 2003). When including multiple cases, these are selected with a specific purpose in mind and thus a sampling logic is not used. Cases can thus be chosen either to produce results similar to what can be predicted (literal replication) or to put in contrast to what is predicted (theoretical replication). The design thus shares similarities to experiments; if say 6 or 10 cases are to be included, perhaps 2 or 3 are literal replications while theoretical replications make up the remainder. This is motivated by the desire to see if the various cases, as an aggregate, show supporting results to what the theory or propositions predicts (or not, in which case further study might be advisable). It thus becomes important that a theoretical frame (se preceding chapter on theory) is able to predict the types of conditions that are to be expected (literal replication) in addition to those that are not to be expected (theoretical replication) (Yin, 2003).

As mentioned in regards to case selection, a sampling logic similar to those in surveys will not be used. Reason for this is that multiple-case studies are ill suited to establish if a phenomenon occurs or not. To this, the amount of cases would grow very large together with the variables which would have to be context encompassing as well (Bryman & Bell, 2015).

Given this, the number of cases are of lesser importance, though an increase in literal replications can be seen to increase certainty (two would be a minimum, and could be enough). The number of theoretical replications in turn depends on complexity in relation to external validity. Should the external environment constitute a major factor in relation to the studied phenomenon, additional theoretical replications could be warranted. This need can be reduced by clearly stating the theoretically relevant condition in detail prior to the study (Yin, 2003). In this study, the two cases that were selected are seen as two literal replications. This is due to the theoretical framework not differentiating between the two in any particular way, even though they are extreme instances in their own rights.

For a multiple-case study, the separate constituent case studies, as well as the multiple-case study as a whole, conclude with summary reports (Bryman & Bell, 2015), in this thesis the summary reports for the different cases is contained in the Results and Discussion section with the Conclusion serving as the summary report for the multiple-case study as a whole.

Approaching potential case firms and Case Selection. Potential case firms have been contacted by us through our personal networks. It is thus in part a matter of convenience what firms have been available to contact. Following the contact with the various firms, three firms were selected: two (Swedish) manufacturing companies and a virtual management consultancy headquartered in Switzerland. Following quality issues relating to the comprehensiveness and completeness of the collected data in the interviews (n=2) for one of the manufacturing companies, that firm/case was dropped. This has resulted in this study settling on two cases of extreme instances as mentioned earlier.

Sample selection within cases. Convenience sampling was used to select informants based on who were (made) available and willing to participate (Bryman & Bell, 2015).

The Interviews

According to Svensson and Starrin (1996), in order to uncover how managers feel, perceive and relate to the process of foreign market entry decisions, we carried out qualitative interviews. Bryman and Bell (2015) also notes that various ways exist for doing this, from highly structured standardized questionnaires to more casual unstructured conversations, with semi-structured interviews being the middle path we have used.

One of the major advantages of interviews is their ability to focus on the relevant phenomenon in a deeper and more insightful manner, providing a better understanding of the informants' perception. As with other data collection methods, interviews also have drawbacks. These can range from poorly constructed questions[4], informants having certain response biases or remembering things inaccurately or having memories that are constructed, not to forget that they might want to give "correct" answers (Yin, 2003).

[4] Quality assessment for the questions in the questions template (See Appendix A) was made in assistance with the supervising professor assigned by Lund University School of Economics and Management.

Semi-structured interviews. The semi-structured interviews were conducted with the help of an interview guide containing standardized questions (See Appendix A). These were used to ascertain category information (e.g. age, gender, occupation, experience) as well qualitative information relating to the phenomenon being studied using open-ended questions where informants can elaborate and give more developed answers as well as clarifications. The benefit of this was that the interviewer had the opportunity to obtain deeper information and ask follow up questions as a dialogue develops with the informant (May, 2001).

An additional benefit of using open-ended questions was that it allowed the informant to express themselves in their own words. This also highlighted the importance of flexible interviewers being able to adjust the order in which questions are put forward and in so doing maintaining a naturally flowing dialogue (Aberbach & Rockman, 2002). It was still important however that the interviewer was aware of the content in the interview in addition to the interviews character and how the questions were being asked (May, 2001).

Interview Guide. The Interview Guide can be found in Appendix A. The questions are divided into three main categories: Category questions (e.g. age and gender), Main questions and Support questions (i.e. follow-up and bridging). Category and easier main questions are placed in the beginning to facilitate the start of the interview. Support questions are used as examples for follow-up and bridging in order to help the interview get back to the main questions, in addition to help gather information relating to the main questions. The main questions will also probe the informants' general perception about new market entry and the internationalization process (Leech, 2002). Questions relating to culture were asked as follow-up questions to the main questions (e.g. "Would culture play a role in this?").

The rational for this was that the main question provided the area of interest while the follow-up questions relating to how culture appeared in these main areas, what role it plays and if it functions as a barrier or not. Questions that would require a very comprehensive interview guide in case all potential questions relating to culture were to have been covered (and not necessarily used depending on the answers of the main questions.

***Conducting the interviews*.** Prior to the interviews, the case firms were contacted to request interviews with relevant managers. Dates for these were set in coordination with the relevant parties. The interviews were then conducted at the informants' convenience on site at the informants' office (packaging manufacturer) and over Skype (remaining interviews) while recorded. The informants were informed that they would be anonymous and not quoted by name. Further, the informants were free to answer the questions as they pleased and no pressure was put on them in any way to coerce them into giving any particular answer.

The informants

A total of seven interviews were conducted, with three with the Advisory firm and two with the Packaging manufacturer, as well as an additional two that were omitted the third case due to quality issues. Quotes have been subject to censorship in order to preserve anonymity. Informants are described in the Result chapter. Selection of the informants was made through convenience at the discretion of the various firms, who as per request were able to see the interview guide prior to the interviews.

Data analysis

Analysis of the collected data followed several steps. After the interviews, the audio recordings were transcribed into raw transcriptions. The purpose of this was to facilitate future analysis by providing an easy overview of what the informants had said in verbatim.

These verbatim transcriptions were then analyzed and results compiled for the different cases in the structure prescribed by the theoretical framework. Some overview information was also collected from the firms' websites, though supplementary information was also collected in the interviews (these overviews are presented in each case before summary of the informants). Using the theoretical framework, relevant data was then collated and is presented in the Results section of this thesis (It was this stage the third case was omitted). The results for the Advisory firm and Packaging manufacturer were then analyzed and discussed further in the subsequent chapter (Analysis and Discussion) where relevant pieces of the theory and previous research was revisited. This was done in order for the Results to be discussed and how it related to the greater context of the research field. At the end of the thesis a conclusion was then written as well as a presentation on the weaknesses and limitations that this study is afflicted by as well as a recommendation for future research.

Validity, Reliability and Generalizability

Though the same sample methods are not used in case studies as in surveys, the quality of a case study is improved if a case study uses a thought through (goal oriented) selection method. Firstly, all the possible cases that could be selected for a study with this research question were discussed. Subsequently a selection was made in accordance with one or several selection principles that were described by e.g. Yin (2003).

***Validity*.** Validity can be seen as good. The interview guide together with additional follow up questions and the practical execution enables the interviews to measure what was intended to be measured. The analysis of the material was influenced, in accordance with Yin (2003), by us as interviewers. The experiences and understanding we carry with us colors the analysis of the collected data.

***Reliability*.** Reliability is hard to assess. There was the risk that we during the interviews did not ask relevant follow up questions or that the nuances in interview answers were not picked up. The selection of informants based on the criteria that the person in question being interviewed had taken part in the firms' internationalization reinforces the study's reliability however.

In this type of *retrospective case study* we collected different types of data (interviews) with the focus on the internationalization phenomenon that has taken place but isn't historic, a drawback is that valuable details and information that the informants has forgotten or remembered incorrectly.

Generalizability. In terms of generalizability for case studies some responsibility rests on the reader. This since the reader has to make an assessment on how the findings carry over to other cases. The reader must thus be given adequate information to make such a comparison and assessment. This said, the researcher has to determine features that comparable between similar cases as well as show how the case is comparable in regards to these significant features (Denscombe, 1998). The inclusion of multiple-cases does not affect generalizability as such (Miles & Huberman, 1994).

Yin (2003) contributes with the concept of *analytical generalization* in order to convey understanding of distinguishing features of the case study as compared to other scientific methods, in particular the survey method (questionnaires and interviews). When using a survey method, a population is defined and a random sample. The sample size then determines how reliably the answers are from the sample can be generalized to the population; statistical generalization is used to determine this. Yin (2003) argues that one cannot talk of statistical generalization for case studies, i.e. one cannot generalize the results of a case study to the population at large. However, a qualitative (analytical or theoretical) generalization can be done towards theoretical propositions when a synthesis is crafted from the case study data in relationship to established theory. In the subsequent Analysis and Discussion chapter, the results are further compared to previous research while using the theoretical framework developed for the study, contextualizing the results.

Can the informants be considered to represent all the individuals involved when a firm internationalize? Probably not. Generalizability is also affected by the selection not being random but rather based on voluntarism and “reference sampling”. Another sample would possibly be able to lead to other views and opinions being put forward. However we have to the utmost of our abilities conducted interviews with informants that have had adequate knowledge relating to the research question. Again, it is still important to note that the ““point of view” of the individual informant is the basis for understanding the shared points of view of the group (in this case, the /../ [firm]) to which the subject belongs” (Ragin & Becker, 1992: 141).

A weakness of the study may also be that no pilot interviews were conducted. The interviewers were thus developed in line with our experience in interviewing. Our experience within the group was also different, even if the interviews at the packaging manufacturer was conducted by all group members present. In addition, after a number of interviews were conducted, the interviewers probably became freer and less bound to the interview guide which also resulted in relevant follow up questions being asked.

RESULTS

The purpose of this study is to increase understanding of how firms relate to the phenomenon of internationalization. For this purpose, five informants were selected from two different case companies. This chapter will present the results of the interviews with some illustrative examples from the individual informants to demonstrate the perceived experiences. Culture will to the greatest extent possible be integrated in the text under the standard framework headers; this is done in order to enable greater contextual understanding. This approach will be maintained in the Analysis and Discussion chapter, but be split in the Conclusion chapter and given its own header in order to increase focus on this special factor.

The Advisory Firm

A private company founded in Europe (2008), the Advisory firm has since expanded to include offices in Europe, North America and Asia/Pacific. Leveraging online collaboration they help provide on-demand answers to questions in a variety of fields. The firm offers a number of services, from expert interviews where transcripts are provided to the clients, another being to interpret the transcript for the client together with some secondary research. In addition to these, advisory is also provided in the form of custom projects where expert interviews, secondary research, case studies, qualitative- and quantitative analysis and other form of more complex activities. All within a low price point and very short turn-around and lead time. The areas for this can range from benchmarking and customer insights to M&A due diligence or the assessing of new technologies and opportunities. Clients also vary from resources and industry to technology and services, with several large MNC firms as well as other advisory and consulting firms

As an organization, they have a medium sized team of people working in the traditional sense for the firm in addition to a roster of experts numbering in the thousands. A project team of experts is subsequently recruited as a client need arise that demands a particular set of skills. As such, the firm can be seen as using a virtual network structure in order to generate the desired end results for the clients. The team leading the organization is made up of a handful of individuals with several decades worth of leading experience in both advisory firms (e.g. McKinsey) or other large organizations.

Organizationally the firm is structured across different geographies in terms of business development. North America being one of the strong bastions of the firm as it the US provides large revenue streams from large accounts since senior management is heavily invested there with a lot of traction and understanding of the market. Europe and Asia are somewhat smaller, but the primary reason for dividing across geographical regions is said to be that it's practical from a *"time zone and work-manager perspective"* (A3). At the same time, the firm is also functionally organized in terms of the global delivery of consulting services.

The informants from the Advisory firm represent senior individuals located in Europe, North America and Asia. These have been labelled A1, A2 and A3 and will be described using third person masculine (he) for anonymity reasons.

A1 is an individual in the mid-50s with an MBA, PhD in STEM and several decades of experience from traditional consulting. He is located in Europe as a senior manager.

A2 is located in Asia and handles a variety of activities from sales to project management and business operations. He is in his mid-40s and has prior experience from both consulting as well as manufacturing in addition to an MBA and a STEM degree.

A3, also in his mid-40s, operates in North America and has an MBA as well as almost two decades experience in various forms of consulting firms and strategic practices.

***Internationalization*.** Though the specifics of *why* specific countries are entered, it is mentioned that they merely follow where potential clients are as well as their competitors (as well as potential partners):

> *"Being a partner, a vendor, to these types of companies, if they're growing they're expanding and seeing opportunities there, we have to go as well." (A2)*

At the same time, there is a certain *"opaqueness, and vagueness into what would make a really good market to enter"* (A2) with different voices weighing in depending on their perceptions of the market. This can range from having ideas about the markets saturation with competitors, poor infrastructure or having a lot of personal connections in a certain market. Unlike large MNCs, the firm does not really do any strategic planning in terms of market entry. Rather it sees itself as *"a small start-up where it's about quickly understanding the opportunities and then grab it"* (A1). A preference for geographic or psychic proximity in terms of where to expand in order to grab opportunities cannot be discerned however. Examples were mentioned of geographic proximity and there was nothing preventing business development initiatives to pursue business opportunities in neighbouring countries.

A common perception within the firm was the importance of the North American market and in particular the USA. This was in part due to US firms being perceived to have larger budgets allocated for advisory services which was partly attributed to the economy's size. Conversely, a predominant theme was also observed in the perception that the US market was more open on a cultural level to buying consulting services even from virtual providers. Something that more conservative markets did not display as *"people [there] are not used to engaging consultants to quite the same degree as they do in the US"* (A3), making it harder in *"selling big ticket consulting services"* (A3) and even more so when they are virtual.

In terms of competitive advantage the US was also mentioned as a hub of sorts since accounts there could be used as a foundation to spread to new markets, possibly serving the same organization in these new countries as it has served in the US. Nevertheless, *"people are becoming more and more comfortable with virtual service partners, but we've definitely had to work very hard to overcome some of those biases and resistance"* (A3) (in effect pushing for a cultural shift). However, it was also mentioned that:

> *"if you have a virtual model, there are limitations just based on human nature in terms of how you can build and develop relationships. If you have, if you're competing against firms that, have actually sat in the board rooms and the offices of the clients and have built relationships in that way, it's very difficult for a virtual company to arrive at the scene and replace that, given human nature"* (A3).

A variety of risks were perceived in terms of market entry, ranging from tax issues to finding itself in an uncomfortable situation when serving multiple professional service firms. More specifically if in such a case compartmentalisation might have to be enacted or clients requesting exclusivity of services. In other cases the risk-aversion was seen as lower and the Advisory firm has been able to serve other firms as well. It has been hinted that a higher level of conservatism might increase risk-aversion and thus clients wanting to tie the Advisory firm exclusively to itself for a period of time. In terms of risk perception in China and India, client focused would be:

> *"on growth, focused on doing things quickly and fast. And most of the time they wouldn't have the time or the energy or the interest [get to know you] /../, they want it fast they want it quick they want someone reliable, they want someone with a history and so they go with the traditional consulting companies"* (A2).

In other markets there is interest (e.g. in Africa), desire and openness for *"non-traditional, creative way for delivering professional services"* (A3) but practical reasons prevent entry (e.g. currency exchange rates) but also being able to find the right people in those new geographies that have special know-how to make it possible. Beyond subject matter expertise, a certain level of cultural awareness might also be required to *"staff projects with people who are sensitive to those slightly different dynamics"* (A3). In addition since the firm:

> *"operates on a virtual basis, [it is] less about entering markets in the brick-and-mortar sense. It is rather about finding people with connections/networks within a geography that are able to "evangelize" about the firm and thus create business opportunities"* (A1).

The entry mode of the Advisory firm can be as little as recruiting one person (a Business Development Partner) with the relevant networks/relationships/connections and local understanding of market, culture etc. (either on a full-time or part-time independent commission basis). Important is also that the person has a good understanding on the firm innovative business model as well as some experience of consulting and people skills to leverage their network. Perceived risks associated with this is if the Business Development Partner (BDP) *"puts the energy behind it, understands the business model, leverages the network enough, has a good enough network to leverage"* (A1). As well as gaining *"the trust of potential clients and turn that into business"* (A1).

Given the firms virtual nature, clients also engage the company online, even from geographies where no BDP is present. *"Through this model, basically anybody from any country can write an enquiry to us and based on our model we will be able to react"* (A1). This is a common occurrence since a lot of *"new business comes via word of mouth, where a satisfied client talks about us and then within the clients organization they know about our work, then a different part of the organization /../ reach out to us unsolicited" with as much as half of business generated this way"* (A2).

In terms of the end service, these are customized (localized) to fit the specific customer on a case-by-case basis and thus localized as and when needed, there are clearly standardized elements exist (e.g. sourcing for experts, conducting interviews etc.) as well as the platform on which projects run (e.g. billing etc.). *"So the processes how we actually run this in the* *background is very structured"* (A1) and has *"less to do with geographic or country specific or cultural needs"* (A1). Some customers might however have certain procedures or compliance requirements that need to be factored in when handling a client engagement project, either on a local or global scale, something that can require legal due diligence. Organizational culture might play a role here, but this is not perceived with great emphasis.

Entry Deterrence. The perception from the firm is that the firm has found a niche where it can make a market and where additional entrants will not hurt too much. This in turn leads it to sense that other firms will *"observe, and get to know and hear about that we are around, but it is probably not in their strategic focus to fight it"* (A1). To their knowledge, there doesn't seem to be much if any form of counter-reaction from competing firms. Though at the same time, they also don't see that there are any real direct competitors. Adjacent competitors might be *"expert network service providers"* (A2) or talent platform, though the Advisory firm is neither of those things. It might possibly be competing more directly with traditional consulting firms, though these sometimes engage the Advisory firm as a partner to handle some parts of projects since they are *"able to bake our costs into their own costs"* (A3).

Further *"it is not a commodity service because it's a unique service"* (A3) even though their virtualized infrastructure allows them to "provide advisory services for, for a fraction of what a traditional advisory firm" (A3). In terms of pricing and bundling then, it is noted that *"it primarily is the positioning and how we actually position our services so that it distinctively different and innovative"* (A1). What the firm does want to avoid however is the trap of be seen as a commodity, even though *"customers will primarily have a look at the price"* (A1), the most important thing is that they become convinced of the value proposition and ability to deliver on quality so that it becomes less of a pricing discussion, even though they (like most clients) always ask for some discount. In terms of entry deterrence then, or rather the lack there off, has resulted in the Advisory firm not having to have taken any counter-counter-actions, and no direct cultural issues has been discerned.

***Entry Barriers*.** Patents and legal issues in general don't seem to apply for this business model. Non-competing clauses of personnel might, though that's a general thing not specific to this company according to A1.

Given the entry mode that the Advisory firm uses however (finding a person with a good business network), it can be argued that the absence of this resource blocks direct access to a market. These Business Development Partners (BDP) thus become the Essential Resource that the Advisory firm needs to control in order to enter a new market. How these BDP resources are found varies, e.g. networks, contacts of existing personnel but it is seldom a result of strategic planning and recruitment. This is especially true when it comes to markets that are not highly prioritized. The function of BDPs is essentially as sales agents working on a commission agreement (full- or part-time) with the Advisory firm. In terms of vertical channels, since the service the firm provides is quite new, the firm assess that *"It might be different if you have a well-established product, just three four competitors, you know procurement department don't want to open up to a fourth, fifth or sixth competitor, but this is not the case in the market where we play"* (A1). Additionally, it becomes very important for the firm need is to build *"“trust based” local relationships"* (A1), since people can see the firm and its new business model, but can they be sure that it will deliver?

In order to build trust, it was mentioned in a western context that culture might play a role, but that it was more important that the person who starts to work with the Advisory firm (the BDP) is from a specific context, understands the consulting model and how the market works as well as individually being a cultural fit with the firm. Selling the idea of the firms value proposition to potential BDP requires investment, equally so one has to *"invest a lot of time* *and energy to getting them in, getting them om board, getting them ramped up and that's separate from the money investment critical to pay-back"* (A2).

US firms further seem to be more open minded in terms of using virtual suppliers, while in more conservative regions (Europe and Asia) where questions arise if the business model really works, how the advisory firm makes sure they talk to the right expert, how quality of the delivered service is assured. Something that becomes even more pressing since the firm essentially has *"no brand"* (A1), thus resulting in an Incumbent Marketing Advantages. The US is consequently seen as less risk averse and more innovative as a culture in general.

The newness of the business model hasn't really taken off in Asia yet however, with people understanding it being the exception. This in turn is seen as a reason whey North America is seen as important since it is seen as less conservative and more open to the idea of virtual businesses (especially the US since even Canada is seen as somewhat more conservative and more difficult). Compared to the US, China and India are mentioned as special cases. In these it is perceived that one has to go in big for clients to take you seriously. You cannot just enter with one BDP and ramp them up, but rather you have to start with several offices (e.g. Shanghai, Beijing and Shenzhen in China) with staff in order for potential clients to feel you are serious. This also goes for finding potential recruits (e.g. BDP) for whom the same is important in order to get them on board. BDPs might thus also need additional support in terms of admin, marketing and business development people in order to work effectively and efficiently. This is not just for the actual work, but to also to be seen as and taken serious by potential clients, especially in Asia. All in all something that requires investments of significant money, time and energy. This even though the new business model is seen as very fluid and based on virtual communication, delivery and project teams.

"potential clients in China-India they wanna see how good you are, how big you are. Because if you are a small set-up, you're small unit, how are you going to give me that kind of expertise, that kind of expert answers? But if you're a big guy like BCG, McKinsey, Bain /../ [they] trust the brand, I trust your skill, I trust your worldwide connection' /../ We're still very brand driven heh, unfortunately" (A2).

Language was also mentioned as a cultural barrier, and though English is seen as an international language of communication, local languages are still important. This in order to make the client *"comfortable with you, you want to be able to go deeper, you want to get the nuances and hints, and the colour of potential opportunities, how the client feels or how a prospective client feels about things, you really need the local language to break down communication barriers"* (A2). Language is just one part of the challenge however, especially given the firms virtual model of doing business (everything done by Skype, email, conference calls and electronic delivery). In Asian markets, personal face-to-face interaction (with the BDP) is valued since it offers personal accountability. Thus, the firm needs to provide a much stronger value proposition in terms of price, effectiveness, cost efficiency and delivery lead times versus the traditional firms that have in-country presence and ability to have multiple meetings in the client's office.

"What we are doing is a B2B trust based topic and it primarily done absolutely just leveraging existing network with below-the-line marketing, nothing you know where you would enter with big headlines" (A1).

In some countries (e.g. Korea and Japan) there might even be a preference for having a local interfacing with clients and managing an account. These BDP would thus be natively fluent in the language, as well as local understanding of the market and landscape of the country, something that in itself can be an investment to find. However, this is not necessarily a common view since the BDP's connections are seen as more important than their passport.

In terms of the process though, the social selling executed by BDPs otherwise follow similar lines as in traditional businesses, though with the exception that they are also more or less entirely virtualized (e.g. using LinkedIn) for BDPs in the firm in order to find people they can help, especially in the western markets.

The Packaging Manufacturer

The packaging company was founded in Sweden during the 1950s. Its focus lies in making machines and material for disposable containers for liquid edibles. Throughout the years, the company has expanded globally and is today active in over 170 countries, employing close to 24,000 people. The company is structured along geographical divisions as well as some functional units (e.g. Finance, HR and Legal), this is also the case for R&D, supply chain, product management and processing solution which is managed for the organization as a whole. It has a wide variety of product lines related to its different packaging solutions.

In this study, focus is on a product line which has yet to be launched globally (though it has been launched in a number of countries). The product is marketed as a luxury alternative to ordinary containers and is both more advanced and more expensive than the other containers the firm produce. Though internal marketing is done by the people responsible for the product line, externally it is marketed towards customers with higher disposable income in markets with a certain level of maturity and open to added value.

P1 is in his late-40s with an American MBA degree and ten years of experience working with the packaging company. During this time P1 has been active in a number of countries and today works as product director for the above mentioned luxury product.

P2 is in his mid-40s with a European degree in civil engineering, ergonomic design and construction with industrial economics. He has been working with the packaging company for five years. Today he holds the title of product chief (a product director/manager according to P2) for the above mentioned luxury product.

Internationalization. When it comes to the entry decision, both interview subjects at the packaging firm seems to focus mostly on the economics related to it. As P1 put it when asked why certain markets were entered:

"*Well, we want to sell more.*" (P1)

Since the packaging company is active in over 170 countries worldwide, they are quite experienced when it comes to entering new markets, which in turn affects the entry decision:

"*…we sell 180 billion packages a year so pretty much everyone knows us.*" (P1)

Because of the firm's multiculturalism and worldwide presence, no markets depending on geographic and/or psychic proximity are out of reach, instead P2 mentions three criteria as the most important things to take into consideration when entering a foreign market:

"*… volume. Is the country large enough to fill an entire production line… are there any diary-firms that are big enough to take such a large investment that /../ [this product] is? … is there a market for premium products in the country?*" (P2).

The take home point here is that since the company already has a huge presence worldwide, they don't need to focus on adapting to the national/cultural standards in the same way that a smaller firm might need to. The packaging company also has a wide range of products, but P1 is in charge of a certain premium product, so instead of focusing on culture and such, it is the market maturity that matters mostly (is there a market for products that don't differ much from their competitors, while being way more expensive?):

"*Our customers sell it at between 150 and maybe 400 index to average market price. So these are expensive products going into it. Sometimes it's just white milk, but then you have differentiate positioning and marketing. There might be similar products priced much lower."* (P1).

All in all, by having offices and teams around the world, the packaging company is able to expand quickly into new markets with minimal effort, since they in a majority of cases already dealt with the given nation/culture in other instances before. Certain products are not being distributed in certain markets and other products are being changed slightly to fit the given market:

> *"…in Japan, what we have done is, the standard volume there is one litre, but because they want to hit a different price point, we have now downsized one of our packages to 900 ml. So they are still selling it at the same price, but it bring in more profit."* (P1).

So does the country/culture play that big of a role according to the representatives of the packaging company?

> *"…at the end of the day business is business wherever you go and businessmen think along exactly the same lines everywhere you go… you know, money is money, wherever you go. Same drivers."* (P1).

In terms of culture, localization is one aspect of this (e.g. 900ml in Japan, rather than 1000ml at similar price points; and a preference for individual sized rather than family sized packaging in Asia). The view of what goes into the packaging can also be seen as cultural difference affecting where goods are sold. For instance, the view of milk in Germany, being a commodity, inhibits differentiation which makes premium packaging hard if not impossible to sell for that type of content, while the same cannot be said for e.g. Russia. Customer risk preference also varies between countries and affects how and what kinds of large investments customers can make, and how fast they need to see returns on investment.

On the whole though, culture is not perceived to inhibit the packaging company much, as its global presence has a large pool of knowledge regarding national and organizational culture. In combination with the workforce being from a wide array of cultures and countries, the firm argues that culture can make certain things harder, but that it never has prevented them from doing business in certain countries: "*The most important thing is that you go out* *for dinner /../, play golf together, the rest is going to get resolved as long as you are friends*" (P2).

As such it is noted that though people in different countries might behave and think differently than others (one example being how Germans and Italians approached work and planning, with Germans experienced as more "square" and procedurally sequential), having a global company culture does facilitate and reduce friction when operating in different countries. Something which is further facilitated by expats distributing local know-how and culture throughout the organization: "[Expats] *move around and take the knowledge with them, like bees pollinating. We move the culture. But we have a very strong local presence, so we work with local people."* (P1). In addition, cultural differences are slowly being erased:

> "*...if you compare Spain, Portugal, Brazil and Germany, the difference is smaller today than it was 20 years ago."* (P2).

This all strengthens the informants' views that what matters most is the purely economic reasons for doing business, cultural differences can make things harder, but not hinder when there is a will to do business together.

Entry Deterrence. The packaging company has a lot of competitors worldwide, and according to themselves, they are not the cheapest alternative around. But instead of competing with low prices, the firm tries to deliver additional value, something that makes it worth paying a bit more in comparison to the competitors:

> *"We also call ourselves a systems supplier, we do everything from milk reception to final packaging to the supermarket shelf. And the same thing goes for food and juices and such, we do the full value chain while our competition doesn't do that. And when you start comparing the cost of doing business with /../ [us as a system supplier] versus others, /../, all the inefficiencies [of buying separate components] on the way, no one takes ownership for when it goes wrong, what is the cost of that, the time you lose the*

inefficiencies and so on. So that is how we look at competition mostly, and focus a lot on systems supplying instead of driving the costs down further." (P1)

When asked whether or not competing firms are practicing some sort of entry deterring strategies themselves to keep the packaging company out, the following answer was given:

"*Yeah of course that has happened. But the thing is that since we already are everywhere, it's working the other way around, competition is coming in to places where we are.*" (P1).

The consensus among the interview subjects seems to be that their firm is not practicing entry deterring strategies, but if the competitors are getting too cheap, relatively speaking they might feel obligated to do something:

"…we are reactive, if our competitors have become too cheap relative to us, then we might lower our prices." (P2).

***Entry Barriers*.** Entry barriers does not seem to affect the packaging company that much. When it comes to essential resource control, distribution channels and such, P1 put it like this:

"*…we speak to every single producer in the industry and we have our salespeople all over the world.* " (P1).

Ergo, it is reasonable to assume that the firm has control over their resources, channels and also legally (patens etc.):

"*Not all of them are exclusively working for us, but we have patents and intellectual property on everything we develop here."* (P1).

When it comes to incumbent marketing advantages, it is fair to say that the packaging company enjoys a quite good position on the market, both since they've been around for a long time but also from customer satisfaction:

“*I mean, it took us 50-60 years to get to where we are today and they are way behind…”* (P1).

The packaging company is using the same “first name” on all of their products while switching up the second word from product to product. This is most likely due to the fact that the brand is well-known and strong, and putting their name on a product is giving some sort of legitimacy:

“*[Our firm] is everywhere in the world, but my product /../ are not.”* (P1).

When it comes to economies of scale and scope, it is fair to say that the packaging company, due to the massive volumes being sold, enjoys certain scale related benefits. With a wide range of products as well, the firm can be said to have a diversified output, which most likely leads to synergy effects and a lower average cost, although not confirmed by the interview subjects.

ANALYSIS AND DISCUSSION

In this section of the thesis the results will be analysed and discussed as it relates to the theoretical context and previous research that has been carried out.

The Advisory Firm

Internationalization**.** Internationalization motives regarding *why* was mentioned to be that other competing firms operated in the market. Though the cultural context is different, this could be compared to the risk minimizing herd mentality mentioned by Kosaka (2004). The reliance on networks in turn, both when it comes to Business Development Partners (BDP) and the founder/manager (the original BDP) can be compared to the findings of several studies (Kaur & Sandhu 2013, Paunović & Prebežac, 2010). As mentioned by Kaur and Sandhu (2013) the availability of an ICT infrastructure and production processes can also be seen to relate to this case in addition to the importance of entrepreneurialism, something that can be seen in the Advisory firm in terms of the opportunistic nature in which it enters markets, which can also be seen as a form of preactivity (Carlsson & Dale, 2011; Su, 2013). The skills shortages in Africa could influence in refraining from entering (Arndt, Buch and Mattes, 2012).

Though the export model using Business Development Partners (BDP) seem to be a cornerstone of the Advisory firms internationalization strategy, the way China and India is mentioned could see parallels with the study by Gollnhofer and Turkina (2015). This given the acceptance of the business model in such countries as the US, but not in China-India, as such there might be a cultural distance aspect at work. This especially as it is mentioned that going in to markets such as China-India would require a large set-up with physical infrastructure in order to build and maintain a brand worthy of trust, both for potential clients and employees.

Entry Deterrence. In terms of competitors, the advisory firm sees very little if any activity. Though traditional management consultancies seem to be the only real direct competitor, owing to their uniqueness, these companies seem to see them more as partners. The low prices might be seen as a form of limit pricing (Besanko et al., 2013), enabling them to keep other firms out of their niche as they enter on a first mover advantage. One could ask if these traditional firms were to introduce expert networks and virtual infrastructure in their portfolio, would the advisory firm still be able to partner with them as easily and maintain their uniqueness.

One could draw parallels with what Gelman and Salop (1983) says in terms of capacity limitation. Since the Advisory firm enters a market small (recruiting a BDP), the amount of clients a BDP could generate for the firm is potentially low (especially if one focus on cementing a key account), thus “inadvertently” resulting in a capacity limitation and more accommodating stance from incumbents. At the same time though, the potential capacity of the Advisory firm could be said to be very high given its virtual delivery infrastructure which relates to what Wang, Gumani and Erkoc (2015) is saying, though with the Advisory firms already low prices, it creates a situation that isn’t necessarily covered by theory or prior research, which might be why their otherwise direct competitors instead accommodate by partnership.

Entry Barriers. For the advisory, internationalizing beyond indirect "exports" requires good Business Development Partners (BDP) to sell and network in the foreign market. This becomes even more apparent given that the firm doesn't have a strong brand and many markets need to be "educated" about the particular service provided. Language of these individuals also become an important factor when trying to enter a market, especially if these markets have atrocious latent English proficiencies such as Japan (it is assumed that the same goes for Korea). One can thus envisage that finding the correct BDP with all the required internal resources as well as favourable attitude towards the company (if they've ever heard of it) and business model (once they're educated about it) is hard which can hamper the ability to enter new markets. This can be related to what Ojala and Tyrväinen (2007) discuss in terms of both English language proficiency as well as the Sales Process being an important barrier for SMEs to overcome.

At the same time, since there are no patents or the likes (Besanko et al., 2013) for this type of business, one could further imagine that their clients (in the case of traditional management consultancies) set up their own competing organizations and through their much more established brand recognition push the Advisory firm out of their nice, or at least cause an instant penetration into all the markets the traditional firm has offices in.

The Packaging Manufacturer

Internationalization. The packaging firm seems to focus on the economic aspects when deciding where to enter, rather than compatible culture or physical proximity (Barkema & Bell, 1996). In order for their high-cost products to be successful, market size and maturity is thus seen as important which relates to economic attractiveness (Mitra & Golder, 2002).

The packaging firm's size and experience is seen as a reason why cultural aspects into consideration are of lesser importance. On top of this, a standard practice is to employ locals in different countries, leading to national and company culture coexisting, though the firm's company culture seems strong. With more than a half-century know-how, and presently in 170 countries, it can be said to have pooled considerable internationalization experience and according to Mitra and Golder (2002), previously successful internationalization experience also play a role in subsequent success. Dimitratos et al. (2011) goes against this notion, however, stating that firm size and prior experience does not play a role in how well internationalization will turn out, even though the informants (like Mitra & Golder, 2002) are holding this notion as a key to their success.

The packaging firm seems to prefer direct investments when internationalizing (e.g. build factories, offices etc.). This can be related to the maintenance of a consistent brand image (Gollnhofer & Turkina, 2015), as well as national culture differences leading to wholly owned greenfield set-ups being preferable (Kogut & Singh, 1988). In terms of localization, the firm can be seen to engage in preactive (Carlsson & Dale, 2011) behaviour as well, identify and exploit opportunities as they appear in appear Japan by redesign the container before launch to fit the market needs while in Germany focusing on cheaper containers to store what is locally considered a commodity (milk). One can also note that customer risk preference vary between countries and affects how and what kinds of large investments customers can make and how fast they need to see returns on investment. This is relatable to what Agarwal and Ramaswami (1992) states that when choosing a market, risk must be weighed against market attractiveness/potential, which also affects customers indirectly, through the way the company enters.

***Entry Deterrence*.** The packaging manufacturer, though not a monopolist, sees very little competition as well. Given its large size and global footprint however, as the firm notes, they themselves might be the instigator of incumbent entry deterring actions. Given the systems supplier approach they are pursuing, one might see them as practicing a form of strategic bundling through offering a 360 solution. One might relate this to what Choi and Stefanadis (2006) says about the firm having a significant technological edge. According to the informants, this leads to a high customer satisfaction and a safe transaction, where the responsibility is always clear.

The consensus seems to be that the packaging company does not employ any entry deterring strategies. However, the packaging industry is in many ways a commodity industry, it really doesn't matter who produces what, meaning that the firm has been forced to lower their prices in markets where the competitors for a wide array of reasons decided to reduce their prices. This is not something ordinary though, and in a majority of cases the firm is able to compete without having to lower prices.

Entry Barriers. For the packaging company, entry barriers seem to be of little concern as they deal with all its industry products and have salespeople across the globe, which the necessary distribution channels and similar essential resource control. Being an industry leader with high capacity, one can also imagine that the best strategy for a competitor would be to just accommodate as well (Wang, Gumani & Erkoc, 2015). Ojala & Tyrväinen (2007) brings up a number of issues regarding foreign entry, e.g. language barriers, which by sheer size and experience, the packaging is able to acquire without great difficulty or legal issues. Through patents and intellectual property, the firm is also able to control their resources without vertically integrating the entire supply chain. One can further imagine that the packaging firm enjoys a favourable standing with potential clients and their consumers, both in terms of the brand being around for more than two generations and the consistency in its simple naming scheme when branding products (umbrella branding), making its products easily distinguishable from competitors.

Producing 180 billion containers of various types per year, economy of scale as well as scope can be assumed as important. Mata and Portugal (2004) notes that compared to domestic entrants, foreign entrants staff are often are often characterized by a higher level of education, a better pay and that there are more of them. Meaning that even when entering a market where the incumbents enjoy a strong position, the packaging company is able to compete on the base of their employees.

CONCLUSIONS

The purpose of this study is to increase understanding of how firms relate to the phenomenon of internationalization, in order to answer the questions of *How do firms act when internationalizing? and what kind of barriers/deterrence do they perceive? and is culture considered a barrier?* In terms of theory, a framework was constructed consisting of the internationalization phenomenon in combination with the industrial organization approach to entry deterrence and barriers (strategic and static entry barriers). Data was collected through qualitative semi-structured interviews in the context of a multiple-case study encompassing two firms. One of the firms was a virtual advisory firm, while the other a large packaging manufacturing MNC.

Internationalization

With the internationalization phenomenon used in this thesis (Kotler, 1997) seen in a normative and rational light, the results from this study paint a somewhat different picture of being rather situation specific in how it comes about. The Advisory firm exemplifies this in how internationalization precedes in an opportunistic and entrepreneurial manner, using BDPs as a low-risk, low-cost internationalization strategy. The packaging firm follows the theory to a greater extent, focusing on economic attractiveness and variables relating to large direct investment decisions.

Entry Deterrence

Both the case firms see very little if any deterrence when entering or expanding their market presence, though for very different reasons. Neither firm tries to deter entry by price competition, nor are they deterred by price. Both companies seem to be focusing on creating added value in their own way, the Advisory firm by providing a low price (e.g. through low overhead) while the packaging firm on the other hand doesn't have to compete by price since they offer unique products and full system solutions, ergo, they focus on customers willing to pay a bit more to get a smooth transaction and a full-service experience. The Advisory firm is at least special though, if not unique, and very differentiate compared to their closest peers, the management consultancies who see them as partners. The Packaging manufacturer on the other hand is more traditional and possesses a well-established and reputable brand as well as patents and economies of scale/scope (all of which could be used as entry barriers to deter other firms).

Entry Barriers

When it comes to barriers, the two cases differ slightly. In the case with the advisory firm, the only obvious barrier to expand its internationalization lies in finding a suitable BDP that has the competency and experience as well as the relevant network of contacts in the new market. This makes certain cultural features (e.g. language) turn into barriers. As an example, if potential Chinese clients judge you based on experience, size etc., that will be an issue for an organization that is relatively young and without the means to set up offices around the globe. This does not go for the packaging firm however, due to its size, experience and financial strength, the firm is highly capable of entering pretty much any market. The pooled experience leads to a certain understanding regarding foreign attitudes/values, through employing local people from a wide array of countries/cultures. While not applicable to the advisory firm (e.g. given their product customization), it is important to note that the Packaging manufacturer enjoys both substantial economy of scale and scope, leading to cheaper production costs and higher margins. This leads to something of a snowball-effect, the firm gets bigger and bigger, richer and richer, while competitors has a harder time competing with them. The perception then seems to be that through patents and economic resources they are “above” barriers.

Culture

There seems to be a consensus among the case firms that instead of focusing on culture or proximity when internationalizing, focus lies on finding a market with the right potential, everything else secondary. This said culture does seem to play a greater role for SMEs (Advisory firm) than for large MNCs (Packaging manufacturer). This could be attributed to internationalization efforts by SMEs being done on a more individual basis which also becomes associated with its greatest barrier (i.e. finding and recruiting a salesperson/BDP that is both present and able to navigate the social/cultural landscape of a country). A large MNC on the other hand might already have the necessary local language and culture awareness available through local staff, this is not to say that culture isn't important for a large MNC though, but rather that it doesn't necessarily have to be of as great a concern when planning internationalization efforts (something that in either case seem to be lacking in smaller enterprises).

Though neither firm sees culture as an issue deterring entry, they both seem to be of the opinion that cultural differences can make collaboration and business more rigid. It could however delay entry and make it harder to generate profits in some cases. Trust has been mentioned as harder to gain in some countries which lead to that business deals taking longer and requiring greater investments, something that might impact a financially secure MNC less. For a SME cultural differences thus become more important to address and take into consideration, which also goes for companies initiating their first internationalization efforts and thus might lack knowhow.

Limitations and Shortcomings

The small number of informants can be seen as a limitation, though practically balanced given the lack of time to conduct the study (e.g. finding informants, transcribing interviews) within its specified deadline, but also the difficulty in finding firms willing to "lend" us personnel and their time without any apparent benefit. In addition, the removal of one case due to quality concerns relating to its interviews (n=2) comprehensiveness can also be seen as a limitation.

This leads to the second issue, with only five interview subjects and two case companies, the empirical part of the thesis can be seen as a bit thin. While the interviews have been profound and highly interesting, there is the possibility of biases since the selection has been done by the companies themselves. For example, P1 and P2 (from the packaging company) works closely together which might result in their opinions aligning while other gets rejected. On the other hand, the three informants in the Advisory firm were located on separate continents (Europe, South East Asia and North America).

Thirdly, though not the biggest concern, we found that due to its size, experience and resources, culture is not nearly as big an issue as we initially thought. Overall, when it comes to business, economic variables take precedence, and following a series of interviews we found that culture wasn't nearly as important as we anticipated.

In retrospect, given the fairly wide scope of the study, the depth of enquiry as well as its result might have been improved with greater focus. On the other hand, we maintain that it is warranted to get a more holistic picture in order to understand the parts of special interest: that is to say cultural entry barriers preventing internationalization.

Recommendations for future research

It might be of interest to carry out studies on other firms in other locations, industries and of different sizes, for instance on SMEs, even in the one-person range (before and after internationalization). Doing a similar study by either focusing on MNC:s or SMEs without a global presence, as well as more consumer oriented B2C companies. Carried out studies on a public sector organization or NGOs active abroad might also yield interesting results. Similar studies carried out on a single case, but with greater emphasis on depth might also be of interest. One type of study that might be of particularly great interest would be to follow a company over time, from pre-internationalization through its implementation and in so doing get access to and gain more information.

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APPENDIX INDEX

APPENDIX A

Things to inform about before the interview:

- Thank them for their time
- Anonymity
- Audio recording
- Possibility of reading transcript of interview (if there is time)

Category Questions

- Age/Sex
- Education
- Current position
- Work description
- Time working with market entries
- Markets entered

Basic follow-up questions

- In what way?
- Could you give an example?
- Could you elaborate on that?
- How did you feel, perceive and relate to this?

Bridging questions

- You said before…
- Regarding what you just said…
- Previously you stated that…

General and Categorization questions

☐ Could you start with telling me a little about yourself, your education and background?
☐ Could you describe your work here, what do you do, and how long have you been here?
☐ Could you tell me about your experience of bringing this company into new foreign countries? (How would you describe the markets in the countries you have helped enter?)
☐ Why have you entered these markets?

Main questions

Questions regarding Entry Decision

☐ What risks/hurdles were perceived before entering new countries? (Did it turn out that way?)

How to enter:

☐ Has unsolicited orders from a country resulted in entering a country more substantially (e.g. establishing a branch office or agreement with local agents, license production etc.?)
☐ How does the firm start selling in the new market? (agents, joint ventures, sales office etc.?)
☐ What strategies do you use to build and defend your position in a new country?

Where to enter:

☐ Has there been a time where the hurdles to enter a new country has been perceived as too great? If so why? (Are there any hurdles that would make the firm not enter a particular country?)

Entry organization:

☐ Are products/services localized? (e.g. adapted to national tastes and particularities of the country) Or are products standardized across the globe?
☐ How are you organized? Along Product lines or Geographically? (or a combination?)

Questions regarding Entry Barriers

☐ What have the main hurdles been after entering new countries?
☐ Any particular markets you feel are blocked from entry? If so, why?
☐ Has local rules/regulations, patents ever been an issue preventing entry?
☐ Has there been cases when local firm advantages have been so great, they prevented entry? (Connections with suppliers/customers; Patents, rules and regulation; Efficiencies)
☐ Has National features that affect business (behaviour, traditions or thought patterns) influence entry into a country? (Could language or business practices?)

Questions regarding Entry Deterrence

☐ How did competing firms react? (Is this something you anticipated? (What did you expect?))
☐ Who do you feel is hurt more, them or you? (Where they bigger than you, locally?)

  a. Has the firm reciprocated in kind? (e.g. Pricing or Bundling)

Be prepared to explain what you are asking about, without being to theoretical. Clarifications about i.e. entry barriers or entry deterring strategies could surface.