Taking off from Switzerland
A qualitative study of how Swiss Start-Ups internationalize into foreign markets.

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Abstract
The purpose of this thesis is to evaluate how Start-Ups from Switzerland pattern their expansion to foreign markets and how prevalent traditional internationalization models are among Start-Ups. In order to conduct the research, the term Start-Up has been defined in comparison to other forms of enterprises. The first part of the literature review has been conducted regarding key concepts within the field of international business such as psychic distance or the choice of the right entry mode. The second part of the literature review has been conducted regarding relevant traditional internationalization theories as well as the international entrepreneurship theory, as counterpart to traditional internationalization theories. The theories have resulted in a conceptual framework that reveals the relations between the different theories.

The thesis is built on a qualitative approach on the basis of a multiple case study by means of three interviews with Swiss Start-Ups. Further the thesis has followed a deductive approach to first build a profound knowledge about the internationalization process of Start-Ups. The authors of this thesis consider a good pre understanding of the research area as relevant to observe a pattern from the empirical observations.

In the analysis chapter the differences and similarities between the theory and the empirical findings were discussed. The structure of both chapters, empirical findings and analysis, are structured in accordance with the conceptual framework. On the basis of the analysis, the conclusion chapter presents the responses of three research questions. Further the final chapter consists of theoretical and practical implications and recommendations as well as limitations and ends with proposals for a further research.

Keywords
Start-Ups; Small-sized firms; SMEs; Internationalization; Psychic Distance, Entry Modes; Internationalization theories; Uppsala Model; Network Theory; OLI Model; International Entrepreneurship; Born Global
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1 Introduction

The first chapter of this thesis provides an introduction of the research, consisting of background, problem discussion, research question and purpose. The background builds the basis for the problem discussion and will result with the research question. Furthermore the initial chapter presents the delimitations and the outline of the study.

1.1 Background

The globalization plays an important role in the business environment and almost every company around the world is affected in the way of doing business through the globalized world (Czinkota, 2007). Through the globalization a new business environment arises which provides opportunities for an internationalization not only for large, also for small firms (Gjellerup, 2000). The world and markets are more and more interrelated and modern communication systems such as the internet allows the global population to get information from different parts at any times. This change in communication and traveling technologies together with the liberalization of world markets are drivers for a global business (Czinkota, 2007). As states by Hill (2014) trade barriers, cultural differences and trade distances were reasons for unrelated markets which are subordinate factors and the world is transforming more and more to a global market place. Hamilton and Webster (2012) define globalization as the opening as well as the interdependence of markets and the availability of customer segments all over the world. Globalization is an ongoing process with advantages and disadvantages for the companies and the customers (Fletcher, 2001). The globalization process confronts the companies with new opportunities and new threats (Hamilton and Webster, 2012). According to Hamilton and Webster (2012) are new opportunities the possibility to act in new markets with a wider choice of suppliers. Threats involve among others the entrance of new competitors in the home market (Hamilton and Webster, 2012). As a matter of fact, the globalization process results that companies from different industries selling their products with a standardized process around the world (Levitt, 1993). The globalization allows companies to move capital and technologies easier around the world and globalization promoting therefore the global competition what in turn forced companies to think about internationalization (Fletcher, 2001).
In accordance to the Federal Agency of Switzerland (2016) the Start-Ups which are primarily research in this thesis can be categorized as small and medium-sized enterprises (SMEs). Coviello and Munro (1995) state that especially SMEs with an innovative idea are challenged because a successful international market development is acute for a further growth. Also McAuley (2001) states that before 1990 SMEs were considered to have limited financial, administrative resources and limited network connections compared to multinational enterprises (MNEs). Therefore it was not common for SMEs to internationalize (McAuley, 2001). Later on, SMEs started to go abroad and were able to reach different international markets very fast with a high resource commitment. It could be observed that this fast expansion of small companies was led by a management with a high international knowledge (Madsen and Servais, 1997). The internationalization process consists of several essential steps such as the choice of the appropriate strategy as well as the right entry mode. Companies have to answer questions like which and how they should enter a market. A matrix of risk, chances, barriers and uncertainties which a firm could face during the internationalization process supports the decision (Madsen and Servais, 1997).

According to the Global Innovation Index (2015), Switzerland counts to the world’s five most innovative nations (Global Innovation Index, 2015). Volkman (2016) mentions one reason for the big success of Start-Ups in Switzerland is the collaboration with international prestigious universities and the business concepts are often based on high level research from renowned Swiss universities. Further Volkman (2016) states that the phenomena of Start-Ups became famous during the dot com bubble in the year 2000 when a lot of new tech companies were founded. Therefore Start-Ups are often connected with a fast and strong growth as well as high-tech products (Volkman, 2016). Further Ries (2013) describes a Start-Up as a young company with a high innovative business idea.

Every year thousands of new Start-Ups entering the Swiss market with high innovative products or services. According to the Swiss Federal Statistical Office (SFSO) each year 12’000 new Start-Ups have been implemented their business idea and founded a firm during the period of 2011 to 2013. Hathaway (2013) argues that SMEs and MNEs are the major source for jobs, nevertheless the importance of young and innovative entrepreneurs in job creation is significant. Those new business foundations create the
majority of new jobs in Switzerland which means in detail, that every new company creates approximately two new jobs (SFSO, 2016).

1.2 Problem Discussion

1.2.1 The Practical Problem

According to Waser and Hanisch (2011) an internationalization of the business is especially important for companies with a small home market. Switzerland is a country with a small domestic market and therefore traditionally strong dependent on foreign business. Through the globalization process and the opening up of different markets like Eastern Europe or China, the internationalization of Swiss companies has constantly increased in recent years. Different circumstances show the importance of foreign trade. Around 50 percent of the Swiss gross domestic product (GDP) is generated in foreign markets and approximately 85 percent of all Swiss companies are present in international markets. The highest amount of all exports constitutes the export of goods with around 70 percent share of the total export volume (Waser and Hanisch, 2011).

Further the increasing change in the business environment and thereby the increasing competition through foreign competitors is forcing companies to consider international markets for an expansion. The opportunities in foreign markets are abundant and a profound analysis of the right market is crucial (Rauchwerger, 2012). In fact the internationalization process is not just the choice of the right market, furthermore it is a complicate process and the success in foreign markets depends strongly of a fundamental strategy (Kuivalainen, Sundqvist, Saarenketo and McNaughton, 2012). While it is common for multinational firms to compete in international markets, small firms such as Start-Ups acting normally regional or local. But through the globalization it is becoming increasingly relevant also for small firms to expand their business to compete successful (Etamed, 2004). The globalization and therefore the changing business world, challenges traditional internationalization theories on how firms expand their business (Forsgren, 2002). Smaller firms often face larger challenges and misconduct often end in failure due to missing know-how about foreign markets (Etamed, 2004). Moreover, Jansson and Sandberg (2008) state that the internationalization process of small firms is often connect with higher difficulties in comparison to MNEs due to a lack of resources.
Hathaway (2014) supports this statement and states that for example a Start-Up does not have the necessary resources that an established company has, such as financial and personal resources, scale, power and the routines in internationalization a business. The fact that Start-Ups have mostly innovative products and processes, a market niche constitutes high potential for an expansion in other markets (Hathaway, 2014).

The difficulties that Start-Ups face are abundant, therefore Neil Patel (2015) states that 90 percent of all Start-Ups fail (Forbes Magazin, 2015). Among others the top reasons for failure of a Start-Up are no market need or they ran out of money (Forbes Magazin, 2015). In addition Patel (2015) states that a main part of Start-Ups ran out of money due to the fact that they did not grow fast enough in the host market and especially later on in international markets. Bailetti (2012) states that the faster the internationalization process of a Start-Up, the higher the success rate.

The special features of a Start-Up company and the high innovation variety in Switzerland combined with the fast changing business environment, constitutes an interesting research field of how young companies with fewer resources precede during their internationalization process.

1.2.2 The Scientific Research Gap

The question to expand a business is a fundamental issue which affect companies of all sizes from different sectors. Therefore the research in internationalization of SMEs has increased in the last decades (Gjellerup, 2000). This statement is supported by Fletcher (2001) who argues that a huge amount of research has been made of the internationalisation of firms. Nevertheless, the fast changing business environment as well as the ongoing globalization challenges traditional theories of how firms internationalize (Forsgren, 2002). Despite the statement of Gjellerup (2000), McDougall and Oviatt (1996) argue that most of the research in the area of internationalization processes put the focus on multinational companies and ignore small firms, especially firms with a small home market. However, the importance of SMEs for economies is essential and in most countries they constitute the backbone of the business environment (Musso and Francioni, 2014).
The number of small firms who act international is increasing (Knight and Cavusgil, 1996). The researchers lay the focus on the expansion of well-developed firms. If firms with less resources and know-how in international markets are considered, the situation seems to be different. The research field of the internationalization processes of young and innovative enterprise such as Start-Ups seems not to be developed yet. It is important to investigate more in this research field to provide founders of new business ideas a support for their entering of foreign markets (Bailetti, 2012).

Malhotra and Hinings (2010) state that the organizational type of a firm has a big influence on the choice of the internationalization path and thus different organizational forms follow different processes. Further Malhotra and Hinings (2010) highlight that current researches lack how organizational characteristics of a firm influence the internationalization process. The analysis of the internationalization process of Start-Ups should provide the authors with the relevance of traditional expansion models. Different studies scrutinize the relevance of those models in modern times (Bailetti, 2012; Lam and White, 1999). Therefore, Rennie (1993) states in his research, that 25 percent of 300 examined companies worked in different markets abroad directly or short after the foundation and did not follow a traditional internationalization process. Furthermore, Oviatt and McDougall (2005) argue that there is to observe a lack of how the developed international entrepreneurship theory can be connected with small Start-Ups.

Despite the fact that research on the field of internationalization of firm’s has been made, the authors of this thesis identified a lack in current research regarding the internationalization process of Start-Ups with a highly international focus and a small home market. Due to the importance of Start-Ups for the Swiss economy it is to determine a need for an analysis of how Swiss Start-Ups internationalize their business. Furthermore the fact, which a considerable number of Start-Up fails during the initial stage of the founding, underlines the importance of an analysis of the internationalization process. By investigating in this research field of how Start-Ups from Switzerland internationalize their business, new Start-Ups or Start-Ups that are still acting just in the home market, can profit from the practical knowledge on how to pattern the internationalization in a successful manner.
1.3 Problem Definition

The authors could observe that a huge amount of research has been made for the internationalization process of large companies. The smaller a firm is, the rarer is the research toward the internationalization process. Definitely the research scars the internationalization process of Start-Ups. The existing research about the internationalization process of firms prevail a lot of traditional internationalization models that help companies how to expand to foreign countries.

The unique characteristics of a Start-Up and the fast changing business environment require a careful consideration of the right internationalization strategy. The objective of this thesis is to examine whether traditional internationalization models still fit in a fast changing business environment for Start-Ups which are not well researched and further marked with unique characteristics. This is done by identifying the internationalization strategy (how companies expand to foreign countries) of Swiss Start-Ups and where possible match to traditional internationalization models. This will hopefully reveal a pattern how Swiss Start-Ups internationalize and which, if the internationalization strategy not totally differs, of the traditional models or a mix of them are used by Start-Ups.

In order to get the best understanding of how traditional models influence the internationalization process of Start-Ups, the authors decided to set up one main research question and two sub research questions.

**Main Research Question**

The research of this thesis is constructed on the following main research question:

*How prevalent are traditional internationalization models among Start-Ups in Switzerland?*

**Sub-Question 1**

The first sub-question should treat the international entrepreneurship theory as counterpart to the traditional internationalization theories. A further part of the international entrepreneurship theory is the Born Global phenomenon.

*What is the role of the international entrepreneurship theory in the internationalization process of Swiss Start-Ups.*
**Sub-Question 2**

The second sub-question should clarify the relation between the internationalization process and the choice of the entry mode. The question arises how the special features of a Start-Up (limited financial and personal resources, small equity base) affect the choice of the entry mode.

*How do the special features of a Start-Up affect the choice of entry mode when entering a foreign market?*

1.4 Purpose

The purpose of this thesis is to acquire a better understanding of how Start-Ups internationalize and how the process is influenced by existing internationalization models. The authors try to frame a pattern of different Swiss Start-Ups during their internationalization path. Through a descriptive research the thesis will be accomplished. The extended knowledge on how Swiss Start-Ups expand their business to foreign markets can provide important aspects for Start-Ups that thinking about an internationalization of their business.

1.5 Delimitations

The study is limited to only investigate how traditional models affect the internationalization process of Start-Ups from Switzerland. Therefore the research excludes an analysis of the internationalization process of Start-Ups from other countries with other home market conditions. Furthermore, the thesis will only analyse Start-Ups which founded their business within the last six years. As a consequence the research exclude companies which started their business as Start-Up but do not count longer as Start-Up.
1.6 Outline

The bachelor thesis is divided into the following six main topics: introduction, theoretical framework, methodological part, empirical findings, analytical chapter and conclusions. All of the topics are discussed in separate chapters.

- **Introduction**: The introduction presents the background of the topic, the research purpose and delimitations.

- **Theoretical framework**: In the theoretical chapter several relevant internationalization theories as well as the theory of Start-Ups are discussed to get a deeper understanding of the topic. The theory has been chosen due to significance, relevance and date.

- **Methodology**: The methodological chapter describes the methodological, philosophical issues and the collection and design of data.

- **Empirical findings**: The empirical chapter presents the empirical findings which were collected on the basis of the interview survey.

- **Analysis and discussion**: The chapter analysis and discussion presents the findings by analyzing the empirical findings and comparing them with the theoretical framework.

- **Conclusion**: The chapter conclusion reveals the main finding and suggestions for further researches.

*Figure 1 - Outline of the research process / self-designed*
2 Literature Review

In the following chapter the authors discuss several important conceptualities of the international business as well as different internationalization theories with the goal to gain a better understanding of internationalization patterns. The chapter begins with the definition of a Start-Up in order to provide the reader with knowledge of the main topic of this study. Each theory leads to a conceptual framework to show the connections between them.

2.1 Start-Ups

A Start-Up is defined as a young company that is not established in the market and has just a small own equity base but a highly promising and innovative idea. The company starts to push an idea as fast as possible by starting the business expansion immediately. This successful ongoing process makes a Start-Up interesting for investors and opens a chance to strengthen the equity base of a company (Gabler Economic Lexicon, 2016). In comparison to fully established companies Start-Ups are characterized in the implementation stage with a high investment effort and small revenues and are at the beginning of the growth stage. Further Start-Ups often have just a few employees and can therefore be counted to the starting stage of an SME (Heinrichs, 2008).

A Start-Up is a young, dynamic and strong growing company. Available opportunities are used and their business ideas mainly come through analysing the environment and seeking for solutions that are not developed. As faster as they establish their business model in the market, the sooner the firm counts no longer as a Start-Up. Start-Ups face a lack of capital and are therefore dependent to investors during the developing process. But young innovative companies are forecasted to extremely grow in the future. To manage this growth and the expansion process, a huge amount of capital is required. The amount of equity and capital often shows in which stage a Start-Up is (Hayn, 1998).

Not only one company characteristic is responsible for the growth of young and innovative companies. It is rather a combination of the factors age, size and R&D development. A company is expected to growth extraordinarily the smaller and younger
it is. The third crucial point is the investment in research and development which in turns creates innovation (Czarnitzki and Delanote, 2012).

The Swiss federal agency defines a Start-Ups as follows:

- firms who were established no longer than six years ago
- firms that have an innovative business idea
- most often financing through venture capital (participation)

Furthermore the federal agency of Switzerland distinguish the term innovative, concerning new firms, in process –and product innovation. Process innovation is used for better procedural –and manufacturing process. A product innovation is characterized through a completely new or a clear improvement of an existing product. Further it has to be divided between products that are new and add a value to the company and products that offer additional value to the market. More general young innovative Start-Ups are companies that cannot fall back to already established structures, processes, products and customer relationships. Additionally a firm can be stated as innovative if the share of research and development expenditure exceed a certain percentage of the turnover (Federal Agency of Switzerland, 2013).

2.2 Key Concepts within Internationalization

2.2.1 Internationalization in general

In the connected world more and more companies decide to expand their business in foreign markets. Luostarinen and Welch (1990) state that the internationalization process of a firm can be considered as an increase of a firm’s engagement in international markets. Kauppinen and Juho (2012, pp. 201) state from a behavioral point of view that “internationalization is an incremental set of social actions related to business opportunities that drive firms to expand beyond national borders, irrespective of the organization’s size”. It is rather a fact that the internationalization process of a firm is no more an internal matter instead dependent of the acting of other companies (Kauppinen and Juho, 2012). The presence and the acting in international market have a big influence on the firms’ performance and survival (Barkema and Vermeulen, 1998).

The research field of international management provides different theories which explain how firms intensify their activities in international markets. Some of the early
traditional internationalization theories such as the Uppsala internationalization model (Johanson and Vahlne, 1977), the OLI-Model (Dunning, 1988) or the Network-Model (Coviello and Munro, 1995) give a possible description of an internationalization process of a firm. However, much has changed since the introduction of these internationalization theories and in the business environment is to observe a consensus, that these approaches cannot explain the development of foreign activities of all companies and sectors (Bell, J., McNaughton, R., Young S., and Crick, D., 2003).

In spite of the high impact of the stage model in earlier internationalization of firms, there is to observe an increasing amount of studies focusing on the circumstance that nowadays many firms internationalize their business straight from the beginning (Knight and Liesch, 2016). The development of new internationalization models is important because of the rapid changes in the business environment as well as the leapfrogging strategy of the firms (Fillis, 2001). The emergence of firms acting international right from the beginning created a demand for new theories for the internationalization process (Kuivalainen et al., 2012). Through globalization and thus the changing business environment emerged the new international entrepreneurship theory (McDougall and Oviatt, 2000) and as a result the Born Global phenomenon (Knight and Liesch, 2016).

Further an interesting aspect in international management is the question of what drives firms to expand their business. Czinkota and Ronkainen (2009) state that it is usually a combination of different factors, which persuades a firm to expand their business in foreign markets. The motivation factors can be divided in proactive and reactive motives. Proactive factors describe the firm’s internal advantages or the recognized opportunities in foreign markets. On the other hand reactive motives are associated with organizational or environmental pressure (Pett, 2008). To sum up, Pett (2008) states that the proactive motives have an offensive nature and the reactive motives have a defensive nature.
Table 1 - Proactive and Reactive motives according to Pett (2008)

<table>
<thead>
<tr>
<th>Proactive Motives</th>
<th>Reactive Motives</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Market knowledge</td>
<td>- Competitive pressure</td>
</tr>
<tr>
<td>- Skills and know-how</td>
<td>- Excess capacity in domestic market</td>
</tr>
<tr>
<td>- Technology advantages</td>
<td>- Persistent declining domestic market</td>
</tr>
<tr>
<td>- Differentiated product</td>
<td>- Improving or overcoming internal problems</td>
</tr>
<tr>
<td>- Unique product</td>
<td></td>
</tr>
</tbody>
</table>

2.2.2 Psychic Distance

The psychic distance concept is besides the cultural distance one of the most important concepts in the research field of international business and many studies discuss the concept (Blomkvist and Drogendijk, 2013). The concept of cultural distance covers the cultural level of a country and examines the differences of cultural values among countries. The cultural distance reflects a cultural or country level, while the psychic distance concept covered the individual level (Sousa and Bradley, 2006).

Originally the concept of psychic distance was introduced by Beckerman (1956) who states that not just geographical barriers has an impact on international business, rather different aspects which are including in the psychic distance affect the internationalization process of a firm (Beckerman, 1956).

The Uppsala management school developed the concept and applied it for the international business community by analyzing the internationalization process of Swedish firms (Johanson and Wiederseim-Paul, 1975; Johanson and Vahlne, 1977).

As defined by Johanson and Vahlne (1977, pp. 24) the psychic distance is “the sum of factors preventing the flow of information from and to the market” with differences in education, culture, language, business practices, and industrial development. The differences of these factors from the home market to the host market increases the uncertainty and makes an interpretation of information more difficult, thus the psychic distance seemed to have a negative effect on the internationalization process of a firm (Blomkvist and Drogendijk, 2013). To minimize the problem of the psychic distance
between markets it is essential for firms to gain experiential market knowledge and experience (Johanson and Wiedersheim-Paul, 1975).

Further the psychic distance paradigm give a description of the stepwise internationalization process of a firm. The firm’s learning capacity and the uncertainty regarding the foreign business environment have a big influence on the whole process. Tendency psychically close countries are similar to a company’s home market and are therefore considered for a first expansion. The expansion of more distant markets takes place at a later stage. A smaller effort concerning learning and adaptation is required and the firm reduces the market uncertainty (Johanson and Wiedersheim-Paul, 1975). This notion is supported by O’Grady and Lane (1996, pp. 310) who state that “psychically close countries are more similar and that similarity is easier for firms to manage than dissimilarity, thereby making it more likely that they will succeed in similar markets”.

Nevertheless O’Grady and Lane (1996) introduce the psychic distance paradox. The psychic distance paradox discuss that the success of entering a psychically close market is not automatically given and may result in failure due to perceived similarities or unexpected differences (O’Grady and Lane, 1996).

2.2.3 Entry Modes

According to Hill (2014) there are three main questions that a management team has to consider for the internationalization process. Firstly, which market is the most attractive and which is the most appropriate internationalization strategy. Secondly, when is the optimal moment for the expansion to foreign market and thirdly, what the most appropriate entry mode is for the chosen market (Hill, 2014). Different research shows the importance of the choice of the most appropriate entry mode and has a high influence on the firm’s performance in international markets (Hill, C.W., Hwang, P., and Kim, C., 1990; Agarwal and Ramaswami, 1992). The change of the chosen entry mode strategy is difficult and a wrong decision is often associated with high effort of resources (Anderson and Coughlan, 1987). A number of different factors have a big influence on the entry mode strategy (Agarwal and Ramswami, 1992). Dunning (1988) underlines with the ownership advantage of the firm, the location advantage of the market and the internationalization advantage three factors which stipulate the entry mode decision. Hollensen (2014) distinguishes between internal and external factors,
desired mode characteristics and transaction-specific factors. Further Cavusgil, Ghauri and Akcal (2013) mention the market potential as well as market size and the business environment as important factors for the choice of the entry mode. Other factors such as the level of the risk, the control over the foreign activities and the level of resources commitment have to be clarifying for the decision of the entry mode (Hill et al., 1990).

Companies can choose between three different groupings for the most appropriate entry mode. These three groups differ in degrees of risk, control and flexibility. Export modes (indirect or direct exports) are linked to a high level of flexibility and low risk, but a low control. On the other end hierarchical modes (e.g. wholly-owned subsidiaries or acquisitions) are connected with high control, but also high risk and low flexibility. Somewhere in between these two extreme lays the intermediate entry modes (e.g. Licensing or Joint Ventures) with a shared control and risk (Hollensen, 2014). A higher resource commitment to the foreign market is connected with a higher risk for the firm (Hill et al., 1990).

Gollnhofer and Turkina (2015) distinguish the entry strategies from low resource commitments such as licensing or joint ventures to high resource commitments such as acquisition or greenfield investments. The expansion through acquisition or greenfield investments occurs through a Foreign direct investment (FDI) which means that a firm invests directly in facilities in a foreign country (Hill, 2014).

Hill (2014) mentions that the choice of the entry mode strongly depending on the size of the firm, the availability of personal and financial resources, the experience in foreign markets and the level of commitment to the market. The specific characteristics of an SME have a high influence on the entry mode choice. The limitation in personal and financial resources of an SME constrains the level of commitment to the foreign market (Laufs and Schwens, 2014). Further Efrat and Shoham (2013) highlight that for young companies such as Born Globals the choice of the right entry mode is of primary importance due to the lack of resources.

The most common ways to expand a business of SMEs and MNEs are exporting, licensing, joint ventures, and sole ventures. All of these modes are related with a high resource commitment (Agarwal and Ramswami, 1992). The limited resources of a Start-
Up have a strong influence on the entry mode which implies in detail that the uses of foreign direct investments were not considered comprehensive. Just a small part of the Start-Ups acted with foreign direct investments in form of joint ventures or wholly owned subsidiaries. Rather preferred entry modes of Start-Ups are distributors, direct exporting or exporting through sales agents (Burgel and Murray, 2000).

2.3 Internationalization Theories

2.3.1 Stage Model (Uppsala)

Based on four Swedish companies Johanson and Wiedersheim-Paul (1975) developed the incremental internationalization framework, which defines the internationalization of a firm as a series of incremental steps. Johanson and Vahlne (1977) come due to a large number of empirical and theoretical studies to the decision, that the internationalization process of firms can be explained through a stage model. Therefore they developed a model of the internationalization process which mainly focuses on the firm’s ability to acquire, integrate and use of knowledge on foreign markets and the escorting increased commitment in foreign markets for an overall minimizing of risk and uncertainty. The basic assumption is to gain experience and strengthen the position in the home market, use this knowledge to successful enter psychological close countries and finally enter markets with a greater psychic distance. The commitment is usually coherent, typically firms export first through an agent, followed by a settled subsidiary and in some cases setting up a manufacturing centre (Johanson and Vahlne, 1977). In other words the firm will expand with an entry mode that require less commitment of resources and further gradually increase the commitment (Fletcher, 2001).

To sum up, the model of internationalization processes of firms is built on knowledge development and a growing commitment in foreign markets (Johanson and Vahlne, 1977).
Rennie (2013) states in his article that this basic assumption of gaining knowledge through a gradually approach towards internationalization expects or subordinates the fact of a risky international development. Through this risk averse assumption the traditional theory pretends the stage model as the way how internationalize and blocks the sight from other internationalization strategies (Rennie, 2013).

Although the Uppsala Model is one of the most discussed theories in literature in the last decades, the criticism arises more and more (Mtigwe, 2006). Especially the network theorists challenge the incremental theory (Bell, 1995: Madsen and Servais, 1997). Madsen and Servais (1997) argues that particularly for technology intensive firms, which disposess of technological advantages in foreign niche markets already at the stage of founding, an incremental internationalization process is inappropriate. Also the authors of the original Uppsala theory scrutinize their model due to the changes in the business environment and published a revisited model, where networks and relationships are of higher importance. The bases of the revisited model are business networks, where the market is considered as networks of relationship. To act successful in international markets it is crucial to be part of these networks (Johanson and Vahlne, 2009).
2.3.2 OLI

According to the OLI theory, the firm’s nature of internationalizing bases on several determinants. This eclectic theory suggests choosing the entry mode through considering three aspects, the ownership advantage, location advantage and the internationalization advantage. It is stated that successful companies have competitive advantages over other companies and that this advantages can be assigned to the three following determinants (Dunning, 1988).

Ownership Advantage
The ownership advantage consists of competitive advantages in form of possession or access to income generating assets, e.g. technology, capital, knowledge or the managerial ability to coordinate them on a more efficient way than competitors (Dunning, 2001). Furthermore he states, that ownership advantages “must be sufficient to compensate for the costs of setting up and operating a foreign value-adding operation in addition to those faced by indigenous producers or potential producers”. A more detailed view shows the differentiation between two kinds of ownership advantage. The first, ownership asset advantage which refers to property rights and intangible assets which in turn include product innovation, technology, reputation, trademark etc. The second, ownership transactions is about the ability of a firm with assistance of economy of scale, product diversity, access to resources, use of synergies etc. to reduce or use transactional costs/benefits (Dunning, 2001).

Localization Advantage
The localization advantage explains the possibility of advantages the firm is facing by considering a production in a foreign country. Localization advantages consist of factors like infrastructure, taxes, raw materials and labour costs. The objective is to get an additional value through producing abroad (Dunning, 2001). More detailed Dunning (1993) divides into four different kinds of advantages which a foreign country can serve:

- Natural resource advantages: energy, raw material, location etc.
- Economic environment advantages: quality and productivity of labour, transport communication, production and marketing, investment and trade environment
- Cultural and social advantages: psychic distance to the foreign country, societal and infrastructural provisions
- Political power and legal environment: political situation, legal and institutional environment, policies and regulations.

**Internalization Advantage**
The internalization advantage threatens the internalizing of ownership advantages into the firm. The objective is to prevent this competitive advantage and to use them in foreign markets against competitors. This process allows the firm to reduce transaction costs in the international production who raise in cause of market failure (Dunning, 2001). The more perfect (highly competitive) markets are, the less the need for internalizing (Williamson, 1981).

**2.3.3 Network Theory**
Coviello and Munro (1995) state, that the network theory describes markets as relationships between customer, supplier, competitors, private and public support agencies. The nature of a firms established relationships with other markets influence the future strategic options. Furthermore the success of a firm in an international market is rather dependent on the existing relationships within the actual active market than the target market and its culture (Coviello and Munro, 1995). Networks can therefore be considered as a bridge between markets that makes a fast internationalization possible (Mtigwe, 2006). Furthermore, Vasilchenko and Morrish (2011) argue that networks are one of the most useful ways to expand to international markets.

Also Johannson and Vahlne (2003) mention that the network model does not consider psychic distance or a special way how the firm should expand. Ojala (2009) mentions in his study that firms are dependent on resources of other firms. By establishing their position in a network, they get access to these resources and build up a base between several firms with similar objectives (Ojala, 2009). Relationships are the main focus because they allow firms to easily expand to foreign countries with offered help and contacts in the target country (Coviello and Munro, 1995). For companies with a limited base of resources relationships and networks are important to gain knowledge and information about other markets as economical as possible (Mtigwe, 2006). Relationships in a market can be actively or passively built up. Active networking means that the seller takes initiative whereas passive means that the buyer takes the initiative to build a relationship (Ojala, 2009). This kind of networking is essential for the growth of companies and a great help for a successful market entry. At the same
time it has to be aware of the fact, that network relationships influence the market selection and the market entry strategies (Coviello and Munro, 1995).

The influence of network relationships on decisions towards which and how to enter a new market are more powerful than the initial decision of managers. Therefore the network relationship theory can influence the firm’s nature growth initiatives (Coviello and Munro, 1995). Usually network relationships tend to drive firms into geographically and psychically nearby markets. The choice to expand to a distant market as well as the entry mode within a distant market is more a strategical decision than a step initiated by a network. After the choice of a country and the entry mode companies try to establish or use network relationships to achieve a successful market entry (Ojala, 2009).

2.3.4 International Entrepreneurship Theory

The international entrepreneurship theory emerged in the 1990s through a research of small, high technologically firms which did not follow a traditional internationalization strategy (Oviatt and McDougall, 1997). According to Mtigwe (2006) challenges the entrepreneur theory traditional internationalization models and can be considered as mix between the incremental strategy and the network theory. Oviatt and McDougall (2005, pp. 540) define international entrepreneurship as “the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services. Different research has identified that the number of companies which do not follow a traditional internationalization is increasing (Madsen and Servais, 1997; Rennie, 1993; Knigth and Liesch, 2016). The theoretical definition of these companies with an international oriented business model varied relatively strong. Rennie (1993) introduced the term Born Global for firms which act in international markets right from their inception and do not follow a stage process with a first consolidation of the position in the home market. Beside this definition Oviatt and McDougall (1994) use the term International New Venture and Bell et al. (2000) use the term “Global Start-Up”.

A further definition which differs from these definitions is the Born International. Born Internationals are young companies where the focus is on close foreign markets on the same continent (Kuivalainen, Sundqvist and Servais, 2007). Oviatt and McDougall (1994, pp. 49) define such firms as “a business organization that, from inception seeks to derive significant competitive advantage from the use of resources and the sale of
outputs in multiple countries”. A different description with a quantitative background used Knight and Cavusgil (1996) and state that such firms are companies with 25 per cent or more foreign sales within the first three years after the inception.

Knight and Liesch (2016) argue that the emergence of the entrepreneurial theory reflect an interrelated global economy in which it is possible for different organizational forms to compete successfully. Madsen and Servais (1997) state three important reasons for the emergence of Born Globals. Firstly, the new market conditions, secondly, the technological development in the production, transportation and communication and finally the advanced capabilities of peoples. Oviatt and McDougall (1997) mention economic, social and technological changes which allow companies to enter international markets earlier or even right from the inception. Additional the borderless marketplace increases steadily the competition which constitute environmental conditions for companies to act in international markets right from the beginning (Oviatt and McDougall, 2000). Further the increasing of niche markets and the fact that the home market is often too small for companies prevailed companies to expand faster in international markets (Madsen and Servais, 19997).

Born Globals have generally a strong focus on niche markets, are often small-size enterprise with less resources and a lack of experience (Knight and Cavusgil, 1996; Oviatt and McDougall, 1994). The background of founders of traditional exporting companies in comparison to Born Global founders shows often different aspects. The entrepreneurs have often an international background and speak different foreign languages. Through the international background they gained a network with potential customers which play an important role. The focus of the mostly high innovative products of a Born Global in the international market and they consider the different consumer behavior in different countries. The choice of sales market is driven by the market potential and not by geographic location (Bell, McNaughton and Young, 2001; Andersson and Wictor, 2003; Baum, Schwens and Kabst, 2011). Typically Born Globals act in high-tech industries, but Andersson and Wictor (2003) state that nowadays also in traditional industries Born Globals can be found.
2.4 Conceptual Framework

On the basis of the theory the conceptual framework has been elaborated to reveal the correlation between the key concepts within internationalization and the internationalization theories.

The presence in international markets constitutes new opportunities as well as risks for companies. Many aspects have a high influence on the way how a company expand their business into foreign markets and a company have the possibility to internationalize in various ways. To gain basis knowledge about different internationalization strategies, three traditional models were analysed in detail. This knowledge allows the authors to recognize possible applications during the internationalization process of the analysed Start-Ups.

The globalization and therefore the changing business environment scrutinize the traditional theories and a new theory as counterpart to the traditional theories emerged. The international entrepreneurship (IE) theory considers that more and more firms expand their business right from inception, known as Born Globals. The phenomenon Born Global is more and more widespread. The conceptual framework further illustrates the influence of the psychic distance and the choice of the right entry mode on the internationalization of a firm.

![Conceptual Framework](image-url)

*Figure 3: Conceptual framework / self-designed*
3 Methodology

In the following chapter the authors will present the methodological framework used in this thesis. The chapter will reveal each step to approach the research question. The major purpose of this chapter is to describe in detail the whole methodological process to provide a complete description. In a first step the authors will discuss the research approach. Thereafter, the research design and the research strategy will be presented. The next point discusses the data collection as well as the data analysis.

3.1 Research Approach

According to Saunders, Lewis and Thornhil (2009) three main research approaches exist. These approaches show how theory and research are connected together (Brymann and Bell, 2015). The inductive approach is about exploring data and developing fitting theories to relate to existing literature. Furthermore, an inductive approach requires depth knowledge about the research idea (Saunders et al., 2009). The nature of an inductive approach provides an uncertainty because initially the idea is to examine in detail and later on it has to be successive approximated to broader literature and theories (Brymann and Bell, 2015).

On the contrary, the deductive approach is about using appropriate literature within a certain area to identify relevant theories. From these theories the researcher deduces a hypothesis or a research question which in a further step should be examined with empirical data. This procedure provides a more consistent and incremental way to the conclusion that is caused by logical reasoning (Saunders et al., 2009).

The abductive approach as a third way, combines the deductive and inductive approach. With the abductive approach, the researcher is able to make inferences and build theories about the world. Abductive reasoning overcomes the limitation of deductive and inductive approaches. The critic of the inductive approach is the amount of empirical data that enables theory-building. The difficulty with the deductive approach is that it is in fact a testing of theory but it is not clear how to select the theory that should be tested. Abduction starts with a surprising fact that cannot be explained by existing theory. Through a back-and-fourth engagement with the social world as an
empirical source and the literature, the abductive approach tries to turn the surprising facts into a matter of course (Saunders et al., 2009).

The decision whether a research is inductive or deductive is dependent on several criteria. An important criteria is the research emphasis and the nature of the research topic. Saunders et al. (2009) recommend using the deductive approach, if a wealth amount of literature exist and can be used to define a theoretical framework. If the research topic is of newer nature or exciting debated and only a few literatures exist, it is recommended to progress with the inductive approach.

The nature of the research question as well as the purpose of this thesis tend to a deductive research approach. Due to the fact that already a lot of literature to the internationalization strategy and resulting internationalization models exist (Fletcher, 2001), the authors decided to first build a profound knowledge about the internationalization process of firms. The authors consider a profound pre-understanding of the research area as relevant to observe a pattern from the empirical observation. Regarding the objective and the background of this thesis, the authors argue the deductive approach as appropriate.

3.2 Research Design

The research design is a plan of the empirical research and how the research question will be answered. The plan provides the framework which techniques are used to collect the data and how to analyse them. Generally it can be differentiated between the qualitative and quantitative data collection. A further but rarely used method is a mix of both previous mentioned techniques. Differentiating quantitative and qualitative research methods is often done by dividing data into numeric and non-numeric (Saunders et al., 2009).

Quantitative research methods are often used in a larger scale aiming to collect behaviour facts, recognize connections between variable, statistical descriptions and hypothesis tests (Saunders et al., 2009). Quantitative data is gathered with tools like questionnaires and therefore in form of numbers and statistics. Researcher need to know what they are looking for before data are collected (McCusker and Gunaydin, 2014). The qualitative research method on the opposite provides a profound understanding of
something to develop a theory or describing multiple theories (Castellan, 2010). In general the qualitative approach generate rather words than numbers. (McCusker and Gunaydin, 2014).

The objective of this thesis is to get a better and deeper understanding of how Swiss Start-Ups internationalize. The existing literature is not able to explain in detail the internationalization strategy of Swiss Start-Ups. According to Merriam (2009) the qualitative method is often used if the theory is not able to explain a phenomena or behaviour in an adequate way. The authors consider the qualitative method to be the most applicable research method which can provide the depth and flexibility to answer the research question of this thesis in a successful way.

**Classification of the Research Purpose**

A further relevant step is to classify the research in terms of the research question and the objectives into either an exploratory, descriptive or explanatory study. Exploratory studies are characterized through the treatment of a problem where the nature is unknown with the objective to clarify this uncertainty. There are three principal ways how to conduct an exploratory research: literature review, interviewing people with a high knowledge towards the subject and conduct group interviews with specific focus (Saunders *et al.*, 2009).

A descriptive study is often a forerunner or even a piece of an explanatory study because it aims to explain something more detailed, to get a clear picture of a phenomena before further data collection of the examined phenomena take part. Explanatory studies try to study and explain causal relationships between variables through observing a situation or a problem (Saunders *et al.*, 2009).

In a first step, the general internationalization and surrounding of Start-Ups will be analysed in detail to explain later on a possible internationalization pattern of Swiss Start-Ups. A further indicator for a descriptive study is, that this research is based on a theoretically based problem that can be solved with a descriptive study. Therefore the authors chose the descriptive research approach to answer the research question.
3.3 Research Strategy

Saunders et al. (2009) mention that reliability and validity of the empirical finding is strongly influenced by the choice of the right data collection method. Bryman and Bell (2015) discuss several different research strategies such as experiment, case studies, grounded theories or surveys.

There is no superior or inferior research strategy, much more the strategy has to be chosen with a view that enables the researcher to answer the research question. Some of them belong to a specific kind of research, i.e. inductive research or are more suitable for example an explanatory than explorative study (Saunders et al., 2009).

A case study is according to Saunders et al. (2009) a good technique to collect data if the authors want to discover insights and interpret a behaviour or phenomena. The deep analysis that a case study can provide, allows the authors the possibility to examine, understand and explain the internationalization behaviour of Swiss Start-Ups in detail. Therefore the authors argue the case study as the most suitable design for this thesis. Furthermore Saunders et al. (2009) as well as Yin (2014) state that a case study is often suitable for research questions which try to answer “how” and “why” questions. This is a further statement that this technique is suitable because the thesis tries to explore “how” Swiss Start-Ups internationalize.

Yin (2014) differs between single-case studies which involves information from a single case and multiple case studies which in turn involve several different cases. Further he mentions that conclusion developed from multiple-case studies are more valuable than those from single-studies. Due to the fact that there are a lot of companies who can be used as cases, the authors consider the multiple-case study as appropriate for this thesis.

3.3.1 Purposive Sampling

Saunders et al. (2009) differ between the probability and non-probability sampling. Probability sampling is associated with random sampling and used for quantitative research approaches because it allows the researcher to make statistical allegations. The non-probability sampling is recommended to use for qualitative research approaches
because it allows the researcher to answer questions that are not in a sample frame and therefore explore a broader phenomenon (Saunders et al., 2009).

The focus of this thesis is to understand how Swiss Start-Ups internationalize, the belonging research question cannot be answered with a probability sample because it is not possible to purposefully accumulate questions in a sample frame. Therefore the authors argue that non-probability sampling is the right way to select the optimal sample. Three different kinds of non-probability sampling exist. Purposive sampling is the most used form and very well suitable for case studies. It allows the researcher to select cases which fit to the research and therefore facilitate to answer the research question in an adequate way (Saunders et al., 2009).

Therefore the authors decided to choose a purposive sampling strategy to identify the right companies for this thesis. The authors developed several criteria which reflect the purpose of the thesis to identify suitable companies.

1. Start-Ups that fit into the definition the authors used in chapter 2 Literature Review (not older than six years, innovative product).
2. Start-Ups with the head office in Switzerland.
3. Start-Ups that are acting in international markets.

3.3.2 Cases

1. SensoPro
Sensopro is a Swiss Start-Up that was founded in the year 2011. The company developed and manufactures a new product which enables the customer to train coordination, stamina, strength and reflexes in a completely new way. Sensopro is actually working in different countries, mainly in Europe. The interview was conducted with Kaspar Schmocker as founder of Sensopro and took place at the head office of Sensopro in Bern.

2. Company X
The company was founded in 2011 in Switzerland. The company produces and offer running shoes with a new and highly innovative technology. The company is highly present in different international markets right from their inception. With three subsidiaries, the headquarter in Zurich, one in the USA and one in Japan the company provides different markets. In other markets the company is working with distributors.
The interview with the respondent was conducted at the firm’s head office in Zurich. The company wish to be anonymous in this thesis due to the fact that they gave some confidential information such as key figures.

3. **Bcomp**

Bcomp is a Swiss Start-Up that was founded in the year 2011. The company manufactures sustainable nature fibre materials which are depending on the application characterized by less weight, more stiffness, higher damping effect compared to other materials. The scope of application is right now at sport & leisure, mobility & naval, acoustics & electronics, design & interior. Bcomp is acting in a lot of different markets all over the world. Cyrille Boinay is CO-founder and managing director of Bcomp and was present during the interview which took place at the University of Applied Sciences in Bern.

3.4 **Data Collection**

Primary data sources are sources where researchers collect new data themselves through observation or different kinds of interview. Primary data sources provide a more detailed perspective towards the specific research problem. Secondary sources refer to data that are already collected / researched for another purpose. Secondary data can include qualitative as well as quantitative data (Saunders *et al*., 2009).

3.4.1 **Primary Data Collection**

Regarding a qualitative research primary data is often collected through interviews and observations. The primary data collection with an interview enables the researcher to get an understanding of a phenomena, feelings, behaviour etc. Interviews can be conducted in different forms like mail, phone etc. (Saunders *et al*., 2009).

The authors use primary data in form of a case study in-depth interview with three Start-Ups from Switzerland. This provides the authors with a profound knowledge about how these Start-Ups internationalize. To better interpret the feeling the authors decided to conduct face-to-face interviews.
3.4.2 Secondary Data Collection

Blaxter, Hughes and Tight (2006) argue that in a deductive approach secondary data is used to examine what has already been researched in a certain topic and if it is usable considered the objective of the relevant research. The authors of this thesis use secondary data in the introduction chapter, the literature review and the methodological chapter. The research was made to get an overview of what already has been researched towards this topic and to get a profound understanding of the research field. In this collection books, article as well as official websites were considered. Online databases such as google scholar, OneSearch, ScienceDirect were considered among others with keywords like “internationalization”, “sme”, “expansion”, “young innovative firms”.

3.5 Operationalization

The aim of the operationalization process is to identify and define variables to collect the right data according to the purpose of a thesis. It helps to set a clear definition of the concepts and to separate the meaning of each other (Bryman and Bell, 2015). The authors decided to put each component from the theoretical framework in a single concept, because every component is important and has a relation to the purpose of the thesis. A table with several concepts has been developed to better organize the interview which clarify the operationalization process and to increase the validity in terms of quality criteria. The following table shows how the concepts, presented in the theoretical framework, has been operationalised and which questions base on these concepts.

Table 2 - Operationalization / self-designed

<table>
<thead>
<tr>
<th>Concept</th>
<th>Interview questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-Ups</td>
<td>1-7</td>
<td>The respondents were asked to introduce themselves and the company. The objective of those questions is, to get a general understanding of the case company and respondent.</td>
</tr>
<tr>
<td>Internationalization</td>
<td>8-11</td>
<td>General information about the internationalization process. The authors wanted to get information about how, why</td>
</tr>
</tbody>
</table>
and in which countries the Start-Up internationalized.

<table>
<thead>
<tr>
<th><strong>Psychic Distance</strong></th>
<th>12,13</th>
<th>A broader understanding of how psychic distance is recognized and how the company managed differences. Other questions which can be related to the psychic distance concept were asked in relation with the Uppsala Model.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entry Modes</strong></td>
<td>14-19</td>
<td>Respondents were asked about used entry modes. Main reason, advantage, disadvantage of each entry mode.</td>
</tr>
<tr>
<td><strong>Internationalization Theories / Born Global</strong></td>
<td>20-33</td>
<td>The authors asked question to get a more detailed understanding of how the firm internationalized. The authors asked detailed question about each internationalization step and its background. These are the key factors to draw together with previous questions a possible pattern how the Start-Up internationalized.</td>
</tr>
</tbody>
</table>

3.6 Quality of Research

3.6.1 Validity

Golafshani (2003) explains that validity determines how truthful empirical findings are and whether the research really measures what it was intended to be. Yin (2014) mention that carefully gathered and interpreted data is the base for a valid study. Additionally to this fact, Merriam (2009) state that the step which ensures that the gathered data is interpreted correctly is called respondent validation which is extremely important.

The authors decided to conclude and discuss the interviews with the respondents directly after the interview, so the respondents had the possibility to revise the author’s interpretation. This approach increases the validity of this thesis and allowed the authors
to eliminate misconceptions. Furthermore the observation of the respondent and follow-up questions helped to clarify unclear situations. Data about the company itself was also gathered through an internet research to avoid misunderstandings.

3.6.2 Reliability

Reliability refers to the consistency of data over time and an accurate representation. The research is considered to be reliable if it is possible to reproduce same or similar results under a similar methodological approach (Saunders et al., 2009). Regarding qualitative studies Golafshani (2003) mentions that same or similar results are hard to gather because answers are given and interpreted in an individual way. Despite he mention that it is important to concern about the term also in qualitative studies. Trustworthiness is crucial to ensure the reliability of a qualitative study and can be elaborated by confirmability and dependability. Therefore it is suggested to present the methodological framework so it can be comprehended how conclusions are made (Golafshani, 2003).

The authors present the methodological framework in a clear way to confirm the reliability of this thesis. So the reader is able to comprehend how empirical data are gathered and how the authors derived the conclusion. Furthers the authors can provide raw audio files as well as text files from the empirical findings. To further establish the trustworthiness the authors provide the interview guide in the appendix to get an even more detailed view how empirical data was gathered.

3.6.3 Ethical Consideration

The ethically question can occur in different stages during the research such as the collection, analysis, managing and reporting of data. Connected to the research, ethics can be defined as “the standards of behaviour that guide your conduct in relation to the rights of those who become the subject of your work, or affected by it” (Saunders et al., 2009, pp. 183). Regarding qualitative studies, several ethical considerations during the data analysis and interpretation of findings can come up. According to Saunders et al. (2009) the researcher is expected to take care of some measures to conduct the research in an ethical way.
• privacy of possible and actual participants
• voluntary nature of participation and the right to withdraw partially or completely from the process
• maintenance of the confidentiality of data provided by individuals or identifiable participants and their anonymity
• reactions of participants to the way in which you seek to collect data, including embarrassment, stress, discomfort, pain and harm

The authors offered the respondents full anonymity and the possibility to withdraw statements all the time. Further the authors provided the respondents with an introduction and with the purpose of the thesis. It is important that the respondents are informed about the background of the research so they can decide to participate or not. Before the authors of this thesis completed the report and handled in a final version, they provided the respondents to review their statements to ensure the transparency. To increase the transparency the introduction includes the message, that the empirical findings are available online through the diva portal.

3.6.4 Method Criticism

All three interviews were conducted in Swiss German and the authors needed to translate them into English. Therefore it can be argued that this may lead to misinterpretation. But the authors recorded the interview and had the opportunity to replay the whole conversation which helps to remain validity and interpret answers the right way. While listening to the replay, the participants sometimes lost the focus and some missing follow up questions could have been revealed. Further phone contact with the respondents helped to remain the validity and get the mission points. All of the interviews were conducted face-to-face.
4 Empirical Findings

The chapter empirical findings will present the gathered findings through the interviews in order to answer the research questions. The chapter starts with the presentation of each respondent as well as the Start-Up they represent. This is followed by the company’s view on their internationalization process on the basis of different internationalization theories.

4.1 Cases

All three respondents that have participated are founder, co-founder or have a direct connection with the internationalization of the company. The case companies are all founded within the last six years, have a high innovative product and are acting in different international markets. The degree of the international presence as well as the proceeding during the internationalization can be described as highly different, which constitutes an ideal basis for a comprehensive analysis. All interviews were face-to-face interviews and took place on the 29th of July and the 2nd of August 2016.

**Sensopro Trainer**

Sensopro is a young, innovative Start-Up from Switzerland, with the head office in Bern and the manufacturing plant in Thun. The company was founded in 2013 and has currently 9 employees. Sensopro is mainly active in the Swiss market, but have also headquarters in Belgium and Spain. 85 percent of the yearly revenue is through sales in Switzerland. The product “Sensopro Trainer” is a multifunctional fitness device which combines strength, stamina, stabilisation, reflexes and coordination. The Sensopro Trainer is used for recreational and elite sport, for fitness and rehabilitation.

Kaspar Schmocker (28) is one of the founders of the Start-Up. As part of a scientific work at the University of Bern, Kaspar Schmocker has developed the business idea. Today Schmocker is working as sales manager and is responsible for the further expansion of the product, especially in foreign countries. Schmocker states that the Swiss market constitutes a high potential for the company, nevertheless Sensopro wants to expedite the further internationalization. Despite the engagement at Sensopro, Kaspar Schmocker is a professional floorball player in Switzerland. Further he studied and played floorball for one year in Sweden. Through that he speaks different languages.
**Company X**

A top athlete and two of his friends founded the company in the year 2011. Company X is a young Swiss sports company with head office in Zurich. Company X started the business with a four man team and has today 55 employees in Zurich and total 110 worldwide. The company is grown to a highly international company and is today present with their product in more than 50 countries with 3000 specialist retailer where it is possible to buy their product. The company provides advanced running shoes with a new running technology. The success story of the company started in 2011 when the prototypes won the ISPO Brandnew Award in Munich, one of the most important prizes for innovation in sports. Test runners were enthusiastic after using the shoes for the first time. After the success in Munich, a few month later the first running stores had the shoes on their shelves. The growth of the company in recent year is enormous. The company started in 2011 with selling 40’000 shoes. This number increase to an expected number in 2016 of 850’000 pairs.

X is working as responsible for the distribution partners at Company X, and has been representing the company since four years. X started working as a trainee and afterwards she was responsible for the IT. Before the engagement for the company, X made a master in marketing and visited different courses with an international context. The current position at the Company X is her first job in an international context. She is working with different distribution partner from all over the world and is responsible for this business unit. She is travelling a lot to find new or better distribution partners, to develop existing relationships or to cultivate contacts.

**Bcomp**

Bcomp is a high innovative Start-Up from Switzerland with headquarter in Freiburg Switzerland. Developing, patenting and selling of high quality, semi-finished products out of nature fibres. With those materials its possible to replace aluminium, coal- or glass fibre composites with a higher efficiency of structures, weight, dampness, strength and impact strength. Bcomp produces materials for several different sections e.g. sport & leisure, acoustics & electronics, mobility & marine, design & interior. The company was founded in the year 2011 and has eight fix employees and constantly between four and seven trainees.
Cyrille Boinay is co-founder and managing director of Bcomp. The idea of producing nature fibre materials originated from a previous Start-Up of Cyrille, where produced skis needed a better damping characteristic. So the first Ski’s were produced with nature fibre inside to give the driver stability and a good damping characteristic. So Cyrille determined the properties of nature fibre combined with the sustainable aspect as a future-oriented, potential material. Cyrille Boinay has a lot of international experience. Already after his obligatory school years he worked in a Swiss firm with international relations. After he finished his studies at a university in Switzerland, he travelled for six years around the world.

4.2 Start-Up

Schmocker explains that he wanted to develop a product for the high-class sports. After different trainings in the fitness room, it was noticeable that a huge amount of different trainings tools are available. Schmocker’s idea was to combine these tools in one device. Further he explains that he wanted to acquire the knowledge from the high-class sports and transferred it to the mass sport. Schmocker mentions that it was important for Sensopro to have private investors who financed the project. Further, it was possible for Sensopro to try out and to produce a prototype in a manufactory without high investment costs. Schmocker highlights that without these private investors and without the manufactory it was not possible to develop his business idea. Schmocker states that he screened the market for new possibilities to increase the awareness of the product. The winning of a price at one of the most important sports fair was the starting signal for the idea, states Schmocker. He mentions that with this price Sensopro perceived the potential of the product. Due to the fact that Sensopro didn’t dispose of the necessary resources, the investment in the research and development of the product was not high, argues Schmocker. He further argues that this investment increased in the last two years.

Respondent X explains that the business idea emerged through screening the running market for new possibilities for a better and comfortable running. The founders of the Company X realized the huge and still growing potential of the market, states respondent X. Respondent X further argues, that the founders also realized that a lot of world brands are acting in the market and a market entry have to take place with a
highly innovative and new technology. Respondent X explains that the young company went to a famous sports fair in Munich with a prototype and won the price for the most innovative product. According to respondent X was the growth of the company after the prize extremely fast. Shortly after the award the company started to collaborate with distributors and agents to increase the awareness worldwide. Respondent X explains that the goal of the founders was to expand as fast as possible due to the small home market Switzerland. A further goal of the founders was to make profit with the product and this is just possible in international markets, explains respondent X. The potential of the running market together with the ambitious goals of the founders were the basis that the investment in the research and development of the product was extremely high right from the beginning, argues respondent X. Further she states, that today around 5.5 % of the yearly revenue flow in the research and development. The focus of the Company X is described by respondent X is clear on the core product which is also the reason for the success of the company. The strategy of Company X made it possible that the company is today industry leader in Switzerland, mentions respondent X.

Boinay explains that the idea of producing nature fibre materials originated from a previous created Start-Up, where produced skis needed a better damping characteristic. During his trip all over the world he met Christian Fischer, who was just writing his doctoral paper with the topping of damping characteristics. So Boinay and Fischer came up with the idea to use nature fibres to put in the core of skies. The produced skis excelled through stability and very good damping effects. After Boinay sold his shares of this Start-Up, he determined the properties of nature fibres combined with the sustainable aspect as a future-oriented, potential material. So Boinay and Fischer decided to set-up a Start-Up with focus on materials produced with nature fibres. For one year Bcomp was in the first steps of a typical Start-Up, it was more a community than a company. Afterwards Bcomp turned its corporate form, won several Start-Up auditions and gained first investors. Due to the high interest, it was clear that the market research of Boinay was properly and the business idea has a lot of potential. Nowadays Bcomp is producing materials for a wide range of products amongst others: ski, bicycle, skate, acoustic, tables, chairs and much more. The innovation skills of Bcomp allows to even enter complex sectors like marine and car. Meanwhile Bcomp won the Swiss Economy Award which opens new possibilities regarding the procurement of money. Boinay mention that a high investment of approximately 20% of sales in the sector
research and development is necessary to be and stay innovative. Further Bcomp researches together with different universities from Switzerland and doctoral from all over the world in a nature fibre topic. Bcomp sells approximately 80% of their total sales volume to foreign markets and Boinay mentions that this figure never changed in all those years. Bcomp listed an average growth between 200%-300% since their foundation.

4.3 Internationalization

Schmocker explains that Sensopro is trying to build up their business in international markets since six month. Further he states, that already at an earlier stage they sold some devices in foreign markets but not on a professional level. Due to the high costs, Sensopro relinquished on marketing activities in foreign markets, states Schmocker. Further he underlines that the presence in fairs around the world is important for the company. According to Schmocker one main reason why Sensopro expand their business is the difficulty to find more investors in Switzerland to bring the company on a higher level. Further he states that in other countries such as Sweden or Spain the status of fitness and the healthy lifestyle is on a higher, much more profitable level. A further reason why Sensopro is nowadays acting in international markets are unsolicited orders from foreign customers. Schmocker explains that Sensopro commenced the internationalization with distributors. In the core markets Sweden, Belgium and Spain they established subsidiaries with own employees. Having direct contacts in the core markets is, according to Schmocker, the optimal solution for Sensopro, due to the complexity of the product and the proximity to the end customer. Schmocker further underlines that the collaboration with distributors is difficult due to the high cost of the product and the high margins of the distributors which make it impossible to provide the product for an affordable price. When entering foreign markets, Sensopro was not well-prepared and they did not screen the markets, states Schmocker. 100 % was on the basis of learning by doing highlights Schmocker. He states that Sensopro made main and important experience with the placement of devices in different markets that allowed making adaptions to be successful. Further Schmocker underlines the importance of the globalization for their expansion. The communication was easier, the information about markets was available and the awareness of their product was fast, states Schmocker.
Due to the small home market with a huge amount of competitors, it was clear right from the beginning that Company X will expand in international markets, explains respondent X. The founders of the company wanted to be profitable as soon as possible highlights respondent X. Further she explains that an important point were the economies of scale. Increasing the revenue and reducing the costs, is according to respondent X, a central point when doing business. Respondent X further underlines that a higher production volume gives you a better position in negotiations. To supply foreign markets the management of the Company X decided to work with agents, which is, according to respondent X, a fast and easy way. The entry strategy was, according to respondent X, not the right strategy for the company and ended in failure in some countries. Today the Company X is working exclusively with distributors and with subsidiaries in the core markets explains respondent X. The possibility to assemble the own team members, the passion of the team, the knowledge about the product and the proximity to the customers are, according to respondent X, benefits of a subsidiary. Especially for the Japanese market, explains respondent X, it was necessary to establish a subsidiary due to the high differences in culture, customer behaviour and business practices. Apart from the Japanese market, Company X is working with distributors for market with high geographically distance or high differences in culture, explains respondent X. The decision which entry mode is the most appropriate is sophisticated and, according to respondent X, not just depending of the available resource, rather different from market to market. The decision to enter a market direct requires the whole attention of the company and need much more effort in comparison to a distribution market, explains respondent X and underlines that a direct entry take place on the management level.

In a first step Bcomp started to sell their products in Switzerland and expanded soon to surrounding countries. Boinay mentions that the company is producing something unique and plays in a niche market. Therefore it was even his intention to make use of a scale effect for Bcomp. The comparison of a niche market and the sought economy of scale immediately pushed Bcomp to US and Asia where a lot of leading brands in the sport section have their headquarter or produce units. Nowadays Bcomp produces in England, Germany, Hungary, Slovakia and Ecuador where also materials are stored. An additional stock takes place in Austria. The objective regarding the production is more to use existing machineries through contractual licencing agreements with
manufacturing partners than having a big machinery which probably cannot work to its capacity limit. The business model and the vision of Bcomp provides the base for this construct. Boinay mentions that most added value parts like marketing, disposal, supply chain, research and development etc. remain in Switzerland. The production through manufacturing partner allows Bcomp to network a bigger area and to be closer to the customer which is part of the vision to be sustainable. Cyrille Boinay mentioned that Bcomp did not have any competitors possibly through the patent protection in the sport section especially for skies. But gradually competitor try to emulate the products of Bcomp, which forces Bcomp to act. This actions specially target price areas. For a further growth and to preserve the market position an improvement towards a more cost efficient production is essential. Boinay mentions international experiences, languages as a key factor to overpass differences between countries and people. Further he argues that it is important especially in countries from the Asian continent to work together with agents. But in his opinion cultural differences are a challenge to even adjust the behaviour / clothes etc. and a nice side effect of an international company. Boinay mentions that places do not play an important role. If values are equal, the whole management, human resources, structures, marketing can be reused and transferred within this cluster to a bigger buyer group. Bcomp produces nature fibre materials in the following countries: England, Hungary, Germany, Slovakia and Ecuador. The production is done by a cooperation with a manufacturing partner. Bcomp gives technological secrets to produce materials and a certain amount of units which will be produced while the manufacturing firm guarantees uniqueness regarding the work with a nature fibre company as customer. Research and development, Marketing, Sales and Service is done from the head office in Fribourg Switzerland. For purposes of education, quality management, dispute settlement etc. a delegate from Bcomp is sometimes on-site. Boinay mentions that it is extremely important for Bcomp that manufacturing partner have fair terms of employment. In some countries for specific product groups Bcomp has distributors to sell their products. According to Boinay distributors are in this case strategically the right way to be present in a broad part of the world and overview the market situation.
4.4 Internationalization Theories

Schmocker states that Sensopro was founded in the year 2011. According to Schmocker, the focus market was and still is Switzerland. The Swiss market provides a huge potential for the product of Sensopro states Schmocker. He describes that Sensopro sold till today approximately 100 devices in Switzerland but he estimates the potential volume around 300 devices. According to Schmocker, the company’s position in the home market is definitely not consolidated. Despite the huge potential in the home market, Schmocker highlights that an expansion to foreign markets is important for the further growth of the company. The expansion to foreign countries began with some unsolicited orders explains Schmocker. The company received enquiries from interested buyer from Russia and Ukraine. Parallel to these sales through direct exports, Sensopro started to increase the commitment in some core markets. Having a direct contact in the core markets Austria, Spain and the Benelux countries is essential for Sensopro underlines Schmocker. In a first step the company expanded to Austria, afterwards to Spain and Belgium at the same time with a subsidiary explains Schmocker. He further explains that Sensopro didn’t follow a specific expansion strategy but he rewrites especially the beginning of the expansion as incrementally. Sensopro screened different markets where they recognize a potential for the product. Same culture or geographically close were not crucial criteria’s for the selection of new markets, furthermore the price level as well as the competitive situation were important factors for Sensopro, according to Schmocker. The company is, according to Schmocker, still too small to compete in developed markets such as Germany. It seems to make sense to expand to Germany, but Schmocker states, that also a close market can exhibits high differences. Germany has a complete different price level and is therefore not a market for the current product of Sensopro, mentions Schmocker. The knowledge and experiences that the company made is important for the further expansion to more distant markets, explains Schmocker. Further he underlines the importance of networks and relationships, especially in the sports industry and for Start-Ups it is essential to be connected. Sensopro didn’t have such networks at the beginning and it was hard to become part of it, explains Schmocker. He further states that Sensopro tried to develop networks through the collaboration with industry leaders, top athletes and famous sport teams. Today the company is part of a network and it helps a lot to increase on the one hand the awareness of the brand and on the other hand it facilitates the further expansion, explains Schmocker. For those further expansion, Schmocker states, that the
company has to relocate the production to foreign countries. The label “swiss made” is still important, but for the further growth of the company and to increase the yearly revenue relocation is indispensable, underlines Schmocker.

The expansion of Company X to foreign markets was really fast explains respondent X. In the same year as the foundation the company already expanded to countries nearby the home market Switzerland. The first countries where the company was present with their product were Austria, Germany, France and England explains respondent X. According to respondent X a potential market must have a positive effect on other markets and must be profitable for Company X. At the beginning the company tried to work with agents and distributors due to the fact that the founders did not have the knowledge about international markets. At the beginning of the internationalization the company did not work with foreign direct investments due to the fact that they could not estimate how their product performs in other markets, explains respondent X. The goal was first to gain experience and knowledge about international markets. In a second step Company X entered countries such as Canada, Spain, east Europe, Asia and Australia and in a last step Mexico and some Nordic countries states respondent X. After the first successes Company X decided to change their internationalization strategy and to increase their commitment, especially in the core markets, explains respondent X. Further respondent X describes that the company is working with foreign direct investments in the core markets USA and Japan and is producing their shoes in a manufactory in Vietnam. Vietnam has the necessary know-how and the production costs much lower in comparison to Switzerland highlights respondent X. Further respondent X argues that the networks and relationships were important right from the beginning and made processes and the expansion easier and faster. Respondent X highlights some advantages which arises through the network and helped for the internationalization; facilitated finding of new partner, heightened safety when entering a new market, shortened processes when entering new markets, easier to find new and skilled labour forces. Already after two years from the inception, Company X generated more than 25 % in foreign markets, which shows, according to respondent X, the importance of international markets for Company X. Today the company is highly international and generate more than 90 % of the yearly revenue in international markets underlines respondent X. She further highlights that the global orientation right
from the beginning together with the strong focus of the core product are the basis of the success.

Boinay mentions that Bcomp first sold to countries nearby Switzerland. In a second step the company got customers from other countries within Europe. Through the previous Start-Up, Boinay already had relations and knew networks to ski producer. Compared with a well-known exhibition in Germany Boinay mentions the possibility to build a good network and contacts. So Bcomp was able to sold units with marketing to leading ski producers in US and Asia. Often a ski producer has development centres in US and the production is outsourced in Asian countries. But Boinay states that due to the uniqueness and quality of their products, requests from all over the world are usual. A little bit different is the mobility sector, where Bcomp still tries to settle down in big car companies from Germany. Boinay identified german luxury cars as potential because of the growing sustainable cautious and the weight problems within the industry. But compared to sport sectors the entrance barrier for automotive branches is way higher. Furthermore Boinay argues that within this sector a high competition exists and Bcomp is a new competitor to already existing and established materials like foam, carbon and aluminium. Also in this aspect Boinay mentions that relation and contact building through visits on exhibition is very important.

On a closer look to the expansion process on the production side, Boinay states that this was a relatively precarious situation. The first production machine was built in Switzerland and later on transported to Ecuador where also the resources come from. After the production of those materials, they need to be cut. Boinay mentions that Bcomp had to change their partner four times until the right one was found. Further he mentions that the search for a partner is not shaped in an easy way because critical factors like price influence the choice of countries where manufacturing partners could come from. So he states that within Europe a low price level can be found in Eastern Europe. The choice of manufacturing partner is also reduced to the specific technical requirements a manufacturer has to provide. Additionally to these points the fact that established manufacturing plants are sceptical towards Start-Up cooperation’s because they may not hold promised quantities or are not liquid enough. Right now Bcomp produces in England, Hungary, Germany, Slovakia and Ecuador and cut materials in Slovenia and Germany.
5 Analysis

The following chapter includes the analysis, in which the authors connect the empirical findings with the elaborated theories. The focus is to highlight similarities and differences between the theoretical framework and the empirical findings. Further the chapter will be divided according to the conceptual framework.

5.1 Start-Ups

The empirical data that has been gathered reveals some typically characteristics of a Start-Up but also some dissimilarities. According to the Gabler Economic Lexicon (2016) a Start-Up is a company that is not established in the market and has just a small own equity base but a highly innovative idea. It is apparent, that all three case companies provide a highly innovative product with a new and unique technology. In contrast to Company X and Bcomp with a solid equity base, is Sensopro still dependent on investors. The empirical findings further demonstrate differences concerning the establishment in the market between the companies. Company X compared to Sensopro is already after five years industry leader in Switzerland, on the fifth place in Germany and on the fourth place in Austria. Bcomp on the other hand produces materials for a wide range of product groups. There are some sectors where Bcomp does not have a high market share but other sectors where they have up to 100%. It can therefore be argued that Company X and Bcomp are well established in different markets and therefore at a final stage of being a Start-Up. The number of employees at Company X as well as the yearly revenue underlines this classification. Sensopro on the other side have still small revenues, few employees and is trying to fully establish the product in the home market. According to Heinrichs (2008) Sensopro as a Start-Up can therefore be counted to the starting stage. Hayn (1998) states that the business ideas of Start-Ups mainly come through analysing the environment for solutions that are not developed. All case companies developed their products through seeking the environment for new solutions of combining traditional products with new technologies. It can further be argued that all case companies exhibits an enormous growth in recent years what Hayn (1998) describes as typically for Start-Ups. Czarnitzki and Delanote (2012) further state that one reason for the growth of a company is the investment in research and development which creates innovation. This is in accordance with Company X and Bcomp which invested 5.5 % respectively 20 % of the yearly revenue in the research
and development of the product. Hayn (1998) further states that Start-Ups are strongly dependent on investors for the development of the product. It can therefore be said that all case companies have been highly dependent on investors at a starting stage for the development of the product. Sensopro is still today strongly dependent on investors.

5.2 Internationalization

The empirical findings support the statement of Kauppinen and Juho (2012) that the internationalization process is related to business opportunities and competitors rather than the organisational size. Company X as well as Bcomp started to internationalize their business in a professional way while the organisation itself was relatively small. In comparison, Sensopro started to expand with a trial-and-error method, by far not as professional as the other case companies. The factor business opportunities are very well observable in the statement of Schmocker from Sensopro. A main reason to expand the business from Sensopro is to attract new investors and enter markets where the customer group is more focused for sport products. Unsolicited orders from foreign customers are according to Schmocker a further reason why Sensopro is acting in international markets that reflect again the statement of Kauppinen and Juho (2012). Respondent X from Company X states that it was their intention to internationalize right from the beginning because of the huge amount of competitors and the bigger business possibilities which foreign markets provide. Boinay from Bcomp mentions that due to their niche products competitors just play a secondary role in their first part of internationalization but precisely because of this niche the potential is seen in the possibility that the whole market provides. The huge success, mention by the respondents from Company X and Bcomp, coming from their internationalization that support the statement of Barkema and Vermeulen (1998) who state that the presence and act of firms in international markets have a big influence on the firms performance.

Knight and Liesch (2016) mention that many firms nowadays internationalize their business straight from the beginning which behaviour can be observed in the case of Company X and Bcomp. Company X as well as Bcomp did not even try to establish in the home market. Fillis (2001) mentions the leapfrogging behaviour of today’s firm regarding early internationalization models where firms for example do not try to establish and gain experience in the home market first. Therefore the statement where
early internationalization models cannot explain the behaviour of all companies of Bell et al. (2003) as well as Fillis (2001) can be argued as true at least in two of our cases.

**Motives**

Czinkota and Ronkainen (2009) state that most often a combination of motives persuade a firm to internationalize which can be proved by the empirical data. Schmocker from Sensopro states different proactive motives for example the uniqueness of their product, the technological advantage and a struggle to gain investors within Switzerland is classified as a reactive motive. Company X mentions the market knowledge, a differentiated product and as a reactive motive the competitive pressure within the Swiss market. Bcomp has solely proactive motives with a high market knowledge, very good skills / know-how with nature fibres and technological know-how in the production of materials and in a combination a unique product.

**Psychic Distance**

All three cases support the theory of Blomkvist and Drogendijk (2013) that psychic distance still plays a relevant and important role in international business. Especially in the first steps of internationalization a similar behaviour between the cases is observable. In all three cases the first expansion to foreign market was in geographical close and cultural similar countries compared with Switzerland. The empirical data shows that Germany, Austria, France and Sweden were first countries where our case companies expanded to and all these countries have a low psychic distance to Switzerland according to the definition of psychic distance from Johanson and Vahlne (1977). However, the respondent from Bcomp mentions the importance of cultural similar countries regarding structures and organization but did just partly agree with the geographical closeness. The geographical closeness and stepwise internationalization is a further point mentioned by Johanson and Wiedersheim-Paul (1975). It is stated that firms expand to more distant markets at a later stage after a learning and adaption effect occurred. Especially the case of Bcomp and Company X reveals that there is not really a break between the expansions of close countries to distant markets where learning and adaption effects or reducing an uncertainty takes place. However, the respondent from Bcomp mentions close countries to Switzerland build one cluster with similar values which makes it much easier to expand into with a higher success rate what in turn would cover the notion of O’Grady and Lane (1996). Company X further works together with distributors and subsidiaries for more distant markets to minimize the
problems of differences in culture or business practices. O’Grady and Lane (1996) identified the psychic distance paradox that discuss the success of entering a psychically close market is not automatically given. The findings from the case Sensopro reveals the problem with close markets using the example of Germany. Although the country has similarities in culture, language and industrial development, the price level is completely different to Switzerland and therefore not a potential sales market for Sensopro.

Entry Modes
The respondent of Bcomp mentions that the entry mode has big influence on the awareness and success within foreign countries which supports the theory of Hill et al., (1990). Especially during Bcomp’s first expansions to cultural different regions like Asia they experienced some difficulties with entry modes which seemed not to be optimal. The respondent from Sensopro mentions that the complexity of the product and the proximity to end customers is a crucial fact for their business which led Sensopro to create subsidiaries with own employees in three core markets of the company. The behaviour of Sensopro is mentioned by Hill et al. (1990) where the sought to control foreign activities is seen as a factor which is relevant for the decision of the entry mode. Further Hollensen (2014) states that firms who strives a high control over activities as seen in the case of Sensopro tend to use hierarchical modes under which the chosen entry mode from Sensopro (subsidiary) belongs to. Further it is also mentioned by the respondent from Sensopro that it was the intention of the company to work mainly with distributors. The high costs of the end product together with the high margin of the distributors were reasons that Sensopro was not able to work with distributors. The lack of resources in the case of Sensopro is argued by Hill (2014) one main reason of the choice of the right entry mode of small firms. Respondent X from Company X mentions that they worked together with distributors and agents due to a lack of market knowledge and market potential. The objective of Company X was to stay flexible and to avoid risks regarding the expansion in a country. Hollensen (2014) mentions the factor flexibility and risk in the process of evaluating the right entry mode. A firm that need a high level of flexibility united with a low risk is suggested (Hollensen, 2014) to choose an export mode exactly how Company X acted with distributors and agents. In a later stage, as soon as Company X collected enough market experience and was sure about the market potential and demand, they started to work with foreign direct investments which provides according to Hollensen (2014) a higher control over foreign
activities but also a higher risk and a lower flexibility. Company X outsourced the production to Vietnam mostly because of the existing know how in Vietnam how to produce shoes. According to Dunning (1988) this is a location advantage which influences the choice of entry mode. The behaviour regarding entry modes of Bcomp cannot directly be linked to existing theory. While Bcomp has enough market knowledge, a high and steady rising market demand and a lot of secrets to keep, Hollensen (2014) would suggest to enter foreign countries by hierarchical modes (e.g. wholly-owned subsidiaries, acquisitions). Regarding the theory of Hollensen (2014) and the empirical data of Bcomp the high control over foreign activities would allow Bcomp to surely keep secrets and also be in direct contact with customers for complex and big orders. The factor risk and flexibility is not as important because there is a high rising market demand and a huge market potential. The background of Bcomp’s chosen entry modes is influenced by a sustainable vision and strategy. The vision of Bcomp is to regionally produce, sell and use nature fibre materials. An own manufacturing would just not fit in this strategy therefore Bcomp works together with manufacturing partners all over the world and local distributors.

5.3 Internationalization Theories

Uppsala Model / Incremental Theory
When internationalizing into a foreign market, Johanson and Vahlne (1977) suggest that the internationalizing process of a firm can be explained through a stage model. They further claim that an incremental strategy increases the firm’s ability to acquire, integrate and use of knowledge for minimizing the risk and uncertainty. From the empirical data that has been gathered, it is apparent that all case companies exhibit just few features from an incremental expansion, especially at an early stage of the internationalization. All three companies expanded in a first step to countries nearby the home market such as Germany, Austria or Belgium. We therefore argue that these countries are psychological close markets with similarities in culture, consumer behaviour and economy. Furthermore all three case companies started the expansion through an agent or with a distributor. Sensopro as well as Company X extended their business with subsidiaries in core markets. This is in accordance to Johanson and Vahlne (1977) and Fletscher (2001) who state that firms usually expand in an early stage of the internationalization with an entry mode that require less commitment of resources and further gradually increase this commitment. Nevertheless, especially the
case of Company X reveals dissimilarities to an increase commitment. Respondent X highlights that it was clear right from inception that the company will be present with own subsidiaries in core markets. We therefore argue that the expansion into psychological countries was not in purpose to gain knowledge and reduce the uncertainty for the further expansion. In comparison, the main objective of Sensopro is firstly the fully establishment in the home market. Further Sensopro is offering their product in foreign markets where they find similar customer segments. It can therefore be argued that the trial-and-error principle of Sensopro in markets with equal market conditions reduce the risk of failure. The behaviour of Sensopro during their internationalization process reflect in some point the basic assumption from Johanson and Vahlne (1977) who states that the acquirement of experience and strengthening of the position in the home market before an expansion into foreign countries is important. The case of Bcomp shows some dissimilarities as well as similarities regarding the statement of Johanson and Vahlne (1977). Boinay (2016) from Bcomp mentioned on one hand the importance of cultural closeness with the statement: “that places do not play an important role, as long as values of people are equal”. But on the other hand this statement already implies that an experience and knowledge gain within the home market is not important. The statements from Sensopro further outgunned that the limited financial and personal resources did not admit a faster and more aggressive expansion. Our further findings show in contrast that the other Swiss Start-Ups did not establish their business in a first step in the home market. Rather Company X and Bcomp consider the world as one market with a huge potential for their high innovative products. The main part from the yearly revenue is to affiliate to sales in international markets. We therefore argue and this is in accordance to Madsen and Servais (1997) that an incremental strategy for technology intensive firms is inappropriate. Rather the main objective must be to exploit the technological advantages and to cover market niche as soon as possible.

Network Theory

Johanson and Vahlne (2009) published a revised model of their Uppsala internationalization theory where networks and relationships have become increasingly important during the expansion to foreign markets. The revised model is in coherence with the network theory of Coviello and Munro (1995) where the markets are describe as relationships between customer, supplier, competitors, private and public support
agencies. Mtigwe (2006) further state that especially for companies with a limited base of resources relationships and networks are important to gain knowledge and information about other markets. The respondents from Sensopro, Company X and Bcomp also highlight the importance of networks and relationships for the internationalization of their companies. For instance, Sensopro claim that networks and relationships are the most important factors to increase the awareness of the product. According to the respondent from Sensopro, it is essential to be part of the network, especially in the sport industry. Otherwise it is impossible to compete successfully against other providers. Sensopro uses personal contacts to get in contact with celebrities. Also Company X has a strong focus on relationships and networks and respondent X highlight that as bigger the company is, as more important are networks. Company X uses networks to evaluate potential new distribution partners or to establish new contacts. Also for the recruiting of new staff the networks and relationships are important and makes processes easier and faster. For Bcomp relationships and networks are the key to a successful expansion. The fast and successful expansion of Bcomp in the sport sector was just possible because of already existing networks and contacts. Bcomp is now building up their network to the automotive branch to establish their materials within this sector. The respondents from Sensopro and Company X further highlights that the acquiring of new information about markets is easier and therefore make internationalization faster. Sensopro, Company X and Bcomp further uses sports fairs to increase the awareness of their product and to get in contact with potential new trade partners, which is accordance to Ojala (2009) an active networking. Further Coviello and Munro (1995) argue that networks and relationships are essential for the growth of companies and have an influence on the market selection and the market entry strategies. This correlates with the answers from all respondents as they emphasize that they consider new markets for an expansion just through existing relationships.

The empirical findings demonstrate that networks and relationships play an essential role during the internationalization process of Swiss Start-Ups. Networks and relationships are of high importance for all case companies, but especially for Sensopro with a limited financial resource basis. The findings are in coherence with Vasilchenko and Morrish (2011) who argue that networks are one of the most economically reasonable ways to internationalize into foreign markets.
**OLI Model**

The internationalization theory of Dunning (1988) is based on the ownership advantage, the localization advantage and the internalization advantage. The gathered empirical findings demonstrate that all case companies have competitive advantages in form of their innovative and unique technology. This is accordance to Dunning (1988) an ownership advantage and constitutes an ideal basis for an expansion to foreign markets. All case companies acting in industries with a huge amount of different products and therefore with a high competitive pressure. The respondents of all case companies highlight that the innovative technology of their product provides a better position in the market. The Company X further uses economies of scale to increase their competitiveness which is in accordance to Dunning (2001) a further ownership advantage. For Sensopro it is actually not possible to produce a higher volume of their devices due to the high cost of the end product. However, the respondents from Sensopro and Bcomp highlight that for a further growth in international markets and to increase the competitiveness it is essential to reduce the production costs in form of economies of scale. Company X produces all parts as well as the final product in Vietnam. Bcomp has the production located in different countries. The respondent of Company X as well as Bcomp therefore underlines the advantages of producing in a foreign country. Vietnam especially have a lot of know-how in the production of shoes argues respondent X. Further advantages of a production in foreign countries are low taxes and lower production costs compared to Switzerland. These are in accordance to Dunning (2001) localization advantages which affect the choice of the right entry mode. The respondent from Company X and Sensopro further argue that a production in foreign countries is important to be competitive due to the fact that Switzerland is too expensive for a production. The strategy to work with subsidiaries in core markets reflects the internalization advantages of the firm. It can therefore be said that Sensopro and Company X work with foreign direct investments to compete on a maximum level.

**International Entrepreneurship Theory / Born Global**

The gathered empirical findings provide that all three case companies exhibit characteristics from the international entrepreneurial theory. Oviatt and McDougall (1997) state that high technologically firms did not follow a traditional internationalization and Mtigwe (2006) add that the international entrepreneurship theory is a mix between the incremental strategy and the network theory. The gathered
empirical findings reveal significant strong consensuses with the international entrepreneurship theory. According to respondent X, the focus and strategy of Company X was right from the inception on international markets. Respondent X highlighted that a shoe is a global product that makes it possible to sell the product around the world without big adaptation. Further respondent X underlined that in a globalized world the customer needs are similar in different markets and therefore the markets are more and more interrelated. This statement is in accordance to Knight and Liesch (2016) who argue that the interrelated global economy make it possible for different organizational forms to compete in international markets. In addition to Company X, also Bcomp started the business with a strong global focus. Both companies recognized the opportunities across the national borders. That correlates to what Oviatt and Mcdougall (2005) define as international entrepreneurship. The Born Global phenomenon that emerged out of the international entrepreneurship theory outline companies which acting in international markets right from the inception. Company X as well as Bcomp are accordance to the quantitative definition of Knight and Cavusgil (1996) Born Globals. Both companies have 25 per cent or more foreign sales within the first three years after the inception. It can further be argued that the conditions of the Swiss market and the increasing of niche markets facilitate the emergence of Born Globals. This is confirmed by the respondents from Company X and Bcomp, who mentioned the limited potential of the Swiss market for Start-Ups with a high innovative product. Further they emphasized the importance to occupy a global market niche as soon as possible. Other reasons for the emergence of Born Globals are new market conditions, the technological development in the production, transportation and communication and the advanced capabilities of peoples (Madsen and Servais, 1997). This is confirmed by all respondents of the case companies, who especially highlight the technological development and therefore the availability of information around the world that increases the awareness of a product faster. In contrast to the empirical findings from Company X and Bcomp are the statements from Sensopro. The respondent from Sensopro sees a high potential in the home market for their product. Further the main goal of the company is the fully establishment in the home market. As a consequence, Sensopro generates the main part of the revenue in the home market and is therefore not a Born Global, in accordance to the quantitative definition from Knight and Cavusgil (1996). Nevertheless, also Sensopro exhibits some typical characteristics of a Born Global company as Company X and Bcomp. All founders of the case companies have
an international background (study abroad, work experience in a foreign country, living abroad) what is according to Bell *et al.* (2001) typical for entrepreneurs of a Born Global. Further all respondents mention that the choice of the right market is driven by the market potential and not by geographic location, what is according to Baum *et al.* (2011) a further feature of a Born Global.

Concluding, it can be argued that all three case companies have a strong international focus and exhibit some typical characteristics of a Born Global. Namely Company X and Bcomp are typical Born Globals, but also Sensopro reveals some Born Global features.
6 Conclusion

In the last chapter the authors will answer the main research question and the two sub-questions. The basis for answering the research questions is the previous analysis chapter. Furthermore the last chapter contains theoretical and practical implications and ends with the limitation of this study as well as recommendation for further research.

6.1 Answering the Research Question

The basic for the research as stated in the introduction emerged from two developments in recent decades: firstly the development that more and more small firms expand their business to foreign markets and secondly the changing business environment and thus the challenge of traditional internationalization theories. An opposite view of the traditional internationalization of firms provides the international entrepreneurship theory with the Born Global phenomenon. Therefore, the aim of this thesis is to examine and understand the internationalization process of Start-Ups from Switzerland on the basis of the following main research question: How prevalent are traditional internationalization models among Start-Ups from Switzerland? Sub-question 1: What is the role of the international entrepreneurship theory in the internationalization process of Swiss Start-Ups? And Sub-Question 2: How do the special features of a Start-Up affect the choice of the entry mode when entering a foreign market?

Sub-Question 2

This sub-question aimed to investigate how Start-Ups from Switzerland enter new markets and how the choice of the entry mode is affected by the special features of Start-Ups such as the firm size together with the limitation in financial and personal resources. This sub-question is important due to the fact that the choice of the right entry mode, especially for small firms, have a high influence on the firm’s performance in international market and is therefore a critical strategic decision (Hill et al., 1990; Agrawal and Ramaswami, 1992). Further the choice of the right entry mode is the last step during the internationalization process and therefore the concluding step for a company.
Our research concludes that the available resources of the case Start-Ups have had an influence on the choice of the entry mode, but the influence is not that high as the literature review has demonstrated. Just one of the respondents had to change the strategy to work with distributors due to limited financial resources. However, even Sensopro with a small equity base was able to expand at an early stage of their business activity with foreign direct investments. The empirical findings mainly demonstrate that the Start-Ups decided to choose the most appropriate entry mode, apart from the financial and personal situation. It was shown that the potential of the market and the proximity to the end customers were the main factors for the choice. The findings further demonstrate that the choice of the entry mode is mainly driven by the complexity of the product. Therefore, the case companies already started to expand with foreign direct investments at an early stage of the founding. Such entry modes are related with a higher resource commitment and therefore related with a higher risk for the company. Hence, it can be concluded that the case Start-Ups choose the most appropriate entry mode apart from risk perceptions or high resource commitments.

**Sub-Question 1**

Sub question 1 aims to investigate the influence of the international entrepreneur theory regarding the internationalization strategy of Swiss Start-Ups. This question is important because it is compared to other internationalization strategies a rather young theory and a behaviour which is mainly observed in small, high technological firms (Oviatt and McDougall, 1997). The observed target group mentioned by Oviatt and McDougall (1997) fits perfect to the definition of Start-Ups which are crucial examination points in this thesis. The analysis clearly shows that the case companies do not follow a traditional internationalization strategy which is a further point to research toward the international entrepreneur theory (Oviatt and McDougall, 1997).

According to Mtigwe (2006) the international entrepreneurial theory is a mix between the incremental strategy and the network theory. In fact the analysis showed that each case company first expanded to direct neighbour countries of Switzerland. In a further step the examined companies expanded to further countries but still within Europe. Further internationalization steps are spread all over the world and a pattern is not definable. But within the analytical part the authors worked out that in two cases namely Company X and Bcomp relationships steady gained importance regarding the decision
in which country or region to expand into. So the authors argue that the mentioned international entrepreneurial theory according to the definition of Mtigwe (2006) definitely can be observed in the case of Company X and Bcomp.

Further the theory describes as a result of international entrepreneurship the often following Born Global phenomena. The Analysis showed that according to the theory of Rennie (1993) as well as the theory of Knight and Cavusgil (1996) Company X and Bcomp represent a Born Global.

Compared to Senoplo which also shows similar patterns like Company X and Bcomp but in a more centered way also described by Kuivalainen et al. (2007) with the term of born internationals where firms focus on close foreign markets on the same continent. Concluding it can be said that the international entrepreneurship theory in comparison to traditional theories is the most suitable theory for Start-Ups with a high technologically product. The empirical findings clearly demonstrate that the theory is a mix between an incremental expansion and the network theory.

**Main Research Question**

The main research question tries to examine the influence of traditional internationalization models during the internationalization strategy of Swiss Start-Ups. The comparison between the case company’s internationalization strategy and the examined internationalization theories reveals that not one case exactly followed a traditional internationalization model. However, the strongest overlap can be seen in the internationalization process of Senoplo and the Uppsala model. The establishment in the home market, the risk awareness through trial and error, the growing commitment, the psychic distance all these factors drawing the internationalization process of Senoplo are mentioned by Johanson and Vahlne (1977) describing the Uppsala Model. Despite this finding, it has to be mentioned that Senoplo is relatively seen in an earlier internationalization stage in comparison to Company X or Bcomp. So the authors can just argue for this part of the internationalization of Senoplo, an outstanding expansion outside Europe could take place in a total different manner. The internationalization strategy of Company X as well as Bcomp have similar patterns. The initial expansion steps are similar to the theory of Johanson and Vahlne (1977) explaining the Uppsala model. But already in this initial expansion steps important dissimilarities to the Uppsala model theory are recognizable. The described risk averse behaviour by Rennie
(2013) cannot be found in the internationalization strategy of Company X and Bcomp. Furthermore Company X shows a high market commitment already from the beginning of their internationalization contrary to the Uppsala model theory. Bcomp has a lower market commitment what can be explained by the sustainable factor in the company vision. Due to the empirical findings and the analysis the authors argue, that a mix between the Network and OLI model mainly influences the decision for further country elections. Countries in which Company X or Bcomp further expanded into are initiated by relationships and show several advantages regarding ownership, localization or internationalization described by the OLI model.

To sum up the analysis on the basis of the collected empirical data shows that traditional internationalization models do not fit for the interviewed Start-Ups. However the authors discovered that the approach of the international entrepreneurship which represents a mix between the Stage and Network model (Mtigwe, 2006), preferably explains the internationalization strategy of the examined cases. Suitable to those findings Company X as well as Bcomp meet the conditions to be a born global, which often is a side effect of an international entrepreneurship. The nonspecific explanation of the international entrepreneurship and the base from Stage / Network model allows a relatively nonspecific allocation. Additionally it has to be mentioned, that the international entrepreneurship approach is compared to the Uppsala, OLI and Network model a younger theory and was developed due to a missing model for young high tech firms.

6.2 Theoretical Implications

The research of this thesis laid the focus on small companies with a small home market. Different researchers in recent years investigate on the internationalization of SMEs and MNEs. If the consideration lay on a special type of enterprise such as Start-Up the situation seems to be different. Research regarding the internationalization of Start-Ups with a small home market such as Switzerland has been almost non-existent. The unique characteristics of Start-Ups constitute a new research field and therefore a research gap has been identified. The objective of this thesis is to research on how Swiss Start-Ups expand their business to foreign markets and how prevalent traditional internationalization models are. The findings of this thesis have demonstrated that at an early stage of the internationalization, an incremental approach is still recognizable.
Nevertheless, the current business environment allows a fast internationalization and an incremental strategy is often inappropriate, especially for Start-Ups. This research further demonstrates, with the specific orientation regarding Start-Ups, the importance of the international entrepreneurship theory, which is a mix between the incremental strategy and the network theory.

6.3 Practical Implications and Recommendations

On the basis of the findings the authors of this thesis will provide different practical recommendation on how Swiss Start-Ups can internationalize their business in a successful manner. The gathered findings demonstrate the importance of networks and relationships. To become part of these networks it is essential to increase the awareness of the product. Start-Ups often lack of resources. An easy and cheap way to increase the awareness as well as build up networks is the participation at international fairs. A further point that the empirical findings reveals is that a fast expansion can help to find further investors. For a company with a small home market it is difficult to find potential investors in the home market. International markets constitute a higher potential, especially for companies with an innovative technology. A further recommendation focuses on the decision of the right entry mode. Therefore it is essential to consider each market alone and make separate decisions. A useful strategy is the choice of a variation of entry modes. To work with distributors or agents simplifies the market entry. However, the empirical findings show that core markets should treat in a direct manner to ensure the proximity to the end customer.

6.4 Limitations

The authors identified different limitations during the development of this thesis which had an impact of the quality findings and also on the ability to answer the research questions. In general, the choice of the research design implicates its own limitations. Due to problems with finding appropriate companies, two-out-of-three Start-Ups that participating in this study present the same industry. The fact that these two companies are at different stages of their growth provides different perceptions, nevertheless the findings are similar. In order to get a deeper understanding of internationalization strategies of Start-Ups, a broad number of Start-Ups from different sectors need to be
researched. A higher number of companies provides the possibility to highlight more similarities and differences.

A further limitation constitutes the fact that all case Start-Ups have the Swiss market as home market. To investigate in Start-Ups with different home markets provides the possibility to examine the internationalization behaviour in context to the circumstances in the home market.

6.5 Further Research

During the development of this thesis the authors noticed that the research concerning the internationalization process of Start-Ups is relatively unexplored. Especially if the focus lies on small companies with a small home market it provides a large potential for further research. Different relevant topics can therefore be interesting for a further research as well:

- The globalization and therefore the ongoing change of the business environment leads to different expansion strategies of firms. The ongoing change of the internationalization process challenged traditional theories as well as new developed theories. To investigate a bigger number of Start-Ups companies from different industries to see how these companies proceed during the internationalization can be another research field.

- Further it can be researched from a different point of view. A possible research field is to investigate how Start-Ups from different countries proceed during their internationalization. The differences of market conditions constitute an interesting field for a comparison. Another possibility is to research the motives why Start-Ups do not expand their business. This study only has focused on Start-Ups which internationalize their business and not the motives why others stay in the domestic market.
References

Interview Participants

- Schmocker, Kaspar, Founder and Sales Manager at Sensoprotec
  face-to-face interview in Bern, 2016-07-29

- Boinay, Cyrille, Co-Founder and Managing Director at Bcomp
  face-to-face interview in Bern, 2016-07-29

- Respondent X, Responsible for the distribution partners at Company X
  face-to-face interview in Zurich, 2016-08-02

Literature


Articles


Online Sources


Appendices
Appendix A Interview guide

General information:

- Brief information about yourself? (What is your position? Describe your international experience, what are your work assignments? How long have you worked for this company?)
- About the company (On which market is the company active? Where is your headquarter? How many employees in Switzerland and in total? Age of comp.)
- Do you wish to be anonymous?

Start-Up

- Can you give some comments about the following points; describe your products, expansion (fast/slow), equity base, available resources (financial, personal), yearly revenue, growth of the company, reasons for the growth, establishment in the market etc?
- From where arises your business idea?
- How would you rate your investments in R&D during the last years?
- How would you describe your company's position in the domestic market?

Internationalization

- How long have you been active in international markets and in which markets are you present with your products today?
- What are the reasons/motives that you’re acting in international markets and how big is the influence of the foreign markets on your performance?
  - How do you think that external and internal pressure or factors has affected the internationalization process?
- Did you follow a specific strategy when you expand into foreign markets? (internationalization strategy, country selection, optimal moment for an expansion, entry mode)
- How strong was the influence of the globalization on your expansion?
Psychic Distance
- How did you manage the differences from your home market to host markets concerning the following aspects (education, culture, language, business practices, industrial development)?
- How did you minimize the problem of differences between countries?

Entry Mode
- How did you mainly enter foreign markets?
  - Did you use different entry modes? If yes why?
  - Why did you choose this entry mode?
  - What are the pros and cons of your entry mode?
  - How affected your financial and personal resources situation the choice of the entry mode? If the situation looks different, would you change your strategy?
  - How important was your knowledge about the market when choosing the entry mode?

Internationalization Theories / Born Globals
- Can you describe your internationalization process? (in detail – which factors triggered the choice for which country and how it was entered)
- How would you describe your knowledge about foreign markets at the beginning of your expansion? Does it looks different today?
- How would you describe your market commitment throughout the expansion process?
- Did you conscious follow an incremental strategy or did you change your strategy during the expansion?
- If it is/was an incremental strategy, could it be due to a risk averse behaviour?
- How important are networks and relationships throughout the internationalization process? Does it change during the process?
- In which way can networks and relationships help during an expansion?
- How has your constructed network been helpful for the further expansion process?
- If you leapfrogged different stages during the expansion, what were the reasons for that?
• Born Globals: a firm that from its inception pursues a vision of becoming global and globalizes rapidly without any proceeding long-term domestic or internationalization period / having more than 25 % of export share within 3 years from inception? Would you rate yourself as a Born Global?

• Which criteria do you consider to select a new market?

• Before you expand your business idea, did you consider specific advantages? (product, technology, managerial knowledge)

• Did you ever consider / or do you produce in a foreign country? If yes why? (infrastructure, taxes, raw material, labour costs)

• Your ownership advantages (monopolistics advantages, technology, knowledge etc) have they a direct connection with the choice of the internationalization? Foreign Direct Investment when yes (store etc. otherwise licencing, export etc).