The Internationalization Process of a Hybrid Firm – An Explorative Study of a Swedish SME

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ABSTRACT
Our master dissertation pursued the research question of what the internationalization process of a hybrid firm would look like. To do so, the authors performed an in-depth analysis of a Swedish SME which exhibited characteristics of a hybrid firm. These hybrid firms, as we have named them, use a mixed range of internationalization strategies. An abductive method of research was used in this thesis, as the authors took direction from previous literature and created their own new internationalization process model based on their findings. The main areas of this research focused on the drivers for internationalization and the barriers to internationalization, as well as the market selection and entry mode into foreign countries. This research found that the Swedish SME base their internationalization process on their human resources and the intuition of their management. These two key elements were the foundation for the new hybrid internationalization process model created by the authors.

Key Words: Internationalization Process, SME, Hybrid Firm, Uppsala Model, International New Ventures, the Adapted Uppsala Model, Drivers for Internationalization, Market Selection, Market Entry, Barriers to Internationalization, Human Resources and Intuition.
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1 INTRODUCTION

1.1 Background
In the 1980's, the economy of the world began to rapidly change due to globalization, leading many companies to follow suit and adapt to the new international climate (Lee and Slater, 2007). The internationalization of companies has made it easier for people, goods, services, finance, and knowledge to quickly flow between borders and continents (Hill, 2008). Furthermore, the elimination of trade barriers has created further opportunities for organizations to expand internationally and gain sustainable competitive advantages (Porter, 1985). Internationalization is thus a common area of research and several methods and strategies pinpointing where, when, why, and how a firm should internationalize have been produced.

According to Porter (1980) and Levitt (1983), the world is becoming more homogenized as a result of technological advancements and thus the distance between countries and continents have diminished. As the world has become more technologically advanced, it has experienced a sort of digital revolution, impacting individuals and corporations globally (Wind and Mahajan, 2001). Information is now prominently and readily available for global assess and the users hold all of the power (ibid).

Presently, there are various areas of research when examining how a firm should internationalize. When opening a physical presence abroad, internationalization strategies are more stable and require a meticulous and optimized strategy (Wind and Mahajan, 2001). Johanson and Vahlne’s Uppsala Internationalization Process Model (1977) has served as this optimized and widely accepted strategy for internationalization. Their theory states that firms should gradually expand into countries that are most similar to their own and then use the knowledge and experience gained from these expansions to enter other markets (ibid). This model is the basis for most traditional internationalization firms. For instance, take the Swedish fashion corporation H&M. When H&M began to internationalize, they expanded first within their own domestic market of Sweden and then took a number of steps to gradually expand into the Scandinavian markets, the European markets, and so forth (HM.com, 2015). With each expansion, both domestically and
internationally, the company would open up a new physical location to sell their items \textit{(ibid)}. This is an example of a traditional firm internationalizing.

In contrast, the modern business climate is a much more dynamic climate and heavily revolves around the use and implementation of technology and digitalization (Barua, Ravindran, and Whinston, 1997). Therefore, the relevancy of the Uppsala model has been questioned by researchers who believe the model is not applicable to “born globals” or “International New Ventures” (Weerawardena, Mort, Liesch, and Knight, 2007), as we will refer to them in this thesis. These researchers have created their own models for internationalization revolving around these INV organizations and argue that modern firms do not follow an incremental process when internationalizing \textit{(ibid)}. Instead, digital firms internationalize straight from their conception, or in a very early stage (Oviatt and McDougall, 1994; Moen, 2002; Knight, Madsen, and Servais, 2004; Weerawardena et al, 2007). An example of a modern firm is the British online fashion corporation of ASOS. In contrast to the traditional fashion corporation of H&M, ASOS is a digital fashion corporation operating solely on the Internet. From its inception, ASOS has expanded solely through digital means. ASOS was first launched in 2000 in London, England (ASOS.com, 2015). Their headquarters in London, England remain their only physical presence worldwide \textit{(ibid)}. However, ASOS is digitally present in almost every country in the world, reaching customers globally. Therefore, to expand internationally, ASOS did not have to move in a step-by-step manner, nor did they have to open physical offices or locations across the world. The immediate digital and international expansion is what makes ASOS a truly modern corporation.

1.2 Problem Discussion
Until now, most internationalization literature revolves around these two types of firms: traditional organizations and modern organizations. However, there is little to no research regarding an internationalization strategy that has attributes from both traditional organizations and modern organizations. These “hybrid firms”, as we will call them, lie somewhere along the scope of a physical firm and a digital firm, applying mixed internationalization strategies. The digital revolution has made it possible for firms today to enter the market so rapidly that an internationalization strategy is merely an afterthought. Many firms use a strategy unknowingly and do not follow a specific process from a theoretical perspective. Firms using this type of
international expansion have blended several attributes from various internationalization processes and represent our hybrid firm.

For this thesis, we have been granted access to work with a Swedish small-medium enterprise (hereon SME) in the digital marketing field – we will refer to it as the Alpha Corporation. The Alpha Corporation has experienced rapid international growth within the past decade reaching users in 195 countries. The Alpha Corporation began as a physical organization, experiencing small and incremental growth in its early years. However, thanks to the digital revolution, the company has been able to quickly increase its international growth on a very large scale, much like a digital organization would. Today, the Alpha Corporation has both physical offices spread around the world and a global digital presence. The Alpha Corporation is therefore an example of a hybrid firm, fitting neither the traditional nor modern organizational mold. This leads us to our research question:

*Research Question:*
What does the internationalization process look like for a hybrid firm?

1.3 Research Purpose and Contribution
The purpose of this master thesis is therefore to further explore the widely unsearched field of hybrid firms and how these organizations internationalize. By investigating the Alpha Corporation and their behaviors in their expansion efforts, our intension is to find the Alpha Corporation’s key strategy as a platform for further research. Further we wanted to use our findings as a base for additional research regarding hybrid firms and their place in international business.
2 LITERATURE REVIEW

In this chapter, literature of internationalization will be presented. We have decided to use literature based on the internationalization of SMEs, based on the field we intend to study. In order to understand the internationalization of a firm, definitions and explanations of different theories will be presented.

2.1 Internationalization

Internationalization is a phenomenon that has been deeply researched from a variety of perspectives. Because internationalization is such a well-researched area, there are various definitions and meanings associated with the term. For the sake of our dissertation, we will use the following definition from Kraus (2009, p 914): “Internationalization occurs when firms extend their products or services in overseas markets, usually from their home country”.

2.1.1 Internationalization Strategy and Process

In order to understand the concept of internationalization strategy, strategy first needs to be defined. We have chosen Mintzberg’s (1994) definition of what strategy is. The author states that a strategy is a plan organizations create on patterns and experience from their past. As stated above, internationalization for organizations occurs when they move their business across national borders (Kraus, 2009). Blending these two definitions gives us an idea of what an internationalization strategy is: A plan formulated by organizations when expanding into foreign countries. Internationalization strategy is about when, where, why, and how an organization internationalizes. When considering where a firm should internationalize, market selection will be measured; when considering how a firm should internationalize, market entry will be measured; when considering when and why a firm should internationalize, drivers for internationalization will be measured. These three concepts lie within the process that firms undergo when entering into new foreign markets. First there has to be something that influences a firms’ decision to develop, sustain and initiate activities abroad, which refers to the drivers and motivations for internationalization (Leonidou, 1995). Once a firm has decided to go abroad, the selection of markets to enter and invest in shall be decided upon, which is referred to as market selection (O’Farrell and Wood, 1994; Andersson, 2004; Hollensen, 2007). Next, a decision of how to enter the chosen market, in terms of level of investment and committed assets, needs to be chosen, which is referred to market entry (Malhotra and Hinings, 2010). Within this internationalization process, it is important for firms to consider the barriers that can impact their...
internationalization process. Barriers to internationalization refer to the constraints that can hinder the development, the ability to initiate or to sustain its business in foreign markets (Leonidou, 2004).

2.1.2 Internationalization of SMEs
The concept of SMEs has generated variations in literature and characterizations (Gibb, 1993; Curran and Blackburn, 2001). Some researchers have proposed that SMEs should be defined with profits, turnover, employees, capital, and market positions in mind (Baporikar, 2014). However, for our dissertation we will be using the European Commission’s (2005) definition of an SME. This definition states that an SME is an enterprise with fewer than 250 employees that does not exceed an annual turnover of 50 million euros. There are also several characteristics of SMEs we deem important for the reader to bear in mind. Ghobadian and Gallear (1996) emphasize that SMEs differ from multinational corporations (hereon MNC) in that they are more organically structured, rather than bureaucratically structured. SMEs are further known to have a more flattened organizational structure than hierarchical, making them more flexible towards changes (Levy and Powell, 1998). As a result of these fewer organizational levels, top management can easily cultivate a personal relationship with their employees (Ghobadian and Gallear, 1996).

In terms of internationalization, there are several indicating factors applicable to SMEs. The internationalization process has been generally considered as a multinational and complex process (Laine and Kock, 2001). However, these theories have diverged concerning MNCs and SMEs in order to explain when, where, why, and how these organizations should internationalize (ibid). Therefore, depending on the size of the organization the internationalization process may differ. Previous literature has heavily revolved around MNCs and most of the existing literature involving SMEs has cited threats as the primary motive to internationalize (Lindmark, 1996). Zhao and Hsu (2007) have supported this notion and stated that SMEs are largely constrained by limited resources and low brand recognition, thus creating difficulty when expanding and succeeding internationally. However, these notions have begun to change with recent research and literature and SMEs are now considered to be more innovative and responsive to changes (OECD, 1998). As a result, SMEs are now moving across borders both metaphorically and
literally. It is now acknowledged that organizations of all sizes can experience success when internationalizing \( \textit{ibid} \).

2.2 Theories of Internationalization

2.2.1 The Uppsala Approach

One of the most acknowledged approaches within internationalization strategies is the Uppsala Internationalization Process Model. The model, which explains the international involvement of firms, was originally developed by Johanson and Wiedersheim-Paul in 1975 and Johanson and Vahlne in 1977. Their studies were based on empirical observations of four Swedish manufactures during their efforts to internationalize. Research on the model was further extended and defended by Johanson and Vahlne in 1990. The Uppsala Internationalization Process Model is the result of their extensive research, stating that firms need to first gain domestic experience before entering into foreign markets (Johanson and Vahlne, 1977). The authors state that this model is developed around direct experiential learning and incremental commitments, where companies internationalize in a step-by-step manner.

Moreover, Johanson and Wiedersheim-Paul (1975) argue that organizations will enter foreign markets with successively greater psychic distance. Psychic distance can be defined as the factors which prevent or disturb the flow of information between an organization and a foreign market \( \textit{ibid} \). Examples of psychic distance include differences in culture, political systems, language barriers, levels of education, and levels of industrial or technical development \( \textit{ibid} \). It is natural to connect psychic distance with geographical distance; however, there are always exceptions to this correlation (Johanson and Vahlne, 1977). For example, two countries could geographically lay on opposite sides of the world, yet be very close in psychic distance. The United Kingdom and Australia are excellent examples of countries geographically distant but psychically near. Furthermore, Japan and North Korea are geographically close, yet due to political barriers are psychically distant. Psychic distance is more of a guideline and is not a constant; it is a variable that is subject to change along with the development of communication and social exchange between countries \( \textit{ibid} \).  

\[ \textit{\ldots} \]
2.2.1.1 Drivers for Internationalization
According to Johanson and Vahlne, 1977 the main driver for internationalization in the Uppsala Model is knowledge. The authors have developed a model demonstrating the positive correlation between market knowledge and market commitment, and vice versa. This is presented in Figure 1 below.

According to Johanson and Vahlne (1977) when firms gain experience in foreign markets, they also increase their market knowledge. The authors argue that market knowledge further influences the decisions of commitment in the foreign market, which also increases the learning in that market, which increases the market commitment. Market commitment can be divided into two fields, one is the resource commitment e.g. amount of investments, personnel, marketing etc. in the foreign market, and the other is the commitment to other alternative usage of their resources (ibid). To summarize, the authors state that it is crucial to develop knowledge from past experience in order to select a market. Furthermore, the model is a stage model where the speed of expansion is an important part.

2.2.1.2 Market Selection
The process of market selection in the Uppsala Model begins with firms expanding to countries that have low psychic distance in terms of language, culture, development, education etc. (Johanson and Vahlne, 1990; Hollensen, 2001). Once firms have gained international experience and knowledge in their first markets, they may gradually begin to enter into markets and countries with higher cultural and geographic distances (Johanson and Vahlne, 1990). The authors state that in the Uppsala Model, experiential learning is the key to market selection.
2.2.1.3 Market Entry
In the Uppsala Model, firms enter a market in a step-by-step manner (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977 and 1990). Johanson and Wiedersheim-Paul (1975) have developed a step-by-step process. Johanson and Vahlne (1977 and 1990) further expand on this and express that this stage approach is more connected to successive and incremental commitment, rather than going from no export to direct investment as Johanson and Wiedersheim-Paul (1975) expressed in their model. Johanson and Vahlne (1977 and 1990) stages represent an increasing commitment of resources to the market and serve as an indicator for the current business activities which may change with new experience gained. According to the authors, the Uppsala Model is greatly based on experiencing low risks and commitments in the beginning and gradually increasing the risk in correlation with the knowledge and experience they have gained. They further argue that this incremental and step-by-step process displayed in the Uppsala Model is preferred for traditional firms as entering a market with high risk requires learning and commitment and can therefore be very time consuming.

The combined views of Johanson and Wiedersheim-Paul’s (1975) and Johanson and Vahlne’s (1977 and 1990) step-by-step process follow. The first stage of the step-by-step process provides practically no market experience. In the second stage, the firm has now gained an information channel to the market and will receive information concerning the market conditions on a regular basis. In the third step, firms will establish a sales subsidiary in the foreign market. Most often, this step occurs through the establishment of a physical location. A company may build a new office, sublet an existing office space, or enter the market through an acquisition or joint venture. Establishing a physical presence in a new market represents quite an increased level of commitment, and thus is an important step. The fourth and final step occurs when production finally begins and business operations start. As each business activity is performed in the market within these stages, the firm will receive a more distinguished and extensive experience. (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne 1977 and 1990)

2.2.2 The Adapted Uppsala Approach
As mentioned previously, the Uppsala Model has been criticized for not taking into account the interdependencies between different markets. To defend their research from their critics, Johanson and Vahlne (2009) clarified their Uppsala Model and emphasized the importance of
network between firms and people within internationalization. In order for the reader to further understand the new adapted model, a definition of network will be presented. Business networks, as defined by Emerson (1981) are “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors”. Johanson and Mattson (1988) state that business networks consist of relationships between customers, suppliers, distributors, competitors and government. They further assert that by establishing relationships, firms will be able to access markets and resources more easily.

2.2.2.1 Drivers for Internationalization
In the Adapted Uppsala Model, displayed in Figure 2 below, relationships and networks are the motives for internationalization (Johanson and Vahlne, 2009). The authors argue that knowledge, commitment, and trust are three factors that characterize the relationship. In their adapted model, Johanson and Vahlne (2009) changed the state mode and added opportunities, which they assert as the most important element in order to gain knowledge. Network position is further considered, and the authors claim the traditional internationalization process is pursued within a network instead of a market commitment. They further claim that when a relationship is successful, it will result in an increase of learning and trust in the network, which will then increase the network position of the firm within already established networks and within new networks. The authors argue that this Adapted Uppsala Model shows that the business environment is no longer viewed as independent suppliers and customers, but as a web of relationships.

![FIGURE 2: The Business Network Internationalization Process Model (Johanson and Vahlne, 2009)](image-url)
According to Johanson and Mattson (1988), the position in the network (market) is the most important driver for internationalization. The authors argue that a firm’s position in the market is based on two elements: the degree of internationalization of the firm and the degree of internationalization of the market. To support their claims, Johanson and Mattson (1988) have developed a model displaying four separate market positions firms can have when internationalizing. This is demonstrated below in Figure 3.

![Figure 3: The Network-Based Internationalization Model (Johanson and Mattson, 1988)](image)

The four stages of this model are according to Johanson and Mattson (1988) 1) The Early Starter, 2) The Late Starter, 3) The Lonely International and 4) The International among Others. These authors assert that firms in the Early Starter position have few networks in the international market and the same applies for its stakeholders and competitors. These firms are characterized as having little knowledge of the foreign market according to them. Furthermore, the ability for a firm to use knowledge it has gained in the domestic market is difficult to apply to the foreign market. In order to expand internationally, the authors claim that these Early Starter firms use agents to lower their risk and uncertainty and to take advantage of the knowledge and networks of their agents. A second position proposed by Johanson and Mattson (1988) is the Late Starter stage. In this stage, the authors state that firms begin to internationalize after their competition, making it hard to enter any existing networks. These firms do not have enough knowledge or
experience of international expansion and therefore have indirect relationship with external partners in the international market. The third stage proposed by Johanson and Mattson (1988) is the Lonely International. They state that the Lonely International position has a higher degree of internationalization with a domestic focus. The authors further argue that these firms possess the knowledge and experience from their previous internationalizations, and become successful, as they are alone in the market. Moreover, Johanson and Mattson (1988) claim that the Lonely Internationals have already established business networks, which increases their competitive advantage in that market. The final stage presented by Johanson and Mattson (1988) is the International among Others. Firms in this stage are highly internationalized and are in a highly international market according to the authors. They argue that these International among others firms have established business networks in several countries and use external resources to achieve success. Because of high level of knowledge when going abroad, these firms can quickly establish their businesses in a new and foreign market.

2.2.2.2 Market Selection
When considering which market to select, Johanson and Vahlne (2009) added the relational approach as an influential factor. According to Johanson and Mattson (1988), this perspective explains how networks that have been established through relationships guide SMEs when expanding abroad. Johanson and Vahlne (2009) argue that uncertainty is now connected with outsider-ship with networks rather than psychic distance. However, the authors claim that the larger the psychic distance, the more difficult to build new relationships.

2.2.2.3 Market Entry
Even here, relationships affect the mode of entry. In Johanson and Vahlne’s (2009) Adapted Uppsala Model, the difference between market entry and international expansion is becoming less relevant. They attribute this to the fact that networks are borderless and therefore the traditional view of entry – overcoming borders – is not as important as it once was. What Johanson and Vahlne (2009) deem more important than entry mode is the position of the firm in a network. Further, the authors argue that because these networks and relationships are so essential to a firm, they are more or less the decider of where a firm internationalize and enter a foreign market. If a Swedish firm has strong connections in China, it would be logical to assume that they would use this connection to enter the Chinese market. Therefore, existing relationships
and networks in business greatly impact the geographical market that a firm will choose to enter and with which entry mode to consider (Johanson and Vahlne, 2009).

2.2.3 International New Ventures
There are some firms that do not usually follow an incremental stage when entering foreign markets. These firms have different names depending on which researchers are describing them: “Global start-ups” (Oviatt and McCougall, 1994), “International New Ventures” (McDougall et al. 1994), “Born Globals” (Knight and Cavusgil, 1996), and “Instant Exporters” (McAuley, 1999). We will refer to them as International New Ventures (hereon INV) in this thesis. Brush (1995) asserted that a new venture is a company that is six years old or younger. When internationalizing, Zahra, Ireland, and Hitt (2000) stated that these firms must move into international markets during the early stages of their lifecycle. Oviatt and McDougall (2005) have further defined INVs as organizations that seek to utilize competitive advantages and resources in an international context from their very inception. This is the opposite of the Uppsala Model, where internationalization should occur in incremental steps. It is often possible for these INVs to rapidly internationalize through the utilization of digital expansion (Jaw, Chang, and Chen, 2006). It can take months or years to carefully plan, develop, and execute the construction of a physical office in a foreign country (Barua et al, 1997). However, with digital expansion, these costs and issues are nonexistent, allowing firms to quickly expand into a new market or several new markets simultaneously (Jaw et al, 2006).

According to Oviatt and McDougall (1994), there are four elements required for an INV to exist: 1) INVs must have some operations abroad, 2) INVs need to possess a network and relationship with governance in order to be granted access to resources, 3) INVs must establish their organization in an opportune location where it can gain advantages, and 4) INVs need to have control over their unique resources (including the organization’s corporate culture, relationships, and innovative capacities). INVs are able to experience and sustain success internationally because they have unique capabilities and resources, in terms of human resources, corporate culture etc., allowing them to internationalize quickly in a new market. INVs view the world as one global market and usually expand simultaneously to different markets. (ibid)
Madsen and Servais (1997) developed seven propositions of an INV from existing theories and studies. Their first proposition is that an INV consists of one or more entrepreneurs with strong international experience. The second proposition asserts that INVs are correlated positively with the degree of which the market is internationalized. The third proposition states that INVs are more niched than other firms, usually by being more standardized or customized. The fourth proposition states that INVs select their geographical location based on the previous experience of the founders or partners, as well as any economic or customer-related factors. The fifth proposition developed states that INVs rely more on supplementary competences retrieved from other organizations than traditional firms. The sixth proposition asserts that the growth of INVs can be attributed to their high innovate skills and their ability to access research and development. These are usually achieved through close relations with their networks and partners and involve frequent and intense collaborations across nations. The seventh and final proposition claims that firms located in small domestic markets are more likely to become INVs than firms located in large domestic markets. Madsen and Servais (1997) composed a research model of INVs from a founder, organizational and environmental characteristics, which are stated below in Figure 4.

![Figure 4: International New Venture (INV) Model](image)

**FIGURE 4:** International New Venture (INV) Model  
(Madsen and Servais, 1997)

2.2.3.1 Drivers for Internationalization  
According to Oviatt and McDougall (1994) INVs have the ability to swiftly adapt to unfamiliar environments, locate opportunities, and develop new ways to use these opportunities. The
authors think that this distinguishes INVs from their competition and establishes competitive advantages that can lead to increased sales. According to Madsen and Servais (1997) firms can become INVs for three reasons: 1) New market conditions and opportunities, 2) Technological improvements, and 3) Access to human resources. The authors argue that if an opportunity appears in a market because of new market conditions, it requires acting fast in order to take advantage of the opportunity. Moreover, because of the technological improvements firms can now easily and fast do business in a foreign market due to limited trade barriers and costs in form of lower transporting costs and country tax. The final prediction made by Madsen and Servais (1997) that is known for being the most driving force for INV is the people that can take advantage of the opportunities and technological changes in the foreign market.

2.2.3.2 Market Selection
McDougall et al (1994) argue that the managers of INVs are of high importance when selecting a market to enter. The authors state that it is the managers that possess experience from earlier activities and can move into a new market with previously established routines. Further, the authors state that when an organization internationalizes, its competencies and skill sets are tested where some attributes that are successful in one market may lead to failure in another. Therefore, the authors argue that it is important for SMEs to consider their management in a global perspective. According to Madsen and Servais (1997), the founders of INVs need to use their experience from being abroad, education, etc. in order to lead the firm into success and to choose the market to internationalize too. INV managers are characterized for being opened for international business, are eager to explore other markets and can adapt in a fast paced (ibid).

The Human Resource Management International Digest (HRMID) (2007) states that in order for an international management team to successfully adapt, there are two preexisting conditions that must be met: 1) International managers must be excited for any and all new challenges ahead and 2) International managers must hold a desire to operate effectively in new markets. Additionally, international business managers should be sensitive regarding new cultures and hold no prejudice. The most essential competence of the international management team according to HRMID (2007) is their capability to cope with uncertainty, especially when dealing with foreign business cultures and ethical dilemmas. Furthermore, according to Coviello (2006) being a part of a network is of high importance in order to be active in a market and to select other markets to enter. The author states that INVs can be “pulled” internationally through their position in a
national net that internationalize. This is because INVs have a so called “insidership” in networks, which means that the firm have developed network before going into foreign markets, even before the foundation of the firm. Moreover, Coviello (2006) asserts that it is the position in the network between the founder and its environment that decides the firms’ future development.

2.2.3.3 Market Entry
According to Sharma and Blomstermo (2003) INVs base their market entry on experiential knowledge and network ties in different countries, due to limited resources in terms of money. However, the authors state that INV’s emphasis on controlling (rather than owning) the assets decrease the amount of resources put in. According to Zahra et al, (2000) high controlling entry modes are connected to acquisitions, greenfield investments, and joint ventures. An acquisition is the purchase of the majority of stock in a preexisting firm to gain control; a greenfield investment is a wholly owned start-up investment in a new facility; A joint venture is the combination of assets from two or more firms sharing joint ownership and control over the use of these assets (Kogut, 1988).

Rapid internationalization alone is not a viable strategy for INVs according to Oviatt and McDougall (1996). Instead, they state that INVs need to have entry mode strategies to support their internationalization efforts. Choosing an entry mode is an essential decision for INVs and it involves a certain level of resource commitments, risk, control, and return on profits. Therefore, it is advised that INVs should choose relatively low resource commitment market entry strategies whenever possible to avoid using up too much of their limited resources and to cope with foreign risk (Aspelund et al, 2007; Burgel and Murray, 2000; Coviello and Munro, 1997; Jolly et al, 1992; and McDougall et al, 1994). However, some research shows that there are a few INVs going against this advice and actually entering foreign markets involving high resource commitments from the beginning (Aspelund et al, 2007). This is viewed as a competitive strategy by Zahra et al, 2000, and can be utilized by INVs with high foreign market orientation and knowledge (Kim and Hwang, 1992; Luo, 2001; Madhok, 1998).

2.2.4 Barriers to Internationalization
In previous literature, a lot of attention was paid to the internationalization of MNCs as the internationalization of SMEs was thought to be a risky process (OECD, 1998). SMEs association with limited resources to finance internationalization made their situation not of high importance
for researchers to research (Dileep, 2012). However, today researchers have become aware of the importance of SMEs internationalization for the economic growth and development and the subject has become a worldwide phenomenon (OECD, 1998). Even if SMEs have drawn attention in the last decades they still faces barriers when internationalize. Leonidou (1995, p31) defines export barriers as “attitudinal, structural, operative or other constraints that hinder or inhibit companies from taking the decision to start, develop or maintain international activity” which incorporates both internal and external factors impacting the success or failure of a firms internationalization. There are many descriptions of what internal and external barriers are, however we have chosen to use Kahiya (2013) definition. The author divided the internal barriers into managerial related, resource related, marketing related and knowledge related barriers while the external barriers were divided into home-base market related, host-based market related and industry-level related barriers. Moreover, Acedo and Galan (2011) state in their study that there are not only export barriers that influence the internationalization but also the risk tolerance and the tendency of proactive behavior the firm has.

According to the OECD/APEC (2009) report, regarding the top barriers and drivers to SME internationalization, both external and internal factors impact their success or failure. The report states that there are four barriers an SME needs to consider. The first barrier is the limited resources of a firm. This shortage of working capital to finance exports is a leading barrier to the internationalization of SMEs. With limited financial or physical resources, it is hard to enter a foreign country. Another important challenge for SMEs is the limited information to locate/analyze markets (ibid). Having little knowledge of the foreign market is a critical problem for SMEs, and can threaten their whole internationalization process. In order to internationalize into a foreign market, some knowledge of the market is needed, such as knowledge about how customers behave or how business is done in that market. Another barrier is the inability to contact potential overseas customers and clients (ibid). This barrier can exist due to language barriers or due to the company not being present in that country, making it difficult to meet with their customers and clients. The last barrier is the lack of managerial time, skills and knowledge. In several studies, these barriers are the most common and important one within SMEs. (OECD/APEC, 2009)
The OECD/APEC (2009) report additionally showed that SMEs undergo a learning process within their internationalization. The report continues that firms with more internationalization experience tend to put more concern on the barriers that are out of their control. This is unlike firms that are inexperienced with foreign markets who tend to pay more attention to internal barriers, such as strategy, management, knowledge etc (ibid). The main findings in the report revealed that when firms have more experience of international business, they can more easily overcome their own internal barriers, as they know how to act and are familiar with the situation. The external barriers become then much more of an issue because firms cannot prevent them and are not familiar with them when moving to a new market (Busquets and Fliess, 2006). This learning process is in some ways aligned with existing theories which explain the behavior of SMEs when internationalizing, especially with the Uppsala Model. The main focus of the Uppsala Model is experiential learning, where firms gradually increase their business in foreign markets in order to gain knowledge (Johanson and Vahlne, 1977). In order to use this knowledge, expertise and experience gained, and the knowledge needs to be shared and stored (Hansen, 1999 and 2002; Lu, Leung, and Koch, 2006).

On the other hand, barriers for the internationalization of SMEs have become easier to overcome than it was some decades ago (Busquets and Fliess, 2006). Due to the increased homogeneous world; psychic distance has decreased between countries and continents. Therefore, psychic distance in terms of geography and culture is not of high importance as it was some decades ago. This further applies to the knowledge of international markets (Axinn and Matthyssens, 2002), as it is easier to find information from the Internet. Johanson and Vahlne (1977) support this notion and state that psychic distance is less significant now than when they originally created their Uppsala Model. This is a result of the wealth of knowledge available today, making it easier and more possible to enter markets with a large psychic distance in a quicker pace (ibid). As such, the INV and the Adapted Uppsala Model are much less time consuming. Furthermore, the wealth of knowledge available has made it possible to gain insights of foreign markets without any experience (ibid). Therefore, firms can now imitate others that have internationalized before them (Forsgren, 2002). This rapid nature of expansion has been described in INVs.
2.3 Conceptual Framework

In order to analyze the empirical data, a conceptual framework of the theory will be presented. The framework is a summary of the literature review which will be a basis for the empirical study and include a “work-model” of the presented literature in the above sections.

In summation, the three theories described above are applicable to the Alpha Corporation, a digital marketing firm both physically and digitally present across borders and expanding at a rapid pace. Therefore, it is interesting to look at all three perspectives in order to answer the presented research question. Below, a work model contrasting the Uppsala Model, the Adapted Uppsala Model and INVs are presented in terms of market selection, market entry, drivers for internationalization and barriers to internationalization.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Uppsala Model</th>
<th>Network Model</th>
<th>INV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers for Internationalization</td>
<td>Knowledge</td>
<td>Network</td>
<td>Opportunities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Knowledge</td>
<td>Technological improvements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Human resources</td>
</tr>
<tr>
<td>Market Selection</td>
<td>Step-by-step internationalization</td>
<td>Dependent upon where network is</td>
<td>Depends on the founder’s experiential knowledge</td>
</tr>
<tr>
<td></td>
<td>Psychic close markets first</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Entry</td>
<td>Low commitment</td>
<td>Dependent upon level of trust with the network in each market</td>
<td>High control entries (greenfield investments)</td>
</tr>
<tr>
<td></td>
<td>Low risk (export activities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barriers to Internationalization</td>
<td>Knowledge and information barriers</td>
<td>Outsider-ship in network</td>
<td>Communication skills</td>
</tr>
<tr>
<td></td>
<td>Lack of resources</td>
<td>Lack of resources</td>
<td>Lack of excess capacity inhibits and resources</td>
</tr>
</tbody>
</table>
The relationship between the drivers for internationalization, market selection, market entry, and the barriers to internationalization in relation to the internationalization process is presented in Figure 5 below.

**FIGURE 5: Internationalization Process**

In Figure 5, a structure of the internationalization process is formulated based on the literature presented in this chapter. In the internationalization process, there has to be motives that trigger the internationalization in order for the internationalization to take place. After triggers to internationalization has been created the firm needs to choose which market they will internationalize into which commonly precedes the entry choice. The manner in which these variables interact, as well as the impact from the barriers to internationalization, will form the internationalization process of a firm.
3 METHODOLOGY

In this chapter we will describe which methods we used in order to answer the research question. The chapter is based on six steps. We describe how the research was designed, discuss which approach was used, describe how the data was gathered, present which sample we selected, explain the operationalization of the research question, and lastly address the credibility of the data collected.

3.1 Research Design

This master dissertation aims to examine what the internationalization process of a hybrid firm – that is, organization, which is neither purely brick-and-mortar nor digital – looks like. To investigate this phenomenon, an exploratory style of research has been chosen. Exploratory research investigates relatively unresearched areas and is designed to generate new ideas and proposals for future studies (Saunders, Lewis, and Thornhill 2009), which is the main focus of this research. Furthermore, exploratory research seeks to discover valuable insights and evaluate a specific phenomenon in a new light (Robson, 2002). As such, exploratory research is almost exclusively conducted through qualitative research methods (*ibid*). In our thesis, we will try to answer what the internationalization process of a hybrid firm looks like, which is connected to an exploratory research as we want to explore a phenomenon.

The research design for our thesis will involve qualitative data. According to Saunders et al, (2009) qualitative research describes any data collection method producing or utilizing non-numerical data. The authors state that this qualitative data often focus on the quality of the content as well as the context of the data. Therefore, they mean that the qualitative research method requires a more sensitive approach to gathering and analyzing data. Saunders et al, (2009) also state that when doing a qualitative research the most common way of gathering the data is through in depth interviews. Therefore, the qualitative data in our research will be strongly based upon personal in-depth interviews.

3.2 Research Approach

The aim of our thesis is to analyze existing theoretical data regarding traditional and modern firms and how each of them internationalize, compare it with our own empirical findings and then further develop a new model of what a hybrid firm’s internationalization process looks like. There are several approaches to be taken when conducting research. The two most prominent
methods to interpret data are through inductive or deductive reasoning (Ghauri and Gronhaug, 2005). Inductive reasoning is a systematic process where one observes facts to create a theory. In contrast, deductive reasoning is a more logical process where one gathers facts to prove or disprove arguments derived from existing knowledge and theory. Furthermore, deductive approaches are commonly used when research aims to verify a theory through the analysis of a case of phenomenon and inductive approaches are commonly used when creating new theories. (Ghauri and Gronhaug, 2005)

There is a combination of these two approaches, referred to as an abductive approach, which is what we will be utilizing for our research. An abductive approach draws from both deductive and inductive reasoning, and the authors go back and forth between established theory and their own empirical data and findings (Rodrigues, 2011). The aim of our thesis is to analyze existing theoretical data regarding traditional and modern firms and how each of them internationalize and compare it with our own empirical findings of how a hybrid firm would internationalize. This is the very essence of an abductive approach, and therefore the approach we will be using.

3.3 Research Strategy

3.3.1 Case Study
For our research, we have used a case study. A case study is defined as a strategy involving the empirical investigation of a contemporary phenomenon within a real-world context and citing multiple sources for evidence (Robson, 2002). The case study is an appropriate approach as it allows us to get a deeper understanding of the context of the research (Bryman, 2006). According to Eisenhardt (1989) the aspect of studying the phenomena in its organizational context is perceived highly important, which further strengthened the benefits of using a case study. Yin (2003) has defined various dimensions of case studies. However we will only use one of them. This dimension is to decide whether one is evaluating a single case or a multiple case study. According to Saunders et al, (2009) if the researchers wants to do an in depth analysis a single case study is preferred. Therefore, our research is performed on a single organization. This is done because we would like to do an in depth analysis on a specific case that is unique.
3.3.2 Single-Holistic and Embedded Case Study
One of the most important aspects of using a single case study is determining which type of case is most appropriate for the research in question. We used both single-holistic and embedded case study, which means that research is performed on a single company as a whole and on its subsidiaries. By using single holistic case study we analyzed the whole company’s internationalization process from its foundation until today. By using an embedded case study we divided the Alpha Corporation into three embedded “subsidiaries”. We then analyzed each subsidiary in order to get a deeper insight in the internationalization process and to obtain the barriers to the internationalization.

3.3.3 Case Selection
The organization for our case study was chosen for the following reasons: 1) It is a hybrid firm internationalizing at a rapid pace, 2) There is an established professional relationship between the Alpha Corporation and the two researchers, 3) The researchers were granted access to organization and its information. Gummesson (2000) asserted that a certain level of trust must be reached in order for researchers to achieve access into an organization. This level of trust has already been extended to the researchers, therefore the organization is ideal. Furthermore, the Alpha Corporation operates in the digital marketing industry. The features of the digital marketing industry are especially interesting as it differs quite a bit from a traditional international business firm and gives us more of a unique case to analyze.

3.3.4 The Case Firm
The Alpha Corporation is a digital marketing company with its primary headquarters in Stockholm, Sweden. The Alpha Corporation has international subsidiaries in 11 countries; however they reach clients in 195 countries through a global digital platform. We define a successful international subsidiary in this context as an international market established outside of Sweden where the Alpha Corporation has legitimate and profitable business operations. We have decided to analyze the whole internationalization process of the Alpha Corporation during their expansion. We have further decided to analyze three countries which the Alpha Corporation has expanded to in order to gain a deeper insight into the process and the barriers to the internationalization process of the Alpha Corporation: Norway, the UK and Russia. Our selections were based off of the following reasoning:
- **Norway:** The Norwegian market was the first international market that the Alpha Corporation expanded to. The Alpha Corporation currently has a physical office in Norway.

- **United Kingdom:** The UK has more of a distance from Sweden, both geographically and psychically, and the market was established 6 years ago during the middle of the Alpha Corporation’s timeline. The Alpha Corporation currently has only a digital presence in the UK.

- **Russia:** The Russian market is additionally geographically and psychically distant from Sweden, and is a newly established international market. The Alpha Corporation currently has only a digital presence in Russia.

### 3.4 Sample Selection

In this thesis, non-probability samples were used. In exploratory studies, when doing in-depth interviews, non-probability samples are one of the most used methods (Sounders et al, 2009). A non-probability sample occurs when researchers do not chose samples statistically at random (Neuman, 2006). We based our thesis on one case firm, the Alpha Corporation, and chose our sample that was interviewed through our own subjective judgment. Moreover, a purposive sampling technique has been done where candidates suitable for answering the research questions, those that hold on the information, have been selected as samples.

#### 3.4.1 Selection of Interviewees

For our data collection process, we have chosen several representatives from the Alpha Corporation. The specific function of the interviewees within the Alpha Corporation is varied in accordance to the organizational structure of the Alpha Corporation. These representatives range from top management, including the founders and CEOs, to regional management including country managers. Representatives from the Alpha Corporation that were interviewed in this case study held the following positions:

- Founder(s) (top management)
- CEO(s) (top management)
- Country Manager: Russia
- Country Manager: UK
- Country Manager: Norway
3.5 Data Collection

3.5.1 Primary Data
The primary data we have collected serves as the analytical foundation for our research. A series of personal, open-ended, semi-structured, structured, and in-depth interviews have been conducted, allowing us to explore the organization in a greater depth. The primary data collection technique of in-depth and face-to-face interviews allows us to access the knowledge, perceptions, and experiences of the interviewees in an efficient manner to generate rich, empirical data (Eisenhardt and Graebner, 2007). By allowing an open-ended environment for response, our interviewees have the opportunity to freely formulate their contributions in a detailed manner without being altered or interrupted by a predetermined direction (Yin, 2011). Moreover, semi-structured and in-depth interviews was the most effective way of obtaining data due to the depth of the questions. Because of the complexity of the questions we needed to be at the place in order to support the interviewees’ reactions towards the questions, in terms of body language. However, we also used structured interview techniques when interviewing the country managers from each subsidiary. This was done for two reasons; first there was a lack of proximity to the interview as the Norwegian country manager was in Norway and Russia country manager did not longer work at the firm. Secondly, the data from the interviews was intended to be supplementary to our main data that was collected through the top management.

3.5.1.1 Semi-Structured (In-Depth) Interviews
Semi-structured interviews were conducted with the board of the Alpha Corporation in order to receive the most information regarding their internationalization process as a whole. In the Alpha Corporation, top management makes all of the decisions regarding the internationalization of the firm. When we conducted the interviews with top management, we first held separate interviews with each of them. After each of the five interviews was complete, we then interviewed all of them together. We did this for a few reasons. The first session of interviews was done separately in order to get a deeper insight into the process and challenges in the selected markets we choose to look at, Norway, the UK and Russia. Therefore, by interviewing them separately, we could hear all five of their opinions on the matter and did not have to worry about one being biased or influenced by another. It also allowed for a unique perspective on each question and situation.
presented. Each of these individual and semi-structured interviews was conducted at the headquarters of the Alpha Corporation in Stockholm. Before the interview, a loose structure of interview questions was sent to the interviewees so they may prepare themselves with any data or statistics. Every interviewee was given the same loosely structured interview questions. Once we sat for the interview, these questions developed and deeper questions were asked based upon their answers. This created the semi-structure interview. The second session of interviews was held with all five together including founders and CEOs. This was done in order to get a better view of the whole internationalization process of the Alpha Corporation from the foundation of the firm until now and to address any discrepancies in the individual interviews. We met with all five at the headquarters in Stockholm. The interviews were held within one hour and all answers were recorded as well as written down. The semi-structure was again present in this interview, as deeper questions were posed reliant upon their answers.

3.5.1.2 Structured Interviews
Structured interviews were held with the country managers of the Norwegian, UK and Russian markets. These interviews were conducted to get a closer view of how each subsidiary perceived the internationalization process in their market. We also thought that the interviews with each country manager would offer us another perspective to the internationalization process of the Alpha Corporation, aside from the top management. The country managers were involved in the whole internationalization process of their subsidiary. These managers did not particularly make all of the decisions in their market, but were responsible for the process. These structured interviews were based on questions processed and organized before the interviewed. The interview with the Norwegian country manager was held over the telephone, as the Norwegian office is located in Norway and inaccessible to the authors in Sweden. The interview lasted for 30 minutes. The structured interview with the country manager of the UK’s subsidiary was conducted at the headquarters of the Alpha Corporation where the country manager worked. The manager of the UK subsidiary was asked the same questions as we asked the Norwegian interviewer, but took twice as long, resulting in a full hour interview. This is due to the expansive answers to each question from the country manager of the UK. She offered many insights and her own commentary in addition to our structured interview questions. Our next interview was conducted with the country manager of the Russian subsidiary, and took place at a café in central Stockholm. The Russian manager was again asked the same questions as the Norwegian and UK
manager. This Russian manager performed all of the research and analysis of the Russian market and has built the subsidiary from the ground up, so to speak. This led to ample knowledge of the market and its internationalization process. In order to see how we collected the data more clearly a table of information of the interview process is presented below.

Table 2 – The Interview Process

<table>
<thead>
<tr>
<th>Type of Interview</th>
<th>Title of Interviewees</th>
<th>Duration of Interviews</th>
<th>Number of Participants Interviewed</th>
<th>Location of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semi-structured</td>
<td>Founder &amp; CEO</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Semi-structured</td>
<td>Founder &amp; CEO</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Semi-structured</td>
<td>Founder &amp; CEO</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Semi-structured</td>
<td>CEO</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Semi-structured</td>
<td>CEO</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Semi-structured</td>
<td>Founder &amp; CEO</td>
<td>1 hour</td>
<td>5</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Structured</td>
<td>Country Manager Norway</td>
<td>30 min</td>
<td>1</td>
<td>Telephone</td>
</tr>
<tr>
<td>Structured</td>
<td>Country Manager UK</td>
<td>1 hour</td>
<td>1</td>
<td>HQ Stockholm</td>
</tr>
<tr>
<td>Structured</td>
<td>Country Manager Russia</td>
<td>30 min</td>
<td>1</td>
<td>Café in Stockholm</td>
</tr>
</tbody>
</table>

3.5.2 Secondary Data
In addition to the primary data collected through our in-depth interviews, we have gathered secondary data from archival sources including websites, annual reports, and internal documents from the Alpha Corporation. This secondary data was accessed from December of 2014 through May of 2015, and was used so that the authors may achieve a more holistic view of the Alpha Corporation, including its history, background, traits, and activities.

3.6 Operationalization
In order to answer the research question, we had to narrow down our research into a definable and measurable variable. As stated in the problem discussion, our research question is: “What
does the internationalization process look like for a hybrid firm?” With this question, we aim to explore what the Alpha Corporation’s internationalization processes looks like from an organizational and subsidiary view. When breaking down the internationalization process, terms like, why, how, and where firms internationalize appear. In terms of why, we look at the drivers for the Alpha Corporation’s internationalization. We examined the internationalization process for the entire firm, from the organizational perspective. To do this, we analyzed a timeline of their internationalization process and their drivers when internationalizing. In terms of where, we look at the market selection of the Alpha Corporation when expanding into foreign markets. In terms of how, we look at which market entry modes the Alpha Corporation used and why they chose that entry mode when entering foreign markets. In order to analyze more specific into the process and to examine any barriers that they have to their internationalization process, we went deeper into three specific markets: Norway, Germany, and Russia. When looking at barriers in the internationalization process for the Alpha Corporation we divided the barriers into internal barriers and external barriers, both of which can impact the success or failure of the firm.

In Appendix 1, questions are asked separately to the top management about the specific markets, Norway, Germany, and Russia. First we had questions about top managements past experience. This was important to gather because all previous literature have heavily emphasized past experienced of the founders. When asking about their drivers for internationalization an open-ended question was posed regarding their motivations and drivers to internationalize into new markets. This allowed the respondent to answer in his or her own way and not direct their answers. We also posed questions regarding their market selection, market entry modes, and the barriers to internationalization in specific markets in the same open-ended way. In Appendix 2, questions to all five of the top management are presented. These questions are in the same open-ended way, however, now we wanted them to consider their whole internationalization process from the foundation of the firm until today and in the future. In Appendix 3, same types of questions are posed. However these questions where more direct questions in order to get more detailed information.

3.7 Method of Analysis
In order to analyze and make use of the answers from the interviews, we used different methods. When doing a qualitative research, the data will come out verbally, requiring classification into
categories and analysis done through the creation of conceptual framework (Saunders et al, 2009). After conducting the interviews, we listened to all to the records and transcribed the data. This was done in order to be able to summarize the answers. Because we have used an abductive approach, coding and categorization was then used in order to be able to analyze the data and to direct our analysis (Rodrigues, 2011). According to Saunders et al (2009), in order to draw patterns, develop theories, and draw conclusions from the data, two types of qualitative analysis processes should be used. These are presented below:

- Summarizing (condensation) of meanings: When we summarized our data, we looked for key points from long statements and then create more brief statements.
- Categorization (grouping) of meanings: When we categorized the text, we categorized from the data and from the theoretical framework. According to Corbin and Strauss (2008), there are three ways of deriving names or “codes” for categories: 1) Utilizing terms which emerge from our data, 2) Utilizing terms used by the participants, and 3) Utilizing terms derived from theory presented in the conceptual framework. All these three coding ways were used in the analysis.

After categorizing the data, we performed open coding (Saunders et al, 2009), where we combined the data that we got from the interviews and the secondary data with the presented literature in chapter 2. The units of the data are names connected to the categorizations, such as drivers to internationalization, barriers to internationalization, market selection and market entry, which was done in order to see the connections more clearly. Following this, we were able to see relationships and patterns, referred to as axial coding, which are presented in the analysis chapter. Finally, we integrated categories to produce “new” theories, referred to as selective coding (Saunders et al, 2009), which enables us to create new patterns and relations. This was done through a model we created in order to clearer see the results and findings.

3.8 Credibility of Data
When collecting data, we aimed to find valid and reliable measurements. However, according to Ghauri and Gronhaug (2005) measurements often contain errors. The authors argue that the observations one make when obtaining the data may be impacted by aspects such as transient personal factors and situational factors. An example of a transient personal factor could be the
mood that a respondent is in. If the data is collected when the respondent is in a positive mood, their answers may be more softened and optimistic than their genuine feelings. In contrast, if the data is collected when the respondent is in a negative mood, their answers may be more harsh and pessimistic than what they actually believe. It is important to take these transient personal factors into consideration when evaluating the reliability of the collected data. The second aspect, situational factors, can also deeply impact the results of an interview. Examples of situation factors include time pressure, inconsistencies in where or by whom the data is being collected, or human errors such as checking the wrong box or providing misguided information and statistics. (Ghauri and Gronhaug, 2005) It is therefore important for us as interviewers to remain consistent in the place of our interviews, as well as the methods of conduction to avoid any situational factor errors at all costs.

When gathering data it is also important to consider bias according to Saunders et al, (2009). The authors state that there are multiple forms of bias including observer bias and participant bias. Observer bias is often viewed as the greatest threat to a study, as the observer may find it hard to detach their own personal thoughts and experiences from the data they have collected. This can result in an observer error of muddling the data in a biased manner. It is important to therefore be cautious and aware of one’s own preconceptions and constantly view the data from a variety of perspectives. It is important to note that observer bias cannot be fully avoided, but can be moderated if the observers are aware of the threat it poses to their research. The second type of bias, participant bias, can occur in a variety of scenarios. It may be possible that the participant being interviewed is facing pressure from their superior and therefore say what their bosses want them to say. One way to avoid this instance of participant bias is to ensure the anonymity of your participants. (Saunders et al, 2009)

During the collection of our data as well as the research process as a whole, it was additionally important to keep in mind our personal biases towards the Alpha Corporation. Both authors of this thesis dissertation have worked closely with the Alpha Corporation for half a year and were constantly aware of this bias. We believe we have accurately portrayed the company as reality and not in a biased view.
4 EMPIRICAL DATA

In this chapter, we will present the case firm and the data collected from our interviews. This data has been divided into the Alpha Corporation’s drivers for internationalization, market selection, entry mode, and barriers to internationalization.

4.1 The Alpha Corporation

The Alpha Corporation was originally founded in 2001 when three Swedish students saw an opportunity in the education market and decided to launch their own company. The three founders initially worked in the Swedish market and aimed to help current students find suitable undergraduate and bachelor education programs at Universities located throughout Sweden. These three founders currently serve as the top management for the Alpha Corporation today. In 2005, the company began its first international expansion effort into the Norwegian market. Their vision in this market was the same as in the Swedish market, to help Norwegian students find suitable education programs at the undergraduate or bachelor level.

The next internationalization efforts occurred in 2008 when the company expanded into two countries: Denmark and Finland. At this time, the Alpha Corporation took on two additional senior executives to aid in the management of the corporation and to oversee some of the international branches. The first task of these two new top management members was to expand the company into the UK, which took place in 2009. By this time, the Alpha Corporation had experienced many changes and was now employing over 40 people. In total, there are now five members serving as the core of the company. At this time, the five core members of the Alpha Corporation revised their vision of the company and sought out to expand into one new international market each year. So far, the company has been successful in achieving this goal. In 2010, the company expanded into the Netherlands, shortly followed by an expansion into Germany the following year, 2011. In 2012, the Alpha Corporation launched a French subsidiary, followed by the launch of their American subsidiary in 2013. The Alpha Corporation’s most recent expansions have been into Russia in 2014 and China in 2015. The firm currently plans to launch into Switzerland, Mexico, and Canada in 2016.

A timeline is presented below in Figure 6 displaying the internationalization of the Alpha Corporation from its beginning to its future plans:
4.2 Case Findings

4.2.1 Drivers for Internationalization
From its very inception, the Alpha Corporation has always carried the notion to eventually become a global enterprise, reaching customers in every international market. Each step the company has taken since its inception has been working towards this goal. As one of the founders stated: “We started the Alpha Corporation because we wanted to be part of a global organization. It has been our vision from day one to become a global company reaching customers worldwide. If this venture failed, we simply would have started another venture. No matter what, our goal was to be global.”

However, at their inception the company did not have the resources or capabilities to accomplish this goal. When Alpha was founded, all three founders were recent graduates from high school and only 20 years of age. All of the founders stated that they lacked the knowledge and skills to run an organization in an international climate, as well as the recourses to extend their organization. Due to this, the three founders had to slowly and steadily build their company up from the ground floor. One of the founders mentioned the state of the industry during their foundation: “The Internet was not what it is today. It is important to note the state of the digital world during the beginning of our foundation, in fact, many of the staples of the Internet we use today did not even exist”. The Alpha Corporation operates a search engine helping its users find education in several different countries. In 2001, the world’s largest search engine, Google, barely existed (Google.com, 2015). This was a time when the Internet was still very new and innovation was high. The founder continues: “Today, if an individual wants to create a search engine or similar service, they can view the previous work of larger corporations like Google or Yahoo. When we were founded, there was hardly even a market for our service to join. We
needed to create an entirely new structure and develop an entire market from scratch, as the digital marketing industry did not exist at that degree as it is now”. Therefore, not only did the corporation have to build itself up, they had to build the market up before even thinking of going abroad. When we asked another founder about this situation, he stated: “While it was very exciting, it was also extremely hard work and quite risky. We had to take it slow in the beginning and could not automatically expand into several foreign markets. However, we always had the vision to be a global corporation; it just took longer time than we thought.”

4.2.2 Market Selection
The internationalization process of the Alpha Corporation begins in the same way in each new venture, according to all five members of the top management. First, the company chooses a foreign market to enter. In an interview with the CEO, he explains that in most of their cases, the company has chosen a new market based on the human resources and on their own intuition. For example, in 2014 the Alpha Corporation decided to launch into Russia. This was not chosen because of opportunities in Russia, but rather because they had found a suitable Russian employee in Stockholm and trusted their intuitions regarding the employee and the market. In one of our interviews, the CEO of the Alpha Corporation stated the following: “We wanted to internationalize, however, we did not know where to internationalize. We decided to post job applications for three different markets: Russia, Poland and China. We would decide which of these markets to enter based upon the best applicant received. In this case, we interviewed with a Russian male who had moved to Sweden to be with his wife. He had vast knowledge of the Russian market and his personality fit with our corporate culture. We had a gut feeling about him that we did not have with applicants from the other markets. Thus, we decided to go with our gut feeling and launch into the Russian market.”

When launching into the Russian market, most of the control was shifted to this Russian employee. The CEO and founders had no previous experience from Russia. In fact, none of them had ever visited the country. Instead of researching the market themselves, they saved time and hired an employee with knowledge and experience of the Russian market. According to the top management, this is a technique utilized by the Alpha Corporation which allows it to expand rapidly while gaining information along the way. We additionally asked one of the members of top management whether or not they learned anything from the Russian market that they could use to help them launch into the Chinese market. He responded by stating: “The Russian market was launched by only two of the members of the top
management. The rest of us were working with other markets. Therefore, I have no clue about what has happened in Russia.”

Moreover, in an individual interview with one of the founders, it was stated that personal connections are an important factor for the top management to consider when selecting markets. He explained that they entered the Norwegian market only because they had a friend that was Norwegian. The Alpha Corporation has used this strategy of personal connections as market selection in almost all of their foreign markets. Most recently, this strategy was used when entering China in 2015. One member of top management was friends with a half-Swedish, half-Chinese professional who was open to launch the firm into the Chinese market. Therefore, through his personal connection, the Alpha Corporation selected the Chinese market.

4.2.3 Market Entry
Market entry for the Alpha Corporation occurs quite rapidly. Many companies would opt to do a thorough market analysis on each new market and slowly and in incremental steps enter the market. However, as the Alpha Corporation aims for rapid expansion, they cannot afford to spend several years researching a new market. Furthermore, the Alpha Corporation aims to be first in all possible markets. One of the CEOs stated that: “Our expansion needs to be rapid so we can enter the market first and establish our brand as the market leader”. In order for the Alpha Corporation to rapidly expand, it uses human resources which possess knowledge about the market to enter. This is in line with what the country manager of the UK stated: “Entering a market is where the subsidiary shines, so to speak, as we possess knowledge of the market. Each employee of a foreign subsidiary has worked in this foreign market before; therefore we are familiar of the market and its operations”. The UK country manager further stated: “Prior to entering the Alpha Corporation, I had over 12 years of business experience in the UK. This greatly led to me being hired.” This employee knowledge and experience is vital for the Alpha Corporation.

Furthermore, when entering a new market, the Alpha Corporation tries to align itself strategically with a partner. Often times this partner is in the form of a media outlet. The founders and CEO stated in the interview that they think that the best way to enter a market is to choose a media outlet to work with. When expanding into France, the corporation had trouble gaining new
clients who were skeptical of the digital marketing service. To combat this, the Alpha Corporation aligned itself with a major news and media outlet throughout France. This media network reached the entire population daily through its newspapers and online articles. The Alpha Corporation could then brand itself with this media outlet and advertise in their newspapers and on their website, which greatly increased their legitimacy. The Alpha Corporation has since adopted this entry strategy for almost all foreign markets, utilizing the branding and resources of a large, domestic media partner to establish trust and confidence in their new ventures.

When entering new markets, the Alpha Corporation further utilizes their network connections. One of these connections which the Alpha Corporation took advantage of was their ties with the Swedish embassy in various international countries. As the CEO said: “When we entered the UK, we did not have a physical office. However, because of our ties with the Swedish embassy, we were able to use an office of theirs to host our meetings”. To support this, the country manager of the UK additionally stated: “The network with the Swedish embassy gave us increased trust with our clients, as we were meeting in an actual office in the UK market. If we did not have this connection, we would have had to meet at a coffee shop or a public area, which would decrease trust in our business.” This temporary physical location allowed the Alpha Corporation to meet clients and discuss various aspects of their company and its services, further increasing their legitimacy.

There are also times when the Alpha Corporation enters a new market with a physical location instead of only through digital expansion. When discussing their market entry into Germany, all of the top management agreed that their physical location in Germany was very risky because they had a lot of costs associated with the location. For example, they had to purchase an office space in Germany and hire multiple German employees, which was very expensive. One of the members of top management went deeper into this during an individual interview and stated: “Opening a physical location in the German market was additionally risky because the German employees would now be in a distant location and therefore it would be harder to control them. All of our contact with the German employees was now primarily through video conferencing instead of direct personal contact, as we prefer.”
4.2.4 Barriers for Internationalization
The Alpha Corporation has faced a few main barriers throughout their international expansion efforts. When interviewing all of the top management of the Alpha Corporation, a consensus was reached regarding the main hindrance to their internationalization process. Each top management member agreed that their internal factors have the largest impact on their business. A quote from one of the founders reflected this sentiment, stating that “... it is not the market that is the problem; it is the internal things that need to be fixed”. One of the main internal barriers impacting the Alpha Corporation is their recruitment process. Currently, the Alpha Corporation seeks employees living in Sweden who are originally from an international country. Ideally, these candidates would be born and raised in the country that the Alpha Corporation wants to internationalize into. While this saves time and effort, it is quite difficult. First of all, it can be difficult to locate someone from another country who is also living in Stockholm. Secondly, even if the Alpha Corporation finds someone living in Sweden that is from another country, this person may not have the skills or requirements to work for the company. This is a huge barrier for the internationalization of the Alpha Corporation, as the recruitment pool is very shallow.

Another internal barrier faced by the Alpha Corporation is the founders’ lack of knowledge in international markets. For example, during their first internationalization into Norway, the Alpha Corporation took the opportunity to hire a Norwegian friend that was living in Sweden at the time. This Norwegian employee had inherent knowledge of the Norway market. When building the Norwegian market, the Alpha Corporation relied heavily on the knowledge of this Norwegian employee for guidance and for communications to their Norwegian clients. This employee chose to leave the Alpha Corporation after two years. In an interview with the CEO, he stated that: “When the Norwegian employee left our organization, so did all of his knowledge. We were not as knowledgeable about the Norwegian market and relied too heavily on this person. Therefore, our operations in Norway were paused until we could recruit new employees with knowledge of the Norwegian market.” After one year’s time, the Norwegian market was reopened in the form of a physical office in Oslo. This leads to another internal barrier: control. The Alpha Corporation now had to give up much of their managerial control over the Norwegian market and place their trust in the employees sitting in Norway. When discussing the Norwegian market, one of the founders stated: “The Norwegian market is the most distant because we lost control over
the business operations when we opened up a physical location in Norway. It was hard for us to control an office full of employees which were not sitting in the same office as our own.”

External barriers may not be the main barrier according to the top management, but are of course considered. In an interview with one of the founders of the Alpha Corporation, they state that “We mainly consider the internal barriers. However, of course there are external factors impacting our business in each foreign market”. We dug deeper into this statement and one of the founders expressed that culture is a large external barrier for the firm. One of these cultural barriers to internationalization is language. In the first markets the Alpha Corporation entered, much of the language was the same and the cultural barriers were low. However, when expanding into France, for example, none of the founders or executive management understood the French language. There are many clients who speak English, but not all. In cases such as these, language is a large cultural barrier. The Alpha Corporation must then surrender their control to the French employees and trust that they will represent the company and its goals well. All business communications in the French market, as well as in Russia, Germany, the Netherlands, and China, are conducted in each market’s native tongue. Another cultural barrier for the Alpha Corporation is the political barrier. This is most evident within the Russian subsidiary. The country manager in Russia stated: “The political climate of Russia is unstable, and it is difficult for many European countries to conduct business with Russian people. This is due to a lack of trust from the Russian side.”

Outside of culture, another external barrier is time. In the past few years, the Alpha Corporation has entered markets outside of Europe, which have a large time distance. According to the all of the top management, when entering the US market in 2013, time was the biggest concern. One of the founders explicitly stated: “Sitting in Sweden, we have only two business hours per day where we can interact with the US market. Our US salespeople are calling internationally from Stockholm, and cannot begin to sell until at earliest 15:00, due to time difference restraints. This is clearly a large barrier to our business operations, and has made us consider opening a physical office in the US market.”

The Alpha Corporation also takes into consideration the level of competition in a market. The Alpha Corporation expanded into the UK in January of 2009. According to the country manager
of the UK subsidiary, the largest barrier when entering the UK market was the competition. When entering the UK, the Alpha Corporation was a late starter and competition on the market was high. In order to overcome this barrier, the Alpha Corporation changed their strategy from what they did in the Norwegian market and invested more money from the beginning of the internationalization process. This money went to hiring four full time employees. This is clearly a high commitment from the Alpha Corporation and the company used almost all of their resources to launch into this market. Therefore, it was a very risky venture. The risk paid off, however, as the UK subsidiary is now one of the most profitable subsidiaries in the entire company and has been used as a benchmark for other internationalization efforts. The website in the UK is in English, which allows the Alpha Corporation to distribute the website to potential clients from other countries. Before launching into the UK, the Alpha Corporation only had websites in Swedish, Norwegian, Finnish, and Danish. Therefore, when they tried to sell their ideas to international markets, it was hard for international clients to understand the language. Most international clients understand English, however, so operating a business in the UK was the Alpha Corporation’s first step in becoming truly global.
5 DISCUSSION

In this chapter, our empirical data is connected to theory and then further analyzed. This will give a more in-depth view of our research and our subsequent findings.

5.1 Drivers for Internationalization

After interviewing key members of the Alpha Corporation, we have identified the main drivers and motives for internationalization as their gut feelings and intuitions. By “going with their gut”, so to speak, the Alpha Corporation rely heavily on their own business instincts and insights to make major decisions. The founders of the Alpha Corporation began the organization at a very young age, and as such did not have much time to accumulate knowledge and experience. Therefore, the Alpha Corporation had relatively no past experience to draw upon when expanding their business internationally. This goes against the INV model, which suggests the previous experience of the founders is the key component to rapid international expansion. Though the founders lack experience, they do possess an entrepreneurial mindset, as proposed by Madsen and Servais (1997) in their seven propositions of an INV. Furthermore, this lack of experience and knowledge of the founders contradicts the Uppsala Model, which stresses the importance of utilizing experiential knowledge when internationalizing (Johanson and Vahlne, 1977 and 1990). Instead, the Alpha Corporation follows their own lead and let their feelings guide them through. Additionally, the Alpha Corporation has, from the beginning, aimed to become a global organization. This aligns with Oviatt and McDougall’s (1994) analysis which claims that INVs view the world as one global market. This is shown through their timeline, one new country a year.

5.2 Market Selection

When selecting which markets to enter, the Alpha Corporation considers their human resources as well as their personal connections in each market. We believe these are the main components to market selection for this hybrid firm. The first component, the employees and human resources of the Alpha Corporation, is both an advantage and a hindrance for the firm. One of the benefits from their employees is the wealth of knowledge they bring to the firm. Because the founders of the Alpha Corporation have little knowledge and experience of their own, they hire employees with knowledge and experience of a specific market. Therefore, if an employee from France is hired, the Alpha Corporation will utilize the knowledge and experience of this French employee to expand into France. The human resources available to the Alpha Corporation greatly
impact their market selection. If the Alpha Corporation has a great employee from China, they will in turn select the Chinese market to enter. This market selection technique has worked well for the Alpha Corporation in the past, but the firm rarely, if ever, shares the knowledge from their human resources throughout their firm. Hansen (1999 and 2002) and Lu, Leung, and Koch (2006) emphasize the importance of knowledge sharing within a corporation, and we believe the lack of knowledge sharing within the Alpha Corporation is extremely risky. Due to this, all of the knowledge and experience gained by the Alpha Corporation through hiring these employees can just as quickly be lost if the employee were to exit the corporation. In an individual interview with one of the members of top management, we asked if any knowledge or experience gained from entering the Russian market in 2014 would help them to expand into the Chinese market in 2015. It was clear from their response that no knowledge sharing occurred between the members of top management. In fact, this member stated explicitly that he had “…no clue about what has happened in Russia” and that his only focus was on China. We believe that, though it appears this lack of knowledge sharing has not negatively impacted the Alpha Corporation as of yet, that it is only a matter of time before it seriously affects their business operations. Though Russia and China are different markets, they are the first real ventures by the Alpha Corporation outside of Europe. Any information gained in the Russian market could have easily been shared to increase the chance of success in the Chinese market.

The second component of their market selection, personal connections, correlates with the first component, human resources. Basing the market selection on their personal connections and human resources is something that makes the Alpha Corporation stand out from previous internationalization literature. In the Uppsala Model, it is advised to choose markets which are psychically close to the home market, and then gradually expand into more psychically distant markets (Johanson and Wiedersheim-Paul, 1975). Though it appears that the Alpha Corporation expanded to markets at close psychic distance at first, this was not intentional. The Alpha Corporation used their personal connections and relationships to select which markets to enter. The personal connections of the Alpha Corporation happened to be located in Norway, Finland, and Denmark, and therefore the firm selected those markets based on their human resources. If the Alpha Corporation would have had personal connections in Australia as opposed to Norway, they would have first expanded into Australia. It is pure coincidence that the firm expanded first
into psychically close markets. This strategy further contradicts Madsen and Servais’ (1997) fourth proposition of INVs, which states that INVs will choose markets based on the previous experience of the founders. However, the Alpha Corporation acts similarly to this fourth proposition because, although they do not use their own experience to select a market, they do use the experience of their human resources to select their market. This use of relationships and networks aligns with the Adapted Uppsala Model, which highlights the significance of networks and network positions when internationalizing (Johanson and Vahlne, 2009).

5.3 Market Entry
The Alpha Corporation has two strategies when entering an international market. The first option is to enter the market via physical location and the second option is to enter the market via digital operations. We will analyze the Alpha Corporation’s market entry for physical and digital expansion separately.

In their physical expansions, such as their expansion into Germany, the Alpha Corporation utilized a greenfield investment as their mode of market entry. The third step of the Uppsala Model states that organizations should establish a sales subsidiary, only after first exporting their products via independent representatives (Johanson and Wiedersheim-Paul, 1975). The Alpha Corporation has circumvented the first and second steps of the Uppsala Model and has started directly with the third step. For example, when entering the German market, the Alpha Corporation immediately opened an office and began business operations instead of following the Uppsala Model. Furthermore, Aspelund et al (2007) states that entering a market with high resource commitments go against the typical INV model, as INVs usually enter with low resource commitment. However, Zahra et al (2000) view entering a market with high resource commitment as a competitive strategy and suggest high resource commitments should be deployed from the beginning. This greenfield investment into Germany caused a high commitment and high risk scenario for the Alpha Corporation. It was high commitment because the Alpha Corporation invested a lot of resources in the German market by establishing a physical presence and hiring several German employees. Additionally, by opening a location away from the home office in Stockholm, the Alpha Corporation risked losing control of their business operations in the German market. It is harder to control employees that are distant and in another country, and often this leads to a loss of control over the subsidiary. This is a unique
situation for the Alpha Corporation, because it both goes with and against the INV model. According to Zahra et al (2000), greenfield investments are usually connected with high control over the subsidiary. Furthermore, Sharma and Blomstermo (2003) state INVs should place an emphasis on high control. However, despite their use of the greenfield investments, the Alpha Corporation ends up losing control over their subsidiary. This is against the characteristics of INVs, which are that INVs should have high control of their subsidiaries (Sharma and Blomstermo, 2003).

In their digital expansions, the Alpha Corporation has experienced high control, low commitment, and low risk. Often, the firm tries to partner with a more reliable source to legitimize their operations. These partners are always involved in the media and are not involved in the same industry as the Alpha Corporation. For instance, when expanding into France, the Alpha Corporation decided to establish a media partnership with one of the largest online and print publications in France. This partnership allowed them to advertise on this partner’s website and use the partner’s credentials when selling to new customers. For any new business, establishing legitimacy is a hard feat. Because the Alpha Corporation launches a new digital business in each foreign market, we believe it is important for them to use these partnerships to build trust amongst the clients and users within these markets.

In the network perspective made by Johanson and Mattson (1988), the position in the market is the most essential driver for market entry. When the Alpha Corporation entered Russia, for example, they were a lonely international and had no competition in the market. However, when the Alpha Corporation entered the UK, many competitors already existed, making the Alpha Corporation a late starter. According to Johanson and Mattson (1988), late starters should take advantage of relationships with external partners in order to overcome the competition. The Alpha Corporation did this by partnering with the Swedish embassy and using their offices to host client meetings in the UK market. This is in line with the Adapted Uppsala Model, which states that firms should use networks in these markets in order to build trust (Johanson and Vahlne, 2009). Furthermore, the Alpha Corporation took advantage of the knowledge of their network in the UK market, which additionally aligns with the Adapted Uppsala Model. After two years in the UK market, the Alpha Corporation became a serious competitor with the other
market firms and began to turn a profit. Therefore, in a short period of time the Alpha Corporation moved from a late starter to an international among others, which, according to Johanson and Mattson (1988), is a firm that holds a high level of knowledge and networks in several countries. This type of firm quickly establishes new business in foreign markets due to their high knowledge (ibid). The Alpha Corporation has experienced each of the four stages suggested by Johanson and Mattson’s (1988) Network-Based Internationalization Model. However, the Alpha Corporation aims to always be the Early Starter in each new market because they want to be the first to establish in the market.

5.4 Barriers to Internationalization

Through our interviews with the top management of the Alpha Corporation, it was clear the company believed the internal barriers were the only barriers seriously impacting the firm. However, through our analysis of the firm, we believe the Alpha Corporation experiences both internal and external barriers when expanding internationally, each of significant importance.

The internal barriers impacting the internationalization of the Alpha Corporation mainly involve the human resources or employees of the firm. As stated previously, the Alpha Corporation invests deeply into their human resources and this can be a risky technique. We have identified three main internal barriers: Recruitment, Knowledge, and Control. In regards to recruitment, the Alpha Corporation face challenges to find the right people. It has been made clear to us throughout our interviews with top management that their human resources are the most important aspect to their firm. Therefore, the recruitment process is of utmost importance. However, it is often challenging to recruit the right human resources for a few reasons. It is first challenging because they have a limited recruitment field, as the Alpha Corporation mainly searches for human resources within Sweden. This is especially difficult when recruiting foreign employees, because there are a limited amount of foreigners living in Sweden. It is secondly challenging because even if the Alpha Corporation find employees to recruit, these employees may not be suitable for the job or fit the corporate culture. This is not aligned with any theories we have discussed in the literature review, and we believe this is an extremely important takeaway from our research. Though past literature has not ignored human resources entirely, they have not explicitly stated its importance. Furthermore, the knowledge possessed by the employees of the Alpha Corporation is one of their greatest strengths as well as one of their
greatest weaknesses. There is a serious lack of knowledge sharing within the firm, which creates an internal barrier. The second internal barrier, control, also applies to the human resources within the Alpha Corporation. Because the human resources are trusted so much, they are often given a great deal of responsibility. This can create a loss of control over the business operations in each foreign market.

The external barriers impacting the internationalization of the Alpha Corporation are much more severe in our opinion and should be taken into consideration by hybrid firms. One of the largest external barriers is culture. More specifically, we have broken culture into language barriers and political barriers. Language is an increasingly important barrier that will continue to grow as the Alpha Corporation expands. The top management of the Alpha Corporation does not understand French, Russian, Dutch, Finnish, or Chinese, which are the native languages of five of their international operations. The human resources hired in these markets are fluent in these languages, giving them a higher degree of control over the top management. If the top management wanted to sit in on a meeting between a Russian client and their Russian salespeople, both parties would need to speak a mutual language for the top management to understand. This is not always possible, and therefore becomes a large external barrier. If the top management of the company is unaware or not fully aware of the operations in their foreign subsidiaries due to language barriers, this could cause even greater troubles in the future. Another external impact the Alpha Corporation is political barriers. As of now, the Alpha Corporation has mainly only experienced political barriers when dealing with Russia. The top management of the Alpha Corporation stated in an interview together that they did not believe there were any political barriers when conducting business with Russia. However, in an interview with the Alpha Corporation’s country manager of Russia, he stated that it was a serious issue. According to the Russian country manager, Russian companies may be shy to trust European companies due to political reasons. Therefore, he said it was much harder to internationalize into Russia and to make sales with Russian businesses. These language and political barriers are clear examples of the cultural barriers externally impacting the Alpha Corporation. This is in line with the OECD/APEC (2009) report, which argues that these cultural barriers greatly impact the success or failure of an SME when internationalizing.
The time external barrier is also very important to consider when continuously expanding abroad. Almost all of the international expansions made by the Alpha Corporation from 2001 until 2012 were not impacted by time. This is because each new country the Alpha Corporation expanded into during these years was located in Europe. There may have been a time difference of an hour or two, but nothing too drastic. However, in 2013 the Alpha Corporation entered the US market, which has a vast difference in time from the company’s headquarters in Stockholm. The same large time difference applies for their expansion into China in 2015. Time is an issue in these markets because the clients and users are awake and at work when Europe is sleeping and at home. There is very little time during the day when the European market can do business in North America and other geographically distant markets. Therefore, we believe this barrier is very important and will continue to impose a barrier on the Alpha Corporation.

The last external barrier impacting the Alpha Corporation is their competition. It is important for the Alpha Corporation to constantly remain innovative and distinguish themselves from their competition. The service offered by the Alpha Corporation was very unique when it first began in Sweden in 2001, but has since become more widespread. Therefore, the first markets on their timeline were entered with relatively little competition. When entering new markets in the present day, however, the competition can be intense and can make it harder for the Alpha Corporation to break into certain markets.
6 CONCLUSION
There are several theories of internationalization, but none address the concept of this “hybrid firm”, as we have called it, and what their internationalization process looks like. When researching the case firm, the Alpha Corporation, we witnessed a young company which relied heavily on the knowledge of their employees as well as their own gut feelings and intuition to propel them forward in their industry. We believe that the intuition of the top management as well as the knowledge of their human resources are often overlooked and is not seen in any previous internationalization literature. However, the knowledge discussed in previous literature has always focused on knowledge possessed by the founders or the top employment in a firm. For traditional firms, this knowledge has been cultivated and developed over the course of several years of incremental experience. For modern firms, this knowledge also rests with the founders, though it may be gathered much more quickly. During our research, we found that this hybrid firm, Alpha Corporation, operate in a different manner. We found that if a company were to take a leap of faith and enter a new market depending solely on the knowledge of an employee and not the knowledge of their founders or top management, the company would be able to expand more rapidly. This notion, in our opinion, is quite a groundbreaking idea, and truly sets apart hybrid firms from all other existing organizations.

In order to answer our research question of “What does the internationalization process look like for a hybrid firm?” we have developed a model based on our research and data collected from the Alpha Corporation. The main elements of our model have been discussed in depth above, and are the drivers for internationalization, market selection, market entry, and the internal and external barriers impacting internationalization of a hybrid firm. Our model is presented below:
Figure 7 above presents three main factors to consider in the internationalization process of a hybrid firm: the drivers for internationalization, the selection of international markets, and the entry mode for international expansion. Furthermore, we have included the impact of both internal and external barriers to the internationalization process of a hybrid firm. For the Alpha Corporation, the main drivers for internationalization are the mindset and the intuition of the founders. Their vision from the very beginning has always been to become a global organization. As in the Alpha Corporation, their limited experience was not a hindrance but a benefit. It allowed them to follow their intuitions and take risks. When the Alpha Corporation coupled their intuitions with their human resources, they began to grow at a rapid pace. Any knowledge or experience the founders of the Alpha Corporation lacked, they made up for in their recruitments. This hybrid firm selects each international market depending on the human resources available to them, as well as their personal connections. As such, the human resources of the Alpha Corporation are a critical success factor. By hiring talented people with international market knowledge, the Alpha Corporation can bypass the lengthy amount of time it usually takes to perform a thorough analysis of the market and instead jump right in. Regarding entry mode, the Alpha Corporation aims to be the early starter. There is also a difference for the Alpha
Corporation when expanding through either digital or physical means. When expanding through a digital platform, the Alpha Corporation has low-commitment and low-risk because they have not invested deeply in resources. Furthermore, the Alpha Corporation has high-control over their digital subsidiaries because they are located with the top management at the headquarters in Stockholm. When entering a market with a physical location, the Alpha Corporation experiences high-commitment and high-risk through greenfield investments. The high-risk and high-commitment is due to the Alpha Corporation investing a lot of resources in hiring employees and establishing a physical office. Furthermore, the Alpha Corporation has low-control over their physical subsidiaries because they are located far away geographically from the top management.

The internationalization process of a hybrid firm is further dependent on the barriers they face when internationalizing. The barriers facing the Alpha Corporation are both internal and external. The internal barriers revolve around their human resources, including the recruitment, knowledge, and control. As much as the human resources are the Alpha Corporation’s biggest success factor, they are also their largest internal barrier. First, the recruitment for human resources within the Alpha Corporation is limited as they only search within Sweden. Furthermore, the Alpha Corporation places much dependence on their human resources and rarely shares their knowledge throughout the corporation. If their human resources leave the corporation, they lose the knowledge possessed by these employees. The Alpha Corporation’s heavy dependence on their human resources additionally causes internal control barriers. The more dependent the Alpha Corporation is on an employee, the less control the top management has. In contrast, there are various external barriers impacting the internationalization process of the Alpha Corporation. These external barriers include competition, time, and cultural barriers such as language and political climates.
7 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

It is evident from our research and subsequent analysis that there is a need for a new model regarding the internationalization of SME hybrid firms. Previous literature has focused heavily on utilizing networks, knowledge, and experience and has failed to mention the value of the employees or human resources of a firm, as well as the intuition of the executives. We believe these two factors should not be overlooked and are vital to the success of a hybrid firm. Furthermore, the concept of hybrid firms has been overlooked entirely and research on these types of SMEs currently does not exist. It is now more important than ever before to research these hybrid firms, as many corporations fall under this hybrid category.

It is important to reassert that our research was based on only one hybrid firm based in the digital marketing industry in Sweden. Therefore, this data and analysis cannot be generalized to all hybrid firms. Furthermore, the hybrid SME firm which we researched and analyzed, the Alpha Corporation, has experienced a great deal of success since their initial start-up in 2001. We want to be clear that this success cannot be definitively contributed to their internationalization process. It could very well be that another hybrid firm uses our model and does not find the same amount of success. This is the first research of its kind, so it is hard to isolate all variables and conclusively state that our model has led to their success. Therefore, we call for more research to be performed regarding hybrid firms and believe that our thesis and research prove there is a need for successive research in this area. This thesis should serve as a platform for further research regarding the internationalization process of hybrid firms.
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APPENDIX 1
Individual Interview Questions (Norway, UK, and Russia)

1. Tell us about your previous international experience before joining the Alpha Corporation.
   a. What is your personal experience/connection with …… market?

2. What were your motivation and drivers to internationalize into the ……..market?

3. Why did you choose to enter the ……….market? (Market selection)
   a. Was it similar to Sweden, not similar to Sweden?
   b. Were other markets in consideration?
   c. Did you have access to any networks in this market in terms of:
      i. Clients
      ii. Human Resources (employees, partners)

4. How did you finally decide to enter the ……….market?
   a. What entry mode did you use?
   b. Why?

Only for those markets that have a physical location:

5. Why did you choose to open a physical location in the ……. market?
   a. Did you plan to open a physical location when you first entered?
      i. Why or why not?
      ii. How long time did it take before you open up a physical location

Only for those markets that did not have a physical location:

6. Why did you choose to not to open a physical location in the …… market?
   a. Did you plan to open a physical location when you first entered?
      i. Why or why not?
   b. Do you plan to open a physical location in the future?
      i. Why or why not?

7. What were the risks of entering the ……..market?

8. List any challenges or barriers of your internationalization process into the ………..market
   (Internal/company specific factors and external factors)
APPENDIX 2
Interview Questions with Board Members and CEO Together

1. How do you internationalize?

2. What were your motivation and drivers to internationalize the Alpha Corporation?

3. Was it always a plan to become an international company?

4. What is your vision for the Alpha Corporation in the next 10 years?
   a. How do you plan to achieve this vision?

5. Do you have a specific strategy when internationalizing into new markets?
   a. If so, what is it?

6. How do you choose which new markets to enter?

7. Do you gain knowledge when entering new markets?
   a. If so:
      i. Is this knowledge shared throughout the Alpha Corporation? How?
      ii. Is this knowledge used in future internationalization efforts? How?
      iii. Do you retain the knowledge? How?
   b. If not
      i. Why not?
      ii. How do you learn from past internationalization efforts?

8. What are the main obstacles and challenges for internationalization of the Alpha Corporation from the very beginning to the present situation?
   a. Internal challenges
   b. External challenges

9. How do you decide to open a physical location or just expand through the digital world?

10. What are the disadvantages of having a physical presence?

11. What are the advantages of having a physical presence?

12. What are the disadvantages of having only a digital presence?

13. What are the advantages of having only a digital presence?
APPENDIX 3
Interview Questions Country Managers (Norway, UK, Russia)

1. Did you have previous international experience before joining the Alpha Corporation?

2. What knowledge or connections (work or personal) do you have to the ……market?

3. What was your role in the internationalization of the Alpha Corporation to the ……market?
   a. Were you in control?
   b. Did top management have control?
   c. Could you do what you want with the process or did you follow a strategy from the Alpha Corporation?

4. What did you bring to the process?

5. Explain the steps taken to enter the ……market?

6. Did you face any challenges entering the ……market?
   a. If so, what were they?
   b. How did you overcome them?
   c. Did you share this knowledge with the Alpha Corporation?
      i. If yes, how?