The internationalisation of banks -
A comparative case study

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Stefan Fischer
Andreas Hasselknippe
Supervisor: Cecilia Pahlberg
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Abstract

This research paper studies the internationalisation process of a small to medium sized bank in comparison to a global systemically important bank (G-SIB) between 1970 and 2007. The study includes the motive of internationalisation, the chosen market entry mode, the development of market commitment and the development of the network position of the studied case companies. In order to get a deep understanding of the internationalisation process of banks we applied a qualitative research method. To enable the aimed comparison of two different banks a multiple case design, involving Deutsche Bank AG and DNB ASA, was applied. The empirical results demonstrate that the main motive for internationalisation for both case companies was to follow their clients. Additionally, both case companies entered retail banking in different markets through acquisitions, because retail banking requires an extensive branch network and access to a wide customer base. The results also show that the G-SIB displays a higher degree of market commitment in comparison to the small to medium sized bank. In contrast to the G-SIB the small to medium sized bank developed knowledge internally and was not as active in acquisitions.

Keywords: internationalisation, banks, motive for internationalisation, network position, market commitment
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1. Introduction

"You see, basically there is no grand design and you sit down and ask yourself what do we want to do? It is opportunistic and you are driven by your clients’ requirements. I would say it is 50/50. 50 percent are your clients’ requirements wanting you abroad. The other half is selfish, seeing opportunities, thinking this is something you can exploit before somebody else does it, normal business decisions."

- Hilmar Kopper, former CEO Deutsche Bank AG (interview 2017)

The history of banks has always been an international one. The internationalisation of financial institutes can be traced back to as early as the 15th century with Banco di Medici, operating a branch network spanning the economic centres of Europe (De Roover, 1963). In the recent history of bank internationalisation researchers have identified two different waves of internationalisation, one in the 1830s and a later one, beginning in the 1960s, with an increasing acceleration from the 1970s. The first wave was shaped by colonization and dominated by the colonial merchant banks such as JP Morgan and Rothschild (Mulder & Westerhuis, 2015). The second wave of internationalisation was characterized by a range of environmental and regulatory changes. Deregulation resulted in a level ground for competition among banks, thus changed the competitive landscape and resulted in new strategic options for internationalising banks (Howcroft, ul-Haq & Carr, 2011).

The internationalisation of manufacturing companies, in contrast to banks, has been a well-researched topic so far. Dunning (1977, 1998, 2000) and Johanson and Vahlne (1977, 2009) have both developed models on the internationalisation of these companies. While Dunning focuses on the actual decision of internationalisation with his eclectic paradigm, Johanson and Vahlne focus on the internationalisation process of a company. Johanson and Vahlne's (1977) Uppsala Internationalisation Model is based on studying four Swedish manufacturing companies and their internationalisation process. A significant feature of the process is the liability of foreignness which forces firms to acquire market knowledge through experiential learning by operating in a foreign market (Johanson & Vahlne, 1977). Due to uncertainty companies in the 1977 Uppsala Internationalisation Model internationalise in incremental steps, gradually increasing market
commitment and internationalise in psychic close markets rather than distant countries. In their revised model Johanson and Vahlne (2009) changed the liability of foreignness to liability of outsidership in order to reflect the increasing importance of business networks for the firm's internationalisation process. A further theory on the internationalisation of companies is brought forward by Dunning's (1977, 1998, 2000) eclectic paradigm, also called ownership, location and internalisation (OLI) paradigm. The model includes different motives for a firm's internationalisation decision. Further, Dunning (1997, 1998, 2000) acknowledges market imperfections and hence resulting competitive advantages of firms are exploited in internationalisation.

In comparison to the Uppsala Internationalisation Model (Johanson & Vahlne, 1977) and the included market entry modes, banks have more options on how to enter a new foreign market. Banks can enter the market either through a representative office, a branch office, internet banking, agents, joint ventures, alliances, mergers, or by acquisitions of minor, major or full ownerships (Ball & Tschoegl, 1982; Slager, 2005). Researchers so far have found evidence for incremental steps in bank internationalisation and internationalisations to psychic close markets (Engwall & Wallenstål, 1988; Ekman, Hadjikhani, Pajuvrita & Thilenius, 2014), whereas the motives of bank internationalisation were often related to Dunning's (1977, 2000) motives or the bank's network embeddedness (Williams, 1997). Grubel (1977) and Williams (1997) discovered that banks enter financial centres, as clusters of the financial industry, in order to internalise location advantages of these clusters and develop an ownership advantage on their basis. Researchers (Grubel, 1977; Williams, 1997; Berger et al., 2004; Mulder & Westerhuis, 2015) have found different motives for banks to internationalise, such as market seeking in the case of Japanese banks’ expansion to the United States (US) after the Second World War, strategic asset seeking through entering financial centres and following the clients. Several researchers (Williams, 1997; Slager, 2005) have discovered that in bank internationalisation the market entry mode (how) is often closely related to the motive for entering a specific market. Engwall and Wallenstål (1988) and Ekman et al. (2014) studied the internationalisation of the most important Swedish banks and discovered a pattern they called tit for tat behaviour. The essence of tit for tat is that banks internationalise in psychic close markets and increase their market commitment in incremental steps, following each other.
Within our master thesis we study the internationalisation process of Den Norske Bank ASA\(^1\) (DNB ASA) and Deutsche Bank AG. DNB ASA is a small to medium sized bank, which was founded in 1822 and is today the second largest finance service provider in Scandinavia. In contrast to DNB ASA, Deutsche Bank AG is a global systemically important bank (G-SIB)\(^2\) which was founded in 1870. DNB ASA has a global network, consisting of branch offices, wholly owned subsidiaries, acquired companies and other forms of ownership. DNB ASA's internationalisation began in 1970 by opening a branch office in Singapore and was followed by opening branches in London, New York, Baltics, and other locations (DNB ASA, n.d.). Deutsche Bank AG, after the Second World War, first internationalised into diverse markets, such as South America and various locations in Asia (Breuer, Fitschen, Plumpe & Wallich, 2004; Deutsche Bank AG, 2012).

Howcroft et al. (2011) suggest that banks internationalise differently due to differences in size. Therefore, we study the internationalisation process of a small to medium sized bank in comparison to a G-SIB in order to compare their internationalisation process. The results of the study will also be compared to Engwall and Wallenstål (1988) and Ekman et al. (2014), who have studied the internationalisation of the major Swedish banks. Our literature review has revealed that the internationalisation of banks so far has been mostly studied in single case studies or multiple case studies of banks with similar sizes. Thus there is a research gap for a study comparing a small to medium sized bank to a G-SIB. In order to address the presented research gap our research question is:

*How does a small to medium sized bank internationalise in comparison to a global systemically important bank and what determines their process of internationalisation?*

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1 DNB ASA is the result of multiple mergers and its current structure results from a merger in 1990. In this thesis we will refer to DNB ASA and its predecessors as DNB ASA.

2 Global systemically important banks (G-SIB), in our study called system relevant banks, are banks which are perceived too big to fail based on their importance for the global economy and the related negative externalities in case of a failure (Bank for International Settlements, 2013). The systematic importance of banks is assessed through an indicator measurement approach, including size, interconnectedness, the lack of readily available substitutes or financial infrastructure, their global activity and their complexity (Bank for International Settlements, 2013). A small to medium sized bank in the study is defined consequently as a bank smaller than a system relevant bank. The current list of system relevant banks is available at [http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf](http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-banks-G-SIBs.pdf).
To answer the presented research question we compared the internationalisation process of our two case companies, each representing a bank of the above named categories. The internationalisation process of the case companies is studied in terms of market entry mode, market commitment and network position. To get a solid understanding of the internationalisation process this study also looks at the motives for internationalisation, since the literature review has shown that the why and how of internationalisation, at the initial stage of the process, are difficult to separate. This study covers the timespan from 1970, the phase during which the second bank internationalisation accelerated, until 2007. We end the study in 2007, before the financial crisis because many banks were sued, especially in the US, and in the aftermath of the crisis had to diversify business activities in order to settle their sentence. By studying our research question we contribute both to research and the practical business world. We contribute to already existing research not only by studying the internationalisation process of banks over a long period of time but mainly by comparing the internationalisation process of a small to medium sized bank to a G-SIB. We further contribute to current research by comparing our results to the results of Engwall and Wallenstål (1988) and Ekman et al. (2014) as well as to Johanson and Vahlne (1977, 2009). Besides our theoretical contribution we contribute to the practical business world by offering a deep insight in internationalisation patterns on which banks of the two observed categories then can base their strategies.

In order to form a theoretical foundation for this study a thorough literature review was conducted. The literature review focuses on the Uppsala Internationalisation Models of 1977 and 2009 as well as the motives for internationalisation brought forward in Dunning's (1977, 2000) eclectic paradigm. Further relevant literature on the motives and process of bank internationalisation was reviewed. To answer the research question we cooperated with two banks, one small to medium sized bank (DNB ASA) and one G-SIB (Deutsche Bank AG). Within both banks several interviews with key managers, who were actively involved in the internationalisation process of the banks, were conducted. Furthermore, we reviewed annual reports as well as books published by the companies and researchers on their international process for the timespan of the study (1970 – 2007).
The remainder of the study develops as follows. The second chapter presents an overview of the relevant literature of internationalisation theory with a focus on the internationalisation process of banks. The third chapter contains a detailed explanation and description of the chosen method as well as the conducted interviews. After analysing the data in a fourth chapter the results will be presented in a fifth chapter. The final chapter consists of a conclusion, the limitations of the present study as well as suggestions for further research.

2. Literature Review

The first section of this chapter focus on the Uppsala Internationalisation models of 1977 and 2009. This section is followed by a brief introduction of the eclectic paradigm by Dunning (1977, 1998, 2000). Finally, the chapter presents recent research on bank internationalisation and draws connections to the previous sections. In a summary we present the most important concepts for answering our research question.

2.1 The Uppsala Internationalisation Model and Business Network Theory

The essence of the Uppsala Internationalisation Model by Johanson and Vahlne (1977) is that firms internationalise in incremental steps, gradually increasing their market commitment and negotiate their lack of market specific knowledge through experiential learning. Their model was developed in 1977 based on the case studies of four Swedish manufacturing companies. Experiencing uncertainty, companies in their internationalisation avoid psychic distance, defined as the sum of factors, such as language and culture, obstructing the flow of information between headquarter and subsidiary (Johanson & Vahlne, 1977). Hence companies internationalise to psychic close markets first and gradually increase psychic distance in subsequent internationalisation activities (Johanson & Vahlne, 1977, 2009). A central factor of the original model by Johanson and Vahlne (1977) is the liability of foreignness, expressed through a lack of market specific knowledge prior to entering a foreign market. In order to negotiate the liability of foreignness companies have to acquire first hand market knowledge through operating in foreign markets. This process of experiential learning has since 1977 been supported by several subsequent studies and thus become one of the most important concepts in internationalisation theory (Johanson & Vahlne, 2003). It is further of central importance in their 2009 revision of the
Uppsala Internationalisation Model. The original model, as depicted in figure 1, consists of state and change aspects which are in a continuous interplay with each other.

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**Market commitment**, as state aspect, is divided into (1) the amount of resources committed and (2) the degree of market commitment. The amount of resources committed is the total amount of investments in the respective market. The degree of commitment can be defined as the depth of integration of resources committed to the new market within the company. For example, vertical integration in the new market is a higher degree of commitment than a conglomerate foreign investment (Johanson & Vahlne, 1977). The market commitment is influenced by the second state aspect *market knowledge*. Market knowledge is acquired through experiential learning by operating in a foreign market (Johanson & Vahlne, 1977). As market knowledge can only be acquired through operations in foreign markets, a high degree of market knowledge is considered as an indicator for a high degree of market commitment in a foreign market (Johanson & Vahlne, 1977).

**Commitment decisions**, as part of the change aspects, are based on market knowledge and require (1) knowledge about opportunities and problems, and (2) an evaluation of available alternatives. Both require market specific knowledge about the market environment and the performance of various market activities (Johanson & Vahlne, 1977). According to Johanson and Vahlne (1977), commitment decisions are made either in response to perceived problems or market opportunities.

**Current activities**, as defined by Johanson and Vahlne (1977), are the...
primary source of market knowledge through experiential learning. A distinct feature of the current activities is their latency, which is defined as the not immediate realisation of business activities. There is rather a need to repeat business activities multiple times in order to realise a consequence of a business activity (Johanson & Vahlne, 1977).

The 1977 Uppsala Internationalisation Model provided a basic understanding of the internationalisation process of firms. However, several researchers, among them Johanson & Mattsson (1988), pointed out the importance of networks for the internationalisation process. Consequently, Johanson and Vahlne (2009) revised their Uppsala Internationalisation Model, incorporating ideas of business network theory. A central aspect of the new internationalisation model is the change of liability of foreignness to liability of outsidership (Johanson & Vahlne, 2009). This change in one of the central constructs reflects that markets are now a construct of different networks and that internationalisation is rather considered as entering a new network (Johanson & Vahlne, 2009). This idea is supported by Johanson and Mattsson (1988), Johanson and Vahlne (2003) and Forsgren (2013) who, among other researchers, discovered a diminishing importance of physical borders since 1977. They rather discovered an increasing importance of network embeddedness for companies, having several implications on the internationalisation process. Johanson and Mattsson (1988) and Forsgren (2013) define the network of a firm as the sum of its business relations with different actors. The entire network of a firm can be divided into smaller networks. Within a network the character of the relations can vary significantly. According to Forsgren (2013), the strength of relations between two actors can vary from close, strategic partnerships to lose relations, barely affecting the actors. Johanson and Mattsson (1988) also point out that a network is not limited to direct relations between actors. Thus firms in a network are also exposed to indirect relations to competitors, customers, suppliers and governments, through a common actor within their network (Johanson & Mattsson, 1988). Inside the network, researchers distinguish between the micro- and macro-position of a firm. The micro-position of a firm considers all interactions between one firm and a specific partner (Johanson & Mattsson, 1988). According to Johanson and Mattsson (1988), this level of the network is characterised by the role and importance of one firm for the partner and the strength of the relation. The macro-position in a network on the other hand is characterised by all of the former aspects but on a network level. Additionally, the macro-position of a firm in a network is
influenced by the identity of other firms in the network, including direct and indirect relations (Johanson & Mattsson, 1988).

In their 2009 Uppsala Internationalisation Model Johanson and Vahlne kept the basic structure of their 1977 model further building on the interplay of state and change aspects.

Experiential learning and knowledge are still a central part of the 2009 Uppsala Internationalisation Model of Johanson and Vahlne. Johanson and Mattsson (1988), Johanson and Vahlne (2003, 2009) as well as Forsgren (2013) discovered that networks are one of the primary sources of knowledge for firms and their internationalisation process into other networks. Similar to the 1977 Uppsala Internationalisation Model acquiring knowledge within the 2009 Uppsala Internationalisation Model is a gradual process characterised by experiential learning, through operating in a network (Johanson & Vahlne, 2009). Forsgren (2013) supports this argument by explaining that knowledge, as intangible asset, circulates within networks and can only be gained by becoming a network insider. The knowledge gained in networks is divided into general knowledge and specific knowledge. The general knowledge can be defined as knowledge about building networks and integrating different networks with each other (Forsgren, 2013). Specific knowledge is gained and applied at the micro-level of a network. According to Johanson and Vahlne (2003), it can be defined as knowledge gained about one specific actor through direct interaction. Specific knowledge is important to strengthen the relation between two actors in the
network (Forsgren, 2013). Based on the network view opportunities are created through the interaction and knowledge accumulation of business partners (Johanson & Vahlne, 2009). Consequently, Johanson and Vahlne (2009) included opportunities as subset of knowledge in their revised Uppsala Internationalisation Model. The second state aspect within the 2009 Uppsala Internationalisation Model is network position. Based on the assumption that internationalisation today is pursued within networks and that relations in networks are characterised by different levels of trust, knowledge and commitment, the network position of a firm is a defining factor in the internationalisation process (Johanson & Vahlne, 2009). The importance of the network position is further highlighted by Johanson and Vahlne (2003) discovering that, within the internationalisation process, networks can substitute for middlemen and representatives. According to Johanson and Vahlne (2009), both change aspects were adopted with minor changes. Changing commitment decisions to relation commitment decisions serves the clarification that commitment decisions are made to either networks or relations (Johanson & Vahlne, 2009). According to Forsgren (2013), relation commitment decisions can be made either to strengthen or weaken the commitment dedicated to one relation or network. Instead of current activities Johanson and Vahlne (2009) introduced learning, creating and trust building to define the outcomes of current activities within a network.

Johanson and Vahlne (2003) claim that network-theory does not offer a conclusive explanation of where and how firms will internationalise. In contrast, Forsgren (2013) states that, based on the strength and character of relations inside a network, networks are indicators for where and how firms in a network will internationalise. Johanson and Mattsson (1988) and Forsgren (2013) identified the follow the client motive of internationalisation in networks. This motive describes the internationalisation in networks when companies follow their clients into new networks (Johanson & Mattsson, 1988; Johanson & Vahlne, 2009; Forsgren, 2013). Additionally, Johanson and Mattsson (1988), discovered that a firm's internationalisation possibilities and strategies are constrained by its network. In relation to this constrain, Johanson and Mattsson (1988) identified three different internationalisation strategies for firms within a network:

1. Establishment in networks with new counterparts – international extension,
2. Increasing the resource commitment in already established markets – penetration, and
3. Increasing the coordination between different national networks – *international coordination.*

Johanson and Mattsson (1988) as well as Forsgren (2013) describe the long-term strategic objective of firms in a network as achieving a network position that ensures firm survival and development.

In summary, the changes to the Uppsala Internationalisation Model of 1977 reflect the advances in network theory and incorporate them in the basic structure of the model. Experiential learning and knowledge, as part of the model and network theory, are still central for the internationalisation process of firms. However, network theory and the revised Uppsala Internationalisation Model (Johanson & Vahlne, 2009) acknowledge that psychic distance is decreasing in importance since networks and not physical borders are the constraining factors in the new internationalisation model. According to further research (Johanson & Mattsson, 1988; Forsgren, 2003), network theory offers explanations for where and how firms will internationalise.

### 2.2 The Eclectic Paradigm


The basic assumption of Dunning (1977) is that markets are imperfect and consequently firms are in possession of comparative advantages compared to competitors in foreign markets. Dunning (1977, 1998, 2000) and Forsgren (2013) summarise these comparative advantages as *ownership, location* and *internalisation* advantages and therefore also call it *OLI paradigm.* According to Forsgren (2013), firms engaging in international activities face disadvantages compared to their local competitors in foreign markets. In consequence the internationalising firm must be in possession of some competitive advantage, strong enough to overcome the disadvantages in comparison to local competitors, such as local suppliers, marketing knowledge and access to distribution channels (Forsgren, 2013).
Within the eclectic paradigm Dunning (1977, 1998, 2000) identified four different motivations for firms to engage in international operations:

1. **Market seeking**, entering a specific foreign market or a geographic region,
2. **Resource seeking**, accessing scarce resources, e.g. minerals, oil, agricultural products or labour,
3. **Efficiency seeking**, dividing labour to the most efficient locations, mostly successive to the first two motivations, and

The eclectic or OLI paradigm of Dunning (1977, 2000) addresses firm specific advantages as the **ownership (O)** sub-paradigm. Dunning (1977, 2000) explicitly explains that the ownership advantages must be unique and of sustainable nature in relation to advantages possessed by foreign competitors. Research has divided ownership advantages into three categories:

1. Possession and exploitation of monopoly power,
2. Possession of scarce and unique resources or capabilities, and
3. Competencies of managers to identify, assess and harness resources and capabilities globally and to integrate them into the production process (Dunning, 2000).

The second sub-paradigm **location (L)** focuses on the location related advantages (Dunning 1998, 2000). The location sub-paradigm is designed to consider the importance of locational advantages of countries as a key determinant for internationalisation (Dunning, 2000). The advantages of countries in the production of goods compared to other countries were defined by David Ricardo (Ruffin, 2002) as **comparative advantage**. In early research on the location determinant of internationalisation, strategic asset seeking, in particular getting access to scarce natural resources, was considered as the most important motivation within the location sub-paradigm (Dunning, 1998, 2000). During the last decade knowledge has emerged, along with the increasing importance of the service industry, as one of the key resources for locational advantages (Dunning, 1998, 2000). The increasing importance of knowledge for locational advantages is

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3 A sustainable competitive advantage is defined as advantage over competitors that persists despite competitor's efforts to overcome the advantage (Thompson et al., 2013).
illustrated by a US study showing that 11% of the US registered patents of the world's leading firms were invented in research and development (R&D) facilities outside the firm's country of origin (Dunning, 1998). The importance of knowledge and skilled labour as well as innovation for the location sub-paradigm is further illustrated by the emergence of new clusters, such as Silicon Valley and Bangalore for the IT industry. These newly established clusters are geared towards creating knowledge, interactive learning and using these new capabilities to improve the sustainable, competitive advantage of the firm (Dunning, 1998). Multinational corporations (MNC) are often actively involved in the creation and development of clusters, e.g. as flagship firms (Dunning, 1998). According to Dunning (1998, 2000), clusters can offer an explanation where firms might internationalise.

The final sub-paradigm considers the internalisation (I) of competitive advantages. In contrast to the other sub-paradigms, internalisation describes the acquisition of a competitive advantage (Dunning, 2000).

In order to get a holistic explanation for the internationalisation of firms the interplay between the ownership (O), location (L) and internalisation (I) advantage are of importance (Forsgren, 2013).

2.3 The Internationalisation of Banks

Researchers studying the internationalisation of banks have noted the different product characteristics of banks compared to manufacturing companies (Engwall & Wallenstål, 1998; Buch & Lipponer, 2006; Mulder & Westerhuis, 2015). First, the services provided by banks for their clients are less labour intense than products of manufacturing companies. In contrast products and services provided by banks require a high degree of information, information transfer and trust (Mulder & Westerhuis, 2015). In consequence physical transportation costs do not apply for banks (Buch & Lipponer, 2006). Second, Berger et al. (2004) discovered in their study on the internationalisation of banks that the knowledge intense nature of banks' products not only offers low costs of transportation but also entails significant economies of scale, because the products can be applied at multiple locations without significant adaption and at minimal marginal costs. However, offering bank products in a foreign market entails fixed costs, e.g. for offices and required equipment (Buch & Lipponer, 2006). Their study also discovered that the importance of fixed costs is not neglected by banks, it was rather discovered that fixed costs are
as important for banks as they are for manufacturing firms in their internationalisation process, although the associated amount differs (Buch & Lipponer, 2006).

**Motives for Bank Internationalisation**

Banks, similar manufacturing companies, face during their internationalisation process market entry barriers and disadvantages vis-à-vis their local competitors, such as differences in language, laws, social norms and customer preferences (Berger et al., 2004; Suffian, 2011). Facing these negative influences on their performance, several researchers (Grubel, 1977; Berger et al., 2004; Mulder & Westerhuis, 2015) studied the motives for bank internationalisation. The most frequent motives for bank internationalisation identified by researchers are:

1. **Risk diversification**, internationalisation in order to diversify a banks risks,
2. **Strategic asset seeking**, entering a financial centre in order to access a currency or knowledge,
3. **Market seeking**, expanding operations on an international basis to access new clients, and
4. **Follow the client or defensive expansion**, to protect existing bank client relations.

One of the motives for banks to internationalise is their endeavour to *diversify their risks* and parallel to increase their profits (Suffian, 2011). Bikker and Metzemakers (2005) and Howcroft et al. (2011) discovered that banks internationalise in order to spread their risk and to reduce the impacts of economic cycles as well as to reduce the impacts of domestic recessions. However, Howcroft et al. (2011) acknowledge that geographical diversification does not protect from a global recession or an industry specific recession.

A second motive for banks to internationalise is to get *access to financial centres* (Grubel, 1977; Williams, 1997; Buch & Lipponer, 2007), which can be associated to **strategic asset seeking**, as defined by Dunning (1977, 2000). Financial centres, such as London, New York, Frankfurt and Singapore, have distinct functions within the financial industry. First, they serve, like industry clusters, as sources of knowledge and technology (Howcroft et al., 2011). Additionally, financial centres are also sources for foreign currencies, which are crucial for the business of multinational banks (Williams, 1997). Banks with globally operating customers need to have access to key currencies in order to serve the needs of their customer. In consequence it is important for them
to internationalise into financial centres, getting access to key currencies, like New York for the US-Dollar (Grubel, 1977; Williams, 1997). In summary, the motivation for banks to internationalise into a financial centre is to either get access to the present knowledge and technology, foreign currencies or both combined (Engwall & Wallenstål, 1988; Williams, 1997; Howcroft et al., 2011). Internationalisation into financial centres is, according to Buch and Lipponer (2007), not motivated by the market potential. It is rather motivated by the favourable regulatory conditions and the characteristics of a financial centre (Buch & Lipponer, 2007). Strategic asset seeking, through entering financial centres, can turn into a long-term ownership advantage for banks in terms of having access to key currencies and acquiring experience and skills (Williams, 1997; Dunning, 1998).

*Market seeking* activities of banks are defined in line with the market seeking motives of Dunning (1977, 2000). Howcroft et al. (2011) as well as Mulder and Westerhuis (2015) thus describe market seeking banks as banks internationalising in order to serve new clients outside their home market. Deregulatory measures during the previous decades decreased the differences in laws and regulations faced by banks entering foreign markets. Thus competition among banks was facilitated and banks could engage in market seeking activities in foreign markets (Howcroft et al, 2011).

Contrasting the market seeking motive is the *following the client* motive, which is a defensive strategy (Grubel, 1977; Williams, 1997). The foundation for following the client or defensive internationalisation is the relation between a bank and its client. A successful and efficient bank-client relation is characterised by a continuous flow of information and a high level of trust (Grubel, 1977; Williams, 1997). Casson (1990) argues that the personal contact of a bank with its client is one of the few opportunities for banks to achieve a competitive advantage, since the products are difficult to patent and consequently could be imitated easily by competitors. According to Williams (1997), high costs are associated with building a successful and efficient bank-client relation, since this often entails adjusting operations to each other and learning the specific requirements of one particular client. Williams (1997) describes this knowledge as competitive advantage of banks following their clients compared to local competitors. Thus the client specific knowledge of a bank can be referred to as ownership advantage, as defined by
Dunning (1977, 2000), compared to local competitors (Williams, 1997). Banks consequently internationalise along their clients in order to avoid being replaced by foreign competitors and to defend the tacit knowledge acquired through the relation with the client (Williams, 1997). Following the client is further described by Grubel (1977) as defensive measure, since not only business in a foreign market is gained but also business on a domestic level is defended against possible competitors. Thus the network embeddedness of banks and the follow the client theory postulate that banks tend to internationalise into countries where their clients invest (Suffian, 2011). Mutinelli and Puscitello (2011) as well as Mulder and Westerhuis (2015) found evidences for the follow the client theory studying the internationalisation of Italian and German banks.

*Maintained content*

*Market selection, entry mode and internationalisation strategy* as well as *regulatory limitations* have been the predominant subjects of studies on the internationalisation of banks (Ball & Tschoegl, 1982; Engwall & Wallenstål, 1988, Berger et al., 2004; Slager, 2005). Reasons for the interest are that banks operate in a more regulated environment and have a wider variety of market entry modes than other industries and thus the possibility for both theoretical and empirical findings might differ from market to market (Engwall & Johanson, 1990).

**Legal Restrictions on Bank Internationalisation**

Engwall and Johanson (1990) argue that banks represent institutions that are important to the implementation of economic policies and the efficient allocation of financial resources. Hence banks operate under special conditions in terms of regulations, because they need to provide reliable and trustworthy services to both depositors and borrowers (Engwall & Johanson, 1990). Engwall and Johanson (1990) have described four important questions in this context: who? where? what? and in what way? Restrictions on the entry as manifests in charter systems refer to the *question of who*. In order to ensure high quality standards for clients, governments perform a screening procedure of prospective entrants before issuing a banking license. However, the granting of the license might not be unconditional (Engwall & Johanson, 1990). With respect to location, referring to the *question of where*, restrictions might be imposed either by the government of the home or host country, or both. Many countries have restrictions on the international operations of their national banks, such as barriers preventing their entry into certain countries (Engwall & Johanson, 1990). These restrictions shall avoid cutthroat competition in
order to reduce the risk of financial crises. Concerning the banks' scope of internationalisation is the third limitation on banks – the question of what. Reducing risks and conflicts of interest is the idea behind this type of legislation. Many of these legislations date back to the economic crisis of the 1930s. The Glass-Steagall Act is a typical example, as it established a dividing line between commercial and investment banking (Engwall & Johanson 1990). Finally, the question of in what way, concerns the degree of freedom allowed in the operation. Pricing is one of the usual limitations, as many countries are centrally controlled by the imposition of interest rate ceilings. These four types of regulations described above represent limitations to bank internationalisation (Engwall & Johanson 1990).

**Banks’ Market Entry Modes**

Banks can enter new markets through different entry modes such as internet banking, agents, representative offices, branch offices, subsidiaries, joint ventures, alliances, mergers, or by acquisitions of minor, major or full ownerships (Ball & Tschoegl, 1982; Slager, 2005). The choice of market entry mode is usually affected by the bank's size, management culture and operational market (Howcroft et al, 2011). However, Ball and Tschoegl (1982) discovered that banks normally engage in foreign direct investment (FDI) using one of the following four organisational forms: (1) representative office, (2) agency, (3) branch office and (4) subsidiary. In the first three mentioned organisational structures, the organisation is legally part of its parent company. In contrast, a subsidiary is an independent legal entity, incorporated in the host country (Ball & Tschoegl, 1982). According to Ball and Tschoegl (1982), the different market entry modes serve the headquarters not only with different purposes in relation to the bank's internationalisation strategy, but also define the services offered by the foreign entity to its customers.

A representative office performs primarily customer solicitation, information-gathering and relation related activities (Ball & Tschoegl, 1982). Ojala (2008) argues that such an office enables a close cooperation with customers in both pre- and after-sales phases. The establishment of a representative office can often be seen as a cost-effective market entry and, compared to a subsidiary, requires less government involvement during market entry. Further, representative offices may also create opportunities to find and recruit local employees at a later stage.
(Ojala, 2008). Agencies can additionally offer deposits and loans to foreign customers (Ball & Tschoegl, 1982). Branches and subsidiaries are generally entitled to accept domestic deposits. In addition subsidiaries typically also offer retail activities for their customers. Companies preferring direct control over all aspects of their international operations can establish wholly owned subsidiaries, either by acquiring a foreign company or by establishing operations from scratch, so called greenfield investments (Ball & Tschoegl, 1982).

A subsidiary can be established in different ways, such as greenfield venture, joint venture or merger and acquisitions (Thompson et al, 2013). A greenfield venture is, according to Thompson et al (2013), a subsidiary that is established by setting up the entire operation from scratch. It usually makes sense to enter a new market via a greenfield venture when a company already operates in a number of countries, has experience in establishing new subsidiaries and controlling their operations, and has a sufficiently large pool of resources and capabilities to rapidly equip a new subsidiary with the personnel and competencies needed to compete successfully and profitably (Thompson et al., 2013). Joint ventures are also a widely common way for entering a foreign market. Thompson et al (2013) argues that a joint venture is an effective way to benefit from a foreign partner's market specific knowledge, e.g. about the local legislation, customer preferences, as well as his network position and access to distribution channels. Finally, a merger and acquisition strategy is often used to strengthen a company's market position (Thomson et al., 2013). Combining two or more companies into a single corporate entity is called a merger. In contrast, in an acquisition one company purchases and absorbs the operations of another company. The differences between a merger and acquisition are related to the ownership structure, financial arrangements and management control rather than to strategy and competitive advantage (Thompson et al., 2013).

All the above mentioned forms are argued to represent an increasing qualitative integration with the local market (Ball & Tschoegl, 1982) and in relation to the Uppsala Internationalisation Model of Johanson and Vahlne (1977) an increasing market commitment. Each entry mode affects the network position of banks in a different way.
Internationalisation Strategies

The internationalisation strategy of banks is closely related to their preferred choice of market entry. Slager (2005) categorised banks into five different types based on their internationalisation strategies:

1. Accelerating internationals,
2. Moderate internationals,
3. Imploding internationals,
4. Retreating internationals, and
5. Established internationals.

To discover the different strategies Slager (2005) grouped banks according to their internationalisation phases and their degree of internationalisation.

In general the first step of accelerating internationals is to establish a branch network in major economic and financial centres. Through a branch network, covering the major financial centres, these banks intend to get access to the resources, skills and currencies (Grubel, 1977; Williams, 1997; Slager, 2005; Buch & Lipponer, 2007). This strategic aspect of accelerating internationals is closely related to strategic asset seeking motives of internationalisation defined by Dunning (1977, 2000). In a second, subsequent phase, these banks intensify their internationalisation activities by engaging in increasingly larger mergers and acquisitions (Slager, 2005). The significant organisational changes of the two previous phases have to be integrated into the bank later and consequently the bank has to restructure and consolidate its foreign operations in order to regain or increase its profitability (Slager, 2005).

Similar to accelerating internationals, moderate internationals first build a branch network in the most important financial and economic centres (Slager, 2005). In comparison to the accelerating international they do not engage in a second phase characterised by increasingly large mergers and acquisitions (Slager, 2005). According to Ball and Tschoegl (1982) and Slager (2005), they rather prefer a strategy of stable, moderate growth through greenfield investments and small acquisitions, which can be easily controlled and integrated into the bank. A reorganisation of
moderate internationals take often place in order to refocus their efforts on their core activities and strengths (Slager, 2005).

Third, *imploding internationals* are banks with fast increasing international activities, geared towards assuring the bank's relative position compared to other competitors (Slager, 2005). According to Slager (2005), these banks are often unable to integrate the acquired activities into their existing organisational structure and business activities. In consequence a prolonged financial crisis occurs. In response to the crisis internationalisation activities are divested in order to raise capital and the bank's management refocuses its activities on the domestic market.

*Retreating internationals*, in comparison to the prior three types, already have established a branch network in international markets (Slager, 2005). According to Slager (2005) and Mulder and Westerhuis (2015), the decline in their international activities is triggered by a crisis, forcing the banks into a period of reorganisation with the objective to regain profitability. A prominent example for a retreating international is the Bank of America. The bank's branch network became international after the Second World War, due to limitations of its home market in the US (Mulder & Westerhuis, 2015). However, the loan crisis of the 1980s in the US formed a turning point for Bank of America. Due to the crisis the Bank of America divested international ventures and refocused on its home market in the US, while other US banks in contrast continued to grow internationally (Mulder & Westerhuis, 2015).

Finally, according to Slager (2005), *established internationals* refers to banks with a high degree of internationalisation throughout their history. These banks have historically been committed to international activities, usually building international activates over a longer time span (Slager, 2005). Examples for established internationals are the merchant banks, e.g. JP Morgan, which emerged during the first wave of bank internationalisation (Mulder & Westerhuis, 2015).

Engwall and Wallenstål (1988) and Berger et al. (2004) studied the internationalisation patterns of Swedish banks. Similar to other researcher, it was discovered that the local legislation is a constraining factor for a bank's internationalisation process (Engwall & Wallenstål, 1988). However, Berger et al. (2004) also acknowledged that deregulatory measures in several countries
are a facilitating factor for bank internationalisation. In relation to the Uppsala Internationalisation Model of 1977, Engwall and Wallenstål (1988) found evidence among the studied Swedish banks for an incremental internationalisation, beginning with market entry modes of low market commitment, such as representative offices. In terms of locations both Engwall and Wallenstål (1988) and Berger et al. (2004) discovered that banks first internationalise to financial centres. This pattern was related to the banks observing and following the moves of their competitors and named tit for tat behaviour (Engwall & Wallenstål, 1988; Berger et al., 2004). In contrast to entry modes with low market commitment Slager (2005) discovered that most banks enter new markets through branch offices rather than representative offices. Engwall and Wallenstål (1988) also discovered that banks tend to internationalise to psychic close markets, in line with the patterns discovered in the Uppsala Internationalisation Model of 1977. Berger et al. (2004), in contrast to Engwall and Wallenstål (1988), discovered in their study on Swedish banks that, in line with other researchers, the importance of psychic distance has decreased and the importance of network embeddedness has increased. These findings were confirmed by the observation that banks (1) follow their clients to foreign, distant markets and in line with Slager's (2005) observation (2) follow market leaders and establish first offices regularly in financial centres (Berger et al., 2004).

### 2.4 Theoretical Framework

In summary, the revised Uppsala Internationalisation Model (Johanson & Vahlne, 2009) illustrates the importance of networks for the internationalisation process of firms. Several researchers within bank internationalisation, among them Grubel (1977) and Williams (1997), regard network embeddedness as important motive for banks to internationalise and to follow their clients into new markets. Our literature review, both on internationalisation theory and on bank internationalisation, demonstrates that often the motive for internationalisation has an impact on the choice of market entry mode (Johanson & Vahlne, 1977; Dunning, 1977, 2000; Slager, 2005). In the later process of internationalisation, the literature is dominated by market commitment and the network position of the firm, as described by Johanson and Vahlne in their 2009 Uppsala Internationalisation Model. Based on our findings we developed the following model, which will be applied to answer our research question how banks internationalise in comparison to each other.
The model captures the central findings of our literature review, as explained above. In the following chapters we will in study why a bank first internationalised and the choice of market entry mode. The focus of our study of the internationalisation process is, as shown in the model, on the market commitment and network position, as based on our literature review (Johanson & Vahlne, 1977, 2000; Slager, 2005), both are developed from the market entry mode.
3. Method

The following sections contain a detailed description of the method applied in this study, including information on our research method, approach and design, the data collection, the operationalisation and the data analysis.

3.1 Research Method and Research Approach

The research question and the introduction of this study demonstrate that there is a research gap in the current research on the internationalisation of banks. On the one hand there is a solid understanding of the internationalisation of MNCs and banks but on the other hand especially the internationalisation of banks, so far, has mostly been studied in single case studies or multiple case studies comparing banks of similar sizes. However, answering the research question specifically addresses the comparison of the internationalisation of banks of different sizes and hence answering the research question required the collection of primary data to get a deep and rich understanding of the internationalisation process of the case companies in order to achieve reliable results. Therefore, we applied a qualitative method, which specifically allows the rich and deep understanding of the phenomenon under examination (Doz, 2011).

The appropriate research approach for the presented research question should consider the following two factors:

1. There is a solid understanding of the internationalisation process of MNCs as well as of banks in single case studies or multiple case studies on banks of similar sizes, and
2. There is, as demonstrated in the introduction, a research gap considering the comparison of the internationalisation of banks of different sizes.

Taking these two factors into account this study applies an abductive research method, which is a combination of induction and deduction and in consequence allows to (1) build on existing research, when applicable, and (2) to contribute with new findings to existing research (Bryman & Bell, 2015). Hence this study can incorporate results from previous studies and contribute to the understanding of bank internationalisation by addressing the comparison between banks of different categories.
3.2 Research Design

Within business studies there are multiple research designs, such as experimental designs, case study designs, cross-sectional designs, longitudinal designs and comparative designs, available to researchers (Bryman & Bell, 2015). All methods have different implications on the study, especially on reliability and validity. In consequence it is the obligation of the researcher to choose the most suitable research design to answer the posed research question. Answering the research question of this study "How does a small to medium sized bank internationalise in comparison to a global systemically important bank and what determines their process of internationalisation?", required a detailed and deep understanding of the addressed research gap and also the inclusion of more than one case. In consequence this study contains a multiple case study, also called comparative case study, of two banks, one small to medium sized bank and one global systemically important bank (G-SIB).

The studied timeframe of this study is limited to the years between 1970 and 2007. Beginning the study in 1970 is in line with several other studies, among them Mulder and Westerhuis (2015), which have identified 1970 as the year when the second wave of bank internationalisation intensified significantly. Similar to Mulder and Westerhuis (2015) the studied timeframe ends before the international financial crisis with the final year of our study being 2007. The reason for ending in 2007 is twofold. First, the timespan is limited by the willingness of interview partners to talk about the involvement of the participating case companies in the financial crisis. During the acquisition phase of the case companies several companies advised us that including the financial crisis would limit the number of interviewees, because within the banking industry research about the financial crisis is seen critically. Second, some banks, such as JP Morgan Chase, Citigroup, Credit Suisse, Barclays and Deutsche Bank AG, were sentenced to financially significant penalties, especially in the US (BBC, 2016). In order to pay these penalties some banks divested business units, this does not display a normal internationalisation process along their international strategy.

In order to select the case companies, different criteria for each category were identified. The system relevant bank needed to be listed as system relevant bank by the Financial Stability Board (FSB) in their latest report on global systemically important banks (G-SIB) (Financial Stability
Board, 2016). Besides being listed as G-SIB the bank was required to have an international presence in different markets and on different continents. For selecting the small to medium sized bank, banks listed as G-SIB on the FSB’s latest list were excluded. Furthermore, it was required that the small to medium sized bank is present in different markets on various continents. Criteria on the number of employees, turnover or revenue were not set.

For selecting our interview partners a purposive sampling method was applied in order to gather data from interviewees who could contribute to the research question. After having access to the case companies, through personal contact, a letter for request for cooperation, defining the requirements on possible interviewees, was sent out to the contact persons who then selected interview partners with a suitable background. The requirements on the interview partners were to be involved in the internationalisation process of the company, regardless their level of seniority. For Deutsche Bank AG two former CEOs, who have been actively involved in the internationalisation process and who have been personally in some of the markets were interviewed. For DNB ASA various managers at the top level of the company and also at the operational level were interviewed. Similar to the interview partners from Deutsche Bank AG they have been actively involved in the internationalisation process of DNB ASA or have been personally in one of the markets. In total seven interviewees participated in this study.

To answer the research question we included different markets rather than applying a focus on a single location (Bryman & Bell, 2015). The research was, however, limited to the most important markets and also markets where both case companies are present. Thus the markets included in this research are the United Kingdom (UK), respectively London as financial centre, the US with New York as financial centre and Asia for corporate banking; Italy and the Baltics were included for retail banking. This approach has two major advantages:

1. It allows for a deep understanding of the internationalisation process in more than one market, and
2. By focusing on markets where both case companies are present a direct comparison of the companies is possible increasing the validity of results rather than drawing conclusions from comparing different markets.
The above described advantages are important to consider throughout the selection of the case companies and markets studied. With regards to the results they enhance not only the contribution of the study but also the validity, because no conclusions from one to another market needed to be drawn since the case companies were studied in the same markets.

There is a controversial discussion within research about the use and advantages and disadvantages of multiple and single case studies (Eisenhardt, 1989; Dryer & Wilkins, 1991). While Eisenhardt (1989) argues strongly for the use of multiple case studies since they enhance the empirical validity of a study due to the observance of different cases, Dyer and Wilkins (1991) in contrast argue for single case studies based on the deeper understanding of the phenomenon at question. Within this study a multiple case study design was applied, because the research question specifically addresses the comparison of companies, which has been identified as research gap. According to Eisenhardt (1989) and Bryman and Bell (2015) applying a multiple case study design enhances the generalizability of the results. However, we acknowledge that having one case company per category is providing not enough data to draw general conclusions. This is supported by Bryman and Bell (2015) who state that drawing general conclusions from case studies is difficult since the empirical findings represent one specific case and not wider population affecting the external validity of the study. Despite the demonstrated advantages and disadvantages of multiple case studies we are convinced, that our research question is best answered through a multiple case study.

3.3 Data Collection

To ensure a study as thorough as possible this study not only includes first hand data, collected through interviews, but also on secondary data, such as annual reports, historical literature, and other relevant information.

To gather the primary data, personal interviews were performed, ensuring the collection of rich, in-depth information that proved to be strategically important for the study. All interviews were semi-structured interviews designed along the identified relevant concepts from chapter 2, also described in detail in the paragraph "Operationalisation" (Saunders et al., 2009). This interview form allows for rich data collection, since both, the interviewees and the interviewers, are able to
ask questions for clarification and can include new, relevant topics. Through the interview structure we were able to get a deep understanding of both case companies and benefit as much as possible from the experience of our interviewees. To enhance the quality of the data we posed open questions, not leading to a specific answer and giving the interviewees room to express their experience as deep as possible and also to open for possible additional explanations through the interviewees. In contrast to the used secondary data the primary data contained valuable information about the strategies of the studied banks in the respective markets.

All seven interviews were conducted at the respective company headquarters, providing the interviewees a familiar and trusted environment, in which they were able to speak freely. The duration of the interviews varied between 40 and 90 minutes and all interviews were recorded. To support the interview structure we also relied on a time-line on which the interviewees could mark highlights of the internationalisation process of their company. However, the timeline was not used throughout all the interviews. It was rather used when clarification was needed. Since the study covers a timespan from 1970 to 2007 the interviewees were informed beforehand, via E-Mail, about the focus markets of the interview as well as the used concepts to allow for preparation.

Relying on interviews within a qualitative study has implications on the reliability of the research (Drogendijk, 2016). We acknowledge that the interviewees express not only objective information but also address the questions asked from their subjective perspective. In consequence it might be difficult for other researchers to achieve the same results. To negotiate the subjective influence of our respondents we also grounded our study in secondary, objective data, which is explained in detail in the following paragraph.

The secondary data has been a key attributor throughout this study. We frequently used raw data and compiled data such as annual reports as well as books published by the companies on their international activities in the timespan of the studies (1970 – 2007). The use of these sorts of data is commonly used in business studies and often gives the advantage of enormous saving in resources. Given the timeframe of this study it was necessary to rely on secondary data to, to answer the research question. However, secondary data is, in most cases, published with a
different intention and in consequence the researchers were careful in using secondary data and relied on first hand data as much as possible. Additionally, when in doubt, we tried to verify the validity of secondary data through either clarification with one of the contacts at the case companies or a second source.

3.4 Research Ethics
Throughout the study a high standard of research ethics was applied. Despite having personal contact to the case companies we did not take advantage of this circumstance and pushed any interviewee in taking part in our research. To enable the interviewees to decide whether to take part in the study or not, we sent out requests for cooperation, explaining the research question and scope of our study.

Within the interviews we ensured the interviewees anonymity within the analytical part of this study and asked every interviewee if their names could be published in the acknowledgments of our thesis. To ensure the correctness of the collected data, each interviewee received a copy of the transcript for personal use and confirmation.

3.5 Operationalisation of Variables
In order to answer the research question it was important to break down the concepts of the literature review and transform them into questions for our interview guide. The operationalisation of the variables is important, because it is illustrates how we define the concepts from our literature review and how we intent to measure them throughout the interviews (Drogendijk, 2016). In order to answer our research question we broke down the literature into the following four concepts:

1. Market entry motive,
2. Market entry mode,
3. Network Position, and
<table>
<thead>
<tr>
<th>Concept</th>
<th>Description</th>
<th>Research</th>
<th>Question</th>
</tr>
</thead>
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| Market entry motive  | General information regarding the motive to enter a market, e.g. acquire new customers, provide services to an already existing customer | Dunning (1977, 2000)  
Grubel (1977)  
Williams (1997)  
Howcroft et al. (2011)  
Mulder & Westerhuis (2015) | 1        |
| Market entry mode    | Initial products offered  
Legal form of market entry  
Target audience for products | Johanson & Vahlne (1977)  
Ball & Tschoegl (1982)  
Berger et al. (2004)  
Slager (2005)  
Ojala (2008)  
Thompson et al. (2013) | 3, 4, 5   |
| Network position     | Existing relations  
Development of relations  
Changes in network embeddedness  
Relations to key players | Ball & Tschoegl (1982)  
Johanson & Mattsson (1988)  
Johanson & Vahlne (2009)  
Forsgren (2013) | 12, 13, 14, 15 |
| Market commitment    | Product Range  
Number of employees  
Legal form of operations & changes  
Changes in business model | Johanson & Vahlne (1977)  
Engwall & Wallenstål (1988)  
Williams (1997)  
Berger et al. (2004)  
Slager (2005)  
Thompson et al. (2013)  
Forsgren (2013) | 6, 7, 8, 9, 10, 11 |

Table 1: Operationalisation of concepts (own)
Our interview guide (Appendix 1) was thus designed along the four concepts and contained four different sections, each dedicated to questions for one of the four concepts. Through the process of operationalisation we demonstrate that we have anchored our concepts in the reviewed literature, which is a method to enhance the internal validity of our study (Drogendijk, 2016). The table below shows how we did our operationalisation and how we assigned the concepts to literature and which questions were assigned to which concept.

3.6 Data Analysis

How the data of a study can be analysed is not only influenced by the research question itself but also by other factors, such as the research method, the research approach and the chosen research design (Bryman & Bell, 2015). In contrast to quantitative research and its solid rules for data analysis, the analysis of qualitative data is rather framed by broader guidelines than solid rules (Bryman & Bell, 2015). In consequence we are aware that it is of great importance to clearly explain how we analysed the collected data in order to provide a comprehensive study for other researchers and practitioners. Within this section we refer to both data, first and secondary data, as data, since both were analysed by us.

In order to allow for a deep analysis of the collected data all interviews were recorded and transcribed. Copies of the transcripts were then sent out to the interviewees for confirmation and also for personal use (see chapter "Research Ethics"). Due to the timeframe of this study and the available appointments with interviewees, the researchers were not able to apply a constant interplay of data analysis and data collection. However, the researchers adjusted the interview-structure and execution during the interview phase, which is possible since all first-hand data were collected in semi-structured interviews (Ghauri & Grønhaug, 2010).

Having a clear research question and building on an extensive literature review (see chapters 1 & 2) influenced the coding process during our data analysis. This was most reflected in our operationalisation of the concepts derived from our literature review, giving us pre-analytical concepts along which we could then code our interviews (Bryman & Bell, 2015). For the analysis of the collected first hand and secondary data both researchers used colour coding. The coding was designed along the identified concepts of the literature review, on which the interview guide
was built on. Throughout the analysis we used four separate colours to organize the data in accordance to the identified concepts. For each concept we developed a list of key contexts from the interviews in order to structure the data in a comprehensive way. Besides the pre-analytical concepts the researchers added new concepts, when new phenomena, which could not be assigned to one of the defined concepts, were discovered in the data.

Having two cases it is important that we first analyse the data for each case in separation to identify the case-specific patterns. In a second step we compare the case-specific empirical results in order to find the best answer to our research question. By analysing the cases first in separation we further avoid confusing data from the two cases, which could influence the validity and reliability of our results significantly.

We have also decided not to analyse the gathered data together. We have rather chosen an approach in which we share all the data collected and in the case of secondary data discovered in a first step and to analyse the data in separation in a second step. In a third step we compared the data and discussed the individual findings to reach a conclusion and propositions. By applying an individual data we hope to reduce the influences of personal bias on our research and increase thus the objectivity of our results.

We believe that the described and applied method to analyse the data is providing results to answer our research question. Given the fact that we first analysed the data individually we also believe that this step enhanced the objectivity of our results.

4. Empirical Results

The following sections present the empirical results of the study for each bank.

4.1 The internationalisation of Deutsche Bank AG

Before the outbreak of the First World War Deutsche Bank AG was the largest bank in the world and operated a dense branch network with various branches in Latin America and Asia. In most of the cases Deutsche Bank AG had followed German manufacturing companies to these markets. During the First World War most of the international activities of Deutsche Bank AG
were expropriated and the remaining international activities of the bank were expropriated during the Second World War. One manager at Deutsche Bank AG explained that after losing all its international operations during the wars Deutsche Bank AG took the initial vow to never open a branch outside Germany under the name of Deutsche Bank AG again.

However, in the 1950s Deutsche Bank AG began to internationalise its business again, under the name of Deutsche Ueberseeische Bank, a fully owned subsidiary. This subsidiary was located in Hamburg and specialized in banking in Latin America with a first representative office in Argentina (Deutsche Bank AG, 2013a). Deutsche Ueberseeische Bank further opened its first branch office in Tokyo in 1962 (Deutsche Bank AG, 2011). Other internationalisation activities were conducted through joint ventures with other banks, such as European Banks International Company (EBIC) and European Asian bank. The reasons for Deutsche Bank AG to internationalise again were (1) to follow clients, such as automotive and technology companies, to their markets and to support them in their business and (2) to gain knowledge. The second part was of particular importance for the bank, because Deutsche Bank AG has, after the Second World War, not been active with international operations for more than 20 years and consequently did not have an extensive network or a large degree of know how. EBIC as well as European Asian Bank mainly opened representative offices in the markets they entered (Deutsche Bank AG, 1970). However, with growing business the member banks began to implement dual strategies and in consequence the joint ventures were terminated and in most of the cases one of the shareholders took over the bank by buying out the remaining shareholders.

**Deutsche Bank AG in London**

When Deutsche Bank AG, after the Second World War, considered internationalisation with own branches the primary target market was London, as explained by a manager. London, during the 1970s as today, was considered as the financial centre of Europe and in consequence banks entered the market not only to have access to the Euro-Dollar market but also to benefit from the knowledge present. According to a manager, getting access to the know-how was the primary reason for Deutsche Bank AG to enter London, since the Euro-Dollar business of the bank was located in Luxemburg for taxation reasons. In the 1970s Deutsche Bank AG was already present in London through EBIC but in 1976 Deutsche Bank AG opened a fully-fledged branch in London to serve both indigenous and German clients in the UK (Deutsche Bank AG, 2010a). The
business with indigenous clients was mainly established through previous business relations in Deutschmark denominated business. The same year Deutsche Bank AG was listed on the London Stock Exchange (LSE). In 1984 Deutsche Bank AG improved its network position and intensified its market commitment by acquiring a minor stake in the British investment bank Morgen Grenfell, which was founded in 1838 (Deutsche Bank AG, 2010a). In order to become one of the most important banks in investment banking and also one of the recognised financial institutions in London and on a global scale Deutsche Bank AG acquired the remaining shares of Morgen Grenfell in 1989 (Deutsche Bank AG, 1989). Through acquiring Morgen Grenfell Deutsche Bank AG inherited the customers of Morgen Grenfell and Deutsche Bank AG was able to offer wholesale banking in the UK. Additionally, the bank's investment banking portfolio was extended beyond investment banking related to the Deutschmark. Most important for Deutsche Bank AG, as explained by a manager, was the knowledge gained through the acquisition of Morgen Grenfell. Not only did Deutsche Bank AG gain first-hand knowledge about investment banking and the UK market, the bank also was put to the forefront of financial innovation, because most innovations from the US came to Europe via the financial centre London (Kobrak, 2008). To leverage the acquired knowledge of Morgen Grenfell and also to demonstrate Deutsche Bank AG's commitment to the London branch, the former CEO of Morgen Grenfell became board member of Deutsche Bank AG in Frankfurt and was put in charge to establish the German investment banking of the bank, as explained by one manager.

**Deutsche Bank AG in New York and the US**

In New York, Deutsche Bank AG was present from 1968 through a joint office of EBIC. However, after the first positive experiences of operating a fully-fledged branch in London, Deutsche Bank AG opened its own branch in New York in 1979, being one of the last German banks to open an own branch in New York. The motive for opening an own branch was to "help the increasing number of German companies investing in the US" (Manager A, March 27th 2017). Opening the branch in New York was, consequently, in the strong interest of Deutsche Bank AG to better serve their clients compared to the joint venture EBIC. The management of the bank also realised that without a presence in New York it is difficult to acquire knowledge about the Dollar market, as explained by a manager. This knowledge seemed to be limited to insiders of the local network. Thus opening a branch was necessary to become a network insider, a precondition for
accessing knowledge. Subsequently the US operations were intensified and by 1992 Deutsche Bank AG employed approximately 1,500 people in the US, while the majority of profits were achieved in Latin America, Asia and Europe (Kobrak, 2008). Deutsche Bank AG thus looked at options to (1) increase profits in the US and (2) to improve the network position and to become a network insider. Thus in 1999 Deutsche Bank AG acquired Bankers Trust, a US bank, which had acquired Baltimore based investment bank Alex. Brown & Sons in 1997 (Deutsche Bank AG, 1999). Bankers Trust was rapidly integrated into Deutsche Bank AG and by increasing the number of employees in the US to roughly 8,000 the presence of Deutsche Bank AG in the US was strengthened and the bank became a network insider. Since interstate banking, at that point in time, was still not allowed Deutsche Bank AG integrated the whole branch network of Bankers Trust and until today maintains a network of several branches in the US. Through the acquisition of Bankers Trust Deutsche Bank AG also became one of the leading banks in the US and strengthened its global position among the largest banks. Becoming a renowned bank in the US also had implications on the bank's operations in other markets. Being a credible bank in the US enabled Deutsche Bank AG to offer global advisory services for companies planning investments and business in the US, as explained by both managers.

**Deutsche Bank AG in Asia**

After the Second World War Deutsche Bank AG opened its first representative office in Asia in Tokyo, through its subsidiary Deutsche Ueberseeische Bank in 1962 (Deutsche Bank AG, 2011). The reason for entering Japan was the issuing of a bond to the prefecture and city of Osaka (Breuer et al., 2004). This representative office was turned into a fully operative branch in 1971 and, after entering the UK market with a branch in London, the Tokyo branch of Deutsche Ueberseeische Bank was incorporated into Deutsche Bank AG in 1976, as a part of an agreement with the Japanese government. Over the following years Deutsche Bank AG intensified its activities in Japan and gradually entered business relations with indigenous clients. To better serve these indigenous clients the bank opened further branches in Osaka and Nagoya, which, together with Tokyo, are the economical hubs of Japan.

Deutsche Bank AG entered other Asian markets through the joint venture of European Asian Bank, opening branches in Hong Kong, Singapore, Jakarta, Karachi and Kuala Lumpur, in 1972 (Historical Association of Deutsche Bank, 2015). European Asian Bank also incorporated all
branch offices which were established until 1972 by Deutsche-Asiatische Bank, a former subsidiary of Deutsche Bank AG. The branches of European Asian Bank, from the beginning, offered its clients a broad product range to its corporate and institutional clients. In 1983 Deutsche Bank AG decided to increase its share in the joint venture to 60% in order to better serve the needs of its clients in Asia and the share was increased again, to 75%, in 1986 (Breuer et al., 2004). In 1987 Deutsche Bank AG decided to take full control over the joint venture and to integrate the branch network into Deutsche Bank AG. A manager explained that a major commitment to the Asian market was to relocate the headquarters for the Asian operations from Germany to Singapore, one of the most important financial hubs in Asia, in 1988.

Entering the Chinese markets proved to be a challenge for Deutsche Bank AG, as explained by a manager. In Asia Deutsche Bank AG followed a strategy to open branches in the most important financial and economical centres in order to support German clients, such as automotive and technology companies, in their local business. In consequence when Deutsche Bank AG decided to enter China with a branch, the bank had identified six interesting locations and suggested them to the Chinese authorities. However, the authorities declined all suggestions and forced Deutsche Bank AG to open its first branch in Guangzhou, in 1995. Following a strategy to be present in the major financial and economical centres in Asia, Deutsche Bank AG since 1995 has expanded its network to Beijing, now serving as Chinese headquarter, Shanghai, Tianjin, Qingdao and Chongqing. In Hong Kong, the second financial hub in Asia, Deutsche Bank AG had opened a representative office in 1976, which was transformed into a branch office in 1979. The market commitment in China was increased by Deutsche Bank AG in 2006, when the bank acquired a 9.9% stake in the Chinese Hua Xia Bank.

Within the Asian market the strategy of Deutsche Bank AG changed significantly during the 1980s, especially with opening a regional headquarter in Singapore. A manager explained that during the 1980s Deutsche Bank AG increasingly engaged into business relations with Asian clients, who were at that time entering the global economy, since the business of German clients in Asia was no longer big enough for the strategic goals of the bank. In order to engage into indigenous client relations the bank subsequently replaced the former foreign heads of country operations with local employees, who were familiar with the language and business conduct. Thus Deutsche Bank AG became part of the local network. Having a strong presence in New York and London was also crucial for engaging in business with indigenous clients, since these
presences enabled Deutsche Bank AG to be a credible business partner in investment banking and in Dollar denominated business. Furthermore, Deutsche Bank AG increasingly interconnected its Asian operations to achieve a competitive advantage, for example with the introduction of cash pooling in Singapore. Through its expansions in Asia Deutsche Bank AG was able to offer its clients around the clock services and in consequence strengthened Deutsche Bank AG's position as one of the globally leading banks.

**Deutsche Bank AG in Italy**

Despite focusing on corporate banking in the previously studied markets Deutsche Bank AG entered retail banking in Italy through the acquisition of a local bank. The Italian market was entered by Deutsche Bank AG with a representative office in Milan in 1977, which was turned into a fully operative branch in 1979 (Deutsche Bank AG, 2014). The market commitment was intensified in 1989 when Bank of America sold its Italian subsidiary Banca d'America e d'Italia and Deutsche Bank AG, after negotiations with the Italian authorities, took the opportunity and acquired the bank. Through the acquisition Deutsche Bank AG expanded its branch network extensively and also entered, besides corporate banking, retail banking in the Italian market. Crucial for entering retail banking was the possibility to acquire an existing network of branches. Managers at Deutsche Bank AG said that without the possibility to acquire an existing bank with its branches and customers, Deutsche Bank AG would not have entered retail banking in Italy or any other market. Consequently, entering retail banking in Italy can be seen as an opportunistic decision triggered by Bank of America selling its Italian subsidiary. Banca d'America e d'Italia was rapidly integrated in Deutsche Bank AG and the whole branch network was renamed to Deutsche Bank AG in 1994, enhancing the visibility of the brand and the market commitment in Italy. The market penetration of the bank was not well received by the Italian competitors, but the relations were improved by the top management of Deutsche Bank AG since there was mutual demand and also overlapping business. Between 1995 and 1999 Deutsche Bank AG further expanded its presence in the Italian market through multiple acquisitions. In 2001 the bank divested its Italian group factoring and leasing companies to Société Générale (Deutsche Bank AG, 2014).
In summary, it can be said that Deutsche Bank AG initially entered the studied markets to follow their German clients and later on engaged into business relations with indigenous clients. Based on the history of the bank, initial operations were carried out through joint ventures but in the 1970s and 1980s the bank opened successively own, fully operative branches and extended the network and market commitment in the markets present. Both managers stressed that the internationalisation activities of Deutsche Bank AG, especially the acquisitions of Morgen Grenfell and Bankers Trust, were geared towards strengthening the position of Deutsche Bank AG among the largest banks. However, retail banking in Italy was only possible through the acquisition of a local bank.

4.2 The internationalisation of DNB ASA

DNB ASA is a result of various mergers and acquisitions in the Norwegian finance industry. The company with its structure of today was formed through the merger of Bergen Bank and Den Norske Creditbank in 1990. DNB ASA has throughout its history mainly served Norwegian companies in international markets as well as international customers within industries where DNB ASA has a special expertise or where the bank's domestic position provides a competitive advantage (DNB ASA, 1995). Based on Norwegian clients and the nature of the home market has DNB ASA developed strong competencies in the fields of shipping, energy and seafood and thus offers services in these sectors also to its international clients at the locations of its branch offices. DNB ASA, as a medium sized bank, realized, according to a leading manager, that the bank cannot offer universal services to its customers and thus the management of the bank's international operations decided to be very targeted in industries where the bank has a long heritage and consequently a competitive advantage. They have later expanded their services into related industry sectors, such as offshore and logistics, TMT, healthcare, pulp and paper.

DNB ASA in London

DNB ASA opened its branch office in London in 1971, operating as full commercial bank (DNB ASA, n.d. c). According to managers at DNB ASA did the bank, besides following Norwegian clients, also entered London on the basis of being a financial centre. London, together with New York, formed a central part for DNB ASA's investment banking and were the primary sources for knowledge in this product category. Within the product category the London branch office is
closely interlinked with DNB ASA's branch offices in New York, Singapore and Stockholm as well as the headquarter in Oslo. Managers at DNB ASA described that after becoming integrated in the London financial network the branch became a recognised bank in DNB ASA's specialised industry sectors. The London branch of DNB ASA was gradually expanded to more than 100 employees and in 2007 was a central part in DNB ASA's international network offering services also to indigenous and international clients.

**DNB ASA in the US**

DNB ASA expanded into the US through establishing a branch office in 1975. The reasons for entering the US were according to managers at DNB ASA twofold. On the one hand DNB ASA entered New York with a branch office to serve Norwegian clients in their internationalisation process. On the other hand, New York was entered also because of its importance within the financial industry. Through its branch office in New York, DNB ASA managers described how they obtained crucial knowledge in investment banking and thus could also improve its offerings for customers in this sector. In New York, DNB ASA also became a part of the local network and in consequence also got access to the local network of investors. Through this network position DNB ASA was able to raise money for its business at the New York market and in consequence had easier access to the US-Dollar. During the initial phase of the operations in New York DNB ASA offered its services only to Norwegian clients but gradually expanded its client base to indigenous companies within the targeted industry sectors shipping, energy, healthcare, seafood, telecommunications and financial institutions (DNB, n.d. b). The market commitment in the US was increased by DNB in 2006 by opening a representative office in Houston. The office in Houston was opened with the energy industry in mind and hence only offers services for clients from this industry. The representative office in Houston works closely together with the other energy teams of DNB ASA at the branch offices in London, New York and Singapore. The overall US operations of DNB ASA comprise 114 employees, of which 19 are located in Houston.

**DNB ASA in Asia**

DNB ASA's first international branch office was established in Singapore in 1970 to support Norwegian customers entering the Asian market. According to managers at DNB ASA did this
branch office initially focused on providing investment and corporate banking services for clients in the shipping sector, building on the strength of the headquarter in Norway. Later the product portfolio was extended to other industries, such as offshore, logistics and energy (DNB ASA, n.d. d). During the 1970s several Norwegian companies opened manufacturing sites in low cost countries, e.g. Malaysia. Thus, the companies had a need for financing, daily banking transactions and foreign cash exchange. Additionally, Singapore is one of the global hubs for the shipping industry and hence a location where DNB ASA needed to operate in order to pursue a strategy of becoming one of the leading banks in shipping. After becoming a network insider in Singapore DNB ASA also entered business relations with other clients. These clients were mostly international, not indigenous clients, having a presence in Singapore. The business, especially in the financing activities for shipping, changed over the last decades from being the responsible bank for the financing activities of a client towards forming bank syndicates to serve a specific client. Within the syndicate several banks cooperate on a deal base in order to offer a service to a client. In consequence the competition among banks intensified, because the business is more concentrated now and several banks compete for being the leading bank for one client.

In addition to Singapore DNB ASA operates a branch office in Shanghai to serve Asian customers. This office was opened as a representative office in 1982 and transformed into a branch office in 2006. According to DNB ASA the office's business focus is on serving clients of the bank in China rather than establishing business relations with indigenous clients.

**DNB ASA in the Baltics**

In 2005 DNB ASA acquired parts of Nord LB's retail banking in the Baltics, resulting in the joint venture DNB Nord, in which DNB ASA was majority shareholder with 51% (DNB ASA, 2005). The headquarters of the joint venture was located in Copenhagen to have a neutral location of the joint venture for both shareholders. According to managers at DNB ASA did the bank enter a joint venture because the bank's management realised that it was necessary to grow in retail banking outside the bank's Norwegian home market. Entering retail banking required an extensive branch network and fast access to clients and in consequence a greenfield investment was not seen as possible. Managers at DNB ASA explained that through the acquisition they gained a strong position in retail banking over the night and could rely on already established relations with clients and governments. Managers further described the acquisition as necessary,
because retail banking in the Baltics was not providing high profit margins and thus economies of scale were necessary to be profitable. It was therefore seen as necessary to enter the market through an acquisition, becoming part of a joint venture, rather than entering the market through a form of greenfield investment.

5. Comparison of Deutsche Bank AG and DNB ASA

Within the following sections the empirical results of each bank are compared to each other and propositions are developed based on the comparison.

In comparison to each other Deutsche Bank AG and DNB ASA demonstrate some similarities and differences in their internationalisation process, especially in the degree of market commitment and their network positions. Deutsche Bank AG and DNB ASA pursue different strategies. On the one hand Deutsche Bank AG’s strategy is geared towards being a globally universal bank for corporate clients and to maintain and strengthen its position among the G-SIBs. On the other hand, DNB ASA follows a nice strategy aiming at being industry leader within defined niches, e.g. shipping.

<table>
<thead>
<tr>
<th>Market</th>
<th>Year of market entry Deutsche Bank AG</th>
<th>Year of market entry DNB ASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>Before 1970 through EBIC</td>
<td>1971 branch</td>
</tr>
<tr>
<td></td>
<td>1976 own branch</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>1968 EBIC branch</td>
<td>1975 branch in New York</td>
</tr>
<tr>
<td></td>
<td>1979 own branch</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>1962 representative office</td>
<td>1970 branch in Singapore</td>
</tr>
<tr>
<td></td>
<td>1971 branch in Tokyo</td>
<td></td>
</tr>
<tr>
<td>Retail banking</td>
<td>1989 acquisition in Italy</td>
<td>2005 acquisition and JV in</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Baltics</td>
</tr>
</tbody>
</table>

Table 2: History of market entry (own)

Comparing the dates of market entry it is not possible to underpin the theory of one bank being a market leader and the other bank following the market leader. Both, in London and New York,
Deutsche Bank AG has been present before DNB ASA, but the operations in these markets were part of a joint venture. Own branches of Deutsche Bank AG in the markets were actually opened after DNB ASA.

5.1 Market Entry Motive
Managers form both banks named following the clients as motive to engage into international activities. This motive for market entry was named by the managers in relation to every studied marked. A further commonality of both banks is that their initial international operations also served the function of gaining knowledge and thus the internationalisation into financial centres, especially London, was in the primary focus of internationalisation. Within the studied markets over a certain period of time both banks only served their clients from either Germany or Norway and only later engaged in business relations with indigenous clients. The subsequent entering of business relations with indigenous clients is in both cases related to the network position of the bank in the respective market. Both banks first had to become a recognised bank in their foreign markets before they reached a sufficient level of credibility enabling them to enter business relations with indigenous clients. Based on the above explained empirical results the following proposition was developed:

**Proposition 1** Both, G-SIBs and small to medium sized banks, enter markets to follow and support their clients in their internationalisation activity. Business relations with indigenous clients are only established when the bank is a network insider.

5.2 Strategy in Retail Banking
The market entrance of Deutsche Bank AG and DNB ASA into retail banking displays commonalities in strategy and execution, although the banks entered two different markets at two different points of time. Both banks entered their markets through an acquisition. Deutsche Bank AG acquired full ownership of Banca d'America e d'Italia in Italy and DNB ASA acquired a majority share of 51% in Nord LB's Baltic operations and formed a joint venture with the bank. For both banks it was important to acquire an existing bank, because retail banking requires a dense branch network and in order to be successful rapid access to clients is needed. Managers from both banks explained that without the opportunity of an acquisition the respective bank
would not have entered retail banking. In consequence the market entry into retail banking seems opportunistic, driven by the opportunity to acquire an existing network with already established client relations.

**Proposition 2)** *Banks of both categories apply a similar strategy entering retail banking. Based on the nature of retail banking, acquisitions are favoured over greenfield investments or other forms of market entry mode.*

### 5.3 Market Commitment

The differences in strategy, as explained above, have a significant influence on the degree of market commitment, especially the market penetration as defined by Johanson and Mattsson (1988). Particularly the markets in Asia and the US demonstrate the differences in market commitment and market penetration. Both banks entered the markets at the hubs New York and Singapore. In the US, DNB ASA maintained a presence with one single branch office in New York for 31 years before opening a representative office in Houston in 2006. Deutsche Bank AG, in contrasts, entered the US with a fully owned branch in 1979 and expanded its operations in the US continuously. In 1992 the bank approximately employed 1,500 people in the US, compared to around 114 employees of DNB ASA. While DNB ASA maintains two offices in the US, Deutsche Bank AG penetrated the market through the acquisition of Bankers Trust and geared its strategy towards becoming one of the most important banks in the US with a branch network covering several states. The degree of commitment can be seen in relation to the two banks product offerings in the given market. DNB ASA follows its core strategy and only offers services in its predefined industry sectors, while Deutsche Bank AG in contrast offers universal banking services to its clients. A similar development can be studied in Asia. DNB ASA focused its Asian operations on Singapore and Shanghai, while in contrast Deutsche Bank AG operates branches at five locations alone in China. This observation on the Chinese and the US market leads to the following proposition:

**Proposition 3)** *The degree of market commitment of G-SIBs is higher in comparison to small to medium sized banks. G-SIBs aim at becoming one of the largest banks in their markets while small to medium sized banks focus on niches, where they have a competitive advantage.*
5.4 Acquisitions and Knowledge Development

During the studied period and within the studied markets Deutsche Bank AG conducted three major acquisitions. In 1989 Deutsche Bank AG acquired the British investment bank Morgen Grenfell and Banca d'America e d'Italia and in 1999 the US bank Bankers Trust was acquired. As mentioned by several managers, the acquisition of Morgen Grenfell was one of the most important strategic decisions of the bank, because the bank acquired broad knowledge in the field of investment banking. In contrast DNB ASA acquired in the same period of time and within the observed markets a majority stake of 51% in the Baltic operations of Nord LB to enter retail banking in the Baltics. DNB ASA did not conduct an acquisition to gain access to knowledge; knowledge was rather developed internally. Common to both banks was the motive to conduct the respective acquisitions with the aim of improving the network position. Comparing the acquisition history of both banks leads to the fourth proposition.

**Proposition 4a)** G-SIBs are more active in acquisitions than small to medium sized banks.

**Proposition 4b)** G-SIBs acquire competitors to gain access to needed knowledge, while small to medium sized banks develop their required knowledge internally.

**Proposition 4c)** Banks of both categories use acquisitions to establish or strengthen their network position in the respective market.

Comparing the two banks to the identified internationalisation strategies by Slager (2005) the banks were categorised as follows. Deutsche Bank AG can be categorised as an accelerating international, because the bank first opened branch offices at the most important financial centres and subsequently intensified their operations at the locations and ultimately acquired other banks to improve the network position and to get access to knowledge. In comparison DNB ASA can be categorised as moderate international, since the bank also enters the most important financial centres. The bank rarely acquires competitors and rather prefers to grow through greenfield investments, except for retail banking and develops knowledge internally.
6. Discussion

The following sections relate the empirical results of the study and the derived propositions to the reviewed literature.

Johanson and Vahlne (1977, 2009) developed, based on their study of the internationalisation process of Swedish manufacturing firms, the Uppsala Internationalisation Model, to which psychic distance and experiential learning are central aspects. Based on their study the model explains that companies, within their internationalisation process, establish foreign operations first in psychic close markets and then gradually increase the psychic distance. The present study, along with other researchers (Johanson & Mattsson, 1988; Forsgren, 2013), discovered indicators for a decreasing importance of psychic distance. The internationalisation process of the studied case companies did not display a pattern of gradually increasing psychic distance in the choice of markets. The two banks rather internationalised into psychic distant markets from the beginning of their internationalisation process. Both banks, Deutsche Bank AG and DNB ASA, entered the Asian market before entering psychic closer markets, such as London or the US. In relation to the Uppsala Model the empirical results illustrate that experiential learning and knowledge were central aspects of the internationalisation process of the case companies. For Deutsche Bank AG one of the motives to internationalise, besides following their clients, was to gain knowledge. DNB ASA also named knowledge as one of their reasons to expand internationally, especially into London. However, both banks handled experiential learning and knowledge differently. DNB ASA on the one hand relied on the internal knowledge development, which would be in accordance with the Uppsala Internationalisation Model (Johanson & Vahlne, 1977, 2009). In contrast Deutsche Bank AG, despite developing knowledge, also acquired knowledge, as demonstrated by the acquisition of investment banking knowledge through acquiring Morgen Grenfell in the UK. The acquisition of knowledge has not been named explicitly by the Uppsala Internationalisation Model, but as this study indicates can be of crucial importance for companies in order to defend or establish a certain market position.

Engwall and Wallenstål (1988) and Ekman et al. (2014) identified within their study on the internationalisation process of Swedish banks the so called tit for tat behaviour, defined as a pattern following the market leader. Based on the dates of market entry and the entered locations
the empirical results of this study do not allow to establish one of the case companies as market leader and the other one as follower. Thus the results of this study, however, indicate a different pattern and motive for internationalisation. More important than following the competitor was following their clients and being present in financial centres for the studied case companies. In consequence the case companies entered foreign markets where their clients were present or financial centres, e.g. London. The empirical results of this study, illustrating that banks follow their clients, are in line with Johanson and Mattsson (1988) and Forsgren (2013), who studied the increasing importance of networks in the internationalisation process and explained that following the clients is important for companies to defend existing relations to clients. Thus the result is also in line with the Uppsala Internationalisation Model of 2009, in which Johanson and Vahlne include the increased importance of networks for the internationalisation process. The results of this study, in line with Forsgren (2013), indicate that following the client provides an explanation for the location banks internationalise to. Financial centres, in line with Dunning's (1977) strategic asset seeking, attract banks based on their favourable conditions of operations and the access to foreign currencies.

The studies of Johanson and Vahlne (1977, 2009), Engwall and Wallenståhl (1988) and Ekman et al. (2014) explain that the establishment of internationalisation, both for manufacturing companies and banks, is a process of gradually increasing market commitment. In contrast to their findings the results of this study do not provide conclusive evidence for an internationalisation pattern of gradually increasing market commitment. The results more likely indicate that the market commitment differs between different markets and also between the case companies. DNB ASA on the hand established, in most of the studied markets, branch offices from the beginning of operations and thus did not change the market commitment significantly. Deutsche Bank AG in contrast entered the US through a joint venture prior to 1970, opened a branch in 1979 and acquired a US bank in 1999, displaying a pattern of gradually increasing market commitment. In the studied cases of retail banking both banks displayed a similar pattern. Rather than gradually increasing their market commitment both banks entered the studied markets through major acquisitions, an entry mode of high market commitment.
The results and propositions of this study show that banks of different sizes display different internationalisation patterns compared to each other, in terms of market commitment, network position and acquisitions. Thus our study supports the suggestions of Slager (2005) and Howcroft et al. (2011), who suggested that banks of different sizes have different internationalisation patterns and strategies. However, based on the involved number of case companies in this study further research is needed.

In summary, our study contributes to existing research on the internationalisation of banks by comparing the internationalisation patterns of a small to medium sized bank to a G-SIB. The results of the study partly support the suggestions of Howcroft et al. (2011) that banks of different sizes internationalise differently. In relation to Johanson and Vahlne (2009) and Forsgren (2013) the results of the study provide further arguments for the importance of networks through indicating that banks follow their clients.

### 7. Practical Implications

The empirical results of this thesis lead, besides the theoretical implications, discussed in the previous chapter, to various practical implications.

The results of our study indicate that it is important for small to medium sized banks to be aware of their limitations in comparison to G-SIBs and to mirror these limitations in their internationalisation process, especially in terms of location and strategy. Since small to medium sized banks do not operate an extensive branch network it is Important for these banks to internationalise to the right locations. Thus it is more important for small to medium sized banks to select industrial hubs of their major clients, e.g. DNB ASA in Houston and Singapore for the energy and shipping industry, for internationalisation. In terms of strategy, small to medium sized banks should focus on services where they can provide a competitive advantage to clients rather than aiming at being a universal bank for clients. Several managers at DNB ASA confirmed this strategic alignment for small to medium sized banks. Aligning the international strategy to competitive advantages requires close relations to industries where the home country has a historical strong industry, e.g. shipping in Norway.

In contrast to the implications for small to medium sized banks, the results indicate that G-SIBs, wanting to maintain their position, need to constantly expand their branch network and be present
not only at financial hubs but also at the economical hubs of a country. This often requires the operation of several branches in the economically most important countries, e.g. branch network of Deutsche Bank AG in Asia. To ensure successful operations G-SIBs, according to a manager at Deutsche Bank AG, need to leverage economies of scale, which requires being among the five most important banks in a country.

Banks of both categories aim to engage in business relations with indigenous clients. In order to engage in relations with indigenous clients, the results of this study demonstrate, that being a network insider is a precondition. In consequence banks need to establish a renowned network position in foreign markets before they can engage in relations with indigenous clients. Since establishing a network position is often a major expense for companies, this must be renowned by bank managers in their budget for internationalisation. A further implication is that banks should focus on existing business relations in the initial phase of internationalisation.

8. Limitations and suggestions for further research

The results of this study are primary influenced by the chosen research method and research design, especially the sample size. Applying a qualitative research method, the collected data are, despite the given detailed description of the applied method and the attached interview guide, hard to replicate since the answers given by the interviewees are subjective. Thus the same data might not be collected in a similar study. Besides relying on primary data from interviews the study also includes large amounts of secondary data, such as annual reports and previous single case studies. The secondary data was mostly used to get a historic overview of the internationalisation process, while the interviews provided detailed insights into the strategies of the case companies. However, due to obligations of non-disclosure our interviewees did not reveal the clients they followed into the studied markets. Further research thus could focus on (1) the bank-client relation and (2) the role banks play in the internationalisation process of other companies.

The validity of this study is limited by relying on two case companies. The established propositions in the chapter "Comparison of Deutsche Bank AG and DNB ASA" rely on the data of the two cases. Thus the validity of the propositions might not be given for a wider population
or just be valid for a limited number of other banks. To enhance the validity of the propositions further research, with a similar research method and design, is needed. Within further research the propositions of this study can be either rejected or underpinned.

Selecting a timeframe from 1970 to 2007 enabled us on the one hand to clearly focus on the second wave of bank internationalisation as defined by Mulder and Westerhuis (2015). In consequence this study does not include new market entry modes, made available to the financial industry through technological advancement. These so called FinTech's are now increasingly influencing the competitive landscape in the financial industry. Therefore, we suggest further research to investigate in this new field of internationalisation within the financial industry.

The selection of markets also presents a limitation to this study, because the study focuses on the most important markets for the financial industry. Hence further research could extend the results of this study by studying the internationalisation of banks in Latin America and Africa. Latin America can be of interest for the research community since the region is economically very volatile and hence does not allow for economic predictions. Africa as emerging market can be of interest since the structures, in terms of technology, culture and economy, of the nations within the region vary significantly, but increasingly attract investments from other regions of the world. Research on manufacturing companies so far has seen different internationalisation patterns in these regions compared to other markets. Further research on the internationalisation could therefore focus on (1) the difference between banks and manufacturing companies in these regions and (2) if there is a different pattern in Latin America and Africa compared to the markets of this study.

9. Conclusions

In this research paper we have studied the research question: "How does a small to medium sized bank internationalise in comparison to a global systemically important bank and what determines their process of internationalisation?". Studying this question required a review of both, existing literature about the internationalisation of manufacturing companies as well as literature about the internationalisation of banks. Within the reviewed literature we identified (1) the motive for market entry, (2) the market entry mode, (3) market commitment and (4) the
network position of the bank as important concepts. Thus these concepts were used in the process of gathering primary and secondary data. To answer the research question we applied a multiple case study, studying Deutsche Bank AG as G-SIB and DNB ASA as small to medium sized bank.

The G-SIB and small to medium sized bank studied entered foreign markets based on the motive to follow clients abroad and thus our study supports the importance of networks. Following their clients abroad did not provide them network insider ship in the entered markets and hence business relations with indigenous clients were entered after the banks attained network insider ship. In the studied cases of internationalisation of retail banking both banks also followed a similar strategy. Due to the nature of retail banking, requiring an extensive branch network and access to large amounts of clients, both banks entered the respective markets through acquisitions rather than greenfield investment. In both cases the internationalisation of retail banking can be seen as opportunistic, because without the acquisition the banks would not have entered retail banking in foreign markets.

In terms of market commitment the studied banks demonstrated significant differences. While Deutsche Bank AG, as G-SIB, displays a high degree of market commitment, in terms of branches, employees and other investments, DNB ASA, as small to medium sized bank, displays a rather low degree of market commitment. In comparison to Deutsche Bank AG, DNB ASA has a smaller branch network and also fewer resources committed to the respective market. A further significant difference between the G-SIB and the small to medium sized bank is that the G-SIB used acquisitions as strategic instrument to acquire knowledge and to maintain its market position among the world's most important banks. In contrast the small to medium sized bank rarely engaged in acquisitions and rather developed knowledge internally and build its network position through greenfield investments.

From a strategic perspective, the G-SIB aimed to be among the most important banks in the studied markets and offered its clients a universal banking service. In contrast the small to medium sized bank focused on niches where it has a competitive advantage based on its home country industry and the consequent specialised knowledge.
In relation to our introduction and research question we can conclude that there are not only differences in the internationalisation process but also significant similarities, especially the motive to follow clients abroad. As argued in the previous chapter further research is required to either confirm or reject the propositions of this study.
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Appendix

Interview Guide

Research Question:

How does a small to medium sized bank internationalise in comparison to a global systemically important bank and what determines their process of internationalisation?

Dear Mr./Ms. X thank you for participating in our study on the internationalisation of banks in comparison to each other. During the following 90 minutes we will interview you on the internationalisation of your company in the markets you are an expert for. The interview will be recorded and transcribed and you will receive a copy of the transcript for confirmation and your deposition. The interview is a semi-structured interview, allowing for in depth questions when needed. Please also feel free to ask any question with regards to clarification.

1. Please describe your role within X and how you were involved in the internationalisation/international activities of the company.

2. Why did your company enter the market X?
   a. Were there any specific factors that accentuated this market in comparison to others in the same region?
   b. Did the reasons for entering X differ from any other markets?

3. Please describe how you entered market X?
   a. Did you experience any specific difficulties entering X?

4. Which products did you initially offer in the market/to possible clients?
   a. Were your products targeted for already existing clients or new clients?

5. Please describe how your market entry mode was related to the reasons for entering market X?

6. What was the initial legal form of your operation in X?

7. Did the legal form of operation in X change at any given point in time?
a. If yes how did the legal from change and what were the consequences for your business in X?

8. Please describe how your operation in X developed roughly between 1970 or 19XX and 2007. You are free to focus on the highlights of the development, e.g. M&As.

9. Please describe the development of your employees in the market X.

10. Which products do you offer to clients in the market X now?

11. Did you at any point in time change your business model in X? If yes, please explain the change and why your company decided to change the business model.

12. How would you describe your network position in X at the time of market entry?
   a. Did your company already have relations to the market prior to market entry?
   b. How did previous relations to the market influence market entry?

13. Please describe your efforts to enter local networks in X, respectively engage in local relations?

14. Please describe how your position in the market X changed from 1970 – 2007?
   a. Specific event X
   b. Specific event Y

15. Please describe your market position in 2007
   a. Can you identify any key players within your network in X.

Thank you very much for participating in our interview. We would like to know if it is okay for you to be personally named as a participant in our study. Within the data analysis we will refer to each participant as Manager A, Manager B, etc.