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„Internationalization and market entry modes of Austrian
SMEs: A comparative case study“

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Abbreviation register

e.g. – example given

EU – European Union

FDI – Foreign direct investment

GDP – Gross domestic product

IJV – International Joint Venture

INV – International New Venture

JV – Joint Venture

LSEs – Large-scale enterprises

OECD – Organization for Economic Co-operation and Development

PLC – Product life cycle

R&D – Research and development

SMEs – Small and medium-sized enterprises

UAE – United Arab Emirates

WOS - Wholly owned subsidiary

1. Introduction

1.1. Problem discussion and motivation

Today's markets are extremely globalized. As a result of the phenomenon of globalization, markets as well as nations are becoming highly interdependent and connected. Furthermore, the removal of trade barriers together with the fast growth of new information and communication technologies have made doing business internationally much easier than ever before. Generally speaking, small and medium-sized enterprises (SMEs) are much more vulnerable and sensitive with regard to these developments than large-sized enterprises. Domestic market saturation with intense competition pushes companies to go international in order to survive. In addition, internationalization is a crucial way to improve SMEs' profitability (Cerrato and Piva 2010). By entering new geographical markets, companies are able to earn higher production volumes and pursue their growth strategies.

Since almost 99.8 per cent of all firms in the European Union are classified as SMEs, there is no doubt about their economic importance (European Commission 2012, p. 1). However, the SMEs decision to go international is often much more complicated and challenging for smaller-sized enterprises as they generally lack resources in terms of cash, know-how, market power, influential relationships, etc. Despite these disadvantages, the number of internationally active SMEs is still rising. It should likewise be pointed out that a large proportion of today's successful big businesses began as SMEs.

The choice of a foreign market entry mode is regarded to be one of the most crucial decisions an internationalizing firm can make (Erramilli and Rao 1990, p. 136). As far as the market entry modes of SMEs are concerned, the export strategy seems to be according to Leonidou and Katsikeas (1996) the most fundamental entry mode in their internationalization process. Summing up, internationalization is nowadays regarded to be a crucial prerequisite as well as condition for a company's growth or even survival rather than just an option or alternative (Hurmerinta-Peltomäki 1994, p. 24).

1.2. Approach and aim of the thesis

The main objective of this master's thesis is to describe, explain and analyze the internationalization process, as well as the factors that have an impact on the internationalization decision and the choice of the foreign market entry mode of Austrian SMEs. The research findings will be compared with the available literature and the question "Is there a general fit or are there any differences between the theory and the practice?" will be answered.

This thesis is based on a combination of primary and secondary data. In order to be able to get deep insights into the research topic, this thesis is written as a comparative case study. Three cases (SMEs based in Austria) will be investigated and compared so as to answer the formulated research questions and to test the hypothesis presented in the empirical part of this thesis.

1.3. Research questions

Based on the theoretical framework, a practical investigation with the chosen Austrian SMEs is conducted in the second half of the thesis with the aim of answering the following research questions:

- 1) How does the internationalization process of the chosen Austrian SMEs look like?
 - Is there any strategic planning, or is it rather reactive and intuitive?
 - What were the motives for internationalization of the interviewed Austrian SMEs?
 - Which hurdles did the Austrian SMEs have to face/overcome during the process of internationalization?
 - Which internationalization theory is most suitable for the interviewed SMEs?
- 2) Why did the interviewed Austrian SMEs choose the mentioned market entry modes?
 - What were the influential factors?
 - Which approach to the market entry mode choice does the company follow?

1.4. Structure of the thesis

The present master's thesis is divided into eight, but five main, chapters. Each topic is discussed in a separate chapter.

In chapter one, a general introduction to the master's thesis topic "Internationalization and market entry modes of Austrian SMEs: A comparative case study" is presented.

Secondly, chapter two deals with the terminology used throughout the thesis. It contains precise definitions of terms critical for understanding the thesis topic.

Chapter three is concerned with the definition and basic characteristics of SMEs. The last section of chapter three gives an overview of SMEs in Austria, as this thesis is limited to the internationalization process of Austrian SMEs.

Chapter four concentrates on the internationalization process of SMEs while taking into account the motives of internationalization, the possible risks and hurdles an internationalizing company can face. Also, this section points out some of the factors that play a crucial role in the SMEs' internationalization followed by statistical data on internationally active SMEs.

Chapter five is devoted to internationalization theories that are suitable for SMEs as these are very helpful in explaining the internationalization behavior of many enterprises.

Chapter six presents the rules and approaches for market entry mode selection followed by a description of the most important market entry strategies. Furthermore, this chapter highlights all possible factors that may impact the foreign market entry mode decision. This chapter is concluded by a proposed "conceptual framework". This shows just a picture or rather a summary of possible forces impacting the internationalization of SMEs in general and their entry mode choices.

Chapter seven is a very important section as it contains the practical part of this thesis, i.e. the empirical part. In more detail, this chapter presents a comparative case study analysis based on in-depth interviews with three carefully chosen Austrian SMEs. At the beginning, the theoretical background of the methodology used in this thesis is presented. Next, the hypotheses are introduced and tested, and finally the research questions answered.

In the last chapter, chapter eight, the master's thesis results are summarized and possible limitations are discussed.

2. Terminology

2.1. Globalization

Nowadays, globalization is regarded as the most serious socioeconomic trend. There exist many different definitions of the word “globalization”. For example, Friedman sees globalization as *“the world integration of finance markets, nation states and technologies within a free-market capitalism on a scale never before experienced”* (Steiner 2003, p. 16). Additionally, globalization often refers to a worldwide management of the firm’s activities (Ruzzier et al. 2006, p. 477). Hollensen (2011) describes globalization as *“the trend of firms buying, developing producing and selling products and services in most countries and regions of the world”* (Hollensen 2011, p. 6).

Globalization is generally brought about by different forces. The rapid growth of low-cost technologies is regarded as the first driving force of this trend. The new technology is easily connecting different people in different locations and increases awareness about global business chances and opportunities. Secondly, the reduction of trade barriers and the deregulation of financial markets are responsible for a greater integration among economies. Last but not least, the geographical expansion through opening markets in Asia, especially the Chinese market, acts as a magnet for investments from abroad. (Ruzzier et al. 2006, p. 477)

2.2. Internationalization

The definition of the word “internationalization” is somewhat evasive as well. There exist a number of different definitions in the literature. As a result, only some of them will be discussed. Some scholars consider it to be *“a synonym for the geographical expansion of economic activities over a national country’s border”* (Ruzzier et al. 2006, p. 477). Johanson and Mattsson (1988) define internationalization as a sequence of activities, such as establishing, developing, maintaining and dissolving of relationships. This is done in a cumulative way with the goal of meeting the company’s objectives. Lehtinen and Penttinen (1999) focus on the network perspective. As a result, they write that internationalization is establishing networks of business connections in foreign countries in the form of extension, penetration and integration.

2.3. Market entry modes

A market entry mode is generally described as “*an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management or other resources into a foreign country*” (Root 1987, p. 5 quoted in Erramilli and Rao 1990, p. 136). The selection of the “right” market entry strategy is a crucial decision for each company as it may considerably affect its performance. It is related to control which makes sure that specific organizational purposes will be achieved (Blomstermo et al. 2006).

3. Small and medium-sized enterprises (SMEs)

Small-sized firms are not “*smaller versions of big business ... smaller businesses deal with unique size-related issues as well, and they behave differently in their analysis of, and interaction with, their environment*” (Shuman and Seeger 1986, p. 8 quoted in Coviello and McAuley 1999, p. 228). They diverge radically from larger companies. Importantly, national economies are dependent on the group of SMEs. The European Union highlights the economic role of SMEs as well. More precisely, they are considered to be the engine of the European economy. According to statistics from the year 2010, 99.8 per cent of all enterprises in the EU-27 were classified as SMEs. These enterprises offered work opportunities for roughly 67 per cent of the European working population. So-called “micro” enterprises account for over 92 per cent of all companies. Hence, a micro company is considered to be the typical company in the European Union, occupying approximately 2.1 persons per enterprise. Furthermore, the group of small enterprises represents approximately 7 per cent of all companies in the EU. About 1 per cent of companies are medium-sized. (Daszkiewicz and Wach 2012, p. 16 ff.) These small to medium-sized enterprises are seen as a main source of entrepreneurial skills, innovation and recruitment (European Commission 2005, p. 5). The share of large enterprises amounted to the remaining 0.2 per cent in 2010, with employment of approximately 33 per cent of the European labor force (Daszkiewicz and Wach 2012, p. 17).

3.1. Definition

There exist many definitions with respect to what constitutes an SME in different countries. For this reason, it may be problematic to compare SMEs from Europe with their counterparts from America or the United Kingdom. Generally, SMEs can be defined on the basis of quantitative and qualitative criteria.

3.1.1. Quantitative criteria

Some “*non-subsidiary, independent firms which employ fewer than a given number of employees*” (OECD 2000, p. 2) are generally described as SMEs. The staff headcount thresholds differ across national statistical systems. The most frequently used ceiling with

respect to the number of persons occupied is 250 persons. Some other nations use the ceiling of 200 employees. However, the United States is an exception. It views all enterprises with fewer than 500 employees as SMEs. Financial thresholds are used to define SMEs as well. (OECD 2000, p. 2)

The European Commission offers the new and common European SME definition which became valid on 1 January, 2005. The main objective of this definition is to allow for the economic developments since 1996. It raises financial thresholds because of the price and productivity increases and presents a typology of enterprises, i.e. micro, small and medium-sized. (Zurik 2013, p.12)

This new definition characterizes SMEs as: *“The category of micro, small and medium-sized enterprises ... made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”* (Extract of Article 2 of the Annex of Recommendation 2003/361/EC quoted in European Commission 2005, p. 5). This makes clear that for each company it is mandatory to take into account the staff number ceiling. However, with respect to the other two criteria (annual turnover and balance sheet), firms can decide which one of them they wish to follow. Most importantly, in case a company exceeds one of them, it will still be classified as an SME. There was a need to come up with a common SME definition for the European Union as it is characterized by no internal frontiers. This was done in order to enhance the consistency and effectiveness of SMEs and help them in regional development as well as research funding. The improvement of the business climate for smaller or medium-sized firms together with supporting investments and growth were the most important goals of the new definition. The new definition allows also for relationships in terms of financial links with other firms. (European Commission 2005, p. 6 ff.)

As the thresholds for the group of medium-sized enterprises have already been stated in the common definition, it is necessary to mention the numerical ceilings for the micro and small companies. Micro enterprises are characterized by having less than 10 employees and their annual balance sheet or annual turnover is limited to 2 million euro. For small companies the numerical thresholds are 50 persons and 10 million euro, respectively. (European Commission 2005, p. 14)

3.1.2. Qualitative criteria

Because of the fact that the quantitative criteria differ from country to country, there exist a catalogue of possible qualitative characteristics defining SMEs. However, there are no commonly accepted qualitative definitions of SMEs. These are related to behavioral attributes, examples being the management, decision making and delegation of authority in SMEs, thus describing the organic principle of SMEs. The idea of applying some qualitative characteristics is to improve the quantitative definition. (Etemad and Wright 2003, p. 205; Zurik 2013, p. 13 f.)

The most frequently used qualitative feature is the personality of the entrepreneur. He is often the manager and the owner of the company at the same time and he forms the corporate culture of an organization. As well as this, he provides the capital needed for financing the business and bears responsibility for the company's, financial and other risks. Naturally, the main source of an entrepreneur's income is his own business. (Mugler 2005, p. 31; Kruse 2009, p. 22) In addition, SMEs are characterized by strong personal ties. For example, there may exist close relationships and/or contact between the management personalities and the company's employees, customers, suppliers, public, etc. The relationships between management and staff are often informal. Especially due to their proximity to customers, SMEs are able to gain a better access to market information. Another feature distinguishing small from large businesses is their low degree of formalization of their organization, resulting in flat hierarchies. As a result of lean structures, smaller companies react to changing market environments more quickly than larger companies with more complicated internal structures. Finally, the firm is responsive and offers products and/or services that are customized to their customers' needs and requirements. These types of companies are usually focused on niche markets. (Steiner 2003, p. 19; Mugler 2005, p. 31 ff.; Pfohl 2006, p. 18 ff.)

Unfortunately, SMEs often lack all kinds of resources, such as financial, human, physical and intangible (Hollensen 2011, p. 12). The entrepreneurs and employees in smaller companies are in many cases generalists rather than specialists, with limited formal business education. This might be the case, because especially when a company is new on the market, all employees are expected to make some contribution and thus ensure the survival of the business (Levy and Powell 2005, p. 33). As far as the strategic planning is

concerned, the majority of SMEs do not make use of any strategic planning instruments, and decision-making is usually based on intuition and previous experiences of the management team (Pfohl 2006, p. 18). According to Analoui and Karami (2003), SMEs frequently have relatively small share of a competitive market and they are unable to exercise an influence on prices. Because of this, they also have very low bargaining power (Analoui and Karami 2003, p. 26).

3.2. Economic contribution of SMEs

Generally speaking, SMEs are the engines of most economies and their existence is indispensable for generating employment, fostering competitiveness, promoting innovation and creating economic wealth (European Commission 2005).

Studies have confirmed that for every dollar invested in an SME, 12 extra dollars are produced for the rest of the local economy. The investment into an SME brings economic effects which are spread among various groups in the specific local economies, such as customers, suppliers, direct/indirect competitors, producers of complements, etc. Thus SMEs create a strong multiplier effect and their presence contributes to the stabilization of economies as well as income growth. Furthermore, SMEs help local economies and drive industrial and regional economic development by buying local resources, thus leading to the creation of new job opportunities. (Mugler 2005, p. 57 f.; SEDF 2012 – Approach)

SMEs have achieved a growing importance in politics as well, as approximately 80 per cent of all jobs are offered by this group of enterprises. Furthermore, they provide valuable contributions to the qualification of the workforce. There is a large share of SMEs involved in the education of apprentices. (Hamer 2006, p. 34 f.)

The importance of SMEs for production and growth is also not negligible. Today, many large businesses outsource their internal business functions to some independent SMEs, as they are able to perform some activities more flexibly and cost effectively than LSEs. Since SMEs present a very large group of firms and they normally account for the bulk of employment in many countries, the taxation of SMEs provides crucial sources for financing public duties. They are much more important in tax issues than LSEs, because

larger companies can, in comparison to SMEs, more easily take advantage of tax benefits. (Hamer 2006, p. 35 f.)

Concerning the environmental necessity of SMEs, SMEs contribute to local environments for example by supporting local social initiatives. Smaller businesses are less responsible for environmental pollution than larger companies, as the severity of pollution depends on the company's size. (Mugler 2005, p. 58; Hamer 2006, p. 39 f.)

3.3. SMEs in Austria

The Austrian economy consists of a very high proportion of micro, small and medium-sized enterprises. In 2011, 99.7 per cent of all Austrian companies were SMEs, providing employment for nearly 68 per cent of the Austrian workforce and contributing about 61 per cent of the value-added according to estimates of Eurostat based on figures for 2005-2009. (European Commission 2012, p. 1)

Table 1: SMEs in Austria – basic figures

	Number of Enterprises			Employment			Value added		
	Austria		EU27	Austria		EU27	Austria		EU27
	Number	Share	Share	Number	Share	Share	Billion Euro	Share	Share
Micro	256.714	87%	92,2%	651.528	25,1%	29,6%	29	18,7%	21,2%
Small	32.265	10,9%	6,5%	615.843	23,7%	20,6%	32	20,3%	18,5%
Medium-sized	4.917	1,7%	1,1%	492.238	19%	17,2%	34	21,8%	18,4%
SMEs	293.896	99,7%	99,8%	1.759.609	67,9%	67,4%	96	60,8%	58,1%
Large	1.029	0,3%	0,2%	833.573	32,1%	32,6%	62	39,2%	41,9%
Total	294.925	100%	100%	2.593.182	100%	100%	157	100%	100%

Source: Own representation with reference to European Commission 2012, p. 1.

To be more precise, there were almost 294,000 SMEs in Austria in 2011. Although the micro enterprise is the most common enterprise form in Austria (87 per cent), Austria still has fewer micro companies than the EU average (92.9 per cent). As a consequence, Austrian micro firms contribute less to employment and value-added than the micro companies in other EU member states. As far as the industrial sector distribution is concerned, services are more essential for the Austrian economy than for the EU in general. In comparison to the EU average, where nearly 45 per cent are service providers,

in Austria 55 per cent goes to the service sector. Therefore, trade, construction and manufacturing sectors hold to some extent less weight. Also, the share of innovative SMEs in Austria is lower than in the EU. Some 11 per cent of Austrian manufacturing SMEs belong to either the high-tech or mid-hi-tech sectors (EU 12 per cent) thus providing 23 per cent of employment and 28 per cent of value-added. Comparing the knowledge-intensity of Austrian firms with the EU average, these numbers seem to be in line. 32 per cent of all Austrian service SMEs are knowledge-intensive (EU 28 per cent) creating 25 per cent of job opportunities and 27 per cent of all total value-added in services. (European Commission 2012, p. 1 f.)

To sum up, Austrian SMEs seem to be very powerful and crucial for the Austrian economy. They are stable as well. Austria was one of the few EU member states where the financial crisis was weathered without any enduring decline (European Commission 2012, p. 2).

4. Internationalization decision and SMEs

Undoubtedly, the internationalization of SMEs and LSEs differs. The smaller firm's internationalization decision and the international market selection are frequently "*simply a reaction to a stimulus provided by a change agent*" (Hollensen 2011, p. 261). Receiving an unsolicited foreign order from abroad may be an example of such an agent (Hollensen 2011, p. 261).

Since SMEs already face a shortage of capital and other critical resources, some strategic mistakes in their internationalization process can lead to the end of the company's activities (Kruse 2009, p. 24). This makes internationalization one of the most critical and complex strategies a company may be willing to undertake (Fernández and Nieto 2005, p. 77). The so-called "liability of foreignness and newness" are, according to Lu and Beamish (2001), seen as the most important challenges of SMEs' internationalization. The more dissimilar is the domestic market from the target market, the more crucial are the challenges (Lu and Beamish 2001, p. 566).

There exist a wide number of different factors impacting the internationalization of SMEs. At this point, the literature is distinguishing between determinants, such as characteristics of management, organizational characteristics, external incentives for doing business overseas, etc. (Fletcher 2001, p. 26)

Starting with management characteristics, it is essential to point out that the personality of the entrepreneur is considered to be the main variable in the internationalization of SMEs (Prince and Dijken 1998, p. 127; Ruzzier et al. 2006, p. 489). Personal characteristics, international experience and foreign language proficiency of the leading personality have been found to positively impact export propensity (Suárez-Ortega and Álamo-Vera 2005, p. 273; Korsakienė and Tvaronavičienė 2012, p. 298 f.). Furthermore, family businesses, classified as another management characteristic, are less willing to go international than non-family businesses. Internationalization is a process of change: there will be new products developed, new operations managed, new customers served, new competitors monitored, new strategies followed, etc. Since family businesses are more conservative and opposed to change, they can therefore often be found in the category of less internationally

active companies. (Aerts 1992 quoted in Donckels and Aerts 1998, p. 154; Hauswald 2013, p. 70)

Furthermore, organizational characteristics are closely related to the willingness to produce products for overseas markets. External impediments present higher risk perceptions of unfamiliar markets, foreign market knowledge, deficiency of export training and assistance of the government. On the other hand, the availability of export opportunities or other incentives and the demand for domestic products in foreign markets are some examples of external incentives influencing the international activity of firms. (Bilkey 1985 quoted in Fletcher 2001, p. 26 f.)

Naturally, there are many other variables affecting whether a company will or will not go international. Some of them, e.g. characteristics of product and/or service, network relationships, etc., will be discussed later in the thesis.

4.1. Statistics of SMEs' internationalization

A report published by the OECD demonstrates that internationalized SMEs accounted for about 25-35 per cent of the world's manufactured exports in 1997. These exports contributed about 4-6 per cent to the GDP in the OECD countries. (Matlay and Mitra 2004, p. 221) In 2012, more than 40 per cent of SMEs from Europe were involved in some form of international activity (Daszkiewicz and Wach 2012, p. 18). The Table 2 in the Appendix shows the percentage of companies from the EU involved or not involved in international business activities and the percentage of firms planning to start such activities based on figures from 2006 to 2008. This confirms the results of many studies that SMEs in most of the cases enter overseas markets via export or FDI strategy (Lu and Beamish 2001, p. 566; Wright et al. 2007, p. 1019).

4.2. Internationalization motives

4.2.1. Macroeconomic reasons

There are many reasons for the internationalization of SMEs. From a macroeconomic perspective, exporting activities of domestic enterprises can help national economies to increase the gross domestic product (GDP) and consequently secure and create jobs. In addition, SMEs have positive effects on economic growth. They represent a possibility for reducing trade deficits, which pose a serious economic problem as a result of the increasing number of imports caused by the phenomenon of international integration. Finally, these activities are useful in improving the standard of living as well. This is in fact very important for small open economies, such as Austria. (Miesenböck 1989, p. 1 f.; Leonidou and Katsikeas 1996, p. 518)

4.2.2. Microeconomic reasons

From the microeconomic perspective, exporting or some international activity can help an individual company to gain a competitive advantage, provide access to innovations, enhance financial stability and raise capacity utilization and technological standards. International activities have positive effects in terms of achieving economies of scale and better risk diversification as well. (Miesenböck 1989, p. 1 f.; Leonidou and Katsikeas 1996, p. 518; Reinemann 2011, p. 122)

Donckels and Aerts (1998) see the importance of SMEs' internationalization in the prolongation of the product life cycle of their products (PLC) and in the risk reduction by serving similar niches overseas rather than in diversifying into new niches at home.

Next, Hollensen (2011, p. 50 ff.) distinguishes between proactive and reactive reasons for internationalization:

Table 3: Internationalization motives

Proactive motives	Reactive motives
• Profit and growth goals	• Competitive pressures
• Managerial urge	• Saturation of the domestic market
• Unique product/technology competence	• Overproduction
• Foreign market opportunities	• Unsolicited foreign orders
• Economies of scale	• Extend sales of seasonal products
• Tax benefits	• Proximity to international customers
	• Risk diversification

Source: Albaum et al. 1994, p. 48, also Hollensen 2011, p. 51.

First of all, the group of proactive motives focuses on a specific strategy change. A company is willing to take advantage of its unique competences and opportunities offered by the market. A strong company's motivation to grow makes firms more interested in searching new possibilities in order to meet higher growth and profit ambitions. Since the decision-making in SMEs is often a responsibility of a single entrepreneur, the managerial urge, i.e. his aspiration, effort, and enthusiasm with respect to internationalization represent another major motive for an export start. As well as this, companies offering special technology competences and unique products, which are not widely available, frequently start their foreign business operations as a result of enquiries from other countries. Doing business internationally can also help companies to reduce their production costs and make them more competitive in their home markets. Finally, some foreign market opportunities and tax benefits are other proactive reasons for internationalization.

Another group of motives stated by Hollensen (2011) are reactive motives. Here, the firm reacts to a changing market environment, e.g. threats and pressures in the home market. The company adapts passively to these developments by modifying its operations and activities. Competitive pressures and highly saturated home markets resulting from the increased interconnectedness of countries are the main reasons for a company to go international with its product offering. Low sales figures in the home market leading to high inventory levels may be another meaningful reason for a company to start selling the overproduction and/or excess capacity abroad. Some companies producing seasonal products may find it essential to extend their sales by offering their products in different times of the year in countries with different seasonal conditions, e.g. European producers of agricultural machinery focusing on southern hemisphere markets in winter. Finally, the

cultural closeness of the home and the international market may present a major driver of a company's international activities.

Additionally, Glowik and Smyczek (2011) divide the reasons responsible for starting internationalization in five major groups: demand-oriented internationalization motives, supply-oriented internationalization motives, follow-the-customer phenomenon, follow-the-competitor phenomenon, and financial resources (Glowik and Smyczek 2011, p. 8 ff.). Another possible grouping of internationalization motives was made by Katsikeas and Piercy (1993). The authors divide the motives into four groups: decision-maker and firm characteristics, firm-specific and environmental factors.

4.3. Internationalization barriers

There are not only opportunities, but also threats of internationalization, which need to be taken into account. These may occur as a result of high information costs or long decision making processes due to a lack of experience and knowledge. Past studies revealed that insufficient knowledge associated with the lack of qualified employees often pose internal hurdle to SMEs' internationalization. (Cerrato and Piva 2010) Furthermore, a company may lack financial resources, productive capacity and/or foreign market connections which may hinder the internationalization decision. This is often the case for SMEs. In addition, in smaller companies the person of the entrepreneur often has strong personal ties to the home country and he may therefore be determined to concentrate exclusively on developing the domestic market. (Hollensen 2011, p. 61) On the other hand, it is essential to point out that firm size by itself does not pose a barrier to internationalization (Calof 1993, p. 67).

Cultural differences, the market and political situations in target countries, organizational costs and higher capital requirements are stated as other possible internationalization hurdles (Gaugler and Ganter 1995 quoted in Pleitner et al. 1998, p. 49). Possibly, the most critical and economically harmful entry barriers are those erected and controlled by governments, such as tariffs, quotas, taxes, other government regulations and restrictions. Corruption is also seen as a trade barrier as it raises the costs of establishing a new firm. (Acs et al. 1997, p. 10)

Generally speaking, there exist many other broad classifications of internationalization barriers identified by international business studies. For instance, Katsikeas and Morgan (1994) describe four different groups of internationalization hurdles: external, operational, internal and informational. Other authors made a broader classification by grouping barriers into internal and external factors. Internal factors result from firms' internal characteristics, such as organizational problems, lack of specific advantage, etc. On the other hand, external factors have their origin in the external environment and they involve impediments in both home and host countries (e.g. cultural, structural and economic factors). (Zou and Stan 1998; Jaklič and Svetličič 2003, p. 149 ff.)

5. Internationalization theories

Generally speaking, the literature lists a number of internationalization theories which are suitable for explaining why enterprises start global operations (Westhead et al. 2001, p. 337).

This section will present all the important internationalization theories suitable for explaining the phenomenon of SMEs' internationalization. However, it is vital to mention that no sole internationalization theory is able to fully explain the SMEs' behavior as well as the process of their foreign business activities. As a matter of fact, scientific articles support the combination of leading theoretical frameworks. (Coviello and McAuley 1999, p. 223; Coviello and Martin 1999, p. 42) For instance, Coviello and McAuley (1999) suggest that the Network approach, Stage models and FDI theory offer additional views to the internationalization concept. There exist many examples of a successful integration of several approaches in a study. Scholars, Bodur and Madsen (1993) and Coviello and Munro (1997) examined the internationalization of SMEs taking into account Stage models and the Network approach. The findings show support for both theoretical frameworks. On the other hand, Chen and Chen (1998) consider networks as a critical determinant of FDI location choice, thus supporting an integration of the Network approach and FDI theory in studies explaining SME internationalization behavior. (Coviello and McAuley 1999, p. 242 ff.)

5.1. Uppsala internationalization model

The Uppsala internationalization process model ("U-Model" or "Stage Model") is a dynamic, behavioral and stepwise progressive model of incremental internationalization explaining the firm's selection of foreign entry strategies and geographical markets. It was conceptualized at the University of Uppsala in Sweden in 1966. The U-Model has received considerable academic and business recognition. (Coviello and McAuley 1999, p. 226; Ojala and Tyrväinen 2006, p. 71; Christofor 2008, p. 58)

In accordance with the U-Model, the process of a firm's internationalization follows a logical sequence, gathering step by step new information from other markets and operations, determining and successively increasing further commitment decisions

(Mellahi et al. 2005, p. 189). The process is incremental because of limited knowledge and high degrees of uncertainty. Uncertainty is reduced by acquiring more and more knowledge (Puig and Marques 2011, p. 40). As a result, in accordance with the U-Model internationalization can be defined as *“a process of increasing a company’s international involvement as a result of different types of learning”* (Ruzzier et al. 2006, p. 482).

So, the most important message of this model highlighting the concept of psychic distance is that: *“Additional market commitments are made in small incremental steps: choosing additional geographic markets with small psychic distances, combined with choosing entry modes with few additional risks.”* (Hollensen 2011, p. 72). This means that new market knowledge causes increased market commitment. In addition, the internationalization process proceeds through stages of reducing psychic distance. The psychic distance is described by Johanson and Vahlne (1977, p. 24): *“...as the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development.”* For example, a company first enters a psychically and culturally close foreign market using low-risk, indirect export modes. After some time and experience are acquired, this company will be willing to be present in more distant country markets through higher control modalities (see Figure 1). (Coviello and McAuley 1999, p. 226; Frynas and Mellahi 2011, p. 157)

The gradual involvement increase is in the work of Johanson and Vahlne (1977) referred to as an “establishment chain”. This chain originally describes an internationalization process concept identifying four distinctive modes for entering a foreign market and for increasing commitment (for an illustration see also Figure 1): (Johanson and Wiedersheim-Paul 1975; Hollensen 2011, p. 74)

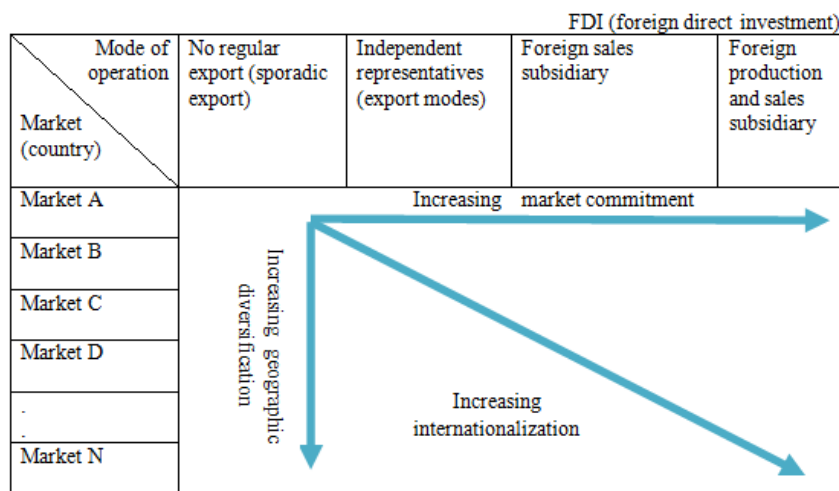
Stage 1: no regular export

Stage 2: independent representatives (export modes)

Stage 3: formation of a foreign sales subsidiary

Stage 4: foreign production facilities

Figure 1: Internationalization of the firm: an incremental (organic) approach



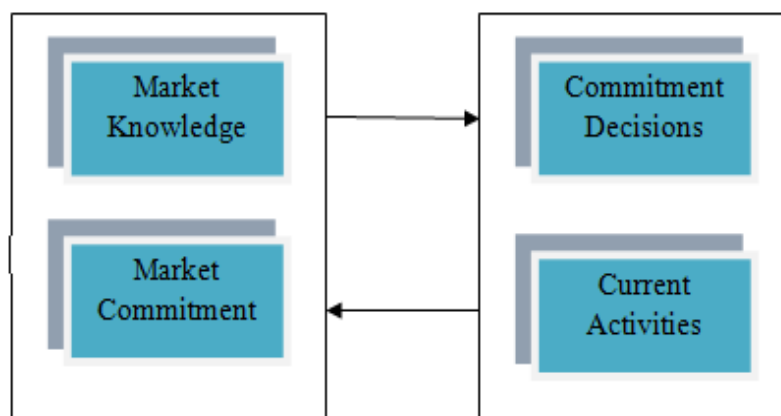
Source: Own representation with reference to Forsgren and Johanson 1975, p. 16 adapted by and quoted in Hollensen 2011, p. 75.

Thus, the above-mentioned notion of overseas market commitment consists of the number of resources committed as well as the level of involvement (Ruzzier et al. 2006, p. 482). While the first one refers to the portion of financial resources put into some particular market, the degree of involvement means the difficulty of identifying some other utilization of resources (Frynas and Mellahi 2011, p. 159). As well as this, an internationalizing company requires different kinds of knowledge. First of all, there is a general knowledge needed. The relocation of this sort of expertise from market to market is possible. Secondly, there is the so called experiential market-specific knowledge. Only certain experience in a particular market can be helpful in gaining this type of knowledge. (Hollensen 2011, p. 74)

More recently, researchers Johanson and Vahlne (1990) describe three situations, when the internationalization of an enterprise is not automatically an incremental process. The first one occurs when a company possesses a sizable portion of resources. The second one occurs when the market conditions are stable. And the last one occurs when a company has already gained enough knowledge from markets with equal or similar characteristics. The major assumption of this model is that firms need to be established in their home markets before starting international activities (Christofor 2008, p. 59).

In the model of Johanson and Vahlne (1977) state and change aspects can be further distinguished. Market knowledge and market commitment belong to the so called state aspects. In contrast, change aspects are determined by current activities and commitment decisions. Moreover, the model shows the relationships between these two groups of variables and how they influence each other mutually during the internationalization process. The general and the market-specific knowledge together with a company's resource market commitment impact commitment decisions and current activities of a business. These are, in return, beneficial for gaining market knowledge and subsequently supporting extra market involvement overseas (Andersen 1993, p. 211). The interplay between static and dynamic aspects helps a company to develop incrementally through learning and to increase its international focus (Ruzzier et al. 2006, p. 482; Daszkiewicz and Wach 2012, p. 65 ff.).

Figure 2: The basic mechanism of internationalization – State and Change Aspects



Source: Own representation with reference to Johanson and Vahlne 1977, p. 26.

Despite the wide recognition and acceptance of the U-Model, its present usefulness is in question. Firstly, the critics state that the U-Model is excessively deterministic (Reid 1983). It has also been stated that the model is not useful for explaining the internationalization behavior of service companies and it does not consider interconnections between diverse country markets (Hollensen 2011, p. 75). Most importantly, the entry form and country market selection have changed. These changes are result of the emergence of new communication technologies, especially the Internet. Also, the idea of the psychic distance has become less important as the latest developments in the information and communication sector make the global, culturally dissimilar, markets more alike. (Moen et al. 2004, p. 1237) According to Coviello and Munro (1997) this

development is a consequence of established network relationships of the internationalizing company. The internationalization path of many companies is not incremental as they are international from inception (Moen et al. 2004, p. 1236 f.). In 2009 the U-Model was revisited. The increased role of network and network relationships were the major driver of the revision. In the new model, knowledge is created through exchanges in business networks where trust and commitment building were added to the change aspects. (Daszkiewicz and Wach 2012, p. 85 ff.)

5.2. The Network model

The network-based internationalization model has emerged as a result of imperfections in the Stage models (Johnson and Turner 2003, p. 241). A company is normally a member in a number of networks. A network is in accordance with the work of Johanson and Mattsson (1988) understood as a relationship between a company and its customers, distributors, suppliers, government, competitors, public, etc. Networks are regarded as important to the internationalization process in terms of social exchange and resource dependency. The actors are connected via exchange relationships. For this reason, the connection between actors cannot be easily recognized by an outsider. (Hollensen 2011, p. 81) The main assumption of this model is a firm's reliance upon resources owned and managed by several firms. The network partner is allowed to use these resources as he is a part of the network. (Johanson and Mattsson 1988, p. 308)

This network position is argued to speed up the internationalization process (Hollensen 2011, p. 81). According to Hollensen (2011), a firm's connections in the home market are regarded as necessary for building new network relationships in other country markets. Sharma and Johanson (1987) support this argument in their work. They found that business relationships provided technical consultancy firms with motivation and opportunity to become international. So, if the relationships between companies can be classified as a network, it is possible that firms will start their international operations because other firms which are part of their domestic and/or international network are doing so (Ruzzier et al. 2006, p. 484). The most frequently occurring example, according to Moen et al. (2004), is the so called "client-following". As a result, the inter-firm relationships seem to have an effect on the country market as well as the entry strategy choice. According to network theorists, the internationalization process is less structured and more complex. As the

internationalization decision is often the result of customer or other network relations, companies do not necessarily choose nearby markets at the very beginning of its foreign operations. The markets chosen are those in which clients are already established and active. (Moen et al. 2004, p. 1237) Being a part of a network can be particularly useful for SMEs in order to overcome some of their deficiencies (Ruzzier et al. 2006, p. 484 f.). Johanson and Mattsson (1988) further suggest that the degree of success an internationally active company will achieve is more influenced by the company's network position rather than by the country's cultural characteristics.

5.3. Foreign direct investment theory (FDI theory)

This theory belongs to the economic school. It argues that the evaluation of costs of economic transactions is essential for companies in order to select the optimal structure for every production stage (Coviello and McAuley 1999, p. 225). So, when expanding abroad, firms choose foreign market entry modes and locations promising the lowest overall transaction costs. Risky or time-consuming transactions are often internalized. (Coviello and McAuley 1999, p. 225 f.) The FDI theory has also been criticized. Melin (1992) states that this theory explains only a pattern of investment, but not an enduring process of international expansion.

5.4. The resource-based theory

Firms' resources are a center of attention of the resource-based theory. This theory deals with an organization's effort to build, preserve and exploit a bundle of unique capabilities and resources that are the most critical determinants of firm performance (Lee and Carter 2009, p. 264). The origin of competitive advantage lies in the company itself (Capron and Hulland 1999, p. 42). The reason behind this argument is that every company possesses unique resources. However the question is, whether these resources will be recognized and successfully combined?

To be more precise, it is important to have control over assets and capabilities that enable the company to implement some important strategic plans helping to enhance its efficiency and effectiveness. As well as this, these valuable resources lead to the firm's superior long-

term performance. The model presents some assumptions. First of all, it is assumed that companies that are part of a certain industry are possibly heterogeneous regarding strategic resources they control. A further assumption is the imperfect mobility of resources across companies. The term “competitive advantage” means that a particular company employs some value generating strategy. At the same time, this strategy cannot be simultaneously implemented by a competitor. In the case when competitors are not in a position to copy the benefits of this strategy, the competitive advantage is considered “sustained”. (Barney 1991, p. 101 ff.; Barney and Clark 2009, p. 52)

According to the resource-based view (RBV), a company needs to first identify potential key resources. Then the resources need to be evaluated in terms of whether they meet the so called VRIN criteria. VRIN stands for valuable, rare, in-imitable and non-substitutable. In case the specific resource allows a company to implement a value-creating strategy by diminishing its own weaknesses or by outperforming and simply scoring better than its competitors, it is considered to be valuable. It should also be able to neutralize environmental threats faced by a firm. A valuable resource enables an organization to raise its economic value. This value is created by increasing the customer’s willingness as well as preparedness to pay and/or by reducing its costs. (Barney and Clark 2009, p. 58) The scarcity factor makes the resource competitive and influences its price. If the resource cannot be duplicated, then it is called in-imitable. Finally, there could be no substitute or strategic equivalent available to competitors for this kind of resource. (Barney and Clark 2009, p. 67 ff.)

Some literature mentions the term “organization” as being the fourth condition needed to achieve sustainable competitive advantage instead of non-substitutability, thus calling the framework “VRIO”. The idea behind this is that organizational processes need to be organized correctly so as to be able to exploit the potential offered by resources controlled by the firm. (Barney and Clark 2009, p. 67 ff.) Only resources that are scarce and valued are a source of competitive advantage. The remaining two characteristics transfer the gained competitive advantage into sustained competitive advantage. A company needs to be able to sustain the achieved advantage for a long time and protect it against resource imitation, transfer or replacement. (Barney 1991, p. 105; Daszkiewicz and Wach 2012, p. 69 f.) In general, human resources normally possess all the VRIN characteristics and they are therefore considered to be strategically important for the creation of competitive

advantage. For this reason, human capital has a critical impact on internationalization similar to financial resources. (Cerrato and Piva 2010)

As far as the resource-based approach to entry mode choice is concerned, the general match among the company's internal resources and market opportunities leads to an increased competitiveness of a firm (Conner 1991). According to Bloodgood et al. (1996), there is a greater propensity toward internationalization among companies possessing unique combinations of resources. The RBV further considers sole ownership to be the preferred entry mode (Ekeledo and Sivakumar 2004, p. 73).

5.5. The eclectic or OLI paradigm

Dunning's eclectic paradigm incorporates a number of international business theories. This theory is suitable for explaining the strategy behind a company's entry mode selection. Dunning (1988) distinguishes in his framework three groups of variables: ownership, location and internalization advantages (Dunning and Lundan 2008, p. 95 ff.). These variables explain international engagements of organizations and they take into consideration firm-specific as well as market-specific factors that have an impact on risk perceptions and the expected return on investment (Nakos and Brouthers 2002, p. 48). Next, these three advantages will be described.

Ownership Advantages

Generally, ownership advantages are situated within a company. They are firm-specific characteristics and capabilities differentiating the company from its competitors by providing unique advantages to it (Dunning 1993 quoted in Nakos and Brouthers 2002, p. 49; Dunning and Lundan 2008, p. 96). As Hollenstein (2005) states in his article, this kind of advantage *"arises from the availability of human, knowledge and physical capital as well as specific intangibles related to property rights, marketing, organisation, information processing, learning, managerial skills, governance and trust, finance, experience with foreign markets, etc."* (Hollenstein 2005, p. 438). When a company goes international, it may gain a superior position by utilizing these advantages in the foreign market. The ownership of such superior resources is necessary, as it enables the company to counter the increased costs of servicing new markets by earning high enough rents. (Agarwal and Ramaswami 1992, p. 4) However, it is crucial to pay attention to the mobility characteristic

of this resource, as not all resources are internationally mobile nor can they all be transferred from one market to another without losing their value. As a result, this mobility characteristic will influence the entry mode choice, favoring equity modes when the ownership advantage is possible to be moved from one market to another without the quality loss. (Erramilli, et al. 1997, p. 739) Past research studies have recognized some ownership variables, example given the firm size, multinational experience as well as the power to produce differentiated goods that may be beneficial for a company and impact the foreign market entry strategy choice (Agarwal and Ramaswami 1992, p. 4 f.).

Location Advantages

Many companies decide to go international because of their stagnating home markets and their growth or profit goals. International expansion makes it possible for a company to find new clients. This provides a company with additional sales possibilities. Obviously, some markets offer location advantages as a result of their market size and growth potential. (Nakos and Brouthers 2002, p. 51) Moreover, location advantages present probable gains a company may achieve by optimizing its value chain activities through different countries. These advantages are based on country-specific contrasts with regard to aspects “*of production (availability, quality, price), infrastructure, transport and communication costs, taxes and subsidies, regulatory framework, etc.*” (Hollenstein 2005, p. 438). Here, past research studies have also identified some location advantages, such as the market potential as well as economical, social and political stability in a target country. These findings also have an impact on the selection of a mode of entry, for example equity modes of entry are found to be preferred by companies entering high-growth markets. Importantly, location advantages are available to all companies. Unfortunately, not all firms can take advantage of them in an equal manner. (Agarwal and Ramaswami 1992, p. 5 f.)

Internalization advantages

The possession of some ownership advantages is the major determinant of whether a concrete company will serve or supply the target market in question. The second already mentioned advantage, the location advantage, thus raises the question: Which market entry mode will be chosen for entering and supplying the market in question? Finally, there remains the last question: Will the company decide to use its ownership endowments itself

to exploit the overseas market? To be more precise, will the company internalize or externalize its activities? (Dunning 1980, p. 11)

According to Dunning (1977) internalization advantages arise when a company is internally using its ownership-specific advantages and is not willing to offer them to some external market player. The main incentives leading a company to internalize its ownership are market imperfections. These may occur for many reasons. For instance, high negotiation and transaction costs or imperfect information result in market imperfections (Dunning 1980, p. 11). Thus, internalization advantages can also be known as benefits of keeping resources within an organization by market failure or the possibility of opportunism by some participant (Agarwal and Ramaswami 1992, p. 6; Ekeledo and Sivakumar 1998, p. 276). The examples of internationalization advantages are contractual risks. These risks refer to factors such as “(1) the relative costs of making and enforcing a contract, (2) the risk of disseminating proprietary know-how, and (3) the costs of controlling and monitoring product/service quality” (Nakos and Brouthers 2002, p. 53). Research in this area has for example shown that SMEs preferred the use of equity entry strategies in overseas markets with few distributors in order to protect themselves from possible opportunism (Osborne 1996).

In general, the Eclectic paradigm was satisfactory in forecasting the entry strategy selection of SMEs in the study of Nakos and Brouthers (2002). However, some critics state that this theory does not offer a unified perspective for explaining and predicting entry mode selection. The model has been further criticized for ignoring the internal characteristics of the firm as well as the influence of product features, home country factors and boundary factors (e.g. transportation costs) on the entry mode choice. (Tallman 1991; Ekeledo and Sivakumar 2004, p. 72)

5.6. International entrepreneurship theory

International Entrepreneurship Theory is closely related to the theory of international new ventures (also known as Born Globals). For this reason, only the basics of this theory will be discussed and the emphasis will be placed on “Born Global” theory discussed in the next section.

There exist a number of definitions describing international entrepreneurship. The most broadly accepted definition was published by McDougall and Oviatt (2000). These authors define international entrepreneurship as “*a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations*” (McDougall and Oviatt 2000, p. 903). In their later and somewhat deeper definition of this concept, international entrepreneurship is seen as “*the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services*” (McDougall and Oviatt 2005, p. 540). While discovery means looking for new and unique opportunities, enactment refers to gaining competitive advantage by putting these opportunities proactively into use. Evaluation is concerned with assessing actions needed for knowledge formation. (Masum et al. 2012, p. 36)

Two variables, i.e. the individual and firm entrepreneurial behavior, are argued to create the basis of international market entry with regards to international entrepreneurship theory (Mtigwe 2006, p. 16). Undoubtedly, the person of the entrepreneur plays according to this theory the key role in internationalization process as he is the one that may have all the experiential and objective knowledge. In addition, he is the one that has all the skills and information needed for exploiting possible market opportunities, and builds stable relationships with different market actors. He is a risk-seeking personality, which is able to create competitive advantage by appropriately combining resources. Finally, many researchers have found that internationalization and entrepreneurship are similar processes. Therefore, the entrepreneurship theory is expected to improve the understanding of organizations’ internationalization. (Andersson 2000)

5.7. Born globals / Theory of international new ventures

The most often and widely cited and accepted definition of the Born Global phenomenon was published by Oviatt and McDougall (1994). They interpret the International New Venture (INV) concept 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*” (Oviatt and McDougall 1994, p. 49). Pock (2010) states in his work that theories such as the RBV, Uppsala Model and Network Approach are at least partially useful for explaining the phenomenon of INV. Most importantly, as far as the Uppsala Model is concerned, the market knowledge proved to have significant explanatory power

for Born Global internationalization. The concept of psychic distance and the establishment chain are only partially valid for INVs, especially at the very beginning of their foreign operations. Intangible resources (e.g. knowledge and skills) and network relationships proved to be essential for speeding up the internationalization process of INVs as well. (Pock 2010, p. 52 ff.)

The basic element of the INV definition resides in the speed of a company's internationalization. Except for this element, there exist other central criteria defining Born Globals, such as international turnover, time of internationalization, number of foreign markets served, and number of employees. Starting with the first criterion, Born Globals are companies that are able to earn a considerable share of an organization's turnover in overseas markets within a short time span after their foundation. A company can be classified as an INV if it generates at least 25 per cent of its total turnover abroad. (Pock 2010, p. 18 ff.) As far as the specific time of internationalization is concerned, the maximum period from business foundation to starting international activities is two years (Bell et al. 2001, p. 176). Next, Born Globals are typically active in more than one country. Finally, they are characterized as being SMEs with fewer than 500 employees. (Oviatt and McDougall 1994, p. 49; Pock 2010, p. 20 ff.)

However, the list of Born Global features is still not exhaustive. They often rely on cutting-edge technology by developing their unique products and/or services. As stated in the above-mentioned International Entrepreneurship Theory, these two theories are related. Born Global Theory is characterized by entrepreneurial personalities as well. The entrepreneur is a visionary managing the organization "*who view the world as a single, borderless marketplace from the time of the firm's founding*" (Hollensen 2011, p. 87). Studies have confirmed that there is a small importance of psychic distance as a market selection criterion. The process of market selection by INVs is notably affected by client-followership, concentration on niche markets, and industry-specific characteristics. (Bell 1995; Madsen and Servais 1997, p. 564) Importantly, the background characteristics of the founder and manager in one person are essential as they have significant influence on the path of internationalization of the firm. Education, experience from living abroad, and previous job experience are for example factors impacting and forming the entrepreneurial personality. Clearly, Born Globals are technology-oriented firms starting foreign operations soon after birth without any previous long-term period focusing on

internationalization. According to Freeman et al. (2006, p. 36) the organizational cultures of these firms are characterized by proactiveness, willingness to risk taking, and innovativeness. The sales and marketing activities of Born Globals are often managed through a specialized network with partners complementing their own competences (Moen and Servais 2002, p. 54).

Pock (2010) lists in his book further determinants of Born Globals. He argues that it is not only the personality of the founder impacting the Born Global internationalization, but also the skills and experience of the whole international entrepreneurial team (McDougall et al. 2003). Next, global entrepreneurial orientation of the team including features such as innovativeness, proactiveness, autonomy, risk-taking and aggressive competitive behavior, are also cited as important prerequisites for foreign success (Lumpkin and Dess 1996, p. 137). In addition, these types of firms are often part of high-tech, research-intensive industries known primarily through product life cycles, which are still becoming shorter and shorter. As a result, they need to invest in research and development activities periodically, i.e. on a permanent basis. (Burgel and Murray 2000, p. 35; Pock 2010, p. 86) Especially during the first years of their foreign activities, INVs follow niche strategies. The reason for focusing on niche markets is their production of highly specialized products. (Keeble et al. 1998; Pock 2010, p. 88 f.) As far as the customer structure is concerned, INVs most frequently serve customers from industry and public administration (Bell 1995). The focus on final consumers often influences the international growth of INVs negatively, as significant resources are necessary for marketing, production and distribution activities (Burgel et al. 2004 quoted in Pock 2010, p. 98). Finally, the domestic market is for INVs strategically less important than for traditionally internationalizing companies (Bell 1995; Hashai and Almor 2002, p. 4 ff.).

Finally, it is also essential to mention factors that drive the emergence of INVs. Advances and recent developments in information and communication technologies, new and more flexible production technologies, global networks, flexibility of SMEs, strong number of international students, and decreasing importance of trade barriers as a result of globalization belong to all the valuable factors contributing to the rising number of INVs. (Madsen and Servais 1997, p. 565 f.; Moen and Servais 2002, p. 54; Hollensen 2011, p. 89 ff.)

6. Market entry mode selection

As discussed previously in the “Terminology” chapter, the selection of an overseas entry strategy is regarded as being the most serious decision as far as the general existence of a business is concerned. Terpstra (1987) further highlights its value for international marketing, since it defines how an organization markets its products and/or services. The mode selection decision is also essential for determining how a specific company influences the home country’s balance of payments. (Terpstra 1987, p. 333; Erramilli and Rao 1990, p. 136) Previous research findings have revealed that the majority of SMEs behave passively as far as the entry mode choice is concerned. As a result, the entry mode selection occurs as an outcome of agreements with overseas partners or as a fulfillment of an unsolicited order. (Musso and Francioni 2009, p. 7)

6.1. Rules for entry mode selection

Root (1994) distinguishes between three different rules for entry mode choice with respect to various degrees of sophistication. First of all, the naive rule is the least sophisticated decision rule. Here, managers use identical entry modes for each market in question. Secondly, the pragmatic rule means applying a feasible entry strategy with respect to a specific market. Finally, the most sophisticated rule, the strategy rule, is associated with choosing the appropriate entry strategy for every market. (Root 1994, p. 181) Next, all the rules will be discussed in more detail.

The naive rule

Decision-makers choose this rule when they think there is only one way to penetrate international markets. For instance, they may say “We only export”. The naive rule does not take into account the heterogeneity of individual foreign markets, entry possibilities and conditions. The so-called “tunnel vision” is characteristic for such managers. At some point, managers using this rule will certainly make two types of mistakes. They will either have to give up a market with successful prospects as this market will be unable to be penetrated through the single chosen entry mode, or they will step into a market with an inadequate and unprofitable mode. Because of this inflexibility, the firm is not in a position to fully take the use of chances given by foreign markets. (Root 1994, p. 181 f.)

The pragmatic rule

The Pragmatic Rule means using a viable entry strategy for every target market, normally starting with low-risk entry modes, e.g. export. In case, the initially chosen entry mode is not profitable or suitable, managers will consider a different workable entry mode. This rule provides companies with a number of advantages. Firstly, the risk of penetrating a specific country market with an unsuitable entry mode is limited. Secondly, using this rule saves time and costs of collecting information about alternative entry modes. Unfortunately, the Pragmatic Rule is connected to one major weakness, i.e. the workable entry mode may not necessarily mean the “right” entry mode. (Root 1994, p. 182 f.)

The strategy rule

This decision rule explains that all the possible entry modes need to be systematically evaluated and compared, so as to use only the right entry mode for each target market. Evaluating the different entry modes means taking into account internal factors, external factors, and the company’s objectives. A company may have set multiple objectives and at times these may appear to be inconsistent. An entry mode scoring high on one objective may score very low on another important company objective. For this reason, decision-makers need to decide on trade-offs among their diverse objectives. The end result of this strategic comparison and evaluation is a list of feasible entry modes that will be subject to further analysis. Further comparison needs to be made between calculated costs and benefits over a forthcoming period. Also, various entry modes are impacted by different market and political risks. (Root 1994, p. 183 f.)

6.2. Approaches to the choice of foreign market entry mode

Besides the previously discussed rules for entry mode choice decision, the internationalization literature further describes three broad approaches, i.e. the economic approach, the stages-of-development approach and the business-strategy approach, which will be described in more detail in this section. These are used to come up with the most suitable foreign market entry and development mode as well (Young et al. 1989, p. 253) and are therefore to some extent comparable to the previously discussed rules.

The economic approach

This approach emphasizes rational decision-making by comparing costs and benefits of strategic options. The goal is to come up with an option (i.e. an entry mode) which maximizes the long-run profitability or rate of return. (Young et al. 1989, p. 253; Stonehouse et al. 2004, p. 210) The economic approach published by Anderson and Gatignon (1986) is founded upon transaction costs analysis. The appropriateness of entry modes is often rated by their risk and return. The authors state in their study that control is the most crucial determinant of both of them. While high-control entry modes are associated with high returns, but also risks, the opposite applies to low-control entry modes. In their framework the entry mode chosen defines the amount of control an enterprise will have over its overseas operations. (Anderson and Gatignon 1986) Therefore, some researchers propose that a company should choose high-control entry modes, e.g. wholly-owned subsidiaries, in case it possesses transaction-specific assets, when both types of uncertainties are high, and when free-riding is possible (Anderson and Gatignon 1986; Young et al. 1989, p. 253 ff.).

The stages-of-development approach

The stages-of-development approach is very similar to the already discussed Pragmatic Rule. It was developed by Brooke (1986) and emphasizes rational behavior like the first approach. The rationale behind this approach is that decisions with regards to international market entry strategies need to be made step by step as different entry modes are most appropriate at various stages of the internationalization process. The originally chosen entry mode will be replaced in case it proves to be unprofitable. (Young et al. 1989, p. 260) With increasing market knowledge, companies will progressively move towards higher market commitments overseas (Stonehouse et al. 2004, p. 210).

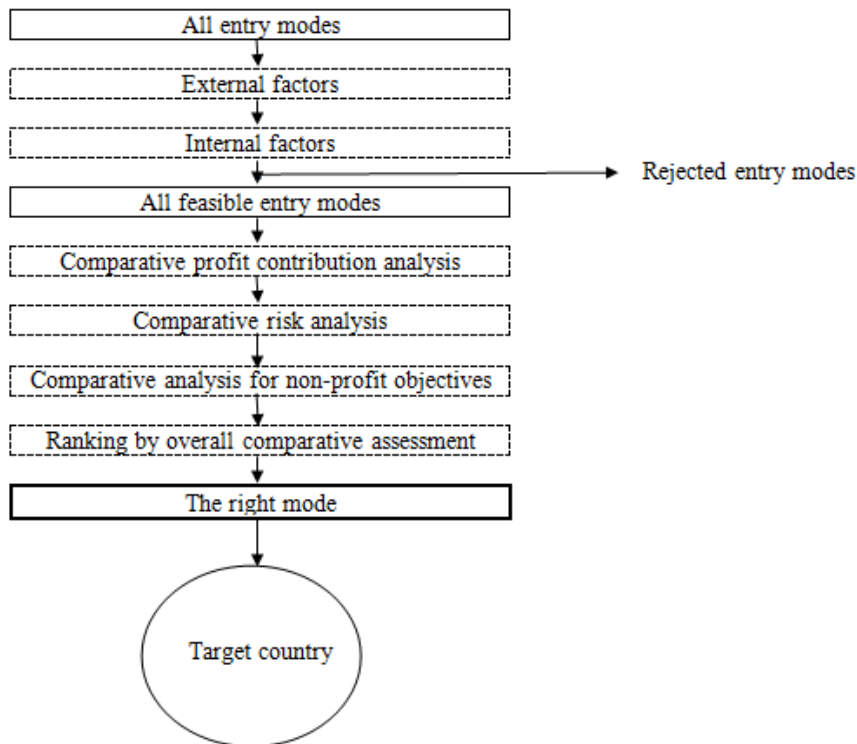
The business-strategy approach

Unlike the first two approaches discussed, this approach stresses the pragmatic nature of decision-making. Because of external uncertainty, companies are not always in a position to make rational choices. Companies have several objectives concerning their international expansion and conflicts between these objectives are likely to occur. According to this approach and like in the case of the Strategy rule, there are many internal and external

factors having effect on the selection of the entry strategy by firms. The existence of multiple objectives and such factors causing uncertainty makes a “rational-analytical” decision approach problematic. (Young et al. 1989, p. 260 ff.)

As Root’s model suggests (see Figure 3), within this approach, a firm has to proceed through a number of stages so as to be able to identify the best, i.e. most profitable, entry mode. The first stage is the feasibility screening. The aim of this stage is to reject all alternatives that do not come into question, taking into account all the resources owned by the company and external factors impacting its operations. The second stage comprises the calculation or estimation of the net profit contribution of all remaining alternatives. Here all acceptable entry modes need to be rank ordered. In the next stages, the comparative risk analysis and the analysis for non-profit objectives need to be carried out, still taking into account all feasible alternatives. Finally, the overall ranking takes place. At this final stage, the estimated net profit contributions need to be adjusted with respect to the possible political and market risk as well as the non-profit objectives of the organization. The result of this stage approach is the “right” entry mode for a specific target country. (Young et al. 1989, p. 260 ff.)

Figure 3: Deciding on the ideal market entry and development strategy



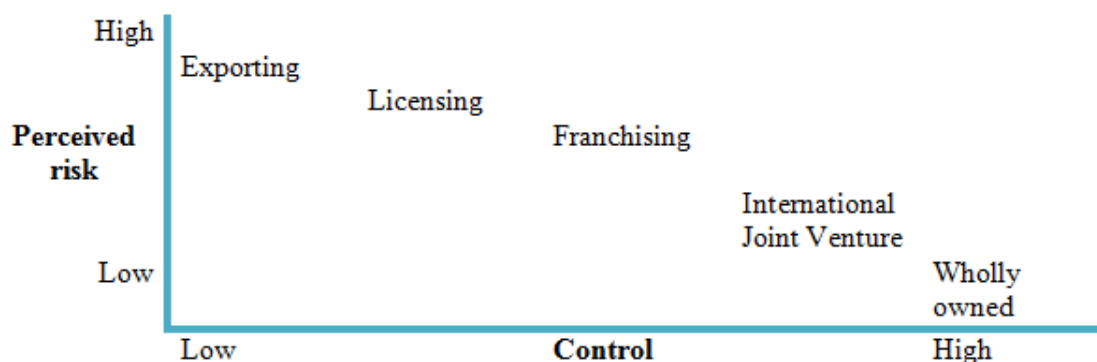
Source: Own representation with reference to Root 1987, p. 164 quoted in Young 1989, p. 265.

6.3. Market entry mode characteristics

Generally, market entry strategies can be classified into a number of groups. Various criteria can be chosen in order to characterize a specific market entry mode. The classification of market entry strategies makes their choice for a concrete target market much easier.

The simplest example is to use only two factors, i.e. control and risk. Control refers to the willingness to have an impact on foreign operations, systems and decisions (Mellahi et al. 2005, p. 198). Importantly, Anderson and Gatignon (1986) state that this factor is useful in determining risk and return. As well as this, the higher the resource commitment, the higher is the control. Unfortunately, high control means high risk. Thus, when deciding for the right entry mode for the particular market, a company has to evaluate a number of possible risks, such as general environmental, firm-specific, country risks, etc. Results found by Brouthers (1995) revealed that firms are willing to make higher resource commitments in markets with low total perceived risk. In that case, they make use of wholly-owned subsidiaries (WOS) or joint ventures (JV). Figure 4 presents a classification of market entry strategies based on “control versus risk” factors.

Figure 4: Modes of entry and control versus risk



Source: Own representation with reference to Mellahi et al. 2005, p. 199.

Hollensen (2011) groups market entry strategies into three different categories, i.e. export, intermediate and hierarchical modes. This classification is based on the two already mentioned factors – control and risk. An additional characteristic used at this point is “flexibility”. Flexibility is also connected to resource commitment. In fact, the relationship is negative, i.e. the higher the equity investment in a market, the lower is the flexibility. In

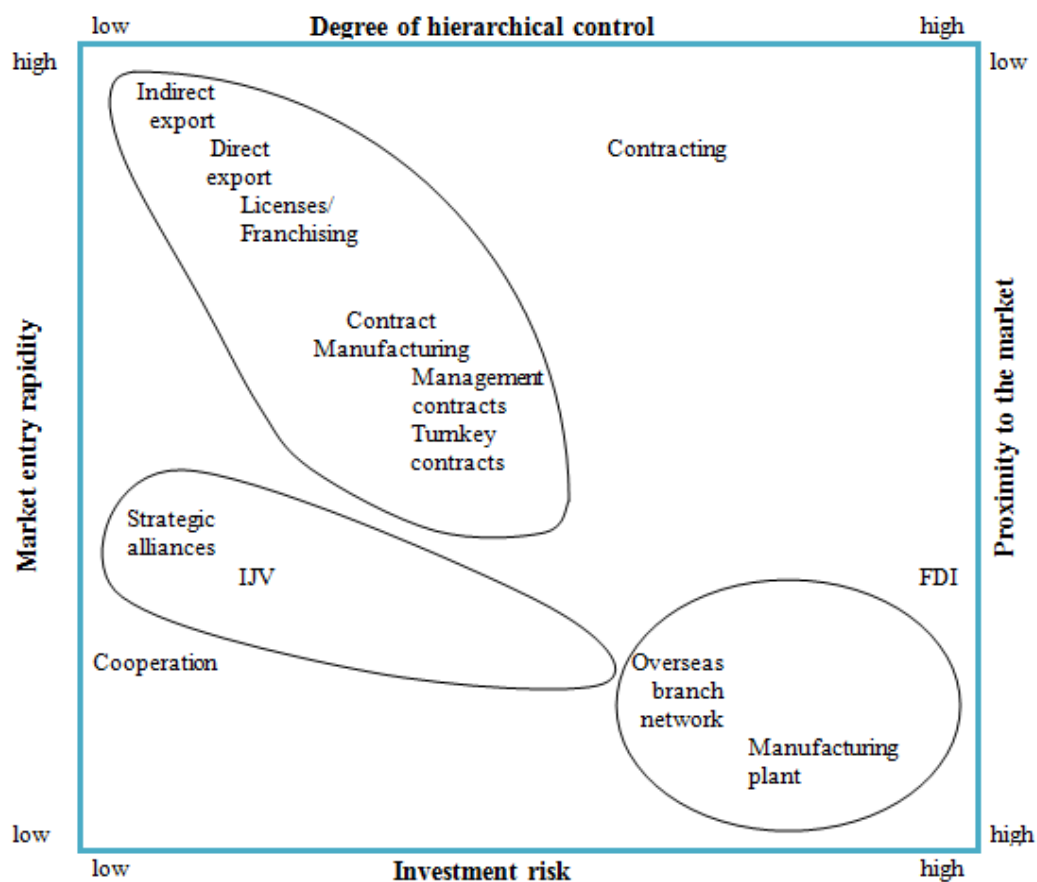
other words, substantial investments, for example in form of WOS, make it difficult and more costly to withdraw from a market when the demand is not satisfactory or when civil unrest occurs. As well as this, operations are problematic to change and adapt in the short run. The first category of entry modes, export modes (e.g. direct and indirect export), are characterized by low control and risk, but high flexibility. So once again, the answer to the question “which market entry mode should a company choose for a specific country market?” depends on the risk-aversion of the decision maker, the control he wants to have over its foreign operations and the required flexibility. If the decision-maker is prepared to share control and risk and split ownership, he should opt for intermediate (also contractual) modes, such as licensing, franchising, contract manufacturing, JV or strategic alliances. Clearly, shared ownership and control lead to limited flexibility under quickly changing market conditions. Lastly, as hierarchical (also investment) modes suggest, these market entry strategies would be best described by high control and risk, but low flexibility. The wholly owned subsidiary is here the best example.

However, it is critical to point out that the risk factor may possess many definitions, thus leading to different entry mode classifications. For instance, Hill et al. (1990) characterizes entry modes on the basis of “dissemination risk”. This is the risk of expropriating company-specific internal know-how by some partner (e.g. JV or licensing partner) (Hill and Kim 1988, p. 94). As a result, taking into account this type of risk, the WOS is described as an entry mode offering the lowest dissemination risk (Hill et al. 1990, p. 119).

Another interesting example of market entry mode classification was presented by Glowik (2009). The author pictured the different types of entry modes based on four decision determinants: degree of hierarchical control, market entry rapidity, proximity to the market, and investment risk (see Figure 5). With respect to these factors, he identified three groups of market entry strategies. The first group is called „contracting”. This group includes direct and indirect export, licensing/franchising, contract manufacturing, etc. It can be defined by low to middle degree of hierarchical control, high to middle degree of entry rapidity, low to medium investment risk and low to medium proximity to the market. One of these modes should be chosen by a company with lack of international experience or resources because of relatively low investment risk. Naturally, indirect exports are associated with increased rapidity compared to contract manufacturing. This is the case as contract manufacturing needs higher market involvement (e.g. looking for a target

company, etc.). Furthermore, the “cooperation” group consisting of strategic alliances and IJV, is close to the market as a result of the partnership with the local company. The search for an appropriate partner may be time-consuming, thus slowing down the market entry. Finally, the “foreign direct investment group” is the most risky group of entry strategies incorporating foreign sales network and WOS. Market entry rapidity is low. The evaluation, the choice of foreign location and the following integration of the company is very time-consuming. (Glowik 2009, p. 91 ff.)

Figure 5: Market entry mode grouping based on four decision determinants



Source: Own representation with reference to Glowik 2009, p. 94.

6.4. Market entry strategies

The last chapter showed some possible classifications of market entry strategies. This chapter will concentrate on the entry mode description.

6.4.1. Export

Export is definitely the most often used and preferred entry strategy if international markets are entered for the first time (Douglas and Craig 1995, p. 155). Export production normally takes place in the firm's home market (Terpstra and Sarathy 2000, p. 375). However, domestic production is not always the rule. Production can take place in a third country as well. In both cases, the products are transferred directly or indirectly to the target market. Generally, it can be distinguished between three major types of export modes, i.e. direct, indirect, and cooperative export. The main difference lies in the number of functions which will be executed by external agents or by the organization itself. (Lee and Carter 2009, p. 232; Hollensen 2011, p. 335)

To begin with the first export mode, the indirect export is characterized by the fact that the manufacturing firm is not directly involved in exporting activities. In this case, some external firm (e.g. export house, trading company) located in the producer's country takes over the responsibility for the exporting function. The export buying agent, broker, export house, trading company and piggybacking are identified in the literature as being the major entry modes of indirect export. (Hollensen 2011, p. 338) For instance, the export agent needs to identify possible customers and distributors in the overseas market, organize shipment of products, handle insurance and customs duties, etc. This kind of export mode is applicable if the exporting manufacturer has limited expansion objectives with respect to internationalization. For example, it may be the case when export is used to sell the company's surplus abroad. On the other hand, indirect export can be used as a pre-test before deciding to invest more resources for developing an export organization. This is often done by SMEs with limited resources. While indirect exporting is associated with limited resource commitment, low risk and high flexibility, there are also crucial disadvantages for which this mode is criticized. Firstly, the image or the reputation of the product or service can be easily damaged in case it is sold through unsuitable channels or followed by inappropriate marketing activities and after-sales service. The problem lies in a lack of control over the process of how the product or service is marketed abroad. Besides the lack of control, there is also a lack of contact with the market and potential opportunity loss as the manufacturer has little information about foreign market potential. (Douglas and Craig 1995, p. 155 f.)

Cooperative export modes are suitable for SMEs as well. This export mode is characterized by making collaborative agreements with other companies willing to export regarding the execution and performance of exporting functions, known e.g. as export marketing groups. The most common reasons for choosing a cooperative export mode is the fact that a company has limited resources and sales volume, but it wishes to administer at least some degree of control over its foreign operations. For example, there are three home-based firms with their own R&D and production activities interested in a cooperation focused on downstream value chain functions, i.e. marketing, sales and after-sales service. They need to offer compatible rather than competing product ranges, thus achieving more appealing product concepts, better representation and stronger bargaining power. The cooperation may be tight or loose. While in a loose cooperation separate companies use the same agent to sell their own brands abroad, a tight cooperation is known as creating a brand new export association. As a result of the cooperation, the exporting firms are able to negotiate more stable prices, reduce transportation costs through consolidated shipments and build more powerful brand names as a group. However, attention needs to be paid to the conflicting interests of different entrepreneurs. (Hollensen 2011, p. 348 f.)

The last export mode form is direct export. Direct export manufacturers sell their goods directly to a buyer (agent or distributor) located in a host market (Albaum et al. 2002, p. 292). While distributors take title to the goods, have responsibility for their own operations and after-sales service, and finance their inventories, agents do not. Furthermore, agents are paid by commission, whereas distributors get the difference between the buying and selling prices. (Hollensen 2011, p. 341) The manufacturer takes over the responsibility for the exporting task, ranging from identifying potential foreign markets and customer segments, handling shipment and documentation, to carrying out a special marketing plan (Douglas and Craig 1995, p. 157 f.).

All in all, the export strategy is a low-risk strategy. However, it is still possible that an exporting company will have to face some political instability in a host country and as a result export activities might have to be disrupted. This kind of situation is possible and is associated with unpleasant actions such as payment delays, confiscation of property, etc. (Mellahi et al. 2005, p. 193) Previous research findings confirm that export is the most common and primary mode of entry chosen by smaller companies for their internationalization activities (Leonidou and Katsikeas 1996).

6.4.2. Contract manufacturing

As the term suggests, this market entry strategy is characterized by outsourcing production to an external partner located in a foreign market (Terpstra and Sarathy 2000, p. 391). In this case, the company does not have to make any full and final commitment. For this reason, contract manufacturing might be a suitable entry strategy for smaller firms, which do not have the time and money for establishing real manufacturing and selling operations. (Lee and Carter 2009, p. 232 f.) In addition, contract manufacturing is the right entry mode for firms wishing to speed up their market entry. This could be critical in sectors characterized by short PLCs. (Glowik 2009, p. 76)

While the contractor focuses on R&D, marketing, sales and after-sales service, the responsibility for production is handed over to a local company. Payment is usually agreed on a per unit basis and sales can take place in any country. The quality control by the contractor is of crucial importance. There exist several factors supporting the contract manufacturing option. For instance, the proximity to the target market improves the interaction with and sensitivity to local customers. As well as this, manufacturing a product in a host market under contract allows the contractor to take advantage of low production costs and decrease the transportation costs. Some companies may avoid tariffs and quotas by choosing this mode of entry. Importantly, contract manufacturing offers the contractor a high degree of flexibility. In case the quality does not meet expectations, the contractor can change the manufacturer or terminate the contract in risky or unprofitable markets. (Hollensen 2011, p. 356 f.) Unfortunately, bad quality can negatively impact the contractor's reputation and brand image. The most serious risk of contract manufacturing is that with some time delay the contracting firm may turn into a future competitor. (Glowik 2009, p. 77)

6.4.3. Licensing

Licensing is another possibility of penetrating a foreign market and establishing production in the host country without capital investment (Terpstra and Sarathy 2000, p. 392). Generally speaking, licensing is a foreign market entry strategy where the licensor (a firm willing to internationalize) makes a contractual agreement with the licensee (a firm established in a target country). The agreement gives the licensee the permission to make

use of something in possession of and controlled by the licensor (e.g. know-how about products or processes, design, trademark, copyrights, brand name, etc.). (Albaum et al. 2002, p. 347) In return, the licensee has to take over the production, marketing and sales of the products covered by the rights. The responsibility for the marketing function differentiates licensing from contract manufacturing and franchising. Furthermore, the licensee has to pay the licensor a fixed lump sum at the beginning of an agreement, then an annual minimal royalty as a guarantee, and finally a running annual royalty. The last one is calculated as a percentage of the sales volume. This arrangement may be valid in specific target markets, in more than one market, or on the whole continent. From the standpoint of the licensor, this foreign entry mode requires no capital, promises rapid market entry and is a low-risk strategy. For this reason, licensing is appropriate for SMEs. It is also advantageous because the licensee already has knowledge of the target market. In some countries, licensing may be preferred over direct investment as licensing brings in a host country new processes and know-how. (Terpstra and Sarathy 2000, p. 392 f.) However, a company should choose licensing as an entry strategy only in case its industrial property rights can be legally protected in the target market (Root 1994, p. 111).

6.4.4. Franchising

Franchising is closely related to licensing. The main difference lies in the value chain functions performed by the franchiser/licensor and franchisee/licensee as well as in the industry in which these market entry strategies are chosen. As far as the value chain functions are concerned, marketing makes the difference. While in franchising the marketing function is performed centrally by the franchiser, in licensing marketing activities are taken over by licensee. Also, franchising is used mainly by services as well as marketing companies. On the other hand, licensing is the most common entry strategy by manufacturing firms. (Douglas and Craig 1995, p. 161; Kiruba 2007, p. 46; Hollensen 2011, p. 357)

Young et al. (1989, p. 1) describe franchising as: *“Contracts in which franchisor provides franchisee with a ‘package’ including not only trade marks and know-how, but also local exclusivity and management and financial assistance and joint advertising.”* The franchiser thereby allows the franchisee to do business under the franchiser’s name in return for a lump-sum payment and some percentage of the franchisee’s profit (Kiruba 2007, p. 46). As

in the case of previously mentioned entry strategies, franchising agreements make it possible for a firm to expand abroad without having to invest substantial financial resources. This seems to be crucial mainly in the service industry, where most of the companies need to be locally present. The knowledge of the market, personal contact with customers and some degree of control over franchisees are other benefits gained by firms using this entry mode. Franchising also bears certain risks. For instance, it is difficult to monitor the franchisees' operations around the world. To do this, the franchiser has to come up with strict performance standards so as to ensure the same quality and uniformity of his offerings in various countries of the world. (Douglas and Craig 1995, p. 161 f.) Also in this case, the franchisers reputation may be damaged, if the fundamentals of the business concept were not fully understood by his franchisees (Mellahi et al. 2005, p. 195).

6.4.5. Management contracts

A management contract is the next market entry strategy. According to Root (1994), this contract enables a company with established experience in a particular field to manage ongoing activities of a different firm in an overseas country in exchange for a management fee. Ongoing operations refer to decisions made on day-to-day basis. This contract does not give the contractor the authority or permission to make decisions with respect to new capital investments, ownership arrangements, dividend policy, etc. (Root 1994, p. 139 f.) Normally, the role of the contractor is to provide the company with management know-how. As a result, these contracts are typically associated with management operating and/or control systems and local staff training for an agreed time period after which the operations will be taken over by the managed firm. (Hollensen 2011, p. 375) However, like in the case of previous market entry strategies, management contracts may also lead to creating a new competitor after the contract expires. Naturally, the contract agreement can prohibit the contractor from setting up his own operations for a certain period of time. (Albaum et al. 2002, p. 353 f.) Moreover, this entry strategy can lead to a shortage of qualified management personnel at the contracting firm as this company needs to supply managers to run the local firm's operations. Personal and cultural conflicts may also arise since people from different cultural background are working together. (Glowik 2009, p. 85)

A special form of management contracts is the turnkey operation. This form is characterized by taking responsibility for building a plant, training personnel and starting plant operations for a local investor. The contract is based on purchasing a complete operational system. (Albaum et al. 2002, p. 353)

6.4.6. International joint venture / Strategic alliances

Another possible way to limit equity exposure in foreign markets is to choose a joint venture with a local partner as an international market entry mode (Douglas and Craig 1995, p. 163). Lee and Carter (2009) describe a JV as well as a strategic alliance as a cooperation between two or more firms. The basic difference lies in equity arrangement. Unlike a JV, a strategic alliance is a non-equity partnership. Generally, there exist two types of JVs, a contractual non-equity and an equity JV. Clearly, a contractual JV and a strategic alliance are very similar. (Lee and Carter 2009, p. 233)

The most common type of JV is an equity JV, which involves the creation of a new entity. The “child” is established by capital investments of its parent companies. (Young et al. 1989, p. 209) The establishment of a new organizational entity means a lower degree of flexibility for a JV compared to a strategic alliance as a higher amount of resource involvement is necessary. The aim of the JV is to pursue mutual strategic objectives for an agreed period of time. Partners share long-term profits, risks, control, responsibilities and management. (Ranchhod and Gurau 2007, p. 287) Depending on the amount of equity share, one can distinguish between three types of JVs: majority, minority, and fifty-fifty ventures (Root 1994, p. 171). In general, JV contracts are extremely complex and can comprise licensing agreements, transfer of technology, and rights and obligations of all parties concerned (Ranchhod and Gurau 2007, p. 287).

A JV is called international when at least one partner company is headquartered in some country other than the venture country of operation. The term IJV is used when the JV’s operations span a number of different countries. (Geringer and Hebert 1989, p. 235; Glowik 2009, p. 81) It is especially the foreign partner who brings and provides expertise in technology and production, a brand name or a good reputation. The local parent, on the other hand, offers an access to distribution networks and market know-how. (Douglas and Craig 1995, p. 163) Further, JVs can be classified into horizontal, vertical, concentric, or

conglomerate ventures depending on whether the partner companies run their businesses in the same industry with similar value-added activities or not (Kutschker and Schmid 2006, p. 862; Glowik 2009, p. 81). Another JV classification can be made on the basis of possible collaborations along the value chain. While an upstream-based JV is a collaboration based on R&D and/or production, a downstream-based collaboration refers to partners cooperating on functions related to marketing, distribution and after-sales service. In the case when both parent companies perform complementary activities the collaboration is called upstream/downstream. (Hollensen 2011, p. 367) As far as strategic alliances are concerned, these often focus only on a single activity in a value chain, example given research and development, production, etc. (Douglas and Craig 1995, p. 166)

A wide variety of reasons may convince an internal manager to choose this entry mode option. Hollensen (2011) mentions some of these reasons. For instance, a company may need a complementary technology or management skills of another firm. Nowadays, R&D is a critical element of success and competitive advantage. Unfortunately, R&D activities are very expensive. For this reason, a firm needs to find a cooperation partner in order to share costs. The foreign ownership restriction in many developing countries as well as some government regulations may favor the choice of JV as well.

However, a JV partnership is associated with some potential risks. Communication difficulties and goal conflicts between parent companies may arise and lead to a JV failure (Douglas and Craig 1995, p. 165). According to Young et al. (1989, p. 215) a JV is often a second or even a third best option chosen only in case it is not possible to go with WOS, export, licensing because of the host country's government regulations.

6.4.7. Wholly owned subsidiary

The last foreign market entry mode discussed is a WOS which represents 100 per cent control over the company's activities in an overseas market (Young et al. 1989, p. 2). According to Hollensen (2011, p. 388): "*A foreign subsidiary is a local company owned and operated by a foreign company under the laws of the host country.*" There exist two types of WOS: Sales subsidiaries and Sales and production subsidiaries. Sales subsidiaries are chosen in case a company is wishing to have full control over its products' sales. This overseas subsidiary may also perform the marketing function or it may be centrally

executed from the home market. High autonomy in the overseas market, customer contact and tax advantages are some of the reasons for preferring a sales subsidiary strategy. However, the motive of cost savings and/or avoidance of government restrictions may lead to a company entering a market via a sales and production subsidiary. The formation or establishment is possible through an acquisition or a greenfield investment. Acquisition makes it possible for a company to use already established distribution channels, brand name or reputation, as well as to sell products to already existing customers. It is also an advantageous strategy in highly competitive markets or for companies with limited international experience. On the contrary, a greenfield strategy is associated with building new overseas operations from scratch with a challenge of integrating a system of production and logistics operations across countries. All in all, both strategies are time and resource intensive. The equity offers greater control possibilities, but at the same time it means higher risk. (Douglas and Craig 1995, p. 166 ff., Hollensen 2011, p. 386 ff.)

6.5. Past research findings

The export strategy is normally considered as being the first step to getting a foothold in a new international market (Kogut and Chang 1996, p. 223). Nowadays, SMEs' internationalization is no longer limited to only exporting. Various entry strategies can be selected in order to take advantage of new market opportunities (DHL and IHS 2013, p. 8). As far as FDI is concerned, for many SMEs with financial constraints this option still seems unrealistic and is not feasible (De Chiara and Minguzzi 2002, p. 144). However, some researchers suggest that SMEs with extremely innovative product offering tend to choose equity entry strategies so as to protect their proprietary technology (Nakos and Brouthers 2002, p. 48). As a result of limited managerial and financial resources, lower investment non-equity entry strategies, e.g. licensing, seem to be more appropriate for a majority of SMEs (Zacharakis 1997). A partnership strategy (e.g. a JV with a local partner) may also pose numerous difficulties for SMEs with poor capital and market power. On the other hand, franchising seems to be a viable option for SMEs with a well-recognized brand name. (Hutchinson et al. 2005, p. 161 f.)

In brief, scholars agree that there exists no single best entry mode for SMEs (McDougall et al. 2003; Onkelinx and Sleuwaegen 2008, p. 30). Each entry mode needs to be selected

carefully with respect to the specific firm and host country characteristics and well as other factors which will be discussed in the next chapter.

6.6. Factors influencing the choice of entry mode

The overseas entry mode selection is a very complex process, which is often an outcome of several sometimes contradicting forces (Root 1994, p. 28). The major distinction can be made between internal and external factors having critical impact on foreign entry mode choice.

6.6.1. External factors

According to Root (1994), external factors are external to the enterprise and in most of the cases they are unable to be influenced by a firm. This group of forces is likely to encourage or discourage a concrete entry strategy. Firstly, target country market factors need to be mentioned (Root 1994, p. 28 f.). For example, the size and the growth potential of the target market are considered to be key parameters in determining the entry mode strategy. The larger is the target market and the higher is its growth rate, the more likely will a company be to choose a higher-commitment entry mode, such as WOS. (Hollensen 2011, p. 324 f.) According to Agarwal (1994), larger markets are more likely to attract FDI than smaller ones. Enterprises facing demand uncertainty often choose low resource commitment entry forms (Kim and Hwang 1992, p. 36; Majkgård and Sharma 1998, p. 8). Further, the host country's competition intensity represents an external force as well. High competition intensive markets are likely to be less profitable. For this particular reason, firms will favor export modes, licensing or contract manufacturing. On the other hand, hierarchical modes of entry will be preferred in case of poor marketing infrastructure, e.g. due to a limited number of intermediaries available as this situation may pose a threat in the form of opportunistic behavior. (Root 1994, p. 29 f.; Hollensen 2011, p. 325)

The second group of external factors is represented by target country production factors. Local production is encouraged by low production costs, including the costs of raw materials, labor, energy, etc. (Root 1994, p. 28 ff.; Hollensen 2011, 324 ff.)

Thirdly, target country environmental factors having political, economic and sociocultural character do impact the entry strategy decision as well. Direct or indirect trade barriers, such as tariffs, quotas or some government regulations concerning products or trade in general, may present a driving force for performing some of the value chain functions in the foreign country market. Hierarchical entry modes are chosen in case tariffs or quotas on imported goods are imposed. On the other hand, intermediate modes may be chosen by preference for local suppliers or some product regulations in the host market. For instance, some governments may restrict foreign ownership, thus discouraging WOS in favor of cooperative entry modes. The firm's desired entry mode may be affected by internal uncertainty created as a result of a sociocultural divergence between the home and host country. The greater is this sociocultural distance, the lower is the willingness toward resource commitment in the particular host market. Another distance factor is geographical distance. Great distances causing high transportation costs may result in excluding export modes in the decision process. Next, the examination of the host market's external economic relations (e.g. balance of payments, exchange rate development, etc.) may also be necessary. (Root 1994, p. 28 ff.; Hollensen 2011, 324 ff.) According to Root (1994, p. 31): *"Substantial one-way changes in external economic relations are indicators of probable future changes in government policies on trade and international payments."* For instance, the depreciation of the exchange rate discourages export modes and encourages equity modes of entry (Root 1994, p. 31). The last factor mentioned within the group of environmental forces influencing the entry mode strategy decision is the country risk which has a negative impact on the resource commitment preparedness of a firm (Hollensen 2011, p. 324).

Finally, the group of home country factors needs to be briefly pointed out. These factors involve the government policies (e.g. export incentives) or costs of production in the home market (Root 1994, p. 32 f.).

6.6.2. Internal factors

A company's response to external forces with respect to the market entry strategy selection is dependent on internal factors. These may be classified in three broad groups, namely firm size, international experience, and product/service characteristics. (Hollensen 2011, p. 322 ff.)

Beginning with the first factor, the size of a company heavily affects resource/commitment factors. As a company's size often indicates its resource availability, limited resources allow only for low resource commitment entry modes. (Hollensen 2011, p. 322 ff.)

Another crucial internal factor determining the entry mode choice is the international experience of the company's managers. This specific experience is possible to be gained when doing business in the same target country or generally somewhere outside the home market. The factor of international experience positively influences the willingness to commitment in foreign markets (i.e. preference for high control entry modes), as it leads to a reduction of uncertainty. (Hollensen 2011, p. 322 ff.)

Lastly, product/service factors need to be discussed. Highly differentiated products/services are likely to opt for export modes as they are ready to absorb high import duties and/or high transportation costs per unit (Root 1994, p. 33). On the other hand, Nakos and Brouthers (2002) found out in their study that SMEs offering unique, highly innovative products tend to choose equity entry strategies so as to protect their proprietary knowledge (Nakos and Brouthers 2002, p. 50 f.). In case a product is complex and needs explanation, pre- or postpurchase service which cannot be handled by foreign distributors, companies need to go with hierarchical modes. As well as this, producers of technology-intensive or low value products often choose licensing agreements. (Root 1994, p. 34; Hollensen 2011, p. 323) The previously described product/service characteristics (e.g. weight/value ratio, technology, etc.) are known as "micro" characteristics and are used to distinguish products/services of the same kind from each other. However, it is essential to take into account also the so called "macro" characteristics (e.g. perishability, tangibility, separability, and heterogeneity), which differentiate goods from services (Zeithaml et al. 1985 quoted in Ekeledo and Sivakumar 2004, p. 80). Both micro and macro characteristics are crucial determinants for entry mode choice. Table 4 presents the characteristics of goods and services divided in hard and soft services with their typically chosen entry strategies. Services differ from manufactured goods in their intangibility characteristic, i.e. they cannot be touched (Ekeledo and Sivakumar 1998, p. 278). Next, the main difference between hard and soft services lies in the separability of production and consumption. Hard services are those for which it is possible to decouple these two processes (Blomstermo et al. 2006, p. 213). For this reason, the chosen market entry mode strategies do not significantly differ between manufactured goods and hard services as both can be exported.

Naturally, exporting of tangible goods, where an object is transported to a target market, is different from exporting some service. Here, the specific service needs to be embodied in a storage medium (e.g. CD) and transported. In the case of wired exports, the movement is done using some satellite stations or telephones. In contrast, for soft services production and consumption occurs simultaneously. Thus, the rationale behind this description is that soft services cannot be exported which makes the basic difference in the entry mode selection of manufacturing versus service companies. As a result, companies such as restaurants, hotels, and hospitals offering a soft service often choose contractual or hierarchical entry modes. Compared to manufacturing SMEs, service SMEs are more likely to choose hierarchical entry strategies as capital requirements are normally much lower in the service industry. (Ekeledo and Sivakumar 1998, p. 278 ff.)

Table 4: Characteristics of Manufactured Goods, Hard Services, and Soft Services

Product	Examples	Characteristics	Typical entry mode options
Manufactured goods	Toys, automobiles, shoes	Tangibility, storability, separability, homogeneity	Licensing, exporting, foreign manufacturing agreement, JV, sole ownership
Hard services	Computer software, advertising, equipment leasing	Intangibility, storability, separability, homogeneity, depends on physical object for storage and export	Licensing, exporting, management contract, JV, sole ownership
Soft services	Restaurants, lodging (hotels), health care (hospitals)	Intangibility, perishability, inseparability, heterogeneity	Franchising, management contract, JV, sole ownership

Source: Own representation with reference to Ekeledo and Sivakumar 1998, p. 278.

6.6.3. Other factors

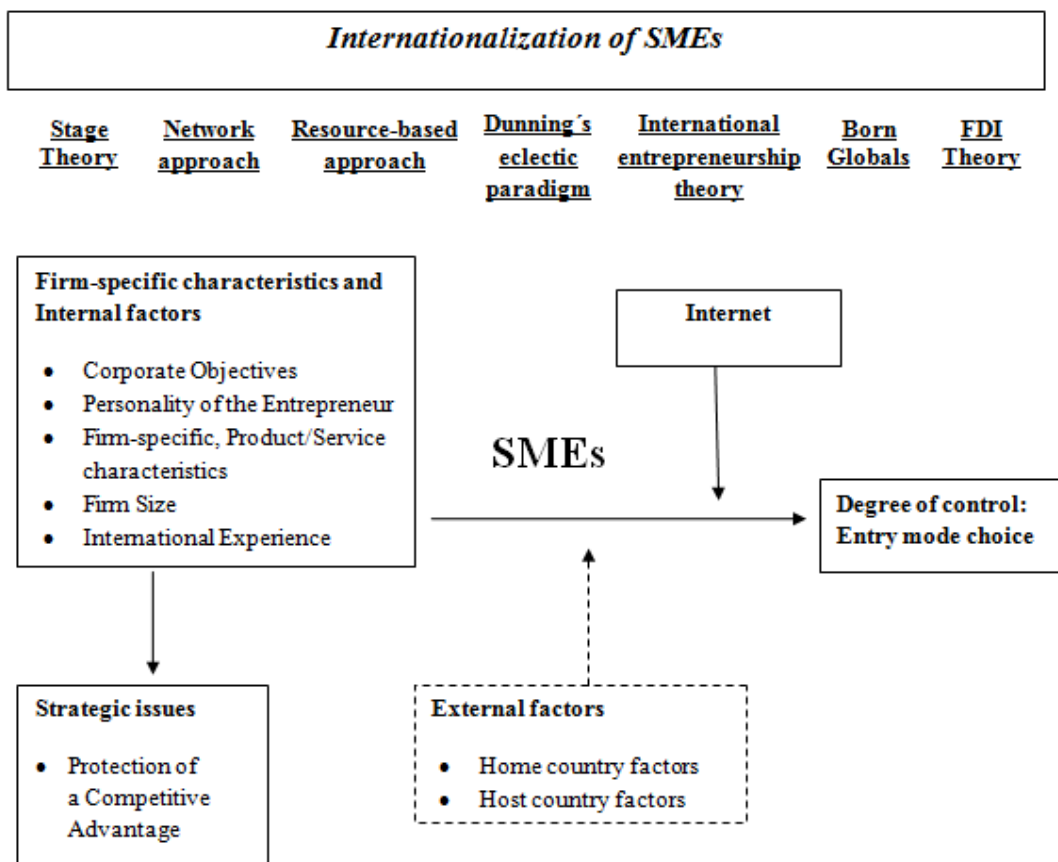
Besides external and internal factors, many other forces impacting the choice of entry form can be determined. The emergence of the Internet, which affects both the entry strategy selection as well as the target market selection, is one of them (Moen et al. 2004, p. 1237). Some scholars state that market entry modes are different with regards to client following and market seeking strategies. Firms following a client in a foreign market tend to be more knowledgeable about the host market and therefore more aggressive in entry mode choice

than companies seeking a new market. The latter group of companies is usually confronted with higher levels of uncertainty as well as risk. (Erramilli and Rao 1990, p. 142) The level of digitization of a service act, the product's position in the PLC and many other different factors may also play a pivotal role in a specific firm's entry form selection (Majkgård and Sharma 1998, p. 14; Ekeledo and Sivakumar 2004, p. 48). To conclude, the entry mode choice is a very complicated process affected by a variety of sometimes contradicting forces.

6.7. Conceptual framework

The illustration presented below is not a model testing relationships, but only a picture demonstrating the internationalization process of SMEs. The picture shows possible internationalization theories which may explain the internationalization behavior of SMEs as well as factors having impact on the entry mode choice.

Figure 6: SMEs' internationalization



Source: Adapted illustration with reference to Ekeledo and Sivakumar 2004, p.74.

7. Empirical framework

This chapter will give an overview about the research methodology of this thesis. Specifically, the research purpose, the research approach, the data collection technique and the research strategy used will be described. Most importantly, this section will concentrate on answering the research questions and presenting the hypotheses tested in section 7.8.2. As well as this, the criteria for the specific case selection (here SMEs) will be mentioned and the company profiles summarized.

7.1. Research purpose

In general, the purpose of a study may be divided into three main groups: exploratory, descriptive, and explanatory. This distinction has an essential impact on the research process (Rubin and Babbie 2010, p. 41). The first type of research, the exploratory one, is associated with limited knowledge about the investigated topic or the research context. The exploratory research is normally conducted in order to get an overview about what is going on and how this process or subject might be researched. It usually takes place at the beginning of research, e.g. by searching for the necessary literature or conducting expert interviews. (Saunders et al. 2009, p. 140; Blaikie 2010, p. 70) Descriptive studies aim to reflect an accurate personality profile, actions or situations as it is helpful to have enough information about the research phenomena before the actual data collection (Saunders et al. 2009, p. 140). Description in the context of qualitative research refers to a deeper examination and meaning of some object or phenomenon. Sometimes, a descriptive study acts as a predecessor to an explanation. This specific case is called a “descripto-explanatory” study (Saunders et al. 2009, p. 140). Finally, explanatory studies are associated with forming causal relations between variables. The main focus lies in a problem study in order to be able to define and make clear the connection between the variables in question. (Saunders et al. 2009, p. 140) All of the research purposes can employ qualitative or quantitative research methods (Rubin and Babbie 2010, p. 41).

A study is not limited to only one purpose, but it may actually follow more purposes dependent on its aim and the formulated research questions. As the aim of this thesis is to describe and analyze the Austrian SMEs’ internationalization process as well as the factors

behind their overseas market entry strategy decisions, the objective of this thesis is mainly descripto-explanatory and to some extent exploratory.

7.2. Research approach and data collection technique

The character of the formulated research questions as well as the study's aim determine whether a qualitative or a quantitative research approach are appropriate for the concrete study. Quantitative research is described as being a structured research approach studying a larger sample of individuals (a population sample) with the aim of getting quantifiable insights into a specific situation. On the contrary, qualitative research is unstructured using a small number of carefully selected individuals producing non-quantifiable insights into situations, processes, attitudes, etc. (Wilson 2006, p. 105 ff.) While quantitative data collection generates or uses numerical data, qualitative research works with open-ended, non-numerical data (Saunders et al. 2009, p. 151).

This thesis uses a qualitative research approach with individual in-depth interviews as the most suitable data collection technique for the thesis topic. In-depth interviews are generally the most commonly chosen methods of data collection in qualitative research (Craig and Douglas 2005, p. 224). The reason behind this decision lies in the thesis objective as this work is aiming at generating in-depth insights into the Austrian SMEs' internationalization process. As well as this, it was necessary to tailor questions to the background and situation of the chosen SMEs thus choosing the already mentioned research approach seemed to be the right choice.

7.3. Research strategy

The research strategy chosen for this thesis is a case study. More precisely, this thesis is written as a comparative case study. As the term suggests, more than one case is being described and the cases are compared with each other. To get a better overview about the case study methodology, this section will target the theory of this research strategy.

Yin (2009) defines a case study as *“an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries*

between phenomenon and context are not clearly evident” (Yin 2009, p. 18). This inquiry relates only to one case or a limited number of instances of the studied subject, where the environment is not manipulated (Dul and Hak 2008, p. 4). This kind of environment refers to the so called “real life context”. Dul and Hak (2008) describe a case study as “*a study in which (a) one case (single case study) or a small number of cases (comparative case study) in their real life context are selected, and (b) scores obtained from these cases are analysed in a qualitative manner*” (Dul and Hak 2008, p. 4). The qualitative manner analysis is an analysis by virtue of the visual inspection of the results received for the object in study. The visual inspection distinguishes a case study from a survey, since the latter is characterized by statistical data analysis. In addition, surveys require a larger sample size than case studies. It is also important to mention that the real-life context is not used in all of the research studies. For example, the manipulation of one or more variable features of the studied object or rather the general environment is characteristic for an experiment. (Dul and Hak 2008, p. 4 f.)

A case study is regarded as being a comprehensive research strategy including the design logic, techniques of data collection and special approaches to data analysis (Yin 2003, p. 14). As stated in Yin (2009) a case study research can be used in four different situations. Sometimes, and most importantly, it may be very difficult to make clear the supposed causal bonds in real-life interventions using research strategies, such as a survey or an experiment. The intervention and the context in which this happened need to be described as well. Furthermore, case studies are able to illustrate some topics within an evaluation. Shedding light on situations with no obvious outcome is another application of case study methodology. There exist numerous arguments for conducting case study research, ranging from the desire to present individual cases to the aim of achieving broad generalizations. (Yin 2009, p. 19 f.) Other authors state that this research strategy is associated with mainly exploratory aims and should be chosen in case the topic in question is broad and difficult and/or the theory is limited or not available at all and/or the researcher’s objective is to emphasize the context (Dul and Hak 2008, p. 24).

As the researcher can choose between several types of research strategies, such as experiment, survey, archival analysis, history or case study, the critical question is “When to use each strategy?” (Yin 2003, p. 5). Three conditions presented in the Table 6 make the choice clear. These conditions include “*(a) the type of research question posed, (b) the*

extent of control an investigator has over actual behavioral events, and (c) the degree of focus on contemporary as opposed to historical events” (Yin 2003, p. 5).

According to Yin (2003), the definition of the research questions is one of the most important steps in each study. The identification of the most suitable research question type and the following formulation of these questions decides which research strategy should be used. However, the type of the research question provides only a clue for the research strategy choice. For example, “how” and “why” questions often result in the selection of case study research. These types of questions seem to be more or less explanatory. Furthermore, as the Table 5 suggests, a case study should be chosen when “how” and “why” research questions are used *“about a contemporary set of events, over which the investigator has little or no control”* (Yin 2003, p. 9).

Table 5: Situations for different research strategies

Method	Form of Research Question	Requires Control of Behavioral Events?	Focuses on Contemporary Events?
Experiment	How? Why?	yes	yes
Survey	Who, what, where, how many, how much?	no	yes
Archival Analysis	Who, what, where, how many, how much?	no	yes/no
History	How, why?	no	no
Case Study	How, why?	no	yes

Source: Own representation with reference to Yin 2009, p. 8.

As the title of the master’s thesis, the formulated research questions as well as the research objective suggest, this study will be conducted in the form of a comparative case study. This research strategy is from the author’s point of view most suitable for achieving the study’s objective as well as describing complex phenomena, such as internationalization.

7.4. Research objective

As far as the research objective is concerned, the researcher can decide whether the study will be theory-oriented or practice-oriented. The former one aims at contributing to the

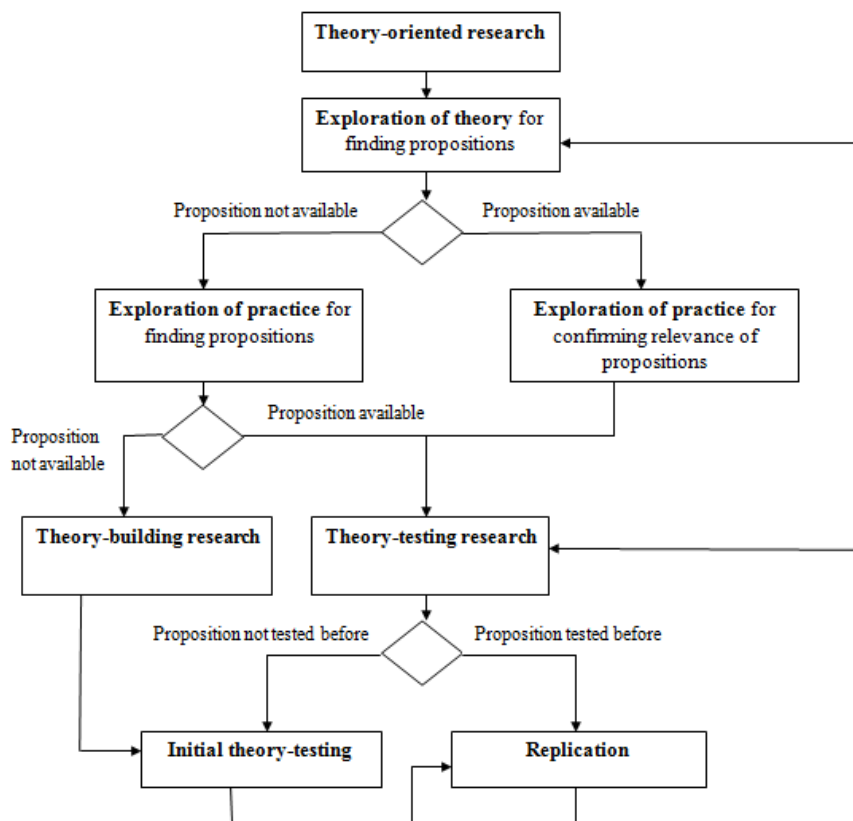
theory development and the research findings are used particularly by academics. In fact, the theory developed may have a practical value as well. Practice-oriented research is conducted for the purpose of providing new knowledge to specified practitioners. (Dul and Hak 2008, p. 30 ff.)

Theory-oriented research is the research objective of this study. Within this orientation, this thesis is a combination of exploration and theory-testing, both contributing to the theory development. Another objective of this particular thesis is “theory application”, since the theory researched in the first part of the thesis should be applied to real world examples. (Dul and Hak 2008, p. 30 ff.)

Starting with “theory”, this term is defined as “*a set of propositions about an object of study*” (Dul and Hak 2008, p. 34). A theory can be expressed in terms of four distinctive characteristics: object of study, concepts, relations between concepts, and domain. The studied object may refer to many different things, such as processes, persons, groups, etc. The term “concept/concepts” is used for variable characteristics describing the object of study. Next, the theory propositions formulate causal relations between concepts. The last theory characteristic is the “domain”. Domain expresses the universe of the instances for which the propositions are expected to be true. Finally, the theory propositions can be portrayed as a conceptual model showing the relationships between various concepts. (Dul and Hak 2008, p. 30 ff.)

Exploration as a type of activity contributing to theory development is described as a collection and evaluation of appropriate information about theory and practice with the aim of finding out how research could contribute to theory development. Exploration is undertaken through the literature review resulting in a combination of different sources (theoretical and practical) in order to come up with propositions. Exploration is not research in itself, but before testing propositions, it is necessary to perform an exploration. The results of the exploration help to decide whether theory-testing or theory-building will follow (for illustration see Figure 7). Testing of propositions is the main goal of theory-testing research. (Dul and Hak 2008, p. 30 ff.)

Figure 7: Deciding on the type of theory-oriented research



Source: Own representation with reference to Dul and Hak 2008, p. 40.

7.5. Validity and reliability

The case study methodology literature suggests how to make sure that the empirical social research will be of high quality. This can be done by the use of several tests. For this particular case study research, it is of crucial importance to ensure construct validity, external validity and reliability. While construct validity aims at creating proper operational measures for the studied concept, external validity tries to find out the extent to which the case study findings are possible to be generalized. Finally, reliability of a study makes sure that repeating the operations of the study would lead to exactly same results. (Yin 2003, p. 33)

7.6. Research questions and hypothesis

The formulation of research questions and hypotheses is a critical part of every study. The aim of this thesis is naturally to answer the research questions posed and to find out, whether the hypotheses tested on the chosen Austrian SMEs should be confirmed or rejected.

As is common for a case study, the research questions are formulated in a “how” and “why” manner. There are two main research questions, each consisting of some sub-questions trying to give a better overview about what topics the main question comprises. The research questions for this case study research are as follows:

- 1) How does the internationalization process of the chosen Austrian SMEs look like?
 - Is there any strategic planning or is it rather reactive and intuitive?
 - What were the motives for internationalization of the interviewed Austrian SMEs?
 - Which hurdles did the Austrian SMEs have to face/overcome during the process of internationalization?
 - Which internationalization theory is suitable for the interviewed SMEs?
- 2) Why did the interviewed Austrian SMEs choose the mentioned market entry mode?
 - What were the influential factors?
 - Which approach to the market entry mode choice does the company follow?

The following section will give an overview about the hypotheses chosen to be tested in this master’s thesis. Internationalization literature and scientific articles build the basis for these hypotheses. For example, some of the hypotheses have already been tested in the work of Nakos and Brourthers (2002). That study tried to find out how well Dunning’s eclectic framework predicts the entry mode selection of SMEs.

Internationalization process in general

Internationalization behavior and strategic planning

As mentioned in the theoretical part, many entrepreneurs leading SMEs often have local bonds to the home market. Therefore they may be interested mainly in domestic sales. Additionally, SMEs are known for their limited resources and qualified personnel. Time, resources, and knowledge are critical factors influencing SMEs’ internationalization. For these reasons, SMEs’ internationalization approach is likely to be passive or reactive based

on unsolicited orders and client-following strategies (Westhead et al. 2001, p. 26). The majority of SMEs avoid using strategic planning instruments (Pfohl 2006, p. 18). As stated in Westhead et al. (2001) a large number of SMEs are pulled into international activities by their customers, e.g. as subcontractors. As a result, the country market selection decision is made by the partner company (Westhead et al. 2001, p. 26). This statement leads to the first hypothesis of this thesis:

H1: The internationalization approach of Austrian SMEs is likely to be reactive without much strategic analysis, and based on unsolicited orders and/or client-following strategies.

Factors influencing entry mode selection

International experience

International experience is in the internationalization literature seen as a possible source of competitive advantage (Ekeledo and Sivakumar 2004, p. 77) and therefore a critical factor influencing entry mode selection. The greater the experience, the better is the management of the processes and the system of international operations. Firms having this advantage are often willing to take more control over their foreign operations and prefer equity modes of entry because of this. (Agarwal and Ramaswami 1992) Equity modes, as the term suggests, are associated with the firm owning some equity in the foreign company (e.g. WOS or JV), which gives the equity owner high control possibilities. Non-equity modes of entry are contractual agreements (licensing, franchising, contract manufacturing) and export. (Pan and Tse 2000, p. 536) Companies without international experience and the expertise mentioned previously face higher risk potential. In addition, they are likely to overestimate international business risks and thus often prefer non-equity entry strategies. (Anderson and Gatignon 1986; Nakos and Brouthers 2002, p. 50) Various studies concentrating on SMEs' internationalization found a close relation between international experience and equity entry mode choice (Nakos and Brouthers 2002, p. 50). Summing up, international experience seems to lead to the preference of high control modes of entry (Anderson and Gatignon 1986; Blomstermo et al. 2006, p. 215).

H2: Austrian SMEs with some degree of international experience will tend to prefer equity entry mode strategies.

The experience factor impacts the country market selection as well. The cultural distance plays a crucial role when international experience is limited. According to Davidson (1980) firms with extensive experience are less likely to prefer near and familiar markets. In other cases, the opposite seems to be true (Davidson 1980, p. 18). Gaining international experience influences the perception of risk, uncertainty and returns (Davidson 1980, p. 18; Anderson and Gatignon 1986, p. 16). With respect to the above-mentioned statements, the following hypothesis is formulated as follows:

H3: At low levels of experience, Austrian SMEs will choose culturally similar foreign markets.

Product characteristics

Other factors having an impact on entry mode selection are product characteristics. Companies producing innovative, unique and differentiated products are likely to prefer equity entry strategies in order to protect the unique know-how of the firm from existing or potential competitors (Agarwal and Ramaswami 1992, p. 4). Contractual entry strategies might therefore be risky. It is also possible that the unique technology may be underestimated by foreign partners because of their lack of knowledge. To overcome this and to get the best value from the technology developed, SMEs offering differentiated products (opposite to generic) are expected to prefer equity modes of entry. (Anderson and Gatignon 1986, p. 13; Nakos and Brouthers 2002, p. 51) As a result, the next hypothesis is formulated as follows:

H4: Austrian SMEs offering differentiated and innovative products will tend to prefer equity modes of entry.

Size

A firm's size reflects resources owned by a company. As a result, larger companies may be in a better position to enter markets via equity modes requiring higher investments in terms of managerial skills, knowledge and finance. SMEs themselves differ with respect to the size factor as well. There exist SMEs with two employees and SMEs with 200 employees, so the difference can be immense. This difference is likely to be decisive with regard to market entry selection. As a result, it is expected that higher equity modes such as WOS

will be more likely to be chosen by larger SMEs. (Agarwal and Ramaswami 1992, p. 4; Nakos and Brouthers 2002, p. 49)

H5: Larger Austrian SMEs will have a tendency to prefer equity entry mode strategies, while smaller-sized Austrian SMEs will have a tendency to favor non-equity entry mode strategies.

Growth potential

The size and growth of the market, i.e. market potential, are important determinants of foreign investment. In high growth markets firms are likely to prefer equity (investment) entry strategies so as to earn the rewards afterwards without having to share them with potential partners. Equity modes in high growth markets guarantee long-term profitability achieved through economies of scale. (Agarwal and Ramaswami 1992, p. 5 f.) Previous findings point to a positive connection between the growth potential of a market and the amount of control a company desires to have over its foreign activities in the form of an entry mode (Nakos and Brouthers 2002, p. 52). These research findings lead to the last hypothesis of this thesis:

H6: Austrian SMEs will be likely to prefer equity entry mode strategies in markets with high growth potential, while Austrian SMEs in markets with low growth potential will be likely to prefer non-equity entry mode strategies.

7.7. Choice of the case study SMEs and company profiles

The selection of the most suitable SMEs for this case study topic was another vital task especially because this decision is likely to influence the quality and generalizability of the case study findings. Three criteria for the case selection were identified. First of all, there must be a general fit between the chosen companies and the research topic. For this reason, it was necessary to look for companies that are small or medium-sized and internationally active. This means that the case study companies need to sell their products domestically as well as in foreign markets. Another important criterion the selected SMEs had to meet is that they have to offer innovative products. Finally, only Austrian SMEs can be the object of the case study as this thesis focuses on the internationalization of Austrian SMEs.

The process of contacting the suitable Austrian SMEs began with searching for companies that attended or even won some innovation award competition. It was very useful to study the home pages of the pre-selected companies with the aim of finding out, whether they fulfill the remaining criteria. In case the Internet provided all the information necessary, the chosen companies were contacted and asked for an interview. Otherwise, a small questionnaire was sent to the pre-selected candidate firms. Companies meeting the defined criteria were contacted once again with an interview request.

This process was helpful in identifying the following three case study companies: iRoom GmbH, Conlux GmbH and Georg Bechter Licht. Their company profiles will be presented in the next sections.

The first enterprise selected for this study is iRoom GmbH. This firm is a young and innovative Austrian SME. It was established in 2008 in Salzburg by Marc Hofer, a young entrepreneur. iRoom GmbH has 16 employees in Austria and 18 abroad. Products offered by this company are innovative docking stations for Apple's iPad and iPad mini. For its innovativeness, iRoom GmbH was rewarded with several international design and engineering awards. This company tries to maintain its competitive advantage in innovation by investing annually approximately 8.75 per cent of its turnover in R&D activities. iRoom products are offered currently in more than 70 countries around the world through an exclusive distribution system and one subsidiary located in Los Angeles. The production and testing facilities are situated in Oberndorf, Austria. iRoom GmbH is a very successful young enterprise with an annual turnover of approximately 1.5 million euro. 85 per cent of the company's turnover is generated abroad. (iRoom GmbH Website 2014: Contact/Company information; Hofer 2013)

Next, Conlux GmbH is a family business and as the previous company, Conlux still belongs to the group of small and medium-sized enterprises employing 25 people in Austria and 10 in Dubai. It was founded in June 2009 by a father and son. The company specializes on energy saving LED lighting solutions and photovoltaic technology. The protection of the environment is thus an important issue in this company. The production takes place in Amstetten, Austria. Conlux is an innovative firm offering state-of-the-art and tailor-made solutions of the highest quality. The aim of Conlux' product offering is to come up with sustainable public lighting solutions. The company is present in more than

30 countries via exporting and one subsidiary in Dubai. The Dubai subsidiary functions as a hub for the whole Middle East. 30 per cent of the company's turnover is annually invested in R&D in order to remain competitive and innovative. The result of this competitive behavior is a number of innovative awards. The father, CEO Karl Gartner, has extensive international experience in field, collected over a period of about 25 years. The foreign business activities are very successful and especially the business in the Middle is still growing. About 70 per cent of the total company's turnover comes from its international activities. The turnover in 2013 reached about 1.5 million euro in Austria and about 2.5 million euro abroad. However, the sales figures for the Middle East market are continuously rising. (Conlux Website 2014 – About us; Gartner 2014)

The third and final company for this case study is Georg Bechter Licht. This company is an innovative Austrian SME with international operations exactly the same as the previously described firms. This company was established in 2010 in Langenegg, Austria. It currently employs 3 people including the CEO and founder Georg Bechter, who is an architect and designer. The product offering includes design luminaries and light objects. This company won Vorarlberg's innovation award in 2012. In addition, 20-25 per cent of the firm's turnover is annually invested in R&D. The company's products are exported to about 20-30 countries. About 90 per cent of the firm's sales are generated abroad. The proportion of foreign sales to total sales emphasizes how important the international business activities are for this particular firm. The total revenue achieved in 2013 was 300,000 euro. (Georg Bechter Licht Website 2014 – products; Bechter 2014)

The market segments served by all of the companies chosen are B2B as well as B2C. All the important similarities and differences leading to distinctive internationalization strategies of these companies will be presented in the "Case study findings and discussion" chapter.

7.8. Case study findings and discussion

The objective of this section is to answer the research questions stated in the first chapter as well as to test the hypotheses formulated in the previous chapter. The first part of this section will concentrate on special topic areas concerning the internationalization process of each interviewed SME as they relate to answering the research questions. Then, their internationalization processes will be analyzed and described. The most important research findings highlighting the differences between the case study SMEs will be summarized in Table 6 in Appendix. The second part is concerned with the hypothesis testing. All the information discussed below stems from the interviews conducted with the CEOs Marc Hofer, Karl Gartner and Georg Bechter (Hofer 2013; Gartner 2014; Bechter 2014).

7.8.1. Case study topics

7.8.1.1. iRoom GmbH

Background information and international strategy

Internationalization wasn't originally a part of the company's strategy. The CEO, Mr. Marc Hofer, wanted to focus only on the domestic market. After receiving some unsolicited orders from foreign distributors, the internationalization happened accidentally and proceeded quickly. Mr. Hofer is a young, risk-taking entrepreneur. Before establishing his own company, he worked in his father's firm. Thus, he comes from a family with a business background. He also has a positive attitude towards other countries, and likes travelling and foreign cultures. As Mr. Hofer has a technical education, the business knowledge is provided by the remaining part of the young management team. Although no one from the management was familiar with doing business in foreign markets before, the firm went international two years after the company's foundation. The Austrian Chamber of Foreign Trade helped iRoom substantially during the initial foreign operations, because as a start-up, iRoom didn't have any foreign network or cooperation partners. (Hofer 2013)

Patents and competitive situation

The products are highly innovative and protected by three patents valid in Europe. There exist two more patents for the American market, but these are still in a „pending“ status. iRoom is one of the limited number of licensed manufacturers of the Apple company. As Apple introduces a new generation of its products every year, the PLC of the iRoom

products is very short. Therefore, iRoom needs to invest annually a considerable amount of resources in R&D. As well as this, the company concentrates on niche markets. As far as competition is concerned, the major competitor and the American market leader is the company Launch Port offering an “on wall induction charging station”. The competitive advantage of iRoom with respect to its competitors is according to Mr. Hofer the installation process. For example, the product iPad Dock has the advantage of being motorized. It is possible to block the iPad in the dock. This feature is unique and no other competitor offers such a motorized product. (Hofer 2013)

Country market selection and international entry preparation

Presently, the most important criterion for iRoom’s country market selection is the market potential. Other influencing criteria are country market knowledge and network contacts, which have been built during the years of iRoom’s international activities. However, it has to be pointed out that the factor of cultural similarity was the most important factor at the beginning of iRoom’s foreign business activities. This goes along with the theoretical argument that at low levels of experience, firms choose neighbouring and culturally similar country markets in order to reduce uncertainty as described in the theoretical part of this thesis. The previous statement is underlined by the fact that the first market entered was Germany. Currently, iRoom has a very broad distribution network consisting of about 70 distributors in countries around the world including the EU, Asia, Africa, Asia Pacific, USA, Canada, Mexico, and South America. (Hofer 2013)

As far as market entry preparation is concerned, trade fairs are regarded as an important prerequisite for entering new markets. Likewise, country market research and market analysis is conducted before the final decision to enter a new market is made. (Hofer 2013)

Motives and barriers to internationalization

As mentioned previously, the CEO of iRoom didn’t actually plan to go international with his business. But according to his own words, he had to change his mind as a result of extremely high investment costs. The company needed to enter new markets in order to increase turnover and avoid bankruptcy. The main hurdle iRoom faced during the initial phases of its international operations was its lack of financial resources connected with banks’ unwillingness to finance iRoom’s business. This substantial problem was later solved by finding a private investor, the former CEO of the Palfinger company, Mr.

Schützdeller. This investor assists the iRoom CEO in making strategically important decisions and provides the company indirectly with international experience. Admittedly, iRoom needed to overcome the initial lack of foreign business experience and foreign market connections. (Hofer 2013)

International market entry modes

After six years of iRoom business existence, the company is present in more than 70 markets, operating predominantly through distributors and having one subsidiary in Los Angeles. The distributors are selected on the basis of their technical education as they are responsible for the after-sales service in their distribution region. The decision to switch from resource friendly export to FDI in Los Angeles was motivated by the perception of high market potential in the particular market as well as high product end price with a distributor in the middle of the chain. Financial considerations and flexibility were the main reasons for choosing direct export. (Hofer 2013)

Other factors influencing the foreign entry mode choice of iRoom in a potential market are for example the market growth, the size of the market, the resources available and the product characteristics. The product characteristics need to be taken into account as not every product is suitable for every market. As far as the evaluation of other market entry modes the company could potentially use in the future is concerned, Mr. Hofer stated that he could imagine using a JV or Foreign Production and Sales Subsidiary. These entry strategies would presently come in question with respect to the Brazilian market, because the import taxes are extremely high in this market. He further wishes to avoid contractual modes of entry in the future in order to protect the company's know-how. This confirms the theoretical arguments regarding the factors that influence the entry mode decisions. (Hofer 2013)

7.8.1.2. Conlux GmbH

Background information and international strategy

In contrast to the first SME discussed, internationalization has been an essential part of the Conlux business strategy from the beginning of its operations due to about 25 years of international business experience of the CEO, Mr. Karl Gartner. In fact, the internationalization of Conlux began a couple of months after the company's foundation.

The CEO, Karl Gartner, is a proactive and risk-taking personality with a broad network of personal and business contacts. Some of these contacts were useful in the initial internationalization phase. In addition, he is running his business with his son who is a specialist in engineering and management. This outstanding experience and know-how of the Conlux management team had a major impact on the path of internationalization of this enterprise. Another factor positively influencing the internationalization of Conlux are its cooperation partners. The most important cooperation partner of Conlux is a German distribution company, the Berner Group. This company takes over the distribution and sales function of the product Flashpad using its wide distribution network. Finally, the Austrian Chamber of Foreign Trade is another important organization supporting Conlux in its overseas business activities from its internationalization start. (Gartner 2014)

Patents and competitive situation

The focus of Conlux lies on niche markets like in the case of iRoom. Products are protected by patents. These are valid either in Europe or worldwide. The scope of patent protection depends on the concrete product and the country market, where the product is offered as in some countries patents might be meaningless. According to the words of Mr. Gartner, there exist many national or international companies offering LED-lighting and photovoltaic solutions. However, the obvious competitive advantage of Conlux products lies in the level of innovation. In particular, the product Flashpad is a very unique product, and it is protected through a number of patents. (Gartner 2014)

Country market selection and international entry preparation

The country market selection has to fulfill different criteria. Most importantly, the market potential and the market growth need to be taken into account. Also, the knowledge about the concrete market is required in order to be able to evaluate the risks of the market as well as its potential. However, the first countries entered (i.e. Germany, Switzerland and Italy) were selected on the basis of market closeness. The reduction of transportation costs and to some extent cultural similarity played a critical role in the initial country market selection due to limited resources and experiential knowledge. With increasing experience and knowledge, this selection criterion became less important. (Gartner 2014)

Participation in international trade fairs is regarded to be a “springboard” for starting any international business activities. Conlux attends trade fairs regularly. It participated at

about six trade fairs in the Middle East during the previous year. Undoubtedly, trade fairs are a very essential place for presenting the product range to potential buyers or even partners and are therefore perceived as a prerequisite for any market entry. (Gartner 2014)

Motives and barriers to internationalization

The limited size of the domestic market, higher profit, and growth goals were perceived as the main motives for Conlux's internationalization. Clearly, the management was confident about the foreign market opportunities for their highly innovative and unique product offering. Another important internationalization motive or driving force was the 2008 economic crisis. The decision to start a business during this period was very risky. However, the CEO made clear that doing business internationally was the core of the company's strategy from its start, because it was not clear how long the consequences of the crisis in Europe would last. (Gartner 2014)

On the other hand, Conlux faced various barriers typical for an internationalizing start-up, such as lack of financial resources. The financial structure problem is very common for SMEs in general. Especially internationally active companies have higher capital requirements, since each foreign business activity is connected with a cost increase. (Gartner 2014)

International market entry modes

Generally speaking, Conlux's choice of foreign market entry mode is influenced by five decisive factors: company resources, international experience, product characteristics, environmental uncertainty and market growth. This goes along with the theoretical part of this thesis as well. (Gartner 2014)

Conlux currently operates in more than 30 country markets using direct export and a sole venture in Dubai. Conlux's products are exported from Austria to different EU countries and the USA. The export strategy has been chosen as it is associated with low risk and low costs as far as the European market is concerned. (Gartner 2014)

The company Conlux me fzco is responsible for serving the whole Middle Eastern region. However, production still takes place in Amstetten, so the products need to be transported from Austria to the Middle East. The main reasons for switching from export to setting up

a company in Dubai in October 2012 were product characteristics and the necessity to be present in the market. Clearly, the products are highly complex and the after-sales service cannot be handled by distributors. The costs for sending a technician from Austria were increasing as a result of the continual demand increase in the Middle Eastern markets. The products are highly innovative and extremely expensive as well, so Conlux had to make a market commitment in order to be taken seriously by partners, as Mr. Gartner explained. (Gartner 2014)

As a result of high transportation costs and with the aim of increasing company's flexibility, Conlux plans to produce some components and establish an assembling factory in Dubai in the future. With regard to other potential market entry strategies, Mr. Gartner also plans to build a network of sales offices in the form of a franchise system in the Middle East so as to serve the market more effectively. As the products would still be produced by Conlux, there would be no need for sharing the know-how. Again, this idea might be attributed to the company's financial considerations and the need for local market presence. He also remarked he would rather not opt for contract manufacturing as he wishes to retain the know-how in his company. (Gartner 2014)

Concerning other markets served by export, the switch to some higher-commitment mode of entry is still possible, as the export strategy is often regarded as the first step in the internationalization process. (Gartner 2014)

7.8.1.3. Georg Bechter Licht

Background information and international strategy

Selling the design luminaries and light objects of Georg Bechter Licht at least in all German speaking countries has been a part of the company's plan since its beginning. The precise time period from the company's foundation and the start of its foreign business activities was one year. Unlike in the case of the majority of SMEs, this time lag cannot be attributed to the focus on building up the domestic market first. The main reason of this time lag was the necessity of product development. The reason for the already mentioned German speaking country preselection can be found in the language as well as the cultural closeness and similarity. (Bechter 2014)

It is very important to point out that Georg Bechter Licht is the smallest SME chosen for this study. The lack of qualified personnel in this firm might be closely related to its size disadvantage. Mr. Bechter is a young, dynamic and innovative entrepreneur. He is a very internationally oriented person who likes travelling. He also lived in Germany during his university studies, where he studied architecture and design. As he is a professional architect and designer, the business knowledge necessary for running a company is provided by two part-time employees responsible for production and distribution. The R&D and the marketing function are handled by Georg Bechter. Sometimes, an external specialist is hired to deal with some uncommon topics. Besides Georg Bechter Licht, Mr. Bechter runs a firm named “Georg Bechter Architektur and Design” as well. (Bechter 2014)

Like in the case of the previously described SMEs, the Austrian Chamber of Foreign Trade was an essential partner of this enterprise during its initial internationalization period, helping Georg Bechter Licht to make new contacts with foreign business partners. (Bechter 2014)

Patents and competitive situation

The products offered by Georg Bechter are very similar to the products of the previously described SMEs. Georg Bechter luminaries and light objects can be distinguished from their competitors through their unique design. They are innovative and protected by utility patents which are common for design protection. Utility patents are valid only in Austria, but the copyright protection can be applied worldwide. The company operates in a niche market. (Bechter 2014)

Country market selection and international entry preparation

The basis for every market entry is the participation at the biggest “Light and Building” trade fairs, e.g. those held in Milan in Italy, or Cologne or Frankfurt in Germany. Here, new contacts are made. The process is very simple. All the products ordered after the trade fair will be delivered no matter how risky the foreign market is. Naturally, in markets with an unstable political situation, payment in advance is required. There is no other special preparation or strategic planning before entering a new market. (Bechter 2014)

There exist currently no special criteria for country market selection. The prior research findings make clear that the country markets are chosen more or less passively. Although there are no criteria at present, the language criterion (German speaking counties) built the basis for the initial country selection. (Bechter 2014)

Motives and barriers to internationalization

The most important driving forces of Georg Bechter Licht's internationalization were according to its CEO higher profit and growth goals. The product offering of this enterprise is very specific with limited market demand. In order to be able to survive, the company needed to make the business international. The limited international experience and foreign market knowledge (general and experiential) of the work team as well as the lack of financial resources hindered the internationalization process. The problem of scarce finance is still considered to be a business barrier as Georg Bechter Licht is a 100 per cent self-funded enterprise. (Bechter 2014)

International market entry modes

Georg Bechter Licht directly exports to more than 30 countries. Most of the country markets are in Europe, some in the United States and the United Arab Emirates. The distributors are responsible for installation and after-sales service. The export mode has been chosen because the products are niche products with limited demand. According to the CEO Georg Bechter, a 50 per cent increase in promotional activities, would not lead to a sales increase in the same extent. It wouldn't therefore make much sense to establish a subsidiary in a foreign market. However, this would be the only entry strategy he would choose except for exporting, with the aim of protecting the know-how. Exporting is a suitable strategy for this enterprise as it is a low risk and low cost strategy. The company is not planning to change its entry modes in the future as a result of the company's overall strategy. More clearly, the CEO stated he does not want his company to become a medium or even large enterprise. (Bechter 2014)

To sum up, factors that influence the entry mode selection of Georg Bechter Licht are financial resources available as well as the size and potential of the market. These can often be found in the internationalization literature, thus confirming the fit between theory and practice so far. (Bechter 2014)

7.8.1.4. Born global strategy

One of the thesis goals was to analyze the internationalization process of Austrian SMEs. Taking a better look on the case study findings, it is obvious that all SMEs are with respect to their internationalization process the so called INV (also known as Born Globals). This presents an answer to the research sub-question: “Which internationalization theory is suitable for the interviewed SME?” as well.

All three interviewed SMEs fulfill the standard characteristics of INVs, which were described in more detail in the theoretical part of this thesis. All of them became international within 2 years after their foundation. They serve about 20 to 70 foreign country markets. The home market is strategically less important to them as more than 25 per cent of their total company’s turnover is generated abroad. As all of them still belong to the group of SMEs, the number of employees does not exceed the limit of 500 employees set for the Born Globals group.

However, there are still many other features of these three SMEs that match the theoretically described profile characteristics of INVs. For instance, the companies iRoom, Conlux and Georg Bechter Licht are all managed by innovative entrepreneurs open to different cultures whose personal background markedly influences the path of internationalization of their firms. Additionally, the technological know-how and experience of the whole entrepreneurial management team was a decisive factor in the cases of these three SMEs and impacted their general internationalization process as well. Next, they offer unique products protected by patents and concentrate on niche markets. In particular, the role of intangible assets, such as patents, for small internationalizing firms was supported in the work of Knight et al. (2004). Furthermore, intangible resources, e.g. experience, tend to speed up the internationalization process just as in the case of Conlux.

The case study findings further support the importance of networks in Born Global internationalization, the initial importance of the psychic distance as well as the incremental internationalization approach followed at least during the initial internationalization phase (Pock 2010, p. 65 f.; Knight et al. 2004, p. 647). First of all, all three companies took advantage of their existing network relationships, including those with the Austrian Chamber of Foreign Trade, distributors or cooperation partners, during

the initial internationalization period. Next, the concept of psychic distance was critical as far as the first market entries were concerned. The first markets entered were in all cases the German speaking countries, which are geographically close as well as culturally similar. However, the next market entries were not based on the psychic distance criterion anymore. As far as the “establishment chain” is concerned, this study’s findings support the work of Chetty and Campbell-Hunt (2004). The authors suggest that the incremental approach of Born Global firm internationalization is valid only during the initial international operations. After the first market entries, the market commitment is increased in larger gradual steps in combination with more complex modes of entry. All interviewed SMEs in this study started their internationalization activities in culturally similar markets using export modes. Next, they entered more distant and culturally dissimilar markets (often simultaneously) and in markets showing high market potential they switched from export to WOS, thus confirming the suitability of the Born Global Theory for iRoom, Conlux and Georg Bechter Licht. Importantly, the production facilities of all three SMEs are situated in the home market with the aim of protecting the know-how. This finding is supported by many other scholars discussed in Pock (2010).

Finally, as the research findings of this study suggest, the companies iRoom, Conlux and Georg Bechter can be classified as “Global Start-ups” with respect to the INV typology made by Oviatt and McDougall (1994). They operate in many foreign country markets. In addition, they need to coordinate many value chain functions across countries, example given procurement, distribution, marketing, sales and after-sales service.

7.8.2. Hypothesis testing

H1: The internationalization approach of Austrian SMEs is likely to be reactive without much strategic analysis, and based on unsolicited orders and/or client-following strategies.

After the comparison of the case study results, hypothesis H1 can be only partially confirmed. The main reason behind this decision lies in a more or less active approach to internationalization by our case SMEs. To be more precise, their approach is active in the sense that they are regularly attending international trade fairs with the aim of finding new customers or distributors in foreign countries, getting new inquiries and taking a better look at competitors’ product assortment and their strategy. The CEO of Conlux GmbH,

Mr. Karl Gartner, stated that for a small firm it is not common to receive an inquiry without actively searching outside for opportunities since the world economic crisis in 2008. This situation is still very difficult.

Only one enterprise, namely iRoom GmbH, is also directly searching for distributors in new country markets in order to achieve the broadest coverage possible. For this reason and as far as the strategic planning of Austrian SMEs is concerned, only iRoom GmbH is using several strategic planning instruments, such as SWOT analysis, market analysis or market research as a part of its internationalization process. Naturally, the positive connection between such an active market entry approach and strategic planning is logical as it is always necessary to assess the potential and the chances for success in the chosen market before making some kind of commitment. The internationalization decisions of the remaining two companies are predominately based on intuition. These intuitive decisions are in the case of Conlux GmbH the results of many years of international and business experience of its CEO. On the other hand, the company Georg Bechter Licht is a typical SME. This firm is completely self-funded with only three employees, limited international experience and to some extent a lack of qualified personnel. Therefore, there is no time and space for strategic planning activities in this enterprise at all. This finding is supported by Pfohl (2006), who states that a major part of SMEs is not making use of strategic planning instruments and the decisions are based on intuition or previous experiences.

At the beginning of iRoom's business activities, some of their first market entries were the result of unsolicited orders from foreign clients. However, this particular case was an exception and usually the internationalization behavior of the chosen SMEs is active without the receipt of unsolicited orders or client-following.

Therefore, the answers of the selected Austrian SMEs suggest that the more active is their approach to internationalization, the more often strategic planning is used. However, the use of strategic planning might be negatively influenced by the general and experiential knowledge of entrepreneurs.

H2: Austrian SMEs with some degree of international experience will tend to prefer equity entry mode strategies.

The second hypothesis can be fully confirmed. The factor of international experience plays a major role in determining the entry strategy. All companies began their international business activities with the less risky entry strategy, direct exporting. After gaining some international experience and knowledge (general as well as experiential) about doing business in a specific country market, Conlux and iRoom decided to switch from export to FDI in markets showing the highest potential. Conlux established an independent company called Conlux me fzco in Dubai in 2012, three years after foundation. iRoom's subsidiary was established in Los Angeles in 2013, five years after the company's birth. The shorter time period between the foundation of the enterprise and the selection of an equity entry strategy in case of Conlux can probably be attributed to considerable international and business experience of Conlux's CEO Karl Gartner. During his career, he has also done business in Dubai.

The CEO of the smallest interviewed SME is in a completely different situation. His design product is very specific and is confronted with limited demand. For this reason and according to his answer, it wouldn't make much sense to switch from export to some equity mode of entry even if the company has already gained enough international experience. This means that even companies with international experience willing to switch to some equity mode of entry may not be able to do so, because of the product demand or limited financial sources.

H3: At low levels of experience, Austrian SMEs will choose culturally similar foreign markets.

The results of the interviews conducted reveal the confirmation of hypothesis H3. The initial foreign market selection that is often linked to low levels of experience of firms or entrepreneurs proved to be based on the concept of psychic distance. As more and more knowledge is gained through new experiences (here in the form of market entries), first foreign market entries are associated with the lowest levels of experience and knowledge. Companies such as iRoom and Georg Bechter Licht, started their operations with limited business and no international experience. The CEOs of both companies stated that the factor of cultural similarity was crucial with respect to entering first markets and starting international activities. This argument is supported by the fact that the first market entered by iRoom was Germany and the initially chosen markets by Georg Bechter Licht were

Germany and Switzerland. As mentioned previously, the CEO of Conlux already had extensive international and business experience when starting his own business. The first markets chosen by Conlux were Germany, Switzerland and Italy. According to Mr. Karl Gartner, the market closeness and not the cultural similarity proved to be an essential factor for the initial market selection. Entering Italy, which is a country with different mentality and language, can be attributed to higher levels of international business experience of the entrepreneur.

Additionally, it is crucial to mention that after some time of international operations and with different kinds of experiences gained, all of the interviewed companies began to enter more culturally dissimilar and geographically distant markets, in some cases (Conlux and iRoom) also combined with the most risky market entry strategies.

H4: Austrian SMEs offering differentiated and innovative products will tend to prefer equity modes of entry.

The results of the qualitative analysis concerning market entry modes chosen or planned by the three interviewed SMEs suggest that this hypothesis can be only partially confirmed. All SMEs offer innovative and differentiated products with some kind of competitive advantage distinguishing them from their nearest competitors. Because the products are highly innovative and protected by patents valid often only in certain countries, all interviewed SMEs stated that they would rather avoid contractual modes of entry. They all would be afraid of creating new competitors at the end of the cooperation. However, their decision to prefer an export mode or a WOS depends on the market potential and the financial resources available. To be more precise, in high potential markets and with enough financial resources available, an SME is likely to prefer equity modes of entry and vice versa. This results only in a partial confirmation of hypothesis H4.

H5: Larger Austrian SMEs will have a tendency to prefer equity entry mode strategies, while smaller-sized Austrian SMEs will have a tendency to favor non-equity entry mode strategies.

Once again, size often reflects resources available. It is not only about financial resources, but all different kinds of resources, such as human, physical or intangible resources. This

hypothesis was fully confirmed by the case study findings as the larger of the interviewed SMEs, iRoom and Conlux, have chosen an equity mode for serving markets showing the highest potential. The size differences between the two already mentioned enterprises and the smallest SME of this study are noticeable. iRoom and Conlux both belong to the group of “small” enterprises having less than 50 employees. On the other hand, Georg Bechter Licht employing only 3 persons, is a “micro” enterprise. The two small-sized firms are characterized by evidently brighter financial situations with their own funds, investors, and bank and government support. In contrast, the “micro” enterprise is financed mainly by the entrepreneur’s own funds. As a result, equity modes of entry would be impossible for this company, and thus it prefers non-equity modes of entry, such as direct export.

H6: Austrian SMEs will be likely to prefer equity entry mode strategies in markets with high growth potential, while Austrian SMEs in markets with low growth potential will be likely to prefer non-equity entry mode strategies.

The preference for equity modes of entry in high growth potential markets was confirmed by all SMEs studied. Firstly, iRoom switched from export to WOS in Los Angeles due to extremely high end price with the sales representative in the middle of the chain. Mr. Marc Hofer has further admitted that this decision was also influenced by high market growth potential and continuously increasing demand in this market. Secondly, Mr. Karl Gartner, the CEO of Conlux, decided to set up a subsidiary, Conlux me fzco. in Dubai. Dubai was chosen because energy is very expensive in the UAE and the protection of the environment is a very important issue there. Furthermore, there is a lot of capital available in the UAE. As the Dubai enterprise functions as a hub for all the Middle Eastern markets, the high growth potential of this market is clear. Next, the growing demand in the Middle East seems to have an impact on the production decisions as well. Due to exceeding the production capacity of its domestic facilities, Conlux plans to start some assembly operations in the UAE, thus increasing the market commitment even more. Finally, as mentioned before, the company Georg Bechter Licht offers a specially designed product facing a limited demand. As a result, it seems to be rational to proceed serving foreign markets with export, thus confirming the last hypothesis of the thesis.

8. Discussion, limitations and further research

The aim of this master's thesis was to illustrate, explain and analyze the internationalization process, factors that influence the internationalization decision, and the choice of the foreign market entry mode of Austrian SMEs. The first part of the thesis gives a general overview about SMEs and the main internationalization topics. There is a wealth of literature and scientific articles available discussing the general and broad topic of SMEs' internationalization, however the question lies in the generalizability of the findings as a prevailing number of studies were conducted with a limited number of SMEs or with SMEs within a specific industry. As a result, the theoretical part of this study offers the presentation of the available as well as most suitable literature for this research topic.

The second and most important part of this master's thesis is the empirical part. The empirical part was conducted in the form of a comparative case study. This research strategy was chosen as it was regarded as the most suitable strategy for meeting the goals of the master's thesis.

The research findings provided the basis for testing the formulated hypotheses and answering all the research questions stated. Four hypotheses could be fully confirmed and the remaining two only partially. The qualitative interview analysis suggests that higher levels of international experience lead to a preference for equity modes of entry among the studied SMEs. International experience seems to have an impact on country selection as well since low levels of experience lead to a preference for culturally similar country markets. Next, other factors that proved to have an effect on entry mode selection were company size and market potential. A positive relationship between these individual factors and the preference for equity modes of entry was confirmed. On the other hand, the internationalization approach of SMEs proved to be more active than just reactive, contrary to what was suggested by the first hypothesis. At this point, the importance of trade fairs as a communication platform and an instrument for market entry preparation of SMEs needs to be pointed out. Increasing activity in the internationalization process, i.e. actively looking for new foreign distributors, increases the tendency to use strategic planning instruments by SMEs. In addition, the preference for equity modes for SMEs producing innovative and differentiated products could not be fully confirmed. However, it was found that companies producing innovative and differentiated products try to avoid contractual

modes of entry and the choice of whether they choose export, JV or WOS depends on their resource availability and market potential.

The most important findings of this master's thesis can be summarized as follows: The factor of international experience of the entrepreneur or the whole management team has been found to greatly impact the internationalization process of the studied Austrian SMEs. It seems to speed up the internationalization process of SMEs and to encourage the companies to take larger and more risky internationalization steps. Firms with extensive international experience were prepared to enter culturally very distant markets (such as Dubai) using high risk and high commitment entry strategies only a few years after the company's foundation. On the other hand, firms lacking international experience enter foreign markets predominately through export, following a low risk and low cost strategy. Thus, the factor of international business experience seems to reduce psychic distance. But this is not the only factor reducing the notion of psychic distance. The development and the usage of new information and communication technologies seem to reduce the psychic distance as well. A lot of information is available on the Internet, thus making business internationally much easier than ever before. This was also confirmed in the studies of Madsen and Servais (1997) and Hamill and Gregory (1997).

As suggested by Calof (1993), size is not a barrier in the process of SMEs' internationalization. Although it is not a factor influencing the general internationalization decision, the findings of this study propose that the size factor impacts the foreign market entry mode choice. Since the size often reflects resource availability, smaller companies tend to choose non-equity modes of entry. Next, the market potential seems to be another factor influencing entry mode decision. However, it is necessary to take into account all three already discussed factors (international experience, market potential and company's size) when analyzing SMEs entry mode decision, since they seem to mutually influence each other.

It is worth mentioning that young Austrian entrepreneurial firms offering innovative products tend to match the internationalization theory of INV.

As far as the approach to market entry mode choice is concerned, all three interviewed SMEs follow a business-strategy approach. The decision process comprises a number of

stages taking into account internal and external factors, example given firm's goals, resources, market potential, etc.

The general fit between the theory and practice as far as the research findings of this study are concerned can be confirmed. The importance of the entrepreneurial personality and their background, the network relationships, the product characteristics and the typical characteristics of SMEs played an essential role in the internationalization process.

In order to ensure the construct validity, the author used multiple sources of evidence, such as interview recordings, company websites and reports. The procedures of each case study were documented step-by-step so as to guarantee the reliability of results and to make sure the same results would be obtained in case the study would be repeated. Although the best has been done in order to get high qualitative research results, the potential problem of external validity needs to be pointed out and the findings should be interpreted and used with some caution. As there were only three cases used in this research, this number is obviously too small to conclude any generalizable research results. So the main question is, to what extent the study results are generalizable to all Austrian SMEs or SMEs in general? Next, the practical examination of this master's thesis took into account only manufacturing and innovative SMEs. For this reason, it is difficult to draw general conclusions for all SMEs, as e.g. the internationalization process of Austrian service SMEs might differ. Another possible limitation of this study is that the focus was only on Austrian companies. As a result, it may be possible that the findings are country-specific.

Further research concentrating on internationalization of Austrian SMEs might incorporate different features, which were not taken into account and studied in this thesis. For example, there might be some differences in the internationalization process between urban and rural, or family or non-family Austrian businesses, and it would therefore be worth examining them in more detail.

However the aim of this thesis was not to come up with universally valid research findings, but rather to give deep insight into the internationalization process of Austrian SMEs and factors influencing their decisions. So, in spite of these limitations, the results of this thesis provided the initially envisioned in-depth analysis of the internationalization process of Austrian SMEs with the main focus on innovative young firms, which can be used as a

starting point for the formulation of new theoretical propositions. As well as this, the maximum allowed length of the master's thesis is a good reason for including only a limited number of cases. To conclude, every SME is different due to different backgrounds and characteristics. For this particular reason, it is challenging to come up with generally valid research results.

Abstracts

Abstract (English)

Nowadays, the internationalization of SMEs is a widely discussed and researched phenomenon. Many young and small firms are forced to go international in order to survive. Internationalization makes it possible for a company to increase sales and achieve economies of scale. Unfortunately, they need to face larger internationalization barriers than bigger companies as a result of their size-specific characteristics.

This study focuses on the internationalization decision, internationalization process and foreign entry mode choice of Austrian SMEs. With the aim of getting deep insights into the research problem and in order to be able to describe such a complex phenomenon like internationalization, this master's thesis is written in the form of a comparative case study. The three cases were chosen on the basis of the following four criteria so as to ensure the comparability of results: innovative product range, Austrian company, small or medium-sized, and with international business activities.

The profiles of the three companies chosen for this study match the characteristics of International New Ventures (also known as Born Globals) described in the internationalization literature. The concept of psychic distance and so called "establishment chain" is therefore relevant for these firms only during their initial internationalization activities.

The findings suggest a more or less active approach to internationalization by the interviewed SMEs. An increasing activity in the internationalization approach of SMEs (e.g. actively searching for new foreign distributors) seems to positively impact the strategic planning of these companies. On the other hand, already gained international business experience seems to hinder the usage of strategic planning instruments. As a consequence, managers appear to think they have enough practical experience to be able to base their decisions on their intuition.

It is found that the path of internationalization of Austrian SMEs is influenced by the background of the entrepreneurial personality, network relationships of the firm, and the company's product characteristics. Factors like the extent of international experience of the management team, the company's size and the market potential proved to have a great

impact on the entry mode choice. More importantly, they seem to be interdependent with respect to their effect on the entry mode choice of SMEs.

The results of this master's thesis illustrate the increasingly complex phenomenon of SMEs' internationalization.

Abstrakt (Deutsch)

Die Internationalisierung der Klein- und Mittelbetriebe gehört mittlerweile zu den am meisten besprochenen und erforschten Themengebieten. Viele Klein- und Mittelunternehmen (weiter als KMU bezeichnet) müssen international tätig werden um Konkurs zu vermeiden. Durch die Erschließung neuer Märkte gewinnen sie die Möglichkeit mehr abzusetzen und daher mehr Umsätze zu generieren. Internationale Expansion kann den Unternehmen auch bei der Gewinnung der Skalenvorteile helfen. Die Planung bzw. Durchführung der internationalen Aktivitäten ist auf Grund der größenspezifischen Nachteile leider oft schwieriger für KMU als für größere Unternehmen.

Die Masterarbeit konzentriert sich auf die Erforschung der Internationalisierungsentscheidung, des Internationalisierungsprozesses und die Auswahl der geeigneten Markteintrittsstrategie der ausgewählten österreichischen KMU. Diese Arbeit ist in Form einer vergleichenden Fallstudie ausgearbeitet. Diese Forschungsstrategie ist dafür geeignet, tiefere Einblicke in das Forschungsproblem zu bekommen und gleichzeitig das so komplexe Phänomen wie Internationalisierung beschreiben zu können. Die drei Fallstudienunternehmen wurden auf der Grundlage mehrerer Kriterien, wie z.B. innovatives Produktangebot, österreichisches Unternehmen, klein oder mittelgroß und international aktiv, ausgewählt. Die Bestimmung der Auswahlkriterien war von großer Bedeutung, um die Vergleichbarkeit der Ergebnisse sicherzustellen.

Die drei ausgewählten Firmen verfolgen eine typische „Born Global“ Internationalisierungsstrategie. Des Weiteren weisen die Ergebnisse der Fallstudie auf eine überwiegend aktive Internationalisierungsstrategie der KMU hin. Je aktiver die KMU in ihrer Internationalisierung werden (z.B. wenn diese aktiv neue Distributoren in Auslandsmärkten suchen), desto mehr tendieren diese zur Verwendung der Instrumente der strategischen Planung. Andererseits, das Vorhandensein der Führungspersonen mit

internationaler Geschäftserfahrung scheint die Verwendung solcher Instrumente zu verhindern, da diese mehr an ihre Intuition vertrauen.

Außerdem bestätigen die Resultate der Fallstudie den Einfluß der Führungspersönlichkeit, der Netzwerke und der Produkteigenschaften auf den Internationalisierungspfad eines Unternehmens. Faktoren, wie internationale Geschäftserfahrung, das Marktpotential und die Unternehmensgröße ernsthaft beeinflussen die Wahl der Markteintrittsstrategie.

Wie die Ergebnisse der Masterarbeit zeigen, die KMU Internationalisierung ist ein sehr komplexes Phänomen.

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Appendix

Table 2: Internationalization of SMEs in EU 27 (N= 9480)

Import	29%			2%	68%						
Export	25%			3%	71%						
Tech. Coop.	7%		3%	90%							
Being subcontr.	7%		3%	90%							
Having subcontr.	7%		2%	90%							
FDI	2%	3%	95%								

Active 2006 - 2008

Plans to start

None

Source: Own representation with reference to European Commission 2011, p. 12.

Table 6: Summary of research findings

Company	Strategic planning	Internat. motives	Internat. hurdles	Internat. theory	Factors influencing entry mode choice	Approach to market entry mode choice
iRoom GmbH	YES	Profit & growth goals,	Limited financial resources, banks	INV	Limited financial resources, flexibility	Business-strategy
Conlux GmbH	NO	Profit & growth goals, unique products, foreign market opportunities, economic crisis	Limited financial resources	INV	Limited financial resources, need of market presence	Business-strategy
Georg Bechter Licht	NO	Profit & growth goals	Limited financial resources, limited international experience and foreign market knowledge	INV	Limited financial resources	Business-strategy

Source: Author's representation with reference to Hofer 2013; Gartner 2014; Bechter 2014.

Interview questionnaire

Company profile

When was the company founded? (Year of foundation)

How many employees does the company have? Can the company be still classified as a SME according to the threshold criteria: number of employees, annual turnover and/or annual balance sheet total?

Is it a family business?

Idea/Foundation of the company

How did you come up with the idea of setting up your own company? What is the story behind the foundation?

Founder/Entrepreneur profile

Do you have a business or technical education?

What did you do professionally before setting up your own business?

Did you gain any valuable experience in your previous job which was essential and helped you later in your own company? For instance?

How would you best describe yourself? Are you risk-taking or risk-averse?

Do you have personal ties to any foreign country? (family, friends, longer stay abroad, etc.)
To which country for example?

Are there any other managers of the company?

What kind of experience does the team have? (business/technical/international experience)

Did you or some other person from the management have any international business experience before deciding to go international with your business?

Financing

How do you finance your business? (own savings, bank loans, investors, venture capital, etc.)

Are you receiving any support from the government? Or did you receive some government funding as a start up?

Product characteristics

How would you best describe your product?

Is it an innovative product? Is your company innovative? How many per cent of turnover does the company spend on R&D per year?

Does the product need any explanation, customization, maintenance, installation, after sales service?

Do you think that your company possesses some kind of competitive advantage? Which one? (e.g.: product offering cost structure, distribution network, customer support, etc.)

Is the company operating in a niche market? Is it focusing on niche markets?

Is marketing done from the home-base?

Production

Do you currently have sufficient production capacity at your domestic facilities? If not, where (home/abroad) are you planning to open your new production and testing facilities?

Patents

Do you have any patents protecting your innovation? In which countries are these valid?

Competitors

Are there any competitors offering similar products at home or abroad? If so, how do you differentiate from competitors?

Networks/Cooperation

Does your company have any cooperation partners (e.g. suppliers, universities, etc.)?

Which advantages does this cooperation provide to your company? (e.g. know-how, resources)

Is your company part of some network (e.g. with distributors, clients, suppliers, etc.)?

How did this network help your company during the process of internationalization? Was any foreign market entry decision the result of following your client into a foreign market?

Decision to go international

Was the decision to go international part of the company's strategy or was it rather intuitive (e.g. fulfillment of unsolicited foreign orders, etc.)?

Since when has your business been working internationally? From inception, or how many years after the foundation?

Internationalization motives

What were the most important motives in your decision to internationalize? (e.g.: goals and enthusiasm of the manager, saturated home markets, competitive pressures, unsolicited foreign orders, overproduction, foreign market opportunities, unique product, connections to foreign markets, extensive international market experience, etc.)

Internationalization hurdles/barriers

Which barriers did your company have to overcome during the process of internationalization? Are there still any barriers you are confronted with? (e.g. lack of financial resources, lack of production capacity, bureaucracy, etc.)

Lack of qualified personnel has been found in the literature to be the most important barrier in internationalization of SMEs (Cerrato and Piva 2010). How relevant is this aspect in your case?

Preparation of internationalization / Prerequisites for the market entry

How do you prepare for entering a specific foreign market? (e.g. fair trade/exhibition visit, experience and knowledge of the market, etc.)

Is there any strategic planning before and during the internationalization process or is it rather intuitive? (e.g. using strategic instruments such as: SWOT-Analysis, market analysis using PEST factors, Balanced scorecard, etc.)

Markets

In how many markets are you currently operating? Which markets/countries?

Which market/markets did you first enter?

How do you choose foreign markets? Which criteria are crucial in the decision process?

Does the cultural similarity (e.g. neighboring countries with similar culture or language) play an important role when choosing the markets to enter?

Does the knowledge about the market play an important role during the process of internationalization?

Do or did you enter new markets simultaneously or rather step by step? Why?

Market entry modes

Which market entry mode(s) does the company presently use? (e.g. export, wholly-owned subsidiary, contract manufacturing, franchising, licensing, etc.)

Which market entry mode(s) did the company use at the *beginning* of the foreign operations? Have they changed compared with today? Why? Why not?

What are the advantages of the currently used entry mode(s)?

How would you evaluate the suitability of the following entry modes for your company?

- a) Exporting
- b) Licensing
- c) Franchising
- d) Contract manufacturing
- e) Joint Venture
- f) Foreign sales subsidiary
- g) Foreign production and sales subsidiary

Which of the previously mentioned market entry modes could you imagine to use in the future?

Factors influencing the choice of foreign market entry mode

Which factors were crucial for the choice of the right entry mode? (e.g.: resources, international experience, product characteristics, market size/growth, competition intensity, etc.)

Which role did the Internet play concerning the choice of foreign market entry mode or in the internationalization process in general?

How would you evaluate environmental uncertainty as a factor when choosing the right mode of entry?

Evaluation of success of international activities

How would you evaluate the success of your international operations?

What percentage of the overall company's turnover is generated abroad?

Which are your most successful foreign markets? Why do you think your product is so successful in these markets?

Future aims

What are your plans/aims with respect to the company's future? Entering new markets, new entry modes?

Remark to interview questionnaire

The Interview Questionnaire outlined above presents only a general guide covering all crucial internationalization topics necessary for the empirical part of this thesis. Naturally, slight adaptations in the questionnaire may occur from case to case as a result of different backgrounds, characteristics and operations of firms chosen. Small adaptations to the questionnaire used are necessary for understanding the background of the decisions made, improve the quality of the results, and ensure the comparability of the cases.

Interview transcript of case study iRoom GmbH

Wann wurde das Unternehmen gegründet?

2008

Wie viele Mitarbeiter hat das Unternehmen? Ist das Unternehmen immer noch ein KMU?

Ja, das Unternehmen ist ein KMU und hat 16 Mitarbeiter in Österreich, einen Mitarbeiter in Holland. In LA gibt es eine 100 prozentige Tochtergesellschaft. In LA stehen 18 Mitarbeiter unter Vertrag. Einer führt das Unternehmen dort, somit ist er der COO, also mein Stellvertreter in LA, der für die Mitarbeiterführung verantwortlich ist. Sie alle sind "Sales representatives" und arbeiten auf Kommissionsbasis. Der Mitarbeiter in Holland ist direkt bei iRoom angestellt.

Ist das Unternehmen ein Familienunternehmen?

Nein, es ist kein Familienunternehmen.

Was ist die Geschichte der Entstehung des Produktes/des Unternehmens?

Ich habe 2008 ein Unternehmen gegründet, das sich auf „home automation“ konzentriert hat, im Speziellen darauf, mit iPod und Tablet diverse Funktionen im eigenen Haus zu steuern, wie z.B. die Steuerung des Fernsehers etc. Wohlhabende Personen wollten immer etwas Spezielles haben und wollten z.B. mit Ihrem Telefon den Fernseher bedienen bzw. das ganze Haus von der Ferne aus steuern können, etwa die Klimaanlage, die Beleuchtung etc. Bei uns hat etwa eine Haussteuerung für einen Fernseher bzw. einen Raum zirka 15.000 Euro gekostet. Dadurch konnte das Unternehmen auch sehr schnell wachsen. Aber jetzt gibt es Fernseher von Samsung für 800 Euro und da ist das alles schon inklusive. Das bedeutet, dass uns die Industrie mit dieser Umstellung den kompletten Markt genommen hat. Das Unternehmen, das im Februar 2008 gegründet wurde, hieß auch iRoom und 2010 wurde ein neues Geschäftsfeld erschlossen. Vom alten Geschäftsfeld ist mir fast gar nichts geblieben (nur etwa 5 Prozent vom Umsatz) und jetzt konzentrieren wir uns hauptsächlich auf „Docking stations“.

Wie alt waren Sie, als Sie iRoom gegründet haben? Hat jemand aus Ihrer Familie vorher schon ein Unternehmen gegründet und geführt?

Ich war 27. Ich hatte vorher im Unternehmen meines Vaters gearbeitet. Dann war ich ein halbes Jahr auf Weltreise und da kam ich zum Entschluss, dass ich selbst ein Unternehmen gründen möchte, weil die Arbeit als Elektriker nichts für mich ist. Ich bin kein „Waschmaschinenreparateur“.

Haben Sie eine wirtschaftliche oder eine technische Ausbildung?

Eine technische. Ich habe den Elektriker-Meister gemacht, aber zuvor machte ich etwas ganz anderes. Ich war Maler. Also habe ich zwei Ausbildungen, habe aber nie eine höhere Schule besucht.

Was haben Sie beruflich gemacht, bevor Sie die iRoom GmbH gegründet haben?

Ich habe, wie schon erwähnt, im Unternehmen meines Vaters gearbeitet und habe auch 15 Jahre lang auf Baustellen gearbeitet.

Haben Sie im Laufe Ihrer früheren beruflichen Karriere wertvolle Erfahrung gesammelt, die Ihnen später in Ihrem eigenen Unternehmen behilflich war? Wenn ja, welche?

Die Prozesse lernt man, wenn man selbst auf dem Bau gearbeitet hat und ich habe, wie gesagt, 15 Jahre auf dem Bau gearbeitet. Einiges an Erfahrung habe ich mir selbst erarbeitet, so habe ich etwa im Unternehmen begonnen zu programmieren und innovative Ideen eingebracht.

Wie würden Sie sich selbst beschreiben? Sind sie risikofreudig oder eher vorsichtig?

Risikofreudig.

Haben Sie persönliche Bindungen zu fremden Ländern (Familie, Freunde, längerer Aufenthalt im Ausland, Erasmus Semester)? Zu welchen Ländern beispielsweise?

Ich war 4 Monate in Neuseeland und das ist auch meine Traumdestination, ich bin mir sicher, dass ich irgendwann wieder nach Neuseeland zurückkehre. Weiter fühle ich mich Amerika sehr verbunden. Ich bin, schon bevor ich das Unternehmen gegründet habe, immer sehr viel gereist.

Sind Sie der einzige Manager des Unternehmens oder gibt es mehrere?

Ja, ich bin der einzige „Top on the roof“, aber ich habe noch Marketing Manager, Projekt Manager und Produktionsleiter.

Welche Erfahrung besitzt das Management-Team?

Mein Team ist eher wirtschaftlich orientiert. Ich decke die kaufmännische sowie die technische Seite ab.

Hat jemand aus Ihrem Team Erfahrung mit internationaler Geschäftstätigkeit oder persönliche/geschäftliche Kontakte im Ausland gehabt, bevor Sie sich entschieden haben, fremde Märkte zu betreten?

Nein, überhaupt nicht.

Wie finanziert sich Ihr Unternehmen?

Durch Banken wird wenig finanziert. Wir investieren fast alles privat. Die Banken machten es mir so schwer, dass ich mich entschieden habe, einen privaten Investor zu suchen und zwar keinen passiven, sondern einen aktiven, der mir hilft, das Unternehmen zu führen, weil ich mehr und mehr merkte, dass es international ausgerichtet sein wird. Der Shareholder hat die Mehrheit, da ich einfach aus der Haftung raus wollte. Wir hatten mittlerweile sehr hohe Investitionskosten und ich wollte wieder einmal ruhig schlafen

können. Um genauer zu sein, handelt es sich um einen deutschen Investor, Klaus Schützdeller. Er war der Geschäftsführer bei Palfinger. Er ist ein sehr bekannter Mann in der Branche und wir sitzen alle zwei Wochen zusammen und er hilft mir wirklich sehr bei der Führung des Unternehmens. Ohne ihn könnte ich vieles nicht so umsetzen, wie wir es tun.

Bekommen Sie staatliche Unterstützung? Oder haben Sie als ein Start-up Unternehmen staatliche Unterstützung bekommen?

Ja, wir haben mehrere Förderungen genutzt (AWS, go international etc.) und nutzen sie auch jetzt immer noch. Ohne Förderungen wäre eine Finanzierung nicht möglich.

Ist/sind Ihr/-e Produkt/-e innovativ? Wie viel Prozent vom Umsatz investiert Ihr Unternehmen jährlich in Forschung und Entwicklung?

Ja, unsere Produkte sind innovativ. Wir haben auch mehrere Innovationspreise gewonnen, z.B. den Salzburger Wirtschaftspreis für das beste Mittelunternehmen im Land Salzburg, den Innovations Award in unserer Hauptindustrie in Amerika usw. Wie viel Prozent vom Umsatz wir genau investieren, kann man nicht so einfach sagen. Wir investieren alles, was wir verdienen in neue Entwicklungen. Es wurde von Anfang an vereinbart, dass wir konservativ wachsen, dass wir keine Gewinne ausschütten. Also den ganzen Profit, alles was wir verdienen, investieren wir wieder in Innovationen. Schätzungsweise 8,75 Prozent.

Benötigt/Benötigen Ihr/-e Produkt/-e z.B. Erklärung, Anpassung, Wartung, Installation, After-Sales Service?

Ja. Also wir haben 36 Produkte. Wir bieten seit Jahren „customized“ Produkte an, diese will jedoch fast kein Kunde haben. Michael Phelps, der Schwimmer und Olympiasieger, ist der einzige Kunde, der „customized“ bestellt hat. Also wir bieten es zwar an, aber wir liefern es nur selten. Es ist aus unserer Sicht nicht notwendig vor Ort zu sein, da wir 70 sales representatives rund um die Welt haben und sie alle bekamen eine technische sowie eine Verkaufsschulung. Diese sind dann auch für den After-Sales Service verantwortlich.

Sind Sie der Meinung, dass Ihr Produkt einen bestimmten Wettbewerbsvorteil besitzt? Welchen?

Ich spreche jetzt von der iPad dock: Die iPad Dock hat einen riesen Vorteil, sie ist motorisiert und man kann das iPad in der Dock auch versperren. Sie ist voll motorisiert und es gibt keine andere wie diese weltweit. Wir haben das billigste und das teuerste Produkt am Markt. Unser Nachteil, aber den hat die gesamte Industrie, wir haben einen extrem schnellen Zyklus. Das heißt, Apple ändert jährlich sein iPad und wir müssen mitgehen. Also in der SWOT-Analyse ist es das dickste Minus, dass wir jährlich in neue Werkzeuge investieren müssen. Also unsere größte USP ist somit das Design und die motorisierte Variante.

Konzentriert sich Ihr Unternehmen auf Nischenmärkte?

Ja, wir konzentrieren uns zu 100 % auf Nischenmärkte.

Welche Aktivitäten der Wertschöpfungskette (Beschaffung, Produktion, Vertrieb, Marketing, Verkauf, After-Sales Service) werden von Österreich aus betrieben und welche müssen über mehrere Märkte koordiniert werden?

75 Prozent der Wertschöpfung, also der Rohmaterialien, kommt aus Österreich, der Rest kommt aus Deutschland und ein kleiner Teil, also die metallischen Teile, aus der Slowakei. Produziert und getestet wird in Salzburg, vertrieben wird international. Das Marketing erfolgt direkt in den jeweiligen Märkten in Zusammenarbeit mit den Sales Managern. Die Handelsagenten vor Ort sind für den After-Sales-Service verantwortlich.

Haben Sie gegenwärtig genügend Produktionskapazitäten in Ihren heimischen Einrichtungen? Wenn nein, wo planen Sie neue Produktionsstätten zu bauen (Österreich/Ausland)?

Ja, wir haben jetzt noch genügend Produktionskapazitäten. Wir produzieren zirka 7500 Stück pro Jahr und haben noch freie Kapazitäten für insgesamt etwa 12.500 Stück pro Jahr. Aber wir werden dieses Jahr einen neuen Standort suchen und dann die Betriebsstätte im Jahr 2015 verlegen. Wir werden aber sicher im Inland bleiben, wahrscheinlich in Salzburg.

Ist Ihr Produkt durch Patente geschützt? Wenn ja, wo ist/sind das Patent/die Patente gültig?

Wir haben 3 Patente, diese sind in Europa geschützt. Wir haben in Amerika zwei Patente im „Pending“ Status und außerdem einige Design-Schutzrechte, diese sind aber bisher auch erst eingereicht, aber noch nicht bestätigt.

Gibt es Konkurrenten, die ein ähnliches Produkt anbieten? Wodurch unterscheiden Sie sich von diesen Konkurrenten in Österreich, wie auch international?

Wir unterscheiden uns von der Konkurrenz durch die Installation. Unser Hauptkonkurrenzprodukt und Marktführer ist Launch Port. Es ist ein amerikanisches Produkt. Es handelt sich dabei um eine „on wall induction charging station“. Das heißt, man gibt das iPad in den „sleeve“ und dann hält es magnetisch an der Wand und wird geladen. Wir sind die zweiten in der Market-share-Kette weltweit. Der dritte Platz teilt sich auf sehr viele Konkurrenten auf. Ich glaube, dass unser Marktauftritt sehr gut ist und viele Kunden unser Produkt kaufen werden.

Hat Ihr Unternehmen Kooperationspartner? (z.B.: Distributoren, Universitäten, etc.)

Ja, wir kooperieren mit unseren 70 sales representatives weltweit, sowie mit Unis, hier aber eher im Bereich Marketing, als in der Forschung und Entwicklung. Als Beispiel kann ich hier die FH Sankt Pölten nennen.

Welche Vorteile bringt Ihrem Unternehmen diese Kooperation?

Gute Ansätze im Vertrieb und strukturierte Konzepte der Studenten.

Ist das Unternehmen Apple Ihr Kooperationspartner?

Wir sind Apple lizenzierter „manufacturer“. Wir sind einer von drei Apple Produzenten in Europa.

Ist Ihr Unternehmen Bestandteil eines bestimmten Netzwerkes oder einer strategischen Allianz?

Ja, eines Netzwerkes z.B. mit der Außenwirtschaftskammer bzw. der Wirtschaftskammer im Allgemeinen, dem Accent Gründerservice, dem Außenwirtschaftsservice, unseren Distributoren, unseren Lieferanten sowie Apple.

Wie hat dieses Netzwerk Ihrem Unternehmen im Internationalisierungsprozess geholfen?

Vor allem im ersten Jahr hat mir die Außenwirtschaftskammer bei der Kontaktaufnahme sowie der Netzwerkbildung geholfen.

Haben Sie Ihre persönlichen Kontakte/Netzwerke im Rahmen der Internationalisierung genutzt?

Jetzt habe ich schon viele Kontakte, die ich nutze, am Anfang hatte ich überhaupt keine gehabt.

War die Internationalisierung Teil der Unternehmensstrategie oder war diese Entscheidung intuitiv?

Die Internationalisierungsentscheidung war eher intuitiv, nicht von Anfang an geplant. Ich habe das Produkt für mich und meine Kunden in Österreich entwickelt. Es hat sich aber schnell herumgesprochen, innerhalb von 6 Monaten habe ich 2 Vertriebspartner gehabt, in Deutschland und in Israel.

Seit wann ist Ihre Firma international tätig? Seit der Gründung? Wenn nicht, wie viele Jahre später haben Sie mit der Internationalisierung begonnen? Haben Sie sich nach der Gründung nur auf den österreichischen/heimischen Markt konzentriert?

Also, wenn man das 2010 entwickelte iDock Business als Beispiel heranzieht: Hier wurde ich bereits im Herbst des gleichen Jahres international tätig. Wenn man aber die ganze Firmenchronologie hernimmt, dann zwei Jahre später. Ganz von Anfang an, wollte ich mich primär auf den heimischen Markt konzentrieren.

Was waren die wichtigsten Motive Ihrer Internationalisierungsentscheidung? (z.B. gesättigter heimischer Markt, Konkurrenz, Anfragen aus dem Ausland, etc.)

Der Druck. Ich habe sehr viel investiert und sehr viel riskiert und ich habe Umsatz benötigt, damit ich über die Runden komme. Ich war gezwungen zu internationalisieren, um nicht in Konkurs zu gehen.

Welche Hürden musste Ihr Unternehmen im Laufe des Internationalisierungsprozesses überwinden? (z.B.: mangelnde Ressourcen, Bürokratie, etc.)

Auf jeden Fall die Banken!

Wie bereiten Sie sich auf den Eintritt in einen bestimmten Markt vor?

Wir besuchen Messen und betreiben Marktforschung und führen Marktanalysen durch.

Benutzt Ihre Firma vor oder während des Internationalisierungsprozesses strategische Instrumente wie z.B. SWOT-Analysen, Marktanalysen etc. oder ist dieser Prozess eher intuitiv?

Ja, machen wir, klar. Die SWOT-Analyse ist ein wichtiges Tool für uns und von unseren Agenten bekommen wir immer deren Ergebnisse bezüglich Marktanalysen und Marktpotential etc.

In wie vielen Märkten wird ihr Produkt angeboten?

In 70 guten Märkten.

In welchem Markt/welchen Märkten hat der Markteintritt zuerst stattgefunden?

In Deutschland.

Welche Kriterien sind bei dem Entscheidungsprozess wichtig? Persönliche Netzwerke?

Das wichtigste Kriterium für die Auswahl der ausländischen Märkte ist das Marktpotential. Jetzt spielen auch schon die aufgebauten persönlichen Netzwerke eine wichtige Rolle, ganz am Anfang habe ich niemanden gekannt. Ich war nur ein einfacher Elektriker.

Bezüglich der Auswahl der jeweiligen Märkte habe ich am Anfang sprichwörtlich auf alles geschossen, was sich bewegt hat. Jetzt habe ich begonnen, zu selektieren, damit ich den Fokus behalte. Jetzt konzentriere ich mich auf die Länder mit dem größten Volumen. Dieses Jahr war es Frankreich, davor Deutschland. Amerika parallel, wobei ich einen guten Mann in Amerika habe, der sehr selbstständig arbeitet. Nächstes Jahr werden wir uns auf Großbritannien konzentrieren.

Ist die kulturelle Ähnlichkeit für Ihre Firma ein entscheidender Faktor bei der Marktauswahl?

Bei der Wahl des ersten Marktes hat die kulturelle Nähe eine große Rolle gespielt, deshalb wurde Deutschland für den ersten Markteintritt ausgewählt. Jetzt werden auch weit entfernte Länder mit unterschiedlicher Kultur gewählt, z.B. die Emirates (die Vereinigten Arabischen Emirate), Russland, Amerika, China, aber da muss man auf die kulturellen Unterschiede aufpassen.

Ist Wissen betreffend den potentiellen Markt bei der Marktauswahl von großer Bedeutung?

Ja, genau und man muss auch wissen, welches Produkt zu welchem Markt passt.

Erfolgt der Eintritt Ihrer Firma in fremde Märkte normalerweise sofort zur Gänze oder Schritt für Schritt?

Schritt für Schritt.

Welcher Markteintrittsformen bedient sich gegenwärtig Ihr Unternehmen?

Des direkten Exports sowie zweier Tochtergesellschaften. Die Tochtergesellschaft in Wiener Neustadt konzentriert sich auf alle Nicht-Apple Geräte und dann gibt es noch die Tochtergesellschaft in Los Angeles iRoom, Inc. Diese wurde in 2013 gegründet.

Export: Wie werden Ihre „sales representatives“ ausgewählt? Wie viele haben Sie in jedem Markt?

Wir haben residential gentlemen's agreements, d.h. wir haben in jedem Land für den jeweiligen Markt einen „agent“. Bei der Auswahl der Distributoren sind Qualifikationen im technischen Bereich wichtig und die „agents“ müssen außerdem zu unserer iRoom Kultur passen und diese richtig weitergeben können.

Welcher Markteintrittsformen bediente sich Ihre Firma am Anfang Ihrer Internationalisierung? Haben sich die verwendeten Markteintrittsformen geändert? Warum? Warum nicht?

Wir haben in Amerika zuerst einen sales representative gehabt und dann haben wir uns dazu entschieden, eine eigene Tochtergesellschaft zu gründen. Diese Entscheidung ist deshalb gefallen, weil der Preis mit dem sales representative dazwischen zu hoch war, wie auch der Kurswechsel von Euro auf Dollar und das ist eben für den Endkunden zu viel gewesen. Aus diesem Grund haben wir Umsatzeinbrüche gehabt, weil eben der Preis zu hoch war. Jetzt können wir über den Herstellungspreis kalkulieren und eine ganz normale Struktur aufbauen. Es war also eine preisstrategische Entscheidung. Vorher haben wir dort ungefähr 500.000 Euro Umsatz gemacht und jetzt machen wir nach 10 Monaten schon 650.000 Euro. Außerdem ist das Marktpotential hier hoch.

Was sind die Vorteile der von Ihnen gegenwärtig gewählten Markteintrittsformen?

Flexibilität, also selbst zu entscheiden, wo man investiert.

Wie würden Sie die Eignung der unten erwähnten Markteintrittsformen für Ihr Unternehmen beurteilen?

- a) Licensing
- b) Franchising
- c) Contract manufacturing
- d) Joint Venture / Strategic alliances
- e) Foreign production and sales subsidiary

Licensing, Franchising und Contract Manufacturing würde ich als ungeeignet einstufen, da diese zu gefährlich sind und vor allem die Qualität nicht passt. Auch das Know-How aus der Hand zu geben, ist mir zu riskant.

Welche der oben erwähnten Markteintrittsformen würden für Ihr Unternehmen in Zukunft in Frage kommen?

JV und Foreign production sowie Sales Subsidiary in Brasilien. In Brasilien sind die Importsteuern extrem hoch, über 100 Prozent an Steuer beispielsweise für unser Produkt und da müssen wir dann eine bessere Lösung finden. Wir sind bereits dabei, dass wir die möglichen Optionen evaluieren und kalkulieren, was uns die Tochtergesellschaft dort kosten würde. JV würde in Frage kommen für den Markt in Australien, da hätten wir schon eine ungefähre Vorstellung darüber, was unseren zukünftigen Partner angeht.

Wie werden die geeigneten Markteintrittsformen ausgewählt? Wählen Sie einfach eine Ihrer Meinung nach passende Markteintrittsform, normalerweise beginnend mit einer wenig riskanten Markteintrittsform (wie z.B. Export)? Oder wird die Markteintrittsform auf der Grundlage der internen und externen Faktoren unter Bedachtnahme auf die Unternehmensziele ausgewählt?

Wir wählen die unserer Meinung nach passendste Eintrittsstrategie unter Berücksichtigung mehrerer Faktoren sowie der Ziele.

Welche Faktoren waren entscheidend bei der Wahl der Markteintrittsform?

Ressourcen, Produkteigenschaften sowie Größe und Wachstum des Marktes.

Welche Rolle spielte das Internet bei der Wahl der Markteintrittsform oder generell im Internationalisierungsprozess? War es von besonderer Bedeutung?

Ja, das Internet war sehr wichtig im Internationalisierungsprozess, es hat uns geholfen bei der Wahl der Partner sowie Distributoren und außerdem hat es uns generell sehr dabei geholfen, Informationen über den Markt zu gewinnen. Ganz am Anfang, z.B. Facebook, YouTube und Twitter, um bekannt zu werden. Dadurch wurden die Distributoren auf uns aufmerksam und dann folgte das persönliche Gespräch.

Wie würden Sie den Faktor der Umweltunsicherheit bei der Wahl der Markteintrittsform beurteilen?

Die Umweltunsicherheit ist ein wichtiger Faktor bei der Wahl unserer Markteintrittsform. Wir sind z.B. im Libanon sowie in Israel durch Export präsent. Die Situation hat einen großen und vor allem negativen Einfluss auf unsere Umsätze dort, denn diese sind rapide eingebrochen. Ich würde dort auch nie eine Tochtergesellschaft gründen.

Wie würden Sie den Erfolg Ihres Auslandsgeschäfts beurteilen?

Es ist sehr schwer diese Frage allgemein zu beantworten. Der Erfolg ist z.B. in Deutschland, der Schweiz und im Inland sehr gut, aber darüber hinaus muss man wirklich von Land zu Land differenzieren. In Frankreich ist es sehr schwierig mit der Sprache, also dass man beispielsweise jemanden findet, der es den Kunden verständlich rüberbringt.

Wie viel Prozent des Umsatzes entfallen auf das Auslandsgeschäft?

85 Prozent.

Welche Pläne haben Sie für die Zukunft?

Ich habe mich dazu entschieden, bis nächstes Jahr im Sommer, also bis Sommer 2014, den B2C-Bereich immer mehr auszubauen. Ab Sommer 2014 treten wir in den „commercial“, also B2B Markt, ein (Hotels, Spitäler, Universitäten) und wollen die bestehenden Märkte/Kundenbeziehungen mehr pflegen.

Interview transcript of case study Conlux GmbH

Wie viele Mitarbeiter hat das Unternehmen? Ist das Unternehmen immer noch ein KMU?

Ja, es ist noch ein KMU. Wir haben die Firma vor rund 5 Jahren gegründet, haben derzeit 25 Mitarbeiter in Österreich und 10 in den Vereinigten Arabischen Emiraten. Wobei die Firma in den UAE ein eigenständiges Unternehmen ist.

Ist das Unternehmen ein Familienunternehmen?

Ja, die Inhaber sind mein Sohn und ich.

Wie würden Sie sich selbst beschreiben? Sind sie risikofreudig oder eher vorsichtig?

Ich muss ganz ehrlich sagen, ich war immer sehr vorsichtig, aber wenn man eine Firma gründen möchte, dann muss man auch ein bisschen Risiko in Kauf nehmen. Vor allem, sind wir sehr exportorientiert. Unser Exportanteil beträgt ungefähr 70 Prozent, da muss man schon mit ein bisschen Risiko leben. Aber immer mit kalkuliertem Risiko.

Hat jemand aus Ihrem Team Erfahrung mit internationaler Geschäftstätigkeit oder persönliche/geschäftliche Kontakte im Ausland gehabt, bevor Sie sich entschieden haben, fremde Märkte zu betreten?

Ja, ich selbst bin schon 25 Jahre im Export tätig. Seit 1989, und habe bisher mit über 60 Ländern Geschäfte gemacht. Ich bin eigentlich Experte im Bereich Marktaufbau, habe 20 Jahre in der Glasindustrie gearbeitet.

Wie ist Ihr Unternehmen finanziert? (z.B.: Investoren, Bankdarlehen usw.)

Durch Eigenmittel, Fördermittel aus öffentlichen Töpfen sowie durch Bankenunterstützung.

Bekommen Sie staatliche Unterstützung? Oder haben Sie als ein Start-up Unternehmen staatliche Unterstützung bekommen?

Ja, das sind die genannten Fördermittel.

Ist/Sind Ihr Produkt/Ihre Produkte innovativ? Wie viel Prozent vom Umsatz investiert Ihr Unternehmen jährlich in Forschung und Entwicklung? Befinden Sie sich im Bereich B2B oder B2C?

Ja, das ist eine sehr gute Frage. Wie Sie auf der Website sehen können, haben wir ein sehr innovatives Produkt und haben auch den österreichischen Innovationspreis gewonnen. Ungefähr 30 Prozent vom Umsatz investieren wir jährlich in Forschung und Entwicklung. Wir befinden uns sowohl im B2B, als auch im B2C Bereich. So haben wir z.B. in Österreich sehr viele Privatkunden.

Konzentriert sich Ihr Unternehmen auf Nischenmärkte?

Ja, das Produkt ist ein Nischenprodukt. Das sind die solare Straßenbeleuchtung sowie auch LED-Anwendungen. Diese sind sehr speziell und hier haben wir auch Entwicklungen hervorgebracht, die einzigartig sind. Wir haben auch einige Patente dafür.

Welche Aktivitäten der Wertschöpfungskette (Beschaffung, Produktion, Vertrieb, Marketing, Verkauf, After-Sales Service) werden von Österreich aus betrieben und welche müssen über mehrere Märkte koordiniert werden? Erfolgt die Produktion im eigenen Unternehmen oder durch Partner?

Die Beschaffung erfolgt international, weil im LED-Bereich, etwa für die LED-Chips, gibt es keine Fertigung in Europa. Also diese kommen dann z.B. aus den USA, Malaysia, Taiwan, China, also aus den unterschiedlichsten Ländern. Was die Produktion betrifft, so werden unsere Schlüsselprodukte hier in Österreich in Amstetten produziert. Derzeit erfolgt die Produktion in unserem Unternehmen, wir produzieren also selber, jedoch sind wir zurzeit am Überlegen, die Produktion auszulagern. Der Vertrieb erfolgt allerdings international. Marketing wird auch international betrieben, da wir ein eigenständiges Unternehmen in Dubai haben. Ein Teil des Marketings läuft über Österreich, über den Hauptsitz unseres Unternehmens, ein anderer Teil erfolgt direkt vor Ort über unseren Standort in Dubai, angepasst an die örtlichen Gegebenheiten.

Wo werden Ihre Produkte produziert? Wo befinden sich die Produktionsstätten? (Inland/Ausland)

In einer Fabrikhalle in Amstetten. In Dubai wird nichts gefertigt. Es wird aus Österreich nach Dubai exportiert, wobei wir zurzeit überlegen, diverse Systeme vor Ort in Dubai zu erzeugen, um eine höhere Flexibilität zu gewährleisten. Wir überlegen auch in Zukunft, jedoch erst ab Erreichen einer bestimmten Kapazität, die einzelnen Komponenten nach Dubai zu verbringen und diese dann erst vor Ort zum fertigen Produkt zusammenzustellen.

Ist Ihr Produkt durch Patente geschützt? Wenn ja, wo ist/sind das Patent/die Patente gültig?

Ja, unsere Produkte sind durch Patente geschützt. Diese sind europaweit bzw. weltweit gültig. Es kommt hier aber auf das jeweilige Produkt an. Die weltweite Patentierung ist sehr teuer und in manchen Ländern macht die Patentierung nicht viel Sinn, also da muss man schon genau überlegen, was man wo patentieren lässt.

Wodurch unterscheiden Sie sich von Ihren Konkurrenten? Sind Sie der Meinung, dass Ihr Produkt einen bestimmten Wettbewerbsvorteil besitzt? Wenn ja, welchen?

In Bezug auf den Grad der Innovation unseres Produktes haben wir einen eindeutigen Wettbewerbsvorteil. So ist unser Produkt Flashpad beispielsweise bisher einzigartig. Deshalb haben wir es auch patentieren lassen. Preislich ist es ganz schwer, da in Österreich die Produktionskosten sehr hoch sind. Hier einen Wettbewerbsvorteil zu generieren, wird natürlich problematisch. Wir überlegen nun, unsere Produktion nach Niederösterreich zu verlagern. Wir wollen mit der Produktion aber immer noch in Österreich bleiben.

Hat Ihr Unternehmen Kooperationspartner? (z.B.: Distributoren, Universitte, etc.)

Ja, wir haben schon oft mit der HTL St. Plten und mit Unis kooperiert. Der europaweite Vertrieb fr dieses Flashpad zum Beispiel erfolgt ber ein sehr groes deutsches Unternehmen, die Berner Gruppe. Es gibt also, wie man sieht, einige Kooperationen.

Welche Vorteile bringen Ihrem Unternehmen diese Kooperationen?

Diese Kooperationen, wenn ich z.B. das Produkt Flashpad heranziehe, bringen uns einen riesigen Vorteil, da die Firma Berner europaweit rund 4000 Mitarbeiter im Vertrieb beschftigt. Fr uns alleine wre es unmglich, eine derart groe Zielgruppe zu bedienen, da wir nicht ber so ein groes Netzwerk wie diese Firma verfgen.

Ist Ihr Unternehmen Bestandteil eines bestimmten Netzwerkes oder einer strategischen Allianz?

Ja, also Teil eines Netzwerkes schon. Wir arbeiten beispielsweise mit der sterreichischen Auenhandelsdelegation zusammen, d.h. wir ntzen die Vorteile dieses Netzwerkes, sind selbst aber ein eigenstndiges Unternehmen und dadurch sehr flexibel.

Haben Sie Ihre persnlichen Kontakte/Netzwerke im Rahmen der Internationalisierung genutzt?

Ja, ich habe meine persnlichen geschftlichen Kontakte, die ich in meinem vorherigen Job sammeln konnte, genutzt. Natrlich war das eine andere Branche, nmlich die Glas-/Fassadenbranche fr Hochhuser.

War die Internationalisierung Teil der Unternehmensstrategie oder war diese Entscheidung intuitiv?

Von Anfang an geplant, da ich 25 Jahre internationale Erfahrung habe.

Seit wann ist Ihre Firma international ttig? Seit der Grndung? Wenn nicht, wie viele Jahre spter haben Sie mit der Internationalisierung begonnen? Haben Sie sich nach der Grndung nur auf den sterreichischen/heimischen Markt konzentriert?

Seit der Grndung sind wir international ttig. Wir haben die Firma vor 5 Jahren, im Juni 2009 gegrndet und haben relativ frh, ein paar Monate spter schon, die ersten Auslandskontakte geknpft. Wir haben uns aber auch auf den sterreichischen Markt konzentriert. Ich habe versucht, parallel die Auslandsmrkte aufzubauen, whrend mein Sohn sich auf sterreich konzentriert hat.

Was waren die wichtigsten Motive Ihrer Internationalisierungsentscheidung? (z.B. gesttigter heimischer Markt, Konkurrenz, Anfragen aus dem Ausland etc.)

Weil sterreich so ein kleiner Markt ist und Europa doch in einer Krise steckte, haben wir nicht erwartet, dass sich Europa von dieser Krise innerhalb der nchsten 5 Jahre erholen wrde.

War einer Ihrer Markteintritte die Ursache einer Anfrage aus dem Ausland bzw. war einer Ihrer bisherigen Markteintritte die Folge des Markteintritts eines Ihrer Kunden in einen neuen Markt?

Nein, Anfragen bekommt man nicht, wenn man passiv agiert. Man muss schon aktiv werden, weil sonst funktioniert es sicherlich nicht, oder zumindest nicht mehr seit der Krise im Jahr 2008. Stattdessen muss man aktiv an Messen teilnehmen, intensive Kundensuche betreiben etc. Zu der zweiten Frage: Nein, kein Client-Following.

Welche Hürden musste Ihr Unternehmen im Laufe des Internationalisierungsprozesses überwinden?

Es ist so, dass die Finanzierung das Schwierigste ist, weil jeder Exportumsatz um ein vielfaches aufwendiger und kostenintensiver ist. Das größte Problem eines kleinen Unternehmens ist natürlich, dass man die finanzielle Struktur nicht hat.

Wie bereiten Sie sich auf den Eintritt in einen bestimmten Markt vor? (z.B.: Besuch von Ausstellungen; Messen, Informationssammlung über den Markt etc.)

Ja genau, Messen. Wir haben z.B. alleine im Vorjahr 6 Messen im Mittleren Osten besucht, also selber ausgestellt.

Benutzt Ihre Firma vor oder während des Internationalisierungsprozesses strategische Instrumente wie z.B. die SWOT-Analyse, Marktanalysen etc. oder ist dieser Prozess eher intuitiv?

Er ist eher intuitiv muss ich ganz ehrlich sagen, vor allem auf Grund meiner langjährigen Erfahrung, da hat man schon das Gefühl dafür, wie man etwas richtig macht.

In wie vielen Märkten wird ihr Produkt angeboten?

In ungefähr 30 Ländern, der Unternehmenssitz ist aber in Österreich, in Amstetten. Daneben haben wir ein selbständiges Unternehmen in Dubai - Conlux me fzco. Von Österreich aus exportieren wir in die unterschiedlichsten EU-Länder, also europaweit, aber auch in die USA sowie in den Mittleren Osten und von dort aus bedienen wir eigentlich alle Märkte in dieser Region. Dubai ist sozusagen eine Art Drehscheibe für mehrere Märkte im Mittleren Osten.

Wieso gerade Dubai? Haben Sie dort geschäftliche Kontakte gehabt? In welchem Jahr erfolgte der Markteintritt?

Weil ich Dubai aus meiner vergangenen Tätigkeit kenne und ich weiß, dass Energie sehr sehr teuer ist, d.h. die arabischen Länder, die Öl und Gas liefern, daher sehr viel Kapital zur Verfügung haben. Der dritte Grund ist, dass wir ja mit unserer Beleuchtung im Umweltbereich tätig sind (d.h. Energiesparen mit LED-Beleuchtung oder Solar-Anwendungen), und dieser Umweltgedanke ist hier viel größer als in Europa. Energie ist hier nicht so leicht zu produzieren. Das eigenständige Unternehmen in Dubai wurde im Oktober 2012 gegründet, also 3 Jahre nach der österreichischen Gründung.

In welchem/n ausländischen Markt/welchen Märkten hat der Markteintritt zuerst stattgefunden?

Die ersten Märkte, also bei den kleineren Aufträgen, waren Deutschland und die Schweiz, bei den größeren Aufträgen war es Italien.

Welche Kriterien sind bei der Marktauswahl wichtig?

Also rein geografisch bedingt war die Nähe des Marktes am Anfang ausschlaggebend. Heutzutage, orientieren wir uns am Marktpotential bei der Marktauswahl.

Ist die kulturelle Ähnlichkeit für Ihre Firma ein entscheidender Faktor bei der Marktauswahl?

Überhaupt nicht.

Ist Wissen betreffend den potentiellen Markt bei der Marktauswahl von großer Bedeutung?

Natürlich, jetzt sind wir z.B. am Überlegen mit dem Iran geschäftliche Beziehungen aufzubauen, da muss man natürlich das Embargo berücksichtigen und so weiter. Da informiert man sich lieber vorweg, wie man z.B. die Zollabwicklung am besten durchführen kann.

Erfolgt der Eintritt Ihrer Firma in fremde Märkte normalerweise in einem Schritt oder Schritt für Schritt?

Mir wäre es Schritt für Schritt lieber, aber manchmal passiert es auch auf einmal. Das ist dann natürlich nicht ganz leicht.

Welcher Markteintrittsformen in welchen Ländern bedient sich gegenwärtig Ihr Unternehmen?

Des Exports sowie eines "sole venture".

Haben Sie mit dieser Markteintrittsform gleich am Anfang den Markt betreten oder haben Sie anfangs z.B. nur versucht zu exportieren? Wieso eine Tochtergesellschaft? Ist es nicht zu riskant und kapitalaufwendig?

Wir haben anfangs von Österreich nach Dubai exportiert und das waren dann praktisch Geschäftsreisen, aber das funktioniert nicht wirklich. Wenn man in einem Markt erfolgreich sein will, muss man unbedingt vor Ort Engagement zeigen. Jetzt planen wir, unser Netzwerk im Mittleren Osten aufzubauen, wobei Dubai unsere Zentrale ist. Außerdem planen wir Büros im Oman, Qatar, Saudi Arabien usw. aufzubauen, aber mit lokalen Agenten.

Denken Sie, dass es für Ihr Geschäft wichtig ist, vor Ort zu sein?

Zu 100 Prozent.

Was sind die Vorteile der von Ihnen gegenwärtig gewählten Markteintrittsformen?

Die niedrigeren Kosten bzw. auch die Abwicklung eventueller Gewährleistungsansprüche. Es wäre sehr teuer, einen Techniker aus Österreich zu schicken, wenn nur eine Kleinigkeit nicht funktioniert.

Wie würden Sie die Eignung der unten erwähnten Markteintrittsformen für Ihr Unternehmen beurteilen? Welche der oben erwähnten Markteintrittsformen würden für Ihr Unternehmen in Zukunft in Frage kommen?

- a) Licensing
- b) Franchising
- c) Contract manufacturing
- d) Joint Venture / Strategic alliances
- e) Foreign sales subsidiary
- f) Foreign production and sales subsidiary

Ja, also diese Büros, die wir zurzeit in den unterschiedlichen Ländern des Mittleren Ostens planen, sollen ein Franchise-System werden.

Haben Sie da nicht Angst, dass das Wissen durch Franchising abfließt?

Nein, da sind wir sehr vorsichtig. Die Handelsagenten bekommen nur fertige Produkte. Wir bieten sehr viele flexible Lösungen an, sowohl in Österreich als auch in unserer Firma in Dubai. Der Kunde bekommt das fast fertige Produkt, wo man dann nur noch die unterschiedlichen Programmteile zusammenfügen muss.

Wie werden die geeigneten Markteintrittsformen ausgewählt? Wählen Sie einfach eine Ihrer Meinung nach passende Markteintrittsform, normalerweise beginnend mit einer wenig riskanten Markteintrittsform (wie z.B. Export)? Oder wird die Markteintrittsform auf der Grundlage der internen und externen Faktoren sowie der Unternehmensziele ausgewählt?

Ja, natürlich. Die Markteintrittsform muss auf die verschiedenen Faktoren und Ziele Bedacht nehmen.

Welche Faktoren waren entscheidend bei der Wahl der Markteintrittsform? (z.B.: Ressourcen, internationale Erfahrung, Produkteigenschaften, Größe und Wachstum des Marktes, usw.)

Alle erwähnten Faktoren.

Welche Rolle spielte das Internet bei der Wahl der Markteintrittsform oder generell im Internationalisierungsprozess? War es von besonderer Bedeutung?

Fast keine Rolle. Wir bieten qualitativ hochwertige und teure Produkte an, wo das persönliche Geschäft/Gespräch sehr wichtig ist.

Wie würden Sie den Faktor der Umweltunsicherheit bei der Wahl der Markteintrittsform beurteilen?

Ja, natürlich die Umweltunsicherheit spielt eine Rolle. Bei der derzeitigen politischen Situation würde ich beispielsweise keine Tochtergesellschaft im Iran gründen. Der Export dagegen ist weniger riskant. Später, im Falle einer besseren politischen Situation und bei größeren Projekten, könnte ich mir ein Franchising oder JV schon vorstellen.

Wie würden Sie den Erfolg Ihres Auslandsgeschäfts beurteilen?

Sehr erfolgreich.

Wie viel Prozent des Umsatzes entfallen auf das Auslandsgeschäft?

70 Prozent.

Wie hoch war der Gesamtumsatz Ihrer Firma im Jahr 2013 in Österreich? Wie hoch der Umsatz 2013 in den UAE? Im Vergleich: Ist der Umsatz von Jahr zu Jahr gestiegen?

In Österreich betrug der Umsatz rund 1,5 Millionen Euro, im Ausland etwa 2,5 Mio. Euro. Davon entfielen auf die UAE genau 600.000 Euro – das war das erste Jahr in Dubai für uns, aber wir haben heuer, im ersten Monat 2014 bereits mehr Umsatz gemacht, als während des ganzen ersten Halbjahres 2013. Der Umsatz ist von Jahr zu Jahr stark gestiegen.

Welche Pläne haben Sie für die Zukunft?

Weiter wachsen und etwas mehr für die Umwelt tun sowie weitere Länder erschließen.

Interview transcript of case study Georg Bechter Licht

Wann wurde das Unternehmen gegründet?

Im Jahr 2010.

Wie viele Mitarbeiter hat das Unternehmen? Ist das Unternehmen immer noch ein KMU?

Mich selbst und noch 2 teilzeitbeschäftigte Mitarbeiter, die zuständig sind für Produktion und Vertrieb. Ja, es ist noch ein KMU.

Wie alt waren Sie, als Sie die Firma Georg Bechter Licht gegründet haben? Hat jemand aus Ihrer Familie zuvor ein Unternehmen gegründet und geführt?

Ich war 33 Jahre alt. Nein, niemand aus meiner Familie hatte zuvor ein Unternehmen gegründet oder geführt.

Haben Sie eine wirtschaftliche Ausbildung?

Nein, ich habe eine Ausbildung in Architektur und Design. Ich habe eine HTL mit den Schwerpunkten auf Steiner und Tischler besucht.

Was haben Sie beruflich gemacht, bevor Sie diese Firma gegründet haben?

Ich habe studiert und dann ab 2007 als selbständiger Architekt gearbeitet. Die Firma „Georg Bechter Architektur und Design“ habe ich immer noch. Ich führe also neben der Firma „Georg Bechter Licht“, die, wie schon gesagt im Jahr 2010 gegründet wurde, noch eine weitere Firma.

Wie würden Sie sich selbst beschreiben? Sind sie risikofreudig oder eher vorsichtig?

Ich bin beides.

Haben Sie persönliche Bindungen zu fremden Ländern (Familie, Freunde, längerer Aufenthalt im Ausland, Erasmus Semester)? Zu welchen Ländern beispielsweise?

Ja, ich reise gerne und ich habe in Deutschland studiert.

Sind Sie der einzige Manager des Unternehmens oder gibt es mehrere? Welche Erfahrung besitzt das Management-Team?

Ja, ich bin der einzige Manager. Ich bin zuständig fürs Management, außerdem kümmere ich mich um F&E sowie das Marketing. Zwei weitere Personen sind verantwortlich für Produktion und Vertrieb. Diese haben natürlich auch eine wirtschaftliche Ausbildung. Bei einigen Angelegenheiten bekommen wir auch noch externe Unterstützung.

Hat jemand aus Ihrem Team Erfahrung mit internationaler Geschäftstätigkeit oder persönliche/geschäftliche Kontakte im Ausland gehabt, bevor Sie sich entschieden haben, fremde Märkte zu betreten?

Nein, überhaupt nicht.

Wie ist Ihr Unternehmen finanziert? (z.B.: Investoren, Bankdarlehen usw.)

Selbstfinanziert.

Bekommen Sie staatliche Unterstützung? Oder haben Sie als ein Start-up Unternehmen staatliche Unterstützung bekommen?

Nein, ich habe nur eine Internationalisierungsförderung bekommen. Dies war im Jahr 2011.

Ist/Sind Ihr/-e Produkt/-e innovativ? Wie viel Prozent vom Umsatz investiert Ihr Unternehmen jährlich in Forschung und Entwicklung? Befinden Sie sich im Bereich B2B oder B2C?

Ja, es ist innovativ. Wir haben einige Innovation Awards erhalten. Vom Umsatz sind es rund 20-25 Prozent, die in F&E jährlich investiert werden. Mit 80 Prozent befinden wir uns mittlerweile im B2B Bereich, 20 Prozent B2C.

Konzentriert sich Ihr Unternehmen auf Nischenmärkte?

Ja, das Produkt ist ein Nischenprodukt.

Welche Aktivitäten der Wertschöpfungskette (Beschaffung, Produktion, Vertrieb, Marketing, Verkauf, After-Sales Service) werden von Österreich aus betrieben und welche müssen über mehrere Märkte koordiniert werden? Produktion im eigenen Unternehmen oder durch Partner?

Also was die Beschaffung betrifft, die Rohmaterialien stammen aus Deutschland. Die Produktion erfolgt nur in Österreich, vertrieben wird in mehreren Märkten, die Marketing-Funktion wird zentral aus Österreich gesteuert, der Verkauf sowie das After-Sales Service erfolgt durch Händler.

Wo werden Ihre Produkte produziert? Wo befinden sich die Produktionsstätten? (Inland/Ausland)

Im Inland, genauer gesagt, in Langenegg.

Ist Ihr Produkt durch Patente geschützt? Wenn ja, wo ist/sind das Patent/die Patente gültig?

Da es bei mir um den Schutz des Designs geht, handelt es sich um Gebrauchsmuster. Diese gelten in Österreich, aber es gibt auch noch den Urheberrechtsschutz, und der gilt weltweit.

Wodurch unterscheiden Sie sich von Ihren Konkurrenten?

Das Design ist das einzige Unterscheidungsmerkmal.

Hat Ihr Unternehmen Kooperationspartner? (z.B. Distributoren, Universitäten etc.)

Nein, bis jetzt nicht.

Ist Ihr Unternehmen Bestandteil eines bestimmten Netzwerkes oder einer strategischen Allianz?

Ja, wir sind Teil eines Netzwerks mit unseren Distributoren in den jeweiligen Ländern, mit unseren Rohstofflieferanten, als auch mit dem AWS, das uns besonders am Anfang bei der Kontaktaufnahme geholfen hat.

Haben Sie Ihre persönlichen Kontakte/Netzwerke im Rahmen der Internationalisierung genutzt?

Ja, aber nur ein bisschen. Vieles habe ich selber aufbauen müssen, aber da ich noch die zweite Firma habe, die früher gegründet wurde, habe ich bei der Firma „Georg Bechter Licht“ einige Kontakte aus dem Bereich Architektur genutzt. Ansonsten hat uns das AWS geholfen. Selbst haben wir beispielsweise Kontakte auf den internationalen Messen geknüpft und so auch unsere Distributoren und Kunden gefunden.

War die Internationalisierung Teil der Unternehmensstrategie oder war diese Entscheidung intuitiv?

Nein, das war schon von Anfang an klar, dass wir das Produkt im deutschsprachigen Raum anbieten werden. Deutschsprachig, weil das für mich von der Muttersprache her die Kommunikation vereinfacht. Also Deutschland, die Schweiz und Österreich waren sicher schon von Anfang an geplant.

Seit wann ist Ihre Firma international tätig? Seit der Gründung? Wenn nicht, wie viele Jahre später haben Sie mit der Internationalisierung begonnen? Haben Sie sich nach der Gründung nur auf den österreichischen/heimischen Markt konzentriert?

Ein Jahr nach der Gründung, also 2011, haben wir mit der Internationalisierung begonnen. Nach der Gründung haben wir uns auf die Entwicklung konzentriert. In Österreich bin ich noch nicht sehr präsent, da ich zu 85 Prozent exportiere (50 Prozent – Deutschland, 20 Prozent – Schweiz, 15 Prozent – Resteuropa, 15 Prozent – Rest der Welt).

Was waren die wichtigsten Motive Ihrer Internationalisierungsentscheidung? (z.B. gesättigter heimischer Markt, Konkurrenz, Anfragen aus dem Ausland, etc.)

Im Ausland gibt es die größten und thematisch passendsten Messen für uns. In Österreich gibt es fast keine Plattform, wo wir uns gut präsentieren können. Wir brauchen ein ganz spezielles Publikum, etwa Innenarchitekten und Lichtplaner. Und da gibt es einfach die größten Messen in Köln, Mailand sowie Frankfurt und da sind wir richtig aufgehoben und haben uns dort gleich richtig präsentiert. Es gibt zwar eine Interieur Messe in Wien, aber die ist für uns eher fast zu klein. Wir investieren viel Geld in unseren Messestand und das muss sich dann auch entsprechend rentieren. Also konzentrieren wir uns auf die großen Messen, jedes Jahr besuchen wir ein bis zwei und das reicht uns dann auch.

War einer Ihrer Markteintritte die Folge einer unangeforderten Anfrage („unsolicited order“) aus dem Ausland?

Ja, natürlich. Etwa die "Light and Building" Messe in Frankfurt ist in ganz Europa die größte Messe und ist auch weltweit die größte Messe für Licht überhaupt. Da kommen natürlich Leute – Händler, Distributoren – aus der ganzen Welt und durch diese haben wir dann begonnen, in verschiedene Länder der Welt zu exportieren. Wir lernen auf der Messe einfach eine Menge neuer Kunden kennen, die nach der Messe bei uns anfragen und so beginnt der Export in das jeweilige Land. Also die Antwort ist ja, unsere Markteintritte sind in vielen Fällen die Folge einer Anfrage aus dem Ausland, aber aktiv nach Distributoren suchen wir nicht.

War einer Ihrer Markteintritte die Folge des Markteintritts eines Ihrer Kunden in einen neuen Markt?

Nein.

Welche Hürden musste Ihr Unternehmen im Laufe des Internationalisierungsprozesses überwinden? (z.B.: mangelnde Ressourcen, Bürokratie, etc.)

Natürlich sind es mangelnde Ressourcen, da wir ein kleiner Betrieb sind. Aber z.B. sind wir auch ganz am Anfang in einen Betrugsfall verwickelt worden. Das war in Italien. Es wurde geliefert, aber nicht bezahlt. Da hatten wir sehr große Umsatzeinbußen.

Wie bereiten Sie sich auf den Eintritt in einen bestimmten Markt vor? (z.B.: Besuch von Ausstellungen; Messen, Informationssammlung über den Markt, etc.)

Ja, wir besuchen Messen und Ausstellungen, wie schon gesagt wir suchen nicht speziell Informationen über die Märkte, in die wir exportieren wollen. Wenn uns jemand eine Anfrage stellt, dann liefern wir einfach. Natürlich, wenn es um kompliziertere Märkte von der politischen Situation her geht, dann sprechen wir erst einmal mit den Leuten aus der Branche, die schon Erfahrung haben. Aber sonst holen wir nicht speziell vor dem Markteintritt Länderinfos ein. Würde es sich um die Gründung einer Tochtergesellschaft in dem jeweiligen Land handeln, dann würden wir natürlich vorsichtiger sein und eine gründliche Recherche durchführen.

Benutzt Ihre Firma vor oder während des Internationalisierungsprozesses strategische Instrumente wie z.B. die SWOT-Analyse, Marktanalysen, etc. oder ist dieser Prozess eher intuitiv?

Nein, überhaupt nicht. Es geht mehr um Intuition.

In wie vielen Märkten wird ihr Produkt angeboten?

So ungefähr in 20-30. Also ich versuche einmal es aufzulisten: Deutschland, Schweiz, Österreich, Dubai, Russland, Ukraine, Belgien, Slowakei, Polen, Frankreich, England, Irland, Estland, Litauen, Italien, Indien, Iran, etc.

In welchem Markt/welchen Märkten hat der Markteintritt zuerst stattgefunden?

In Deutschland, der Schweiz sowie in Österreich, also in den deutschsprachigen Ländern.

Welche Kriterien sind bei der Marktauswahl wichtig?

Wir haben keine speziellen Kriterien. Wer sich bei uns mit einer Anfrage meldet, der wird auch beliefert.

Ist die kulturelle Ähnlichkeit für Ihre Firma ein entscheidender Faktor bei der Marktauswahl?

Ja, natürlich. Von Anfang an war es eine wichtige Sache, auch wegen der Sprache. Deshalb haben wir zuerst Deutschland, die Schweiz und Österreich bearbeitet. Jetzt spielt die kulturelle Ähnlichkeit keine wichtige Rolle mehr. Natürlich ist dann die Kommunikation schwieriger, aber es ist keine große Barriere.

Ist Wissen betreffend den potentiellen Markt bei der Marktauswahl von großer Bedeutung?

Nicht unbedingt.

Erfolgt der Eintritt Ihrer Firma in fremde Märkte normalerweise sofort zur Gänze, also auf einmal, oder Schritt für Schritt?

Schritt für Schritt.

Welcher Markteintrittsformen in welchen Ländern bedient sich gegenwärtig Ihr Unternehmen? (z.B. Export, Tochtergesellschaft, Joint Venture, Licensing, Franchising, Contract Manufacturing etc.)

Von Anfang an war es der Export, also ein direkter Export. Wir verkaufen über Händler im Ausland, diese sind dann auch gleich für das After-Sales Service zuständig.

Warum gerade Export? Was sind die Vorteile der von Ihnen gegenwärtig gewählten Markteintrittsformen?

Da es sich um ein Nischenprodukt handelt. Auch wenn wir zehnmal so viel Werbung machen würden, würden wir deshalb nicht mehr verkaufen. Daher würde es für uns keinen Sinn machen z.B. eine Tochtergesellschaft irgendwo zu gründen, weil die Nachfrage zu begrenzt ist. Außerdem ist Export ja auch nicht so riskant und aufwendig, was die Ressourcen betrifft. Unser Ziel von Anfang an war der Export und wir planen auch nicht, in Zukunft die Markteintrittsstrategie zu ändern. Wir wollen kein Großkonzern sein.

Wie würden Sie die Eignung der unten erwähnten Markteintrittsformen für Ihr Unternehmen beurteilen? Welche der oben erwähnten Markteintrittsformen würden für Ihr Unternehmen in Zukunft in Frage kommen?

- a) Licensing
- b) Franchising

- c) Contract manufacturing
- d) Joint Venture / Strategic alliances
- e) Foreign sales subsidiary
- f) Foreign production and sales subsidiary

Also, diese Kooperationsformen wären auf Grund des geringen Know-How Schutzes für uns zu riskant. Wenn wir schon irgendwann eine neue Markteintrittsform wählen müssten, dann würde es eine Tochtergesellschaft sein.

Wie werden die geeigneten Markteintrittsformen ausgewählt? Wählen Sie einfach eine Ihrer Meinung nach passende Markteintrittsform, normalerweise beginnend mit einer wenig riskanten Markteintrittsform (wie z.B. Export)? Oder wird die Markteintrittsform auf der Grundlage der internen und externen Faktoren sowie der Unternehmensziele ausgewählt?

Also zurzeit wählen wir die unserer Meinung nach passendste Eintrittsstrategie für unser Produkt, das ist eben der Export. Aber natürlich achten wir auch auf verschiedene Faktoren, wie z.B. unsre Ressourcen und Ziele. Wir wollen jedoch ausschließlich exportieren.

Welche Faktoren waren entscheidend bei der Wahl der Markteintrittsform? (z.B.: Ressourcen, internationale Erfahrung, Produkteigenschaften, Größe und Wachstum des Marktes usw.)

Unsere Ressourcen sowie die Größe des Marktes.

Welche Rolle spielte das Internet bei der Wahl der Markteintrittsform oder generell im Internationalisierungsprozess? War es von besonderer Bedeutung?

Ja, natürlich. Recherche und Marketing müssen sein. Was die Internetanfragen betrifft, waren es nur rund 10 Prozent über das Internet, ansonsten waren die Messen ganz wichtig. Aber natürlich macht das Internet das Geschäft leichter. Man kann vieles im Internet recherchieren und dann ist man auch nicht so zurückhaltend, da man dann ja schon einige Informationen hat.

Wie würden Sie den Faktor der Umweltunsicherheit bei der Wahl der Markteintrittsform beurteilen?

Die Umweltunsicherheit spielt nicht unbedingt eine Rolle beim Export. Wenn wir z.B. in den Iran exportieren, verlangen wir die Zahlung im Voraus, dann wird geliefert und damit ist es dann auch schon erledigt. Natürlich, im Falle der Gründung einer Tochtergesellschaft, müssten wir uns schon überlegen, wo wir diese gründen und was für Faktoren dort eine Rolle spielen.

Wie würden Sie den Erfolg Ihres Auslandsgeschäfts beurteilen?

Das Auslandsgeschäft ist die wichtigste Einkommensquelle für unser Geschäft.

Wie viel Prozent des Umsatzes entfallen auf das Auslandsgeschäft?

Also der Umsatz 2013 betrug ungefähr 300.000 Euro und dabei entfielen schätzungsweise 90 Prozent auf das Auslandsgeschäft.

Welche Pläne haben Sie für die Zukunft?

Den Umsatz stark zu steigern, also neue Kunden zu finden, plus verstärkt Marketing zu betreiben, da wir letztes Jahr nur unsere bestehenden Kunden beliefert und viel geforscht und entwickelt haben. Mit Marketingmaßnahmen haben wir uns jedoch nicht sehr beschäftigt.

Curriculum Vitae

Miroslava Jergušová, BSc (WU)

Personal data

Place of birth Bratislava, Slovak Republic
Nationality Slovak

Work experience

December 2008 – November 2013 **VIP WINGS, a.s.**, Ivánska cesta 30/B, 82104 Bratislava, (position: part-time Cabin Crew)

June 2009 – August 2009 **CCC – Competence Call Center**, Kalinčiakova 31, 83104 Bratislava (position: Customer Service Representative)

May 2008 – October 2008 **ALBA WERTSTOFFMANAGEMENT GmbH & Co. KG**, Záhradnícka 46, 82108 Bratislava (position: assistant, part-time, job description: billing of transport invoices, administrative work, Slovak-German-translator, secretary)

Education

October 2011- up to now University of Vienna (Master program in Economics with the focus on: „International Marketing“ and „Innovation and Technology Management“)

June 2011 Completion of Bachelor studies, degree: “Bachelor of Science of the WU”

October 2007 –June 2011 Vienna University of Economics and Business (WU), (Bachelor program in Economics, educational tenor: „BW - Betriebswirtschaft“)

2003-2007 Academy of commerce „Bundeshandelsakademie und Bundeshandelsschule Wien 10“, (educational tenor: „International Business“)

2001-2003	Academy of Commerce Imricha Karvaša in Bratislava (bilingual study)
1992-2001	Elementary school, Medzilaborecká 11, Bratislava

Personal knowledge and abilities

PC	PC-knowledge (MS Office 2007, Windows 7) SPSS – statistical program
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Foreign languages

English (Reading, writing, verbal skills) - excellent
German (Reading, writing, verbal skills) - excellent
Russian (Reading, writing, verbal skills) - good
Italian (Reading, writing, verbal skills) - basic

Additional information

Participation in the Russian competition
 „XI. Österreichische Russisch-Olympiade“ (28. April 2004)
Certificate in German language – Level: MASTERY C2 „Österreichisches Sprachdiplom DEUTSCH“ (June 2005)
 Participation in the **Austrian competition in Russian** „Sprachcontest Bundesfinale 2006“ (1. place)
Certificate in English „University of Cambridge ESOL Examinations – BEC-Higher“ (June 2006)
“Certificate in Russian” (TELS – The European Language Certificates; March 2007)