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Scalability as a Catalyst for International Growth when Bootstrapping

A case study exploring what enables a financially independent firm to reach a multinational status

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Abstract

Existing literature has yet to cover the enabling factors of how firms manage international growth while bootstrapping. This study contributes to the literature by delving into the intricate relationship between bootstrapping, scalability, and international growth in the context of financially independent firms aiming to achieve a multinational status. The study sheds light on how entrepreneurs maintain financial independence and leverage scalable business configurations to expand globally. Through a case study of a multinational firm in the fashion industry based in Sweden, the research uncovers the factors explaining the company's growth and internationalization. The findings highlight the significance of scalability, long-term relationships, agility and openness to internationalization for financially independent firms in reaching a multinational status. However, while these factors are enablers, a lean mindset stemming from bootstrapping is found to be a counteracting factor to international growth. The study also finds that financial performance management is necessary for maintaining bootstrapping as a viable long-term financing decision. The practical implications unfold recommendations to both entrepreneurs and startup incubators on international venture growth without external financing.

Keywords: Bootstrapping, Scalability, Internationalization, Venture Growth, Financial Independence, Lean Mindset, Scalable Business Configuration, Resource Management

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"For the great majority of would-be founders, the biggest challenge is not raising money but having the wits and hustle to do without it. To that end, it helps to understand what it takes to start a business—and why that is likely to conflict with what venture capitalists require."

- Amar Bhidé

1. Introduction

The following introduction provides an overview of the topic of scalability and the choice of financing for financially independent ventures. It will present the research gap and question as well as the outline of the thesis. This case study presents an addition to the limited literature and understanding of financially independent firms that achieve a multinational status, and the role of scalability in this context. The thesis covers and explains the rare cases of firms solely relying on internal finances while growing to a multinational status. It contributes to the literature by exploring how scalability impacts the growth of financially independent firms and by addressing bootstrapping as a possible long-term financing decision.

1.1 Background

Understanding the challenges and opportunities of achieving multinational growth without external financing is crucial. As Bhidé (1992) aptly puts it, the journey of an entrepreneur is often marked by the wits and hustle needed to start a business, especially without the use of external financing. Scaling such a venture to reach a multinational level is even more challenging. Gilbert, McDougall, and Audretsch (2006) highlighted that such growth is a vital indicator of a successful firm. At the growth stage, what was initially just an idea requires substantial financial means and a capital structure supporting the scaling of the business idea. For the entrepreneur, this raises the question of whether to raise capital via external financiers and, thus, lose part of the financial independence to arrive at high-growth scaling, or to take the longer route and grow organically. However, the use of external sources of financing is, despite its growth-enhancing features, often ill-suited to the niche markets often entered by entrepreneurs (Bhidé, 1992). Raising money requires extensive business plans, market research, knowledgeable founding teams, experienced board members and complex financial structures (Bhidé, 1992). This is rarely the case for entrepreneurial ventures. Therefore, a quest for both autonomy and growth forces entrepreneurs to develop specific characteristics.

When considering the topic's significance, it is also essential to understand its underpinnings from a macroeconomic perspective. In Sweden, for example, small and mid-sized firms constitute 99.9 percent of firms (Tillväxtverket, 2024). Of those, 15 percent exported their goods and services in 2023 (Tillväxtverket, 2024). A report from Svenskt Näringsliv (2021) shows that a ten percent increase in this figure would result in approximately 20,000 - 25,000 new jobs, emphasizing the importance of successful small to mid-sized international firms on a societal level. However, due to the information asymmetries inflicted by unproven business models, small firms are less likely to be eligible for equity- or debt financing (Taglialatela & Mina, 2023; Winborg & Landström, 2001; Rutherford et al., 2017). International expansion, thus, becomes troublesome. It is especially apparent in bear markets, such as the present, where the risk appetite for external financiers is distinctly low. As small firms face trouble getting external financing, many instead turn to internal financing options (Gregory et al., 2005). Thus, it becomes vital to understand how startup incubators can provide more accurate guidance and support to such firms, as it will spur small firms' international growth and bring economic growth on a macro level.

Firms that are securing resources without reliance on external financing have been studied for over three decades (e.g., Van Auken & Carter, 1989; Bhidé, 1992). For this intent, external financing includes equity- and debt-financing. One of the most studied concepts building on this notion is Bootstrapping. Bootstrapping originates from the idiom "pull yourself up by the bootstraps" and refers to the action to improve your situation without the help of others (Cambridge Dictionary, 2024). Small firms' difficulties when raising capital in the early stages of operations cause the founders to initially finance the business themselves (Van Auken & Neeley, 1996). Furthermore, the literature highlights how, in the case of information asymmetries caused by unproven business ideas, external financing is often out of reach in the first place (Taglialatela & Mina, 2023; Winborg & Landström, 2001; Rutherford et al., 2017). Therefore, the phenomenon of bootstrapping as an alternative route of financing new ventures has been described by several researchers as a choice taken by many business founders.

In addition to the choice of financing, for firms to reach a multinational status at a high-growth pattern, it becomes vital to consider the role of scalability. In essence, firm scalability is concerned with receiving returns proportionally exceeding the initial investment size (Somaya & You, 2024; Nielsen & Lund, 2018). The critical determinants of firm scalability commonly stem from the firm's demand and supply conditions, as well as the firm's resources and the business model (Giustiziero et al., 2021; Stampfl et al., 2013). Additionally, past research has provided considerable empirical and theoretical support to the notion that firm scalability is a significant facilitator of enterprise growth (Stampfl et al., 2013; Chandler, 1990). Subsequently, the discovered strategic significance of scalability has spurred additional business management research, investigating the concept further.

Despite the establishment of bootstrapping as a concept and the rise of scalability as a growth enabler in the literature, the question of how it is possible to retain financial independence while scaling to a multinational status remains unexplored. From one perspective, not using the market to obtain financing enables founders to maintain full ownership and capture the firm's future profits. Also, as internally generated funds are a cornerstone of financial independence, the overlap with having a scalable business model is essential for a firm's financial health. However, from another perspective, it is often only possible for new ventures to partially finance growth through self-generated cash flows, which is a common effect of choosing to bootstrap (Stampfl et al., 2013; Gilbert et al., 2006). Bootstrapping, thus, has limited internationalization possibilities and may even impede growth (Patel et al., 2011). Nevertheless, as will be presented, ventures that have managed to scale internationally without external financing can be observed. Since the literature rarely examines the cases where businesses scale to a multinational status without external funding, these outliers present a gap in the literature.

This research provides valuable insights through a qualitative study of a firm that has achieved a multinational status while bootstrapping and avoiding reliance on external capital. The case company, operating in the fashion industry as a distributor and sales agent of mainly Italian clothes, shoes and accessories in several national markets, is a compelling example. The study uncovers the *how* of the company's growth process and the underlying factors that made this organization continue bootstrapping past the early years. The paper's contribution is examining how financially independent firms can reach a multinational status, and what role scalability plays in this process. It also contributes by investigating bootstrapping as a long-term financing alternative. The findings present several enabling, one constraining and one prerequisite factor to international growth while bootstrapping, offering practical implications for entrepreneurs and startup incubators.

1.2 Formulation of the Research Problem

Most well-sited papers focusing on financially independent firms (e.g., Van Auken & Neely, 1996) cover only the early financing decisions for small firms rather than the recurring ones (Waleczek et al., 2018). The same is valid for growing multinational firms. The one group of mature or expanding firms covered by the literature was found to have a relatively low growth and profit margin (Winborg & Landström, 2001). Similarly, whether the effect of a lean mindset, stemming from bootstrapping, creates a competitive advantage or mainly is a constraint on growth remains unsettled (Brush et al., 2006). Therefore, there is a gap in explaining how some older multinational firms navigate, and have recurrently navigated, their financing while scaling. On the same theme, most of the literature describes the locus of the financing problem as being the fact that new, unproven ventures inherently are faced with information asymmetries, thus making it difficult to get external financing (Waleczek et al., 2018; Taglialatela & Mina, 2023). The argument, however, fails to explain cases where the business configuration has already been proven and information asymmetries lowered. Still, the founders proceed to scale the business without taking in capital from external sources. Therefore, the literature on bootstrapping leaves a research gap regarding bootstrapping as a long-term financing strategy.

Furthermore, the most critical perspective when considering the research gap is related to the lack of literature covering the enabling factors of multinational growth for financially independent firms. A negative relationship is brought up by existing literature in the few overlaps of growth and financial independence, which fails to explain the case at hand (Patel et al., 2011; Winborg & Landström, 2001). Also, as more recent research on scalability has unveiled novel characteristics of scalable businesses, it demands a re-examination of its role in financially constrained firms internationalizing (Giustiziero et al., 2021; Stampfl et al., 2013). Therefore, the research presents a gap in understanding the enabling factors of international financially independent firms and the role of scalable business configurations. The paper, thus, adds to the academic discussion regarding how firms using bootstrapping can scale to reach a multinational status. It addresses the gaps in the literature on bootstrapping and scalability, as neither considers the interplay.

1.3 The Research Purpose

This paper examines the compelling cases of companies successfully expanding their business operations to a multinational level despite their limited financial resources and maintained autonomy. The study aims to uncover the key factors that facilitated these successes, the strategic decision to forgo external financing, and its relationship to scalability. Moreover, the study aims to enhance the practical application and understanding of bootstrapping as a sustainable long-term financing option. Ultimately, the objective is to provide insights into how entrepreneurs can effectively build and grow multinational ventures that are financially independent.

The research question presented by this paper is:

> *How do companies, using bootstrapping, achieve a multinational status while maintaining financial independence, and what role does scalability play in this?*

1.4 Research Scope

The paper bases its contributions on a case study of a small, multinational firm headquartered in Sweden. The company is active in the fashion industry. Consequently, the applicability of the study's findings is confined to similar cases of small international companies. Broad generalizability is outside the scope of the research. It is also important to mention the boundary of national borders, as regulatory and/or cultural aspects could have an effect on the findings. However, even though the applicability of the findings is linked to firms based in Sweden with similar structures as that of the case firm, the findings could in some cases with a similar methodology be applied to ventures in other countries characterized by similar political and economic systems as the Swedish. Finally, the scope of the research does not include the measurement of scalability intensity. It also does not intend to thoroughly investigate why and how firms internationalize, nor the specifics of different geographical market choices, but rather internationalization as a form of growth in concurrence with financial independence and scalability.

1.5 Contributions

This paper contributes to the literature by developing an explanatory model of how companies using bootstrapping achieve a multinational status. It adds to the scarce literature on the enabling factors of companies reaching a multinational status while bootstrapping. Despite a direct connection between bootstrapping and scalability-driven growth derived from the two strands of literature, the study finds no direct linkage between the concepts. The study instead finds that scalability is an enabling factor, among several others, that works as an offsetting force to the growth-constraining impact of bootstrapping. These enabling factors, thus, explain how companies can achieve a multinational status while maintaining financial independence. The study also deciphers how bootstrapping can be considered a working long-term financing decision for proven ventures, which fills a gap in the existing literature. Finally, these contributions are of interest from the perspectives of both entrepreneurs and startup incubators. It provides financially independent entrepreneurs with a roadmap to reaching a multinational status and addresses the counteracting effects of bootstrapping. For startup incubators, the findings accentuate the importance of supporting ventures in developing their core business configuration rather than only their ability to attract external financing. Hence, to promote international growth, these incubators should emphasize the development of the enabling factors in the companies they support.

1.6 Definitions

Key Terminology	**Definition**
Bootstrapping	The choice of financing the business without relying on long-term external finance from debt holders and/or new owners, and the consequent strategic implications of that choice.
Financial Independence	Non-reliance on external financiers to fund the firm's operations and expansions.
Autonomy	The freedom and authority of business founders to make decisions and act independently without being influenced by external shareholders' desires or interests.
Scalability	The property of a firm's resources and business model that enables receiving returns that are disproportionately larger than the corresponding investment.
Scalable Business Configuration	An umbrella term describing a firm with a business model, resources and organizational structure that are configured in a scalable manner.
Multinational Status	A stage of growth where the firm operates in multiple national markets.

1.7 Outline of the Thesis

The thesis is composed of six chapters. Following the introduction, the second chapter will review the existing literature and present a tentative framework for navigating the case. The third chapter will cover the methodology of the study and will present the choice of research design and the collection of data. It will also address the methodological limitations and ethical considerations. Chapter four explains the case at hand and the characteristics of its capital structure and growth. The findings of the study are then presented in chapter five. The last chapter, number six, includes an analysis and conclusion of the main findings as well as practical implications and the research outlook.

2. Literature Review

The following literature review will present three historically separate strands of literature: bootstrapping / financial independence, scalability and firm internationalization. The three strands of literature are rarely brought up in conjunction. Hence, the following literature review strives to clearly and logically display their meanings and connections. This will lay the theoretical foundation underpinning the rest of the paper.

The literature review is organized as follows: first, the concept of bootstrapping / financial independence will be outlined, along with the definitions used throughout its existence and its implications on the financing of scaling firms. Second, extant literature on scalability will be outlined and prominent work done in the past will be explored and connected to the thesis's aim. Third, reasons, challenges and opportunities linked to international expansion will be covered in section 2.3. Fourth, the plausible relationship between the concepts of bootstrapping and scalability brought up in the academic literature is highlighted and explained. Lastly, a tentative framework is presented with the three central concepts of the study and their proposed interconnections.

Noteworthy is that sections 2.4 and 2.5 explore likely connections of the concepts of this paper that were previously unexplored in the academic literature. These two sections are, hence, of a deriving nature, where characteristics of the concepts are matched and paired together theoretically. The theoretical connections of bootstrapping / financial independence, scalability, and internationalization are then explored empirically in the subsequent chapters of the paper.

2.1 Bootstrapping and Financial Independence

Bootstrapping is a phenomenon that has been investigated in academic articles since 1989 when it was first written about by Van Auken and Carter. In the literature spheres of entrepreneurship and corporate finance, the meaning of financial bootstrapping is somewhat debated, and definitions vary slightly (Rutherford et al., 2017; Winborg & Landström, 2001; Van Auken & Neeley, 1996). However, in general terms, it is the decision to finance the starting of a venture with the founder's personal savings and in creative ways manage scarce resources without depending on external financing. It is, thus, a way of maintaining financial independence and full control of the firm's operations. This argues for the relevance of this concept in this paper as a deeper understanding of what has enabled firms to become multinational despite the potential financial constraint of not relying on any long-term external financing is examined.

Additionally, several scholars have investigated bootstrapping mainly in the early years of the firms' financing decisions and defined the concept as a short-term business practice. This narrow perspective on the bootstrapping phenomena fails to encapsulate the longer time frame of the study and the utilization of bootstrapping as a long-term strategy, in particular. Therefore, *financial independence* complements the bootstrapping concept by highlighting the prolonged stance of self-dependence. With this in mind, the paper will treat bootstrapping and financial independence as closely related. When combined, it accurately captures the essence of the research question. Next, a description of relevant and significant journal articles on bootstrapping and venture capital structures follows.

2.1.1 Defining Bootstrapping

Winborg and Landström (2001) are the authors of the most cited paper on bootstrapping, which they conducted as an explorative empirical study that looked into the bootstrapping methods used by Swedish firms. Six different financial bootstrapping methods were identified and later further examined. The definition that is brought forward by Winborg and Landström is *"Financial bootstrapping refers to the use of methods for meeting the need for resources without relying on long-term external finance from debt holders and/or new owners"* (2001, p. 235). It is similar to the ones employed by Freear (1995) and Waleczek et al. (2018) and is frequently used in many articles on the subject of bootstrapping. This definition sets the scope and focuses the concept towards the strategic and operational consequences of the decision not to take external financing during the firm's first years in operation. It is how firms overcome these financial constraints in securing the usage of resources that interests Winborg and Landström (2001) and the consecutive papers using their, or similar definitions of bootstrapping.

Another prong of definitions used in the bootstrapping literature sets the scope slightly differently. Van Auken and Neely (1996, p. 236) put forth the following definition: *"capital acquired from sources other than traditional providers of capital"*. This way of phrasing limits the focus to the financial aspects of the construct. The use of strategic and creative ways of circumventing the lack of access to financial resources is in this definition absent. Similarly, Rutherford et al. (2017 p. 659) put forth the following definition: *"starting a* *business with only financial capital possessed by the owners of the business or family members of the owners.”*. This definition also narrows the scope of the definition to the financial aspects of the concept. Rutherford et al.’s (2017) definition further limits the time aspect to comprise only the very starting point of the business, not the initial years. These definitions’ narrow focus on only financial aspects and the starting point of a new venture is, for this paper, inappropriately narrow. The understanding and examination of *how* firms have overcome these financial constraints over time, caused by the choice of bootstrapping, will enable a better understanding of what makes firms without external long-term financing succeed internationally. With a clearer understanding of the definitions brought forward, the underlying causes for why young firms employ financial bootstrapping are described hereafter.

2.1.2 Access to External Financing

A reoccurring explanation brought forward as to why firms engage in bootstrapping is the high level of information asymmetry present between newly founded firms and external financiers (Winborg & Landström, 2001; Brush et al., 2006) causing small firms to struggle to get external finance (Van Auken & Neeley, 1996; Carpenter & Petersen, 2002). Information asymmetry occurs when two transacting parties have unequal access to essential information about a potential transaction (Myers & Majluf, 1984). Due to newly established firms' difficulty in proving their business idea and gaining trust from external financiers, the alternative of raising equity- or debt-finance is therefore largely unavailable (Taglialatela & Mina, 2023; Bhidé, 1992). The proportion of ownership the founder has to sell relative to the capital raised for the venture is huge, making the option of raising equity capital more commonly available compared to debt financing, albeit unattractive. This results in many founders turning their back on equity financing due to its high costs.

The highest levels of information asymmetry in a venture’s future potential are typically observed in its first years of operation (Brewer, 2007). This temporal aspect of information asymmetry led Brush et al. (2006) to propose that bootstrapping is often employed in the initial years of many ventures to avoid early dilution of ownership. The underlying assumption of this proposition is that equity financing will be sought later in the venture’s life when the information asymmetries and, consequently, the cost of capital have decreased due to early proof of concept and success. However, this proposition does not explain why some firms can, or choose to, maintain financial independence throughout their international expansion, even when the firm's future potential is more predictable for external financiers.

Another impactful theory of firms' financing decisions, partly based on the notion of information asymmetry, is the pecking order theory. The pecking order theory aims to explain the choice of capital structures made by firms. It was created by Donaldson (1961) and further developed by Myers (1984) and Myers and Majluf (1984). The theory states that the choice of financing is determined by the relative costs of the three available options: reinvesting retained earnings, debt financing and equity financing. Thus, this theory seems to give a concrete answer to why firms are bootstrapping and maintaining a capital structure without external backing from a bank or external shareholders. The theory gives a concise and simple answer to the phenomenon of financial bootstrapping: it is preferred because of its lower cost. However, objections to this theory's validity have been made in empirical articles, especially when start-ups are examined (Fama & French, 2005; Vaznyte & Andries, 2019; Frank & Goyal, 2003; Taglialatela & Mina, 2023). Fama and French (2005) observed that firms repeatedly act in ways contrary to the predictions of the pecking order theory by their actions in issuing and retiring equity, even when they are not under duress.

Further objections are brought forward by Tagliatela and Mina (2023) as well as Vaznyte and Andries (2019) who emphasize the need to consider the benefits of raising equity capital such as the managerial benefits of gaining access to shareholders' experience. The external owners can contribute with prior knowledge and expertise that help the firm with its intended expansion. This is an inherent benefit that debt financing lacks. Additionally, Frank and Goyal (2003) highlight another benefit of equity financing which concerns the option of delaying dividend payments to shareholders during growth- or turbulent periods. Debt financing negatively affects the firms' cash flow recurrently when interest- and installment payments come due regardless of firm performance (Vaznyte & Andries, 2019). This drawback of debt financing argues in favor of equity financing, despite its higher cost of capital, especially during a firm's growth phase. It gives a possible explanation for the discrepancy between the pecking order theory and firm behavior observed by Fama and French (2005). Concluding the discussion on a firm's choice of financing, there is no undebated theory that fully predicts and explains a firm's financing decision, as there are multiple factors affecting the attractiveness and availability of each option.

2.1.3 The Role of Human Resources as Either an Input or Outcome

Human resources are vital in succeeding with financial bootstrapping (Bhidé, 1992; Harrison, 2004). However, whether the resulting human capital is an input or an outcome of the decision to bootstrap is not agreed upon in extant literature. Regardless of whether it is a choice or necessity, the running and growing of a business without financial backing from an external financier puts pressure on running the company in a resourceful and operationally efficient manner (Brush et al., 2006). Brush et al. (2006) argue that bootstrapping helps with the development of a lean mindset where every unit of capital is spent intentionally. The lean mindset has been attributed to being a trait that maximizes shareholder value because the firm acts resourcefully and avoids wasting resources (Timmons & Spinelli, 2004). Opposing this view, Winborg (2000) and Van Osnabrugge and Robinson (2000) argue that the leanness required for bootstrapping firms is a constraint on growth as it requires focus on keeping costs as low as possible. Bhidé (1992) shows that the result of bootstrapping and the distinguishing features of firms that manage to operate independently is the development of seven basic principles: get operational fast; look for quick break-even, cash-generating projects; offer high-value products or services that can sustain direct personal selling; don't try to hire the crack team; keep growth in check; focus on cash; and cultivate banks early. This perspective of Brush et al. (2006) and Bhidé (1992) sees human capital as the outcome of financial bootstrapping that stems from the pressure to run the venture efficiently.

From another perspective, Harrison (2004) explains that new ventures that lack access to financial resources need to instead leverage their human and social capital to gain access to organizational, physical and financial capital. Likewise, Waleczek et al. (2018) state that human capital compensates for the lack of financial capital and Grishnik et al. (2014) argue that human capital is a prerequisite for succeeding with bootstrapping. Similarly, Tagliatela and Mina (2023) found in their study that equity financing is used when the founding team lacks the necessary human capital and thus needs assistance from external owners' expertise and prior experiences. In all these four cases, contrary to what was implied by Brush et al. (2006) and Bhidé (1992), the human resources required to succeed with bootstrapping is viewed as a necessary input from the founders, not an outcome. This concludes the section on bootstrapping / financial independence, next follows the exploration of previous research on the second main concept of the literature review - scalability.

2.2 Scalability

In recent years, the topic of business scalability has received increased attention from researchers and scholars (Shepherd & Patzelt, 2022). In the business context, *scalability* refers to the property of a firm's resources and business model that enables receiving returns that are disproportionately larger than the investment (Somaya & You, 2024; Nielsen & Lund, 2018). Reaching and exploiting economies of scale - lowering per unit cost as the production capacity rises - is essentially at the heart of an enterprise's scalability (Rappa, 2004; Giustiziero et al., 2021). In turn, *scaling* builds upon an enterprise's scalability, and describes a growth stage during which incremental resource employment leads to increasing incremental value creation (Giustiziero et al., 2021; Somaya & You, 2024). Thus, the two concepts, scalability and scaling, share a common underlying mechanism, yet, one constitutes a firm's characteristic while the other represents a growth stage, and it is the former that is of interest in this study. Next follows a discussion of the main factors underlying a business' scalability potential as well as a review of the connections between scalability and growth.

2.2.1 Sources of Scalability

One highly insightful way of looking at business scalability was taken by Giustiziero et al. (2021), who built their reasoning upon a well-established theory in the business literature called the Resource-Based View (Wernerfelt, 1984). The scholars have developed the notion of a *scalable resource bundle*, which implies growing value per unit of output as the bundle's size increases. Giustiziero et al. (2021) argue that some firms have more scalable resource bundles than others, and their reasoning revolves around the differences in the enterprises' demand and supply conditions.

When describing scalability that stems from the characteristics of a firm's supply configuration, Giustiziero et al. (2021) utilized the term *supply-side returns to scale*. If the increase in a firm's output exceeds the increase in the input, then an enterprise experiences increasing supply-side returns to scale. A high degree of labor division, the presence of learning curves as well as positive feedback loops are among the main drivers of supply-driven scalability (Becker & Murphy, 1992; Giustiziero et al., 2021). Additionally, the scholars emphasize that scale-free resources constitute another important driver of this type of scalability, especially for digital firms (Giustiziero et al., 2021). Brand name, IT systems and cloud platforms serve as examples of scale-free resources due to their high application rate and low marginal costs (Levinthal & Wu, 2010; Giustiziero et al., 2021). However, it is important to note that in order to function, scale-free resources commonly have to be coupled with non-scale-free resources, e.g. a software platform requires human capital for maintenance and implementation. Thus, to avoid the limiting influence on the scalability of non-scalable resources, it is essential to manage them efficiently. Ultimately, the combination of the above-mentioned drivers of supply-side scalability contributes to the formation of a scalable resource bundle. Nonetheless, the presence of favorable demand-side characteristics is equally crucial.

Similarly to the logic above, increasing demand-side returns to scale occur when the increase in revenues exceeds the increase in a firm's output. This process is facilitated by flat demand curves, where larger quantities lead to a minimal change in prices, and/or by network effects that are common among highly digitalized firms (Giustiziero et al., 2021). Once these are coupled with increasing supply-side returns to scale, a firm is assumed to have significant scalability features. However, the aforementioned demand conditions are not present in all firms, especially flat demand curves, which places limits on the applicability of Giustiziero et al. 's (2021) characterization of scalability. The authors made a significant contribution in the field of scalability by identifying the dual nature of the concept, yet, their theoretical framework requires additional supplementing empirical support and the managerial perspective.

Scholars who viewed scalability from the business model perspective took a more practical approach to characterizing attributes of scalable businesses. Despite the criticism that the business model analysis has received for its "conceptual ambiguity" (Porter, 2001, p.77), as well as the lack of unanimity on the concept's definition, the majority of scholars acknowledge *business model* as an appropriate unit of enterprise analysis (Zott et al., 2011). The issues of strategy and value creation, in particular, appear to be the common grounds reached by researchers in relation to defining a business model (Zott et al., 2011). By analyzing value-creating activities and their design, scholars have attempted to unravel what constitutes a scalable business model and how it can be developed (Zhang et al., 2015; Stampfl et al., 2013).

The combination of literature analysis and semi-structured interviews with entrepreneurs resulted in Stampfl et al. (2013) identifying five key aspects of a scalable business model. Those include (a) technology, (b) cost and revenue structure, (c) adaptability to different legal regimes, (d) network effects and (e) user orientation. The strength of these findings is further enhanced by Zhang et al.'s study (2015), in which the authors also identified network externalities, efficient use of technology and scale economies in production as the underlying pillars of scalable business models. As one can see, these factors are highly similar to the scalability drivers mentioned in the resource-based analysis of scalability presented in the previous paragraphs. However, since the factors are formulated from the business model perspective, they highlight the firm management's ability to influence their enterprise's scalability through strategic decisions, which complements and further elevates the resource-based view of scalability. Additionally, Stampfl et al. (2013) emphasize the vitality of business model implementation, and that only when executed correctly, a scalable business model can lead to enterprise growth. Hence, it is a well-designed business model that incorporates both demand and supply factors of scalability, as well as skillful management that constitutes a scalable venture.

2.2.2 Scalability and Growth

A very tight connection between scalability and growth has been outlined by many scholars (Stampfl et al., 2013; Zhang et al., 2015; Chandler, 1990). Among the first ones to attribute enterprise growth to the presence of scalable features in production and distribution was Chandler (1990). In his influential work, the scholar also identified economies of scope and the reduction in costs of transactions as equally important growth drivers. According to Chandler, reductions in costs and effective resource utilization that appear as a result of the above-mentioned growth facilitators allow firms to grow over an extended period of time. The same conclusion but with a different reasoning was derived by Stampfl et al. (2013). Building upon Guilbert et al.'s (2006) findings that strategy serves as one of the main predictors of firm future growth, Stampfl et al. (2013) identified a business model as another significant growth predictor, where the business model's scalability is a critical success factor (Rappa, 2004). This argument is further supported by the fact that investors perceive a venture's scalability as one of the most critical investment criteria, particularly as an indicator of the venture's growth potential (Stampfl et al. 2013).

The growth-facilitating nature of scalability could be the basis of the reasoning behind the concept's measurement. One could argue that the effectiveness of scalability-related efforts can be evaluated with the help of company growth measures, such as sales, employment and market share growth (Baysinger et al., 1982; Gilbert et al., 2006). Nonetheless, a wide range of other factors that influence growth bring doubts to the accuracy of the aforementioned approach (Gilbert et al., 2006). Additionally, most investors identify the degree of a firm's scalability at the very early stages of the firm, sometimes when no returns have been received (Stampfl et al., 2013; Somaya & You 2023). Thus, the company's organization and value creation indicate its ability to scale rather than the resulting growth. Furthermore, as was mentioned earlier, a scalable business model can lead to growth only when complemented by skillful management who can efficiently implement the business model. Therefore, human capital is another vital component underlying the notion of scalability, which is not explicitly incorporated into the standard growth measures. Hence, a more accurate and appropriate approach to assessing an enterprise's scalability is analyzing and evaluating the scalability-driving factors rather than examining its growth figures. The described approach will be utilized in the given study, and concrete examples of the case company's drivers of scalability will be provided.

2.3 Multinational Status

Continuing the discussion on growing through scaling, many enterprises find themselves at a development stage where international opportunities become available and reachable. When evaluating the option of international expansion, managers are faced with an array of positives and negatives associated with internationalization. Despite facing similar considerations in regards to going international, firms' evaluations of their importance and, therefore, influence on the internationalization decision will vary from firm to firm.

Operating internationally offers a wealth of tangible benefits. For instance, it allows firms to tap into valuable resources such as market and technological knowledge, expand their customer base, and exploit economies of scale (Cheng et al., 2005; Naldi, 2008; Hitt et al., 1997). The knowledge and expertise gained from foreign operations can also be applied to the firm's domestic operations, further enhancing the positive returns from internationalization (Naldi, 2008). This potential for international activities to drive both domestic and foreign growth makes it an incredibly appealing corporate decision, and it forms the basis for scholars' definition of internationalization as a distinct growth strategy (Capar & Kotabe, 2003; Kyläheiko et al., 2011).

Nonetheless, the positive influence of internationalization comes at a cost. An international expansion requires financial, physical and/or technological resources as well as managerial skills (Madhok, 1997). These factors are especially crucial to be considered by small multinational enterprises that tend to lack some of the aforementioned resources and competencies (Laghzaoui, 2011). This argument is especially valid for firms performing bootstrapping activities since they are commonly characterized by limited financial resources and capabilities. Hence, the firms that manage to overcome their lack of resources and successfully expand internationally pose very unique and highly important cases for academic research. The given paper will attempt to shed light on this seemingly paradoxical process, with the path towards reaching the multinational status being of interest, rather than the international expansion as a whole.

2.4 Prolonged Bootstrapping / Financial Independence and Scalability

The following section will describe the connections in the extant literature of the two main concepts of this thesis, bootstrapping and scalability. The direct connection between the two concepts is rarely mentioned explicitly or explored in previous studies. In addition, the analysis of the concepts' interplay is built upon a long-term perspective on bootstrapping, which implies perceiving bootstrapping as a strategy utilized throughout the entire venture's growth process toward achieving a multinational status. By examining the nature and characteristics of the two concepts, logical connections are derived from the two separate streams of literature. The commonalities of the two concepts underpin the following discussion, which will be concluded with a presentation of a tentative framework.

2.4.1 The Vitality of Human Capital

Both the bootstrapping and scalability literature place a high emphasis on human capital. In the bootstrapping context, having knowledgeable employees is a substitute for the external owners' assistance that comes with the choice of equity financing (Bhidé, 1992; Tagliatela & Mina, 2023). The employees' knowledge and skills aid in running the business in a resourceful manner, which is required in the absence of external financing. With time, the improved ability to efficiently manage resources and operations becomes an intrinsic characteristic of the firm called a lean mindset (Brush et al., 2006). Similarly, skillful management is an integral component of a scalable business since the owners' extensive expertise is required for configuring and properly executing a scalable business model (Stampfl et al., 2013). Hence, both bootstrapping and scalability literature perceive human resources as a crucial factor for the firms' success with each construct. The required investment in the company's employees may work as a self-reinforcing mechanism within a scalable firm that aims to grow by bootstrapping. The greater the staff's knowledge, the more resourceful the company becomes, which allows for maintaining financial independence over a long time period. Similarly, more skillful management may find new ways of elevating the firm's scalability level, leading to greater benefits reaped from being scalable and more funds reinvested in the company. Hence, human capital constitutes the two business constructs' common driver, facilitating their long-run coexistence.

2.4.2 The Cost of Raising External Funding

The literature covering the benefits associated with the decision to bootstrap unveils another potential connection between the study's two main concepts - bootstrapping may enhance the firm's scalability level. The argumentation behind the outlined relationship revolves around the fact that founders and management can spend more of their finite time and finances on developing the company instead of spending it on raising equity capital or maintaining good relationships with banks and other financial stakeholders (Giustiziero et al., 2021; Levinthal and Wu, 2010). The opportunity cost of having top management spend a large part of their time informing shareholders and/or banks about the firm's progress and recent achievements is high and could be spent on configuring a more scalable business model (Stampfl et al., 2013; Levinthal and Wu, 2010). Benninga et al. (2005) also raise the concern of public firms' vulnerability in their legal obligation to disclose information more widely in financial reports and press releases. The legal obligations that force the disclosure of information raise the risk of spreading clues of the reasons for firms' competitive advantages that can be copied by competing firms in the same industry. Keeping company secrets confidential is easier done for a privately owned company with no external shareholders or no reliance on acquiring debt financing from a bank. Lastly, there are high legal and administrative costs of raising equity capital, listing stocks on a stock exchange and applying for loans (Somaya & You, 2024). Spending time and money on maintaining a good relationship with these stakeholders removes the founders' and managers' focus from developing the core operations. Instead, it forces focus on activities that will not necessarily aid the firm in succeeding in the long run. Thus, refraining from external capital financing provides the management with additional resources for scalability enhancements.

2.4.3 The Cash Flow

Cash flow generation is another essential aspect of the interplay between the two concepts. The literature on bootstrapping suggests that it creates pressure to initiate cash-generating projects with short payback periods and requires a focus on cash management (Bhidé, 1992). It is argued that an efficient cash flow may be the only viable option for the firm to maintain its financial independence over the first years of operations. Cash generation is also pointed out in the literature on scalability but in the context of the factors characterizing a scalable firm. More specifically, early revenue generation coupled with low fixed costs is argued to be a scalability feature (Stampfl et al., 2013). Thus, combining the arguments above, one can conclude that a scalable venture that utilizes bootstrapping would have a financial structure that generates substantial cash flows in the first years of operation.

Expanding on the above discussion, bootstrapping is argued to facilitate the development of a lean mindset due to the scarce resources it entails (Brush, 2006). Scalability, in turn, entails a business configuration that allows for reaping the benefits of economies of scale that gradually increase with time as the firm's level of scalability rises (Somaya & You, 2024; Rappa, 2004). Hence, keeping in mind the cash-generating ability of a scalable bootstrapping firm, the lean mindset and the scalable features of the company will lead to efficient reinvestments of the generated cash. In this case, the firm can finance its operations with self-generated funds, eliminating the need for external financing. Additionally, the firm can maintain its financial independence in the long run since its scalable operations will continuously replenish the internal funds. The repeated reinvestment, together with the economies of scale, results in a snowball effect where the speed of growth exponentially increases over time, reinforcing the financial self-sufficiency of the venture. The internally financed growth may reach high enough levels, where the inherently financially constrained firm is capable of embarking on international growth opportunities. Hence, scalable operations, cash-generating projects, and a lean mindset interplay in a scalable venture utilizing bootstrapping, resulting in the venture's long-term financial independence and growth.

To conclude, three central interrelationships between scalability and bootstrapping are proposed and derived from the findings in the existing literature on the two concepts. The major consequences of the abovementioned interrelations are prolonged financial independence, higher scalability levels, and growth driven by internal funds. If a firm manages to leverage its scalability over time, it may reach a development stage where international opportunities become attainable. Hence, the explained interrelationships between scalability and bootstrapping are assumed to lead to the achievement of a multinational status.

2.5 Tentative Framework

The connections and interrelations of the concepts covered above are summarized and visualized in the following tentative framework.

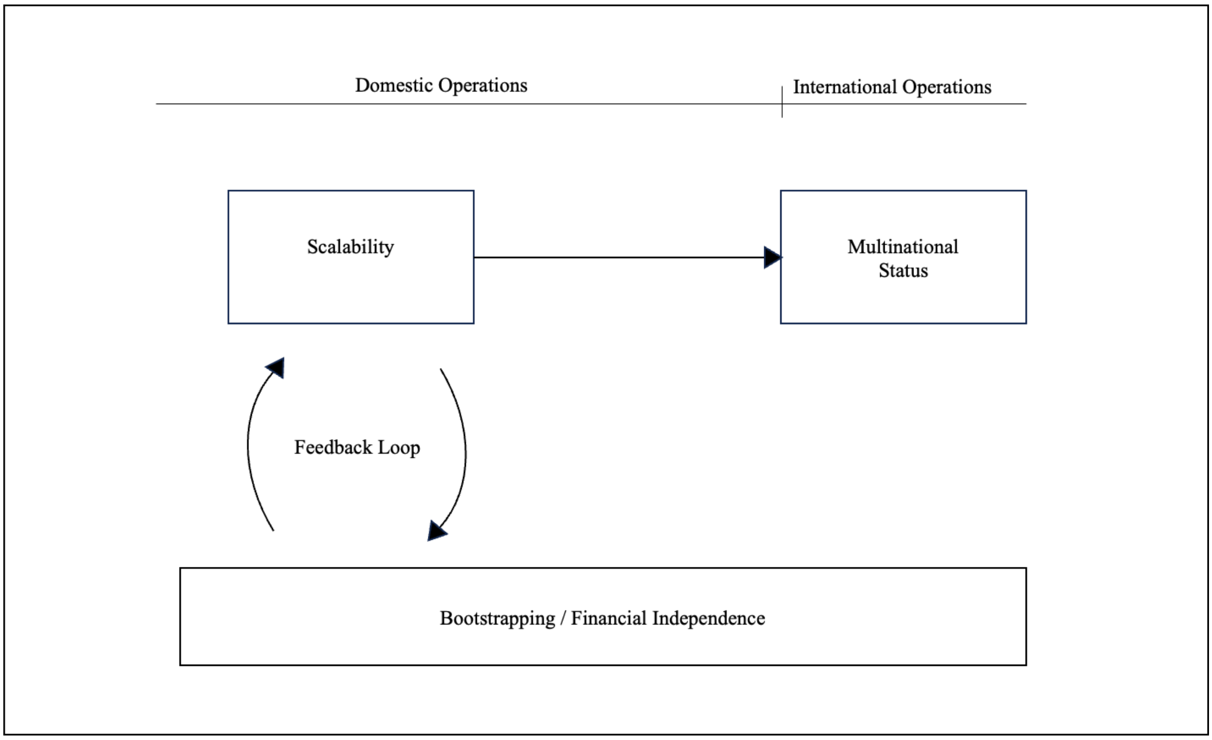


Figure 1. Tentative Framework

Firstly, a company utilizing bootstrapping avoids certain costs associated with choosing external financing. The saved time and finances can be reinvested into the venture and spent on enhancing the firm's scalability level. This outlined relationship between bootstrapping / financial independence represents a part of the feedback loop formed by the two constructs' interplay. Secondly, human capital is an essential resource for a scalable enterprise that has chosen to bootstrap. The investments to enhance the employees' knowledge and skills will facilitate resourceful management of the operations and higher levels of the firm's scalability. In turn, the more scalable the business is, the more financial resources are available for reinvesting into the business, leading to more human capital investments reinforcing the described mechanism. This basis of the feedback loop between scalability and bootstrapping / financial independence is complemented by the cash-generating projects that are fundamental to bootstrapping. When generated and reinvested in a scalable business, cash flows will grow over time due to economies of scale and a lean mindset present in the firm. More specifically, the firm will experience disproportionate growth in return on investments, resulting in financial self-sufficiency and long-term financial independence. The described reinforcing relation between bootstrapping / financial independence and scalability will, over time, lead to a larger and larger company that eventually achieves a multinational status. Thus, human capital and scalability investments as well as cash-generating projects are key factors explaining how firms utilizing bootstrapping can develop and enhance their scalability, eventually reaching a multinational status.

The explained framework is derived from extant literature on the topics of bootstrapping, choice of capital structure and scalability. It provides a theoretical foundation upon which the interview guide is based. The empirical results will be matched against this framework and the final model will be adjusted if the results depart from the tentative framework.

3. Methodology

The following chapter will present the methodology of the study. It discusses the research approach's reasoning and how the research question is uncovered. The chapter also covers data collection and analysis. Finally, the methodological limitations and ethical considerations are outlined in the last part of the chapter.

3.1 Research Approach

To understand the unique case of multinational firms having scaled without reliance on external financing, a qualitative case study based on interviews with a case company is conducted. An abductive method is used since both inductive and deductive elements are part of the design. Based on the literature, a preliminary theoretical framework is developed and could, thus, be explained as deductive. At the same time, the theoretical framework is improved with the data gathered from the case interviews. The use of the interview data leans more toward the inductive approach. Dubois and Gadde (2002) explain how the choice of an abductive method addresses the limitations of both inductive and deductive reasoning and its good match with case studies, which motivates the choice.

In terms of ontological considerations, a realist constructivist position in accordance with the definition of Barkin (2003) is taken. The position implies that social phenomena are believed to be formed and maintained through the interactions of social actors, but these phenomena still constitute a part of an objective reality that can be empirically studied. The choice of the given position is motivated by the nature of the phenomena analyzed in this study. Bootstrapping is by many scholars seen as a voluntary choice that shapes the culture of the firm. Likewise, a firm's level of scalability is influenced by the actions and choices of the founding team. These definitions revolve around the social aspect of reality, which is subjective by nature. Nonetheless, despite its subjectivity, it is believed that measures for analyzing such reality can be constructed, thus motivating a realist constructivist perspective.

The researchers adopt a critical realist epistemological approach per the realist constructivist ontological stance. Critical realism acknowledges both the realist aspect of external reality and the constructivist perspective that social actors construct and interpret social phenomena. From a critical realist perspective, knowledge comprises empirical observations of observable phenomena and the exploring of the underlying social structures and mechanisms that generate these objective phenomena (Lawani, 2020). As this research aims to uncover the underlying causal mechanisms and structures that contribute to the observed social phenomena, performing interviews with the social actors that enable the underlying structures of multinational and financially independent firms means that the phenomena can be understood. Using secondary data for triangulation also allows for properly understanding the objective reality. The unobservable structures can be understood by understanding the enabling factors that generate the rare cases of firms using bootstrapping to reach a multinational status.

3.2 Research Design

The research design is used to understand what has enabled a few outlying firms to reach a multinational status while staying financially independent, which has not been studied before. Therefore, as the case is unique, an intrinsic case study is performed. An idiographic approach is taken as the unique characteristics of the case are explored and understood in relation to the context in which it operates (Dubois & Gadde, 2002). It should also be noted that the case study does not aim to broadly generalize its findings but rather identify specific patterns related to the research topic that are evident in the case company, which is a strength of the case study research design (Weick, 1979). The scope of the research and its applicability to future research is limited to firms that are similar to the case at hand in terms of size, market, and industry.

In designing the research, the process of case studies described by Eisenhardt (1989) was adhered to. First, the research question was formulated to narrow the study's focus and enable obtaining suitable data. Data collection relevant to the research question was divided into primary and secondary data. The usage of secondary data for triangulation of several data points allows for a stronger connection between the theoretical framework and the observations (Eisenhardt, 1989). It is also important to note that the inductive part of the research probes an overlap between the data analysis and data collection. Furthermore, as the data is extracted from the case company, the subsequent step was to enfold the literature to find similarities and differences. This process allows the authors to analyze the data creatively and frame-breakingly and question the generalizability of the case (Eisenhardt, 1989). The final step was to discuss and apply the findings to a final theoretical model.

3.3 Data Collection Method

3.3.1 Selection of Case Firms

The selection of a case firm was based on criteria understood from the definitions of the concepts presented by the literature. The case company was chosen with several criteria in mind. First, they had to be operating in at least two national markets to be considered a scaled multinational enterprise. Second, the financial capital structure was initially investigated by looking at the firm's equity capital and outstanding long-term debt since its inception. To qualify, they ought to have no change in equity capital. Furthermore, as is described in the framework by Eisenhardt (1989), the case firm was chosen through theoretical sampling rather than random sampling due to the nature of the case study. However, certain firms such as consultancy firms were avoided because they are less capital-intensive and, therefore, less dependent on external financing.

3.3.2 Primary Data Collection

The primary data was collected through semi-structured interviews with representatives at the case company. The choice of semi-structured interviews was motivated by the flexibility of the interview process that characterizes this interviewing approach (Bryman & Bell, 2011). By asking follow-up questions, elaborate and rich answers were received, which allowed for a more in-depth analysis of the study's complex phenomena. This approach aligns with the critical realist epistemology, which seeks to uncover both observable phenomena and underlying mechanisms through rich, detailed data. Furthermore, the interview guide was constructed by deriving important aspects and characteristics of the key concepts outlined in the literature review in chapter 2. By formulating questions covering the concepts outlined in previous literature, an exhaustive understanding of the mechanisms that enabled the case company to scale without external financing could be reached. Furthermore, the tentative framework, presented in section 2.5, was used to formulate questions that can yield insights into the potential interconnections of the two main concepts of the paper, bootstrapping / financial independence and scalability.

Position	Tenure at the firm	Interview Duration	Interview Date
CEO / Founder	27 years	110 minutes	02/05/2024
Head of Logistics & Warehouse	19 years	74 minutes	26/04/2024
Head of Public Relations & Marketing	6 years	87 minutes	02/05/2024
Head of Customer- & Sales Support	5 years	81 minutes	26/04/2024

Table 1. Data Sources

Questions were intentionally formulated open-endedly and non-leading to allow interviewees to respond freely to the questions (Bryman & Bell, 2011) (Interview Guide is accessed in Appendix 1). This enabled the interviewees to bring up important factors previously omitted in the extant literature and the derived tentative framework of the paper. This allowed previously omitted factors and concepts to be identified and discovered for further analysis and investigation (Dubois & Gadde, 2002). Since the case firm was chosen due to its uniqueness, the likelihood of there being previously undiscovered factors explaining the observed phenomena is non-negligible. This aligns with the choice of an abductive research method (Dubois & Gadde, 2002) and resonates with the critical realist emphasis on empirical observation and theoretical exploration (Lawani, 2020).

Multiple firms were manually identified by looking at annual reports and web pages to ensure that they met the study's requirements regarding financial choices, firm size, and multinational activities. The firms were first contacted by email, asking about their willingness to participate in the study and their fulfillment of the set criteria. The case company (the *company* or the *firm* henceforth) was chosen from these firms due to its relevance to the study. Thereafter, interviewees with insight and knowledge of the examined concepts were chosen with the help of the *company's* management team. Each interviewee received the interview guide (Appendix 1) before the interview to allow them to prepare beforehand. The interviews were conducted in person, and all three authors of the paper were present, each with a different responsibility. By dividing the tasks of transcribing, asking questions and active listening the risk of missing out on subtle but important differences in nuances between different respondents was minimized (Eisenhardt, 1989). The interview length varied from 74 to 110 minutes.

3.3.3 Secondary Data Collection

On top of interview responses, secondary data in the form of publicly available annual reports and internal policy documentation of the firm were obtained and analyzed for cross-checking purposes, as recommended by Bryman and Bell (2011). By request, the case firm shared confidential information about business transactions with suppliers and customers. This access to internal documentation and annual reports enabled the triangulation of primary and secondary data observations (Yin, 2018). The type of documentation received was internal policy documents regarding the *company's* objectives, strategies and relations with stakeholders. By accessing confidential internal documentation, responses made in the interviews can be confirmed, contrasted and/or clarified by secondary data (Eisenhardt, 1989). The increased input accuracy facilitated by the triangulation approach further nuances the understanding of the underlying structures and mechanisms driving the observed phenomena, which is consistent with the critical realist aim to understand both observable and underlying realities. Due to confidentiality, the Appendix material cannot include internal documentation.

3.4 Data Analysis

The large amount of case data collected during a case study signals the importance of effective and representative data analysis according to Eisenhardt (1989). The first of such analyses is within-case analysis. It allows for the unique patterns of the case at hand to be established before potential generalizability is considered (Eisenhardt, 1989). Furthermore, dimensions established by existent literature and the tentative framework will lay the foundation for analyzing similarities and differences found in the data. The analysis is done by examining transcribed interview data and the secondary data material.

At the outset, each researcher independently read interview transcriptions in a deliberately different order to mitigate the risk of basing the coding of 1st-order concepts on initial reflections from the first interviews read. The 1st-order concepts, which reflected features emerging from the data, were then discussed, ensuring a unified understanding. The descriptive labels for these concepts were derived from the interview content, and they were kept as close to the formulation of the interviewees as possible, maintaining a strong link to the empirical data (Gioia et al., 2013). A total of 122 1st-order concepts were identified at this stage.

After individual coding, each researcher's 1st-order concepts were compared, and dissimilarities were discussed and unified suitingly. Once the joint coding was completed, a holistic view of the 1st-order concepts was used to identify themes, and they were further grouped into 2nd-order themes. The 2nd-order themes are in the theoretical realm and have an increase in abstraction compared to the 1st-order concepts (Gioia et al., 2013). At this step, it appeared that many of the 2nd-order concepts were not helpful in deriving an answer to the research question and, therefore, were excluded when moving forward. The final number of 2nd-order concepts was 17 in total. These were then grouped to form the 6 aggregate dimensions that form the final explanatory model.

Some of the 2nd-order themes and the aggregate dimensions used in the explanatory model are concepts that have occurred in previous articles within the fields of bootstrapping / financial independence and scalability. In those cases, references are made to the articles where the concepts have been mentioned and described previously. No such reference is made when a novel construct or concept is derived from the findings.

Considerable thought was given to discerning alternative explanations for the relationships and interconnections between the concepts. This practice was consciously prioritized over prematurely placing concepts into brackets colored by the researchers' theoretical background. This approach, supported by Dubois and Gadde (2002), is built upon the notion that carefully considering both theory and empirical observations not only expands the understanding of both theory and the empirical phenomena, but also instills confidence in the validity of the derived conclusions.

3.5 Validity and Reliability

To ensure sufficiently high levels of validity, the study's potential weaknesses were identified and several corresponding validity-enhancing measures were taken. Starting off with internal validity, both the terms *bootstrapping* and *scalability* are still in their developing stages, and they both serve as umbrella concepts for many other complex processes, which negatively impacts the study's validity. The internal validity is further lowered by interviewing a relatively low number of employees as well as basing the study's conclusions on their subjective and potentially biased view of the situation. To counteract some of the above-mentioned validity-related issues, the study's interview questions were based upon the concepts' definitions that were derived from the most cited and well-acknowledged articles, which increases their representativeness of the underlying concepts. Additionally, the interview questions were formulated in a neutral way in order to minimize biases in the responses. To further increase the internal validity, the collected primary data was complemented with secondary data, including annual reports and internal policy documentation. The listed secondary data was primarily used for performing triangulation and for writing chapter 4 with the description of the *company*.

The next measure of research quality is external validity, or in other words generalizability. Since a case study is characterized by a small sample size, usually consisting of one organization or event, and a narrow investigation scope, it is prevalent to assume that such studies have low generalizability (Bryman & Bell, 2011). Nevertheless, the above-mentioned conclusion should not be treated as a case study's weakness, since the aim of such studies, including the given study, is to investigate the uniqueness of the case in question, rather than to generalize the findings. Additionally, it is important to remember that the given study's conclusions can be applied to firms resembling the one examined here, but such applications must be done carefully.

When it comes to reliability, several characteristics of the given study negatively affect this measure of research quality. Firstly, multiple individuals were involved in the data analysis process which may have led to inconsistencies in data interpretation. Additionally, the choice of semi-structured instead of structured interviews further lowered the study's reliability due to the resulting variance in the interviewees' responses. Nevertheless, after acknowledging the concerns raised above, several measures were implemented. First, each researcher performed data coding individually and compared the individually derived 1st-order concepts afterward. This data analysis method mitigated the issue of individual biases and increased the accuracy of interpretations. A detailed description of the study's interview questions is included in Appendix 1. The availability of the interview guide gives other researchers an opportunity to replicate the study's method and acquire information on the same key concepts as in the given study.

3.6 Methodological Limitations

A few limitations can be found in the methodology of the given study. Firstly, the data received from the interviews may be insufficient for developing sound theoretical conclusions. One of the reasons for receiving limited information could stem from the nature of the given study's research topic, which revolves around strategically important company decisions. Company representatives can be reluctant to disclose their financial and strategic choices since those concern the company's competitiveness and survival. Another limitation can be linked to the choice of a case study. According to Eisenhardt (1989), the building of theory from cases may cause results to be highly idiosyncratic. It could, thus, inflict on the future applicability of the findings.

Issues regarding data storage should also be mentioned. The handling of confidential information requires the researchers to handle data in a manner that both ensures academic transparency and protects the interviewed parties. Therefore, some parts of the secondary data will not be disclosed to protect the *company's* confidentiality. Data will also not be stored past the completion of the paper. However, it might pose a risk to academic transparency which, thus, constitutes a limitation.

3.7 Ethical Consideration

Throughout the study, the authors considered the related practices' ethicality. As the case study involves handling confidential data, considering the *company's* financial structures and personal information about its employees, the researchers have trodden carefully. Consequently, the anonymity of the participants and the *company's* confidentiality are maintained throughout the paper. During interviews, participants were informed about the purpose of the study, and their written consent for being audio-recorded was collected before advancing. It was made clear that participation was voluntary and that they could refrain from answering sensitive questions at any moment. Also, no questions were asked about their personal lives or other areas that could be deemed invasive. Recordings of the interviews were deleted at the finalization of the paper. Lastly, the confidential documentation received was kept securely stored to avoid leaking any corporate secrets. With these reflections in mind, the study's authors have strived to uphold ethical standards related to the practices of a case study.

4. The Case Company

This chapter introduces the case *company* examined in the study. It describes the firm's financing decisions, scaling journey, business model, and industry. The information presented is based on both the case interviews and secondary data. Reference is made throughout the chapter to the type of source the information stems from. The sources range from annual reports and internal policy documentation to data from interviews with the employees and one of the founders. Still, no reference can be made to the exact source since it would risk the participants' anonymity and the *company's* confidentiality. The chapter intends to give background information about the case before the fifth chapter presents the findings.

4.1 Historic Introduction

The *company* was founded in 1997 by two founders as a sales agency and distributor in the fashion industry (interview). The founders met in Italy, where they worked together as sales agents for more than 15 years (interview). There, they had been sales agents for brands in the northern part of the country and were also selling globally to clients from, for example, the US, Kuwait, Japan, Hong Kong and Russia. They later moved to Sweden where they started the *company* together. In Sweden, they sensed the opportunity to extend from being sales agents exclusively to becoming distributors in the Scandinavian countries (interview). During the last 27 years, they have focused on bringing their expertise in Italian fashion primarily to Scandinavian countries and building a strong industry reputation.

Currently, the *company* acts as a fashion distributor and agent of primarily Italian brands to over 600 boutiques throughout Sweden, Norway, Finland, Denmark, Iceland, Belgium, the Netherlands, and Luxembourg (henceforth: Benelux), and previously also Germany (annual report 2023). The headquarters is situated in Sweden and it houses functions of finance, logistics, marketing, and public relations. Eight employees operate these functions in total. In addition to the headquarters, the *company's* structure involves sales offices in Sweden, Denmark, and Belgium (interview).

4.2 The Business Concept and Structure

The core business concept and structure can be described as providing easy solutions for high-end retailers outside of Italy. The firm acts as the middle hand between suppliers of fashion brands and retailers (interview). The business is legally structured as one parent company with four affiliated companies in the group, each responsible for a specific market and acting as a risk-reducing mechanism for the parent company if one market performs poorly (annual report 2023; interview). The two founders each own half of the parent company, where SEK 100 000 was raised in equity capital at the *company's* founding (annual reports 1998-2023). Through the structure of the *company* and the founding team's expertise, they have managed to create a robust, competitive and multinational company without raising any equity capital since its inception.

Another important explanatory factor to the structure of the *firm* is the emphasis the *firm* places on the vitality of its relationships. It can especially be seen in the process of onboarding new suppliers and retailers and in the sales cycle. First of all, one of the founders is located in Italy to foster close contacts with suppliers and distributors in other countries (interview). Once a new supplier is signed, which often is a long process, a sample collection is sent to the case *company* which, in turn, will showcase the collection in its showroom. There retailers get to see the collection and pick the wanted pieces. Once the orders are placed by the retailers, the clothes get delivered to the warehouse of the *company* and then distributed from there in time for the new seasons (interview). The dedication to maintaining relationships throughout its supply chain can also be seen through the policy to offer retailers to send back collections or clothing articles that have not been sold in order to keep them buying the same brand the following season (internal policy documentation). Overall, the business concept is best described by one of the employees during an interview, *"I think it's just the whole service, the company is known to all the suppliers and the retailers and they know they're going to have a good experience from starts [sic] to the end."*

4.3 The Financial Structure

The business has been financed primarily by internal financing sources, completely without external equity capital and with a limited use of short-term debt financing. A line of credit was established with a local bank at the *company's* founding (interview). They still have this line of credit 27 years later as a safety net even though it has not been needed for a long time and has only been used occasionally throughout the firms' existence (annual reports 1998-2023). The same bank also issued a letter of credit to the *company* in order for them to ensure payments to suppliers and enable international transactions for the firm (interview). Moreover, the financial structure was also sustained by keeping the cash conversion cycle short. One of the founders explained early financing during one interview: *"Usually, in those times, we opened letters of credit that were supposed to get paid after 60 days. So we got the* *merchandise, then we delivered it to our customers in Sweden. In those times customers always paid after 30 days. So actually we managed to get the money before we had to pay the letter of credit to the supplier"*. Furthermore, in the *company's* history, only one bank loan has been issued to fund the acquisition of a showroom in 2012 (interview; annual report, 2012). The loan was paid back in full, soon after its issuing, and the showroom was sold ten years later with a profit. Nonetheless, both the interview data and the secondary sources clearly express a willingness to abstain from external financing (interview; annual reports 1998-2023).

The primary source of revenue for the *company* comes from the distribution of clothes, shoes and accessories (annual report 2023). The distribution covers, on average, ten different brands which the *company* has the right to distribute in the countries stipulated by the specific contracts for each supplier brand (interview). The sources of revenue also include the *company* being a sales agent for certain suppliers. Some of the bigger retailers are also offered advertising of the distributed brands by the *company*, which constitute a smaller source of income (interview). It is worth noting that the core business model has stayed the same throughout the years. The case *company* has always primarily sold and distributed high-end garments to fashion retailers throughout Scandinavia and Europe. There have been changes in the type of brands and clothes that are distributed due to changes in trends, but the core business model has remained intact.

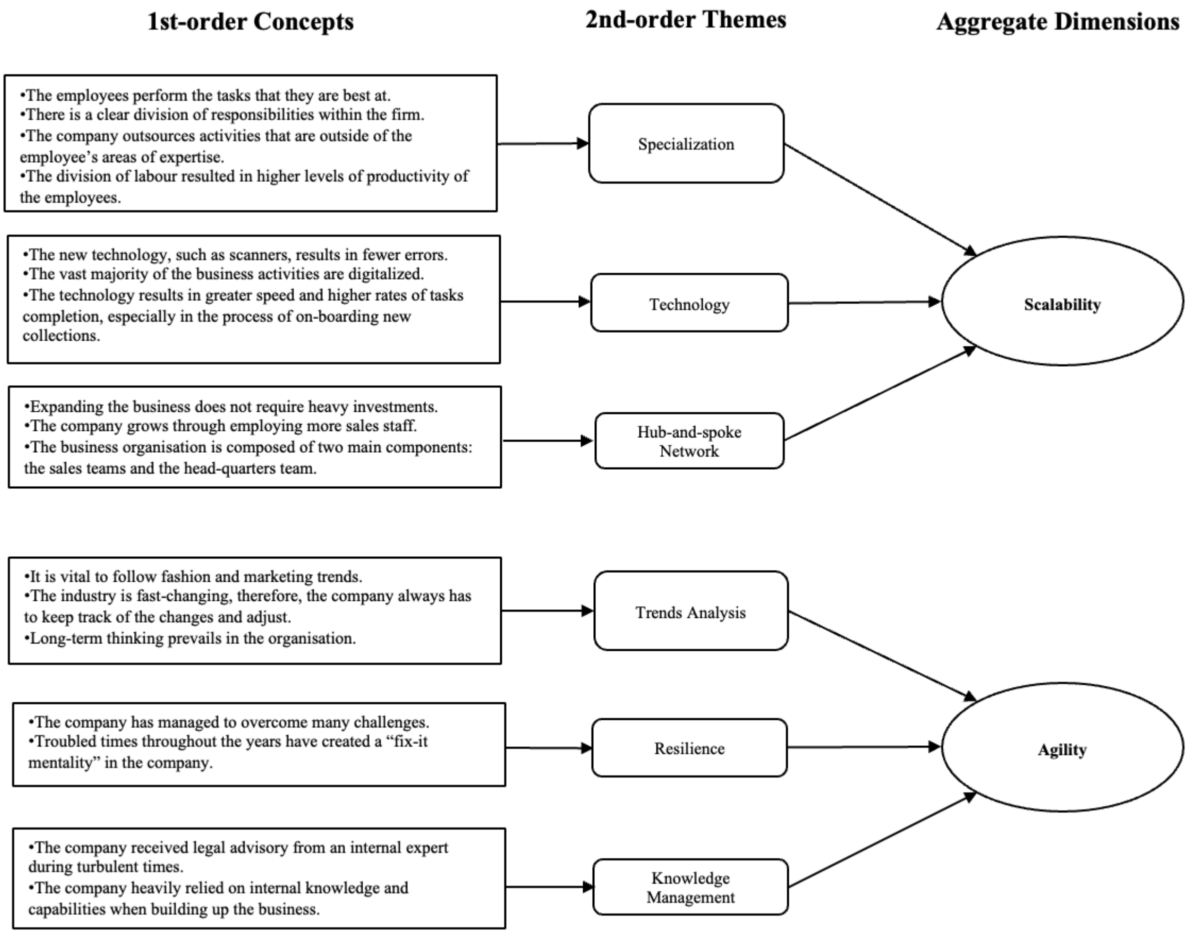
4.4 The International Expansion

Soon after its founding in Sweden, the *company* acquired distribution contracts covering all of Scandinavia (interview). The suppliers in many instances have regarded the Scandinavian countries as a singular market and the *company* shares this view. When describing the *company's* international endeavors, none of the *company's* employees brought up Scandinavia. Since the *company* has been serving all of the Scandinavian countries from the beginning and due to the homogeneity of the entry modes, the *company* treats Scandinavia as one market, and all the international expansions occur outside of Scandinavia.

Throughout its internationalization outside of the Scandinavian countries, the *company* has primarily utilized sales offices located in the specific markets (interview). They specify that it is vital to employ experienced salespeople who are located in the market while the back-end operations remain at the headquarters in Sweden (interview). Examples of such ventures to other markets are the expansion to Germany and Benelux. The international expansion to these countries was seen as a form of growth by the *company* (interview). The choice of the Benelux market was due to its similarities in customer preferences and proximity to the Scandinavian market (interview). The opportunity was given to the *company* due to their performance with the same supplier in the Scandinavian market which made the supplier extend the geographical scope of the contract (interview). The CEO also specified that the decision to further internationalize was based on an agile mindset of trying new things to see what enables growth (interview).

5. Findings

This section presents the findings of the paper and the identified factors that have affected the case *company's* structuring, characteristics and internationalization. In the section, each aggregate dimension has its subheading with a description of the derived concept, the underlying 2nd-order themes, and quotations from the interview material. This is done to clearly show the connection between the data and the derived theoretical concepts. Beneath this paragraph, the data structure is presented graphically to show the stepwise progression from 1st-order concepts to 2nd-order themes to the aggregate dimensions (Gioia et al., 2013). Exemplary 1st-order quotes from the interviews that are linked to the 2nd-order concepts can be found in Table 2-7 in Appendix 2. Finally, the interviewees are henceforth assigned a number from 1 to 4 when references are made to quotes from the transcriptions. The interviewees are not referred to by their position or name to safeguard their and the case *company's* confidentiality.



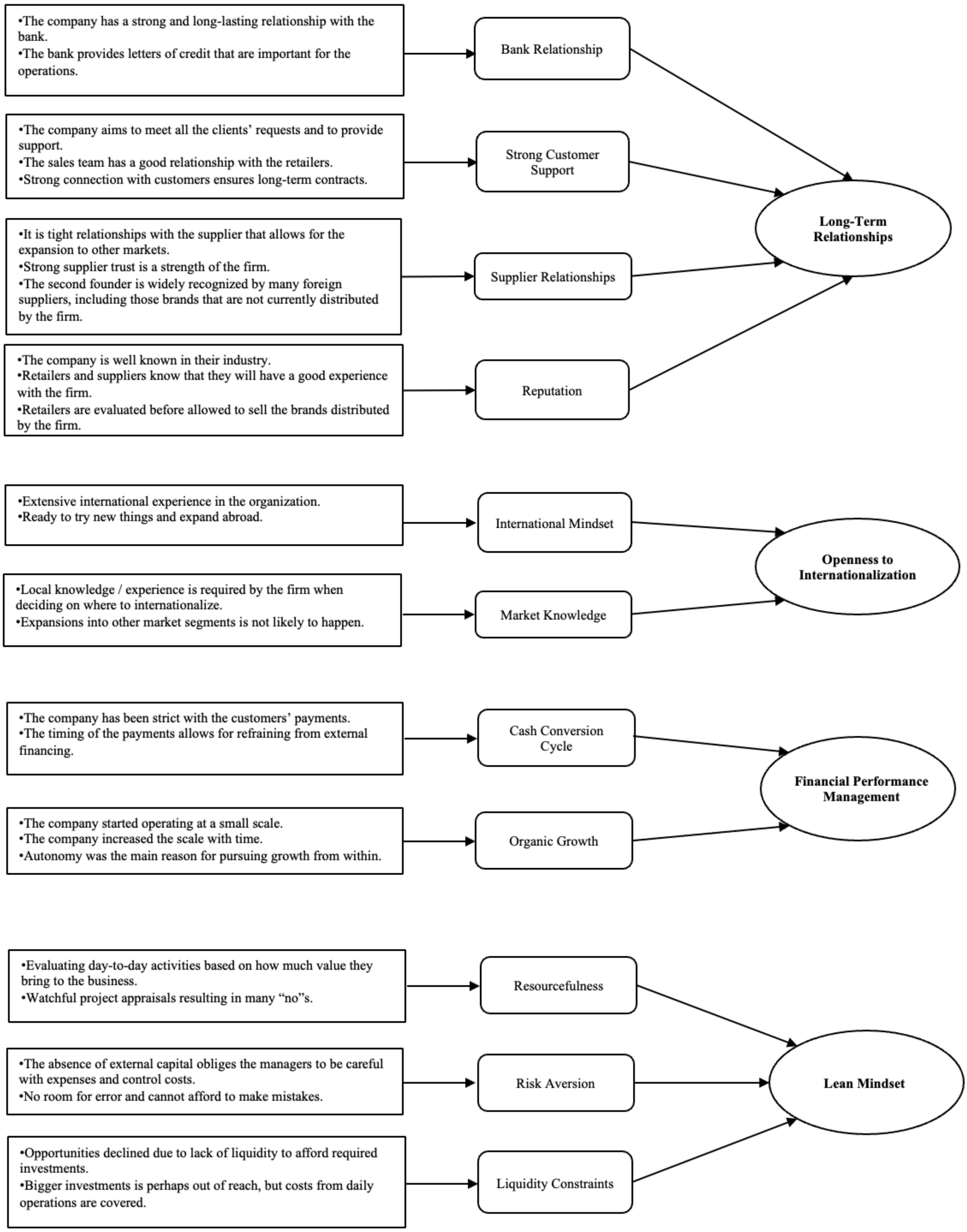


Figure 2. Data Structure

5.1 Scalability

Utilization of resources and the enterprise's structure emerged as an influencing force on the *company's* ability to become international. More specifically, the data coding identified three 2nd-order themes: *specialization, technology, and hub and spoke network.* Higher productivity levels and increased growth potential are the major consequences of the aforementioned themes on the firm, which made them fall under the *Scalability* dimension when aggregated.

Specialization entails the division of labor, where individuals in the *company* perform the tasks in which they have the most expertise. In turn, the given workload arrangement leads to higher productivity levels and economic benefits to the firm (De Langhe, 2010). The *company's* employees stated that they perform the activities that require their specific skill set (Participant 4: *"We tried to dedicate as much time for them to perform what they're best at <..>"*). This is further complemented by a distinct division of tasks and responsibilities among the staff, where every employee is responsible for a specific business area. For example, "Head of Customer- and Sales support", "Chief Financial Officer" and "Head of Logistics and Warehouse" are among the positions held by the employees. The *company's* labor specialization is further enhanced by outsourcing activities outside the employees' skill set, such as the website's maintenance. The major consequences of highly specialized work were increased employee efficiency and workload capacity. For instance, when explaining how the employees managed the extra workload that arose from several employees leaving the *firm*, Participant 1 said: *"And now from five to three and we are still managing the whole business, and almost better. It's just more structure [sic] and organized."*

Technology stands for the effective and efficient utilization of technology and its beneficial effects in the given analysis (Stampfl et al., 2013). During interviews, a lot of emphasis was placed on the technological advancements the *company* has experienced over its lifetime. In particular, the interviewees highlighted enhanced accuracy as one of the major advantages of new technology. For example, the new scanners utilized in the warehouse resulted in fewer errors in tracking the delivered goods. Additionally, the *company* has implemented an order system that encompasses and links all the major business activities: invoicing, delivery, and ordering. The benefits of digital integration were described by Participant 1 as: *"The technique [technology] now and how everything evolved and just to do it bigger and better and easier, for most easier. [sic]"* Furthermore, the emerging speed and ease of task performance had a substantial effect on the logistics-related activities, specifically in relation to adding new collections (Participant 2: *"If we do that, we can insert a new collection in our system in an hour."* Participant 1: *"Before it was worse, this just makes everything easier to deal with all the articles* <...>*. "*). Overall, the *firm* is highly digitalized.

Hub-and-spoke Network entails an organizational structure with a central hub that is connected to a number of spokes, and the central hub is responsible for providing directions to the spokes that, in turn, carry out the given tasks (O'Kelly & Miller, 1994). The *company's* organizational structure consists of headquarters permanently located in Sweden and sales teams whose locations depend on the markets they serve. Participant 3 described the *company's* structure as follows: *"In our organization, we have practically two things: it's the sales, which are building the business, bringing the business, and then we have the organization in here, which is realizing."* The given structure defined the mode of entry that the *company* selected for its international expansions. When asked about the entrance into the Benelux market, Participant 3 confirmed that only a sales office was established abroad (Participant 3: *"Yeah, only the sales office."*). Furthermore, the internationalization to Germany and Benelux was characterized by low capital intensity, where an agent was hired for each market and a showroom was acquired for the Benelux market. Participant 2 evaluated the expansion to Germany as follows: *"But that was the plan, we did it, but in the end we didn't sell as much as they hoped. <...> And we didn't lose anything, maybe we just failed."*

5.2 Agility

The next aggregated dimension is *Agility*. It is defined as the ability to account for market changes and react to turbulent times to minimize potential damage (Sambamurthy et al., 2003). *Agility* ensures that the organization stays proactive and can adapt the business model to allow for continued growth in a changing industry. This could be seen as an important factor in the *company's* internationalization. The underlying second-order themes presented are *trends analysis, resilience,* and *knowledge management.*

Trends Analysis is defined as a way to identify changes in trends over a time period. It has become essential in the fast-changing fashion industry. Participant 4 notes, *"We always have to be out there to follow trends. Now it's Threads for example instead of Instagram and now* *it's Snapchat instead of Facebook and it's changing every week actually".* Participant 3 also said, *"We can never just sit down and say: "Oh no it's good!". Because when we have something that is working, we know that maybe after six months it will completely change.".* The trend analysis can also be motivated by the *company's* long-term orientation. This notion is strengthened by how Participant 3 describes their way of working: *"<...> we are working long-term, maybe if you get money from outside you can afford to be a bit more short-term but that's not in our interest, also because our suppliers are thinking long-term <...>.".*

Resilience was observed as the firm being able to return quickly to a previous good condition after problems. It is derived as a 2nd-order theme because of several reasons. Participant 3 stated, *"We were struggling there, we were really on the edge of going bankrupt. But we did manage.".* On the same theme, participant 4 described that "*<...> [the CEO] said 'we will fix this, you don't have to worry because we've been through hard times before'".* These, among many, quotes display how resilience has been an important stepping-stone for the *company* in being agile in times of problems and consequently has allowed the firm to grow continuously.

Knowledge Management focuses on effectively using organizational knowledge (Abualoush et al., 2018). Businesses that manage knowledge well can anticipate trends and make informed decisions based on collective insights and data. The *company* heavily relied on internal knowledge of the market at its inception. Participant 3 describes this situation as *"<...> we really built it from scratch, it was nothing".* Knowledge management also proved important when the *company* needed to fragment the parent company into subsidiaries. It is explained by Participant 3: *"<...> we got very professional help from our chairman, who is a lawyer, he helped us how to deal with the companies and how to divide [the firm].".* The management of knowledge within the *firm*, thus, proved crucial in turbulent times.

5.3 Long-term Relationships

Another explanatory factor of the case *company's* internationalization is its strong long-term relationships. It is emphasized that relationships with their stakeholders have allowed them to grow continuously. Underlying this aggregate dimension of *Long-term Relationships* are the 2nd-order themes of *bank relationship, strong customer support, supplier relationships, quality over quantity*, and *reputation*.

Bank Relationship can be explained as an accumulated trust between a company and a bank that provides financial credibility. While the *company* has abstained from using external capital, it has emphasized the importance of maintaining a long-lasting relationship with its bank since its inception. To ensure international payments to its suppliers, the firm set up a system of letters of credit. Because of the early trust presented to them by their bank, they have sustained the original relationship and contract for the last 27 years, thus constituting a long-term relationship. Participant 3 mentioned the importance of this relationship for staying financially self-sufficient: *"<...> they guarantee the letter of credit. So, we don't have to take in any cash or finance"*. Moreover, it was also crucial in reaching international status as they had to increase the letter of credit while growing, something which the longstanding relationship with their bank enabled. The same participant said, *"<...> the letter of credit became bigger. So, that's why it's so important to have a bank where you have a good dialogue, so they understand. Because suddenly we had to raise our limit quite a bit"*. Hence, having an open dialogue with a bank providing financial credibility has been an essential factor.

Strong Customer Support is another important concept in explaining why long-term relationships enabled the *company* to grow to a multinational status without external capital. The mentality of solid customer support has created long-standing relationships with retailers who keep choosing the *company* as their distributor season after season. Participant 2 says, *"If the client has a request, we try and fix it"*. One such measure is to offer some customers swaps of unsold goods as well as late cancellations. The closeness between the salespeople and the customers exemplifies this dedication to customer relationships. The salespeople are encouraged to create personal relationships with the customers to sustain long-term relationships. Another employee, Participant 1, explains: *"They [the salespeople] have a really [good relationship], it's always on a business level but it's almost as [if] they become friends and family because they had their retailers for so long and it's special."*. Participant 3 also says that *"So for us, it's important that our salespeople are having a good connection to the customers so that they won't decrease our budget."*. Thus, it shows how the *firm's* strong customer focus has allowed it to grow and continually keep customers in the long term.

Supplier Relationships are closely linked to the relationship with its customers. Participant 3 notes, *"It is extremely important, and I think that it is our strength, that we have such a close relationship with our suppliers, so they trust us."*. For that reason, one of the founders is situated in Italy in proximity to the suppliers which is expressed by Participant 3 as *"<...> he knows almost everyone, after being in the business for so many years. So, he knows the suppliers and he also has a very tight contact with distributors in other countries."*. However, what differs from the second-order theme of *strong customer support* is that the suppliers have a decisive say in what markets the *company* can expand to. Contracts for new markets are obtained from having a good relationship in one market before extending the contract to other markets. Participant 2 describes that most of their international expansion was initiated due to opportunities stemming from existing supplier relationships. Regarding the international expansion, the participant says: *"<...> the supplier suggested 'we have this opportunity here'"*. Furthermore, a strong relationship with suppliers sometimes yields more favorable payment terms, which is highly valuable for the *company*, given their financial limitations (Participant 3: *“<...> they are actually sending the goods without any letter of credit and they trust us that we respect our payment terms <...>”*). Therefore, a strong supplier relationship is vital in long-term relationships leading to growth.

Reputation in the industry also contributes to the *firm*'s long-term relationships. Participant 4 points out: *"I think it's just the whole service, the company is so known to all the suppliers and the retailers, and they know they're gonna have a good experience from start to end."*. Their reputation of being a trustworthy player in the industry proceeds with them, improving their standing and attracting new customers. The importance of reputation is also portrayed through thoroughly examining new retailers. Participant 1 describes it as *"The CEO goes straight into the system where it says how they're valued and what's their financial situation, how long have they been in business, and everything. So it's really calculated everything"*. Therefore, it shows that reputation, both in terms of suppliers and retailers, has been an essential factor for the *firm's* long-term relationships.

5.4 Openness to Internationalization

The case *firm* is interested in and open to pursuing internationalization opportunities if it can be done in geographical markets where they have a connection or previous experience. The interviewees all have an international mindset and prior work experiences abroad. The founder pointed out their prolonged interest in further expansion. This aggregate dimension is important because the openness of the founders to expand internationally is pivotal for the financially independent firm pursuing internationalization. Since the founders have maintained full ownership and control of the *firm's* operations, their personal opinion of whether or not to internationalize is crucial. The aggregate dimension is built up by the 2nd-order themes of *market knowledge* and *international mindset.*

Market knowledge is the requirement of the *firm* to have knowledge or connections to the geographical markets it expands to. Participant 2 stated, *"So for us, I think that would be too much work - expanding to another market without having the knowledge and a specific person hired already.".* Furthermore, it is emphasized by Participant 3 that they want to keep operating in the type of service market they currently are active in: *“Also because that's the kind of market we were working with in Italy. It's the only kind of market we know actually.”* (the market referred to in the quote is the Italian fashion brands market). These two examples explain the *firm's* criteria when deciding where and if to internationalize. So long as the *firm* has a personal connection that contributes market-specific knowledge and is within the realm of its existing business, they are open to international expansion.

International mindset entails the attitude of the founders and employees of the *firm* towards internationalization. The founders have accumulated international experience within the fashion industry and are open to further and future international expansions. Participant 3 states: “<...> *we were responsible for customers coming in from practically the whole world, so we were working with American department stores, we had a lot of customers in the Arab countries. <…> We had a lot of customers from Japan, Hong Kong before it became Chinese, and Russia.”*. Further highlighting the *firm's* international mindset is the following quote on their attitude towards their international expansion into the Netherlands: *“So we said - ′OK, let's try it.′” After all in Benelux, Holland [sic] is quite similar to Scandinavia, and it's quite close, and we like to try new things.”* (Participant 3).

5.5 Financial Performance Management

Growing without external capital requires a special approach to financing the *firm*. Well-timed supplier and customer payments and gradual growth were important factors enabling the *company* to remain financially independent. The 2nd-order themes are named *cash conversion cycle* and *organic growth* and they comprise the *Financial Performance Management* aggregate dimension.

Cash Conversion Cycle refers to the time between the payment for the goods and receiving the payment from the customers (Nobanee et al., 2011). The *company's* cash conversion cycle played a significant role in the financial decisions undertaken by the *firm*. The *company* has been utilizing letters of credit in its international transactions with the suppliers, which implies that the bank guarantees to pay the supplier if the company fails to do so in time. The payment terms set out by the *company* ensured receiving customers' payments before the deadline for the letter of credit (Participant 3: *"So actually we managed to get the money before we had to pay the letter of credit to the supplier. But it was a matter of a very tight timeline."*). Such an arrangement allowed the *firm* to remain financially independent and avoid external financing. Additionally, the *firm* ensures a rigorous adherence to the payment terms by the retailers, which sustains the financially positive state of the cash conversion cycle: *"We're quite strict [on customers paying] coming in. We're not just sending through the goods to the retailers if they have like a hundred 100K [deficit].* (Participant 1)*"*.

The *company* also followed the ***Organic Growth*** approach, which implies growing without acquiring any external businesses, and it is characterized by a gradual increase in product/service offerings (Kukko, 2013). The *company*'s first product line was narrow and consisted only of accessories. As the *company* grew, the number of brands started to increase together with the range of products: *"And then when we had built up a customer portfolio, we took in our first ready-to-wear collection.* (Participant 3)*"*. The decision to grow organically could be explained by the management's desire to remain autonomous: *"Because we wanted to have it as our own company <...>"* (Participant 3). According to Participant 3, refraining from equity financing limited the *company's* initial investment capacity, which made organic growth the sole alternative to pursue (Participant 3: *"Of course if we had gotten money from the outside, maybe we could just splurge it, but we can't afford it."*). Hence, growing organically enabled the *firm* to maintain the desired financial independence.

5.6 Lean Mindset

Financially independent firms without access to external capital face pressure to develop a lean mindset. The aggregate dimension of *Lean Mindset* has previously occurred in the bootstrapping literature (Brush et al., 2006; Harrison et al., 2004; Winborg, 2000). It has been described as a factor constraining firms from growing due to a high focus on minimizing costs and low risk-taking. The interview material shows an existing lean mindset in the case *firm*. The three 2nd-order themes, *resourcefulness, risk aversion* and *liquidity constraints* are each derived from 1st-order concepts and described in detail in the following three paragraphs.

Resourcefulness entails the repeated emphasis the interviewees put on their recurrent judgment of whether their current action or activity is resourcefully spent or if they could spend their time in a better way. It resembles the interviewees' intent to spend their time and the *firm's* resources in a way that avoids wasting finite time and/or capital on activities that do not bring value to the *firm*. As Participant 4 put it: *"<...> I need to put so much energy into this so you have to weigh the gains you get from having her come here<...>. I think that this is something I always think about, what it will bring [to the firm] because we only have 24 hours."* The quote shows the conscious cost/benefit analysis made for many of the activities carried out in the *firm*. Another example is the way Participant 3 phrased it: *"But if we had external capital then we could have said yes yes yes yes. But I think in the long run it's better to try to do it with your own money."* This 2nd-order concept highlights the *firm's* watchful stance on not wasting resources on things that will not maximize its return. With obviously finite resources, the activities the *firm* chooses must be optimal to ensure the *firm's* survival and prosperity.

Risk Aversion describes the *firms*' attitude towards risk (Tversky & Kahneman, 1992). When the *company* faces options for expansion, service- or market-wise, it is often declined due to its departure from the core business and main focus of the *firm*, and it is, therefore, perceived risky. As resources are scarce for the *firm*, spending time and resources on activities whose return is unknown is avoided. Participant 3 said the following *"<...> to build up a business you have to be careful, you can't just spend, because you really have to to [sic] control your costs."*. Furthermore, participant 3 stated: *"It's very important that the salespeople know the market, so they place the product in the correct stores, because we can't afford to make any mistakes."*. This exemplifies the need to avoid risks due to a low margin of error.

Liquidity Constraints substantiate the financial reality the case *company* faces where financial resources are limited to fund expansions. Liquidity to cover short-term liabilities and costs of operations is rarely an issue for the *company*. It is the lack of financial capital to fund expansions and growth opportunities that is highlighted by this 2nd order theme and hence, not the ability to fund daily operations. When asked whether the *firm* has turned down business opportunities due to the lack of liquidity (question 4 in the interview guide, see Appendix 1) Participant 3 replied: *"Yeah, definitely. Because you have to be wise. But, of course, we've had opportunities concerning, for example, to make fairs."*. Furthermore, Participant 2 responded with the following to the same question: *"Maybe it could be purchasing a new showroom, and maybe that liquidity we might not have. But business-wide with collections and so on, it is not an issue."*

6. Discussion and Conclusion

The following chapter will present a conceptualized model graphically showcasing the study's main findings. The model is based on the findings and contrasted with previous research as well as the tentative framework. The chapter also covers the main research contributions, the study's practical implications, and its limitations. In conjunction with the limitations, recommendations for future research are made.

6.1 An Explanatory Model of Reaching a Multinational Status while Bootstrapping

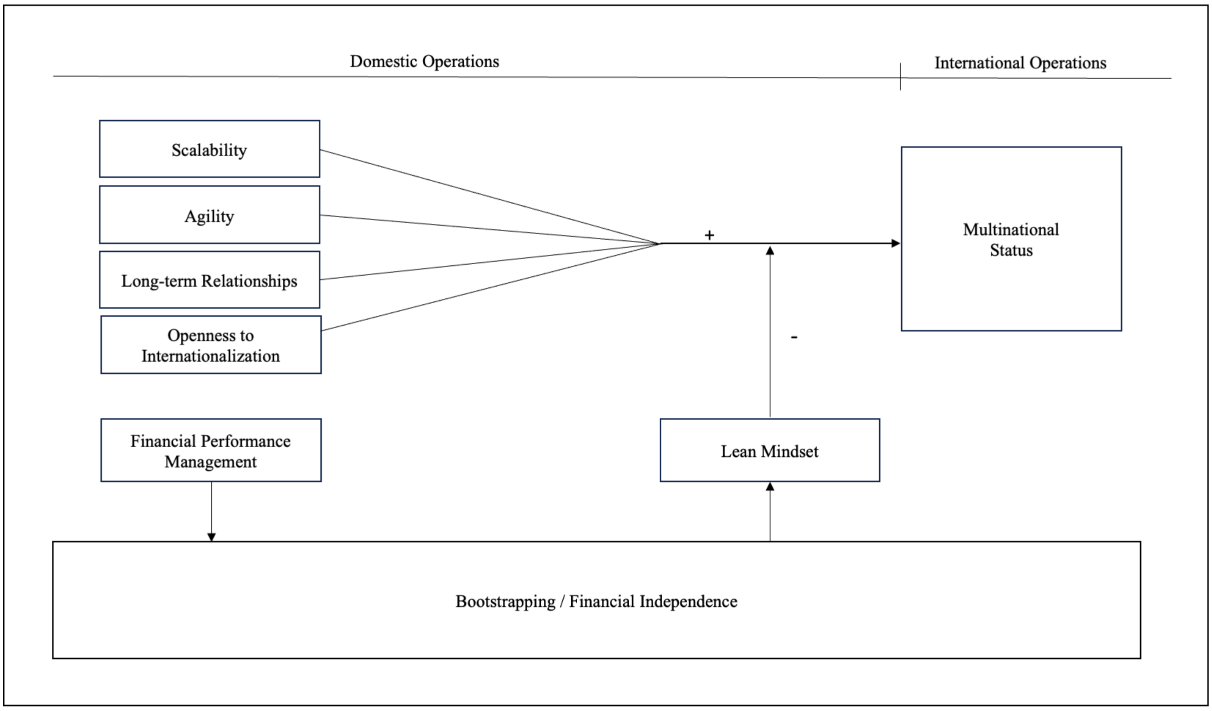


Figure 3. An Explanatory Model of Reaching a Multinational Status while Bootstrapping

The given section will present the explanatory model (Figure 3) derived from the synthesized findings. The model unfolds the key factors involved in the process of reaching the multinational status by the case *company* using bootstrapping. The factors presented vary in nature, the majority serving as enablers of reaching internationalization, while one represents a constraining force and one is a prerequisite given the aim of prolonged financial independence. The practice of bootstrapping persists throughout the process, while the factors either emerge with time or have been present since the company's founding. Finally, to clarify, the relationship between *Financial Performance Management* and *Bootstrapping* is not connected with the relationship between *Bootstrapping* and the *Lean Mindset*. These two mechanisms should be interpreted separately, not as a three-step relationship from *Financial*

Performance Management to a *Lean Mindset*. Lastly, the section will be concluded with a discussion on the similarities and differences between the tentative framework and the final explanatory model.

6.1.1 Scalability as an Enabling Factor

Scalability plays a crucial role in bootstrapping firms' growth process. A scalable enterprise can experience cost-saving benefits and exponentially growing returns, which, in turn, aids in overcoming financial constraints associated with bootstrapping. Sometimes, a scalable business structure may be the only viable option for a bootstrapping firm to expand internationally. These conclusions are aligned with and build upon the well-established connection between scalability and growth (Stampfl et al., 2013; Zhang et al., 2015; Chandler, 1990). As visualized in the explanatory model, *Scalability* constitutes one of several factors that enable financially independent growth.

In the explanatory model, *Scalability* comprises three elements - *specialization, technology* and *hub-and-spoke network*. Starting with *specialization*, labor division positively affects employees' productivity, which implies that the firm can increase the current staff's workload and avoid additional human capital investments. The described mechanism goes in accordance with Giustiziero et al. (2021) and Becker and Murphy's (1992) findings, where labor division was identified as a component of the supply-side returns to scale. Another driver of *Scalability* is *technology*. The scale-free nature of digital resources allows for raising the enterprise's production level without incurring extra costs, which leads to economically efficient growth. This finding is aligned with past scalability-related research, where highly digitalized businesses commonly possess substantial scalability potential (Levinthal & Wu, 2010; Giustiziero et al., 2021). Lastly, the *hub-and-spoke network* organizational structure serves as another scalability-related growth facilitator. Expansions with this dual structure are low capital intensive since they require only increasing the number of spokes while keeping the hub intact. This business configuration yields significant growth in sales that exceeds the corresponding costs incurred, enabling financially constrained firms to scale. It also facilitates low-risk and low-investment internationalization due to the ease of establishing new spokes abroad. The organizational structure of the *hub-and-spoke* network has yet to be researched from the scalability perspective. The specifics of this finding, thus, present an addition to the scalability literature. To conclude the discussion on the first enabling factor, the aforementioned scalability subcomponents benefit financially independent enterprises in achieving a multinational status.

6.1.2 Other Enabling Factors

Another enabling factor presented in the model is *Agility*. Regardless of the type of industry, firms face industry-specific and macroeconomic changes that require corresponding actions. The speed and efficiency of such actions have proven to be an important success factor, especially for sustaining functioning operations over a long period of time. For instance, performing *trend analyses* and incorporating the findings into the firm's decisions results in higher levels of key stakeholders' satisfaction as well as less damaging consequences of unfavorable changes. Minimizing damage is especially beneficial for firms using bootstrapping since it preserves the already scarce resources. Additionally, past accomplishments in the form of successfully tackled challenges provide assurance to the firm's management, enabling fast decision-making during turbulent times. Lastly, internal *knowledge management* provides invaluable insights for tackling arising business problems, constituting a cost-efficient strategy favorable for financially constrained firms. The vitality of internal knowledge in the context of bootstrapping further supports the existing perception of human capital as an essential input of firms that choose to bootstrap (Waleczek et al., 2018; Grichnik et al., 2014). Thus, *Agility* facilitates long-term firm survival, positively influencing growth, and is especially suitable for firms with limited financial resources.

Long-term Relationships serve as another facilitator in firms' pursuit of multinational status without external financing. Even though bootstrapping implies receiving minimal aid from financial institutions, establishing and maintaining a solid *bank relationship* may be beneficial for firms expanding while bootstrapping. Receiving favorable terms and having the necessary financial backing can be advantageous, especially in the long run. Obtaining a letter of credit is a common prerequisite of international trade, which further underlines the importance of a close bank relationship. Existing literature also emphasizes early bank cultivation when describing essential activities of companies bootstrapping (Bhidé, 1992). Furthermore, providing high-value products or services is highlighted as another feature of successful financially independent firms, which is highly linked to the firm's relationships with suppliers and consumers (Bhidé, 1992). Maximizing value creation for customers results in long-lasting customer relationships, thus eliminating the need to attract new customers and, consequently, lowering costs. A similar logic applies to fostering strong relationships with suppliers since they may yield favorable payment terms and potential expansion opportunities. In line with this reasoning, lowered transaction costs are established by Chandler (1990) as a vital part of growth. Stampfl et al. (2013) also highlight management's ability to influence the business model's growth potential through its revenue structure. As long-term supplier relationships constitute an important force in internationalization, it is vital in the growth-potential of the revenue structure. Lastly, the magnitude of the above-mentioned positive consequences can be influenced by the firm's *reputation*, where a strong brand name may open the door to an array of business opportunities from upstream and downstream stakeholders. Hence, long-term relationships are crucial for a firm's international and financially independent growth.

Openness to Internationalization is the final factor present in the model that positively affects a firm's internationalization ability. Since full ownership and control are kept with the founders, their will and attitude towards internationalization rule the firm's decision. The reason for not wanting to expand internationally could, for example, be the increased time and energy required by the founders. In other companies, where ownership is diluted between many shareholders, the converging opinion of all shareholders is often to run the business purely in a wealth-maximizing way. In that case, if an international expansion would result in higher wealth generation for the firm's shareholders, the firm would likely internationalize. *Openness to Internationalization* is an enabling factor because the presence of openness in the firm and the founders coupled with the extensive prior experience of many in the organization increases the chance that the firm will sense and attempt to embark on internationalization opportunities.

6.1.2 Prerequisite Factor

Executing bootstrapping as a long-term strategy demands placing a considerable focus on the financial mechanisms of the business. In the explanatory model, *Financial Performance Management* is a prerequisite, rather than an enabling factor, for maintaining financial independence over time. The *cash conversion cycle* with a favorable time difference between customer- and supplier payments generates stable cash flows, forming a self-financing mechanism within the company. This mechanism facilitates organic growth, which is aligned with financially independent firms' desire to stay autonomous. The importance of cash generation for firms utilizing bootstrapping has been highlighted by previous scholars (Bhidé, 1992). However, the given finding brings up a new perspective in the bootstrapping research since it contradicts the well-established perspective of bootstrapping being a viable financing method only during the early stages of a firm’s development (Brush et al., 2006).

6.1.3 Constraining Factor

A *Lean Mindset* is developed in the firm as a result of the choice to bootstrap and stay financially independent. It creates a natural pressure to be resourceful, risk-averse and creates a liquidity constraint on capital available to fund expansions. With a financially independent position, there is no external shareholder or bank to turn to if the firm ends up in financial hardship stemming from lost track of costs or excessive risk-taking. This creates the need to avoid risk-taking since the firm’s survival or independence is at risk if the unwanted outcome materializes. The choice of bootstrapping also creates pressure to be resourceful due to the limited resources; everything must be evaluated on relative importance to not waste resources on something that does not contribute maximally. Lastly, it also creates a lack of capital available for expansion investments. When no external financier contributes funds for expansion, every penny needs to be earned by the firm before it can be invested. This results in a need to accumulate retained earnings over long periods for it to build up to a sum big enough to fund international expansions.

In accordance with the above-mentioned arguments, the findings suggest that the *Lean Mindset* counteracts the enabling factors’ facilitating effects on achieving a multinational status. This is resembled by the minus sign in the explanatory model (Figure 3). This finding aligns with Van Osnabrugge and Robinson's (2000) and Winborg's (2000) assertion that it is a limiting factor to growth. Other scholars have described the lean mindset more positively (Brush et al., 2006; Timmons & Spinelli, 2004), claiming that it assists in developing discipline and a sense in the company where everyone knows that every dollar counts. The findings of this paper do not necessarily oppose this stance, as resources should be spent intentionally and not be wasted on activities that will not yield the best return to the firm. However, the *Lean Mindset* causes international expansions to be out of reach due to the required risk-taking and substantial investments. In other words, the *Lean Mindset* is a trait that could lead to significant returns and performance at the current scale but can hinder firms from capitalizing on international expansion opportunities.

The relative impact of the four enabling factors (Figure 3) and the counteracting impact of the *Lean Mindset* will determine if a bootstrapping and financially independent firm will achieve a multinational status. When the aggregate effect of *Scalability, Agility, Long-term Relationships,* and *Openness to Internationalization* overcomes the *Lean Mindset's* counteracting impact, the firm can achieve a multinational status. On the contrary, if the effect of the *Lean Mindset* overrides that of the four enabling factors, the firm can only stay domestic. The firm must be scalable and agile enough, have long-term relations with key stakeholders, and be open to internationalization. These four factors will enable international expansion that requires lower capital investments and entails lower risk-taking, thereby overcoming the constraints of the lean mindset.

6.1.4 Contrasting the Tentative Framework with the Model

When comparing the explanatory model to the tentative framework, several differences and similarities are identified. As was anticipated in the tentative framework, scalability represents an essential characteristic for bootstrapping firms, if they want to grow financially independently over time. Scale-free resources and a scalable business structure allow bootstrapping firms to overcome their financial constraints and expand their operations internationally. The findings also confirmed that human capital is an integral component of bootstrapping and scalability. In particular, investments in human capital indeed correlated with higher scalability levels in the form of specialization, and the development of the lean mindset was evident. Nonetheless, no evidence was found to support the existence of the self-reinforcing feedback loop between scalability and bootstrapping. Instead of serving as a growth facilitator, the lean mindset, as an outcome of bootstrapping, emerged as a growth-constraining factor, implying risk aversion rather than effective cash flow reinvestments. Moreover, despite the scalability level rising with time, no evidence was found to support the assumption that it would be caused by cost savings stemming from the choice of bootstrapping. Lastly, despite being present in both the tentative framework and the final model, the cash-generating potential of the firm had different implications on the growth process than anticipated. In line with the initial proposition, internally generated cash flows allow for preserving financial independence over time. The growth in cash flows also fosters internal growth, however, no direct links were found between the excess cash and enhancements in scalability. Thus, the derived explanatory model resembles the tentative framework in many ways, yet deviates from it in certain aspects.

6.2 Research Contribution

While much of the literature has established bootstrapping as a concept of early-stage financing for entrepreneurial ventures, an explanation of how firms can grow to a multinational status using bootstrapping is yet to be presented. Previous academic papers have studied the early capital structure decisions for small firms, not the recurring ones (Waleczek et al., 2018). Some scholars even present a negative relationship between matured firms' bootstrapping and further growth (Winborg & Landström, 2001). This paper contributes to the gap in the literature by developing a model describing how companies using bootstrapping achieve a multinational status.

The study explores the role of scalability in bootstrapping firms' growth process towards reaching a multinational status. While the scarce literature on the topic suggests a direct relationship between bootstrapping and scalability, the study finds no such connection (Patel et al., 2011; Winborg & Landström, 2001). However, the paper contributes to the literature by establishing scalability, among other factors, as an enabling factor for growth in companies using bootstrapping. While scalability can be shown to enable multinational growth, it has no direct link to or from bootstrapping. The interplay can, instead, be described as scalability having the role of off-setting the effects of the growth-diminishing outcomes of bootstrapping, such as a lean mindset. Hence, the business configuration should be scalable for firms using bootstrapping to grow to a multinational state. By examining scalability's impact on international growth as an enabling factor, the study thus explains how financially independent firms can reach a multinational status.

The study's final contribution outlines how bootstrapping can be a viable long-term financing decision for proven ventures. While previous research often has portrayed bootstrapping as an initial choice due to information asymmetries, this study presents a different perspective (Waleczek et al., 2018; Taglialatela & Mina, 2023). It demonstrates that bootstrapping can be a sustainable long-term strategy when combined with a financial performance management strategy, which includes an efficient *cash conversion cycle* and *organic growth*. By addressing the sustainability of bootstrapping as a long-term financing decision, this study underscores how entrepreneurs can maintain their autonomy while growing. This insight is particularly relevant for proven ventures that are willing to continue bootstrapping as they grow.

6.3 Implications for Practice

The main findings have manifold practical implications for entrepreneurs. Creating a scalable business configuration, as well as the other three enabling factors, should be of great concern if the goal is to stay financially independent and achieve a multinational status. On the contrary, if the aim of starting a business for an entrepreneur is to mainly grow internationally rather than staying autonomous, utilizing debt- or equity financing should not be disregarded, since it can help avoid the drawbacks of a lean mindset. The findings further imply that entrepreneurs should be aware that developing the core business and obtaining the characteristics of the enabling- and prerequisite factors are pivotal. The choice of bootstrapping will not directly affect or assist the development of a more scalable business but rather constrain the ability of fast growth. The scalability, agility, long-term relationships and openness to internationalization are all factors that will improve the venture's chances of international success. However, their development in the firm is not directly impacted by the choice to bootstrap.

Furthermore, the implications for institutional startup incubators are the following. They should focus on assisting entrepreneurial ventures in developing their core business rather than solely teaching them how to raise equity capital from venture capitalists or angel investors. By providing entrepreneurs with the knowledge and tools to improve their business and generate returns organically, more ventures can become self-dependent and less reliant on a prosperous capital market. While some industries inherently require external financing due to the long time-to-market (e.g., pharmaceutical companies), these industries and firms are unlikely to achieve financial independence regardless of their level of scalability. However, the enabling factors highlighted in this paper will still lead to a higher business valuation due to their effect on potential future earnings. In conclusion, startup incubators should be knowledgeable in both of the activities to foster as many ventures as possible that make it the whole way to the market and can realize their value-creating potential.

6.4 Limitations and Research Outlook

While the paper provides important insights into how companies can grow to a multinational status using bootstrapping, it has some limitations. Firstly, the findings are limited to the fashion industry. Therefore, future research could explore other sectors to strengthen the explanatory model. The impact nationality and institutional differences have on firm growth are also closely related to this. The authors of this paper, thus, encourage cross-national research designs for future research. Second, the study derives the enabling factors from looking at a successful case of internationalization. However, this could lead to a survivorship bias where some factors are overlooked (Britannica, 2024). For example, this study found the lean mindset to be a constraining factor. However, due to a potential survivorship bias, more constraining factors could hinder firms, using bootstrapping, to reach a multinational status. Future studies could contribute to the literature with a more extensive understanding by examining the factors characterizing failing firms. Thus, future research should consider the factors that hamper firms' ability to grow while bootstrapping. Third, the causational nature of the connections outlined in the model should be further tested by conducting research on more cases. Lastly, as the empirical data looks at retrospective interview data, it could be affected by a recollection bias. Future research should consider a longitudinal research design to capture real-time factors enabling multinational growth.

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Appendix

Appendix 1 - Interview Guide

General questions

Information about the interviewee

1) Name
2) Position
3) Responsibilities/role in the company
4) How long have you been at the company?
5) What previous work experience do you have?

Information about the firm

1) Name
2) When was the company founded?
3) Type of firm
4) Number of employees
5) What markets is the firm currently active in (physically or digitally)?
6) How is collaboration between the teams structured within the firm?

Bootstrapping / Financial Independence

1) How was the company initially financed?

a. What was the basis of this decision?
b. How has the financing changed over the years?
c. Do you believe that this choice of financing has allowed and/or forced you to spend your time on developing organic growth in the company?

2) To what extent has debt been used in funding the company?

a. If so, has debt been used for settling short term distress and/or funding expansion possibilities?

3) Has the company ever considered raising equity capital during the expansion?

a. What was the basis of this decision?
b. What factors do you see as the main benefits and drawbacks of raising equity capital from external shareholders?

4) Have you ever had to refrain from possible business opportunities linked to expansion due to liquidity issues?

5) Was maintaining autonomy and full control an important factor in deciding upon your capital structure? Or were there any other factors considered?

6) Has the decision to not take on external financing formed the way of thinking about financial resources in the company?

a. Can you give an example of this?
b. Has it forced resourcefulness within the organization?

7) Did you consider the type of your business model when deciding on your capital structure?

8) How do you overcome occasional cash shortages when you have recognised business opportunities or projects out there that you want to pursue?

Business Scalability

8) In what way has your business model changed since the inception of your company? / In what way has the business model changed since you joined the company?

a. What have been the reasons behind these changes?

9) Can you give an example of a decision concerning for example the business model or organizational structure that was taken early on to enable friction-less future growth?

10) In what areas of your business and how do you utilize technology?

a. How is technology used in the production and distribution?

11) What is your primary source of revenue and how is it tied to your business model?

a. Who are your primary customers and suppliers?
b. How does the relationship with your suppliers work, especially regarding quantities? To what extent do your suppliers accept increases or decreases in quantity and how does it affect your price?

12) What activities are the most important in your value-creation?

a. Are there any activities that you have consciously avoided as they are too time consuming or capital intensive in comparison to the value that they bring to your business?

13) What have been the main factors enabling your business to grow during the last years and from your perception, what have been the biggest constraints of faster growth?

14) Can you describe the on-boarding process of a new brand?

a. And how does the same process look for on-boarding new retailers?
b. Has the process of on-boarding new brands become easier with time?

Internationalization

15) What made the company want to internationalize as opposed to staying domestic?

a. Was the decision to internationalize a conscious one (or did it "just happen", accident/product or service specific/active search for opportunities?)?

b. Did you first scale domestically before internationally?

c. How has the organization been shaped to promote this expansion?

16) Please describe the company's first expansion abroad:

a. When did this take place?
b. What was the entry mode?

17) Has internationalization in any way affected the firm's financial independence?

Appendix 2 - Interview Data

Table 2. Scalability as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
Specialization	- Participant 4: *"We tried to dedicate as much time for them to perform what they're best at <..>"* - Participant 1: *"And now from five to three and we are still managing the whole business, and almost better. It's just more structure and organized."* - Participant 4: *"We tried to dedicate as much time for them to perform what they're best at instead of doing like maintaining a website yourself if that's not what you yourself do best."*
Technology	- Participant 1: *"The technique now and how everything evolved and just to do it bigger and better and easier, for most easier."* - Participant 2: *"If we do that, we can insert a new collection in our system in an hour."* - Participant 1: *"Before it was worse, this just makes everything easier to deal with all the articles <...>. "* - Participant 1: *"And now we have the scanners which are basically from the business program creating the order this is supposed to be back then we just scan it with like a mobile phone. Less errors."*

Hub-and-spoke Network	- Participant 3: *“In our organization, we have practically two things: it's the sales, which are building the business, bringing the business, and then we have the organization in here, which is realizing.”* - Participant 3: *“Yeah, only the sales office. [is a part of the expansion]”*

Table 3. Agility as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
Trends Analysis	- Participant 4: *"We always have to be out there to follow trends. Now it's Threads for example instead of Instagram and now it's Snapchat instead of Facebook and it's changing every week actually"* - Participant 3: *"We can never just sit down and say: "Oh no it's good!". Because when we have something that is working, we know that maybe after six months it will completely change."* - Participant 3: *"<...> we are working long-term, maybe if you get money from outside you can afford to be a bit more short-term but that's not in our interest, also because our suppliers are thinking long-term <...>."*
Resilience	- Participant 4: "<...> *[the CEO] said `we will fix this, you don't have to worry because we've been through hard times before'"*

	- Participant 3: *"We were struggling there, we were really on the edge of going bankrupt. But we did manage."* - Participant 4: “They have been through so many turbulent times <...>”
Knowledge Management	- Participant 3: *"we really built it from scratch, it was nothing".* - Participant 3: *"we got very professional help from our chairman, who is a lawyer, he helped us how to deal with the companies and how to divide (the firms)."*

Table 4. Long-term Relationships as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
Bank Relationship	- Participant 3: *"<...> they guarantee the letter of credit. So, we don't have to take in any cash or finance".* - Participant 3: *“<...> we have a very good relationship with them.”* - Participant 3: *“But we were so lucky because when we came to the bank, they still had a small pot that they were able to use for a project they believed in.”* - Participant 3*: "<...> the letter of credit became bigger. So, that's why it's so important to have a bank where you have a good dialogue, so they understand. Because suddenly we had to raise our limit quite a bit"*

Strong Customer Support	- Participant 2: *"If the client has a request, we try and fix it".* - Participant 1: *"They [the salespeople] have a really [good relationship], it's always on a business level but it's almost as [if] they become friends and family because they had their retailers for so long and it's special."* - Participant 3: *"So for us, it's important that our salespeople are having a good connection to the customers so that they won't decrease our budget."*
Supplier Relationships	- Participant 3: *"It is extremely important, and I think that it is our strength, that we have such a close relationship with our suppliers, so they trust us."* - Participant 3: *"<...> he knows almost everyone, after being in the business for so many years. So, he knows the suppliers and he also has a very tight contact with distributors in other countries."* - Participant 2*: "<...> the supplier suggested `we have this opportunity here"* - Participant 3: *"<...> they are actually sending the goods without any letter of credit and they trust us that we respect our payment terms <...>"*
Reputation	- Participant 4: *"I think it's just the whole service, the company is so known to all the suppliers and the retailers, and they know they're gonna have a good experience from start to end."*

	- Participant 1: *"The CEO goes straight into the system where it says how they're valued and what's their financial situation, how long have they been in business, and everything. So it's really calculated everything"* - Participant 4: *“We have proved that we are a serious company.”*

Table 5. Openness to Internationalization as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
International Mindset	- Participant 3: “*<...> we were responsible for customers coming in from practically the whole world, so we were working with American department stores, we had a lot of customers in the Arab countries. <…> We had a lot of customers from Japan, Hong Kong before it became Chinese, and Russia.*”. - Participant 3: *“So we said - `OK, let's try it.´” After all in Benelux, Holland [sic] is quite similar to Scandinavia, and it's quite close, and we like to try new things.”.* - Participant 1: *“I’ve been living in Holland for a while <...> Then I was working and living in New Zealand for six months <...> Yeah, I was a volunteer in Pemba which is in Tanzania.”* - Participant 3: *“And then when I was in Italy after already two/three weeks <...>”*

Market Knowledge	- Participant 2: "*So for us, I think that would be too much work - expanding to another market without having the knowledge and a specific person hired already.”* - Participant 3: *“Also because that's the kind of market we were working with in Italy. It's the only kind of market we know actually.”*

Table 6. Financial Performance Management as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
Cash Conversion Cycle	- Participant 3: *“So actually we managed to get the money before we had to pay the letter of credit to the supplier. But it was a matter of a very tight timeline.”* - Participant 1*: “We're quite strict [on customers paying] coming in. We're not just sending through the goods to the retailers if they have like a hundred 100K [deficit].* - Participant 3: *“But let's say that we still have the same practices that we must be able to pay our bills. And we can only sell to customers who we trust.”*
Organic Growth	- Participant 3: *“And then when we had built up a customer portfolio, we took in our first ready-to-wear collection.”* - Participant 3: *Because we wanted to have it as our own company <...>”*

	- Participant 3: *“Of course if we had gotten money from the outside, maybe we could just splurge it, but we can't afford it.”* - *Participant 3: “So we were working very small. But because the main thing was to get good customers that we could trust so we could pay our bills. That was a bit like money in and out.”*

Table 7. Lean Mindset as an Aggregate Dimension

2nd-order concept	**Examples of Representing Quotes**
Resourcefulness	- Participant 4: *“<...> I need to put so much energy into this so you have to weigh the gains you get from having her come here<...>. I think that this is something I always think about, what it will bring [to the firm] because we only have 24 hours.”* - Participant 3: *“But if we had external capital then we could have said yes yes yes yes. But I think in the long run it’s better to try to do it with your own money.”*
Risk Aversion	- Participant 3: *“<...> to build up a business you have to be careful, you can't just spend, because you really have to to [sic] control your costs.”.* - Participant 3: *“It's very important that the salespeople know the market, so they place the product in the correct stores, because we can't afford to make any mistakes.”*

Liquidity Constraints	- Participant 3: *"Maybe it could be purchasing a new showroom, and maybe that liquidity we might not have. But business-wide with collections and so on, it is not an issue."* - Participant 2: *"Yeah, definitely [if they say no to business opportunities]. Because you have to be wise. But, of course, we've had opportunities concerning e.g. to make fairs:"*

Appendix 3 - Authorship Statement

The only authors of this thesis are Axel Eriksson, Felicia Gårdlund and Diana Shevchenko. All three are responsible and have co-authored all sections of the thesis.

Appendix 4 - AI Usage Statement

AI tools have been used in the writing process of this paper. In particular, OpenAI's ChatGPT-3.5 was used. The primary purpose for utilizing AI tools was to occasionally reformulate already written text by the authors in order to improve clarity and formality. Such reformulations were made to some sentences throughout the whole paper. The prompts that were used resemble the following: "Can you rewrite this to improve clarity and formality: [pasted sentence]."