The development of a theoretical framework for the internationalization process of fast growth medium-sized firms in Europe

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Abstract

The experience of the author and a review of the literature identifies a number of possible limitations in current theories of internationalization. Existing theories can be broadly classified under the headings of either "stage school" or contingency theories. There appears to have been little research on the interface between the two theoretical approaches, nor on the dynamism of the internationalization process within an individual firm. While scholars challenge the current theory, few have attempted to develop or propose alternative theories. Therefore, the central aim and contribution of this doctoral research has been to develop a theoretical framework from the literature, evaluated in an empirical study of European firms.

The research and theoretical development, whilst exploratory, suggests that the internationalization process of firms is contingent on exogenous and endogenous influences. These influences are dynamic, complex and vary according to the specific contexts used in the research. The contingency contexts are summarized here as:

- The industry and country environment in which the organization operates,
- The mindset of the entrepreneur decision-maker (s),
- The nature of the product, the market demographics, and the mindset and nature of the seller and buying organization.

The results indicate that the theoretical framework is rigorous enough to demonstrate the variety in the internationalization processes of the firms in the study. The findings are, that whilst there are some common processes and patterns among the firms in the study, there are variations, explained by the contingency theory and contexts in which the firms operate. Previous research has neglected specific contexts as important factors in the internationalization process. The thesis addresses this gap in the research by developing the theory in the context of specific sectors (electronics, software and metal-mechanical) countries (UK, Germany, France and Italy), firm size (medium-sized) and fast growth.
Chapter 1 Introduction

1.0 Introduction and origins of the research

The author's interest in the area of international business and the internationalization process has its origins in a career in international management. One particular period as a European planning manager with a US company, and another as an export manager for an Irish SME, played a significant role in stimulating an interest in the process of the internationalization of the firm. The need for an economy to have a vibrant export sector is frequently debated in the press and by governments. Indeed my experience as a participant on an Export Management programme, designed by the Irish government to develop the exports of indigenous firms, is a prime example of macro level export stimulation of domestic firms. The experience on this programme in 1986-1987 developed important experience and insights into the issues and problems faced, in particular, by small to medium-sized firms.

1.1 Identification of gaps in the literature

Following this career in international management I taught and researched the subject using a variety of literature and texts in the area of international marketing and export behaviour of firms. Most of the literature tended to present the process of internationalization as a set of stages (see chapter 2), which, in my view, did not reflect the variety and complexity of processes observed during my working career. The theory provided very little explanation of why some firms appeared to follow the stage process, whilst others did not. What I felt was missing from the existing texts and research was discussion of the combined effects of differing national cultures, industry and product market sectors. The literature tended to focus on specific issues in isolation, for example the behaviour of North American companies, or trends in individual sectors. In addition, the stage theory of internationalization, in assuming universality of application did not. I felt, reflect the complexity and variety of the processes I had observed as a practising manager. The literature review in Chapter 2 provides evidence of the problems and limitations identified above.
The stimulus to undertake this PhD was a desire to examine the viability of my feeling that the internationalization process is not universal, but dependent upon the combined impact of a range of both internal and external contingent influences. In addition, my experience and literature search instilled in me a desire to find out about the dynamics of the internationalization process, as few studies had attempted to do this to date.

1.2 The research aim

In light of my experiences in both international business and academia, my primary aim in undertaking the research was to seek to develop the theory that explains the internationalization process and, in particular, to analyze its complexity, diversity and dynamism. The aim was to explain how and why particular contingencies affect internationalization processes through the development of an explanatory theoretical framework. The research is exploratory, and does not claim any generalization beyond the specific data set used in the empirical research. Nonetheless, the findings provide strong indications that whilst the process and patterns of internationalization are not universal, but subject to the specific internal and external operating context of the individual firm, a relatively simple framework can be used to predict likely pathways to internationalization.

1.3 The research contexts

1.3.1 The country and cultural context

The author searched for contexts in which to develop the theory of the internationalization of the firm. Much of the previous research has been of firms in North America and Scandinavia, and hence has been restricted to certain countries or regions. Consequently, in order to add to the existing literature and examine the influence of culture on internationalization, it seemed logical to research different regions and countries. My linguistic skills and academic network led me to select Northern Europe and Southern Europe as potential areas that would both add to existing knowledge and also be of interest because of the
contrasting cultures. A total of four countries were chosen, with Germany and the UK representing contrasting Northern European countries (Teutonic and Anglo-Saxon) and France and Italy representing the Latin countries and cultures. The selection of these four countries allows for the evaluation of several competing viewpoints of the internationalization process. Firstly, it may be an ethnocentric concept, alternatively, it could be a process specific to North American culture (but presented as a universal in the scholarly work) or it could be country specific.

1.3.2 The sector context

The second context for the research is the industrial sector. The literature on internationalization has tended to be non-sector specific or focused on small manufacturing firms or 'conventional' industries. The exception is the work on international new ventures that has focused on high-technology sectors such as electronics or software. For the purposes of the research the author has adopted the classification designed by Butchart (1987) based on the ratios of R&D expenses per sales turnover and employees working in R&D per total employees. There have been few studies that have focused on the internationalization of specific sectors and even fewer that have been based on a contrast between 'conventional' and high-technology sectors (Boter and Holmquist, 1996). The research, therefore, has selected three sectors for the empirical development of the theory in the thesis and these are metal-mechanic ('conventional') and software and electronics (high-technology). In studying both traditional and high-technology sectors and drawing contrasts and parallels between them, the research seeks to bridge the gap identified in the literature.

1.3.3 The firm size context

The third context for the research is the choice of firm size and ownership status for the empirical research. While there is no agreement among scholars that firm size is an important factor in the internationalization process, much of the past research has focused either on small firms (export behaviour literature) or large multinational firms (international business and strategy). Thus, the researcher chose a sample of medium-sized organizations as these firms are under researched
in the literature. The emerging research has debated the concept and definition of what constitutes a medium-sized firm in terms of the number of employees, revenue and in organizational, strategy and cultural terms. The definition of medium-size adopted for the thesis is explained in chapter 4, however for the purposes of the research I have used this as a further under researched context to examine its impact on the internationalization process.

1.3.4 The growth context

The fourth and final context chosen for the research is that of fast growth in terms of both a firm’s revenue and employment. Neither stage theory nor contingency theory has analyzed the impact of a firm’s growth rate on its process of internationalization. Growth rates may be expected to affect both the internal and external operating environment for a firm, and hence the research seeks to assess whether it also leads to different routes to internationalization. More details on growth rate measurement and definition and the methods used to select the sample firms are given in Chapter 4.

1.4 The theoretical framework

The theoretical framework (described in Chapter 3) synthesises ideas on internationalization from each of the three main strands of the literature, namely stage theory, contingency theory(ies) and the resource-based view. The framework identifies the multiple influences on the internationalization process from the export behaviour, international marketing, marketing and resource-based literatures (see Chapter 2). Research propositions that can be evaluated using evidence from the the chosen sample of firms are then developed, based on the underlying theoretical principles.

The components of the theoretical framework drawing on the contingency literature and the resource-based view are intended to address the limitations of the stage theory of internationalization. The shortcomings include ignoring the potential influence of national culture, the entrepreneurial, product characteristics, and market structure on the process of internationalization within an individual
firm. The range of exogenous and endogenous influences are specified in the theoretical framework and then developed in the empirical research described in Chapter 5.

1.5 Methodology

The research method adopted is described by Miles and Huberman (1994) as a 'theory-first' position, in which theory is refined and developed from the empirical research. The theoretical framework serves as the basis for the formulation of a set of research propositions for evaluation and discussion in the empirical research. The research is qualitative and grounded in the knowledge and practice of the respondent's. The use of in-depth interviews, based on a set of open questions on the theme of the internationalization process, generated rich data. The results are used to explain and develop the theory from the practitioner's perspective. The outcome is a data set that allows existing theory to be developed and extended, based upon practitioner views of the process of internationalization.

1.6 The findings and contribution

1.6.1 Findings and contribution to theory and knowledge

Firstly, but perhaps most importantly, the findings provide very limited evidence to support the stage theory. The firms surveyed in the thesis chose to enter markets through hybrid modes and none have, so far, progressed along the stages proposed in the literature. At the same time, the empirical evidence also shows that firms, particularly in the software and electronics sectors, opt to 'leapfrog' stages. This supports research findings in the area of international new ventures. The findings also support the decision to adopt a sector context for the research, as they show how contexts make it problematic to develop a generic stage theory of internationalization.

The research findings indicate that both contingency theory and the resource-based view can be viewed as complementary to stage theory's explanation of the internationalization process. By incorporating all three perspectives into a single
theoretical framework, the research demonstrates that the process of internationalization is characterized by variations between the firms and contingent on a complex set of inter-relationships of endogenous and exogenous influences. In particular, as the evidence in Chapter 5 demonstrates, the entrepreneurial mindset, the extent of product complexity and the linked concepts of 'customer-orientation' and 'following the call of the customer' all exert strong influences on decisions relating to internationalization. This latter concept has rarely been used in the context of internationalization processes in stage theory. At the same time, in contrast to what might have been expected from reviewing the current literature, access to resources and the industry and country environment do not appear to restrict internationalization for most of the firms in the study.

The research also develops theory by highlighting the way in which the line between external and internal environments is blurred because the entrepreneur and the firm's employees are strongly interconnected with the customers and the market. To date, stage theory, export behaviour and international marketing research have all viewed the external and internal business environment as distinct entities.

1.6.2 Findings and contribution to management practice and policy making

The finding that the entrepreneur is a key factor in the internationalization of the firm should focus practitioners and policy makers on this issue. Policies and programmes need to recognize this factor and focus attention on the support of entrepreneurs who have a strong international vision and mindset.

The second important finding from the research that can be transferred into policies and management practice is internationalization based on the interconnection between the firm and customers. The internationalization of the firms in the study has been through close partnerships with domestically and internationally based customers. Policy makers should develop programmes that encourage and support international partnerships and networks to facilitate the
internationalization of medium-sized firms and international customers and suppliers.

Thirdly, the research finds limited evidence to support the view that national culture is an influence or barrier to internationalization. Instead, there is evidence to suggest that the industry sector and product-technology has more influence on the internationalization process and particularly on the choice of market entry mode, than does national culture. The entrepreneurs from all four countries showed common traits in their mindset, particularly views on the entrepreneurial culture of the firm and personal links to customers. This finding has implications for policy makers, educators and managers in that it recognizes industry specific influences and avoids overstating the importance of cultural issues as a barrier to internationalization.

A final contribution for policy makers, in particular, is that fast growth medium-sized firms rarely raise the issue of resources as a barrier to internationalization. The implication for policy makers is that resources should not be the central thrust of support for internationalization of this size of firm and instead the need is for more subtle forms of help.

1.7 Structure of the dissertation

The structure of the dissertation has been designed around the central aim of theoretical development. In Chapter 2, the cross-disciplinary research literature is categorized into three themes. The first theme is the stage theory of internationalization, an explanation of the literature, a critique and the limitations of the approach. The second theme is 'contingency' approaches in the export behaviour, international marketing and marketing literatures. The common thread of these latter three literatures is their identification of both internal and external influences on the firm and internationalization process. The third and final theme is the resource-based view of management, which suggests that heterogeneity of internal resources such as human capital and the entrepreneurial mindset serve to influence the internationalization process.
All three themes have been integrated into the theoretical framework, the subject of Chapter 3. The framework is grounded in the literature from Chapter 2 providing a basis for theoretical sampling of the firms for the empirical research discussed in Chapter 4. The identification of the lack of country, sector, growth and firm size contexts in the literature provided a rationale for the selection and profiling of the case firms in Chapter 4. Chapter 5 uses the empirical evidence as a foundation for the theoretical development of internationalization process theory in Chapter 5. Chapter 6 discusses the contribution of the thesis to theoretical development, management knowledge and practice and policy making. The final section of Chapter 6 discusses the strengths and limitations of the research and further areas for future work.
Chapter 2 Literature Review

2.0 Introduction

The aim of this chapter is to explain and discuss the theoretical context forming the basis for the empirical research. As discussed in Chapter 1, the thesis uses a grounded theory approach to the research. While the research questions are based upon existing theory the aim is to develop the theory grounded in case study evidence, to explain how internationalization decisions are made in practice, within a clearly defined sample set of companies.

The first step is to establish boundaries for the literature review, but in relation to the international business literature, this poses a particular problem, as explained below.

2.1 Defining the boundaries of the international business literature

Bartlett and Ghoshal (1991:7) argue that international business is a field of “great diversity and dynamism...grounded in a wide range of disciplines and functional applications, yet willing to draw freely” from other areas. This view is evidenced by the fact that the literature published under the umbrella of international business spans international marketing; organizational behaviour; strategy; finance; manufacturing and operations management; human resource management; economics and politics. Peng (2001), Doz (1997), Toyne and Nighe, (1997), and Rumelt, Schendel and Teece (1994) suggest that international business has its closest ally in the strategy literature. “This alliance is primarily driven by the fact that more than any discipline (except IB) strategy has been most explicitly interested in the international dimension” (Peng, 2001: 809). An exponent of the resource-based view (RBV) Peng, (2001) views strategy and international business as relatively new fields and that: “IB and strategy met on the middle ground via the RBV as both fields are in ‘search of a theory’ ” (Doz, 1997: 490).
Melin (1997:74) traced the origins of the international business literature to international economics: "including a number of theories on international trade, such as comparative advantage of nations" but observed that the subject had broadened substantially since the 1960’s. The diversity of the subject matter is clearly indicated by his definition of international business as concerned with activities across borders, both within an organization and between organizations, as illustrated in Figure 1.

**Figure 1 The field of international business-activities across borders (Melin, 1997:74)**

<table>
<thead>
<tr>
<th>Organizational Boundaries</th>
<th>Within organizations-across borders</th>
<th>Between organizations-across borders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry modes</strong></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>• Internationalization stage models</td>
<td></td>
</tr>
<tr>
<td><strong>Transactions</strong></td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td></td>
<td>• Internalization; Transaction costs</td>
<td>• International trade</td>
</tr>
<tr>
<td></td>
<td>• Intraorganizational trade</td>
<td>• International marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Foreign direct investments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• International business networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Transfer of technology</td>
</tr>
<tr>
<td><strong>Coordination mechanisms</strong></td>
<td>E</td>
<td>F</td>
</tr>
<tr>
<td></td>
<td>• Global strategies</td>
<td>• Alliances and joint ventures</td>
</tr>
<tr>
<td></td>
<td>• Structural forms</td>
<td>• Host government relationship</td>
</tr>
<tr>
<td></td>
<td>• Formal control systems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Informal/social integration and co-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ordination</td>
<td></td>
</tr>
</tbody>
</table>

From an internal organizational perspective, international business (as illustrated in Figure 1) includes the stage models of internationalization, the process of internalization of transactions in response to cross border transaction costs, (Williamson, 1975 and 1979) and intra-organizational trade. It also includes the
control and co-ordination systems necessary to facilitate the efficient functioning of cross border operations. In relation to intra-organizational activities across borders, international business is seen as embracing international trade, marketing, foreign direct investments, joint ventures and alliances, business networks and technology transfer. Co-ordination mechanisms such as global strategies that span inter-organizational boundaries are also part of the international business field (Porter, 1986; Grant, 2002).

The Melin taxonomy provides a basis for defining the scope of international business and an acknowledgement of its diversity, but its summary format means that it excludes a number of areas of study which may be deemed relevant. Amongst the omissions are the work on cross-cultural management (Laurent, 1983; Hofstede, 1991; Trompenaars, 1993; Usunier, 1996; Schneider and Barsoux, 1997), comparative management (Boddewyn, 1981; Hickson, 1997; Lawrence and Edwards, 2000; Perks, 2000a), entrepreneurship and international new ventures (McDougall, 1989; Oviatt and MacDougall, 1994; McDougall and Oviatt, 1996; McDougall and Oviatt, 2000; Kuemmerle, 2002) and the resource-based view of the firm (Barney, 1991; Westhead, Wright and Ucbasaran, 2001; Barney, Wright and Ketchen, Jr., 2001).

2.2. Alternative theories of internationalization

The above discussion clearly demonstrates the diversity of the international business literature. In spite of this breadth, however, one issue that recurs across all the disciplinary boundaries is that of internationalization. The topic deals with the ways in which firms move from domestic into international businesses, the possible stages that can be identified as progress is made towards international status and the factors that serve to either stimulate or impede internationalization.

A survey of the literature reveals three core theories that deal with the internationalization process; stage theory, contingency theory and the resource-based view of the firm. Each of these theories is discussed within at least one of the disciplines that straddle the study of international business. The following literature review, therefore, uses a thematic approach to discuss the evolution of
thinking in respect of each separate theory, but in so doing draws on the literatures of strategy, economics, management, export behaviour, marketing and entrepreneurship.

2.3 Stage theory

The internationalization stage theory of the firm is one of the most prominent recurring themes across the international business literature. The theory emerged in Europe in the 1970’s taking the view that “the firm first develops in the domestic market and that internationalisation is a consequence of a series of incremental decisions” (Johanson and Wiedersheim-Paul, 1975:17). The theory therefore, sees the process of internationalization as a series of stages through which a firm evolves from being a small exporter into a fully-fledged multinational corporation. The original research looked at the export behaviour of 4 Swedish companies (Johanson, and Wiedersheim-Paul, 1975) and was then supplemented by research into Australian firms reported by Wiedersheim-Paul, Olson, and Welch (1978). The research was important in looking at the behaviour of smaller firms, in contrast to the bulk of the research up to that time, which had “been concentrated on the large corporations, particularly the American” (Johanson and Wiedersheim-Paul, 1975:16).

A key component of stage theory is the importance attached to the notion of experience and learning as a factor influencing the internationalization process. Johanson and Wiedersheim-Paul (1975:17) argue that there is a close relationship between attitude and actual firm behaviour, and that attitudes are “the basis for decisions to undertake international ventures and the experiences from international activities influence these attitudes”. As Welch and Luostarinen (1988) observe if international expansion is successful, there is a tendency to favour further international involvement, but if the international expansion fails then the experience induces a negative attitude to additional expansion. An example of a reversal of commitment to the internationalization process, based on negative learning, is given by the Japanese company Sega: “Sega Enterprises, one of Japan’s largest games groups. yesterday announced the closure of its European sales subsidiary and its replacement with a smaller operation....The group is
moving its European headquarters to smaller premises in London and reducing its workforce in Europe from 300 to 125" (Financial Times, 1996). The theme of mental attitudes and internationalization also recurs in later research. For example, Dichtl, Koeglmayr and Mueller (1990) discuss internal mental and psychological attitudes and the link to an outward movement of a firm’s operations.

Some scholars accept the view that internationalization is an orderly progressive process, (Wind, Douglas, and Perlmutter, 1973) but use terminology to describe not the stage of internationalization but the orientation of the business. These orientations are described as ethnocentrism (home country orientation); polycentrism (orientation to each national market in which the firm operates); regiocentrism (orientation to a region of the world) and geocentrism (global orientation). Welch and Luostarinen (1988:35) add the term “increasing involvement in international operations” and the process of inward as well as outward trade contributing to the definition of internationalization.

2.3.1 Critique of the stage theory

One of the criticisms of stage theory is its use of the concept of ‘internationalization’ which is a term that suffers from lack of an agreed definition. Intuitively, internationalization can be described as a process of increasing involvement in and commitment to business across international borders, however this idea gives rise to two related problems. Firstly, how is ‘involvement’ or ‘commitment’ measured and secondly, how can the distinct stages of internationalization be clearly separated.

In the original research, Johanson and Wiedersheim-Paul (1975) identified three distinct phases in the international evolution of a business, which they used as proxies for stages of internationalization. The phases are, direct export/ indirect (agents) export, the use of a local sales subsidiary/office, and finally local manufacturing. Ansoff (1982), identified three phases namely, direct export, international and multinational. Rothschild (1983) also used a three-stage typology of domestic: quasi-domestic and multinational. Bilkey and Tesar (1977) utilized a more complex 6-stage classification. Tookey (1969) sees firms firstly as exporters.
then as international marketers seeking to maximize profits and meet customer needs in world markets and finally as international businesses focused on managing global operations. It would, therefore appear that the three-stage classification of the internationalization process is common in the literature, however the names/descriptions given to each stage varies between authors.

The measurement of international involvement is a little more problematic. Cavusgil (1977) suggested internationalization can be measured in terms of export value or number of markets served, but as Turnbull (1993) observed, this is probably over simplistic. Turnbull (1993) argued that measures of export levels and organizational form are often combined on the assumption that each organizational form is automatically a consequence of the stage of internationalization achieved. This highlights the problem of attempting to map a series of discrete stages on to a limited number of organizational structures, which do not necessarily match. In practice, for example, a firm may have a simple export organization but high volume of international business. Internationalization stage theory would link high levels of international business with an international division but the example demonstrates that this is not always the case in practice.

The problem reveals the difficulties of dealing with companies of diverse sizes and complexity. “Depending on which discrete organisational unit is observed, one can find different degrees and types of internationalisation” (Turnbull, 1993: 174). In large multi-product companies the extent of export dependence, the number of export markets served and the export structure varies across business units. For example in Turnbull’s sample one firm had a division with export sales of less than 2% of total revenues, whereas the company’s overall export sales accounted for nearly 50% of turnover. Turnbull concluded that his analysis “indicates that a stages theory of internationalization inaccurately portrays the international expansion of British companies in Europe for the three industries studied” (page 183).

Another criticism of stage theory is that it does not explain the dynamics of the international growth of the firm (Welch and Luostarinen, 1988; Leonidou, 1995).
Essentially the stage literature (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) suggested that the process is sequential, but it does not explain the factors that trigger moves from one stage to the next. Root (1987:15) supports stage theory in perceiving company behaviour as predictable: “Once started in international business, a company will ... increasingly... choose entry modes that provide greater control over foreign market operations”. Other research (Turnbull and Valla, 1986; Buckley, Newbould, and Thurwell, 1979) however, argued that firms are not so consistent and instead respond to specific market conditions. Large companies with substantial export experience and commitment use a variety of market entry modes, which change from market to market (Li Wan Po, 1982). Similarly, Penrose (1959) observed that companies adapt to situations and do not follow a predetermined route. In defence of the stage theory literature this critique is not entirely valid, as Johanson and Wiedersheim-Paul (1975) do not propose the export mode precedes an investment mode in all cases.

Andersen (1993) also saw the stage theory as too deterministic, failing to take into account other firm-specific factors. Reid (1983:137-138) suggested that “since exporting results from a choice among competing expansion strategies that are guided by the nature of the market opportunity, firm resources and managerial philosophy, it represents a selective and dynamic adaptation to the changing character of the foreign market... Market factors and requirements are therefore closely intertwined with deciding to go international and what form this expansion should take”. It would therefore seem that stage theory is somewhat incomplete in its explanation of how firm’s internationalize.

Nonetheless, in spite of these criticisms, the internationalization stage theory remains ‘popular’ and widely accepted. The influence of the theory is “evidenced by almost universal references to it in international marketing texts” (Turnbull, 1993:174).
2.4 Contingency theory

As Pettigrew observed "there is a need to explore context and action, how context is a product of action and vice versa" (Pettigrew, 1990:269). As discussed above, one of the problems of stage theory is its view of internationalization as a series of sequential stages may oversimplify the practical reality and complexity of the process. Companies will encounter a wide-variety of strategic, marketing and financial scenarios and may respond to each situation differently. It is this process of evolution in response to a variety of triggers which forms the basis for contingency theory, that essentially seeks to identify the factors facilitating a company's progression from low to high levels of international involvement.

2.4.1 Contingency theory in the international marketing literature

Douglas and Craig (1995) build on the stage model of internationalization by suggesting that the triggers prompting the shift from one phase of internationalization to the next may be either internal or external to the firm. The basic assumption is that lack of knowledge, together with management hesitancy and limited resources, lead to a high-perceived risk and constitute a major obstacle to international market entry. Consequently, a firm will often start by exporting to neighbouring countries perceived to be similar to the domestic market, using independent sales agents (Cavusgil, 1980; Johanson and Vahlne, 1990 Douglas and Craig, 1995:28) as the low risk option. Progression to the next phase of internationalization is prompted by external triggers "such as environmental or industry trends, technological change, or competitive pressures (that) cause the firm to reassess its current strategy" (Douglas and Craig, 1995:29). Internal triggers, which include factors such as sales growth, profitability, management attitudes, or initiatives, may also stimulate a strategic review. This process is illustrated in Figure 2 below.
In line with other literature on internationalization (Leonidou, 1995; Albaum, Strandskov, and Duerr, 2002) Douglas and Craig acknowledge the interaction between internal and external factors. The notions of triggers and leverage, which are used to explain the dynamic growth of the firm, are however, distinctive from the internationalization literature. Douglas and Craig’s representation of the internationalization phases and triggers are summarized in Figure 3.
Figure 3 Phases in global marketing evolution and triggers to each stage of internationalization (Synthesis of Douglas & Craig, 1995:32-33)

<table>
<thead>
<tr>
<th>Pre-international Phase</th>
<th>Phase 1 initial entry and triggers</th>
<th>Phase 2 local market expansion and triggers</th>
<th>Phase 3 global rationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic focus</td>
<td>Country choice</td>
<td>Tailor marketing strategy programs</td>
<td>Coordinate marketing mix across countries and regions</td>
</tr>
<tr>
<td>Entry mode</td>
<td></td>
<td>Develop and acquire new products and brands</td>
<td>Integrate sourcing and production with marketing</td>
</tr>
<tr>
<td>Timing and sequencing of entry</td>
<td></td>
<td>Share advertising promotion distribution costs</td>
<td>Allocate resources to achieve portfolio balance and growth</td>
</tr>
</tbody>
</table>

**Triggers**
- Saturation of domestic market
- Movement of customers into foreign markets
- Diversification of risk
- Sourcing opportunities in foreign markets
- Entry of foreign competition in home market
- Desire to keep abreast of technological changes
- Government incentives to export
- Advances in communications technology and marketing infrastructure

**Country**
1
2
3
4

**Triggers**
- Local market growth
- Meeting local competition
- Local management initiative and motivation
- Desire to utilize local assets more effectively
- Natural market boundaries

**Triggers**
- Cost inefficiencies and duplication of efforts between countries
- Learning via transfer of ideas and experience
- Emergence of global customers
- Emergence of global competitors
- Development of global marketing infrastructure
Figure 3 demonstrates the important point that the triggers to international growth vary depending on the phase of internationalization.

In the first phase of international market entry, the emphasis is on geographic market expansion whereby firms extend current products into international markets. This allows the firm to leverage a domestic position using existing competencies and achieve economies of scale through broadening geographic scope. The factors that may lead a firm to look for new markets in this way are identified primarily as external, for example saturation of the domestic market or entry of foreign competition into the home market.

In phase two the firm shifts to local market expansion in countries where it has already established operations. The significant shift is from 'exporting' of domestic products and know-how to the exploitation of market conditions based on local information and knowledge. In the next phase the development of decision making and strategic thrusts from both the corporate centre and from local management results in a "patchwork of different products, each adapted to its own particular local market" (Douglas and Craig:39). The key strategic thrust in this phase is local market development and the exploitation of the economies of scale from geographic scope. In this phase, the factors that trigger increased internationalization include local market growth and a need to use local assets more effectively. For example, firms may consider local product adaptations and variants or developing specific new products for a particular market.

In phase three, the global rationalization phase, the firm attempts to reduce the cost inefficiencies and duplication of efforts derived from the country-by-country approach in phase two. The internal and external factors triggering a shift towards a global orientation include the "opportunities for transferring products, brands, and other ideas, and of learning from experience, in one country to another" (Douglas and Craig, 1995:42). In phase three the focus is on global efficiency without sacrificing local responsiveness. These ideas and arguments are common to the literature on international marketing and management (Ohmae, 1990; Keegan, 2002). In the final phase of internationalization a firm shifts from a
multidomestic orientation to one where markets, "are viewed as a set of interrelated, interdependent entities that are becoming ever more integrated and inter-linked word-wide" (Douglas and Craig, 1995:43). In this way the firm's strategy exploits the potential synergies from global operations "across countries, product businesses, market segments, and business functions so as to maximise profits on a global rather than a country by country basis" (page 44).

Other international marketing scholars (Root, 1987; 1994; Young, Hamill, Wheeler, and Davies, 1989; Keegan and Schlegelmilch, 2001; Albaum, Strandskov and Duerr, 2002) examine the market and product dimensions of international business. One of the issues in international marketing research is the extent to which firms plan and develop strategies for international markets. Root (1987; 1994; Ellis and Williams, 1995) suggests that there is not a stage or evolutionary pattern to internationalization rather firms make international decisions based on a market entry strategy. This assumes that market entry is planned on a 3-5 year time scale, and the plan is used to determine the level of resources committed, the method of market entry and the choice of distribution channels. Consequently, internationalization demands that a number of linked decisions are made (see Figure 4).
Figure 4 shows international market expansion within a planned framework. The decision requirements mean that the process is not a logical sequential flow but iterative with many feedback loops. “In short, planning for international marketing is a continuing, open-ended process” (Root, 1987:3). Although Root argues for a systematic approach to international market expansion, he also observed that in a typical company the fundamental, or strategic reason for entering foreign markets becomes apparent only some time after its first tentative ventures in that direction. Initially the impulse is to search for immediate sales “in response to an unsolicited or accidental order from a foreign source” (page 1). This links back to the export stimuli literature in that the initial push to internationalize may simply be a reaction to an external trigger, however the process may then become more formalized as international involvement increases. The contingency in this case is the marketing strategy of the organization.

In addition to decisions on market entry, international expansion requires that strategic decisions need to be made with regard to market spreading versus market selection (Piercy, 1990). According to Piercy, the choice between market
spreading and selection is influenced by a number of key contingency factors linked to company, product, and market factors and marketing characteristics. Again, the literature is indicating that internationalization strategies are contingent upon a variety of influences, which are both internal and external to the firm. The factors identified by Piercy are summarized in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Factors favouring markets spreading</th>
<th>Factors favouring market concentration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High management risk consciousness</td>
<td>Low management risk consciousness</td>
<td></td>
</tr>
<tr>
<td>Objective growth through market development</td>
<td>Objective growth through market penetration</td>
<td></td>
</tr>
<tr>
<td>Little market knowledge</td>
<td>Ability to pick 'best' markets</td>
<td></td>
</tr>
<tr>
<td><strong>Product factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited specialist uses</td>
<td>General uses</td>
<td></td>
</tr>
<tr>
<td>Low volume</td>
<td>High volume</td>
<td></td>
</tr>
<tr>
<td>Non-repeat</td>
<td>Repeat-purchase good</td>
<td></td>
</tr>
<tr>
<td>Early or late in product life cycle</td>
<td>Middle of product life cycle</td>
<td></td>
</tr>
<tr>
<td>Standard product saleable in many markets</td>
<td>Product requires adaptation to different markets</td>
<td></td>
</tr>
<tr>
<td><strong>Market factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small markets-specialized segments</td>
<td>Large markets-high volume segments</td>
<td></td>
</tr>
<tr>
<td>Unstable markets</td>
<td>Stable markets</td>
<td></td>
</tr>
<tr>
<td>Many similar markets</td>
<td>Limited number of comparable markets</td>
<td></td>
</tr>
<tr>
<td>New or declining markets</td>
<td>Mature markets</td>
<td></td>
</tr>
<tr>
<td>Large markets are very competitive</td>
<td>Large markets are not excessively competitive</td>
<td></td>
</tr>
<tr>
<td>Established competitors have large share of key markets</td>
<td>Key markets are divided among many competitors</td>
<td></td>
</tr>
<tr>
<td>Low source loyalty</td>
<td>High source loyalty</td>
<td></td>
</tr>
<tr>
<td><strong>Marketing factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low communication costs for additional markets</td>
<td>High communication costs for additional markets</td>
<td></td>
</tr>
<tr>
<td>Low order handling costs for Additional markets</td>
<td>High order handling costs for additional markets</td>
<td></td>
</tr>
<tr>
<td>Low physical distribution costs for additional markets</td>
<td>High physical distribution costs for additional markets</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 Situational analysis for market concentration or spreading-(Piercy,1990: 342)
2.4.2 Contingency theory in the export behaviour literature

The export behaviour literature attempts to understand the multiple factors and variables that stimulate internationalization in its early stages, that is, encourage or stimulate exporting (Miesenbock, 1988). A wide range of research has attempted to find relationships between export stimuli and a number of independent variables including organizational size, export approach, export experience, export involvement and export performance. For example, Ghauri and Kumar, (1989) found that export stimuli were dependent upon organizational size, although others found no significant differences (Katsikeas and Piercy, 1993; Calof, 1994).

In common with the marketing literature many scholars writing in this field view the commencement of exporting as a process determined by a combination of both internal and external factors. The export stimuli become effective only when brought to the attention of the decision maker (Olson and Wiedersheim-Paul, 1978; Wiedersheim-Paul, Olson and Welch, 1978). As such, the process of exporting and international growth can be inhibited or facilitated by background forces (Ford and Leonidou, 1991; Leonidou, 1995).

Table 2 below summarizes the export behaviour literature and the major factors identified as affecting export decisions. It is interesting to note that most of the past research emphasizes influences that are internal to the firm, rather than the primacy of external factors.
Table 2 Internal and external influences on exporting and internationalization in the literature

<table>
<thead>
<tr>
<th>Internal influences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Various organizational characteristics, such as size, corporate objectives, location of facilities, resource availability, nature of products, experience in business and previous extra-regional expansion. (Bilkey and Tesar, 1977; Wiedersheim-Paul, Olson and Welch, 1978; Cavusgil, 1982; Garner, 1982; Moon and Lee, 1990; Leonidou, 1995).</td>
</tr>
<tr>
<td>• Export approach, that is a firm's approach to exporting whether it is actively seeking exports, or not has also provided a basis for investigating export stimulation. Research has shown that aggressive exporters are motivated by different factors than passive exporters (Pavord and Bogart, 1975; Tesar and Tarleton, 1982).</td>
</tr>
<tr>
<td>• Export experience, which is usually expressed by the number of years a firm has been engaged in export activities. The relationship and impact of this factor has not been adequately established in the research according to Leonidou (1995). More specifically differences between experienced and less experienced exporters has only been identified with respect to export product-market match stimuli (Katsikeas and Piercy, 1993).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Influences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Environmental characteristics, that is, the country's topography, availability of factors of production, prevailing economic conditions, infrastructure facilities and government policies towards exports. (Garner, 1982; Root, 1987; Rao, 1990).</td>
</tr>
</tbody>
</table>

Export stimulating factors include “what other researchers in the field may refer to as export stimuli, motives, incentives, triggering cues or attention evokers” (Leonidou, 1995:134). The factors are commonly categorized as proactive, aggressive, positive and strategic (in behaviour) or reactive, passive negative and tactical (in approach) (Albaum, Strandskov and Duerr, 2002).

In an important piece of work, Leonidou (1995) identified what he found to be the most important stimuli. Interestingly, the first three are reactive in nature implying a passive approach to exporting.
Table 3 Ranking of internal and external stimuli (Leonidou, 1995)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Receipt of unsolicited orders from abroad (external/passive)</td>
</tr>
<tr>
<td>2.</td>
<td>Availability of unutilized production capacity (internal/passive)</td>
</tr>
<tr>
<td>3.</td>
<td>Saturation/shrinkage of domestic market (external/passive)</td>
</tr>
<tr>
<td>4.</td>
<td>Extra potential profit from overseas markets (internal proactive)</td>
</tr>
<tr>
<td>5.</td>
<td>Production of goods with unique qualities (internal proactive)</td>
</tr>
</tbody>
</table>

Proactive reasons come into play when firms see the potential for extra profit from overseas markets and the production of goods with unique qualities.

Proactive exporting behaviour is based on a firm's interest in exploiting a unique internal competence or market opportunity. In contrast reactive exporting, is a response to environmental pressures (e.g., competitive movements, declining domestic market) driven by external events. Internal stimuli are perceived and presented, as proactive and external factors considered reactive. This distinction is, however, problematic as Leonidou (1995) observes. For example, some internal stimuli are reactive in nature (e.g., excess capacity) whilst some external stimuli are purely proactive (e.g., identification of foreign market opportunities).

There is also some confusion among researchers as to what factors are included in the various categories. For example, intense competition from abroad is defined as an internal stimulus by some researchers (Kaynak and Stevenson, 1982) and external by others. Albaum, Strandskov and Duerr (2002) attempted to overcome this problem by combining the two typologies. Their classification scheme thus has export stimuli falling into 4 categories of internal proactive, external proactive, internal reactive and external reactive, but it does not resolve the basic difficulty of distinguishing between external and internal stimuli.

In common with the marketing literature, work in the field of export behaviour also recognizes that export stimuli may vary depending upon the stage of the internationalization process of a firm. According to Leonidou, (1995) export-stimulating factors have different degrees of frequency, intensity or importance depending on the international stage of development. "Both the nature and the impact of each stimulus will usually differ from one stage to another, an indication
of the dynamic, turbulent and ever-changing nature of the international business environment” (Leonidou, 1995: 137). This view is supported by other research by Bilkey, 1978; Czinkota and Johnston, 1981; Johnston and Czinkota, 1982; Sullivan and Bauerschmidt, 1990; Katsikeas and Piercy, 1993. Only a few scholars adopt a list of stimulating factors common to both the early and later stages of the ‘internationalization process’ (Czinkota, 1982; Barker and Kaynak, 1992).

### 2.4.3 Contingency theory in the business marketing and marketing literature

The work by Piercy described above indicates the significant effect that market characteristics may have on particular aspects of the internationalization decision. In business marketing, understanding buyer behaviour is very important to success and the literature on buyer behaviour supports a contingency perspective of internationalization.

Business marketing scholars’ attention in the early literature focused on developing buyer behaviour theory (Webster and Wind, 1972; Sheth, 1973; Webster, 1991). The distinguishing attributes include explanations of buying behaviour and purchasing attitudes that are influenced by a group of professional decision makers that are active rather than passive in their behaviour. Later research (Ford, 1997; Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull, and Wilson, 1998) developed the interaction model as an explanation of how relationships between organizations evolve over time. This body of research links to the ‘new institutionalist’ school (Ford, 1980; Håkansson, 1982) and the Scandinavian tradition in research in marketing (Wilson, 1994).

With a complex product or service users may want a direct relationship with the original source of the technology (the producer or an intermediary service provider). If the product requires user education, or is subject to rapid technical change, then the buyer may demand direct links with the knowledge or technical source, rather than a commercial intermediary. This means that if a company is selling to a foreign buyer requiring direct links because of product complexity.
internationalization via direct export may be inappropriate. Rather the establishment of a foreign base may be essential to providing the required level of buyer support. It may be argued that it is possible to hold the view that international involvement is positively correlated with product complexity. To date, this idea has not been fully tested in the literature and is, therefore, a research gap that this thesis seeks to bridge.

Another factor, which affects the seller: buyer relationship is the bulkiness of the product. Large bulky products and products with high weight relative to value are often delivered directly to the customer. “In this way, they can purchase quantities needed according to their own factory production schedules, avoid carrying large in-process inventories and warehouse stocks, and increase the ensurance of on-time delivery” (Corey, Cespedes, and Rangan, 1989:45). By way of contrast smaller items, with unpredictable usage, which are not essential in the production or operational processes of the buyer may well be sourced from a reseller. Consequently, for small products international involvement can be more ‘arm’s length’ in nature.

A further determinant of seller: buyer relationships, is market demographics (Webster, 1991; Hutt and Speh, 2000). This term refers to the degree of customer concentration and geographic concentration. If a customer’s industry segment is based on a limited number of large buyers then there is a concentrated customer base. Examples of such concentration in national domestic markets would be car manufacturing and telecommunications. In contrast, market segments, which are made up of a large number of small buyers, have fragmented demographics. However, in international markets, the industry concentrations can vary between countries and so the issue of buyer concentration or fragmentation can be complicated. For example, retailing and banking are relatively concentrated in the UK but still highly dispersed in Italy.

The literature in business marketing links in to contingency theories of internationalization because it identifies product type and market demographics as an important influence on the relationship between buyer and seller and hence the internationalization processes of a business.
The last determinant of relationships in business markets, (Webster, 1991) is the importance the buying and selling organization attaches to the interaction. Buyers may be important for strategic reasons, or because the relationship contributes a significant level of revenues or profits (Campbell and Wilson, 1996; Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull, and Wilson, 1998). Consequently, the level of international involvement by the seller will rise as the significance of the relationship increases. A related area of literature (Homburg, 1995; 2000; Kohli, and Jaworski, 1999) and empirical research evaluates the performance of firms who are ‘market’ or ‘customer’ oriented.

The concept of dyadic relations with the buyer strongly connected to the seller is also evident in the innovation and technology marketing (Von Hippel, 1987) and services marketing literature (Bateson, 1997). An extension of this literature is the network tradition in marketing, which emerged out of scholarly work in other academic fields (Easton, 1992; Araujo and Easton 1996). Networks add in the concept of connections between multiple individuals and organizations to create complex social, economic and technological networks and relationships. The network paradigm has also underpinned theoretical developments and empirical research in economics and geography (Keeble, 1997; Keeble, Lawson, Lawton Smith, Moore, and Wilkinson, 1998).

The concept of industrial clusters, districts and networks as sources of innovation and growth in new technology based firms is well established in the literature (Håkansson, 1987; Czepiel, 1979; Freeman, 1991; DeBresson and Amesse, 1991; Keeble, and Wilkinson, 2000). The organizational (Van de Ven, Emmit and Koenig, 1975; Alba, 1982; Cook and Emerson 1984) and entrepreneurship literature (Birley, 1985; Aldrich and Zimmer, 1986; Aldrich and Brickman Elam, 2000) embeds organizations in a social network paradigm as an explanation of the behaviour of organizational actors and entrepreneurs. The network paradigm in these disciplines was adopted as a theoretical framework for research in business marketing. In particular the business marketing literature adopts the view that the customer is an active participant in the co-design and development of products that integrate the market with the supplying organization. In this context, the
supplier and customer are engaged in the joint development of knowledge resources tying the market to the internal assets of the supplying organization.

The idea that the buyer and supplier are linked via a common set of resources proposes that the market and in particular the customers can be regarded as an asset (Srivastava, Fahey and Christensen, 2001). This resource-based view, in which the external market and internal organisational environments are interconnected, resolves the issue of distinguishing between internal external contingency factors. In recent years this strand of the marketing literature has become increasingly important.

In providing a “framework for analysis of market-based resources” Srivastava, Fahey and Christensen (2001) integrated relational market-based assets. Consequently, channels, customers, networks and ‘eco-systems’ are seen as assets that are not owned or controlled by the firm, but influenced by the perceptions held by external stakeholders. The concept of relationship marketing (Sheth and Parvatiyar, 1995) sits comfortably with the concept of an asset or resource being relatively rare and inimitable. Relational assets are founded on trust and reputation making it difficult for rivals to imitate with a tendency to be intangible, difficult to measure and hence such assets should be nurtured and protected (Srivastava, Fahey, and Christensen, 2001).

However, as noted by Day (2001) and Hunt (2000) what is missing, even from the “efforts of leading marketing theorists”, is a full articulation of the processes “by which internal and market-based resources are converted” through managerial guidance into something of value to customers (Srivastava, Fahey, and Christensen: 778). Hence, the empirical literature in this area remains limited. Nonetheless, broader applications of the resource-based view have begun to emerge in the marketing and international business literature.

Despite the need for further development in the literature, the relational concept between organizations is a further contingency considered in the theoretical framework. Close and distant interactions may influence the internationalization process in different ways in terms of market choice and entry decisions.
2.5 The resource-based view (RBV)

The resource-based view of the firm, which embeds strategy and management decision making in the context of the resources and capabilities of the firm has in recent years emerged as a powerful paradigm in research. This stream of research (Wernerfelt, 1984; Barney, 1986; Dierickx and Cool, 1989; Grant, 1991; Barney, 1991; Madhok, 1997; Barney, Wright and Ketchen, Jr., 2001) has, as its central tenet, the idea that sustainable “competitive advantage is derived from the resources and capabilities that are valuable, rare, imperfectly imitable, and not substitutable. These resources and capabilities can be viewed as bundles of tangible and intangible assets, including a firm’s management skills, it’s organizational processes and routines, and the information and knowledge it controls” (Barney, Wright and Ketchen, Jr., 2001:625). In terms of internationalization, therefore, access to such exclusive resources can provide a solid base for international expansion. As such the resource-based view is a special form of contingency theory, in which the contingent factor is access to resources.

The resource-based view assumes that resources are heterogeneous across firms and are inherently immobile. Greene and Brown, (1997: 163) suggested that the resource-based view in “strategic management has two orientations”. One of these orientations is strategic theory and the analysis of the relationship between internal and external environments. The second orientation is a theory of the firm examining the reasons for the existence of the firm and the determinants of the size and scope of the firm (Penrose, 1959). A special issue of The Journal of Management in 2001 evaluated the resource-based view in the contexts of entrepreneurship (Alvarez and Busenitz, 2001), international business (Peng, 2001), and marketing (Srivastava, Fahey and Christensen, 2001).

One particular dimension of the RBV regards the entrepreneurs mindset and thinking as a resource (Lumpkin and Dess, 1996; Wright, Hoskisson, Busenitz and Dial, 2000; Alvarez and Busenitz, 2001) that influences decision making. The emerging literature on international entrepreneurship (McDougall, Shane, and Oviatt, 1994; McDougall and Oviatt, 2000; Peng, 2001) poses a direct challenge
to the stage theory by addressing the question of how SMEs expand internationally without going through successive phases.

Central to the RBV is a comprehensive source of definitions of resources such as that provided by Greene and Brown (1997). Ansoff (1965) defines resources in terms of physical, monetary and human components and argues that the main concern of business was how to configure these resources. Andrews (1971) views corporate competence and resources as one of the four main components of strategy. Yuchtman and Seashore (1967:900) define resources as “more or less generalized means or facilities, that are potentially controllable by social organizations and that are potentially usable, however indirectly, in relationships between the organization and the environment”. These definitions have been expanded to incorporate entrepreneurship and entrepreneurial capabilities and mindset as a resource that can impede or facilitate the internationalization process.

The small business literature has identified that even at relatively early stages in their evolution, many small firms face barriers and obstacles to growth (Barker, Metcalfe, and Porteous, 1989; Oakey, 1995). These factors include financial, internal management attitudes and behaviour, in particular the problem of management succession. Boswell (1972) examined the history and development of textile and engineering firms in the East Midlands probing the various problems associated with management succession. One clear finding was the critical importance of the owner to the survival of the small firm. In other words, the entrepreneur can be viewed as an important resource. These observations point to possible impediments to a firm’s international development. Johanson and Wiedersheim-Paul, (1975:17) suggest that the “most important obstacles to internationalization are lack of knowledge and resources”. The identification of barriers and obstacles to a firms international growth is an issue in the literature (Kedia and Chokar, 1986; Bell, Franchino, Perks, and Ruggeri-Stevens, 1996). Hence, the resource-based view perceives the entrepreneur and his/her associated knowledge as a resource that will affect the scale of international growth within a firm.
Simon (1996) found the length of tenure of the original entrepreneur to be one of the keys to the domestic and international success of German middle-sized firms. Gimeno, Folta, Cooper and Woo (1997:750) found that the economic survival of the firm's in their study was a function of the "internal attributes of the organization and in particular the human capital attributes of owners". This distinguishes those firms that survived from those that persistently underperformed and did not survive. Other staff, apart from the founding entrepreneur, can also be regarded as a valuable resource. For example, Homburg (2000) found that continuity and loyalty from long serving staff act as a reassurance to key customers, who prefer these qualities in relationships in the domestic and international markets.

Discussion of the core significance of the entrepreneur as a resource requires some clarity of definition of the term entrepreneur. Clarity of definitions is becoming more evident in particular in respect of the terms entrepreneurship and small businesses with differences, similarities and linkages explicitly articulated (Cooper, 1982; Wortman, 1986; Greene and Brown, 1997).

Kirchhoff (1994:60) defines entrepreneurship as "small firms that successfully, creatively destroy existing markets", and Greene and Brown (1997:161) as "the ability of the business to create or destroy a market through growth and innovation". The association of entrepreneurship with small firms contains within it a differentiation between the two terms by researchers (Gundry and Welsch, 2001; Birch, Gundersen, Haggerty, and Parsons, 1999). This difference is based on the entrepreneur's ambitions to grow the business rapidly. The Academy of Management definition of an entrepreneur is an owner of a private independent firm rather than a managerial function within a larger publicly quoted mulitdivisisonal organization (Huse and Landström, 1997:3). This definition would cover small, medium and large independent firms. In contrast, Mintzberg (1973) and Drucker (1985) distinguish entrepreneurship from a small business when the former term is used within the context of the managerial function in large firms (Mintzberg, 1973; Drucker, 1985). The 'entrepreneurship school' according to Mintzberg. (1973:12-13) defines entrepreneurial traits as decision making ability, innovation risk taking and "managerial work associated with systematic change in
ongoing (as well as new) organizations” (Mintzberg, 1973:78). Mintzberg uses the term entrepreneur as part of the role of the manager in a broader sense than that used by economists. This role is one of scanning the organization looking for opportunities and problems to be solved “both as initiator and as designer of important controlled change in his organization” (Mintzberg, 1973:81). Drucker (1985:25) also holds the broader view of entrepreneurship as part of the managerial function to create change in a firm’s economic potential and refers to entrepreneurial management irrespective of firm size or ownership.

One of the criticisms of the extensive empirical research in entrepreneurship has been its tendency to describe the “phenomena or work that borrows theories ad hoc from other disciplines” (Alvarez and Busenitz, 2001:755) and has been fragmented (Gnyawali and Fogel, 1994). Clearer boundaries and frameworks are now emerging, however, from a mixture of an appraisal of the seminal work of Schumpeter (1934) through, in particular, the Austrian school of economists (Kirchhoff, 1994) and the resource-based view paradigm (Barney, 1991). Recent research, (Kirchhoff, 1994; Greene and Brown, 1997; Westhead, Wright, and Ucbasaran, 2001) has developed the concept using the resource-based view of the firm as a foundation.

The concept of the entrepreneur as a resource (Alvarez and Busenitz, 2001; Conner, 1991; Rumelt, 1987) acknowledges the cognitive ability of individual entrepreneurs. Alvarez and Busenitz (2001) argued, however, that most resource-based theory fails to integrate creativity and the entrepreneurial act. Including entrepreneurial behaviour in the definition of what constitutes a resource implies the individual entrepreneur’s mindset (Lumpkin and Dess, 1996) is an important unit of analysis that influences both strategy and strategic management.

The emergence of cognitive approaches to how entrepreneurs think and make strategic decisions (Busenitz and Barney, 1997; Baron, 1998; Forbes, 1999) contributes to the understanding of strategic management in the contrasting environments of small, medium and large firms. Busenitz and Barney (1997) argue that heuristics are used more extensively by entrepreneurs than managers in large organizations. Heuristics is defined as simplifying strategies that are used to
make decisions when less complete or uncertain information is available (Busenitz and Lau, 1996; Wright, Hoskisson, Busenitz and Dial, 2000). The concept of the entrepreneur as a tacit and socially complex asset or resource (Alvarez and Busenitz, 2001) contrasts significantly with managerial cognition processes of systematic decision making. This tacit and socially complex cognitive process or ‘high order thinking’ (Lei, Hitt and Bettis, 1996; Krabuanrat and Phelps, 1998) allows entrepreneurs to respond creatively to opportunities (Tversky and Kahneman, 1974). This differs from ‘lower order’ managerial cognitive processes focused on repetitious observations and routinized learning. Furthermore, the use of heuristic approaches to decision making serves to influence the organization throughout its history and creates what is referred to as path dependent behaviour (Nelson and Winter, 1982; Barney, 1986; 1991; Reuber and Fischer, 1997). In the context of internationalization theory, this means that an organization’s route to international involvement is contingent upon both the entrepreneur as a resource and the decision making methods deployed, which serve to increase the resource of knowledge and learning.

Until recently international business research concentrated on the study of large MNCs and entrepreneurship studies on SMEs within a domestic context (Peng, 2001; Melin, 1995). An emerging distinctive new sub-field within the international business literature is international entrepreneurship (McDougall and Oviatt, 2000). The RBV has played an important role (Peng, 2001) in the development of this sub-field. How SMEs succeed internationally, without going through the phases suggested by the stage theory, hinges on the exceptional tacit knowledge about international opportunities (Peng, Hill and Wang, 2000). This is matched by excellent capability to leverage such knowledge (Mitchell, Smith, Seawright, and Morse, 2000; Peng and York, 2001). As it is difficult to obtain a surplus of tacit knowledge about internationalization, firms that are in this position are likely to have a competitive advantage in international markets (Liesch and Knight, 1999).

Recent RBV work suggests that when firms eventually internationalize following the prescription of the stage theory they must overcome substantial inertia due to their domestic orientation. However, firms that decide to internationalize earlier
need to overcome fewer of these barriers and may outperform firms that take longer to do so. As such, rather than SMEs having disadvantages of being small when venturing abroad they may have an inherent advantage (Liesch and Knight, 1999).

Research into entrepreneurship and internationalization provides evidence of firms in sectors such as software and electronics start to internationalize at an early stage (McKinsey and Company, 1993; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Lindqvist, 1997). Lindqvist (1997) in a sample of 95 high-tech firms found that 78% of the firms’ initiated exports within five years of conception. Lindqvist’s findings support, in general, the internationalization stage model but challenge the perception that firm’s export only after establishing a domestic business. Oviatt and McDougall (1994) findings seriously challenge international business theories including the stage theory, with evidence that high-tech firm’s overcome experience and resource barriers to internationalization. The firms in the Oviatt and McDougall (1994) study used hybrid modes of market entry and did not follow the sequential pattern of the internationalization stage theory. Bell’s (1995) study of software firms in Ireland, Finland and Norway found neither firm size (small) nor lack of experience prevented early internationalization. More importantly in a challenge to the stage theory most firms in Bell’s study did not change the initial entry mode over time. Coviello and Munro (1995) also found that small software firms in their study used a single mode of market entry through networks and partnerships and did not evolve through stages.

By way of contrast, Bürgel’s (2000) study of the internationalization of British start-up companies in high-technology industries found that “on an aggregate level, we do find some support for the internationalisation process perspective” (page 189; see also Roberts and Senturia, 1996). The small firms in the Bürgel study in general use low commitment entry modes and changes in entry mode show increasing levels of commitment. However, ‘a sizeable proportion’ (page 190) enter distant markets choosing resource-intensive entry modes which ‘sits uneasily’ with the stage theory of internationalization. It would therefore seem
that the literature is unclear as to the validity of the stage theory in an entrepreneurial context.

Overall, the RBV literature, which suggests that the entrepreneur is a resource that can create comparative advantage, may pose an important challenge to stage theory. The barriers to internationalization and progression through the stages can perhaps be overcome if a firm has access to the required resources of knowledge and experience. This is an important idea that is used in the formulation of the empirical research developed further in chapter 5 of this thesis.

2.6 A dynamic view of internationalization

The theory of internationalization put forward by Douglas and Craig (1995) and discussed earlier in this chapter, sought to introduce some dynamics into the internationalization process by providing an explanation of how firms shift from one international phase to another. A fuller discussion of this issue is given in Calof and Beamish (1995). They suggested that while much is known about the factors associated with the choice of an individual mode of market entry we know little about why firms change modes, and what explains the pattern of mode change.

After interviewing 76 executives from 38 firms regarding 139 mode changes, Calof and Beamish found that mode changes could best be explained using a modified stages model. They found that mode shifts tend to occur following changes in either constraints (resources or regulation) or perceptions of market and mode costs and benefits. The research was a direct response to the lack of evidence identifying the characteristics of firms at different stages of evolution and it sought to explore how firms internationalize.

The reasons why firms change mode was identified by asking managers and other stakeholders, which was an approach that had been used by other studies. For example, Rosson (1987) asked executives from 21 Canadian manufacturing firms why they had changed distributors in the UK. The reasons given were self-evident: dissatisfaction with the distributors; changes in the company itself and
changes in the environment. Ford, Lawson, and Nicholls, (1982) investigated the change in mode from exporting to a sales subsidiary and found that the stimuli to change included dissatisfaction with an existing agent. Other reasons given were a perception that a change was essential to effectively exploit the market and external factors such as a change in government policy or competitor activity. Ford, Lawson and Nicholls (1982) concluded the decision to change mode was based on individual circumstances and an intuition or attitude that the time was right for a change.

Calof and Beamish (1995) used the managers’ responses to develop a contingency approach towards the explanation of the internationalization process and the reasons for mode changes. The contingency factors they identified were as follows:

- Attitude based
- Internal environment based
- External environment based
- Performance based stimuli

Ensuring all four categories were discrete in the research was difficult and managers made their own subjective assessments of the boundaries between factors.

The list is interesting as it builds on the internal and external influences identified in contingency theories already discussed in this chapter. Attitudes and performance become new influences in this framework. Calof and Beamish claimed that all four categories contributed to mode change, however changes, within the firm’s internal environment had the most influence (66% of mode changes). The most frequent motivation was a “desire for product or market diversification and the need to realize growth objectives required a mode change” (Calof and Beamish:121). The second most frequently cited reason for a mode change was an upward or downward movement in the firm’s resources. External environmental stimuli were evident in 57% of all mode changes and the most frequently cited factor in this category was an acquisition opportunity. The
category of performance-based stimuli was evident in 50% of all mode changes, with good performance accounting for 24% of changes and poor performance 26%. Attitude based stimuli accounted for 36% of mode changes. In 24% of all mode changes executives indicated that the change arose because they were more comfortable with the market, perceiving it as large enough to support a higher commitment mode.

An important finding is the difficulty in identifying the motives and dynamics of international development. Further they found that “one stimulus was rarely sufficient to cause firms to change their mode... an average of three different stimuli was associated with each mode change...executives talked of combinations of stimuli” (Calof and Beamish:123). The authors argued that the various attitudes, aspects of the internal and external environment vary according to the internationalization path being followed. If a firm is pursuing a two-step shift in mode of entry then the managers were more likely to cite attitude and external environment conditions as the stimuli. Conversely, internal-environment-based problems were more frequently cited when mode changes involved decreasing investment. Finally, performance-based stimuli appeared to be more important for de-investment than investment in foreign markets.

The study (Calof and Beamish, 1995) re-inforces the view of internationalization as a process that is driven by both endogenous and exogenous variables. What they have attempted to do is examine the dynamics of the shift from one mode to another, adding performance as a key driver and stimulus to a change in mode and level of commitment. Calof and Beamish also probed the notion of beliefs and perceptions of managers as a strong influence on decision-making. One of the beliefs that managers had in the study was that each mode of operation could generate a certain sales volume, with export sales being associated with the lowest volume and wholly-owned production facilities resulting in the highest levels. Executives in the study also had perceptions regarding their firm’s ability, such as skills and financial resources, to manage particular modes, which also influenced decision making. Table 4 summarizes the four variables and the responses from the study.
Table 4 Influences on the internationalization process*

Attitudes
Over time, we became more comfortable with the markets' potential and operating within the market and felt that a change in mode was now appropriate. (34)

If you make a commitment to the market, volume will follow. (11)

Internal Environment
Strategy
We wanted to diversify products/markets. (22)
A change was needed if we were to realize our growth objectives. (19)

We decided that for the future (goals/viability), the foreign market would be more important. (16)

Resources
Business had been good/bad in the past; so we had more/less money to use for our international operations. (32)

It just was not efficient to serve the market from Canada. (8)

New Management
We had a different idea than old management about the importance of international business. (17)

External Environment
Environment
We won a contract for the foreign market/the contract was over. (6)

Changes arising from Europe/Free Trade necessitate a change in our operations. (7)

We realized once we entered the market, that there was more/less demand than we first thought. (5)

Opportunity
We were approached by an employee/competitor/other asking us whether we were interested in buying a business. (35)

Performance
It was time to change the mode. Continual poor performance made us realize that it was time to go to the next logical mode. (36)

It was time to change the mode. Continual good performance made us realize that it was time to go to the next logical mode. (33)

The mode was simply not holding its own within our overall operations. (22)

*The numbers in brackets after each sentence indicate the number of responses of that type.
Source: Calof and Beamish, 1995: 122
Calof and Beamish (1995: 125) called their findings “The Emergent International Adoption Model” and acknowledged the lack of any theory to explain the complex combination of factors and stimuli to internationalization. They found “no existing theory appears to fully capture the diversity of explanations for mode changes… Internationalization is dynamic, with changes occurring over time” (page 126).

Most importantly, the study draws out the fuzzy nature of the process by which managers are feeling their way into international markets, with good or poor performance influencing beliefs and perceptions about market potential and costs. For example, good performance resulted in some upward revision of the executives’ estimate of market potential. Poor performance resulted in a downward revision of perceived market potential and subsequently an assessment that the mode choice was incorrect, but not management failure.

A major finding of the study is that 82% of all mode changes resulted from changes in three factors:

- Changes in the perceptions of the market potential
- Changes in mode costs/benefits
- Changes in mediating variables (internal and external constraints).

The other interesting finding and observation from the Calof and Beamish research concerns the differences between firms making single-step and multi-step movements in internationalization stages. The paper discusses what differentiates firms making single and multi-step changes based on the following factors:

- Resources: management felt there were insufficient slack resources to engage in higher forms of foreign direct investment, and proceeded from exports to some form of production. Larger firms had a greater ability to ‘skip’ a stage than smaller firms.
- Experience and Skills: if management had extensive international experience then the firm proceeded more rapidly by skipping a stage; they had a better understanding of the risks, costs and benefits of modes and foreign markets.
• Opportunity: in some cases the stimulus to change may have caused a firm 'to skip a stage', for example acquisition candidates appeared so attractive a firm moved directly from export to production.

• Differing Changes in Attitude: executives had different opinions/attitudes on foreign market benefits and a mode's sales potential, which led to different choices and decisions. The authors give an example of two electronics companies and mode change decisions. Both companies exported to the UK and were of a similar size. Executives in the first company had a lot of experience in the UK market, and felt that it was large enough to justify a high cost, high sales potential wholly owned production mode. Case 2 executives believed there was less UK market potential and decided on an incremental mode change from exporting to a sales subsidiary. Less experience of the UK market was the only apparent major difference.

In conclusion, the Calof and Beamish study, in trying to find explanations for why firms changed mode and hence progressed through various stages of internationalization, contributed to the literature in three important ways. Firstly, it introduced some dynamics into the internationalization theories. Secondly, it sought to identify the triggers that led to progressive internationalization. Finally, it recognized the complexity of the decision making process that results in internationalization, particularly that there were several interconnected, rather than single influences on the process.

2.7 Summary

Within the broad disciplinary boundaries of the international business literature, there are three clearly distinct theories of internationalization:

Stage theory likens the process of internationalization from a domestically oriented business to one operating across a wide range of geographic boundaries, to a logical progression through a series of distinct phases. The precise number of phases and the names given to each stage remain matters for debate. However, the various supporters of stage theory (Johanson and Wiedersheim-Paul (1975):
Ansoff (1982); Rothchild (1983); Root (1987) and Ellis and Williams (1995) all describe internationalization as an orderly and progressive sequence.

The theory remains popular insofar as it is commonly cited in the literature, but it has been criticized on a number of grounds. Welch and Luostarinen (1988) and Leonidou (1995) both argue that the theory fails to explain the dynamics which drive a firm’s progression through the stages. Other authors Root (1987) and Ellis and Williams (1995) point out that not all companies follow the sequence of stages in the prescribed order. Such criticisms suggest that stage theory is a partial explanation of internationalization strategies. The theory could be developed by looking for answers to questions such as what factors cause a firm to shift between stages and what determines the speed of internationalization?

The second theory of internationalization is contingency theory, which seeks to explain the factors that serve to influence decisions to internationalize. The factors may be endogenous or exogenous and either positive triggers that encourage international involvement, or negative influences that discourage it. There is also general agreement (Bilkey, 1978; Czinkota and Johnston, 1981; Johnston and Czinkota, 1982; Sullivan and Bauerschmidt, 1990; Katsikeas and Piercy, 1993; Leonidou, 1995) that the factors influencing company behaviour varies depending upon the stage of internationalization.

There is some disagreement within the literature, however, in terms of the relative significance of internal versus external contingency pressures. For example, Leonidou (1995) and Douglas and Craig (1995) both emphasize the significance of external triggers, such as the market structure. In contrast, Cavusgil, (1982), Dichtl, Koeglmayr and Mueller (1990) and Garner (1982) hold the view that internal organizational characteristics are more important. These research findings assume that is possible to clearly distinguish between exogenous and endogenous influences, but such categorization is not always easy in practice and has been the subject of some disagreement amongst researchers.
Douglas and Craig (1995) attempted to use contingency theory to introduce an element of dynamism into stage theory, by suggesting that particular factors trigger a firm to move from one stage of internationalization to the next. This idea also builds on the literature already cited, proposing that the stimuli are dependent upon the stage of international involvement. Contingency theory therefore assists the development of a broader theory of internationalization. However, the theory remains open to criticism for its lack of clarity about which factors are most influential in determining international strategy, and the locus (internal versus external) of those stimuli.

The final theory that explains internationalization is the resource-based view, although this may be regarded as a special case within contingency theory. The resource-based view of international strategy (see for example Barney, Wright and Ketchen Jnr., the Journal of Management Special Issue, 2001) focuses on the firm as a collection of resources which themselves may facilitate or stimulate growing international involvement. The internal resources may include managerial-entrepreneurial skills and knowledge, organizational learning, and customers (Srivastava, Fahey and Christensen, 2001) who act as a link between external and internal resources. The resource-based view argues that a firm's development into an international business is dependent on its access to the resources described above. The resources act as potentially positive factors to stimulate internationalization and hence they are equivalent to the triggers that are described in contingency theory.

2.8 Conclusions

This review of the international business literature shows that theories of internationalization have undergone some development since their origins in stage theory in the 1970's and 1980's. The developments are characterized by research that challenged the generalization of the existing theoretical models and it is to be expected that this theoretical evolution will continue.

The research framework adopted in this thesis seeks to build on internationalization theories developed to date and enrich the international
business literature. This central aim will be developed by proposing a framework for the analysis of internationalization processes that takes into account the dynamic complexity of strategic decision making. (Pettigrew, 1990:269) criticizes social science researchers because “much research on organisational change is ahistorical, aprocessual and acontextual in character.” The framework for the research, described and developed in the following chapters, aims to address this challenge by seeking to use managers’ observations to identify the factors which influence their internationalization process. The theoretical development takes into account the contingencies of history, decision processes and the internal and external contexts within which the firm operates.
Chapter 3 Development of the Theoretical Framework

3.0 The origins of the theoretical framework and research propositions

The theoretical framework developed in this chapter builds on the limitations of stage theory that were discussed in Chapter 2. The literature review indicated that stage theory does not recognize the influence of the contexts in which organizations operate nor the contingencies that influence the process of internationalization. To address these limitations, this chapter develops a framework that may be used to analyze the internationalization process, by integrating internal and external contingencies and the resource-based view into a set of research propositions.

The literature on strategy and cross-cultural management has been used to provide the external industry and cultural influences and contingencies in the theoretical framework. The resource-based view feeds into the framework by identifying the potential significance of the internal business unit environment; the connection between the internal and external environment of the firm.

3.1 The operating definition of internationalization

The definition of internationalization adopted in the thesis portrays the process as a collection of decisions and choices, as discussed in the literature. The first decision is that of commencing some involvement in non domestic markets i.e. the decision to internationalize (Olson and Wiedersheim-Paul, 1978; Welch and Luostarinen, 1988; Leonidou, 1995; Bürgel, 2000). The second decision involves market selection (Young, Hamill, Wheeler, and Davies, 1989; Piercy, 1990; Root, 1994; Keegan, 2002; Albaum, Strandskov, and Duerr, 2002). The final choice relates to selection of a market entry mode (Czinkota, 1982; Welch and Luastarinen, 1988; Barker and Kaynak, 1992; Root, 1994; Calof and Beamish, 1995; Bürgel, 2000).

The research is, therefore concerned with developing a framework that identifies the multitude of influences that may influence how such decisions are made
within a firm. The framework is then developed by comparing the theoretical propositions against evidence of how decisions are made in practice. Insofar as internationalization incorporates a number of related decisions, it may also be viewed more dynamically as a process, or pattern of decisions. The propositions detailed below therefore address the factors in terms of their influence on any or all of the separate decisions as well as the overall process.

3.2 The theoretical framework and research propositions

The research propositions outlined in Figure 5 are an acknowledgement that firms' internationalization decisions, processes and patterns are influenced by internal organizational resources and capabilities, and external business and market environmental factors. The propositions use a 'theory first' approach and are based on the three classes of contingencies identified by Calof and Beamish (1995). The three classes of factors that Calof and Beamish (1995) identified as acting to influence a firm's internationalization were the external environment, internal environment and product-market structure. Figure 5 thus lists on the left-hand side the classes of factors that work together to influence the internationalization decisions (shown on the right-hand side of the figure). The three groups of influences are not assumed as hierarchical in nature with external factors being more dominant. Instead, they are perceived to be both independent and interdependent influences.
Figure 5 shows that under each of the three headings that are used to group the factors seen as influencing internationalization, there are a number of sub-headings. The sub-categories of influences form the basis for the specific research propositions that are empirically tested drawn from the literature discussed in Chapter 2. The precise sources used to develop each of these propositions are discussed below.
3.3 The external environment as an influence on firm internationalization

The impact of the external environment on internationalization provides the basis for two distinct research propositions.

Reinforcement proposition 1-1: Internationalization decisions are sensitive to the industry environment in which the firm operates. Firms in global industries are more likely to be engaged in international business than those linked to domestic businesses.

The industry influence has been acknowledged by Porter (1986) and Grant (2002) in the globalization of businesses, however some clarification of the precise meaning of the term ‘industry environment’ is required. There are two industry contexts that may be of relevance to internationalization decisions namely, that of the supplier and that of the buyer. The research proposition relates solely to the importance of the buyer’s industry structure.

The proposition is two dimensional in proposing that:

a) Customer preferences and the demands they make on suppliers may affect internationalization decisions.

   For example, a domestic or international customer may demand that the supplier sell directly to its subsidiaries in international markets. In this sense the supplying company is ‘following the customer’ around the world,

and

b) The customer’s industry environment may pull the supplier towards the domestic market if the customer industry is domestic, or push the supplier to internationalize if the industry is global.
Research proposition 1-2: Internationalization decisions are influenced by a firm's home country cultural environment. The research seeks to establish whether either/both the style of internationalization and the location choice are subject to cultural influences, within the bounds of the definition of culture given below.

The country and cultural influence on the behaviour of managers, management thinking and knowledge is a topic of research in the field of international and cross-cultural management (Hofstede, 1991; Hickson, 1997; Schneider and Barsoux, 1997; Lawrence and Edwards, 2000; Perks, 2000a). Culture is a complex construct and for the purposes of this research is defined as the impact of language, education and socialization processes on the mindset of the respondents. Firms that are domestically oriented (Dichtl, Koeglmayr, and Mueller, 1990) are likely to be limited in their international business in comparison to those who are export oriented. This orientation can be influenced not just by the nature of the industry within which the firm operates, but also factors such as the national education system or the trading history of the home nation.

This orientation can be influenced, for example, by a national education system that encourages language learning and international educational exchange or is located in a country with a history of international trading experience. This research therefore seeks to assess whether processes of internationalization vary between firms for reasons of country or culture.

3.4 The internal business unit environment as an influence on internationalization

The internal environment represents the second group of potential influences on internationalization and assessment of the impact of the internal environment is broken down into three separate propositions.
Research proposition 2-1: The decision-maker(s) mindset acts as an influence on the internationalization process. The personality, interests and ambition of the individual entrepreneur or key decision maker in a business may be possible influences on attitude towards internationalization. The research investigates the extent to which key individuals have a vision that serves to determine the international evolution of the firm.

This proposition draws on the view that the entrepreneur’s mindset is a resource (Lumpkin and Dess, 1996; Wright, Hoskisson, Busenitz and Dial, 2000; Alvarez and Busenitz, 2001) and that the entrepreneur’s capabilities (Alvarez and Busenitz, 2001) such as international experience or tacit knowledge (Peng, Hill and Wang, 2000) may serve to influence the internationalization process (Peng, 2001; Westhead, Wright and Ucbasaran, 2001). A related factor is the extent to which the main decision maker(s) is (are) motivated or committed to international market development (Dichtl, Koeglmayr, and Mueller, 1990).

The proposition also reflects the idea that smaller firms tend to use heuristics more extensively in decision making. Heuristics is defined as the use of simplifying strategies in making strategic decisions, especially in complex situations where less complete or uncertain information is available (Busenitz and Lau, 1996; Wright, Hoskisson, Busenitz and Dial, 2000). Recent research (Baron, 1998; Wright, Hoskisson, Busenitz and Dial, 2000) has started to recognize that the use of heuristics in decision making allows entrepreneurs to exploit brief windows of opportunity (Tversky and Kahneman, 1974).

The empirical research will therefore evaluate the influence of the entrepreneur’s mindset on the internationalization process.

Research proposition 2-2: Firm resources and capabilities have an influence on the internationalization process. This proposition develops the resource-based view of the firm in evaluating whether or not a firm’s internationalization may be restricted by the lack of access to financial, human or other resources.
This proposition assesses the role played by organizational resources and capabilities (excluding those of the entrepreneur) on the internationalization of the firm (Wenerfelt, 1984; Barney, 1986; Dierckx and Cool 1989; Grant, 1991; Madhok, 1997; Barney, Wright and Ketchen, Jnr, 2001). As such, it draws on the resource-based view of business evolution, as well as the export behaviour literature. In the export behaviour literature lack of resources is considered a major obstacle to a firm's export growth. The empirical research will assess if resource limitations are an obstacle to a firm's internationalization process or not. In the resource-based view literature a firm's inimitable unique resources are a source of competitive advantage. These resources include organizational skills and capabilities in the development of international business (Peng, 2001) that may be unique and difficult for other firms to replicate. These capabilities may include the organizations ability to develop networks (Coviello and Munro, 1995) and to identify and negotiate international contracts with foreign customers.

Research proposition 2-3: Business unit history has an influence on the internationalization process. The firm's internationalization process may be affected by particular history of the firm in terms of previous decisions and organizational culture.

The history or 'path dependency' (Nelson and Winter, 1982; Barney 1986; 1991) of small-to-medium sized entrepreneurial organizations is strongly related to the attitudes and preferences of the owners. Consequently, strategic choices such as the decision to internationalize can be determined by the initial founding conditions of the organization, which includes the entrepreneur's, or team's experience (Reuber and Fischer, 1997).

The research will evaluate whether organizational history has any influence on internationalization processes, for example do the decision makers pursue similar patterns and practices to those developed in the domestic market in international markets, or do they adopt different approaches? In other words the decisions are a function of the past pattern of behaviour of the entrepreneur.
3.5 Product-market factors as an influence on internationalization

The literature review in Chapter 2 (Corey, Cespedes and Rangan 1989; Root, 1994) indicates that the decision to internationalize and the chosen market entry mode may vary depending upon the nature of the product, the market demographics and the mindset of the buyer. Hence, the research propositions to evaluate the impact of product market characteristics on the internationalization process can be sub-divided into three parts.

Research proposition 3-1: The nature of the product or service acts as an influence on the internationalization process. This proposition recognizes that the scope for internationalization may vary across industry sectors and product types, because the very nature of the product or service may either hinder or help the development of international business. For example, a firm producing culturally specific products may find it impossible to internationalize without changing its product profile.

The idea that the nature of the product as a contingent factor in internationalization decisions is based on ideas put forward in the international marketing literature, such as Root (1994). Corey, Cespedes and Rangan (1989: 45) argue: “The nature of the product essentially determines whether users will rely on producers or resellers as primary sources of technical information and supply availability”. In other words, the level of complexity of a product may determine the nature of supplier: buyer relations. With a complex product or service users may want a direct relationship with the original source of the technology (the producer, or an intermediary service provider). Similarly, if the product requires user education, customization to their needs or is subject to rapid technical change, then the buyer may demand direct links with the knowledge or technical source rather than a commercial intermediary.

The size and weight of a product may also influence the internationalization process. Large bulky products and products with high weight relative to value are
often delivered directly to the customer. By way of contrast smaller items, with unpredictable usage, which are not essential in the production or operational processes of the buyer, may be sourced from a reseller. Consequently, the mode of entry is, in part, a function of product characteristics.

The research will evaluate the strength of product influences on the internationalization process in the case studies selected for the empirical research.

*Research proposition 3-2: Market demographics act as an influence on the internationalization process. Does the structure of the end market demographic concentration or dispersal constrain the firm’s internationalization choices?*

The term market demographics refers to the scale of either geographic or customer concentration in the customer’s market (Webster, 1991; Hutt and Speh, 2000). Industry segments are described as concentrated if there are a limited number of large buyers and fragmented if they contain a large number of small buyers. In the context of a single domestic market it is relatively easy to assess concentration levels, however the issue of buyer concentration or fragmentation can be complicated in international markets as industry concentrations can vary between countries. For example, retailing and banking are relatively concentrated in the UK but still highly dispersed in Italy. Consequently, it is not always possible to specify the market demographics of an industry that crosses international boundaries.

As well as an industry being concentrated in terms of its customer numbers, the level of geographic concentration or dispersion may vary. The issue of geographic concentration or fragmentation is made more complex in international markets because buyers may be heavily concentrated in domestic markets, but internationally they may be geographically dispersed. The scale and scope of dispersal will depend on the extent of the globalization of production or service operations.
The research proposition is thus split into two parts, which evaluate the importance of concentration of buyer numbers and geographic concentration as separate influences on internationalization.

Research proposition 3-3: The seller’s perception of the buyer’s mindset has an influence on the internationalization process. To what extent does the seller perceive the buyer as an important factor in making decisions about the internationalization process?

This proposition builds on the business marketing literature, which has examined and developed buyer behaviour theory (Webster and Wind, 1972; Sheth, 1973; Webster, 1991). Buyer behaviour theory recognizes that the buying organization has a strong influence on market channel design and international market-entry mode:

“Four aspects of buyer behaviour are important (in the design of distribution channels): centralized or de-centralized procurement modes, single-item or bundled buying, demand predictability, and centralized or dispersed product usage” (Corey, Cespedes and Rangan, 1989: 39).

The seller’s perception of what a buyer is seeking can therefore work to influence a firm’s process of internationalization. At the same time, business markets in particular are characterized by strong interaction between suppliers and key customers (Webster, 1991). In such situations the market can be viewed as an asset whose exploitation is dependent on the internal resources and capabilities of the firm (Srivastava, Fahey and Christensen, 2001). However, it then becomes difficult to distinguish clearly between exogenous and endogenous determinants of market success.

The empirical research is the study of organizations operating in business-to-business markets. In this context, buyers are involved in a range of types of relationships with suppliers as described in the literature (Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull and Wilson, 1998; Campbell and Wilson 1996). The range of relationships thus created the opportunity to assess the extent
to which perceptions of buyer needs acts to influence internationalization decisions.

3.6 The interrelationships between the influences

Thus far, the influences and propositions have been presented independently, neglecting the potential interrelationships between the internal and external forces underpinning the process of decision making and the choice of approaches towards internationalization. Evaluating and developing the research propositions in an empirical context can provide data about which (if any) factors are important influences on the internationalization process. To build in complexity, however, requires the design of a framework that incorporates the interaction between the internal business unit environment, and the external macro and market environment in which an organization operates. This is done using a causal network approach to demonstrate interdependencies between the research propositions based on the empirical findings. The causal network is discussed in detail at the end of Chapter 5.

3.7 Summary and conclusions

Chapter 3 has discussed the origins and development of the theoretical framework to be evaluated in the empirical study. The literature review in Chapter 2 underpins both the framework that is summarized in Figure 5 and each research proposition. The set of contingencies and influences on internationalization draw on a variety of theories in the international business literature in an attempt to explain the internationalization process. The research is designed to both evaluate the relative strength of each influence and assess the extent to which they are inter-connected. The inter-connections are of particular significance because in practice it is often difficult to distinguish between a firm's internal and external environments, as the boundaries are blurred.
Insofar as the empirical research is confined to sixteen cases, despite the fact that they straddle four countries and both traditional and high technology sectors, the findings have limited scope for generalization. Nonetheless, the theoretical framework that is developed is believed to be sufficiently robust to be suitable for testing via future research, in a range of other country or industry sectors.

Having outlined the theoretical framework that forms the basis for the empirical research, it is important to discuss the rationale for the chosen research methodology and the selection and profile of the organizations for the empirical study. This discussion is the focus of the next chapter.
Chapter 4 Research Methodology and Case Profiles

Section 1 Research Methodology, Process and Design

4.0 Rationale for the methodology

In considering the most appropriate orientation to adopt for the empirical research, the author became aware of changes in the thinking and debate surrounding positivistic and non-positivistic approaches (Miles and Huberman, 1994). The choice of research methodology is related to epistemology and the relationship between the researcher and the observable phenomena. The extent to which the ‘world’ influences the researcher and the influence of previous knowledge on the individual are both methodological and epistemological concerns.

Past research in science and the social sciences has laid a great deal of emphasis on positivistic epistemology, with empiricism being associated with quantification, measurement and testing of hypotheses based on large representative samples (Mitchell, 1983). The dominance of this approach has permeated management research in an attempt to legitimize a relatively new academic area, emulating research in science and the social sciences. Miles and Huberman (1994) however, view both quantitative positivistic and qualitative non-positivistic methodologies as complementary in empirical research and argue that both approaches can be used independently. Furthermore, they suggest that non-positivistic methodologies should not be considered as inferior. The important issue is the ‘appropriateness’ of the epistemology to the central aims of the research being undertaken (Miles and Huberman, 1994; Strauss and Corbin, 1998).

For the doctoral research reported in this thesis, the author is of the view that the most appropriate methodology is non-positivistic and qualitative. Non-positivistic epistemologies and qualitative methodologies in management research may take several forms, including grounded theory (Locke, 2001) and case study methods (Yin, 1994). For this research, both grounded theory and the case study method are adopted; the latter because it is viewed as “valuable at all stages of the theory...
building process” (Eckstein, 1992). Its particular strength is the collection of rich data, in vivo, facilitating the evaluation of interrelated definitions and propositions and the exploration of the relations between them.

Grounded theory (Locke, 2001) which is accepted as an appropriate methodology in this study, is commonly used in social anthropological or psychological research and builds theoretical propositions (Miles and Huberman, 1994) from empirical data. The approach may be ‘theory-first’, whereby theory is developed via a ‘deductive strategy’ with the researcher identifying “some orienting constructs and propositions to test or observe in the field” (Miles and Huberman, 1994: 155). The alternative is a ‘theory-last’ or inductive (Wolcott, 1992) approach. In both cases the initial theory can be amended and refined as it is tested against empirical events and characteristics. The research reported here has adopted a ‘theory-first’ position with the aim of developing theory out of the findings of the case study field research.

There is, however, considerable variation in opinion about what constitutes a theory and the processes by which theory can be developed (Eckstein, 1992). The research adopts the following definition of theory used by Kerlinger (1973:9):

“A theory is a set of interrelated constructs (concepts), definitions and propositions that presents a systematic view of phenomenon by specifying relations among variables, with the purpose of explaining...the phenomenon”.

It is the researcher’s responsibility to ensure that he/she is developing theory from regular observations, comprised of reliable and valid data. This allows for the deduction of some unknowns and is parsimonious enough to avoid any situation ‘bearing’ out the theory (Eckstein, 1992). In this thesis, the theoretical framework is built up from the literature and the research aims to build and develop that framework based upon the grounded experiences of the case respondents.

The case method, in which the researcher engages in the ‘world’ of the entrepreneur, permits extended discussion and possible new insights that may be important in identifying and constructing theories. The epistemological approach is
one in which the relationship between the researcher and the respondent is not entirely detached. This approach has its problems, in particular the risk of subjectivity on the part of the researcher, which may lead to bias in the questioning of respondents. The risk of subjectivity is, however, not exclusive to qualitative research, because in positivistic methodologies a bias may arise in the interpretation and discussion of statistical data.

The methodology described in the rest of this chapter is thus one that uses grounded theory, with empirical material collected via a case study approach.

4.1 Case methodology

4.1.1 Definition of a case study and its usefulness in theoretical development

The current research adopts the following definition of the term case study (Mitchell, 1983:191):

“…case study refers to an observer’s data: that is, the documentation of some particular phenomenon or set of events which has been assembled with the explicit end in view of drawing theoretical conclusions from it.”

In other words case material can be used to infer theoretical principles (Becker, 1968). Mitchell, (1983) also emphasizes the usefulness of case studies for the development of theories in arguing that they offer:

“the circumstances which enable the analyst to reject some theoretical proposition or, which amounts to the same thing, to support it when the circumstances appear to be loaded against it.” (Page 196).

In the research reported in this thesis, detailed case analysis (Chapter 5) is used to develop the theoretical framework (Chapter 3) in such a way that the observed empirical phenomena can be linked directly back to the theoretical propositions (Chapter 3) that are being evaluated.


4.1.2 Generalization and theoretical development

The case study method has been widely used in social anthropology, and scholars have been willing to use the data to draw inferences and to formulate propositions about the general nature of societies and cultures. Unfortunately, however, much of this research has been carried out without extensive discussion of the underlying epistemological basis on which generalizations have been made (Mitchell, 1983).

One of the main problems facing case study researchers is the extent to which one case is 'typical' and can be considered to be representative of similar cases and hence used to support theoretical development. Some scholars in the social sciences argue that one way of ensuring case studies can be 'generalizable' to a wider social context is to use other methods such as statistical analysis as a counter-measure (Goode and Hatt, 1952; Gluckman, 1967). Others argue that a generalization to the universal from any epistemological position is untenable and question the basic assumption that generalization is the most desirable form of enquiry (Lincoln and Guba, 1979).

One of the major assumptions of the positivists who support generalizations is that:

"the laws that govern matter and energy on the small scale must be similar, and hopefully, identical, to those that apply on the very large scale. The governing laws thus would be universal, so that we ought to be able to build a picture of planets moving about the sun out of an understanding of the particles of which matter is composed" (Schwartz and Ogilvy, 1979:32).

The post-positivists, particularly naturalists, disagree with this position. The naturalistic view is that specific local conditions (idiographic) make it impossible to generalize to the universal and the best that can be achieved is the development of 'working hypotheses' (Cronbach, 1975; Lincoln and Guba, 1979). Consequently, positivists and naturalists may be regarded as at being positioned at the opposite ends of a continuum of viewpoints.
Strauss and Corbin (1990: 251) take an intermediate position in arguing that generalizations can be made, but only to specific "sets of action/interaction pertaining to a phenomenon... and ... to those specific situations only". This is the position adopted in this research. Generalizations will only be made in respect of the specific phenomenon of internationalization within a context of the specific case studies.

Taking the realist’s view (Yin, 1989; Easton, 1998), case studies support research aimed at understanding, expanding and generalizing about theories. Yin uses the term analytical generalization: "The short answer is that case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a sample and the investigator’s goal is to expand and generalise theories (analytical generalisation) and not to enumerate frequencies (statistical generalisation)” (Yin, 1989:21). Mitchell (1983) is also of the view that case study research is directed at a different kind of general conclusion from that of social surveys. Mitchell’s position is that qualitative case methods involve a ‘logical’ rather than ‘statistical’ inference, because ‘analytical induction’ (Znaniecki, 1934; Lindesmith, 1937) is epistemologically different to the ‘enumerative induction’ that underpins the statistical method (Guba, 1981; Agar, 1986; Kirk and Miller, 1986; Merriam, 1995).

Any conclusions derived from case based studies must thus be regarded as tentative because there are always differences in context that may modify the conclusions. This has the advantage, however, of allowing for the development and refinement of hypotheses or propositions in the light of new information, and serves to prevent knowledge from being ‘trapped’ in existing theoretical paradigms.

Of specific relevance to the current research is the view held by some scholars that a case study reveals theoretical relations in situ and can be used to uncover causal processes that link inputs and outputs within a system (Lacey, 1970; 1976). At the extreme, this implies that the researcher may “literally see them (causal processes) occur” (Glaser and Strauss, 1967:40). In this research then, in analyzing case
studies of internationalization, it may be possible to use case study evidence to identify the factors that cause firms to adopt a specific route to internationalization.

4.1.3 Reproducibility

The researcher is aware of the dangers of using the term reproducibility in its more ‘positivistic connotation’ (Strauss and Corbin, 1998). In scientific research such as a physical experiment, the study is capable of being replicated “so if the findings of the original study are reproduced in the succeeding one(s) then they are additionally credible” (Strauss and Corbin, 1990: 250). However, it is difficult to reproduce a theory that deals with social phenomenon, “as it is difficult to set up experimental or other designs in which one can re-create all of the original conditions and control all of the extraneous variables that may impinge upon the social/psychological phenomenon under investigation” (Strauss and Corbin, 1990: 250).

This is not to say that qualitative research is impossible to replicate. Rather, given the same theoretical perspective and general rules for data gathering, analysis and a similar set of conditions, another investigator should be able to come up with the same theoretical explanation about the given phenomenon (Strauss and Corbin, 1998). The study that is reported in this thesis can be described as replicable within the boundaries thus outlined, and hence, the theory that is developed in the work could be extended through future research by other academics.

4.1.4 Multiple-case study methodology

The research adopts a multiple-case methodology. Whilst researchers in some disciplines such as anthropology and political science regard single-case research design as a different methodology to multiple-case study research Yin (1994) argued that they should be considered as variations within a unified methodological approach. The benefits of using multiple-case designs are that the “evidence…. is often considered more compelling and the overall study is therefore regarded as being more robust” (Yin. 1994: 45; Herriot and Firestone, 1983) than the single-site case study.
In selecting the multiple-case approach, the author is aware of the trade off between depth (single-case) and breadth (multiple-case). Single-case research can be important in highlighting unusual, critical or revelatory situations, but multiple-case study research has increased in recent years (Yin, 1994). Although multiple-case research requires more time and resources this methodology has been chosen because it best fits with the central purpose of achieving both a ‘literal replication’ and ‘theoretical replication’ (Yin, 1994). Literal replication is defined as an approach in which a few cases (2 or 3) are selected to predict similar results. Theoretical replication produces contrasting results across a greater number of cases (4-6) but for predictable reasons. Multiple-cases can thus be viewed as similar to the multiple experiments used in scientific research, where the scientist replicates experiments to explore a particular theory.

More importantly for the doctoral study the multiple-case methodology allows for replication and development of “a rich theoretical framework. The theoretical framework later becomes the vehicle for generalising to new cases, again similar to the role played in cross-experiment designs” (Yin, 1994:46).

The methodology for the doctoral research does not seek to apply sampling logic because it would be ‘misplaced’ (Yin, 1994). The group of firms do not represent the total population, as the researcher is not looking for the frequency of a particular phenomenon. The analysis will not look for inferential statistics to establish the confidence intervals.

The research findings reported in Chapter 5 are based on, in total, of sixteen case study interviews. The ‘ideal’ number of cases is, in the main, judgemental (Yin, 1994) but should be the number deemed necessary or sufficient for the study. There seems to be some consensus that twenty case studies are the maximum required, and between two and ten are often thought adequate. The use of sixteen cases is thus relatively high and can be viewed as sufficient basis for potential theoretical development.
4.1.5 Methodological issues in the use of case studies

It is incumbent on the researcher when using case studies as a basis for theoretical development to ensure that the data, information and analysis are made explicit (Mitchell, 1983; Strauss and Corbin, 1998). This helps the reader evaluate the logic of the argument and validity of the theory and propositions. Throughout the analysis of the data the author has explicitly provided pointers to the sources of the data using codes and references to paragraphs in the case text. This provides the reader with an audit trail to the original documentation.

4.1.6 Triangulation: use of other sources of data

The data and analysis in the research used text collected from the interviews triangulated with data from company documents given to the researcher. Triangulation is defined as “using more than one method or source of data in the study of social phenomena” (Bryman, 2001:274). The data and documents provided by the respondent’s is used in parallel with the primary data to support or add to the knowledge of the organization in terms of products, markets and strategies. All of the responding firms provided the researcher with information ranging from internal company documents, catalogues, books, annual reports and press cuttings. Such triangulation also helps to overcome the problem of ‘mistaken’ memories on the part of interviewees as it facilitate confirmation of a statement(s) via comparison with documentary or other evidence.

4.2 Research in international and comparative contexts

The research, reported in this thesis, is international in nature as it straddles four European countries, but is confined to a single geographic region. International research raises particular methodological issues, one of which is the orientation of the author (Usunier, 1998). Orientation may influence the researcher’s perception of “reality and interpretative frames and the degree of openness to foreign fields of experience, theories and interpretations” (Usunier, 1998:8-9).
Usunier identified six distinct and alternative orientations. Parochial is used to describe studies originating in the USA, carried out by Americans and then extended to incorporate any country with a large population and significant economic and intellectual base. Ethnocentric research covers studies which, according to Adler (1983), attempt to replicate American management research in foreign countries. Polycentric studies, however, attempt to describe, explain and interpret the patterns of management in other countries, while comparative management searches for the similarities and differences in organizations and management. Geocentric studies focus on studying multinationals in several countries to identify the means of unifying management systems for world-wide management. Finally, culturally synergistic studies are interactive and try to build on similarities and differences to create organizational processes, which are world-wide and responsive to local ‘specificity’. According to Adler, (1983) these studies are extremely rare.

The current research is a mix of the ethnocentric and comparative approaches. The study was based in the United Kingdom exploring a body of knowledge with origins in Scandinavia (stage theory) and the USA (contingency theory and the resource-based view) which is then developed through a comparative study of firms located in four European countries. In other words, the existing body of knowledge provides a foundation for the theoretical propositions, which are evaluated and used to develop internationalization theory, based on evidence from firms in France, Italy, the UK and Germany.

**Basic design**

The issue of whether a study is comparative or interactive is problematic. The difference relates to the distinction between a study comparing other cultures and management systems from the ‘outside’ and a study which is observing interactions “between people or organizations from differing cultures” (Usunier, 1998: 9). Usunier observed that the term cross-cultural is often used as a general category for both comparative and interactive research, despite the fact that they are somewhat different. The former compares national management systems and local business customs in various countries, whereas the latter is “centred on the
interaction between business people, organizations, buyers and sellers, employees and managers, who have different national/cultural backgrounds” (Usunier, 1998: 9).

The current research does not directly address the question of cross-cultural interaction, it merely seeks to compare and contrast patterns of internationalization across different countries. The study is therefore defined as comparative and not interactive in nature.

The systemic approach (Whitley, 1992; Whittington, 2001) to international research adopts the position that different national governments, cultures, business systems and institutions are major determinants of organizational behaviour. Other authors (Peters and Waterman, 1982) argued that corporate culture, rather than national, is the key influence on management. Others have searched for a link between competitive advantage of nations and differences in corporate cultures (Ouchi, 1981) associated with country specific approaches to management.

These strands of research tend to look for ‘successful’ models or the ‘ideal’ management system and so as this research is often based upon North American or, more recently, Asian models it could be described as parochial or ethnocentric. One of the strengths of the doctoral research is that it incorporates various national contexts and specific organizational environments, and so the findings may or may not challenge the existing systemic or organizational models.

Cultural Issues

International research may identify differences between countries in terms of a number of observed variables, however it is over simplistic to assume that the only relevant influence is national culture. A number of writers suggest that other sources of culture such as industry or education, may be exerting an influence. Boyacigiller, Kleinberg, Phillips and Sackmann, (1996) referred to this as the ‘multiple cultural perspective’, arguing that a pluralistic set of influences impact on individuals and organizations. In terms of the doctoral research the influences are likely to be multiple, and may include firm size, industrial sector and/or growth
rate. The theoretical framework outlined in Chapter 3 includes consideration of the possible differences between the internationalization strategies of firms that may be caused by cultural variations. These variations may be linked to either the industry environment or the country environment. Industry level variations may be the result of differences in the extent of the internationalization or globalization of the firm’s own industry and/or the industry of its key customers: this is termed the ‘industry culture’. Similarly, the country environment may impact on the internationalization processes of the firm due to specific national cultural characteristics. These may include the language of the country, and the respondents’ perception of themselves and their own cultures. It is possible for culture to influence the entrepreneur’s choice of markets. For example, he/she may try to target psychologically close countries where the language and cultural traits are similar. National culture can also influence the mode of market entry. In high context cultures such as Italy, for example, entrepreneurs hold the view that it is necessary to build relationships that are based on trust and knowing your foreign partner. This view contrasts with the need for control in relationships amongst Germanic cultures or lower trust, low context cultures (Anglo-Saxon countries) (Hofstede, 1991; Trompenaars, 1993).

The theoretical work on the potential for cultural variation in approaches to internationalization is picked up as a component of research proposition 1. RP 1-1 recognizes that industry type may affect internationalization strategy, and in so doing it analyses the impact of industry culture. RP 1-2 incorporates the possible impact of national culture on the process of internationalization.

**Language**

Language in international research can be a significant issue, not just for technical reasons and the need to ensure equivalence in translation, but also because language may shape “the individual and collective world views of those who speak a particular language” (Usunier, 1998). A further issue in multiple-language research is that an idea or concept may be unique to a particular language (Glenn, 1981). In the course of the research, the author encountered a small number of
situations in which additional explanation or discussion was required because there was not a direct foreign language equivalent to a word or term. However, language or culturally specific concepts were rarely raised by the respondents.

Another issue in international research involving different languages is whether to use a professional translator. The advantage of using a translator is total fluency in the foreign language, which reduces the risk of losing key information from the interview or misunderstanding the respondent. The disadvantages of using a translator are that he or she may give a literal translation, without understanding the particular concepts and language of the specific research. Furthermore, the use of translator’s adds a significant cost to the research.

All of the potential problems identified above were addressed by the researcher carrying out the interviews in the preferred language of the interviewee. They were given the choice of using their native language or English. The interviews were conducted without the use of a translator because this ensured that the interview remained under the control of the interviewer, and the process was not interrupted by discussions between the translator and the researcher or respondent. Table 5 summarizes the languages used in each interview.
The researcher used Italian, French and German in the interviews and, with the exception of two interviews in Italy, respondent’s accepted the use of a tape recorder.

4.3 Population and sample selection-the research contexts

The choice of the population of firms was the subject of much thought in the first two years of the doctorate. The initial criteria and profile of the firms for the field research were related to the experience of the author and defined by:

1. Spatial location: Based in Europe (initially the UK, Germany and Italy).
3. Organizational size: Small-to-Medium Sized Firms.

Telephone and postal questionnaires were used to identify the final 500 companies that were perceived as wealth and job creators in Europe (screening carried out by EC researchers). The defining characteristics of these organizations are summarized in table 6.

<table>
<thead>
<tr>
<th>COUNTRY/CASE</th>
<th>RESPONDENTS LANGUAGE</th>
<th>MIX OF ENGLISH &amp; RESPONDENTS LANGUAGE</th>
<th>ENGLISH ONLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany-Case 1 Software</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Germany-Case 2 Metal-mechanic</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Germany-Case 3 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany-Case 4 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany-Case 5 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany-Case 6 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France-Case 7 Software</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>France-Case 8 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France-Case 9 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy-Case 10 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy-Case 11 Electronic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy-Case 12 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy-Case 13 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy-Case 14 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK-Case 15 Software</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK-Case 16 Metal-mechanic</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The total turnover of the 500 companies grew from ECU 15.2 billion in 1991 to ECU 43.8 billion in 1996. The cumulative increase over 5 years was 187% or an annual average compounded rate of 23% in the 17 European Union (EU) countries (European Commission, 1997). In terms of job creation the total employment grew from 164,000 (1991) to 347,000 (1996), an average annual growth rate of 16% or a cumulative 112% over the five-year period (European Commission, 1996).

The rapid growth, in terms of both revenue and employment, of these firms indicated that they could be regarded as a distinctive group. For research purposes, this offered the opportunity to assess whether firms from different countries, straddling a range of industrial sectors, pursued different/unusual patterns of internationalization to those suggested by the literature. The 500 firms in the EU study thus became the population from which the sample was selected. Sixteen case study firms were chosen for in-depth interviews. The final criteria and profile for selecting the firms were as follows:

Table 6 Definition of the population - dynamic entrepreneurs

- Entrepreneurial involvement: entrepreneur(s) own a minimum of 15% of the company's equity.
- Independence: not part (subsidiary) of another company or group, and have no industrial shareholder with more than 50% of the company's equity.
- Growth in turnover: by at least 50% between 1991-1996, and sustained (or projected to be sustained) into 1997.
- Organic growth: both the increases in turnover had to be generated largely by organic growth.
- Profitability: the company should have been profitable in 1996 or 1997.
- Minimum size: a minimum of 50 employees in 1996.
- Average number of employees in 1994 equalled 240.
- Minimum 3 years old: companies founded after 1994 were excluded.

Phase 1 selection of the firms

<table>
<thead>
<tr>
<th>Criterion 1: Entrepreneurial involvement-privately owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion 2: High growth in terms of revenue and employment.</td>
</tr>
<tr>
<td>Criterion 4: Located in France, Germany, Italy and the UK.</td>
</tr>
<tr>
<td>Criterion 5: Employing between 100-499 in 1996 (middle-sized rather than small firms).</td>
</tr>
<tr>
<td>Criterion 6: Minimum of 5% export sales</td>
</tr>
</tbody>
</table>

The criteria and profiling of the firms evolved as the literature search progressed, (Strauss and Corbin, 1998) with the realization that there were several studies of SMEs, but few examining the internationalization process of fast growth firms. In the research a fast growth firm is defined as an organization that has increased revenues by 50% between 1991-1996 and projected to grow by the same amount in 1997. Furthermore, criterion 5 emerged out of the recognition that many of the internationalization studies focus on small firms (less than 100 employees) and there is only limited empirical evidence on medium-sized firms (100-499 employees).

According to Strauss and Corbin (1998) any grounded theory should be linked to the conditions that gave rise to it including the ‘macroscopic’ environment. The limited evidence relating to medium-sized firms may simply be a consequence that there are a few of them, as Table 7 demonstrates. The phenomenon of internationalization is thus being developed within the broader context of medium-sized firms in Europe.

Table 7 details the number of firms within each class size across 16 European countries (12 EU and 4 European Free Trade Area [EFTA] countries). Medium-sized firms accounted for 15.3% of the total employment but only 0.5% of enterprises.
### Table 7 Firm Size by Employment Category and Number of Employees

<table>
<thead>
<tr>
<th>SME</th>
<th>Micro 0-9</th>
<th>Small 10-99</th>
<th>Medium 100-499</th>
<th>Total 0-499</th>
<th>Large 500+</th>
<th>LSE Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises (1,000)</td>
<td>15,210</td>
<td>31,450</td>
<td>2,045</td>
<td>16,330</td>
<td>99,915</td>
<td>16,345</td>
</tr>
<tr>
<td>Employment (1,000)</td>
<td>15,450</td>
<td>25,450</td>
<td>204</td>
<td>72,450</td>
<td>71.5</td>
<td>101,350</td>
</tr>
<tr>
<td>Average employees</td>
<td>2</td>
<td>24</td>
<td>204</td>
<td>4</td>
<td>2,064</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: The European Observatory for SMEs, 1995:46

It is, therefore unsurprising that these medium-sized firms have been somewhat neglected in management research.

Furthermore, since the central purpose of the doctorate is to develop a theoretical framework in the area of internationalization, the author realized that researching SMEs in general might not lead to new insights. Consequently, one of the important criterion used to identify the sample became firm size.

There are, however, problems of variation in the definitions of firm size with some measures being revenue based and others dependent upon employment data. The doctoral research has adopted the number of employees as a measure of firm size as this is the most commonly used European definition (The European Observatory for SMEs, 1995; EIM Small Business and Research Consultancy, 1999).

The size groupings used by DGXX11 are four-fold: micro (0-9 employees), small (10-99 employees), medium-sized (100-499) and large-scale (500+ employees). Elsewhere, however, the EU defines (February 1996) micro firms up to 9 employees, small firms maximum employees of 49, maximum annual turnover of 7 million euros and a maximum balance sheet total of 5 million euros; medium firms maximum of 249 employees, maximum annual turnover of 40 million euros and a maximum annual balance sheet total of 27 million euros (Small Business Service, 2002). For the purposes of the research, the DGXX111 definition was used, with the result that the sixteen firms chosen fit into the medium-sized category.
The critical range of employee numbers that is used to identify the medium-sized firm is comparable to the ranges deployed in other published research. Corbetta's study, (2002) of Italian organizations defines medium-sized as firms employing from 250 to 1,000 and revenues ranging from 25 to 500 million Euro. Bruni (1987: 39) used a range size of "those with a workforce of 200-499 employees". The Atherton and Scott, (2002) study applied a range of 100-600 employees to categorize medium-sized firms in the UK.

Some researchers argue that there is a need to incorporate a qualitative dimension to the definition of medium-sized firms (Corbetta, 2002; Simon, 1996; Butera, 1998) but this is difficult to operationalize in practice. One point of consensus among researchers is that medium-sized firms tend to be grouped together with small businesses and that:

"This grouping does not fully take into account the differences that exist between an enterprise with a few dozen employees operating at a local level, and an enterprise with some hundreds of employees which competes in international markets" (Corbetta, 2002:3).

This distinction between small and medium-sized firms is particularly relevant to the doctoral research because internationalization processes and patterns may be sensitive to firm size. Lindqvist's study, (1997) included some medium-sized firms, but it is observed that:

"There are considerable differences between firms with ten employees and those with 150 employees in terms of access to internal resources, such as management and financing", (page 321).

Lindqvist does not discuss the differences in detail. However, in the context of international strategic development and the growing importance of resource-based theory, the acknowledgement of size differences helps to justify the choice of a medium-sized firm base for the research. Consequently, the research concentrates on using case study analysis to develop the theory of internationalization in medium-sized firms with between 100 and 499 employees.
It is only recently that research has started to distinguish between small and medium-sized firms with very few studies dedicated to exploring the similarities and differences (Atherton and Scott, 2002). However the research has identified a potential further distinction within the medium-sized firm category, between ‘small’ medium-sized firms (100 employees) and ‘large’ medium-sized firms (500 employees). In the discussion of findings in Chapter 5 it is noted that the two tiers of medium-sized firms differ in respect of the level of formalization of international strategies and organizational structures.

### 4.3.1 Why it is important to study fast growing firms

The European study of fast growth firms has its antecedents in the work of David Birch in North America. Birch analyzed data on small firms in the US to identify employment creation and growth. One of the conclusions the research came to was that:

"Not all small firms are growing; in fact most are not. Many large firms are doing very well. The closer you look, the more useful it becomes to describe firms, not in terms of how big they are, but in terms of what they are doing" (Birch, Gundersen, Haggerty, and Parsons, 1999: 6).

This implies firm size is not necessarily the main factor in firm growth and that entrepreneurship is not necessarily associated with small firms. Birch, Gundersen, Haggerty, and Parsons, (1999) classified companies in the study using animals as nicknames:

- Elephants: The large, publicly traded firms,
- Mice: The small firms that start and grow very little, and
- Gazelles: The mostly smaller firms that start with the intent to grow, and pull it off” (page 6).

The ‘gazelles’ represented 4% of the firm population in the US but accounted for more than 95% of the growth in employment between 1994 and 1998. According to the Birch analysis, these firms created 10.7 million jobs in an economy that, in
total, added 11.1 million over the period. The EU study of dynamic entrepreneurs is not directly comparable with the Birch research as the former takes as a base point firms with at least 40 employees, and the latter included organizations with employees of 1-40. Nonetheless, if fast growing firms create substantial new employment opportunities, then research such as the doctoral work, which identifies how they do this, is of potential economic as well as intellectual importance.

4.3.2 Final case selection

The researcher drew up a list of thirty firms that matched the criterion of company size, sector and country. The companies were contacted by telephone to establish whether they were involved in exports and willing to participate in the study. If they were exporters and were interested in participating in the research then a letter was sent to explain the main purpose of the study (see Appendix I). This was followed up by further telephone calls, and confirmation of an interview date and time. This resulted in sixteen firms qualifying for and willing to take part in the study. Interviews were sought with the owner-director or a senior manager with a specific and detailed knowledge of the firm, and its international business. These were followed up with a fax explaining the purpose of the research. Each of the potential and actual respondent companies required 2-8 contacts before finalizing an interview.

<table>
<thead>
<tr>
<th>Phase 2 the process of selecting and contacting the case firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 30 companies contacted by telephone and follow up letter</td>
</tr>
<tr>
<td>2. 16 companies agreed to participate in the study after further qualification that they exported between 5-10% of sales. Ten companies did not export, and four refused to participate in the study.</td>
</tr>
</tbody>
</table>

4.4 Questionnaire design

The questionnaire was designed to meet the main purpose of the study, in other words to develop the theory of the internationalization of the firm (see Appendix II). The questions for the case interviews were based on previous studies (Haahti, 1995; Perks, Bell, and Ruggeri-Stevens, 2000b) and extensive experience in
international business by the author. The previous experience of a researcher in the field under study is regarded by Miles and Huberman (1994) as extremely important in determining relevant areas for questioning.

The questions were open-ended, but based on specific issues related to how the firm's expanded their business outside of the domestic market. They were designed to prompt and encourage discussion by the respondent's about their company, its history, when exports started, how they started and why the firm began to export. Questioning was then adapted to accommodate the specific approach taken by each firm towards international business development.

In exploring and developing theory, the researcher needed to be conscious of the dangers of imposing a preconceived framework and set of concepts based on existing literature and prior knowledge (Strauss and Corbin, 1998). The strength of qualitative research grounded in the actual experiences of the respondents and their companies is the opportunity to discover new approaches and concepts (Glaser and Strauss, 1967; Miles and Huberman, 1994). As such the researcher was conscious of the need to avoid the use of leading questions and attempting to prompt for responses, which would 'fit' the framework established during the literature search. The free flowing open-ended questioning method allowed the respondent to report on his/her experiences, which may or may not correspond with existing frameworks.

<table>
<thead>
<tr>
<th>Phase 3 Questionnaire design</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Designed for the research objective of theoretical development.</td>
</tr>
<tr>
<td>2. Open-ended but grouped around themes related to understanding the firm, the entrepreneur and internationalization.</td>
</tr>
<tr>
<td>3. Designed around previous research and experience.</td>
</tr>
<tr>
<td>4. Flexibility in use to adjust to evolving themes grounded in the experience of the entrepreneurs.</td>
</tr>
</tbody>
</table>

4.5 Data collection

The interviews with the respondent's in Italy were completed in May 1998 and May 1999. The German, French and British interviews were carried out in August 1998 (Germany), October 1998 (France and Britain) and August/September 1999.
(France and Germany). The data was collected using a combination of note taking and tape recorder. The notes and tapes were written up immediately after the interview (Miles and Huberman, 1994). Each interview lasted 1-3 hours, with some supplemented by tours of the respondent’s facilities. Once all of the tapes were transcribed, the case studies were typed into the Nvivo data base for the analysis. This was supplemented with data provided by respondent’s in the form of annual reports and internal documents (Strauss and Corbin, 1998).

<table>
<thead>
<tr>
<th>Phase 4 data collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interviews in the UK, France, Germany and Italy.</td>
</tr>
<tr>
<td>2. Write up of tapes and interview notes. Input transcripts into Nvivo software.</td>
</tr>
<tr>
<td>3. Supplemented with internal company reports</td>
</tr>
</tbody>
</table>

4.6 Data coding and analysis

The issue of data coding is connected to the approach taken towards research methodology. Researchers in the interpretative school of qualitative research feel that any pre-coding of data bounds the study in the terms and thinking of the researcher. Some qualitative researchers do not code data at all, because a reduction in text may lead to the omission of essential opinions, comments and important facts and events. The researcher used a coding system because it fits with the aim of theoretical development. Coding and analysis interact and are part of the conceptualization and theorizing process (Strauss and Corbin, 1998).

The coding system used was based on the structure of the questionnaire, and the data was coded and analyzed in three stages using the Nvivo Nudist software. This allows the researcher to go through several iterations and interpretations from micro-analysis to the linking of concepts and propositions (Strauss and Corbin, 1998). The software also allows for the creation of a full audit trail to the original data source. This is made explicit in the thesis in the form of paragraph numbering. The research can thus track the respondent’s statement back to the original interview transcript in the data base.
4.6.1 First level coding and analysis

The first-level application of the coding system used differing fonts, underlining, bolding and colouring for each main category of questions. The coding categorized themes and patterns within each case study, based on the structure of the questionnaire (see Appendix III). The themes were as follows:

- Theme 1: Getting to know the company.
- Theme 2: Decision making process and market evolution/dynamics of the international development process.
- Theme 3: Getting to know how the company relates with its customers domestic and international.
- Theme 4: Getting to know how the managers deal with relationships with distributors/licensees/joint-ventures/partnerships.
- Theme 5: Relationships with subsidiaries.
- Theme 6: Time spent in foreign markets.

4.6.2 Second level coding and analysis

The second level of analysis coded the case documents into 28 free nodes within the Nvivo system (see Table 8). This enabled the researcher to identify cross-case patterns and replications, (Yin, 1994) and differences.

This analysis made it possible to develop a profile and interpretation of the firms’ strategies, cultures and the entrepreneurs’ mindset (see section 2 in this chapter). The coding was also used to develop and explain some of the processes, patterns and strategies of internationalization that are described and explained in Chapter 5, and link them back to the theoretical framework developed in Chapter 3.
### Table 8 Stage 2 coding and analysis free nodes

**NVivo revision 1.1.127**

**Project:** PhD Internationalization Fieldwork **User:** Keith John Perks  
**Date:** 30/08/01 - 10:42:06

**NODE LISTING**

| Nodes in Set: All Free Nodes
| Created: 30/01/01 - 16:02:50  
| Modified: 30/01/01 - 16:02:50  
| Number of Nodes: 28 |

| 1 | DEC-COMP | Decision to internationalize-competition |
| 2 | DEC-CUST-DEMAND | Decision to internationalize-customer demand |
| 3 | DEC-HOM-SAT | Decision to internationalize home market saturation |
| 4 | DEC-PLAN | Decision to internationalize planned |
| 5 | DEC-SUPPLY | Decision to internationalize-by supply |
| 6 | EXPORT-GLOB-VISION | Decision to internationalize-global vision |
| 7 | GETKNOWCO-CULT | Getting to know the company culture |
| 8 | GETKNOWCO-General | Getting to know the company in general |
| 9 | GETKNOWCO-HOW-WHY | Getting to know the company how/why internationalize |
| 10 | GETKNOWCO-LEV-INTBUS | Getting to know the company-level of international business |
| 11 | GETKNOWCO-NO-PLAN | Getting to know the company-no plans |
| 12 | GETKNOWCO-NO-STAFEXP | Getting to know the company-number of export staff |
| 13 | GETKNOWCO-ORG | Getting to know the company-organization |
| 14 | GETKNOWCO-SENS-ST | Getting to know the company-sense of strategy |
| 15 | GETKNOWCO-STEXP | Getting to know the company-when started to export |
| 16 | GETKNOWCO-USE-PLAN | Getting to know the company-use of plans |
| 17 | GETKNOWCO-WHINTLM | Getting to know the company-which international markets |
| 18 | Interview language | Language used in the interview |
| 19 | MKT-ENT-MODE | Market entry mode |
| 20 | MKTDYN-CH-VIEW | Market dynamics-change of views since exporting? |
| 21 | MKTDYN-ENT-SEQ | Market dynamics-sequential market entry |
| 22 | MKTDYN-ENT-SIM-RAP | Market dynamics-simultaneous rapid market entry |
| 23 | MKTDYN-NEG-EXP | Market dynamics-exporting a negative experience |
| 24 | MKTDYN-POS-EXP | Market dynamics-exporting a positive experience |
| 25 | MKTDYN-SENS-COM | Market dynamics-sense of commitment |
| 26 | MOS-INT | Business mostly international |
| 27 | MOST-DOM | Business mostly domestic |
| 28 | TIME-MARKET | Time spent in international markets |

### 4.6.3 Third level coding and analysis

The data coding and analysis in this stage broke the data down to develop the influences on internationalization and the theoretical framework. The data was coded into ‘tree-nodes’ that allowed for further grouping and analysis of the information (see Table 9).
### NODE LISTING

**Nodes in Set:** All Tree Nodes  
**Created:** 30/01/01 - 16:02:50  
**Modified:** 30/01/01 - 16:02:50  
**Number of Nodes:** 18

<table>
<thead>
<tr>
<th>Node Path</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (1) /internationalization process</td>
<td>Industry and culture as a determinant of internationalization</td>
</tr>
<tr>
<td>2. (11) /internationalization process/industry determinant</td>
<td></td>
</tr>
<tr>
<td>3. (11) /internationalization process/industry determinant/Cultural determinant</td>
<td></td>
</tr>
<tr>
<td>4. (1) /internationalization process/product as determinant</td>
<td></td>
</tr>
<tr>
<td>5. (1) /internationalization process/market demographics</td>
<td></td>
</tr>
<tr>
<td>6. (1) /internationalization process/buyer behaviour</td>
<td></td>
</tr>
<tr>
<td>7. (1) /internationalization process/business unit history owner</td>
<td></td>
</tr>
<tr>
<td>8. (2) /Approaches to customers</td>
<td></td>
</tr>
<tr>
<td>9. (2) /Approaches to customers/ACTAPP-EU-INT</td>
<td></td>
</tr>
<tr>
<td>10. (2) /Approaches to customers/PASAPP-EU-INT</td>
<td></td>
</tr>
<tr>
<td>11. (2) /Approaches to customers/Customer orientation</td>
<td></td>
</tr>
<tr>
<td>12. (3) /Direct export</td>
<td></td>
</tr>
<tr>
<td>13. (3) /Direct export/RELCUST-DOM</td>
<td></td>
</tr>
<tr>
<td>14. (3) /Direct export/RELCUST-EU-INT</td>
<td></td>
</tr>
<tr>
<td>15. (3) /Direct export/INTBUS-DOM</td>
<td></td>
</tr>
<tr>
<td>16. (3) /Direct export/INTBUS-FO-DOM</td>
<td></td>
</tr>
<tr>
<td>17. (4) /Use of partners</td>
<td></td>
</tr>
<tr>
<td>18. (5) /Use of subsidiaries</td>
<td></td>
</tr>
</tbody>
</table>
4.7 Presentation of results

The analysis of qualitative data raises the issue of how to present the results. Some scholars argue that qualitative data by its very nature cannot be quantified. Others (Bryman, 2001) take the view that some quantification is necessary to avoid the use of general and vague statements such as a ‘few’, ‘several’ or ‘many’. Researchers that use qualitative methodology have, therefore also used quantitative measurements (Gabriel, 1998) such as counts of common statements or themes. The doctoral research uses very limited quantification, and so follows the logic of analytic generalization rather than attempting to make statistical inferences based on the positivist epistemological position.
Section 2 Case study profiles

4.8 A profile of the case firms and comparisons with the population

4.8.1 The respondents

The respondents (interviewees) were either the individual entrepreneur or a delegated senior manager who had knowledge of and/or responsibilities for international business. All were male, with ages ranging from 25-65. The respondents individual and organizational profile are outlined in Table 10.

<table>
<thead>
<tr>
<th>Case</th>
<th>Country</th>
<th>Sector</th>
<th>Respondent Age(s)</th>
<th>Position(s)</th>
<th>Nr. of respondents</th>
<th>Sex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>Software</td>
<td>25 &amp; 30</td>
<td>Marketing director &amp; public relations manager</td>
<td>2</td>
<td>male</td>
</tr>
<tr>
<td>2</td>
<td>Germany</td>
<td>Software</td>
<td>30</td>
<td>Marketing director</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>Metal-mechanic</td>
<td>30</td>
<td>Director of operations and systems</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>4</td>
<td>Germany</td>
<td>Electronic</td>
<td>50</td>
<td>Owner - entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>Electronic</td>
<td>45</td>
<td>Owner - entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>Electronic</td>
<td>45</td>
<td>Owner - entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>7</td>
<td>France</td>
<td>Software</td>
<td>27</td>
<td>Marketing manager</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>Metal-mechanic</td>
<td>30 &amp; 35</td>
<td>Export director &amp; financial controller</td>
<td>2</td>
<td>male &amp; female</td>
</tr>
<tr>
<td>9</td>
<td>France</td>
<td>Electronic</td>
<td>45</td>
<td>Corporate affairs director</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>10</td>
<td>Italy</td>
<td>Electronic</td>
<td>45 &amp; 25</td>
<td>Owner-entrepreneur &amp; export manager</td>
<td>2</td>
<td>male &amp; female</td>
</tr>
<tr>
<td>11</td>
<td>Italy</td>
<td>Electronic</td>
<td>40</td>
<td>Owner-entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>12</td>
<td>Italy</td>
<td>Metal-mechanic</td>
<td>65</td>
<td>President-owner entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>13</td>
<td>Italy</td>
<td>Metal-mechanic</td>
<td>50</td>
<td>Administrative director-owner entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>14</td>
<td>Italy</td>
<td>Metal-mechanic</td>
<td>50 &amp; 55</td>
<td>President-owner entrepreneur &amp; Quality manager</td>
<td>2</td>
<td>male</td>
</tr>
<tr>
<td>15</td>
<td>UK</td>
<td>Software</td>
<td>35</td>
<td>Joint MD-owner entrepreneur</td>
<td>1</td>
<td>male</td>
</tr>
<tr>
<td>16</td>
<td>UK</td>
<td>Metal-mechanic</td>
<td>30 &amp; 35</td>
<td>Quality manager &amp; Sales manager</td>
<td>2</td>
<td>male</td>
</tr>
</tbody>
</table>

All of the respondent owner-entrepreneurs’ were male with ages ranging from 35-65 years old. The entrepreneurs’ in the Europe 500 forming the population from which the sample was selected, were mainly in the age group 45-54 years and predominantly male. This age profile has been confirmed by other research studies.
In other studies of entrepreneurial companies in the US (Clifford and Cavanagh, 1985) and Germany (Simon, 1996) there was not a female entrepreneur among the high growth companies. In a study of fast-growing unquoted companies in the UK, the sample contained 11% women entrepreneurs (Stevenson and Webb, 1998). The issue of the relative shortage of female entrepreneurs has been identified in a major international study of entrepreneurship (Reynolds, Hay and Camp 1999).

4.8.2 Location of the firms

The locations of the firms' in the research have been analyzed by city, town or country location. Research on high-technology regions and clusters (Keeble and Wilkinson, 2000) has identified a trend towards rural locations:

"The spatial dispersion of technology based industry represents part of a wider 'urban-rural shift' which has been going on since the 1970's...which seems to reflect the impact of enterprising behaviour in the form of enterprise creation by entrepreneurs, professionals and technologically qualified individuals who have earlier moved from, big cities to smaller towns and accessible villages for reasons of environmental preferences and higher perceived quality of life for themselves and their families" (Keeble and Wilkinson, 2000:8)
Several of the firms are located in rural areas and none of them located on industrial estates. They are based either in the urban centre or on the fringes of the city, town or village (see Table 12).

<table>
<thead>
<tr>
<th>CASE NUMBER</th>
<th>CITY LARGE TOWN URBAN LOCATION</th>
<th>SMALL TOWN RURAL LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Software) South Germany</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>(Software) North Germany</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>(Metal-mechanic) South Germany</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>(Electronic) North Germany</td>
<td>South Germany</td>
</tr>
<tr>
<td>5</td>
<td>(Electronic) North Germany</td>
<td>South Germany</td>
</tr>
<tr>
<td>6</td>
<td>(Electronic) North France</td>
<td>North France</td>
</tr>
<tr>
<td>7</td>
<td>(Software) North France</td>
<td>South France</td>
</tr>
<tr>
<td>8</td>
<td>(Metal-mechanic) North France</td>
<td>North Italy</td>
</tr>
<tr>
<td>9</td>
<td>(Electronic) North Italy</td>
<td>South France</td>
</tr>
<tr>
<td>10</td>
<td>(Electronic) North Italy</td>
<td>North Italy</td>
</tr>
<tr>
<td>11</td>
<td>(Electronic) North Italy</td>
<td>North Italy</td>
</tr>
<tr>
<td>12</td>
<td>(Metal-mechanic) North Italy</td>
<td>North Italy</td>
</tr>
<tr>
<td>13</td>
<td>(Metal-mechanic) North Italy</td>
<td>North Italy</td>
</tr>
<tr>
<td>14</td>
<td>(Metal-mechanic) North Italy</td>
<td>North Italy</td>
</tr>
<tr>
<td>15</td>
<td>(Software) South UK</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>(Metal-mechanic) South UK</td>
<td></td>
</tr>
</tbody>
</table>

4.8.3 *Firm foundations, employee size and revenues*

There is an even balance between firms started-up by individuals, and those started by partners or a team. An interesting contrast is between the German firms who accounted for most of the team start-ups and partnerships, and the French and Italian organizations that were mainly started by individuals (see Table 13).
The oldest organization in the group of case studies was founded in 1872 and the youngest firm started up in 1994. Most of the organizations were founded in the 1970's and 1980's that is in the last 27 years. Taking the first year of the field work research as 1998 the average age of the organizations was 23 years. Taking out the two extremes of the oldest (176 years) and the youngest (4 years) the average age of the firms at 17 years was comparable to the average for the total population of 500 firms (European Commission Europe 500 Report, 1996).

As already indicated, the firms in the study were selected according to the number of employees taken from the Europe 500 listing (European Commission Europe 500, 1997) for 1996. Table 14 includes the number of firm employees at the time of the interviews to demonstrate the overall continued growth in this measure. The majority of the companies in the Europe 500 studies were in the middle-sized firm category of 100 to 499 employees in 1996, but fast growth meant that by 1997 the mean employment figure was 741 employees (Table 15).
The tables show that the medium-size criterion is met by all of the selected firms.

### 4.8.4 Revenue growth comparisons between the population and the sixteen cases

Table 16 summarizes the revenue growth rates of the case firms, making comparisons with the total population and analyzed by both country and industrial sector. The countries selected for the study represent 58% of the population of fast growth firms in 17 European countries. The number of organizations is evenly spread across the four countries with the highest proportion of fast growth firms in Germany, followed by the UK, Italy and France. The cumulative growth in turnover over the period 1991-96 has been higher in these four countries (320%) compared to the overall growth of the population of 500 in total (288%). When the analysis is disaggregated further to compare the growth of the case study firms' with the four countries and overall population the sample case firms have performed better with a cumulative growth in turnover of 409%. 
Table 16 Comparison of the revenue growth statistics of the sample firms with the total population of dynamic firms by country

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>NR. OF CO TOT (1)</th>
<th>% (2)</th>
<th>TOTAL T/O IN ECU (BILL.) 1991</th>
<th>TOTAL T/O IN ECU (BILL.) 1996</th>
<th>CUM. T/O GROWTH RATE 1991-96 %</th>
<th>CASE FIRMS T/O 1991 ECU (MILL.)</th>
<th>CASE FIRMS T/O 1996 ECU (MILL.)</th>
<th>CUM. T/O GROWTH RATE 1991-96 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>84</td>
<td>17</td>
<td>2.99</td>
<td>9.63</td>
<td>322</td>
<td>48</td>
<td>215</td>
<td>551</td>
</tr>
<tr>
<td>France</td>
<td>58</td>
<td>12</td>
<td>1.41</td>
<td>3.68</td>
<td>261</td>
<td>17</td>
<td>77</td>
<td>453</td>
</tr>
<tr>
<td>Italy</td>
<td>72</td>
<td>14</td>
<td>1.78</td>
<td>5.36</td>
<td>301</td>
<td>53</td>
<td>186</td>
<td>351</td>
</tr>
<tr>
<td>UK</td>
<td>75</td>
<td>15</td>
<td>0.88</td>
<td>3.90</td>
<td>443</td>
<td>3</td>
<td>17</td>
<td>567</td>
</tr>
<tr>
<td>Total 4 countries population</td>
<td>289</td>
<td>58</td>
<td>7.06</td>
<td>22.57</td>
<td>320</td>
<td>121</td>
<td>495</td>
<td>409</td>
</tr>
<tr>
<td>Total population 17 countries</td>
<td>500</td>
<td>100</td>
<td>15.2</td>
<td>43.8</td>
<td>288</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Europe's 500 Report—Europe's Most Dynamic Entrepreneurs-The 1997 Job Creators and authors adaptation Notes: (1) Total number of Europe 500 companies in total per country (2) each countries percentage of the overall population.

In the analysis of the cumulative turnover growth at the country level, the case firms are growing faster than the respective organizations in the population. A further analysis of the overall population of firms examines the turnover growth in the sectors selected for the study (see Table 17). Within the population of 500 firms, the three sectors (metal-mechanic, software and electronics) represent 34% of the total firms in contrast to the 26% of the total revenues in 1996.
<table>
<thead>
<tr>
<th>SECTOR DESCRIPTION</th>
<th>TOTAL FIRMS EACH SECTOR</th>
<th>% OF TOTAL</th>
<th>TOTAL T/O ECU (BILL.) 1991</th>
<th>% OF TOTAL</th>
<th>TOTAL T/O ECU (BILL.) 1996</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal industry/industrial machinery &amp; equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIC 3300-3599</td>
<td>52</td>
<td>10</td>
<td>0.89</td>
<td>6</td>
<td>2.55</td>
<td>6</td>
</tr>
<tr>
<td>Electronic &amp; other electrical equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIC 3600-3699</td>
<td>44</td>
<td>9</td>
<td>1.03</td>
<td>7</td>
<td>2.87</td>
<td>7</td>
</tr>
<tr>
<td>Computer &amp; internet services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIC 7370-7399</td>
<td>75</td>
<td>15</td>
<td>1.33</td>
<td>9</td>
<td>5.88</td>
<td>13</td>
</tr>
<tr>
<td>Total sub population</td>
<td>171</td>
<td>34</td>
<td>3.25</td>
<td>22</td>
<td>11.30</td>
<td>26</td>
</tr>
<tr>
<td>Total population</td>
<td>500</td>
<td>100</td>
<td>15.20</td>
<td>100</td>
<td>43.80</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Europe’s 500 Report—“Europe’s Most Dynamic Entrepreneurs-The 1997 Job Creators and authors adaptation. Note (1) SIC= Standard Industrial Classification

The metal and electronic manufacturing sectors have grown in terms of total revenues over the period but only in line with the firms in the total population and remain a similar proportion of the overall firms. However, the computer service and internet companies have increased in proportion of the overall sales of the 500 companies from 9% in 1991 to 13% in 1996. This reflects the growing demand for software services in general and internet/intranet services in particular. The overall cumulative growth of the 500 firms’ compared with the case companies by sector in Table 18 shows that the case firms are growing faster overall. This fits with the criterion for selection of only fast growing firms.
4.8.5 Exports of the case firms

The level of exports among the case firms ranges from 5-50%. Determining the level of export sales as a pre-requisite for defining an international firm is problematic. McDougall, (1989) in defining an international new venture chose 5% as the minimum level, however any figure would be arbitrary and judgemental. The most common measure is the proportion of export to domestic sales, and Bürgel’s study used a figure of 10% foreign sales as the defining point of an international firm (Bürgel, 2000). Other authors (Sullivan, 1994) have criticized the use of a single measure of internationalization and have created indices of combined indicators. Interestingly, Sullivan added two attitudinal measures of internationalization, namely a top managers international experience and psychic dispersion of international activities. These variables were questioned by other researchers (Ramaswamy, Groeck and Renforth, 1996) on methodological grounds, because they are viewed as difficult to measure. Dichtl, Koeglmayr and Mueller (1990) however demonstrated the possibility of measuring and operationalizing managers international background and orientation.
The case studies reported in this thesis showed that an export figure might not be certain and easily measured, because respondents gave estimates and ranges rather than an exact figure. Furthermore, some respondents could not disaggregate export sales from domestic sales. For example, where a domestic customer placed an order, part of which was for home use and part for an overseas subsidiary the breakdown could not be made. A further difficulty of identifying an exact figure for export sales is the significant variance on the basis of a single order, or dependent on sales of a particular product or division of the company (Turnbull, 1993). In-depth case research was able to identify these problems. Despite all of these difficulties, however the proportion of export sales is a useful guide to the level of international activity for each firm.

The level of export activity of the firms' is similar to levels found in the Europe 500 study (1996) of medium-sized firms. The average level of exports for the case firms is 26%, which is higher than the averages for firms in other studies (Perks, Bell and Ruggeri-Stevens, 2000b; Keeble, 1997) but lower than the average exports in other studies (Keeble, Lawson, Lawton Smith, Moore and Wilkinson, 1998).

4.8.6 The case firms products and technologies

Several of the firms' in the three sectors are engaged in the production or design of complex products and systems. Those firms producing standard products or engaged in close interaction with their customers are required to set up integrated technical, commercial and supply systems. The software firms all design a mixture of bespoke or packaged software solutions, requiring a close interaction with customers. The metal-mechanic firms are a mixture of metal-formers, metallizers, component manufacturers and plant transfer companies. The products and technologies include relatively standard products and components with integrated supply, or complex product technologies and industrial systems requiring technical co-operation with customers. The electronics companies are manufacturers of hardware systems for intranets and the internet, active electronic components such as random access memories, computer aided design systems, speech technologies, modems and electronic boards for computer graphics. Many of the firms' work
closely with their customers on research, development and design. Appendix IV (a) summarizes the products, technologies and services of the firms.

4.8.7 Ownership, organizational structures and control: overview of all firms

All firms were owned, managed and controlled by the original entrepreneurs in 1997, however some changes took place both before and after the doctoral fieldwork was completed. One company was acquired by a large US firm at the time of the interview and another recently merged with a Canadian company. From inception, some firms have remained private and others have opted for an initial public offering on the various new markets.

4.8.8 Business strategy and organizational cultures: overview of all firms

Less than half of the firms' disclosed that they had some form of planning system. In discussing the firms, cultures and strategies, one common theme was the use of the term entrepreneurial to describe the organizational culture. It may therefore be that entrepreneurial equates to heuristic, and implies lack of formality of systems.

4.9 The German firms

4.9.1 Location of operations

All of the German firms served domestic and export markets from a central home-base location. For some of the firms this meant design and manufacture in Germany, while for others it meant local design and sourcing internationally for final testing and assembly. In Germany one of the software firms designed products at the home base and at other international locations.

4.9.2 Scope of the business

In examining the product-technology scope of these firms, a common pattern was the concentration on a narrow range of core products or technologies (European Commission, 1996 and 1997; Simon, 1996; Price Waterhouse Coopers, 1998).
However, within this narrow range of products and technologies several of the firms broadened their business opportunities by developing a range of end-user applications. Furthermore, the firms broadened their offering through a range of services such as custom manufacture, design, consultancy, training, and call-centre operations or enter international markets (Simon, 1996).

4.9.3 Organizational structure, management and control

Most of the German firms employed a simple functional structure with direct reporting from subsidiaries to the headquarters. In several cases, subsidiary heads retained high levels of autonomy and the general managers were major shareholders in the business (Figure 6).
4.9.4 The marketing and sales function

Half of the German firms had corporate marketing functions covering the tasks of marketing communications and product management. The remaining firms had sales organizations but no marketing function (Appendix IV b).
4.9.5 Business strategy and organizational culture

One firm had introduced a formal plan and another used a planning software system. Another respondent made some interesting comments about the company's experience of planning. While he was positive about planning, the entrepreneur and some managers had doubts about its usefulness following the poor performance of an acquisition. The acquisition had been made based on a formal evaluation and planning process, but the acquired company was under-performing.

The same company was going through a process of business strategy re-evaluation using external management consultants. This re-evaluation included a close examination of organizational structure and approaches towards business strategy. The company was led by the start-up entrepreneurs, one who is a confirmed believer in non-formalistic strategy and planning processes, and the other of the view that the firm needed a formal strategy making process and system. The case study respondent (neither of the above two people) believed that the company needed to have a set of strategy guidelines to help decision making, particularly in the area of acquisitions and international business. He was thus trying to act as a go-between, bridging the two approaches of the other two entrepreneurs.

The entrepreneur in another firm believed that many of the firm's decisions were made by accident and not planned. The firm gathered information through close contact with customers and use of its industry experience (Aldrich and Brickman Elam, 2000). However, this was changing as the firm started to buy-in formal market research.

One respondent felt strongly that in the software industry they needed to be fast, innovative and possess a good sense of strategic positioning. Another respondent used the term "sense of mission, segmentation and positioning".

Another respondent spoke extensively about the firms strategies covering acquisitions, product strategy, company mission, business portfolio's, strategy as
positioning, structure and change. Another referred to organizational change and re-structuring to cope with increased size and to support innovation. Others viewed strategy as taking a narrow range of products to a broad range of market segments, or were aware of competitive strategy on a global scale and organic growth through product development.

Several of the respondents held strong beliefs about the importance of an entrepreneurial culture.

- Case 1 (software) “people who work here are very entrepreneurial”.
- Case 2 (software) “people should behave as entrepreneurs”.
- Case 6 (electronics) “That’s to find the right people that have the I mean, the entrepreneurial drive to really push a business forward”.

The term entrepreneurial was interpreted in several ways. One respondent described his organization in terms of a democracy with high a degree of autonomy. Another spoke of a strong centre, but the general managers acting as independently minded entrepreneurs, with high degrees of autonomy.

These views suggest that the proxy the respondents used for the term ‘entrepreneurial’ appears to be related to freedom and authority to make decisions in the markets they operate in without interference from the centre. This definition differs somewhat from the one found in the literature in which ‘entrepreneurial’ is associated with the ability to grow the business (Mintzberg, 1973; Drucker, 1985).

4.10 The French firms

4.10.1 Location of operations

The French firms were serving domestic and international customers from their home base. Some evolved either by setting up international but no domestic subsidiaries, whilst in others there were no international subsidiaries but several domestic subsidiaries.
4.10.2 Scope of the business

The firms had a similar scope in terms of focusing on particular technologies and capabilities or broadening out into related licensing, consultancy services and acquisitions.

4.10.3 Organizational structure, management and control

A few of the firms had developed divisional structures as the geographic scope or activities broadened or the firm merged with another company. One firm had a divisional structure for different areas of related technologies and activities. Each was headed by an entrepreneur managing director who had equity participation in the business, whilst the original entrepreneur retained at least a third of the shares and 40-50% of the voting rights (Figure 7).

Figure 7 French cases, summary of the headquarter location product-market scope and organization

| Case 7 French & Canadian HQ | Product-technology scope narrow | Structure functional and country managers (geographic) marketing centrally co-ordinated, sales and operations |
| Case 8 French HQ domestic production base no international subsidiaries 4 domestic subsidiaries in the local region | Product-technology scope broader but related geographic scope broad | Structure-functional local subsidiaries report to the centre |
| Case 9 French HQ domestic production base 7 divisions and 20 subsidiaries in France 13 locations | Product-technology scope broadening geographic scope narrow | Structure-holding company and 7 business divisions arranged around technologies each business unit has a Managing director with share participation |

Sources: Interviews and company documentation
4.10.4 The marketing and sales function

Most of the French firms had some form of a corporate marketing function dedicated to communications and product management (see Appendix IV c).

4.10.5 Business strategy and organizational culture

A respondent perceived strategy as an orientation towards the future, and used a merger to develop international markets and provide funds for new product development. Another respondent viewed his firm as following a niche marketing strategy to avoid competition with larger firms and product development protected by intellectual property rights. None of the French firms indicated the use of formal plans and strategies but one respondent used the language of marketing strategy.

Some of the respondents articulated the organizational culture as entrepreneurial:

- Case 7 (France software) “The firm is based on “trust, entrepreneurship, business oriented”.
- Case 9 (France electronic) “people who work permanently for the company, all different, but proven professionals, all entrepreneurs”.

A respondent in a firm spoke of the owner-entrepreneur’s involvement in the recruitment of most staff and the selection of country general managers, with a sense of autonomy and independence. The culture was one of action and rapid decision making, based on short but effective meetings. The founding entrepreneur was still in control but had trust and faith in each general manager to manage each business. The founding entrepreneur in another case retained a controlling interest, and the organizational style and culture was an open federation of divisions where share holding entrepreneurs made important decisions.
4.11 The Italian firms

4.11.1 Location of operations

All of the Italian cases operated from a domestic production site with some firms expanding facilities in a local cluster of factory units. One firm opened a procurement office in South East Asia primarily to access components at competitive prices to reduce the costs of products in the domestic market. Another firm invested in domestic retail supermarkets for consumer electronics. The Italian firms tended to invest in domestic production or distribution with only one company opening two small offices in international markets.

4.11.2 Scope of the business

The narrow product-technology scope of the Italian firms followed a similar pattern to the German and French companies by broadening the offer of applications, consultancy and service options for customers. In terms of geographic scope, several of the firms served a narrow range of non-domestic markets. One firm was an exception, because early in its life the organization expanded beyond Europe, and into the North American and South East Asian markets.

4.11.3 Organizational structure, management and control

All of the firms had a functional structure with some also combining a holding form, and product divisions or a functional and product divisional form (Figure 8).
4.11.4 The marketing and sales function

There was no clear identification of a marketing function, in the classical sense, among the Italian group of firms. This in part relates to language and meaning, as the equivalent title in Italian for the sales and marketing manager or director is ‘dirretore commerciale’. This translates as a commercial director with its associations in English to sales and negotiation, rather than marketing tasks. Some of the firms used the titles sales and marketing manager interchangeably with
A few of the firms had introduced some elements of the marketing function into the role to include corporate communications, but there is no evidence of product management structures.

4.11.5 Business strategy and organizational culture

One firm linked the overall business strategy of the firm with an international business strategy (see Appendix IV d). Another firm developed strategy with a team of top managers and related it to structure. A few organizations pursued an Original Equipment Manufacturing (OEM) strategy with one trying to avoid over reliance on a few large OEMs, and another following a high-volume, low-price strategy. One respondent emphasized strength in leveraging core competencies in different industrial sectors.

4.12 The UK firms

4.12.1 Location of operations

The UK case firms served domestic and international customers from a home base. None of the firms had any domestic or international subsidiaries.

4.12.2 Scope of the business

The product-technology scope followed the pattern found in the other countries with a concentration on a narrow set of products or technologies. One of the firms had expanded into North American and European markets, while the other had more of a domestic focus.

4.12.3 Organizational structure, management and control

The case firms had a simple functional structure with the management and control invested in the hands of the lead entrepreneurs, and a team of senior managers (Figure 9).
Figure 9 UK cases summary of the headquarter location product-market scope and organization

Case 15 UK HQ no domestic or international subsidiaries
Product-technology scope narrow geographic scope narrow
Structure-functional

Case 16 UK HQ no domestic or international subsidiaries recently acquired
Product-technology scope narrow geographic scope broad
Structure-functional

Sources: Interviews and company documentation

4.12.4 The marketing and sales function

The firm in the software sector adopted a classical functional approach with staff responsible for marketing and planning. The company in the metal-mechanical sector used the sales function (see Appendix IV e).

4.12.5 Business strategy and organizational culture

One firm followed an OEM strategy of high volume and low price. The other respondent spoke of a change of ownership and strategy to pursue growth into new sectors and withdrawal from others. Neither of the firms made explicit statements to indicate that they used formal planning systems.

One firm had seen a change in organizational culture from life-style entrepreneurs to a new set of owners with a vision of ambitious growth.

4.13 Summary and conclusions

Chapter 4 has discussed the rationale for using qualitative research based on a series of multiple-case studies. Qualitative research and multiple-case methodologies are appropriate when the purpose of the research is to develop theories (Becker, 1968; Eckstein, 1992; Miles and Huberman, 1994) which is the
central aim of the thesis. By taking an open approach guided by key questions, the research aims to develop the theoretical framework (see Chapter 3) grounding it in the experiences of the respondents and organizations in the study (Chapter 5). Multiple-case methodology, in particular, permits the researcher to search for replications and patterns in the data, increasing the reliability of the findings (Yin, 1994). Furthermore, the method is appropriate for evaluating the dynamism of the internationalization process as in-depth interviewing allows the researcher to probe past events and decisions. There are limitations to this method as it relies on the respondent’s memory and selective recall. However, the use of triangulation against company documents and archives has helped to overcome the problem of ‘mistaken’ memories. Finally, the multiple-case method has helped to meet the objective of evaluating the interrelationships between the research propositions and influences on the internationalization process. The author, in agreement with Calof and Beamish (1995) who found that there were several interconnected, rather than single influences on the process, wants to assess the interconnections within the theoretical framework.

The second section of the chapter discussed the justification and criteria for the selection of the sample firms for the empirical study. The rationale for selecting the four contexts of particular countries and cultures, sectors, firm size and fast growth, is that few internationalization studies have placed the research in such specific situations. Further and of equal importance, is that the choice of the firms is based on the central research aim of developing the internationalization process theory and, as such, the thesis has adopted the principle of theoretical sampling. The principle underlying the concept of theoretical sampling is selection of respondents not for their “representativeness but for their relevance to the research question, analytical framework, and explanation...being developed in the research” (Schwandt, 2001:232). In seeking to develop the theory of internationalization, the thesis has identified gaps in the existing theories as the starting point for sample selection. Particular attention has been paid to selecting a sample that reflects under researched geographic areas or industry sectors. The aim was that these contexts might offer new insights into the internationalization process.
Previous stage theory research has been based on the study of firms located in Scandinavia, and contingency theory and the resource-based view in North America. The thesis in selecting different countries, and contrasting regions and cultures in Europe can help address the shortage of empirical studies in other country contexts. At the same time, the thesis can evaluate if the country context has any impact on internationalization process theory. The justification for selecting sectors is that stage theory and export behaviour studies, have rarely been sector specific, nor have they contrasted the internationalization processes in high-technology and conventional industries. This can help address the shortage of internationalization research of sectors and evaluate the impact this has on the theory. The justification for setting the criteria of selecting medium-sized firms for the empirical study is that these firms have rarely been the subject of research. The criteria for selecting fast-growth firms is that these firms have not been subjected to extensive research in the internationalization stage or export behaviour literature and could, therefore, contribute to knowledge and the development of theory.

Chapter 5 presents the analysis, interpretation and discussion of the findings of the empirical research and the development of the theoretical framework for the internationalization process of the firms in the study.
Chapter 5 Empirical Development of the Theoretical Framework

5.0 Introduction

This chapter presents the analysis, interpretation and findings of the empirical research to develop the theoretical framework (Chapter 3) which is the central aim of the thesis. The literature review (Chapter 2) identified the limitations of the stage theory, in particular the failure to address the need for further theoretical development. Further, the stage theory research has rarely recognized the importance of contingencies and the dynamics of the process, nor that a single influence is insufficient to explain the complexity of internationalization (Calof and Beamish, 1995). Thus, a critical underlying principle adopted for the thesis is that the internationalization process is influenced by exogenous and endogenous contingency factors that are both independent and interconnected. Finally, the thesis has recognized that stage theory research has been limited in the number of empirical studies of the internationalization process set in specific situations or contexts (Penrose, 1959). This has been addressed, in the thesis, as the theoretical framework will be developed using the contexts of industrial sectors, countries, firm size and growth (Chapter 4).

Before explaining the application of the analytical method (Chapter 4) it is important to emphasize that the research aims to develop theory, not to test and predict or generalize its validity to a larger population of firms. Rather the research is exploratory and judgements will be made about the explanatory power of the various propositions only for the sixteen case firms included in this study. The approach taken is described by Yin (1994) as 'analytical generalization' in which the researcher generalizes from the evidence based on the single and multiple-case analysis. Finally, it is important for the reader to know that in analyzing and interpreting the data the thesis, as discussed above, is searching for interrelationships between the research propositions, and how they impact on the internationalization process. In doing this, it could be implied that the researcher is looking for cause and effect relationships, which can have positivist connotations. The response is that the researcher has adopted the principles of qualitative methodology (Miles and Huberman, 1994) developing a 'causal network' based
on relationships identified ‘in situ’ as the data is coded, analyzed and interpreted (Lacey, 1976). Further, the central aim of the thesis is not to establish causality, but explanation and theoretical development.

Finally, and as equally important, the theoretical framework is based on the acknowledgement that the internationalization of the firm is not a simple stage process, rather it is complex and influenced by layers of contingencies (Calof and Beamish, 1995). Thus, the research is not attempting to emphasize cause and effect in a process that is frequently variable and unpredictable, that is idiosyncratic and particular to a specific organization. Zimmerman (1989: 56) sums this point up aptly:

"Causality in one form or other seems to be a psychological necessity for individuals and their societies and institutions. The concept of causality may be necessary to assuage the fearful suspicion that the world is, in fact, a very random and unpredictable place" (Zimmerman, 1989).

5.1 Structure of the chapter

The first section of the chapter analyzes and interprets the internationalization processes of the sixteen firms in the empirical study. The operating definition of the internationalization process, in the theoretical framework, is taken from the stage, export behaviour and international marketing literature (Olson and Wiedersheim-Paul, 1978; Welch and Luostarinen, 1988; Leonidou, 1995; Root, 1994, see also Chapter 3). The operating definition of the internationalization process in the form of a set of constructs, are the decisions and choices that have to be made by firms. The decisions and choices are portrayed in the literature and in the theoretical framework as the decision to go international, the choice of which international market and the market entry speed and mode. The second section of the chapter is the analysis and interpretation of the contingency influences in the form of the research propositions that were presented in Chapter 3. These contingencies are derived from the literature (Chapter 2) and will be evaluated for the relative strength or weakness of each research proposition. The assessment of each proposition will be based on qualitative methodology, in
particular multiple-case method, and interpretation of the coding and analysis of the sixteen case studies. The coding and analysis within Nvivo (see Chapter 4) allowed the researcher to identify patterns and replications in the case data to support the strength and weakness of each proposition (Yin, 1994; Miles and Huberman, 1994).

The thesis now explains how the method, described in Chapter 4, was applied to develop the theoretical framework grounded in the fieldwork data collected from the sixteen case respondents and documents provided by them. The process of coding the data is an analytical method (Strauss and Corbin, 1998). As the researcher coded the data, he was also putting it into categories. This was done in three stages, stage one to colour code the data around the structure of the questionnaire for each single case study. Stage two, took this first level of analysis a stage further by categorizing and grouping the data into ‘free nodes’ around each single research proposition for each case study and making cross-case analysis. In the third and final stage the coding and analysis took these ‘free nodes’ and categorized them into each grouping of research propositions (left-hand side of Figure 10, page 105) and then linked these to the internationalization construct (right-hand side of Figure 10). The analytical process starts from the moment of the first interview, through the transcription of each tape and analysis of company documents, to the three stages of the single and cross-case analysis (Miles and Huberman, 1994). The process is one of searching for replications, themes and interconnections that offers either strong or weak support for a proposition, or identifies emerging themes from the data.

5.2 The theoretical framework, analytical method and data interpretation

The contingency theoretical framework presented in Figure 10 is the same as the one presented in Chapter 3, with one significant difference. The theoretical framework has been developed to include an additional research proposition, namely that the internationalization process is influenced by the international supply activities of the firms. While the epistemological starting position of the thesis is ‘theory first’ (Wolcott, 1992; Miles and Huberman, 1994 and Chapter 4) the researcher kept an open mind to any propositions from the fieldwork data.
This is part of the deductive/inductive process in research (Miles and Huberman, 1994; Bryman, 2001). The discussion of the additional research proposition is presented later in this chapter.

5.3 An assessment of the influences on the internationalization process

Figure 10, below (page 109), divides both the process of internationalization and the contingency factors that influence it, into a series of distinct components. The left hand side of Figure 10 groups the factors that may influence internationalization into four main categories: external environment, internal business unit environment, product-market factors and supply side factors, each incorporating one or more research propositions. Note that the supply side factors were identified by the empirical research, and are believed to constitute an original contribution to the literature in developing existing theory. The right hand side of the figure treats the internationalization process as three inter-related decisions: the initial decision to go international, the choice of market and the choice of market entry mode and speed. The figure seeks to explain the relative significance of the various contingency factors on the internationalization process, based upon analysis of respondents’ comments.

The strength of influence generated by any individual factor is assessed according to the degree of emphasis attached to it by each respondent and then each research proposition has been given a strength-weakness indicator, ranging from + (limited influence) to ++++ (very strong influence).

The strength indicators were built up as follows. Firstly, the responses of each interviewee were classified as limited, moderate, strong or very strong. A limited influence was used to denote a situation in which a respondent rarely discussed as a factor at all. A very strong influence implies that the respondent kept returning to the issue throughout the interview. The researcher then searched for replication patterns of the range of influences across all of the case studies to assess and judge the relative strength or limitation of each research proposition. The coding and analysis through the use of the Nvivo software produced the results, which
although tentative, permits the researcher to gauge the relative strength of each influence as seen through the eyes of the respondents.

**Figure 10 Contingency theoretical framework: influences on the internationalization process**

*Development of the framework from the empirical research*

1. **External environment**
   - 
   - RP 1-1 Industry environment +
   - RP 1-2 Country environment ++

2. **The internal business unit environment**
   - RP 2-1 Decision-makers mindset ++++
   - RP 2-2 Resources +
   - RP 2-3 History & path dependency +

3. **Product-market factors**
   - RP 3-1 Product +++
   - RP 3-2 Demographics ++
   - RP 3-3 Buyer behaviour-mindset of seller and customer ++++

4. **Supply-side factors**
   - RP 4-1 Supply side factors +++
     - Use of international purchasing partnerships and joint ventures
     - Product technology-transfer
     - Organizational learning

**Legend:** ++++=very strong influence +++= strong influence ++=moderate influence + = limited influence
Section 1 Development of the theoretical framework: internationalization construct

5.4 The internationalization construct

The chapter begins with a discussion of the internationalization process construct, through an analysis of the decision to start international activities, by each firm. This is broken down into who had responsibility and why they started to export. The next section deals with the choice and decision of which market(s) the firms decide to enter and the geographic or 'psychic' (psychological) proximity or distance from the home market (Gripsrud, 1990). The final section on the internationalization process construct deals with the issue of market entry, in particular the speed of entry and market entry mode.

5.5 Decision to go international (sub-construct 1)

5.5.1 Responsibility for initiating exports

The entrepreneur was responsible for initiating and developing the export business in many of the firms. This suggests that exporting is of significant importance to the firm and the entrepreneur is the main driving force (see Table 19). The entrepreneur is not only involved in the domestic strategy and decision making (see Chapter 4) but also takes the lead in the internationalization process. This indicates that the entrepreneur has a critical role and provides evidence to support the importance of research proposition 2-1 that their mindset is an influence on the decision to go international.

"Very strong desire to become international from the beginning. If we have a... a customer in Germany we can do it here we should try to be everywhere. We think global act local this is our motto" (respondent firm 1).
This demonstrates the interrelationship between the entrepreneur’s mindset (discussed later in this chapter under the analysis of RP 3-3) and the internationalization process.

Table 19 Responsibility for export start-up

<table>
<thead>
<tr>
<th>Case</th>
<th>Who had responsibility?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marketing director</td>
</tr>
<tr>
<td>2</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>3</td>
<td>Owner entrepreneur</td>
</tr>
<tr>
<td>4</td>
<td>Sales director</td>
</tr>
<tr>
<td>5</td>
<td>Owner entrepreneur</td>
</tr>
<tr>
<td>6</td>
<td>Entrepreneur another board member and just recruiting a vice president for OEM</td>
</tr>
<tr>
<td>7</td>
<td>Entrepreneur and country general managers</td>
</tr>
<tr>
<td>8</td>
<td>Entrepreneur and export manager</td>
</tr>
<tr>
<td>9</td>
<td>It is the owner entrepreneur, who is responsible. Each head of a company, each PDG, of each subsidiary is now responsible for export sales/negotiation</td>
</tr>
<tr>
<td>10</td>
<td>Entrepreneur and export assistant</td>
</tr>
<tr>
<td>11</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>12</td>
<td>Initially president owner entrepreneur now commercial director</td>
</tr>
<tr>
<td>13</td>
<td>Commercial director owner entrepreneur</td>
</tr>
<tr>
<td>14</td>
<td>President owner entrepreneur and sales manager</td>
</tr>
<tr>
<td>15</td>
<td>Finance director owner entrepreneur</td>
</tr>
<tr>
<td>16</td>
<td>MD owner entrepreneur and export sales manager</td>
</tr>
</tbody>
</table>

5.5.2 Analysis of why firms start to export

The research questioning elicited respondents views as to why their firms initiated exports. The reasons why the firms started to export fall in line with export behaviour and stimulation research for example home market saturation, competitive pressures (Leonidou, 1995). Several comments supported the importance of following the customer as a main reason for the firm to start exporting.

"The benefit to us is we win all of the domestic customers business internationally. We are following the customer. The initial strategy is to test the arrangement in Europe first then follow the customer to the next large market" (respondent firm 14).
This is an important finding for theoretical development, as the influence of the customer on the internationalization process is not considered in the stage theory, export behaviour and rarely in international marketing research.

5.6 Market selection (sub-construct 2)

5.6.1 The German firms

The findings for the German firms are significant in that they do not all conform to much of the literature on internationalization and export behaviour which suggests that firms export to geographically and psychologically close markets in the early stages of internationalization. Instead the German firms frequently selected geographically distant markets in North America and Asia, rather than European countries. However, while the firms may commence exports in distant markets, they still have a core of their non-domestic business within Europe.

Reasons given for market selection included ‘following the customer’. Several of the firms operate in global industries (software product for the banking industry and electronic products for telecommunications) suggesting that the customer industry location influences choice of regions and markets. For example one firm went international by developing products for a specific customer who had large operations in Singapore.

"The customer has a parallel project in London and Singapore, you have to deliver, you go where the customer wants you to go, we have to go where they want us. We are following the call of the customer. Internationalization is driven by the market, this is a real global market not domestic (respondent firm 1)."

Other firms started exporting to regions and countries such as North America, Japan and Taiwan because these countries were initially used as a source of new components, technologies and learning from centres of knowledge and R&D excellence located in these areas (see Table 20). Building on this experience these firms then proceeded to sell products in distant markets and later in Europe.
For the German firms, then, the evidence suggests that the location of the customer and the nature of the product appears to be a more significant influence on internationalization than the similarity of the country culture to the home base. This issue is discussed more fully later in this chapter.

<table>
<thead>
<tr>
<th>Case number and location</th>
<th>International markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Germany</td>
<td>Europe-Austria Switzerland UK Ireland Luxembourg: North America-USA: Africa-South Africa: Asia/Australasia-Singapore Australia.</td>
</tr>
<tr>
<td>2 Germany</td>
<td>Europe-Austria, Ireland.</td>
</tr>
<tr>
<td>3 Germany</td>
<td>Europe-France UK: North America-USA: South America-Brazil.</td>
</tr>
<tr>
<td>4 Germany</td>
<td>Europe-Italy France Sweden UK: North America-USA.</td>
</tr>
<tr>
<td>5 Germany</td>
<td>Europe-Belgium France.</td>
</tr>
<tr>
<td>6 Germany</td>
<td>North America-USA: Asia-Taiwan Japan.</td>
</tr>
<tr>
<td>7 France</td>
<td>Europe-Spain Portugal Italy Germany Belgium Netherlands Denmark: North America-Canada USA.</td>
</tr>
<tr>
<td>8 France</td>
<td>Europe-Belgium Luxembourg Germany: Asia-China India.</td>
</tr>
<tr>
<td>10 Italy</td>
<td>Europe-Germany Switzerland.</td>
</tr>
<tr>
<td>11 Italy</td>
<td>Europe-UK: North America-USA.</td>
</tr>
<tr>
<td>12 Italy</td>
<td>Europe-France Germany Spain UK Scandinavia: North America-USA: South America: Asia-China India: Australia.</td>
</tr>
<tr>
<td>13 Italy</td>
<td>Europe-Germany Austria Switzerland France UK: Middle East-Saudi Arabia.</td>
</tr>
<tr>
<td>14 Italy</td>
<td>Europe-UK: South America-Brazil.</td>
</tr>
<tr>
<td>15 Italy</td>
<td>Europe-Germany: North America-USA: Asia-Japan.</td>
</tr>
<tr>
<td>16 UK</td>
<td>Europe-Germany Netherlands Italy France: North America-USA: Asia-Japan</td>
</tr>
</tbody>
</table>

5.6.2 The French firms

The French firms have a spread of markets in Europe and the rest of the world. Some firms started their international business first in Asia and then Europe. For others, the choice of international market is related in part to the product type.
however the spread of business is around the world. The findings are similar to those of the German firms discussed above, whereby geographically and psychologically distant markets are selected simply on the basis of customer location. However, for many of the firms the core non-domestic business is conducted in other European markets.

“We are consultants for transfer of plant e.g. small minor plants in North Germany transferred to a customer in the United States they are small operations regrouping” (respondent firm 8).

5.6.3 The Italian firms

Several of the Italian firms began their export business in geographically close countries in Europe, in particular France and Germany. Some of these firms have since developed business in non-European markets. This finding is different to the German and French firms in that the Italian firms tend to conform to the findings of the internationalization and export behaviour literature in preferring relations with geographically and psychologically close countries in Europe.

“From January we have been working with independent representatives to start exporting to Germany” (respondent firm 12).

5.6.4 The UK firms

The British firm showed evidence of selecting psychologically close countries.

“Exactly then at that point we picked three companies phoned them cold and asked to go and see them these companies are global. I was away in the States every 6 weeks or so; away for a week travelling” (respondent firm 16).

The findings imply that the British firm may have some preference for psychologically close markets even though they may be geographically distant. This supports research of British exporters who have a tendency to export to those countries where the language and culture is similar to that of the domestic market.
In conclusion, it would appear that there are some differences in the internationalization patterns of firms within different countries in respect of their willingness to seek out psychologically or geographically distant or near markets. Deeper analysis of the reasons for such differences is contained in Section 2 of this chapter.

5.6.5 Analysis of European market destinations: psychological and geographic distances

Table 21 is an analysis of market selection based on geographic and psychological distance. The results are for the 16 firms and have not been used as a basis for making generalizations for all firms meeting the criteria set out in the methodology. Rather, they have been used as a basis for development and evaluation of the theoretical framework in particular the internationalization construct. The evidence indicates that within the European region the case firms are selecting geographically and psychologically close countries. The term psychological closeness refers to the similarity or difference between language and culture between countries.

Within the European region the German firms are exporting to neighbouring countries with similar languages and cultures and the same is true of the French. The French firms export to Belgium and Luxembourg both of which are linguistically and psychologically similar. In addition Case 7 exports to the Spanish market with which it has a Latin cultural affinity.
The Italian firms export to Austria and Switzerland, countries that are geographically and culturally close to Northern Italy. The Spanish market is more geographically distant for the Italian firms but there is a strong Latin cultural affinity (Gagliardi and Turner, 1993). Finally, the British firm export to the geographically and linguistically close Netherlands. It would appear that firms in the four European countries in the study generally export to geographically close countries, which are also psychologically close. On the other hand, there are examples of firms exporting to geographically and psychologically distant countries in Europe.

In looking at the main European markets by population and GDP, the analysis moves on to the four countries in which the cases are located, that is Germany, France, Italy and the UK (see Table 22). The analysis gives an indication of which countries are preferred markets for the respondents. Of the four main countries used for the study Germany is mentioned the most and Italy the least as destination markets. There is evidence of strong intra country trade within the four countries where the firms are located.
In conclusion the detailed analysis shows that there is some variance among the firms located in the countries, with some German and French firms starting to export to geographic and psychologically distant markets when compared to the British and Italian firms. In spite of this the firms in all of the countries are engaged in strong intra-country trading to geographically and psychologically close countries.

5.6.6 Analysis of non-European destination markets

The main non-European destination of the firms is the USA. The Italian firms selection of South American markets indicates the cultural and linguistic links with Latin America (see Table 23).
5.6.7 Analysis of all destinations Europe and non-Europe

Tables 24 and 25 are a summary analysis of the destinations by regions of the world. It supports findings of The European Observatory (1995) of small-to-medium-sized firms in Europe, as most of the trade (59%) by the firms is within the boundaries of the European Union. However, a large proportion, 41% of the countries mentioned for the destination of exports are to non-European markets evidence of the globalization of the businesses. A large proportion of the mentions (32%), are to the Triad countries of North America and Asia.

Table 24 Regional destinations of exports—number of cases & total mentions

<table>
<thead>
<tr>
<th>Region</th>
<th>Europe</th>
<th>North America</th>
<th>Australasia</th>
<th>South America</th>
<th>Africa Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>15 cases (94%)</td>
<td>9 cases (56%)</td>
<td>7 cases (44%)</td>
<td>4 cases (25%)</td>
<td>3 cases (13%)</td>
</tr>
<tr>
<td>Mentions</td>
<td>44 mentions (59%)</td>
<td>10 mentions (14%)</td>
<td>13 mentions (18%)</td>
<td>4 mentions (5%)</td>
<td>3 mentions (4%)</td>
</tr>
</tbody>
</table>

Table 25 Entering geographically, psychologically near or distant markets

<table>
<thead>
<tr>
<th>Geographically close</th>
<th>Psychologically close</th>
<th>Geographically distant</th>
<th>Psychologically distant</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 cases</td>
<td>5 cases</td>
<td>10 cases</td>
<td>11 cases</td>
</tr>
</tbody>
</table>

This has important implications for research because the international business, export behaviour and stage literature argues that firms tend to export to geographically and/or psychologically close, rather than distant, markets. This issue will be discussed further in Section 2 of this chapter.

5.6.8 Summary of market selection: implications for cross-cultural management and marketing

From the analysis of the countries firms’ select for market entry it appears that the conclusions from previous export behaviour and stage studies namely organizations tend to deal with customers in geographically and psychologically close countries, does not hold true for several of the firms in the study. While the firms do export to geographically close countries with similar languages and cultures in the ‘home’ region of Europe, some are selecting countries for other reasons such as the location of key customers. However, in the selection of
markets outside of the European region firms are entering markets that are geographically distant, in particular North America and Asia, where the language and culture are also different from the home base. The firms appear to be selecting countries where key customers are located and for reasons of access to new technologies and low cost components. These firms do not view the distance and differing languages and cultures as a barrier to the early phase of internationalization rather they see the opportunity for developing growth in new markets as a priority. This is in contrast to the frequently stated view of small firms in the early stages of internationalization exporting to those countries in which they feel 'at home'. This can be attributed in part to the mindset of the entrepreneurs and their 'global' vision, in some cases, at the start-up stage of the venture and in part to the location of customers and new technologies. The common global mindset of the entrepreneur seems to be a stronger influence than national culture on the international market choices an important finding for cross-cultural management knowledge. There appears to be limited evidence that the country location of the firm results in divergent approaches to internationalization for this group of firms in the empirical study.

5.7 Market entry (sub-construct 3)

5.7.1 Speed of entry (sub-construct 3-1)

This section discusses the issue of the speed and sequencing of entry into international markets. Do the firms follow a sequential market by market entry pattern, or enter several markets simultaneously? Lindqvist (1997) found evidence that small high-technology firms entered markets rapidly, but tended to follow a sequential stages pattern. The current research found there was one firm that entered markets rapidly (supporting the findings of Lindqvist) and simultaneously, but not sequentially (contrary to Lindqvist's findings):
"What we did in one year would have taken other companies five years to achieve. Between November 1997 to February 1998 we opened 3/4 new offices not continuously done in blocks. Rapid expansion internationally" (respondent firm 1).

At the same time firms also conformed to the export behaviour and stage theory that argues firms enter international markets slowly and incrementally:

"He had approached each market one at a time. He developed the business in depth with customers in each country before moving on to the next market" (respondent firm 12).

The contrasting speed of market entry policies of the firms' suggests that they have a varied approach towards internationalization influenced by the sectors (rapid market entry high-tech software firm 1 and incremental market entry metal-mechanic firm 12). Consequently the speed of market entry may be contingent on the sector and not a universal approach as suggested in the export behaviour, stage and high-technology new venture literature.

The average time the firms started to export after foundation was 20 years. However, this average includes a firm founded in 1872 beginning exports in 1995, a year before a company starting up in 1994 commenced exports in 1996. These two firms epitomize late starters and an example of a 'born global' (McKinsey and Company, 1993; Knight and Cavusgil, 1996), 'infant multinational' (Lindqvist, 1997) and 'international new venture' (Oviatt & McDougall, 1994). The firms in the metal mechanical industry started to export on average 34 years after start-up. However, this does include one firm starting to export 123 years after foundation and if this is excluded the average time is 16 years. The average time for exports to be initiated was 16 years after foundation for the electronics firms. For the software firms the time to export after foundation was 8 years (see Table 26).
Table 26 Firm foundation and export initiation

<table>
<thead>
<tr>
<th>Case</th>
<th>Founded</th>
<th>Start to export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Software 1994</td>
<td>1996</td>
</tr>
<tr>
<td>2</td>
<td>Software 1980</td>
<td>1994</td>
</tr>
<tr>
<td>3</td>
<td>Metal-mechanic 1872</td>
<td>1995</td>
</tr>
<tr>
<td>4</td>
<td>Electronic 1977</td>
<td>1987</td>
</tr>
<tr>
<td>5</td>
<td>Electronic 1982</td>
<td>1996</td>
</tr>
<tr>
<td>6</td>
<td>Electronic 1986</td>
<td>1989</td>
</tr>
<tr>
<td>7</td>
<td>Software 1989</td>
<td>1995</td>
</tr>
<tr>
<td>8</td>
<td>Metal-mechanic 1976</td>
<td>1994</td>
</tr>
<tr>
<td>9</td>
<td>Electronic 1974</td>
<td>1996</td>
</tr>
<tr>
<td>10</td>
<td>Electronic 1978</td>
<td>1998</td>
</tr>
<tr>
<td>11</td>
<td>Electronic 1984</td>
<td>1998</td>
</tr>
<tr>
<td>12</td>
<td>Metal-mechanic 1976</td>
<td>1983</td>
</tr>
<tr>
<td>13</td>
<td>Metal-mechanic 1976</td>
<td>1992</td>
</tr>
<tr>
<td>14</td>
<td>Metal-mechanic 1979</td>
<td>1996</td>
</tr>
<tr>
<td>15</td>
<td>Software 1983</td>
<td>1993</td>
</tr>
<tr>
<td>16</td>
<td>Metal-mechanic 1973</td>
<td>1994</td>
</tr>
</tbody>
</table>

The case study data are once again providing evidence that the internationalization literature is missing some of the subtleties of decision making at the level of the sector and individual firm. One of the contributions of this thesis is thus to draw attention to such subtleties.

5.7.2 Market entry mode (sub-construct 3-2)

The analysis of market entry mode starts with a summary of the firms choices and then expands this to discuss channels, partners and subsidiaries. The questioning elicited the extent to which the firms were engaged in direct export, exports through subsidiaries, through joint venture partners, or indirect exports (agents or distributors). Bürgel (2000) hypothesized that high-tech new ventures entered markets either through direct or indirect modes, according to the firm's individual level of experience and resources. The firms in Bürgel's sample and other studies of international new ventures were relatively small (average of 15 employees) and he also assumed larger firms would have highly developed and sophisticated forms of market entry modes based on higher levels of resources.

The case study findings are analysed below in terms of direct versus indirect entry modes and are summarized in Table 27.
Table 27 Summary of the international market entry methods of the case firms

<table>
<thead>
<tr>
<th>CASE</th>
<th>DIRECT EXPORT</th>
<th>FOREIGN SUBSIDIARIES</th>
<th>PARTNERS/JV/LICENSING</th>
<th>AGENT DISTRIBUTOR INTERMEDIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Case 2</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Case 3</td>
<td>Yes</td>
<td>No</td>
<td>Yes (Licence)</td>
<td>No</td>
</tr>
<tr>
<td>Case 4</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 5</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Case 6</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 7</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case 8</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 9</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 10</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Case 11</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 12</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 13</td>
<td>Yes</td>
<td>Yes (now closed)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case 14</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Case 15</td>
<td>Yes</td>
<td>No</td>
<td>Yes (Licence)</td>
<td>No</td>
</tr>
<tr>
<td>Case 16</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Stage theory assumes that firms enter markets through single entry modes and progress through distinct phases, as illustrated in figure 11.
The evidence from the case study firms that is presented below suggests that this view of the internationalization process is an over simplification of the reality of the case firms.

**Market entry mode: direct**

The direct entry mode is the first stage shown in Figure 11, and Table 27 shows that all but two of the case study firms used direct approaches to gain some of their customers.

"Do you always have direct contact with the client in international markets? Yes. Close to clients? Sure very close yes. When you transfer an industrial unit it is necessary to work with trust. It is not necessary to use an intermediary or an agency? No it is not necessary because marketing close to the potential client we do not want the foreign agent" (respondent firm 8).

"The approach was direct and simple. Go into any store, look at the back of the boxes and make contact with the companies who make the machines" (respondent firm 15).

"Direct to the radio operators. In each country there is only one operator, there is a commercial team that concentrates solely on these clients. We now supply customers direct in the Eastern block" (respondent firm 9).

The interview evidence suggests that both smaller and larger medium-sized firms start to export directly and continue to internationalize through this mode - including the most experienced of the exporting firms. In other words, direct exporting was not a stage of internationalization that ended, as suggested by theory, but instead a continuing process. For example, one firm is an experienced
exporter, but continues to develop international markets through direct sales agreements with OEMs. The owner president of the company is an experienced international salesman who has negotiated directly, with customers in Europe, North America and Asia.

Stage theory also suggests that direct selling is a relatively simple mode of market entry, but this was not the view taken by the case study respondents. The respondents argued that dealing directly with international customers requires as much skill and experience as finding and selecting intermediaries.

**Market entry mode: use of intermediaries**

Table 27 shows that only half of the sixteen firms used some form of intermediary and the use of agents was sectorally linked. The firms using agents were in the electronics and metal mechanic sectors. Interestingly none of the software firms used agents.

One Italian firm used agents as the sole mode of entering non-domestic markets. This firm is new to exporting and preferred to use agents for their knowledge of foreign markets, language and culture.

"What we are doing now we are working with independent representatives to start in Germany and in that way we are expanding our exports. Do you prefer this to say having for example someone like yourself dealing direct, travelling to Germany? Yes because the local people have good contacts, they know us quite well they know our products, they give information to the customers. We expect them to keep contact with clients" (respondent firm 10 export experience less than 1 year).

The firm was one of only a few to identify barriers to international market development and interestingly was one of the more domestically oriented of the case studies in the research.
At the other extreme another Italian firm with extensive experience in exporting only used agents for 7-8% of their export sales, with the rest being done via direct sales.

"The company sells 7/8% of its turnover through exclusive distributors the rest is direct to OEMs" (respondent firm 12 export experience 16 years).

The two firms are interesting insofar as is that they have chosen different market entry modes despite being located in the same region of Italy. It seems that the main influencing factors on the choice of foreign market entry mode is the different mindsets of the entrepreneurs. The entrepreneur in the firm that uses agents is domestically oriented and identified cultural and business barriers to internationalization, while the other entrepreneur had a more global outlook.

Several of the firms in the electronics and metal mechanics sectors use a combination of direct selling and intermediaries as a mode of entering markets and serving international customers:

"In the consumer market we do address the end user but we sell into distribution. We have 4 sales agencies but we found them so they only work for us. They are sort of independent in a legal sense but financially they are totally dependent. These agencies basically are a former US firms European Sales Force which had been taken over. 50% of our business is in the distribution channels. No the independent agent we treat them as equal members of the company” (respondent firm 6).

This combination of market entry mode is common across the four countries, and conflicts with the stage theory concept of the use of single entry modes.

Market entry mode: use of joint ventures

Few of the firms in the study have used joint ventures either domestically or internationally, and the country of origin does not appear to influence this choice (See Table 28).
Joint ventures may be used to aid supply of parts, product development, access to market channels and support domestic customer plant locations in international markets. Of the three cases currently using joint ventures, one adopted it as the sole entry mode for international markets. The second discussed joint ventures extensively and they were clearly part of their national and international business strategy. Firm 9 clearly viewed joint ventures as part of their strategy:

"This was a joint company with a large international company? Yes yes. The product was out of a joint venture with company X j.v. 50/50...You have said that you still have international joint ventures with some companies? Yes we have a strategy which is either by contract formalized before making a joint venture. Yes we have a company where each company has a share of the equity. But do you have any permanent foreign J.V? Yes the companies we work with have complementary products or services or distribution. No it is a 50/50 J.V. in Zurich but we have different names on the products" (respondent firm 9).

The remaining firm uses a mix of entry modes into international markets, including direct selling to large customers, and joint ventures for product development and market access.
Overall the evidence on joint ventures from the research was thus very limited in nature.

**Market entry mode: use of partnerships**

In response to the question, whether the firm used partnerships, several respondents discussed arrangements they had with either suppliers or customers. This is in line with the behaviour of firms in business markets (Hutt and Speh, 2000; Webster, 1991). The firms were engaged in partnerships for domestic and international market development.

Some of the German firms operate in industries where technologies are developed through close R&D partnerships to facilitate a global reach in industries that transcend national borders (Boter and Holmquist, 1996). Quotes from respondents in these firms that are included below demonstrate clearly the justification for such partnerships:

> "Any partnerships? Yes on projects/technology to get international reach. Sales partners and development partners" (respondent firm 1).

> "On the other hand we have big partners like company X and they are the general managers of the project and they take us as the sub-contractors. We also use the solutions of other companies for instance in the help desk market we use a market leader we have a close relationship. So we need partners who can pick out the information to customize it" (respondent firm 2).

> "Yes, frequently yes, er we have, equally, many international foreign partners, who work with us. The entrepreneur often meets with teams from our partners, clients. We also do this in other countries partnerships to develop technologies. You asked about our strategy earlier, well it is based on a search for partners who have access to distribution resources" (respondent firm 9).

At a domestic level, networks may be used in the with industrial districts of Northern Italy (Castells, 1996), and some of the Italian firms in the case studies clearly made extensive use of such networks (see the quote below):
"For two models we are re styling the panels, consultants are the stylists for our customer. We are strong on relationships with local artisans networks in Piedmont. We are connected with other industries in a network (informal group), and receive pressed parts from another company in which we have a small share holding" (respondent firm 14).

The use of local domestic partnerships and networks may facilitate the internationalization of the firm (Keeble, Lawson, Lawton Smith, Moore, and Wilkinson, 1998) as such regional and national linkages can lead to non-domestic business.

**Market entry mode: use of licenses**

Only a few of the firms discussed licensing arrangements as part of their international market entry mode and as such is not a significant part of the firms' internationalization activities. One respondents reasoning for the use of licensing arrangements was based on a family connection:

"We have developed a licensing agreement in Brazil through the owner's wife who is Brazilian during a holiday spent there" (respondent firm 3).

**Market entry mode: use of subsidiaries**

Table 27 shows that seven of the sixteen case study firms developed their international business via the establishment of foreign subsidiaries. However, several have done this by a process of leapfrogging straight into the use of subsidiaries, rather than initially using direct sales or agents for exports. This contradicts the literature on the stage theory of internationalization (Johanson and Vahlne, 1977; 1990) that argues that the use of sales subsidiaries is preceded by direct exporting and the use of foreign agents or distributors.

Some of the literature on international new ventures supports the stage theory view (Lindqvist, 1997; Roberts and Senturia, 1996) and also identified sales
subsidiaries as an initial market entry choice in only a minority of companies. In the work of Bürgel (2000), for example, only 7 out of 547 firms or 1% used this approach, and Lindqvist (1997) found a similarly low (5%) of firms using subsidiaries for initial market entry.

In contrast, other empirical research (Bell, 1995; Coviello and Munro, 1995) challenged the stage theory of the internationalization process based on sector studies of software firms. In particular Coviello and Munro's study of the internationalization processes of four case firms in New Zealand explores the importance of networks with larger firms as the main mode of foreign market entry. The challenge to the internationalization stage theory is that firms in the software industry do not follow the normal establishment chain in foreign markets. As indicated above, several of the case study firms initiated exports using sales subsidiaries. These firms adopt similar approaches to the use of subsidiaries. They follow international customers and set up local subsidiary offices to service their needs. One such example is the case of subsidiaries used to support global banking clients located in Asia, North America and Europe:

"The other locations are in Germany Munich and then we have subsidiaries in Santa Clara California in Tokyo and Osaka Japan in Taipei in Taiwan and then we have four European sales offices in Belgium, England, France and Italy. Yes our global sales and marketing organization of course supports the global OEMs in a local fashion. So Asia is supporting a major client in Singapore for instance. Or a US client is supported through our Santa Clara office which basically provides support training to their technical support hotlines that's part of the service we provide to the customer" (respondent firm 6).

For some of the firms, these subsidiaries represent a significant part of their business. Within four years of start-up one firm employs 96 of its 230 staff outside the domestic market. The reasons given for using a subsidiary was the desire to control the business and to service customer needs.
Once again this evidence supports the view that patterns of internationalization are dependent upon the needs and behaviour of the individual customer in addition to broader market trends.

Another respondent also viewed the establishment of foreign subsidiaries as part of the international learning process.

“Windows on the market: we are patient we can learn that is the challenge how can we become a global company?” (respondent firm 1).

Thus, the subsidiaries provide a means of learning about markets and technologies in other regions of the world.

5.8 Synthesis and discussion of the market entry modes

The mode of market entry and the subsequent pattern of internationalization for the firms in this study display both common and divergent patterns. What is common to all of the firms is that regardless of the chosen market entry method there is a strong preference to have direct links with the customer. These may be via through direct sales to end-users or OEMs, joint ventures, partnerships, or sales subsidiaries.

Importantly, the firms do not generally reject the mode of market entry selected initially, nor do they follow the stages of the establishment process from exporting to use of intermediaries and then sales subsidiaries. In addition, nearly all of the firms use a hybrid mix of at least two market entry modes. This challenges an assumption of the internationalization stage theory that firms enter markets through single entry modes and the overall findings are in strong contrast to those of Bürgel (2000).

Bürgel’s study looked at the entry modes used by a total of 547 firms in high tech sectors and, as illustrated in Table 29, found exporting to be the most commonly chosen mode of market entry.
Table 29 (From Bürgel:129 Table 30 first and current entry modes)

<table>
<thead>
<tr>
<th>Entry mode</th>
<th>First entry</th>
<th>%</th>
<th>Current entry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting</td>
<td>241</td>
<td>44</td>
<td>199</td>
<td>36</td>
</tr>
<tr>
<td>Agents/Distributors</td>
<td>266</td>
<td>48</td>
<td>287</td>
<td>53</td>
</tr>
<tr>
<td>Sales J.V.</td>
<td>12</td>
<td>2</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Wholly owned sales subsidiary</td>
<td>7</td>
<td>2</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Licensing</td>
<td>11</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Missing/other</td>
<td>10</td>
<td>2</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>547</td>
<td>100</td>
<td>547</td>
<td>100</td>
</tr>
</tbody>
</table>

In contrast, my research found exporting only to be relatively uncommon, at just 6% of the total sample (see Table 30), but the use of subsidiaries was much more popular than suggested by Bürgel.

Table 30 Entry modes sixteen case studies

<table>
<thead>
<tr>
<th>Entry modes</th>
<th>First and current entry and time exporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting only</td>
<td>1 (case 13-six years)</td>
</tr>
<tr>
<td>Exporting &amp; agents/distributors</td>
<td>5 (case 4-three years,8-five years,9-three years,12-fifteen years,16-four years)</td>
</tr>
<tr>
<td>Exporting &amp; Joint ventures</td>
<td>3 (case 5-three years,9-three years,14-two years)</td>
</tr>
<tr>
<td>Wholly owned sales subsidiary only</td>
<td>4 (case 1-two years,2-four years,7-three years,11-two years)</td>
</tr>
<tr>
<td>Wholly owned sales subsidiary &amp; agent/distributors</td>
<td>1 (case 6-ten years)</td>
</tr>
<tr>
<td>Exporting &amp; Licensing</td>
<td>2 (case 3-three years,15-five years)</td>
</tr>
<tr>
<td>Total</td>
<td>16 cases average export time 5 years</td>
</tr>
</tbody>
</table>

The results must be interpreted with some caution, not least because of the small sample size. Nonetheless a number of tentative conclusions may be drawn. Firstly, it is over simplistic to treat entry mode choices as sequential and discrete. The majority of firms use multiple modes, depending upon their sector, product type or customer needs. In other words, market entry decisions are dependent upon a range of contingent influences and cannot be depicted as a series of stages.
Section 2 Development of the theoretical framework: influences on the internationalization process: the research propositions

5.9 Development of the research propositions in the theoretical framework

In this section the thesis analyses and interprets the data, to explore and explain the influences on the internationalization process constructs developed in section 1 of this chapter.

5.10 The external environment as an influence on firm internationalization

*Research proposition 1-1: Internationalization decisions are sensitive to the industry environment in which the firm operates. Firms in global industries are more likely to be engaged in international business than those linked to domestic businesses.*

This proposition was clarified and defined in chapter 3 as the firm’s industry environment and the customer’s industry environment. Most of the industries served by the firms are engaged in international activities. The software firms are linked to international banking, large projects, global software houses, telecommunications, retailing, IT and pharmaceuticals. The electronic firms serve international clients in the automobile, medical, retail, telecommunications, IT and computer games industries. The metal-mechanic firms supply the global automobile industry, mobile communications, international projects, domestic appliances, medical and military markets. Some examples of the firms products and customers are (see quotes below and Table 31):
“Our core business is in plating mobile phones, but we also apply the technology to electronic medical equipment” (respondent firm 3).

“The company produces electronic components for automobiles and accessories for electronic medical devices” (respondent firm 4).

Discharge pumps for washing machines and dishwashers; pumps for cooling, condensing and ice-making, tangential ventilators for ovens, radial fan motors for ovens, microwave ovens and wash dryer machines, range hood motors (company literature firm 12).

Table 31 The industry environment of case firm customers

<table>
<thead>
<tr>
<th>CASE COMPANY</th>
<th>CUSTOMER/BUYER SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1 Software-global industry</td>
<td>Financial services</td>
</tr>
<tr>
<td>Case 2 Software-global industry</td>
<td>Large projects-public &amp; private</td>
</tr>
<tr>
<td>Case 3 Metal-mechanic international industry</td>
<td>Telecommunications &amp; Medical</td>
</tr>
<tr>
<td>Case 4 Electronic-global industry</td>
<td>Automobile &amp; medical</td>
</tr>
<tr>
<td>Case 5 Electronic-global industry</td>
<td>Many sectors large OEM's</td>
</tr>
<tr>
<td>Case 6 Electronic-global industry</td>
<td>Business &amp; consumer</td>
</tr>
<tr>
<td>Case 7 Software-global industry</td>
<td>Software houses</td>
</tr>
<tr>
<td>Case 8 Metal-mechanic international industry</td>
<td>Iron &amp; steel recycling plant</td>
</tr>
<tr>
<td>Case 9 Electronic-global industry</td>
<td>Retail, utilities</td>
</tr>
<tr>
<td>Case 10 Electronic-global industry</td>
<td>IT and computers</td>
</tr>
<tr>
<td>Case 11 Electronic-global industry</td>
<td>Transport, medical telecommunications &amp; games</td>
</tr>
<tr>
<td>Case 12 Metal-mechanic international industry</td>
<td>Domestic appliances</td>
</tr>
<tr>
<td>Case 13 Metal-mechanic international industry</td>
<td>Automobile &amp; boats</td>
</tr>
<tr>
<td>Case 14 Metal-mechanic international industry</td>
<td>Agricultural equipment &amp; automobiles</td>
</tr>
<tr>
<td>Case 15 Software-global industry</td>
<td>Travel &amp; retail financial services telecommunications IT, pharmaceuticals</td>
</tr>
<tr>
<td>Case 16 Metal-mechanic international industry</td>
<td>Computer components, medical &amp; military</td>
</tr>
</tbody>
</table>

In addition, for many of the firms the industry environment may also be classed as global or international in nature. The combination of both an internationally focused supplier industry and customer industry may be thought to exert a strong influence on the internationalization process of the case study firms, as suggested by the literature (Porter, 1986; Grant, 2002). Only one firm, however, explicitly acknowledged the influence of the industry environment:
One possible explanation for the fact that most of the firms did not acknowledge industry level influences is that the firms follow multinational customers into international markets. Consequently they are perhaps more focused on the immediate micro-market environment rather than the distant macro-industry environment. If this is the case, the research is contributing to the literature once again in suggesting that internationalization patterns need to be studies at the micro level of the individual firm, and generalizations only serve to oversimplify the reality of the process.

Conclusion: In view of the respondents' comments, this research proposition was judged to have a limited influence on the internationalization process.

5.10.1 Language and cultural issues: barriers to internationalization

Research proposition 1-2: Internationalization decisions are influenced by a firm's home country cultural environment. The research seeks to establish whether either/both the style of internationalization and the location choice are subject to cultural influences.

The country and cultural influences on the behaviour of managers, management thinking and knowledge is an issue in the research area of systemic and cross-cultural management (Laurent, 1983; Hofstede, 1991; Whitley 1992; Lawrence and Edwards, 2000; Whittington, 2001). Santos (in Schneider and Barsoux, 1997:47) identifies five influences on management thinking, including national culture, history and language (see 'Spheres of influence' in Table 32 below).
<table>
<thead>
<tr>
<th>‘Spheres of influence’</th>
<th>Specification of influences</th>
<th>Impact on management knowledge/practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>National/Regional/Global (systemic: Whitley, 1992; Whittington, 1996; international management: Trompenaars, 1993)</td>
<td>Geography, history, political and economic forces, climate, region, language</td>
<td>Force either for localization, regionalization or globalization</td>
</tr>
<tr>
<td>Industry (Spender, 1989)</td>
<td>Resources, technology, product market, regulation, competitive advantage</td>
<td>Force either for localization, regionalization or globalization</td>
</tr>
<tr>
<td>Company-Organizational Paradigms (Sheldon, 1980)</td>
<td>Founder, leader, administrative heritage, nature of product/industry stage of development</td>
<td>Force either for localization, regionalization or globalization</td>
</tr>
<tr>
<td>Functional</td>
<td>External environment, nature of task, time horizon</td>
<td>Force either for localization, regionalization or globalization</td>
</tr>
<tr>
<td>Professional</td>
<td>Education, training, selection, socialisation</td>
<td>Force either for localization, regionalization or globalization</td>
</tr>
</tbody>
</table>

Adapted from Santos, in Schneider and Barsoux, 1997: 47 by Perks, 2000 b.

Any of the influences, arguably, can have an impact on management ideas and knowledge, and hence a firm’s approach to internationalization.

The influence of the national or regional culture on management ideas and knowledge is argued forcefully by some organizational theorists (Whitley, 1992). In terms of the influence of national culture on internationalization overall the case study results suggest that, contrary to the literature on cross-cultural and comparative management, few respondents considered national culture as a significant issue in the internationalization process.

One specific component of the home country environment which may impact on internationalization is the ability to deal with different languages and cultures. Language and cultural issues have not prevented the firms in the study from exporting and they are not seen as significant barriers to internationalization except by the firms at the early stage of the internationalization process. In other words, the organizations that are more domestically oriented in their sales appear to lack the linguistic confidence of some of the more internationally oriented firms in the sample. This affirms the findings of Dichtl, Koeglmayr and Mueller (1990).
Nonetheless, the respondents’ perceive language and cultural factors as problematic:

"When you go outside the German speaking countries you have a lot of other problems. It really becomes difficult with these external organizations where there is also the culture and the language system that is different" (respondent firm 2).

"In Italy we have some problems with internationalization because we don’t study the English language. The mentality of Italian entrepreneurs is we are good on technological processes good technical developers but we are no good for example at languages and exporting" (respondent firm 10).

These quotes suggest that the educational context within the home country may be influential on a firm’s openness to international markets. If the education system emphasises the development of foreign language skills then this may ultimately serve to encourage the internationalization of firms within that country. This finding shows the subtlety of the possible home country influences which are not clearly identified by current theory.

Conclusion: The home country acts as a moderate influence on the internationalization process.

5.11 The internal business unit environment

Research proposition 2-1: The decision maker(s) mindset acts as an influence on the internationalization process. The personality, interests and ambition of the individual entrepreneur or key decision maker in a business may be possible influences on attitude towards internationalization. The research investigates the extent to which key individuals have a vision that serves to determine the international growth for the firm.

The evidence from the empirical research is that the decision maker(s) and their mindset have a very strong influence on the internationalization of the firm. The
strength of this influence is evident in many of the respondents' discussion of the importance of the entrepreneur's vision and involvement in internationalization strategies and processes. The mindset of the entrepreneur is a very strong influence on the decision to internationalize (sub-construct 1), choice of markets to enter (sub-construct 2) speed and mode of market entry (sub-construct's 3-1 and 3-2).

"Very strong desire to become international from the beginning. If we have a... a customer in Germany we can do it here we should try to be everywhere. We think global act local this is our motto" (respondent firm 1).

"He believes you cannot go to an export market without returning with an order, he believes that you have to invest in export, you must be present in export markets, international markets-passion for exports" (respondent firm 9).

"He is very globally thinking. Yes, we need to open our minds. My objective in the next five years is to increase exports-the final sales 50% international, 50% domestic a big change" (respondent firm 10).

Simon, (1996:94-5) used the number of international telephone calls and overnight stay (bed-nights) in foreign hotels by business people as a measure of internationalization. The amount of time the entrepreneur spends in international markets is likely to influence the mindset. By spending time in international markets, they build up experience and confidence to approach clients directly. Conversely, entrepreneurs who spend less time in international markets are likely to be domestically oriented and select less direct routes to market through intermediaries:
"Yes the head of the company is travelling all the time every subsidiary international and they are always travelling. Outside of Germany not so much 10% ok let’s say one of the leaders spends more time out of Germany. This year we have about 6/7 international fairs that we visit concerning this telecoms part so he is very often travelling out of Germany. 20-30% of the time (respondent firm 2).

"Each sales manager spends around 20% of his or her time out in the export markets. I was away in the States every 6 weeks or so away for a week travelling in the States. The idea is that he is free to travel whenever he wants. At the moment he (export manager) is out 3/5 days a week" (respondent firm 16).

In one case study firm, deriving 95% of its business from domestic markets, the entrepreneur rarely spends time with customers in foreign markets. The single major account is with a British company but the client is managed through the customer’s branch in the home market and through a British software subcontractor. In contrast, another firm, with similar levels of export sales has been increasing its efforts to internationalize and top managers have spent time visiting a new foreign subsidiary and clients. Managerial attitudes thus play an important role in internationalization.

5.11.1 Responsibility for initiating exports

As stated previously in this chapter, the owner-entrepreneur was mainly responsible for initiating export sales activities although in a few firms the export activity was started by the marketing, sales or commercial function at board level. Even when the firm’s international business developed and other specialist export managers took on the responsibility for international sales, the simple organizational structure for exports left the entrepreneur still actively involved in domestic and international sales negotiations. The findings in Chapter 4 were that the entrepreneur was actively involved in the firms strategy and defined the 'entrepreneurial' culture within the firm. Many of the entrepreneurs made a commitment to internationalize the business and exert a strong influence on decision making and the internationalization process of the firm. The literature on
entrepreneurship and the RBV argue strongly that the entrepreneur is a key resource in management and strategy (Alvarez and Busenitz, 2001).

5.11.2 Internationalization as a strategy: heuristic or managerial

The research questioning probed the respondents' views on their approach towards international market and business strategy and there was a range of responses indicating a mix of heuristic and managerial approaches towards internationalization (Busenitz and Barney, 1997). This contrasts with the RBV and entrepreneurship literature (Busenitz and Barney, 1997) which has presented heuristic and managerial cognitive processes as dichotomous contrasts between large and small firms. The firms studies for this thesis are all of medium-size, but their approach to strategy suggests that they try to retain heuristic decision making and cognition, whilst at the same time developing more formal managerial cognitive approaches to cope with growth in the firm size.

One of the largest firms integrates international strategy into the overall business strategy thereby implying international markets are as pivotal to the business as domestic markets. Another respondent also sees a link between domestic and international business strategy, as the home market provides a platform for planned export growth. One respondent stated that since inception the firm has taken an informal heuristic approach towards domestic and international strategies (Alvarez and Busenitz, 2001). With increasing size, however, the firm was moving towards a more formal strategic planning process partly because of the opinion of the marketing director and also the influence of management consultants.

The respondents appear to be thinking more about their international plans and strategies as an integral part of the overall business strategy of the firm. This could mean an increase the commitment to international business and markets influencing decisions on market selection and entry mode. For example, decision makers may consider other entry options such as acquisitions mentioned by some respondents of the larger planning companies. The entrepreneur in one firm has invested in international networks as part of a deliberate managerial strategy:
"We are exactly at this point where we see a need for a real international strategy. So would you say that as you develop outside Germany it's a process of planning? Yes we come to the point where we plan how we are going international" (respondent firm 2).

"When you started to export was it part of a strategy or, was it in response to the client? It was a strategy, but this strategy for growth was uniquely from the French market, and then exporting" (respondent firm 9).

Conclusion: The international process of a firm is very strongly influenced by the mindset of the entrepreneur/key decision maker.

Research proposition 2-2: Firm resources and capabilities have an influence on the internationalization process. This proposition develops the resource-based view of the firm in evaluating whether or not a firm's internationalization may be restricted by the lack of access to financial, human or other resources.

The literature on small firms (Barker, Metcalfe, and Porteous, 1989; Oakey, 1995) presents resources as a constraint on firm growth, or the internationalization of small-to-medium-sized firms (Johanson and Wiedersheim-Paul, 1975; Kedia and Chokar, 1986; Bell, Franchino, Perks, and Ruggeri-Stevens, 1996).

The respondents' comments, however, provide no evidence that a firm's resources serve to constrain or influences the decision to internationalize, which markets to enter or the market entry mode as none of the respondents mentioned resource restrictions as a limiting factor. Liesch and Knight (1999) argued that successful firms rather than view resources as a barrier they are more capable of leveraging their internal capabilities than other firms.

Conclusion: The internationalization process of the firms do not appear to be constrained or adversely affected by the lack of resources and the conclusion is that this has a limited influence.
Research proposition 2-3: Business unit history has an influence on the internationalization process. The firm's internationalization process may be affected by particular history of the firm in terms of previous decision's and organizational culture.

Respondents rarely referred to past events as influences on decision making, although this is suggested in the literature (Nelson and Winter, 1982). The analysis of the responses did not identify any quotes or text discussing this as an issue for the firms, but respondents were asked whether their past experience of exports had been positive or negative. The firms felt that whatever occurred in the past, they would remain positive about export markets in the future. Similarly, firms would continue to invest in foreign subsidiaries in critical markets even if they incurred losses in the short term:

"We started in 1989 with the first subsidiary totally undercapitalized, living from hand to mouth. We used the subsidiary to have our first foot in the door-relationship management with the software industry, with suppliers and so on, so that it was important for us to be in the USA. After the difficult period from 1989-1993 of financial losses we did a major relaunch in the USA so we were stronger from a financial point of view and we really got going there" (respondent firm 6).

Conclusion: The past does not appear to affect the organization's internationalization process and so the conclusion is that this research proposition has limited influence.

5.12 Product-market factors as influences on internationalization

Research proposition 3-1: The nature of the product or service acts as an influence on the internationalization process. This proposition recognizes that the scope for internationalization may vary across industry sectors and product types, because the very nature of the product or service may either hinder or help the
development of international business. For example, a firm producing culturally specific products may find it impossible to internationalize without changing its product profile.

The literature suggests that a firm’s international market entry is in part influenced by the nature of the product and service offering (Corey, Cespedes and Rangan, 1989). The issue is related to product complexity as complex products or services necessitate close interaction with clients in both the domestic and international markets. All of the industries studied are marketing these type of products or services (see quotes below). For example, complex products and co-design with major customers are a strong characteristic of the software and electronics firms and the need for integrated supply systems is a feature of firms in the metal mechanic sectors working with OEMs:

"We have a product—a product that needs direct near contact with the customer because the product is complex" (respondent firm 5).

"We adapt the products to the buyer" (respondent firm 6).

"I think our product is quite special and requires a technical background we need to train and have control-persons specific to servicing the product, good positioning, well documented, we want control over deals" (respondent firm 7).

"Yes it is determined by the product, the distribution system is determined by the product. We have many different products, we do not have rules, each product is different, we take a different approach. We are now focusing on producing only global products, we do not want to produce products for the French market only" (respondent firm 9).

Not surprisingly then, several of the firms provided evidence that the complexity and nature of the product are a strong influence on the market entry mode. The preferred mode of entry for complex items is direct-linking with and supporting customers through subsidiaries and head office staff. Where the product was standard and serving a replacement market the mode of entry was more likely to be through an agent or a partner.
Respondents were unambiguous about the complexity of the product influencing the market entry mode. As complexity increases, products and technologies link the firms and customers through co-design or integrated delivery systems.

Conclusion: The nature of the product exerts a strong influence on the internationalization process.

*Research proposition 3-2: Market demographics act as an influence on the internationalization process. Does the structure of the end market demographic concentration or dispersal constrain the firm’s internationalization choices?*

Corey, Cespedes and Rangan, (1989) argue that market demographics influences customer supplier relationships because the customers tend to be clustered, or concentrated in regions of the world. In each of the industries studied for this thesis, the customers were governments, large industrial clients, or OEMs in each market. Firms in this context have direct sales relationships with international clients. For example, firms in the metal-mechanic sector supply OEMs in the car and tractor industries and computer component sectors. As a result, suppliers tend to adopt direct links with customers’ factories.

This form of internationalization of small firms has been termed “intermediated expansion via larger multinational enterprises” (Acs, Morck, Myles Shaver and Yeung, 1999: 56). However, whether this is intermediated access to markets or direct access depends on the definition of a market. For example, one firm regards a large OEM multinational customer as the market for their components, not the final end user of the white goods. This interpretation has an impact on market selection as many of the firms are ‘following their customers’ around the world. As such, markets are not selected by country but the location of customers. There is evidence that firms are following this pattern of international business in the supply chain of large car manufacturers. Other firms have internationalized through large demographically concentrated telecommunications customers. This
explains and determines the direct selling patterns, which are on occasions supported by the use of agent intermediaries.

In principle, then, the market demographics are expected to influence the markets selected and the entry modes, but despite this, few of the firms made explicit comments to this effect:

"There are only a limited number of OEMs in each national market then to expand we had to expand into more geographic markets. For example in the USA the largest market there are only 5 OEMs" (respondent firm 12).

Conclusion: On this basis, it is concluded that market demographics exert only a moderate influence on the internationalization process.

Research proposition 3-3: The seller's perception of the buyer's mindset has an influence on the internationalization process. To what extent does the seller perceive the buyer as an important factor in making decisions about the internationalization process?

The final proposition in the theoretical framework was defined as the perceived influence of the buyer behaviour or mindset of the customer on the internationalization process of the firm. The discourse from the interviewees provides very strong evidence that the internationalization process was started by 'following the customer' and responding to a customer need or demand:
"We need subsidiaries to keep our customers happy, they need a local person they can talk to" (respondent firm 2).

"Yes—we follow our customers. If they request this then we must work with them wherever they want us to" (respondent firm 5).

"We do customer surveys, so we can talk to our final customers get feedback and we feed them into our engineering and product management organization" (respondent firm 6).

"Have to check that the needs of the client are being met. We want to satisfy our customers. Most important thing the entrepreneur developed products with the clients, they decided on the product (respondent firm 7).

"The company is close to clients? Sure, very close yes. When you transfer an industrial unit it is necessary to work with trust because in such a project you are responsible for many things, and it is important that the client can trust you" (respondent firm 8).

The firms clearly view themselves to be market and customer oriented with evidence of customized product design and services such as integrated logistics. There is evidence that the firms’ internal staff and processes are set up to disseminate and respond to customer and market information, as is suggested by the literature (Kohli and Jaworski, 1999).

The association between customer demands and internationalization is evident in comments from most of the firms and is one of the strongest influences on internationalization from the respondents’ perspective. Several of the responses support Homburg’s (2000) ‘closeness to customer’ construct and the strong connection between the firm and the market (Srivastava, Fahey and Christensen, 2001). There was also evidence that whatever the market entry mode the firm uses, their preference was for some direct interaction with the customer (Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull and Wilson, 1998):
"We need to be trusted by the customer because we develop their products. We do not give them products, we give them our know how, it is not visible. We have some niche products specialized around a customer. We change products to customer demands. We have to be close to our customer, our technical department, our engineering department they work very closely with the customer" (respondent firm 10).

This philosophy was extended from the domestic markets into the international markets:

"When we moved into the market in 1993 it was on the back of developing products to a customer in the USA. We followed the customer to other locations in international markets. We are close to our customers" (respondent firm 15).

This confirms the existing literature relating to the way in which companies build on organizational capabilities and transfer domestic philosophies and marketing systems to the international arena (Madhok, 1997).

Conclusion: Given the frequency with which respondents mentioned the issue, it is concluded that buyer behaviour-mindset of the seller and customer exerts a very strong influence on the internationalization process.

5.12.1 How firms internationalize-customer location and ownership

A further refinement of the definition of the international customer is a firm's internationalization through:

- Following domestically based and owned firms into international markets.
- Following domestically based but foreign owned firms into international markets.
- Actively searching foreign based customers in international markets.
If the firm is using domestically based customers as a conduit for its products then
the firm is internationalizing through a multinational, suggesting market selection
is by default than by choice. This contrasts with those firms who go out to the
markets to search for foreign customers.

5.12.2 Seller mindset: active or passive search for direct international customers

Many of the previous empirical studies found firms initially take a passive
approach to internationalization in response to requests from international
customers. As they gain experience, the firm starts to actively seek out
international customers. As the quotations from the respondents illustrate from
inception more firms actively searched for international customers.

5.13 A synthesis of the product-market influences on internationalization

The interplay between the nature of the product, market demographics and the
seller-buyer mindset influences the mode of international market entry. For
example, there is evidence to suggest that firms with complex products, or
systems serving customers whose operations are concentrated, and where the
buyer requires direct support select direct market entry modes. Where firms use
sales subsidiaries a critical factor in making the decision is the customer demand
for local support. Conversely where the customer is dispersed a local presence is
not required and the product is relatively standardized, agents are used as a mode
of market entry and development.

5.13.1 Analysis of product-market influences by sector and country: software
companies, Germany, France and the UK

The software firms have, in the main, entered markets through wholly-owned sales
subsidiaries to offer localized software support to customers. The products are
complex and customers in international markets are in general concentrated.
However, the main influence on the use of sales subsidiaries is the seller-buyer
customer mindset demanding local support and presence. In the one instance where
the firm deals directly with an international customer, it is to develop packaged software incorporated into the final product.

The firms have complex products, customers dispersed and concentrated geographically, supported by international subsidiaries and directly from the home base. This pattern of influences is the same across the three countries (see Table 33).

<table>
<thead>
<tr>
<th>Case study no. &amp; Market entry mode</th>
<th>Product</th>
<th>Demographics</th>
<th>Seller/Buyer-behaviour mindset</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Germany Enters markets through sales subsidiaries</td>
<td>Software-complex product needs strong supplier support to local clients</td>
<td>Concentrated nationally-dispersed internationally (countries and regions) customer locations concentrated</td>
<td>Customer oriented-buyers demand local software support and presence-global customers</td>
</tr>
<tr>
<td>2. Germany Enters markets through sales subsidiaries</td>
<td>Software-complex product needs strong supplier support to local clients</td>
<td>Dispersed nationally concentrated internationally (countries and regions)</td>
<td>Customer oriented-buyers demand local support and presence</td>
</tr>
<tr>
<td>7. France Enters markets through subsidiaries</td>
<td>Software-complex product needs strong supplier support to the client locally</td>
<td>Dispersed nationally and internationally (regions and countries) Large customers concentrated</td>
<td>Customer oriented-buyers demand local software support and presence</td>
</tr>
<tr>
<td>15. UK Enters markets through the use of direct sales to end-users</td>
<td>Software-complex product needs close interaction with the customer</td>
<td>Dispersed nationally and internationally (regions and countries) Large customers concentrated</td>
<td>Customer orientation-buyers do not demand a local presence</td>
</tr>
</tbody>
</table>

5.13.2 Analysis of product-market factors by sector and country: metal mechanic companies, Germany France, Italy and UK

The metal firms have direct relations with international customers and have no foreign sales subsidiaries. This pattern is influenced by the international geographic dispersal and concentration of their OEM, or large end-user customers.

*Defined by country and regional location and whether customers are concentrated or dispersed in a particular country or regional location.
in foreign market locations. This pattern of influences is the same across the four countries (see Table 34).

**Table 34 Product-market influences on international market entry sales and distribution**

<table>
<thead>
<tr>
<th>Case study no. &amp; Market entry mode</th>
<th>Product</th>
<th>Demographics</th>
<th>Seller/Buyer-behaviour mindset</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Germany enters markets through direct sales channel to customers</td>
<td>Metal-mechanic complex product technical specialist</td>
<td>Concentrated around OEMs nationally-dispersed internationally (countries and regions) to large OEMs concentrated in the foreign country</td>
<td>Customer oriented-buyers purchase in large volumes- JIT environment. Not demand local presence</td>
</tr>
<tr>
<td>8. France enters markets through direct sales supported by sales agents</td>
<td>Metal-mechanic complex service client needs strong support</td>
<td>Concentrated nationally-dispersed internationally (regions and countries) to large private and public customers concentrated in the foreign country</td>
<td>Customer oriented-buyers need local technical support global customers</td>
</tr>
<tr>
<td>12. Italy enters markets through direct sales to OEMs small proportion to agents</td>
<td>Metal-mechanic standard product needs complex service for component delivery does not need local support</td>
<td>Concentrated nationally-dispersed internationally (regions and countries) to large OEMs concentrated in the foreign country</td>
<td>Customer oriented-buyers demand JIT supply but not a local presence</td>
</tr>
<tr>
<td>13. Italy Enters markets through the use of direct sales to OEMs and end-users</td>
<td>Metal-mechanic specialist metal and other technologies-complex products</td>
<td>Concentrated nationally-dispersed internationally (regions and countries) to large OEMs concentrated in the foreign country</td>
<td>Customer orientation-buyers do not demand local presence</td>
</tr>
<tr>
<td>14. Italy Enter markets through the use of direct sales to OEMs</td>
<td>Metal-mechanic relatively straight forward product technology-need for integrated delivery system to customers</td>
<td>Concentrated nationally and internationally (regions and countries) to large OEMs concentrated in the foreign country</td>
<td>Customer orientation-buyer demands a local supply presence for JIT</td>
</tr>
<tr>
<td>16. UK Enters markets through direct sales to OEMs and agents</td>
<td>Metal-mechanic technically complex products some standard products</td>
<td>Dispersed nationally and internationally (regions and countries) OEMs customers concentrated, replacement dispersed</td>
<td>Customer orientation-buyer does not demand a local presence</td>
</tr>
</tbody>
</table>
5.13.3 Analysis of product-market factors by sector and country: electronic companies, Germany, France and Italy

Where the electronics firms differ from the other sectors is in the use of partnerships for sales, supplies and product development. The product-market determinants are influencing the mode of entry, for example one firm uses direct sales to large customers but agents in the demographically dispersed replacement market. In another instance where the customer demands local support, the firm has entered markets through foreign sales subsidiaries. In another firm, the customer demands direct support from the company. This pattern of influences appears to be the same across the three countries (see Table 35).

Table 35 Product-market influences on international market entry, sales and distribution design electronic companies

<table>
<thead>
<tr>
<th>Case study no. &amp; Market entry mode</th>
<th>Product</th>
<th>Demographics</th>
<th>Seller/Buyer-behaviour mindset</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Germany Enters markets through a mix of direct sales and use of agents</td>
<td>Electronic components-complex designed for OEMs and standard products for the replacement market</td>
<td>Concentrated nationally-dispersed internationally &amp; dispersed nationally/internationally in the replacement market</td>
<td>Customers oriented-buyers in the domestic OEM market demand local supply and support in North America</td>
</tr>
<tr>
<td>5. Germany Enters markets through partners-subsidies in the future</td>
<td>Electronic product-technically complex systems designed for OEMs</td>
<td>Dispersed nationally-concentrated internationally (countries and regions)</td>
<td>Customer oriented-buyers require local support regional customers</td>
</tr>
<tr>
<td>6. Germany Enters markets through subsidiaries</td>
<td>Electronic product-technically complex designed for large customers</td>
<td>Dispersed nationally and internationally (countries and regions) Large customer locations concentrated</td>
<td>Customer oriented-buyers need local support global customers</td>
</tr>
<tr>
<td>9. France Enters markets through direct sales and use of partners</td>
<td>Electronic product-technically complex needs client support</td>
<td>Concentrated and dispersed nationally and internationally (regions and countries)</td>
<td>Customer oriented-buyers require direct interaction global customers</td>
</tr>
<tr>
<td>10. Italy Enters and through the use of agents and direct sales</td>
<td>Electronic product-technically complex needs client support</td>
<td>Dispersed nationally, concentrated internationally (regions and countries)</td>
<td>Customer oriented-buyers require technical interaction regional customers</td>
</tr>
<tr>
<td>11. Italy Enters markets through the use of subsidiaries and direct sales</td>
<td>Electronic product-technically complex needs client support</td>
<td>Dispersed nationally, concentrated internationally Regions and countries</td>
<td>Customer orientation-buyers require technical support international customers</td>
</tr>
</tbody>
</table>
5.13.4 Cross-sector and country similarities

A common pattern between sectors is that all of the firms have a customer-oriented mindset and close relations with domestic and international customers are paramount. Furthermore, there are no obvious differences in influences related to country location.

5.14 Development of the theoretical framework: identification of a new influence and research proposition from the fieldwork

During the analytical process and theoretical development, the researcher identified an additional influence on internationalization from the empirical fieldwork. The research has taken a 'theory-first' (Miles and Huberman, 1994: 155) position, a 'deductive strategy' as the “researcher has some orienting constructs and propositions to test or observe in the field”. The research has taken the initial theory, amended and refined it “as it is tested against empirical events and characteristics” (Miles and Huberman, 1994:155). The development of theory grounded in the empirical research permits the researcher to build in new propositions following an inductive methodology at the end of the process (Bryman, 2001). The process of adaptation and modification is essential for the development of theory and knowledge.

The amendment of the theoretical framework and addition of a new research proposition grounded in the research is discussed in the next section.

Research proposition 4-1 Supply side factors have an influence on the internationalization process: The firms international purchase activities and search for new technologies influences their internationalization process.

This proposition has been added to the original theoretical framework as a new influence on the firms' internationalization process. Several of the firms' in the electronics sector were using subsidiaries or partnerships to develop new products for the home or international markets. Whilst this is a moderate influence across all of the sectors for the electronics firms it is a strong influence on their
internationalization process. The firms discussed the learning to be gained from international supply partnerships, joint ventures and international purchasing offices. The supply side influence appears to be sector specific as most of the firms are in the electronics industry. This has influenced the decision to go international, market selection and mode of market entry (internationalization subconstructs 1, 2 and 3-2).

The internationalization of some of the firms is driven by relations with non-domestic firms supplying low cost products or new technologies incorporated into the customers products or processes (see quotes below). There is evidence that several of the firms' are using international suppliers for components or technologies influencing the internationalization process. In one instance, a company in Asia is supplying components incorporated into the firms products in Italy and then sold mainly in the domestic market or exported to Germany. This firm could be regarded as a marginal exporter (5% of sales) if evaluated by demand. However, if supplies are taken into consideration it has a much stronger international presence:

"No we make them in our factory, we also have products which are made in China, telecommunications products, but in China, it is a sub-contractor we do not have any capital participation in this company. The product costs less. Yes, we buy components from throughout the world" (respondent firm 9).

"Yes with our purchasing people, purchasing of components, with our Asian companies. So in a way your purchasing is more international? Yes, in a way yes. The principal objective of this year is the internationalization, internationalization consists of sourcing components from Asia and in Greece" (respondent firm 10).

"We are part of a supply partnership with an Italian and Japanese company to supply a French customer" (respondent firm 14).

Another firm is initiating international business through supply and purchasing offices in the USA and Asia. The respondent felt these regions were centres of learning and excellence for innovation in electronic components and gave them
access to advanced technologies. The firm also gained experience of selling and marketing products in highly competitive environments. The nature of the product offering is extremely important in influencing the process of internationalization in another firm whose main business is in marketing re-furbished second-hand plant to European and Asian clients. The very nature of the product and the service requires the company to find a regular supply of industrial plant to meet the specific needs of international clients. Other firms source electronic components from around the world incorporating them into the final products sold in domestic and international markets. There is evidence that several of the firms have international exposure and influences on their businesses driven by the need to access products technologies for cost reductions, innovation and learning experience.

Conclusion: This is an important finding from the research and adds value to the theoretical framework and the contingency approach. The adoption of a contingency approach and research in diverse contexts has shown the benefit of this type of research. The variety and complexities of the internationalization process has been drawn out and demonstrates the robustness of a contingency framework. In the context of the high technology sector of electronics the access to components and new technologies has a stronger influence on internationalization than in the software and metal-mechanical sectors.
Section 3 Development of the theoretical framework: a causal network

5.15 Introduction

In this final section, the thesis examines and evaluates the interrelationships between the research propositions, how they interact and influence the internationalization process. The rationale for this evaluation is that the literature review in Chapter 2 identifies that the internationalization process is contingent on a number of interacting exogenous and endogenous influences rather than a single factor (Calof and Beamish, 1995). Further, much of the literature to date has been limited in trying to understand the dynamics of the process. Finally, the process is far more complex than that presented in the stage theory and rather than a universal generic process, the thesis argues that there can be many ‘realities’. The ‘realities’, it can be argued, are contingent on the influences presented in this thesis, specific to the contexts used and, ultimately, each firm situation. As such the researcher has developed a relatively simple theoretical framework, which has identified common influences and processes of internationalization, whilst at the same time flexible enough to accommodate variances in individual firm behaviour.

The thesis now turns its attention to a development of the framework, through the data from a single case, to evaluate the robustness and flexibility of the theory. Thus far, the analysis has searched for patterns across the sixteen cases to make judgements about the relative strength or weakness of influences. Now we move on to assess the inter-dependency of the contingencies and some of the dynamism of the process.

The analytical approach taken is the ‘causal network’ (Miles and Huberman, 1994) developed from the coding and analysis of the case firm. As explained in the research methodology (Chapter 4) and at the beginning of this chapter the relationships between cause and effect is problematic in both quantitative and qualitative methodologies. However, the thesis will explore the relationships between the research propositions and the influence these have on the
internationalization process of this firm. The relationships have emerged from the researcher discovering linkages 'in vivo' through the three levels of coding and iteration. The thesis now goes on to explain the relationships between the contingencies and the internationalization process of a single firm from the fieldwork.

5.16 The causal network: interrelationships between contingencies and the influence on the internationalization process of a firm

Figure 12 integrates the propositions in a 'causal network' (Miles and Huberman, 1994) to illustrate the complex set of inter-relationships affecting the internationalization processes of the firms. Firm 6 has been selected randomly to explain the causal network, interrelationships of the research propositions and the contingencies. The discussion focuses on the case specific influences and only includes the propositions that were discovered in the analysis of the firm and its archival data.

The most important relationships and interconnections between the influences are depicted in figure 12. Each influence is discussed using the responses from the empirical research for this particular case firm to explain the proposition and the interrelationship. The arrows indicate that there is a two way connection between the influences which are not mutually exclusive. Firm 6's internationalization process is influenced by the interplay of the entrepreneur’s mindset and the seller-buyer mindset that results in either a direct or indirect set of relationships in international markets. These two propositions have been included in the same column (A) in figure 12 as they are closely interrelated. The next influence on internationalization is the nature of the product and in the case of firm 6 with a mix of complex and standard products the impact on the internationalization construct is both direct and indirect relationships with international customers (column B in figure 12). The final set of related influences in column C are the linked nature of the international supply and technology base and the global nature of the industry environment and direct links with international partners.
The impact of the influences in figure 12 are then outlined in column D explained in terms of the internationalization constructs. The decision to go international is influenced by the mindset of the entrepreneur and ‘following the customer’ (sub-construct 1) and also influences the choice of the market to enter (sub-construct 2) and the mode of entry (sub-construct 3).

Figure 12 Interrelationships and causal network of the internationalization process firm 6

Contingency interacting influences on the internationalization process
The link between research proposition 2-1 The influence of the decision-makers mindset and the internationalization sub-construct 1 the decision to go international.

The respondent’s comments about the decision-makers mindset are linked to internationalization sub-construct 1, the decision to go international. Here the respondent views the mindset of the top decision makers as essential to the decision to internationalize in a particular way:

"It has a lot to do with the people that had been running the business, the people we had, had the mindset to do it in that way...we are investing heavily into our international networks" (respondent firm 6).

"The entry into foreign markets is a high priority in the current fiscal year. With the establishment of an additional branch office in Belgium in July 1999 we have completed our European sales network...In 1998...successfully accelerated the extension of its global market position...The marketing of its products in Europe, the U.S.A., and Asia is a significant contributory factor towards ensuring future growth at the global market level" (firm 6 1998 annual report).

The future growth of the company is dependent on expansion into European and global markets in North America and Asia evidenced throughout the interview and in the company literature.

The link between research proposition 3-3, the influence of the seller-buyer mindset and the internationalization sub-constructs 2 (market selection) and 3-2 (mode of market entry).

The close interaction with customers influences the firm to select markets by customer rather than geographic location. The implication is the firms choose the customer’s location rather than geographically or psychologically close markets:
"Systems integration basically is called, in our industry, the tier two and three OEMs. If we say OEM revenue that means the truly global OEMs. Large computer companies which truly act globally" (respondent firm 6).

The entrepreneurs make a decision to internationalize believing the firm will export 'pulled' by the customer who has a strong preference for direct contact with the supplier:

"Yes we do technical support for the customers and we also have an end-user hotline. We do customer surveys so we can talk to our final customers. Cooperation with leading OEMs world wide was expanded further in the global markets of the U.S.A., and the Far East in order to ensure growth in the coming years" (respondent firm 6).

This firm also supports international customers through a network of subsidiaries in order to have closer contact with major clients:

"The other locations (subsidiaries) are in Germany and then we have subsidiaries in Santa Clara California in Tokyo and Osaka Japan in Taipei in Taiwan and then we have four European sales offices in Belgium, England, France and Italy. Yes our global sales and marketing organization of course supports the global OEMs in a local fashion. So Asia supports a major client in Singapore for instance. Or a US client is supported through our Santa Clara office which basically provides support training to their technical support hotlines that's part of the service we provide to the customer" (respondent firm 6).

The internationalization process is being pursued via hybrid market entry modes. The firm is clear and explicit that the international strategy is being actively pursued through subsidiaries and sales networks in Europe, North America and Asia. The interplay between the entrepreneur's mindset and his need to link closely to international customers strongly influences the internationalization process of firm 6:
"We are systematically pursuing our internationalization strategy via our subsidiaries and independent sales and marketing organizations in Europe, the USA and Asia... The subsidiaries in Taiwan (Taipei), Japan (Tokyo and Osaka) and the U.S.A., (Santa Clara) are actively pursuing the company's goal of establishing itself in the international market... Furthermore, we have also started to supply classic retail sales channels and systems integrators in the United States for the first time in 1998" (firm 6 1999 annual report).

The link between research proposition 3-1 the influence of the product and the internationalization sub-construct 3-2 mode of market entry.

The link between complex products and close interaction with customers (RP 3-3) is evidenced in the direct links with international customers (direct market relations). The need to incorporate technical feedback in close collaboration with the customer is a central part of the firm's strategy as the following quote and extract from the annual report illustrates:

"We get feedback and feed this into our engineering and product management organization so that we adapt the products to the buyer" (firm 6 respondent).
"Close co-operation with renowned partners in development and sales will also be of strategic importance in 1999" (firm 6 1998 annual report).

However, for standard products with a consumer end-use the firm operates through intermediaries as the product technology is less complex and requires lower intensity interaction with customers. This shows how the contingency factors act as influences on the market entry mode:

"In the consumer market, we do address the end user, but we sell into distribution. We have 4 sales agencies, but we found them so they only work for us. They are sort of independent in a legal sense but financially they are totally dependent" (respondent firm 6).
The link between research proposition 4-1 the influence of supply side factors and the internationalization sub-construct 2 market selection.

The other proposition that influences the patterns of internationalization are the supply side purchase of components or gaining access to innovations. The firm selects supply and demand markets in countries that are centres of excellence for new technologies or low cost component production irrespective of culture and geographic distance. This has, in the case of firm 6 had a strong influence on the internationalization process which is not evident in other industry (for example metal-mechanic) contexts. This evidence suggests that the process is complex and varied and supports the development of the contingency approach towards theoretical development in the research:

"Also the fact that most of our supply comes from Silicon Valley, graphics, modem chips and therefore Silicon Valley is a frequent point of visits anyhow. Asia (the market) was truly developed from a procurement and manufacturing organization" (firm 6 respondent).

The link between research proposition 1-1 the influence of the industry environment and internationalization sub-construct 1 the decision to go international.

The final influence on firm 6 internationalization is the industry environment. The global industry environment has clearly been a driver in the firm's decision to expand into international markets. This is perceived as a growth opportunity and is perceived as a measure of firm success in their industry sector.

"The PC periphery business and client access business is a global industry and either you play in a global dimension or you don't play" (firm 6 respondent).

"An international market presence is a decisive factor for success in the IT sector" (firm 6 1998 annual report).
In several of the other industry and firm contexts the influence and role of the industry environment is not so strongly evident, further supporting the contingency approach and its ability to deal with the complex and diverse nature of the internationalization process.

5.17 Summary and conclusions

The theoretical framework supports the argument of Calof and Beamish (1995) that international processes of firms are contingent on several influences. In the thesis, the author proposes that strong and weak influences are connected and are a complex set of factors impacting on the internationalization processes of the firms. Consequently depending on the contingencies discussed above the influences and processes of internationalization whilst there are common patterns they will vary.

From the outset, the researcher has assumed an open mind as to both the validity of the framework, the influence of the propositions and emergence of new ones. The empirical research has provided evidence to support the original theoretical propositions and the internationalization processes of the sixteen case firms contingent on several influences. What has been discovered from the empirical research are the differences in the relative strengths and weaknesses of the propositions. However, the discovery of the strength of the seller-buyer mindset (internal-external factor connections) and the decision maker’s mindset (internal) provides evidence that the relationship between a firm and its environment is not dichotomous as suggested by the export behaviour literature. Rather, the findings are further evidence to support the interconnection between a firm’s resources and the market environment (Srivastava, Fahey and Christensen, 2001). The finding that the decision maker’s mindset has a strong influence on the decision to take the firm into international markets has importance for theoretical development as prior research has neglected the role and influence of the entrepreneur. However, the influence of the other propositions cannot be underestimated and one stimulus or influence is insufficient to explain the drivers of the internationalization processes of the firms in the empirical study (Calof and Beamish, 1995).
The use of a single case to assess the flexibility of the theoretical framework suggests that the influences and propositions are comprehensive enough to explain the internationalization process in different situations and contexts. The dynamism of the process and interrelationships between several influences was also drawn out in the analysis and discussion of the case.
Chapter 6 Conclusions

6.0 Contribution to theoretical development

Over the past three decades, much of the research has focused on empirical tests and evaluation of existing paradigms in export behaviour and the stage theory of internationalization. The internationalization stage theory has been subject to critical review as researchers question the universality of the process as an explanation of firm behaviour (Reid, 1983; Turnbull, 1993; Andersen, 1993). However, these researchers have not addressed the critical issue of how to build on and develop the theory of the internationalization process.

While there has been some pioneering research to develop internationalization theory in particular Calof and Beamish (1995) with a contingency view and Oviatt and McDougall (1994) in international new ventures, not enough attention has been paid to theoretical development. The contribution of the thesis has been to develop theory further in a set of propositions, which can influence the internationalization processes of firms. This development is significantly different to the stage theory in adopting the view that the process is complex, varied and dynamic contingent on the contexts in which the firm operates, rather than a static predictable universal process.

The process of internationalization has been operationalized in a set of constructs, namely the decision to go international, market selection and the market entry mode. The theoretical development proposes that the internationalization process is not universal, as suggested by the stage theory, rather, it is contingent on the industry, firm and market specific situation of the firm. The empirical development of the theory supports the contingency-view insofar as while there are some common processes of internationalization there are variances between the firms. The theory is flexible allowing for such variance and, based on the evidence, results in a simple direct process or a hybrid set of market relations.
Finally, the adoption of a qualitative research methodology with a theory first approach allowing for theoretical development grounded in the empirical research resulted in a new proposition. This proposition that the supply side of the firm impacts on the internationalization process has added value to the research in that rarely has internationalization theory acknowledged this influence.

6.1 Contribution to management knowledge

6.1.1 Contribution to the knowledge of export behaviour and internationalization

The author acknowledges that while export behaviour literature has studied the influence of internal firm resources and the decision maker, not enough attention has been focused on the entrepreneur’s mindset, a major influence on the internationalization process. The thesis has made efforts to address this shortcoming.

Export behaviour studies also discuss internal and external influences on internationalization or stimuli to export, (Leonidou, 1995). However, few scholars have attempted to assess or prioritize the role of the entrepreneur as a resource. Furthermore, export behaviour studies do not link internal and external influences but view them as dichotomous (Albaum, Strandskov, and Duerr, 2002). The empirical research has evidence of the resource-based view in that internally based assets and resources support and interrelate with externally based market assets (Srivastava, Fahey and Christensen, 2001). The split between internal and external influences on internationalization creates difficulties in terms of determining what is an internal and external factor. The research findings, particularly the strong influence of the seller-buyer and the connection with the entrepreneurs, provides evidence to support the linkage between the firm and market-based assets. The work of Srivastava, Fahey and Christensen is supported by the research in relationship marketing (Sheth and Parvatiyar, 1995) business marketing (Ford, 1980, 1997; Håkansson, 1983; Wilson, 1994) which integrate internal customer support resources with the customer and market. The thesis has found evidence that entrepreneurs and their employees are ‘entwined’ (Srivastava, Fahey and
Christensen, 2001) with external assets (customers). The boundaries between the firm and the market are ‘fuzzy’ and not, as suggested by export behaviour theory, dichotomous.

One very important finding for the development of knowledge and practice in marketing is the evidence that firms internationalize through close ties with their domestic and international customers, ‘following the call of the customer’. This finding supports the work of Homburg (2000) and the concept of customer and market orientation (Kohli and Jaworski, 1999). A majority of the case firms used this term unreservedly in discussing a major influence on their international market entry, relations and choice of market.

The thesis has also contributed to knowledge of the internationalization process within contexts. The contexts for the PhD research are the country and culture, industrial sector, firm size and growth.

The export behaviour and stage theory research has rarely considered the internationalization process in the context of contrasting regions, countries and culture. The thesis has taken firms located in northern and southern Europe to evaluate the influence of different country and cultural contexts, something that has rarely received attention in the export behaviour and stage literature. The finding that firms do not perceive the national culture as a major influence, or barrier to internationalization, contradicts the small firms and export behaviour literature that tends to present culture as a barrier to internationalization of SMEs. Rather, as discussed below, the more important influence is the sector and the specific product market in which the firm is operating.

Previous work in the export behaviour and internationalization stage theory research has been of firms in broad sectors such as manufacturing (‘conventional industries’) while the international new venture research has focused on ‘high-tech’ industries. The thesis in selecting firms in specific sectors, electronics and software (‘high-tech’) and metal-mechanical (‘conventional’) allowed the researcher to evaluate the impact of contrasting sectors on the internationalization process, something which has drawn out interesting similarities and differences.
The thesis has shown the benefits of sector studies and how they draw out knowledge that the internationalization process is not universal to all situations, rather that it is contingent, in part, on a sector context.

The study of firms within the context of size has been carried out before, however the context has usually been of small or very large firms. The thesis has deliberately selected medium-sized firms as they have rarely been subject to extensive research in the literature (Bruni, 1987; Corbetta, 2002; Atherton and Scott, 2002). There has been even less research on the internationalization of medium-sized firms and, as such, the thesis has made a much needed contribution to this emerging literature. Finally, the thesis has studied medium-sized firms under the conditions of fast growth. Previous export behaviour and stage theory did not use this as a context for the research, however the emerging literature on international new ventures has. One of the key findings from the research of medium-sized fast growth firms has been the lack of perception that resources are a barrier to international growth in contrast to the studies of small firms. This may be because these firms are medium-sized and performing well (Gimeno, Folta, Cooper and Woo, 1997). The finding may also support the observations of other scholars (Liesch and Knight, 1997; Oviatt and McDougall, 1994) who argue that experience and resource barriers can be overcome by firms. However, the finding that the market entry mode, for these medium-sized companies, is similar to small firms (Bürgel, 2000; Lindqvist, 1997), in that none of the firms entered markets through foreign direct investment.

The findings of the research support the position of the scholars in the field of international new ventures insofar as the firms do not follow the stage process. Rather they use a hybrid mix of entry methods (Oviatt and McDougall, 1994) and rarely change the mode of entry over time (Bell, 1995). Furthermore, the research has some evidence to support the view that firms ‘leapfrog’ stages (Oviatt and McDougall, 1994). This may be due to the sector, as the phenomenon of entering markets through subsidiaries and customer networks (Coviello and Munro, 1995) has been discovered in the software and electronic sectors. Few of the conventional metal-mechanic firms in the thesis have invested in sales subsidiaries to leapfrog the establishment chain.
6.2 Findings for management knowledge and cross-cultural management and marketing

The research has found that the issues of the influence of culture on management practices and marketing, in particular the choice of which market to enter, is complex. However, whilst there is some evidence that the entrepreneurs are influenced by their own national culture in terms of the internationalization process, there is more evidence to suggest that the respondents have a common mindset that is a reflection of them as entrepreneurs. In other words, they are focused on their organization and its survival and growth more than they are on the influence of their national context. This is supported by the statements on culture and the finding that, in particular among the German and French firms, they are more influenced by the customer and their culture than the national culture when selecting international markets. Whilst most of the firms have a high proportion of their non-domestic business in Europe, several have started their international business in geographically and psychologically distant markets. This finding does not fit with much of the literature on internationalization and export behaviour in which the evidence tends to show firms preferring to export to geographically and psychologically close markets.

The findings are important for cross-cultural management and the debate on convergence or divergence in management ideas, with more evidence for convergence around a common idea of management and entrepreneurship rather than divergence.

6.3 Implications for policy-makers and management practice

The findings reveal a number of key influences on the internationalization process which can be effectively used by policy makers. The direct implications for policy makers are that, if the research findings could be replicated to a degree that would allow generalisation, then:

- Policy makers should identify and profile entrepreneurs with an international mindset and set policies that, for example, reward
profitable international growth with the benefit of a reduced corporation tax.

- Other initiatives could take the form of national and regional forums to debate the issues of management skills and the strategic needs for these firms, in particular how to cope with growth and develop managers with a managerial, entrepreneurial and international mindset. Whatever the initiative, these firms do not need generic training programmes and courses on how to export as they are already have these skills.

- Policy makers should encourage programmes of support for practitioners to set up and develop international networks.

- The influence of industry level and product market characteristics on patterns of internationalization needs to be recognized.

- Policy makers should not focus on resources as the central thrust for supporting the internationalization of medium-sized firms. Instead, the need is to create an economic and fiscal environment to stimulate the internationalization of firms.

Finally, the research identified problems with the grouping of small and medium-sized firms into a single category, as it serves to mask some important differences that exist concerning management and strategic practices. For example the medium-sized firms in the study are having to come to terms with the management of increasing size and scope whilst trying to retain their entrepreneurial culture.

There is also a case to be made for further refinement within the category of medium-sized firms. The research finds that the ‘larger’ medium-sized firms (circa 400-500 employees) are increasingly developing an explicit international strategy and formalization in comparison to ‘smaller’ medium-sized firm (circa 100-150) that are driven by entrepreneurial vision and mindset. The implications for policy makers and practitioners is that they should understand the management similarities and differences in developing policies and advice in this sector, and this can only be done by somewhat narrower definitions of small versus medium-sized firms.
6.4 The strengths of the research

Much of the research on the internationalization process has been quantitative and tended to test the existing stage theory rather than develop it through qualitative methodologies. One of the strengths of the thesis is that the researcher has not made any assumptions about the internationalization process, rather kept an open mind to allow the respondents in the study to explain their approach. However, the existing internationalization theory has contributed extensively to the thesis and the development of the theoretical framework. As such, a further strength of the work is that it is embedded in a knowledge base, distilled from over 30 years of scholarly activity. On the other hand the researcher in adopting a 'theory first' position has been able to develop and add to the theory inductively from the fieldwork. This research epistemology has rarely been adopted in the study of the internationalization process.

The thesis has additional important strengths insofar as past research has rarely been sector focused, in particular contrasting high-tech and conventional industries (Boter and Holmquist, 1996). Further, previous internationalization stage research has tended to be based in a single country, or region of the world (North America or Scandinavia). The thesis has been based on research in multiple-country locations with fieldwork carried out in Northern and Southern European countries.

The researcher has also identified an under researched sector in the economy, namely independently owned medium-sized firms. Past research on the internationalization stage theory and international new ventures has tended to be based on small firms, or grouped medium-sized firms within the sample. An emerging literature is arguing that medium-sized firms may have different strategies and processes.

A final strength of the thesis is that it has examined an unusual group of firms that are in a period of fast growth. Rarely has internationalization stage research studied firms under these growth conditions.
6.5 The limitations of the research

A limitation of the thesis is that the findings are exploratory and the theory has not been tested on a larger sample. As such the findings can only be generalizable to the sixteen case firms, as suggested by Yin (1994). The theory could have been tested through a large-scale study.

A further limitation of the thesis is that it could have developed the theory through multiple-site visits in a longitudinal study of the firms to capture some of the dynamics of the process. The study of the dynamics of the internationalization process was one of the gaps identified in the literature and the thesis, confirming that this still needs to be addressed. The research has attempted to explain the dynamics of the internationalization process by asking respondents to think about their firms past, present and future policies on internationalization. This methodology is problematic as it relies on memory of past events and possible post-hoc rationalization of the respondents.

In addition, while the thesis has developed the theory in diverse countries of Europe, it remains a regional study. The findings regarding culture and internationalization may need re-evaluation if the study were extended to other regions of the world.

However, given the time and resource constraints of a single researcher, the extensive face-face interviews in four countries and that the central purpose of the thesis was to develop theory rather than test it, the methodology adopted was appropriate.

6.6 Further areas for research

The thesis while developing theory from an extensive interview programme in four countries would require further research in the form of multiple-site visits in a longitudinal study. This may provide evidence, which could mean either a modification or further development of the theory to refine a set of hypotheses to test in a large-scale survey.
Future research could also consider extending the study to other regions of the world, although there are severe resource constraints in achieving this aim. In the medium term, realistically, the researcher could make additional site visits and carry out a large-scale survey of the firms in the four countries. The research programme could also benefit from collaboration with other researchers who would be familiar with the local language, culture and business environment. This would allow for more cross-cultural development of the theory.

Finally, the thesis has identified an under-researched sector in the economy, namely privately owned medium-sized firms. Future research would develop this further, in particular the contrasts between small and medium-sized firms and the implications for the internationalization process.
Bibliography


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Appendix I Case contact letter

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Dear Mr,

Following our telephone conversation of 24 August 1999, I am writing to give you some brief details of my research. I am preparing a doctorate in international marketing. As part of the research process, I have been interviewing fast growth medium-sized firms in Europe. My interest is in comparing firms in the UK, France, Italy, and Germany in particular:

1. Comparing the similarities and differences amongst these firms in how they manage their national and international business, (including firms who export and those that do not).
2. To link the research to the firm's history and product type.
3. I am particularly interested in how the firms have developed their business, channels of sales and distribution, who was/is responsible for business and market development.

The approach is to interview entrepreneurs/owners who have experience and knowledge of the company, and the business in a national and international context. A very open ended approach is used with a set of questions, for a guideline. The aim of the research is to get a better understanding of the issues facing fast growth small to medium sized firms and to transfer this learning into education to help prepare students and managers for international marketing careers.

I look forward to meeting you at your offices on Wednesday at 2 p.m.

Yours sincerely,

Keith J. Perks
Appendix II Questionnaire

<table>
<thead>
<tr>
<th>Aim of the questionnaire</th>
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<tbody>
<tr>
<td><strong>1. Background and Context</strong></td>
</tr>
<tr>
<td>To probe the dynamics of the process by which firms develop their international business and markets. The field study will attempt to elicit the origins of the sample firms' first moves into international markets. The research questioning will then probe how their international business evolved in terms of the degree which, the process was deliberate and planned and the method(s) of market entry employed.</td>
</tr>
</tbody>
</table>

| **2. Current and Future Activities** |
| The research questioning then probes the firms current situation vis-à-vis international markets and the plans for the future development of exports or international business. |

<table>
<thead>
<tr>
<th>Questions, getting to know the company and its international business</th>
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<tbody>
<tr>
<td>1. Can you tell me about the origins of your company?</td>
</tr>
<tr>
<td>2. When did you start to export?</td>
</tr>
<tr>
<td>3. How did the export process/business start?</td>
</tr>
<tr>
<td>4. Who took on the responsibility for handling/managing your export business?</td>
</tr>
<tr>
<td>5. What forms and patterns of market entry modes do you have in your international markets?</td>
</tr>
<tr>
<td>6. Was the decision to develop international markets planned manner or did it emerge out of a series of chance contacts or successes?</td>
</tr>
<tr>
<td>7. What number of staff is involved in exporting, how is it organised?</td>
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</table>

<table>
<thead>
<tr>
<th>Questions re market evolution/dynamics of the international development process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Can you recall how your international sales/business grew and did this confirm/change your views about the likelihood of remaining in international markets?</td>
</tr>
<tr>
<td>2. Did a sense of commitment to international business emerge in the process of export sales growth?</td>
</tr>
<tr>
<td>3. Did you enter markets individually and sequentially or several markets simultaneously?</td>
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<table>
<thead>
<tr>
<th>Questions getting to know how the managers deal with relationships with distributors/licensees/joint ventures etc.,</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How did you form your links with partners, intermediaries, licensee's etc.,</td>
</tr>
<tr>
<td>2. What are the responsibilities of intermediaries' etc.?</td>
</tr>
<tr>
<td>3. What is your company's role/responsibilities?</td>
</tr>
<tr>
<td>4. How do you approach the task of managing intermediary etc., relations?</td>
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</table>

<table>
<thead>
<tr>
<th>Questions related to sales subsidiaries</th>
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</thead>
<tbody>
<tr>
<td>1. Why did you decide to invest in/set up a sales subsidiary?</td>
</tr>
<tr>
<td>2. What role(s)/functions do your sales subsidiaries perform?</td>
</tr>
<tr>
<td>3. What roles/functions do the headquarters perform?</td>
</tr>
<tr>
<td>4. How do you manage and control your subsidiaries (reporting and planning systems)?</td>
</tr>
<tr>
<td>5. What are your staffing policies; do you employ local nationals or expatriate managers?</td>
</tr>
<tr>
<td>6. How many staff do you employ in foreign subsidiaries?</td>
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</table>

<table>
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<tr>
<th>Questions regarding time spent in foreign markets</th>
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</thead>
<tbody>
<tr>
<td>1. Who is responsible for overseas sales?</td>
</tr>
<tr>
<td>2. How much time each month or year do you or your staff spend in foreign markets?</td>
</tr>
<tr>
<td>3. When working in foreign markets how much time is spent with customers or distributors?</td>
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</tbody>
</table>

<table>
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<tr>
<th>Questions related to investment decisions</th>
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</thead>
<tbody>
<tr>
<td>1. Have you made any investments overseas?</td>
</tr>
<tr>
<td>2. What is the form of this investment? - in manufacturing/equity joint venture/sales-services subsidiary/distribution networks?</td>
</tr>
<tr>
<td>3. How do you raise capital/finance for overseas investment?</td>
</tr>
</tbody>
</table>
Appendix III Colour coding

NVivo revision 1.1.127 Licensee: Keith John Perks
Project: PhD Internationalisation Fieldwork User: Keith John Perks Date: 30/08/01 - 10:32:57

DOCUMENT TEXT REPORT

Document: Case Type - Memo
Created: 04/04/01 - 09:33:57
Modified: 09/05/01 - 13:56:51
Document Text:

1: Interview (Title)
2:
3: §1 Date (Heading 1)
4: §2
5: §3 Location (Heading 2)
6: §4
7: §5 Sector (Software; Metal Mechanical; Electronics) (Heading 3)
8:
9: §6 Coding First Level Analysis Based on Open Ended Questionnaire (Heading 4)
10: §7
11: §8 Q1. Getting to know the company (Heading 4)
12:
13: (a)Code: GETKNOWCO.General-(Foundation, ownership, products, organisation) Arial 10 Dark Blue
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15: (c)Code: GETKNOWCO.NO.PLAN (Decision making style no use of plans, judgemental with or without strategic vision) Arial 8 Dark Blue Bold Italic
16: (d)Code: GETKNOWCO.STEXP-(When started to Export) Tahoma 10 Black
17: (e)Code: GETKNOWCO.HOW.WHY (How & Why Export) Bookman Old Style 10 Dark Blue
18: (f)Code: GETKNOWCO.EXRES (Who took on responsibility) Century Gothic 70 Block Italics
19: (g)Code: GETKNOWCO.WHI NTLM (Which international markets) Tempus Sans ITC 11 Black
20: (h)Code: GETKNOWCO.LEV. INTBUS (How much international) TimesNR 12 Dark Blue Bold Italics
21: (i)Code: GETKNOWCO.NO.STAFEXP (Number of staff in export) Book Antigua 9 Dark Blue Italics
22: (j)Code: GETKNOWCO.EX. ORG (Export organisation) MS Serif 9 Black Bold
23: (k) Code: GETKNOWCO.SENS.ST (Respondent sense strategy) Arial Black 8 Black
24: (l)Code: GETKNOWCO.CULT (Company culture, goals, strategy) OCR A Extended 10 Dark Blue
25: (m)Code: GETKNOWCO.ENT. STARTUP (Issues for company start up) Verdana 8 Dark Blue
26: (n)Code: RES. BACK (respondents background) Calisto MT 8 Black Bold Italics
27: (o) Code: MOSTDOM (Domestically oriented business early stage internationaliser) Arial Narrow 8 Dark Blue Bold Italics
28: (p) Code: MOS. INT (Internationally oriented-international business important) Arial Narrow 10 Black Bold
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30:
31: §9 Q2. Decision making process and market evolution/dynamics of the international development process
32: §10
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34: (b) Code: DEC.PLAN (Export decision planned, deliberate, conscious global strategy, logical decision) Lucinda Sans Unicode 8 Violet Bold
35: (c) Code: DEC.EM (Export decision emerged) Times New Roman 11 Pink Italic
36: (d) Code: DEC.CUST-DEMAND (International business follow customer and demand driven) Bookman Old Style 9 Violet Bold Italic
37: §12 (e) Code: DEC.SUPPLY (International business supply driven) Verdana 8 Pink Bold
38: §13 (f) Code: MKT.ENT.MODE (How entered market) Courier New 10 Violet Bold
39: (g) Code: MKTDYN.POS.EXPE (Exporting positive experience) Arial 10 Violet
40: (h) Code: MKTDYN.NEG.EXPE (Exporting negative experience) Taeha 9 Pink Italic
41: (i) Code: MKTDYN.CON.VIEW (Experience export confirm views)Impact 10 Violet
42: (j) Code: MKTDYN.CH.VIEW (Experience export change view) Arial Black Pink 9
43: (k) Code: MKTDYN.SENS.COM (Sense of commitment) Century Gothic 10 Pink Italic
44: (l) Code: MKTDYN.ENT.SEO (Enter markets sequentially) Garamond 11 Violet
45: (m) Code: MKTDYN.ENT.SIM.RAP (Enter markets simultaneously and rapidly) Garamond II Pink Bold
46: (n) Code: DEC.HOM.SAT (Home market saturated) Garamond 9 Pink Bold
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49: §14 Q3. Getting to know how the company relates with its customers-domestic and international
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51: (a) Code: RELCUST.DOM (Direct-Home customer) Arial 10 Teal Bold
52: (b) Code: MKTDYN.CUST.DOM (Direct-European customer) Tahoma 9 Bright Green Bold
53: §18 (c) Code: INTBUS.DOM (International business through foreign owned domestically based) Times NR 11 Teal Bold
54: §19 (d) Code: INTBUS.FO.DOM (International business through foreign owned domestically based) Lucida Sans Unicode 10 Bright Green Italic
55: §20 Business) Lucida Sans Unicode 10 Bright Green Italic
56: §21 (e) Code: ACTAPP.EU.INT (Actively approach EU/International customers) MSansSerif 9 Teal Bold Italic
57: §22 (f) Code: PASAPP.EU.INT (Passive approach to EU/International customers) News Gothic MT 9 Teal
58: §23 (g) Code: INTBUS.EU.NOND (International business through non domestic based business) Verdana 12 Bright Green Bold
59: §24
60: §25 Q4. Getting to know how managers deal with relationships with distributors/licensees/j.v.'s/partnerships
61: §26
62: (a) Code: USE.INTERM (use intermediaries) Tahoma 11 Dark Grey
63: (b) Code: USE.LIC (use licensees) Tahoma 10 Dark Grey Bold Italic
64: (c) Code: USE.J.V. (use joint venture partners) Arial Narrow 11 Dark Grey Italic
65: (d) Code: USE.PART (use partnerships) Garamond II Black Bold Italic
66: (e) Code: REL.HOFF (relationship hands-off-direct relation with customer) Abadi MT
Q5. Questions related to sales subsidiaries

(a) Code: SALES.SUB.YES.WHY (Use of and rationale for use of sales subsidiary)

(b) Code: SALES.SUB.WHEN (When set up sales subsidiary)

(c) Code: SALES.SUB.ROLE (Role of sales subsidiary)

(d) Code: SALES.SUB.HQ.ROLE (Role of h.q.)

(e) Code: SALES.SUB.CONT (Management relations with and control of subsidiary)

(f) Code: SALES.SUB.PREF (Management preference for subsidiary)

(g) Code: SALES.SUB.NO.STAFF (Number staff in subsidiary)

(h) Code: SALES.SUB.EMP.POL (Policy re employment locals vs expat)

Q6. Questions regarding time spent in foreign markets

(a) Code: TIME.MARKET.RES (How much time in foreign markets-respondent)

(b) Code: TIME.MARKET.OTHERS (How much time in foreign markets-others)

(c) Code: TIME.SPENT.CUST (Time spent with customer)

(d) Code: TIME.SPENT.INTER (Time spent with intermediaries)

(e) Code: TIME.SPENT.SUB (Time spent in subsidiary)

(f) Code: TIME.SPENT.OTHER (Time spent exhibitions etc.)
Appendix IV a-e Analysis of data: firm products, strategies and cultures

Appendix IV (a) Profile of the firms products and services- sources: quotations, interview notes and company literature

<table>
<thead>
<tr>
<th>FIRMS PRODUCTS-TECHNOLOGIES-SERVICES</th>
</tr>
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<tbody>
<tr>
<td>Case 1 Software: “We produce secure software for payments, financial transactions from the Internet and access from mobile phones” (Section 3, paragraphs 17-20).</td>
</tr>
<tr>
<td>Case 2 Software: “The company was established on two strong feet, Information Technology on the one hand and telecommunications on the other hand”. (Section 1.2.2.1, Paragraph 221).</td>
</tr>
<tr>
<td>Case 3 Metal mechanic: “Our core business is in plating mobile phones, but we also apply the technology to electronic medical equipment”. (Section 2.2.2.1, Paragraph 13).</td>
</tr>
<tr>
<td>Case 4 Electronic: “The company produces electronic components for automobiles and accessories for electronic medical devices”. (Section 1.2.1.1.1.1.1.1.1.1.1.paragraphs 14-16).</td>
</tr>
<tr>
<td>Case 5 Electronic: “We are a system integrator, the cable network, routers, active components not software, for the internet but also for a Local Area Networks”. (Section 2.2.2.1 paragraphs 11-27).</td>
</tr>
<tr>
<td>Case 6 Electronic: “Yes, we developed computer graphics and then we started in the modern business, with modems for the consumer, we were doing the graphic cards that you install in the PC”. (Section 2.2.2.2, Paragraphs 15-17).</td>
</tr>
<tr>
<td>Case 7 Software: “Software application development for specific applications and for the Internet”. (Section 2.3.1.1., paragraph 76).</td>
</tr>
<tr>
<td>Case 8 Metal-mechanic: The breaking down and re-building of factories and repairs. (Section 2.2.2.1, Paragraph 36). Recently diversified into mechanical engineering for the construction industry. (Interview notes).</td>
</tr>
<tr>
<td>Case 9 Electronic: “The products are in the electronics sector, telecommunications, communications products, e.g. the pager”. (Section 1.2.2.1, Paragraphs 12-20).</td>
</tr>
<tr>
<td>Case 10 Electronic: “Yes we work in computer telematics, Industrial Automation, Railway Signals, Transport Electronic Power, Electronic Medical Instrumentation”. (Section 2.2.2.1, Paragraphs 121-125).</td>
</tr>
<tr>
<td>Case 11 Electronic: “We are hardware and software specialists, electronics, optical mechanical (Section 2.2.2.2, Paragraph 68). 3 years ago started in speech technology in games, microphone systems”. (Section 2.2.2.2, Paragraphs 70-72).</td>
</tr>
<tr>
<td>Case 12 Metal-mechanic: Discharge pumps for washing machines and dishwashers; pumps for cooling, condensing and ice-making, tangential ventilators for ovens, radial fan motors for ovens, microwave ovens and wash dryer machines, range hood motors. (Company literature).</td>
</tr>
<tr>
<td>Case 13 Metal-mechanic: The firm is a specialist producer of car/yacht bodies and parts around a set of core technologies in the area of materials and metal shaping”. (Section 2.2.2.1, Paragraph 21). (Interview notes)</td>
</tr>
<tr>
<td>Case 14 Metal-mechanic: The main business is building cabs for agricultural OEMs. Also build parts sub-assemblies, automotive parts, panels assembling, welding and rework. (Section 2.3.1.1, Paragraphs 65-67). (Interview notes).</td>
</tr>
<tr>
<td>Case 15 Software: Develops training software for large customers in a range of industries. (Section 2.3.1.1, Paragraphs 63-65). Moved out of the games software business. (Interview notes).</td>
</tr>
<tr>
<td>Case 16 Metal-mechanic: Manufactures purpose designed vacuum components (company literature).</td>
</tr>
</tbody>
</table>
THE MARKETING AND SALES FUNCTION: MARKETING PROFESSIONALISM
AND SALES ORIENTATION: GERMAN FIRMS

Case 1 Germany-software Marketing professionals, with an in-house marketing function-16 people in Marcoms, 13 people involved in product management and competitor and market analysis (Section 3, Paragraphs 45-47). (Interview notes).

Case 2 Germany-software Marketing professionals at top level advertising and product management co-ordinated at the centre. Subsidiary general managers have product managers reporting to them. The firm has 100 salespeople (Section 1.2.2.1, Paragraphs 268-277). At the centre there are three divisional heads of product-technology application sectors. (Section 1.2.2.1, Paragraphs 304-307). (Interview notes).

Case 3 Germany-metal mechanic Sales orientation-no marketing function or classical marketing activities. Owner entrepreneur and another board member heads sales effort. Purchasing manager prepares plans. (Section 2.2.2.1, Paragraphs 19-21). (Interview notes).

Case 4 Germany-electronic Sales orientation-no marketing function. Sales by board director and technical sales engineers. (Interview notes).

Case 5 Germany-electronic Sales orientation-no marketing function. Sales by the owner-entrepreneur and general managers of each subsidiary plus 25 salespeople. (Section 2.2.2.1, Paragraphs 308-314). (Interview notes).

Case 6 Germany-electronic Marketing professionals-director responsible for marcoms, corporate marketing and customer support. Sales director responsible for sales and e-commerce. (Section 2.2.2.2, Paragraph 149). (Interview notes).

USE OF FORMAL PLANNING: GERMAN FIRMS

Case 1 The firm uses a global control system from SAP. (Section 3, Paragraph 55). We have a strategy, vision, we want to be a leading supplier of Java platform. We use flexible plans, we do not have textbook plans. We want to retain entrepreneurship versus control. (Section 3, Paragraphs 164-168). (Employees 1996 130). (Interview notes).

Case 2 “We did this planning stuff because when we established this new acquisition, this company was planned from a spreadsheet. (Section 1.2.2.1, Paragraphs 526-531). It's not a success now (the new acquisition), it means the academical (planning) way as we describe it has a negative image now”. (Section 1.2.2.1, Paragraphs 533-534). (Employees 1996 410).

Case 3 Business and market plans are the responsibility of the purchasing manager. The company does have a form of formal planning. (Section 2.2.2.1, Paragraphs 29-31). (Employees 1996 150). (Interview notes).

Case 4 Recently they have introduced a five-year marketing plan. (Section 1.2.1.1.1.1.1.1.1.1.1, Paragraph 20). (Employees 1996 200). (Interview notes).

Case 5 “Yes doch! there was a plan there was a major strategy. Yes I write it down. yes. Erm yes there’s a system a business strategy. One year plan”. (Section 2.2.2.1, Paragraphs 181-194 and Section 2.2.2.1, Paragraphs 197-200). (Employees 1996 181).
ANALYSIS OF DECISION MAKING STYLE NO USE OF PLANS JUDGEMENT WITH OR WITHOUT STRATEGIC VISION: GERMAN FIRMS

Case 2 “They don’t call it marketing, they would call it strategic vision. I would not call it marketing (what they do in the company). (Section 1.2.2.1, Paragraph 289). The consultants asked a lot of other questions about for instance controlling and so on and they said, if you don’t have a strategy you cannot go on with the other things. (Section 1.2.2.1, Paragraphs 350-355). Do you plan your business, its one of the questions, and its good... No not yet”. (Section 1.2.2.1, Paragraphs 520-521).

Case 6 “I would admit its by accident and not by strategy”. (Section 2.2.2.2. Paragraph 51).

ANALYSIS OF RESPONDENT SENSE OF STRATEGY: GERMAN FIRMS

Case 1 “We are where we are today because we have professional people, the market is so fast changing...that we have to be better than we are now... so we must be fast. New positioning, new marketing materials, new products, new pricing adopted to the market, tack, tack, tack” (very energetic fast thinker, talker). (Section 3, Paragraph 144).

Case 6 “So now our current mission statement is to be a premier provider of internet access and graphic solutions for the PC as well as services. (Section 2.2.2.2. Paragraph 17)...in all the market segments that we service, we have occupied one of the top three positions in our domestic territory. Yes, it varies, sometimes we are one, sometimes we are two, very seldom three that is in Germany. In one of the product divisions we are even the number one on a world-wide scale, that’s in professional graphics, our heritage. (Section 2.2.2.2, Paragraphs 183-185). You need to track trends and you need to walk around with open eyes”. (Section 2.2.2.2.2, Paragraphs 372-376).
Case 1 Culture “The average age of staff is 29. (Section 3, Paragraphs 49-51). People who work here are very entrepreneurial. A democratic organisation. I left a warm safe environment of a big bank to the colder sharper environment of this company, to face a challenge, more freedom, without the crutch, a better environment for innovation”. (Section 3, Paragraph 162).

Case 2 Strategy and culture “So the company is willing to make acquisitions? Yes depends on the cash flow. (Section 1.2.2.1, Paragraphs 76-79). Yes (strategy) It means for instance reducing some fields of business. (Section 1.2.2.1, Paragraphs 365-371). And what we do need for the future, where we have some losses where we need more strength. (Section 1.2.2.1, Paragraphs 373-385). People should behave as entrepreneurs. Strange word, French word! Unternehmer it feels more comfortable in German. means you are the company owner. Yes, they need freedom to do something. (Section 1.2.2.1, Paragraphs 187-193). I have discovered that top down management decisions does not work at all, here its bottom up. (Section 1.2.2.1, Paragraphs 298-299). You cannot be totally strict (need flexibility), if we are too strict then can de-motivate people in the company. (Section 1.2.2.1, Paragraphs 301-303). Entrepreneurs very much involved in sales. (Section 1.2.2.1, Paragraphs 343-347). Its difficult when you want to structure things but very good for ideas (the entrepreneurial style). Yes that’s the problem we have now to be more focused to be more structured to do things more strategic”. (Section 1.2.2.1, Paragraphs 200-205).

Case 3 Strategy and culture. The company was going through a period of organisational change from one line reporting to the owner to a system of 5 senior managers based around four themes: Innovation; Thinking; Leading; Doing. (Section 2.2.2.1, Paragraph 21). The company is not afraid of competitors and regard themselves as a leader in their special sector. (Section 2.2.2.1, Paragraph 27). (Interview notes).

Case 5 Strategy “Are your clients everywhere and in many sectors? Yes we serve many sectors”. (Section 2.2.2.1, Paragraphs 384-389).

Case 6 Strategy and culture. “The strategy is clearly that we are in the PC market and we need to prove we are competitive in the US. If we have achieved that goal we are clearly competitive on a world-wide basis because that is the most fiercely fought for market in our industry. (Section 2.2.2.2, Paragraphs 54-57). Find people that have the entrepreneurial drive to really push a business forward. (Section 2.2.2.2, Paragraphs 77-81). We are executing an organic growth strategy that this is our highest priority, because that is the most profitable growth you can have. Looking further down the road one of the reasons why we went public last year was to position us ready to go for a more aggressive acquisition strategy”. (Section 2.2.2.2, Paragraphs 217-224).
Appendix IV (c) Profile of the French firms marketing and sales, strategy and culture- sources: interview notes, quotes and company literature

THE MARKETING AND SALES FUNCTION: MARKETING PROFESSIONALISM AND SALES ORIENTATION: FRENCH FIRMS

Case 7 Marketing professionals marketing manager at HQ product management and account management structure (40 people at the product centre-technical and R&D). A further 40 people are engaged in administration, sales, technical/professional services and training clients. 15 are involved in a customer hotline. (Section 2.3.1.1, Paragraphs 34-36). The subsidiaries have 140 people in sales technical and customer support. Marcoms co-ordinated from the centre. (Section 2.3.1.1, Paragraph 107). (Interview notes).

Case 8 Sales orientation headed by the lead entrepreneur along with an export sales manager (Section 2.2.2.1, Paragraphs 183-185), sales engineers (Section 2.2.2.1, Paragraphs 57-59) and for domestic business an independent sales agency. (Section 2.2.2.1, Paragraphs 152-155). (Interview notes).

Case 9 Marketing professionals-director of corporate communications, internal communications, client communications and marketing. (Section 1.2.2.1, Paragraph 33 & Section 1.2.2.1, Paragraph 47). Each division headed by an entrepreneur responsible for business development and sales working in a small team for domestic and export sales. (Section 1.2.2.1, Paragraph 26). Use of commercial department for sales and for exports, they have a general manager. (Interview notes).

ANALYSIS OF RESPONDENT SENSE OF STRATEGY: FRENCH FIRMS

Case 7 “It (strategy) was just judgement, depends on the market, people”. (Section 2.3.1.1, Paragraph 92).

Case 9 “The niche was not so important for a large group, but it is good for us, following a niche strategy (a company of our size) is sufficient interest for us”. (Section 1.2.2.1, Paragraph 43).

ANALYSIS OF COMPANY CULTURE AND STRATEGY: FRENCH FIRMS

Case 7 Strategy and culture “Yes we are a company that is always looking to the future. (Section 2.3.1.1, Paragraph 135). (Section 2.3.1.1, Paragraphs 189-191). The entrepreneur decides on the direction. (Section 2.3.1.1, Paragraphs 200-201). The company is focused on sales and recruits people who are entrepreneurial and autonomous. (Section 2.3.1.1, Paragraph 18). The firm is based on trust, entrepreneurship, business oriented. (Section 2.3.1.1, Paragraph 66). They do not have long meetings quick decision-maker. Does not dwell on things, go to a meeting with a list of points/questions/agenda. Style of communication lets them get on with their work”. (Section 2.3.1.1, Paragraphs 202-211).

Case 9 Strategy and Culture “Yes, we have links internally, externally a network, electronic journal. This is on the tele, which communicates information all day and night also at the same time appears on the internet. the Web. (Section 1.2.2.1, Paragraph 35). This is a strategy of an owner-managed enterprise. We have to-day 3 types of owners 2-300 type of intellectuals, people who work permanently for the company, all entrepreneurs, innovators. Our strategy, we have a niche marketing strategy. Niche markets are sufficient for a company of our size. This allows us to grow, avoid competition with the large firms and to maintain, in this way allows us to grow and keep a good profit margin. We follow intellectual property rights, patenting, we follow this strategy. (Section 1.2.2.1, Paragraph 37). There are some companies, which we have acquired”. (Section 1.2.2.1, Paragraphs 27-33).
THE MARKETING AND SALES FUNCTION: MARKETING PROFESSIONALISM AND SALES ORIENTATION: ITALIAN FIRMS

Case 10 Marketing and sales orientation with functional structure (commercial department for sales, finance administration, production and purchasing). (Section 2.2.2.1, Paragraphs 80-82). The firm also has a marketing manager function but this is translated from the Italian Direzione Commerciale which traditionally is a selling function (page 20 of company brochure). No evidence of corporate level communications function. (Interview notes).

Case 11 Market-sales orientation introduced corporate communications at the centre no evidence of a marketing function. Creating a new structure around four key figures finance; strategy making; position in the market and corporate communications. (Section 2.2.2.2, Paragraph 43). (Interview notes).

Case 12 Sales and marketing orientation function reports to the president entrepreneur (internal company document January 1998). Included in the thirteen people at board level is the marketing manager. The Italian designation of direttore commerciale is used as well as sales and marketing manager so there is some ambiguity about the role. (Section 2.2.2.1, Paragraphs 23-25). (Interview notes).

Case 13 Sales orientation three key directors one responsible for technical and commercial affairs including international marketing, another for prototypes and the respondent for administration and finance. (Section 2.2.2.1, Paragraph 15). (Interview notes).

Case 14 Sales orientation with one director responsible for sales, the rest for quality, production, purchasing, engineering and logistics. (Section 2.3.1.1, Paragraph 39). (Interview notes).

USE OF FORMAL PLANNING: ITALIAN FIRMS

Case 12 They started to prepare business plans in 1991/92 as the firm had grown to a size where the investments were at a high level and therefore levels of risk were higher. The firm did not have formal business plans at the beginning and quite late into the life of the firm. The plans are for 5 years, adjusted and reviewed annually for any changes in the market etc., The market and international business plan is part of the overall business plan with estimates and forecasts included. (Section 2.2.2.1, Paragraphs 40-42). (Employees 1996 333). (Interview notes).
Appendix IV (e) Profile of UK firms marketing and sales, strategy and culture—sources: interview notes and quotes

### THE MARKETING AND SALES FUNCTION: MARKETING PROFESSIONALISM AND SALES ORIENTATION: UK FIRMS

**Case 15** Marketing professionals sales and marketing director *classical marketing* (Section 2.3.1.1, Paragraphs 77-86). Four people prepare a formal marketing plan; key account director for existing clients plus finance, production and managing directors. (Section 2.3.1.1, Paragraphs 77-86). (Interview notes).

**Case 16** Sales orientation. Director of sales with three external sales managers one internal sales manager supported by five staff in customer service. (Section 2.3, Paragraph 25 and section 2.3, Paragraph 105). (Interview notes).

### ANALYSIS OF COMPANY CULTURE AND STRATEGY: UK FIRMS

**Case 15** Strategy and Culture “In the early part of the company life the firm's ambitions were limited to satisfying the original owners aim of providing them with a living. Five years ago we set more ambitious goals to expand the business into other sectors. (Section 2.3.1.1, Paragraph 15). In 3 years we want to double our existing business. We need new markets and products. (Section 2.3.1.1, Paragraphs 67-69). We re-focused the business- for a number of internal and external reasons on to the corporate sector”. (Section 2.3.1.1, Paragraph 15).

**Case 16** Strategy and culture “Our whole strategy with OEMs is specifically US OEMs, German OEMs. (Section 2.3, Paragraph 169). When we only had one OEM we were concerned about having all our eggs in one basket basically. (Section 2.3, Paragraph 175). Its in the head of the owner and the board deal with strategy. (Section 2.3 Paragraph 205). The fast growth of the company was due to the involvement of the managing director. (Section 2.3, Paragraph 19). Yes, internal promotion is actively encouraged. The type of people we have tend to be flexible, a number of people have worked in different areas. (Section 2.3, Paragraphs 107-115). For example the MD) is looking to bring up at the next management meeting more team problem solving things”. (Section 2.3, Paragraph 218).
Appendix V a-p  Analysis of data for the development of the theoretical framework

Appendix V (a) Speed of market entry - sources quotes and interview notes

<table>
<thead>
<tr>
<th>INTERNATIONALIZATION SUB-CONSTRUCT 3-1  SPEED OF ENTRY</th>
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<tr>
<td>Case number</td>
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<td>Case 14</td>
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Appendix V (b) Mode of market entry-direct relations- sources quotes and interview notes

INTERNATIONALIZATION SUB-CONSTRUCT 3.2 MODE OF MARKET ENTRY DIRECT RELATIONS WITH DOMESTIC EU AND INTERNATIONAL CUSTOMERS

Case 1 (Direct selling with international customers and subsidiaries) “We travelled to a bank, we went to their office in London, a big American bank”. (Section 3, Paragraph 94).
Case 2 (Direct selling with domestic and international customers) “You are building the business with big clients? Yes. You call it an OEM. Yes, yes”. (Section 1.2.2.1, Paragraphs 253-258).
Case 3 (Direct selling with domestic and international customers) The OEM customer sends them the product and they coat it and return it to the customer. (Section 2.2.2.1, Paragraph 17). (Interview notes).
Case 4 (Direct selling with domestic and international customers) Stronger market presence via direct customer contact. The company evolved into a popular and competent partner for leaders in the automobile and medical-electronics industry. (Company literature).
Case 5 (Direct selling with domestic and international customers) “And you have expanded, developed this market with the British customer in Europe? Yes, yes”. (Section 2.2.2.1, Paragraphs 115-118). Yes we support them from Germany for Germany and Europe”. (Section 2.2.2.1, Paragraphs 261-276).
Case 6 (Direct selling with domestic and international customers; use of large international intermediaries) “In the consumer market we do address the end-user, but we sell into distribution retail system integration and PC OEMs so we classically mix. Systems integration basically is called in our industry the tier two and three OEM’s. If we say OEM revenue that means the truly global OEM’s. Large computer companies which truly act globally”. (Section 2.2.2.2, Paragraphs 240-242). (Interview notes).
Case 7 (Direct selling with international customers and use of subsidiaries) In the country Direct sales first to get started, to support start up of subsidiaries. (Section 2.3-1.1, Paragraph 90). (Interview notes).
Case 8 (Direct selling to international customers) “You always have direct contact with the client in international markets? Yes. (Section 2.2.2.1, Paragraphs 211-214). Close to clients? Sure very close yes. When you transfer an industrial unit it is necessary to work with trust. Section 2.2.2.1, Paragraphs 239-240). It is not necessary to use an intermediary or an agency? No it is not necessary, because marketing close to the potential client, we do not want the foreign agent. (Section 2.2.2.1, Paragraphs 267-268). (Interview notes).
Case 9 (Direct selling to domestic and international customers and use of intermediaries) “Direct to the radio operators. In each country there is only one operator, there is a commercial team that concentrates solely on these clients. (Section 1.2.2.1, Paragraph 22). We now supply customer direct in the Eastern block (Section 1.2-2.1, Paragraph 45). Either direct sales, or through a reseller”.
Case 10 (Direct to domestic customers and use of agent intermediary to find international customers who they then deal with directly) “We produce our customers product, we need to know what they want (buyer behaviour determinant). You want the agent to find other customers outside of Italy to deal directly with? Yes”. (Section 2.2.2.1, Paragraphs 244-246).
Case 11 (Direct to domestic and international companies 7/8% of sales through agents). Currently 92/93% of sales are from supplying components (pumps, motors etc.), to manufacturers of white goods. (Section 2.2.2.1, Paragraph 19). Do not sell spare parts through dealers. (Section 2.2.2.1, Paragraph 19). (Interview notes).
Case 12 (Direct to domestic and international customers). The firm also works directly for OEM car makers in Germany, France and in the UK. (Section 2.2.2.1, Paragraph 21). As they are suppliers of key components to the car industry for special cars, and products need to be designed into the clients products, then the company has direct links with customers. (Section 2.2.2.1, Paragraph 23). (Interview notes).
Case 13 (Direct to domestic and international customers). “The approach was direct and simple, go into any store, look at the back of the boxes and make contact with the companies who make the machines”. (Section 2.3.1.1, Paragraph 21).
Case 14 (Direct to domestic and international customers; and agents in international markets). They have OEM customers in Germany, Japan and the USA (Section 2.3. Paragraph 17). Exactly, then at that point we picked three companies, phoned them cold and asked to go and see them these companies are global. (Section 2.3, Paragraphs 189-193). (Interview notes).
### INTERNATIONALIZATION SUB-CONSTRUCT 3-2 MODE OF MARKET ENTRY: USE OF INTERMEDIARIES

<table>
<thead>
<tr>
<th>Case</th>
<th>Description</th>
<th>Notes</th>
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<tr>
<td><strong>Case 4 (export experience-11 years)</strong></td>
<td>“We work through an &quot;agent netz&quot; (agent network) in almost all markets including Europe. For the medical markets they use many agents”. (Section 1.2.1.1.1.1.1.1.1, Paragraph 24).</td>
<td>(Interview notes)</td>
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<tr>
<td><strong>Case 6 (export experience-10 years)</strong></td>
<td>“In the consumer market, we do address the end-user, but we sell into distribution (Section 2.2.2.2, Paragraph 25). We have 4 sales agencies, but we found them so they only work for us. (Section 2.2.2.2, Paragraph 105). They are sort of independent in a legal sense but financially they are totally dependent. Initially the preference we had was just in order to keep things somewhat tighter, from a management perspective. We are growing very quick right now and we did not want to fully found those four entities as subsidiaries, because of all the controlling effort. (Section 2.2.2.2, Paragraphs 106-113). These agencies basically are a former US firms European Sales Force which had been taken over. (Section 2.2.2.2, Paragraphs 125-133). 50% of our business is in the distribution channels. (Section 2.2.2.2, Paragraphs 237-238). No the independent agent, we treat them as equal members of the company. The agents have our business cards they (the customers) don't even see that (they are agents). (Section 2.2.2.2.2, Paragraphs 338-340). To the customer that is really an extended arm of our company&quot;. (Section 2.2.2.2.2, Paragraphs 343-344).</td>
<td>(Interview notes)</td>
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<td><strong>Case 8 (export experience-5 years)</strong></td>
<td>“In each country you have a representative for the project, to build and service a factory? Yes. (Section 2.2.2.1, Paragraphs 83-84). It's a level of marketing which is almost artisanal, it is 2 people in each country everyone knows them, he knows the people and the industry, he knows where the machines are, He searches through all the European countries to find what we need. (Section 2.2.2.1, Paragraphs 291-292). If we want to find an agent, who has the knowledge of the big investors, government level, to know the certification, to find someone like that there are not many, perhaps one per country. (Section 2.2.2.1, Paragraph 268). It's a network how do you say network? Its a big network but it is very personal. We have one person in each country&quot;. (Section 2.2.2.1, Paragraphs 283-286).</td>
<td>(Interview notes)</td>
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<tr>
<td><strong>Case 9 (export experience-3 years)</strong></td>
<td>“Yes we do use agents in some markets. With certain products we are obliged I think. (Section 1.2.2.1, Paragraphs 54-55). It is a technical product, we have technical products, we choose our reseller, sure there is a contract each has their own competence on the market. We choose our own resellers, it is not simply a matter of selling, it involves installation and training. It is important for us to select the reseller, an investment of time&quot;. (Section 1.2.2.1, Paragraphs 60-61).</td>
<td>(Interview notes)</td>
</tr>
<tr>
<td><strong>Case 10 (export experience-less than 1 year)</strong></td>
<td>“Do you travel to German agents? Yes we did a lot because we met with them and we now have the first order. (Section 2.2.2.1, Paragraphs 17-18). What we are doing now we are working with independent representatives to start in Germany and in that way we are expanding our exports. Do you prefer this to say having for example someone like yourself dealing direct, travelling to Germany. Yes because the local people have good contacts, they know us quite well they know our products, give information to the customers. We expect them to keep contact with clients. They would be working in the area, they would have contact with the clients. We look to see if they develop, visit the customers, they give a request for quotation, and then we take the order from the customer, we deliver and we give a presentation of all our products (role of agent limited to customer relations). We produce only after the order (produce to order not for stock) ok&quot;. (Section 2.2.2.1, Paragraphs 237-243).</td>
<td>(Interview notes)</td>
</tr>
<tr>
<td><strong>Case 11 (export experience-1 year)</strong></td>
<td>“Using regional agents, uses agents meets agents. (Section 2.2.2.2, Paragraph 33). (Interview notes).</td>
<td>(Interview notes)</td>
</tr>
<tr>
<td><strong>Case 12 (export experience-15 years)</strong></td>
<td>The company sells 7/8% of its turnover through exclusive distributors (replacement market). (Section 2.2.2.1, Paragraph 21). (Interview notes).</td>
<td>(Interview notes)</td>
</tr>
<tr>
<td><strong>Case 16 (export experience-4 years)</strong></td>
<td>They use agents in Germany, Italy, France and the Netherlands. (Section 2.3, Paragraph 17). There are 18 major agents and numerous others, there tend to be one per country (Section 2.3, Paragraph 23). Agents actually have technical knowledge, technical back up themselves so our export sales manager, he would mainly be going to the agents and saying what's the business potential here. Is it a close working relationship you have with agents? Absolutely. (Section 2.3, Paragraphs 128-129). They are, the agents themselves are not just offering ITL products, ITL products are just one part of a wider portfolio. Exactly, basically they are one of our customers rather than representatives for that's the way we actually look at it. (Section 2.3, Paragraphs 143-147). (Interview notes).</td>
<td>(Interview notes)</td>
</tr>
</tbody>
</table>
Appendix V (d) Mode of market entry-joint ventures- sources: quotes and interview notes

INTERNATIONALIZATION SUB-CONSTRUCT 3-2 MODE OF MARKET ENTRY: JOINT VENTURE PARTNERS

**Case 2** (Started a joint venture for market and product development)

"We are running a joint venture with another company from Switzerland. Yes we are turning back to having our own subsidiary there because the J.V. is not really working. Section 1.2.2.1, Paragraphs 19-21). Yes it was with a partner from Switzerland who is very close to the subsidiary and we did it with a complementary product portfolio". (Section 1.2.2.1, Paragraphs 30-31).

**Case 8** (Started a J.V. but not developed). "You have tried a joint venture before one time? We tried but, never used it, never developed". (Section 2.2.2.1, Paragraphs 221-222).

**Case 9** (J.V. for product development partnerships for supply, demand, distribution and technology/product development). "This, was a joint company with a large international company? Yes, yes. The product was out of a joint venture with company X, j. v. 50/50... (Section 1.2.2.1, Paragraphs 70-71). You have said that you still have international joint ventures with some companies? Yes we have a partnership strategy, which is either by contract, formalised, before making a joint venture. Which partnerships do you have? We have a partnership with a French company, with a European Group. Yes we have a company where each company has a share of the equity. Have you also had this J.V. strategy with partner companies outside France? Yes (Section 1.2.2.1, Paragraphs 115-122). Yes, frequently yes, er we have, equally, many international foreign partners, who we work with us. Frequently they visit us here with their team, we adapt to our partners, the people adapt to each other. The entrepreneur often meets with teams from our partners, clients. (Section 1.2.2.1, Paragraph 77). Also do this in other countries (partnerships to develop technologies). You asked about our strategy earlier, well it is based on a search for partners who have access to distribution resources e.g. water, electricity companies. We always distribute our products through partners as we have no distribution resources. (Section 1.2.2.1, Paragraphs 21-22). It's a product, which was sold, always using the same strategy of selling through a partner, a large company, they are present in force on the local markets and this is how we export, they are present on local markets. (Section 1.2.2.1, Paragraph 22). But do you have any permanent foreign J.V? Yes the companies we work with have complementary products, or services, or distribution. No it is a 50/50 J.V., in Zurich, but we have different names on the products”.

**Case 14** (J.V. for international market development overcome cultural barriers and learn from partners; buyer behaviour-customer). The company had just concluded a joint venture with British supplier to their Italian OEM customer. (Section 2.3.1, 1, Paragraph 11). The Italian customer expects the case company to work with local joint venture partners, in countries where the local national supplier is strong to avoid the situation in which the local national suppliers discovering that the case company had the contract to supply the Italian customer internationally would shift its supply to other OEM's. (Section 2.3.1, 1, Paragraph 17). Another reason stated by the respondent as to why use joint ventures to enter markets, is that the partners would know the local market/laws/culture (one of the barriers to internationalisation, is lack of knowledge and skills in international markets). (Section 2.3.1, 1, Paragraph 19). He felt that the best way of doing this was through a local joint venture partner. (Section 2.3.1, 1, Paragraph 28). Through the JV they hope to learn from others (technology); they have respect for their JV partner, their technical and management skills. (Section 2.3.1, 1, Paragraph 55). (Interview notes).

INTERNATIONALIZATION SUB-CONSTRUCT 3-2 MODE OF MARKET ENTRY: THINKING OF JOINT VENTURES IN THE FUTURE

**Case 6** (Thinking of J.V. for particular market need). "Have you ever had any joint ventures with any other organisations world-wide? No, but something we're looking at we are thinking about because I think, especially in the US approach, doing it home grown, is maybe not the best way". (Section 2.2.2.2, Paragraphs 319-320).

**Case 10** (Thinking of J.V. collaboration with customers-market development). "Yes we would like a J.V. agreement or collaboration”. (Section 2.2.2.1, Paragraph 52).
Appendix V (e) Mode of market entry-partnerships- sources: quotes and interview notes

INTERNATIONALIZATION SUB-CONSTRUCT 3-2 MODE OF MARKET ENTRY: PARTNERSHIPS

<table>
<thead>
<tr>
<th>Case 1 (Partnership for market and product development)</th>
<th>“Any partnerships? Yes on projects/technology, to get international reach. Sales partners and development partners”. (Section 3, Paragraphs 155-156).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 2 (Partnership for market and product development)</td>
<td>“On the other hand we have big partners like company X and they are the general managers of the project and they take us as the sub-contractors. (Section 1.2.2.1, Paragraph 169). We also use the solutions of other companies for instance, in the help desk market we use a market leader, we have a close relationship. So we need national partners who can pick out the information, customise it and put in the channels, so they are doing the content providing. (Section 1.2.2.1, Paragraph 243). And they either for looking for business or partners? PARTNERS, partners (emphasised), the main reason he goes to fairs is to find partners”. (Section 1.2.2.1, Paragraphs 336-337).</td>
</tr>
<tr>
<td>Case 5 (Partnership for market development and customer support. Thinking of a J. V.).</td>
<td>“A non German client expanded in Europe and we have worked together with them, as a sub-contractor with a systems house from England. (Section 2.2.2.1, Paragraphs 109-114). A joint venture in the future a possibility”. (Section 2.2.2.1, Paragraphs 298-301).</td>
</tr>
<tr>
<td>Case 14 (Partnerships and networks with suppliers for design and product development. In the new JV they will not only manufacture but also design products using external suppliers for design and R&amp;D in the UK. For two models they are re-styling the panels, consultants are the stylists for their customer. (Section 2.3.1.1, Paragraph 55). They are strong on relationships with local artisans (Italian networking) networks in Piedmont. An R&amp;D/design company and a pressing company have a minor interest in the case company. (Section 2.3.1.1, Paragraph 57). In terms of working relationships, the design company works on the shape/mock up. From this they produce a first prototype, they digitise the data input from CAD. The design company has electronic connections already. (Section 2.3.1.1, Paragraph 61). They are connected with other industries in a network (informal group), they receive pressed parts from another company in which they have a small share holding (it is a small company which they have a strong relationship. (Italian networks). (Section 2.3.1.1, Paragraph 67). (Interview notes).</td>
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COMPANIES WITH DOMESTIC PARTNERSHIPS

<table>
<thead>
<tr>
<th>Case 3 (Co-design and product development)</th>
<th>Is a development partner of a German client. (Section 2.2.2.1, Paragraph 35). (Interview notes).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 7 (Partnership for marketing and sales)</td>
<td>“We have an arrangement with a French company, a partnership for pre and post sales support. (Section 2.3.1.1, Paragraphs 51-53). Some kind of agreement with a French company because we want to support their environment with our product. It’s, a partnership; our products are in their catalogue, they asked us to grow with them. A joint marketing/sales agreement, main partnership” (only one). (Section 2.3.1.1, Paragraphs 162-163).</td>
</tr>
<tr>
<td>Case 11 (Partnership with large company)</td>
<td>They have a commercial deal with an Italian electronics company. (Section 2.2.2.2, Paragraph 72). (Interview notes).</td>
</tr>
</tbody>
</table>
INTERNATIONALIZATION SUB-CONSTRUCT 3-2 MODE OF MARKET ENTRY: LICENSING

| Case 3 (Licensing for market entry and development). They have developed a licensing agreement in Brazil through the owner’s wife who is Brazilian during a holiday spent there. (Section 2.2.2.1, Paragraph 27). (Interview notes). |
| Case 15 (Licensing with OEM’s). The company signed up licensing deals with large companies. In the USA it was companies A, B and C. In Japan it was company D and in Germany company E. (Section 2.3.1.1, Paragraph 19). (Interview notes). |
### Appendix V (g) Mode of market entry - subsidiaries - sources: interview notes and quotes

**INTER NATIONALIZAT ION SUB-CONSTRUCT 3.2 MARKET ENTRY MODE USE OF SUBSIDIARIES**

**Case 1** The company has expanded by opening up its own sales subsidiaries in key markets because they want to be in control of their business. (Section 3, Paragraphs 31-41). From this they learnt that they had to be present in a market to service a customers needs. (Section 3, Paragraph 43). (Interview notes) “What are the relationships between Germany and the subsidiaries? Email is normal, use of mobile phones, constant telephone contact. (Section 3, Paragraphs 134-135). We have budget meetings and project meetings. (Section 3, Paragraph 137). What do you discuss at meetings? Looking at the market, what the prospects look like, growth, who are our competitors do we have to move fast? (Section 3, Paragraphs 139-141). Subsidiaries are Windows on the market. We are patient we can learn, that is the challenge, how can we become a global company?” (Section 3, Paragraph 160).

**Case 2** “The first thing is to have subsidiaries yes and we already have some in Austria and in Belgium, in the Netherlands. But it didn’t go as expected, we need time to build a real network there. (Section 1.2.2.1, Paragraph 23). So that’s the preference, a subsidiary? Yes. (Section 1.2.2.1, Paragraphs 218-219). These (subsidiaries) sometimes they have a culture of their own and a view on what marketing should be done and sometimes it doesn’t fit really with the centre. So it is not so easy to manage/control them”. (Section 1.2.2.1, Paragraphs 309-315).

**Case 5** “In the future if you had an international customer how would you support them? An office in the country. (Section 2.2.2.1, Paragraphs 279-286). Is that because you like to have more control over the product and service? Yes”. (Section 2.2.2.1, Paragraphs 287-289).

**Case 6** “The other locations are in Germany, Munich and then we have subsidiaries in Santa Clara, California, in Tokyo and Osaka Japan, in Taipei in Taiwan and then we have four European sales offices in Belgium, England, France and Italy. (Section 2.2.2.2, Paragraphs 34-37). With the first subsidiary (in the USA) totally undercapitalised the entire group is basically living from hand to mouth as we say in Germany. (Section 2.2.2.2, Paragraph 67). We had a turnaround year in 1997, where we were actually profitable for the first time, by the end of the year it’ll probably be a breakeven there, or a slight loss. (Section 2.2.2.2, Paragraphs 69-71). The biggest hurdle for such an expansion is two fold. The one is definitely while you are so busy in your domestic market then a faraway subsidiary requiring attention is hard to support. The second aspect certainly is local management quality. (Section 2.2.2.2, Paragraphs 73-75). So when you went to the US in 89-93 you just treated that as something of a learning period? Yes. (Section 2.2.2.2, Paragraphs 84-85). We have a reporting system, sure, regular financial reporting system, monthly. (Section 2.2.2.2, Paragraphs 86-90). We have international product managers they have the job to present their road maps to the subsidiaries. The prices, the positioning and everything, and then from there the product is forecasted. (Section 2.2.2.2, Paragraphs 91-93). Price, we want it packaged like that, this is the localizational needs, this is the software we need to bundle and so on. Yes, our global sales and marketing organization of course supports the global OEMs in a local fashion. So Asia is supporting a major client in Singapore for instance. Or a US client is supported through our Santa Clara office, which basically provides support training to their technical support hotlines, that's part of the service we provide to the customer”. (Section 2.2.2.2, Paragraphs 270-274).

**Case 7** Wholly owned subsidiaries in Spain, Italy, Portugal, Germany, and the Benelux managed by French nationals. A UK subsidiary was set up and managed by British nationals, recruited in the local market. (Section 2.3.1.1, Paragraphs 79-82). Each local subsidiary has a high degree of autonomy. (Section 2.3.1.1, Paragraph 18). Each country has a general manager and sales and technical people in each location. Each subsidiary has a quarterly sales budget meeting with the general manager. Besides this the management style and control is informal. Control of subsidiaries is fluid. Wants local people to take responsibility, responsive to local markets. (Section 2.3.1.1, Paragraphs 42-44). Why use sales subsidiaries? They have a "special product" (product determinant) unique. People have to be trained to use and to make sure the product is clearly "positioned" by the company representative. They want control over the deals and the product. (Section 2.3.1.1, Paragraphs 47-49). (Interview notes).

**Case 11** Office in the UK plus a US office. (Section 2.2.2.2, Paragraph 35), needed to educate the market, office in the USA with one employee. (Section 2.2.2.2, Paragraph 64). (Interview notes).

**Case 13** The company did have one commercial subsidiary in France to service a French customer. The office closed in 1994 when the contract with the client finished. (Section 2.2.2.1, Paragraph 28). (Interview notes).
Appendix V (h) Industry influence on the internationalization process- sources: quotes

| RESEARCH PROPOSITION 1-1: THE INDUSTRY ENVIRONMENT AS AN INFLUENCE ON INTERNATIONALIZATION |
| Case 6 “And the internet is the driving force of our industry (Section 2.2.2.2, Paragraph 17). Yes definitely. The PC periphery business and client access business is a global industry and either you play in a global dimension or you don’t play”. (Section 2.2.2.2, Paragraphs 176-181). |
Appendix V (i) National and cultural influence on the internationalization process—sources: interview notes and quotes

<table>
<thead>
<tr>
<th>RESEARCH PROPOSITION 1-2 NATIONAL AND CULTURAL INFLUENCES ON INTERNATIONALIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case 13</strong> Able to work in a network of sub suppliers for other technologies (Section 2.2.2.1, Paragraph 57). (Interview notes).</td>
</tr>
<tr>
<td><strong>Case 14</strong> They are strong on relationships with local artisans’ networks in Piedmont. An R&amp;D/design company and a pressing company have a minor interest in the company. (Section 2.3.1.1, Paragraph 57). They are connected with other industries in a network (informal group), receive pressed parts from another company in which they have a small share holding (it is a small company which they have a strong relationship). (Section 2.3.1.1, Paragraph 67). (Interview notes).</td>
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<tr>
<td><strong>Case 16</strong> “Yes it’s a sort of look after yourself attitude (in the UK). With some suppliers for obvious reasons we do have to cut them off. I think we look at what work they sometimes have to be cut throat, because that’s our business”. (Section 2.3, Paragraphs 272-273).</td>
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</table>

<table>
<thead>
<tr>
<th>RESEARCH PROPOSITION 1-2 NATIONAL AND CULTURAL INFLUENCES ON INTERNATIONALIZATION-LANGUAGE AND CULTURAL ISSUES</th>
</tr>
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<tbody>
<tr>
<td><strong>Case 2</strong> “In Austria, there is not the language barrier, you can have all the documentation and all the product names in German, no problem. When you go outside the German speaking countries you have a lot of other new problems starting with brochures, everything has to be done in a second language. (Section 1.2.2.1, Paragraph 23). But it really becomes difficult with these external organizations, where there is also the culture and the language system that is different”. (Section 1.2.2.1, Paragraph 315).</td>
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<tr>
<td><strong>Case 5</strong> “The cultural difficulties. It’s being able to deal with people in other countries. If you have many customers in Germany, you concentrate on those customers, that is enough work for you? Yes that’s right”. (Section 2.2.2.1, Paragraphs 352-357).</td>
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<tr>
<td><strong>Case 10</strong> “The impression of Italian companies in Germany is not strong. (Section 2.2.2.1, Paragraph 24). In Italy we have some problems with internationalization, because, we didn’t study English language, and this is a big problem because when I go to a foreign country I need a translator, and this is not a good situation. The mentality of Italian entrepreneurs is, we are good on technological processes, good technical developers, but we are no good for example at languages and exporting. (Section 2.2.2.1, Paragraph 211). Rather our domestic clients are very important, international business will be part of/ related to this domestic business”. (Section 2.2.2.1, Paragraph 101).</td>
</tr>
</tbody>
</table>
### Appendix V (j) Entrepreneurs mindset and vision as an influence on the internationalization process- sources: quotes and interview notes

<table>
<thead>
<tr>
<th>Classification of approaches</th>
<th>Comments supporting heuristic or managerial approach towards international business and marketing strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Managerial</td>
<td></td>
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<tr>
<td>• Heuristic</td>
<td></td>
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<tr>
<td>• Heuristic and managerial</td>
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</table>

| Case 2                      | "We are exactly at this point where we see a need for a real international strategy. So would you say that as you develop outside Germany it's a process of planning? Yes we come to the point where we plan how we are going international". (Section 1.2.2.1, Paragraphs 220-221). |
| Case 6                      | "Is that becoming more of a formal global strategy now because initially it was emerging? Oh more than emerging, we are doing it, we are driving it (said with some emphasis). We are investing internationally into our international networks". (Section 2.2.2.2, Paragraphs 289-300). |
| Case 7                      | "This decision to sell outside France was it a deliberate choice and plan? Yes we wanted to expand, a bigger size market. I think our approach was informal". (Section 2.3.1.1, Paragraphs 93-96). |
| Case 9                      | "When you started to export was it part of a strategy or, was it in response to the client? It was a strategy, but this strategy for growth was uniquely from the French market, and then exporting". (Section 1.2.2.1, Paragraphs 66-67). |
| Case 11                     | Evaluated through managers with other managers, no formal market research. (Section 2.2.2.2, Paragraph 61). (Interview notes) |
| Case 12                     | The market and international business plan is part of the overall business plan with estimates and forecasts included. (Section 2.2.2.1, Paragraph 42). (Interview notes) |
| Case 16                     | "Interesting, that was subconscious, it was not planned at the time. It was just a logical approach, got to understand what the market is, but not consciously. just common sense". (Section 2.3, Paragraph 199). |
RESEARCH PROPOSITION 2-1 ENTREPRENEURS MINDSET-VISION AS AN INFLUENCE ON INTERNATIONALIZATION

**Case 1** "Java is in English, it is a global standard and the 5 founders of the company had ambitions to be international... (Section 3, Paragraph 43). Very strong desire to become international, from the beginning (born global type company). If we have a... a customer in Germany we can do it here, we should try to be everywhere. (Section 3, Paragraph 85). We think global act local, this is our motto. (Section 3, Paragraph 103). Listen in the internet market 1 year is like 4 years in other markets. fast changing, you cannot sit on your island here you have to go outside of Germany". (Section 3, Paragraph 92).

**Case 5** "Do you have the desire that this is not only a German firm but also an international firm? Yes, yes. Vision, yes". (Section 2.2.2.1, Paragraphs 142-145).

**Case 6** "It has a lot to do with the people that had been running the business (Section 2.2.2.2, Paragraph 45). The people, the people we had, had the... to do it in that way. (Section 2.2.2.2, Paragraph 53). That was one reason, as I said there were two wholly personal reasons, just... things". (Section 2.2.2.2, Paragraph 61).

**Case 7** "Our company is therefore, committed to internationalization". (Section 2.3.1.1, Paragraph 61).

**Case 8** "When he started to export (the president) was it a vision to be international? Yes, yes, yes”. (Section 2.2.2.1, Paragraphs 305-306).

**Case 9** "He believes you cannot go to an export market without returning with an order, he believes that you have to invest in export, you must be present in export markets. international markets-passion for exports" (The entrepreneur). (Section 1.2.2.1, Paragraph 158).

**Case 10** He is very globally thinking, (the entrepreneur). "Yes, we need to open our minds.(Section 2.2.2.1, Paragraphs 55-60). My objective in the next five years is to increase exports-the final sales 50% international, 50% domestic a big change”. (Section 2.2.2.1, Paragraphs 103-105).

**Case 11** “International markets, a vision, get bigger and wider”. (Section 2.2.2.2, Paragraph 70).

**Case 12** "He always considered international business development as a critical activity”. (Section 2.2.2.1, Paragraph 19).

**Case 14** "Our intention now is to be international, the president stated he was committed to international growth. Europe first getting to know each market, local laws ways of doing business”. (Section 2.3.1.1, Paragraph 28).

**Case 15** "He believes that the firm should be international but has no strategy or anyone involved in developing non-UK markets. (Section 2.3.1.1, Paragraph 48). He wants the firm to be truly global”. (Section 2.3.1.1, Paragraph 75).
### MANAGEMENT TIME SPENT IN FOREIGN MARKETS

**Case 1** “Always travel in groups with 2 people. 15% of the time”. (Section 3, Paragraphs 151-152).

**Case 2** “Yes, the head of the company is travelling all the time, every subsidiary, international and they are always travelling. Outside of Germany not so much. 10% (respondent) ok let’s say one of the leaders spends more time out of Germany. This year we have about 6/7 international fairs that we visit concerning this telecoms part so he is very often travelling out of Germany. (Section 1.2.2.1, Paragraphs 330-335). 20-30% of the time”. (Section 1.2.2.1, Paragraphs 338-341).

**Case 3** “And spends about 50% of his time away from the factory”. (Section 2.2.2.1, Paragraph 27).

**Case 4** “The director of sales spends 25% of his time outside of Germany”. (Section 1.2.1.1.1.1.1.1, Paragraph 24).

**Case 5** “Do you travel to your international customers very much? No. Interviewer: We work with international customers in Germany”. (Section 2.2.2.1, Paragraphs 322-331).

**Case 6** “It depends, I’m probably outside of Germany maybe 10-15% of my time”. (Section 2.2.2.2, Paragraphs 307-312).

**Case 8** “No I do not travel a great deal, not much. For business purposes I travel about 10 times in a year. 1 week each time”. (Equivalent to about 20% of his time). (Section 2.2.2.1, Paragraphs 200-203).

**Case 9** “Salon d’export, used a great deal, one way of attacking export markets. attended by each subsidiary, specific to their products, each PDG goes”. (Section 1.2.2.1, Paragraph 47).

**Case 12** The respondent said that the sales-force spent, on average, 50% of their time travelling in the UK, France and Germany. (Section 2.2.2.1, Paragraphs 27-29).

**Case 13** “He speaks French and spends approximately 1/2 days per month (10%) with non-domestic customers”. (Section 2.2.2.1, Paragraph 32).

**Case 16** “Each sales manager spends around 20% of his or her time out in the export markets. (Section 2.3, Paragraph 23). I was away in the States every 6 weeks or so, away for a week travelling in the States. (Section 2.3, Paragraph 105). Yes. The idea is that he is free to travel whenever he wants. At the moment he (export manager) is out 3/5 days a week physically”. (Section 2.3, Paragraph 123).
### RESEARCH PROPOSITION 3.1 PRODUCT MARKET INFLUENCE ON INTERNATIONALIZATION

<table>
<thead>
<tr>
<th><strong>Case 1</strong></th>
<th>&quot;Java is international having a global product, really helps&quot;.</th>
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<tbody>
<tr>
<td><strong>Case 2</strong></td>
<td>&quot;On the other side we need the products that can be sold in the international area, customizing this product to the local language (Section 1.2.2.1, Paragraph 27). In 1997, we started doing business in international markets with a new product. (Section 1.2.2.1, Paragraphs 97-98). Our international moves are driven by projects, project business mainly. (Section 1.2.2.1, Paragraph 111). Now we are talking about telecoms here we have the product already customized for the international market&quot;. (Section 1.2.2.1, Paragraph 227).</td>
</tr>
<tr>
<td><strong>Case 5</strong></td>
<td>&quot;We have a product—a product that needs direct near contact with the customer because the product is complex. Yes&quot;. (Section 2.2.2.1, Paragraphs 243-246).</td>
</tr>
<tr>
<td><strong>Case 6</strong></td>
<td>&quot;We do customer surveys, so we can talk to our final customers and we get feedback summarise them and we feed them into our engineering and product management organisation so that we adapt the products to the buyer&quot;. (Section 2.2.2.2, Paragraph 268).</td>
</tr>
<tr>
<td><strong>Case 7</strong></td>
<td>&quot;We have a technical account manager that can go to a client from France and see the problem. Sometimes the local people cannot handle the technical problem. The configuration matrix is complicated. (Section 2.3.1.1, Paragraphs 111-113). I think our product is quite special and requires a technical background we need to train and have control-persons specific to servicing the product, good positioning, well documented, we want control over deals&quot;. (Section 2.3.1.1, Paragraphs 124-125).</td>
</tr>
<tr>
<td><strong>Case 8</strong></td>
<td>&quot;In Europe we are consultants for transfer of plant e.g. small minor plants in North Germany, transferred to the United States, they are small operations regrouping. By contrast the sales to the exterior of Europe are complete factories, we often have a role in transfer. (Section 2.2.2.1, Paragraph 230). The product is complex enough? Yes. There are many different things/skills involved&quot;. (Section 2.2.2.1, Paragraphs 255-256).</td>
</tr>
<tr>
<td><strong>Case 9</strong></td>
<td>&quot;Yes it is determined by the product, the distribution system is determined by the product. (Section 1.2.2.1, Paragraphs 56-57). We have many different products, we do not have rules, each product is different, we take a different approach. (Section 1.2.2.1, Paragraph 59). At the beginning we mainly sold in the French market but more and more we developed global products. We are now focusing on producing only global products, we do not want to produce products for the French market only. We want to make products according to international norms and standards, sure it is necessary to change the packaging for the different countries and eventually the branding on the package but the products have an espirit global&quot;. (Section 1.2.2.1, Paragraph 37).</td>
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<td><strong>Case 13</strong></td>
<td>As they are suppliers of key components to the car industry, and products need to be designed into the clients products, the company has direct links with customers and does not use intermediaries. (Section 2.2.2.1, Paragraph 23). (Interview notes).</td>
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<td><strong>Case 14</strong></td>
<td>&quot;In terms of exporting the firm has not and does not expect to export much because our products are large and heavy (nature of the product) and shipment costs would be high (use of local production joint venture). (Section 2.3.1.1, Paragraph 25). They need to be close to the customer due to the nature of the product—the customer also wants and demands variation in design&quot;. (Section 2.3.1.1, Paragraph 27).</td>
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Appendix V (m) Market demographics as an influence on the internationalization process- sources: quotes and interview notes

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<th>RESEARCH PROPOSITION 3-2 MARKET DEMOGRAPHICS AS AN INFLUENCE ON INTERNATIONALIZATION</th>
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<td><strong>Case 8</strong> “And your clients are normally concentrated in a country? Yes. (Demographics as a determinant). (Section 2.2.2.1, Paragraphs 259-260). With the Chinese client the responsibilities were split between the technical part, the local end-user and the sales part, it is the Central Committee that decided on the sales. There are two parties, the technical party who are involved in dismantling and the commercial party which is centralised (technical dispersion, commercial centralisation). (Demographics as a determinant). (Section 2.2.2.1, Paragraph 262). Are there many clients in these sectors? A client for one project, or two for each country”. (Section 2.2.2.1, Paragraphs 269-274).</td>
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<td><strong>Case 12</strong> As there are only a limited number of OEMs in each national market then to expand he had to expand into more geographic markets. For example in the USA the largest market, there are only 5 OEMs. (Market demographics). (Section 2.2.2.1, Paragraph 19). (Interview notes).</td>
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Appendix V (n) Seller-buyer influence on the internationalization process- sources: quotes.

**RESEARCH PROPOSITION 3-3 SELLER-BUYER INFLUENCE ON INTERNATIONALIZATION**

**Case 1** "The customer has a parallel project in London and Singapore, you have to deliver, you go where the customer wants you to go, we have to go where they want us. (Section 3, Paragraph 99). Following the call of the customer. (Section 3, Paragraph 43). Internationalisation driven by the market, this is a real global market not domestic". (Section 3, Paragraph 83).

**Case 2** “Sometimes, we are very innovative for customers. I would like to optimise the way we are working with you and help you find a solution. (Section 1.2.2.1, Paragraph 143). We need subsidiaries to keep our customers happy, they need a local person they can talk to”. (Section 1.2.2.1, Paragraph 217).

**Case 3** “The growth is being driven by the demand from customer OEMs in domestic and international markets”. (Section 2.2.2.1, Paragraph 42).

**Case 4** The results are products of the highest quality, manufactured to customer's specification in series production for domestic and international clients. (Section 1.2.1.1.1.1.1.1, paragraph 16). (Company literature).

**Case 5** “Yes-We follow our customers. (Section 2.2.2.1, Paragraphs 150-154). If they request this then we must work with them wherever they want us to”. (Section 2.2.2.1, Paragraphs 378-383).

**Case 6** “Yes we do tech support for the customers and we also have an end use hotline. (Section 2.2.2.2, Paragraph 256). We do customer surveys, so we can talk to our final customers get feedback and we feed them into our engineering and product management organisation - we adapt the products to the buyer”. (Section 2.2.2.2, Paragraph 268).

**Case 7** "Have to check that the needs of the client are being met. (Section 2.3.1.1, Paragraph 127). We want to satisfy our customers. (Section 2.3.1.1, Paragraph 129). Most important thing the entrepreneur developed products with the clients, they decided on the product”. (Section 2.3.1.1, Paragraph 131).

**Case 8** “The company is close to clients? Sure, very close yes. When you transfer an industrial unit it is necessary to work with trust because in such a project you are responsible for many things, and it is important that the client can trust you”. (Section 2.2.2.1, Paragraphs 239-240).

**Case 9** “If the client says can you do this, then you do it? Yes, often from France, we search partners/clients, they come to us we discuss, often they come here to see the HQ”. (Section 1.2.2.1, Paragraphs 167-170).

**Case 10** “We need to be trusted by the customer because we develop their products. We do not give them products, we give them our know-how, it is not visible. (Section 2.2.2.1, Paragraph 38). We have some niche products specialised around a customer. (Section 2.2.2.1, Paragraph 72). We change products to customer demands. We have to be close to our customer, our technical department, our engineering department they work very closely with the customer”. (Section 2.2.2.1, Paragraphs 73-78).

**Case 12** Following their customers. (Section 2.2.2.1, Paragraph 19). Developed the business in depth with customers in each country before moving on to the next market. (Section 2.2.2.1, Paragraph 21). (Interview notes).

**Case 13** The respondent felt that they had strong customer contact and interaction. (Section 2.2.2.1, Paragraph 32). They are considering setting up a consultancy to support client design. (Section 2.2.2.1, Paragraph 63). (Interview notes).

**Case 14** “They are driven by their customers who are reducing their number of suppliers, must be able to service their global needs and coordinate other suppliers. We started as a principal first tier supplier in 1998. (Section 2.3.1.1, Paragraph 28). The benefit to us is we win all of the domestic customers business internationally. We are following the customer. The initial strategy is to test the arrangement in Europe first then follow the customer to the next large market. (Section 2.3.1.1, Paragraphs 17-19). Our large customer expects us to work with local joint venture partners”. (Section 2.3.1.1, Paragraph 17).

**Case 15** “When we moved into the market in 1993 it was on the back of developing products, to a customer in the USA. (Section 2.3.1.1, Paragraph 19). We followed the customer to other locations in international markets. (Section 2.3.1.1, Paragraph 44). We are close to our customers. (Section 2.3.1.1, Paragraph 60).

**Case 16** “We have a very good relationship with our OEMs they see us as a company that will bend over backwards for people. (Section 2.3, Paragraph 95) I’ve just had a meeting about an OEM. We’ve got the engineer involved, sales, supervisor and inspector on the job to sort out issues. (Section 2.3, Paragraph 220)."
Appendix V (o) Active or passive search for international customers- sources: quotes and interview notes

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<tr>
<th>MINDSET OF THE SELLER ACTIVE SEARCH FOR DIRECT INTERNATIONAL CUSTOMERS</th>
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<td><strong>Case 1</strong> “Yes we search out customers who want to be global, but there must be good potential for business, no use flying to Australia and coming back with no chance of getting new business”. (Section 3, Paragraphs 100-101).</td>
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<td><strong>Case 8</strong> “We searched for a client that needed a factory constructed overseas. Where do you meet the clients, by chance? No not by chance, no through contacts, industrial contacts that’s to say our presence on the market for maintenance and transfer, we are very well known in France, and the company makes the contacts for us with overseas clients (part of a network). Because we are well known, because we are present on the market” (reputation). (Section 2.2.2.1, Paragraphs 171-173).</td>
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<td><strong>Case 15</strong> “The sales of the first product and subsequent products required no marketing I just picked up the telephone and asked the question - would you like to distribute our product?” (Section 2.3.1.1, Paragraph 23).</td>
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<td><strong>Case 16</strong> Since 1994 they have had a big push on exports and their main method of growth has been as an OEM supplier. (Section 2.3, Paragraph 17). Taking the lead the entrepreneur and 3 direct export salesmen travel abroad in search of business. (Section 2.3, Paragraph 19). This position was created to actually go after (active search) OEMs. (Section 2.3, Paragraph 175). We started to highlight companies we would like to attract, started looking at market research. (Section 2.3, Paragraph 185). (Interview notes).</td>
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<th>MINDSET OF THE SELLER PASSIVE RESPONSE TO INTERNATIONAL CUSTOMERS</th>
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<td><strong>Case 13</strong> The first non-domestic business was with a German client in 1992 responding to a request from a German company to quote for design work/body fabrication. (Section 2.2.2.1, Paragraph 27). (Interview notes).</td>
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Appendix V (p) The influence of supply on the internationalization process—

RESEARCH PROPOSITION 4-1 INTERNATIONALIZATION THROUGH SUPPLY

**Case 6** "Also the fact that most of our supply comes from the Silicon Valley, graphics chips, modem chips, all those things, and therefore Silicon Valley is a frequent point of visits anyhow. So by going there to buy things, to get supplies, at the same time you’re looking for opportunities to sell their? Yes. (Section 2.2.2.2, Paragraphs 61-65). Asia was truly developed from a procurement office and manufacturing organisation, manufacturing support organisation. Our manufacturing process is highly out-sourced so we sub-contract all the PCB’s. PCB is printed circuit boards so that’s really the hardware we sell". (Section 2.2.2.2, Paragraphs 198-204).

**Case 8** "The clients want to buy a thermal plant, there are not many for sale it is necessary to find one, for their needs. (Section 2.2.2.1, Paragraphs 274-276). We have contact with people, who are specialized in buying and reselling of second hand machines. We have a very good contact, he has a profile in second hand machines, he has the contacts in Germany, Belgium, France, knows many people in the sector, that does not exist this specialist knowledge of industries, he knows if the plant is too big or too small” (knowledge is the key). (Section 2.2.2.1, Paragraph 282).

**Case 9** "No we make them in our factory, we also have products which are made in China, telecommunications products, but in China, it is a sub-contractor we do not have any capital participation in this company. The product costs less. Yes, we buy components from throughout the world”. (Section 1.2.2.1, Paragraphs 172-174).

**Case 10** "Yes with our purchasing people, purchasing of components, with our Asian companies. So in a way your purchasing is more international? Yes, in a way yes. (Section 2.2.2.1, Paragraphs 61-64). The principal objective of this year is the internationalisation, internationalisation is consisting of sourcing components from Asia and in Greece. (Section 2.2.2.1, Paragraph 99). We need to buy components internationally outside of Europe (internationalisation of supply), but our sales it is only possible to expand in Europe”. (Section 2.2.2.1, Paragraph 107).

**Case 14** They are part of a supply partnership with an Italian and Japanese company to supply a French customer. (Section 2.3.1.1, Paragraph 34). (Interview notes).