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Management of Service-MNCs for the Deployment of
Entry Modes“

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TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	RESEARCH GAP	2
1.2	RESEARCH QUESTION.....	3
1.3	KEY TERMS	4
2	THEORETICAL BACKGROUND.....	5
2.1	RESOURCE-BASED VIEW OF THE FIRM	5
2.1.1	<i>The Resource-Based View and International Business.....</i>	<i>7</i>
2.2	THE KNOWLEDGE-BASED VIEW OF THE FIRM.....	8
2.2.1	<i>The Knowledge-Based View and International Business.....</i>	<i>9</i>
2.2.2	<i>The Knowledge-Based View of the Firm in Emerging Markets.....</i>	<i>10</i>
2.3	CONCEPTS OF THE KNOWLEDGE-BASED VIEW	12
2.3.1	<i>Tacit and Explicit Knowledge</i>	<i>12</i>
2.3.2	<i>Knowledge Creation of the Firm.....</i>	<i>14</i>
2.3.3	<i>Organizational Knowledge</i>	<i>15</i>
2.3.4	<i>Cross-Border Knowledge Transfer</i>	<i>17</i>
2.3.5	<i>MNC-Subsidiary Knowledge Transfer</i>	<i>20</i>
2.3.6	<i>Service-MNC Internationalization Knowledge</i>	<i>25</i>
2.3.7	<i>International Market Entry Mode Knowledge</i>	<i>29</i>
2.3.8	<i>Top Management Internationalization Knowledge.....</i>	<i>33</i>
3	CHAPTER 3: METHODOLOGY	36
3.1	RESEARCH PHILOSOPHY	36
3.2	RESEARCH STRATEGY	37
3.3	SINGLE CASE STUDY	37
3.3.1	<i>Single Embedded Case Study Design.....</i>	<i>38</i>
3.3.2	<i>Case Firm.....</i>	<i>39</i>
3.3.3	<i>Case Study Selection</i>	<i>40</i>
3.4	DATA COLLECTION	41
3.4.1	<i>Sampling of Participants.....</i>	<i>42</i>
3.4.2	<i>Semi-Structured Interviews</i>	<i>44</i>
3.4.3	<i>Interview Guide</i>	<i>46</i>
3.5	DATA ANALYSIS	47

3.6	QUALITY CRITERIA	50
3.7	ETHICAL CONSIDERATION.....	50
4	FINDINGS	52
4.1	PRESENTATION OF FINDINGS	52
4.1.1	<i>Entry Modes</i>	53
4.1.2	<i>Entry Mode Knowledge</i>	60
4.2	DISCUSSION OF FINDINGS.....	69
4.2.1	<i>Knowledge Types and Entry Modes</i>	70
4.2.2	<i>Nature of Knowledge</i>	77
5	CONCLUSION.....	82
5.1	SUMMARY	82
5.2	THEORETICAL CONTRIBUTION	85
5.3	MANAGERIAL IMPLICATIONS	86
5.4	LIMITATIONS	87
5.5	DIRECTIONS FOR FUTURE RESEARCH	87
6	REFERENCES	89
7	APPENDIX	98
7.1	INTERVIEW GUIDE.....	98
7.2	SAMPLE INTERVIEW	103
7.3	ABSTRACT.....	119

List of Abbreviations

Abbreviation	Meaning
B2B	Business to Business
CAQDAS	Computer Assisted Qualitative Data Analysis Software
CEO	Chief Executive Officer
CSO	Chief Sales Officer
EM	Emerging Markets
EVP	Executive Vice President
FDI	Foreign Direct Investment
HC	Health Care
HPD	High Psychic Distance
HQ	Headquarter
IB	International Business
IBR	International Business Review
IK	Internationalization Knowledge
IP	Intellectual Property
IPR	Intellectual Property Right
IT	Information Technology
JIBS	Journal of International Business Studies
JV	Joint Venture
JWB	Journal of World Business
KBV	Knowledge Based View
KPI	Key Performance Indicator
LPD	Low Psychic Distance
MIR	Management International Review
MNC	Multinational Corporation
MRT	Magnetic Resonance Tomography
PD	Psychic Distance
PSF	Professional Service Firm
RBV	Resource Based View
SCA	Sustainable Competitive Advantage
SECI	Spiral of Knowledge Creation
SME	Small & Medium Enterprise
US	United States
USA	United States of America
VP	Vice President
WOS	Wholly Owned Subsidiary

List of Tables

Table 1: General Information on Tacit & Explicit Knowledge	14
Table 2: General Information on the Knowledge Creation of the Firm.....	15
Table 3: General Information on Organizational Knowledge.....	17
Table 4: General Information on Cross-Border Knowledge Transfer	20
Table 5: General Information on MNC-Subsidiary Knowledge Transfer	24
Table 6: General Information on Service-MNC Internationalization Knowledge.....	29
Table 7: General Information on International Market Entry Mode Knowledge	33
Table 8: General Information on Top Management Internationalization Knowledge.....	35
Table 9: Codes & Categories	49
Table 10: Case Firm's Entry Mode Choices	60

List of Figures

Figure 1: Concepts of the KBV	12
Figure 2: Case Study Design.....	38
Figure 3: Interview Participants	43
Figure 4: Entry Modes & Entry Mode Knowledge.....	53
Figure 5: Entry Modes.....	54
Figure 6: Entry Mode Knowledge Overview.....	61
Figure 7: Market Knowledge	62
Figure 8: Customer Knowledge	65
Figure 9: Acquisition Knowledge	66
Figure 10: Full Acquisitions & Knowledge Types	72
Figure 11: Joint Venture Acquisitions & Knowledge Types	73
Figure 12: Greenfield Investments & Knowledge Types.....	74
Figure 13: Exporting & Knowledge Types	75
Figure 14: Knowledge Types perceived useful for deploying Entry Modes	76
Figure 15: Tacit Knowledge Types.....	79
Figure 16: Explicit Knowledge Types	81
Figure 17: Main Research Question & Overview of Knowledge Types	82

1 Introduction

In the following chapter, the research gap, the research question, and the theoretical contribution of this study will be explained. Furthermore, related theories will be mentioned briefly to give the reader a quick impression of the theoretical background of this study.

Competitive advantage is what every firm strives for in world economy. Due to the importance and relevance of competitive advantage in economics, many theories have been published regarding this phenomenon. While neoclassical scholars focus on market-specific factors that enable competitive advantage, resource-based view theorists like Barney and Wernerfelt concentrate on the internal strengths of firms as the source of competitive advantage (Barney, 1991; Wernerfelt, 1984a). However, firms do not only strive for competitive advantage in their domestic markets. They also strive for a competitive advantage in focal markets. The RBV also argues in an international context. Internal resources are transferred to overseas subsidiaries and enable a competitive advantage over local firms (Peng, 2001). Based on the RBV, the knowledge-based view emerged and made knowledge responsible as the primary source for competitive advantage. The unique characteristics of knowledge are responsible for the difference in the competitive advantage of firms (Grant, 1996a, 1996b; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000). The explicit or tacit nature of knowledge makes the resource even more critical for firms (Grant, 1996a, 1996b; Kogut & Zander, 1996). Firms have an advantage over markets due to the nature of knowledge. Knowledge can be transferred with a minimized loss between and within firms due to specified coding and routines (Kogut & Zander, 1996). The firms' ability to decode and code tacit knowledge enables firms to have an international competitive advantage as well. Due to their intangible assets, firms can overcome the liability of foreignness and compete with local firms (Claver & Quer, 2005; Contractor, Yang, & Gaur, 2016). Therefore and for many other reasons, the KBV plays a significant role in IB studies.

Furthermore, IB studies have always focused on market entry mode choices. Many scholars argue that competitive advantage is also influenced by the entry mode choice and its' success or failure (Brouthers & Hennart, 2007; Schellenberg, Harker, & Jafari, 2018). The entry mode is an arrangement that enables firms to transfer firms' resources to focal markets. However, the entry mode choice is also influenced by several factors like the legal environment, the international experience, or cultural differences (Schellenberg et al., 2018). As briefly mentioned, the entry mode choice is influenced by many different factors. The Uppsala model describes experiential market knowledge as responsible for a higher level of commitment and

a higher equity entry mode choice. Furthermore, overall market entry knowledge influences the decision as well. Due to the partial tacitness of knowledge, much knowledge is only inherited in individuals. Therefore, the entry mode choice is also influenced by the decision-makers themselves (Johanson & Vahlne, 1977; Schellenberg et al., 2018). The choice of the market entry mode can also be missing knowledge. Acquisitions, e.g., are options to gain missing knowledge. Employees with local know-how can fill the knowledge gap of the acquiring firm (Herrmann & Datta, 2006). Another factor that influences the market entry mode decision is the transfer of knowledge. Some entry mode choices enable better transfer of knowledge between the HQ and subsidiaries (Saka-Helmhout, 2007). Besides the entry mode choice and knowledge, internationalization knowledge is often related to firms' top management. Plenty of IB studies focus on the internationalization knowledge of top managers. Top managers gain tacit market and operational knowledge through their overseas activities. To acquire internationalization knowledge, the top management must face local people and acquire experiences in international markets (Athanassiou & Nigh, 2000). Next to the entry mode choice and the top management, an increasing number of KBV researchers focus on internationalization in emerging markets. Peng highlights the institutional context and the higher liability of foreignness in emerging markets for MNCs based in developing markets. According to him, the KBV offers a grand theory to explain MNCs' competitive advantage or failure in emerging markets (Peng, 2001).

Firms strive for competitive advantage. Not only on a domestic level but also internationally. To support the competitive advantage phenomenon with theory, the KBV has been the focus of many IB scholars. Due to the complexity of knowledge as a resource and to understand the competitive advantage that might come with knowledge, different IB topics have been targeted. Topics like market entry mode choice or top management knowledge seem to relate to MNCs' international success directly. To further enhance KBV research, this study focuses on the entry mode choice and the knowledge of the top management related to the entry mode choice.

1.1 Research Gap

Several factors influence the entry mode choice. Knowledge is one of the factors. Nevertheless, so far, studies have oriented their studies on the transferability of knowledge regarding the entry mode choice. The actual entry mode choice and the decision-making processes within firms have been widely neglected (Schellenberg et al., 2018). Benito, Peterson & Welch state in their study that little is known about how managers choose the mode of entry. They stress the need

for more in-depth field research on this topic (Benito, Petersen, & Welch, 2009). Herrmann & Datta highlight the research gap regarding the relationship between the top management team experiences and entry mode choices. They furthermore state that future research is needed in other contexts, e.g., in the context of a service firm. Additionally, they propose to investigate this relationship regarding entries used by non-US firms (Herrmann & Datta, 2006). Other scholars also depict service firms as an interesting focus for future research. Meyer et al. state that future research should address how service firms internationalize (Meyer, Skaggs, Nair, & Cohen, 2015). Freeman and Sandwell's study on key internationalization barriers in emerging markets for professional service firms further highlighted future research covered by this study. They suggested further research on other professional service industries and other emerging markets (Freeman & Sandwell, 2008).

Therefore, the primary purpose of this study is to fill those research gaps. The author identifies knowledge types perceived as useful by the top management of a Service-MNC to deploy the correct entry mode choice. This study further covers Freeman and Sandwell's research gap by focusing on three industries and Mexico as an emerging market.

1.2 Research Question

As mentioned, the entry mode choice is a choice with a high impact on the performance and success of MNCs in focal markets. Moreover, as mentioned in the latter subsection of this thesis, the knowledge perceived as useful for deploying different entry modes has not been the focus of IB studies. For that reason, the study will identify knowledge types that the top management of Service-MNCs perceive as useful for deploying different entry modes in a focal market. Furthermore, the tacit and explicit nature of the knowledge types is highlighted.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

"What knowledge types useful for deploying different entry modes in a focal market are tacit or explicit in nature?"

1.3 Key Terms

Market Entry Mode Choice, Market Entry Mode Knowledge, Knowledge Types, Knowledge Categories, Knowledge Identification, Internationalization Knowledge, Nature of Knowledge, Top Management, Service-MNC, Psychic Distance, Industries

2 Theoretical Background

This chapter will introduce the main theories, which are helpful to understand the phenomenon underlying the research question of this paper. The research question covers the firm's knowledge required for international market entries and specifically the entry mode decision. Since this paper concentrates on firm-specific knowledge of the firm, the literature review will focus on firm-specific theories. The underlying theory of the whole phenomenon examined is the resource-based view of the firm. The RBV has been identified knowledge as being one of the critical resources for competitive advantage. Thus, RBV is the theoretical background of the knowledge-based view of the firm. Especially with advanced RBV research, knowledge has been becoming more and more of scholars' interest.

2.1 Resource-Based View of the Firm

The resource-based view gained popularity with the publication of two highly influential scholars. Jay Barney and Birger Wernerfelt have published many influential papers in the 1980s and 1990s with the emerging focus on firm-specific resources as a source for competitive advantage. Firms can achieve a sustainable competitive advantage with the exploitation of their strengths, the avoidance of their weaknesses, the response to environmental opportunities, and neutralizing external threats (Barney, 1991). While traditional neoclassical scholars have focused on the market-specifics for achieving SCA, Barney and Wernerfelt concentrate on internal strengths and weaknesses of the firm. Neoclassical concepts like Porter's five forces focus only on environmental conditions and treat firms as black boxes. The assumptions of environmental model theorists dismiss firm resources as being heterogenic and immobile (Barney, 1991). Other scholars further agree and support the focus on firm-level determinants as being responsible for the key advantage of firms (Peng, 2001). Ten years after having published the latter cited study Barney, Wright and Ketchen published a literature review on the RBV. They depict RBV as the most influential framework for understanding strategic management (Barney, Wright, & Ketchen, 2001).

Barney's main argument for the sustainable competitive advantage of firms is the exploitation of internal strength and the elimination or neutralization of external weaknesses. He bases the resource-based view of the firm theory on two assumptions. He states that resources within an industry are heterogeneous among firms and that those resources are not entirely mobile across firms (Barney, 1991). As for the resources, Wernerfelt has offered a comprehensive description. He describes resources as strengths and weaknesses of a given firm. He further describes them as "tangible and intangible assets" tied to the firm. These can be, e.g.,

brand names, employers and skilled personnel, knowledge of technology, machinery, etc. (Wernerfelt, 1984). According to Barney, firm resources are assets, capabilities, organizational processes, information knowledge, etc., that help firms be more efficient and effective. He further categorizes three different resource types that are essential for the value-creating strategy of the firm. Barney distinguishes between physical,- human,- and organizational capital resources. For the resources to be of value, the SCA of a firm has to incorporate four attributes. The attributes he mentions are value, rareness, imitability, and substitutability. Not all of them are necessary to achieve a competitive advantage, but all four of these attributes have to be matched to gain a sustainable competitive advantage. A resource has to exploit opportunities or neutralize threats to be valuable; it has to be rare among competitors and imperfectly imitable to help gain a competitive advantage (Barney, 1991; Barney et al., 2001). Furthermore, the resource shouldn't be substitutable by similar or different firm resources. The imitability of a resource is further described by the combination of three factors: unique historical conditions, causal ambiguity, and social complexity. SCA is reached when the firm implements a value-creating strategy and when other firms cannot duplicate the strategy (Barney, 1991). Wernerfelt's approach to the RBV theory shares similarities with the paper of Barney but focuses much more on the comparison between the product and resource perspective. He states that the resource perspective leads to insights, which finally leads to seeing diversified firms in "a new light." One of her primary propositions of the paper is that resources can somehow similar to market entry barriers, set resource position barriers. These barriers can then lead to high profits comparable to the SCA in Barney's paper. The firm's strategy should be to reach a balance between the exploitation of existing resources and the development of new ones. The fourth proposition he states is that bundles of resources can be acquired through mergers and acquisitions. Besides the resource position barrier, Wernerfelt proposes the first-mover advantage as a favorable strategy that firms should follow. Suppose firms have identified resources that incorporate the resource position barrier and identify resources that help them become first-mover. In that case, other firms will have difficulties catching up again. Having the leading position due to attractive resources, the learning curve, and other effects help the firm further expand the reached position (Wernerfelt, 1984). Other scholars as, e.g., Peteraf, combine both approaches. Superior resources, ex-post limits to competition, imperfect resource mobility, and ex-ante limits to competition are set to be present for SCA (Peteraf, 1993).

With more and more published RBV-based studies, scholars started to question the SCA of firms due to the characteristics Barney and Wernerfelt described earlier. Barney himself states in his literature review that SCA is not possible in dynamic markets. Only competitive

advantage can exist in dynamic markets and only if a firm has the ability to continuously change and learn (Barney et al., 2001). Besides the criticism that classical RBV studies face, new research topics related to the RBV evolved. Peteraf was one of the first to mention that the RBV can describe the theory of diversification. RBV is the only theory that explains why all firms do not and cannot pursue strategies that, in the aggregate, offer the highest returns. Even though Peteraf focused mainly on product diversification, studies focusing on the RBV and IB resulted from these findings (Peteraf, 1993).

2.1.1 The Resource-Based View and International Business

As already mentioned in the latter subsection, Peteraf states that the theory of diversification can be characterized as resource-based. Furthermore, the RBV is argued to be the only theory to explain the full range of firms' diversification (Peteraf, 1993). Other studies agree and depict the RBV to function as a bridge to investigate product diversification as well as international diversification and its underlying resources (Peng, 2001). Peng further describes the RBV as being the base for connecting IB and strategy research. Researchers in the IB field focus significantly more on firm-level analysis of foreign direct investments and of MNCs. Unique resources and competencies of firms that were and still are researched enable foreign firm's competitive advantages in focal markets. Due to the liabilities of foreignness that MNCs face in focal markets, unique resources and capabilities are transferred to the overseas subsidiaries (Peng, 2001).

Besides describing the relationship between the RBV and the IB research field, Peng makes unique resources responsible for the existence of MNCs. According to his study, MNCs exist because they transfer and exploit knowledge more effectively within the firm than transferred and exploited through external markets. Especially knowledge as a resource plays an important role in the IB research field. One example of knowledge is the international experience that top managers of MNCs gather. According to Peng, top managers represent some of the most valuable, unique, and hard-to-imitate resources of an MNC. Resources and, specifically, knowledge are further influencing the market entries of MNCs and the entry modes they choose. Related to the top manager's international experience, Peng argues in his study "The resource-based-view and international business" that MNCs learn and acquire entry experience with multiple entries, which in fact will help their performance with future entries. Furthermore, the study states that the entry is pushed by own resources and pulled by the resources of potential target firms abroad (Peng, 2001). Barney et al. state that market entry

modes like JVs or alliances may help focal firms acquire necessary resources to operate successfully in the foreign market (Barney et al., 2001).

Observable from studies related to RBV and IB is that knowledge is the main resource of interest and is significantly responsible for the competitive advantage of focal firms in foreign markets. Peng states that "..., IB's most significant contributions to the RBV lie in the identification of international knowledge and experience as a valuable, unique, and hard-to-imitate resource that differentiates the winners from the losers and mere survivors in global competition" (Peng, 2001).

2.2 The Knowledge-Based View of the Firm

As already mentioned in the introduction for the second chapter, the knowledge-based view evolved due to the resource-based view. The KBV, compared to the RBV, clearly emphasizes knowledge as the source of competitive advantage. Before the development of RBV, strategy theorists made environmental factors responsible for imitating monopoly rents. Especially the industry and segment selection has been identified as strategies to gain rents (Grant, 1996a). Neoclassical economists, transaction cost theorists, and principal-agent spokespeople have mostly ignored the heterogeneity across firms. Transaction cost theorists assumed humans within a firm as an isolated static beings. With the development and increased publication within the RBV field, many scholars argue that knowledge is the primary source of competitive advantage. Mainly because of its' difficult imitation and non-tradable characteristic (Grant, 1996a, 1996b; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000). These characteristics also explain why the transaction cost theory fails to incorporate the importance of knowledge within its theory. Due to the tacitness of knowledge and the difficulty in evaluating the value of knowledge, knowledge inherits public good characteristics. If knowledge were traded on the market in its tacit form, a significant dilemma would evoke. In order to evaluate the knowledge, the buyer wants to know the content of the knowledge. But with accessing the buyer to the insights of knowledge, the knowledge's value is diminishing. The RBV, on the other hand, incorporates knowledge and its tacit dimension, especially in local organizational skills and routines (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000). Knowledge-intensive are human capital resources and organizational capital resources, as described by Barney (1991). Even though the RBV makes knowledge responsible as one primary source for SCA, RBV fails to address the dynamism of knowledge creation (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994).

2.2.1 The Knowledge-Based View and International Business

As explained in the previous chapter, the knowledge-based view depicts knowledge as the resource responsible for the SCA of firms (Grant, 1996a). The knowledge-based view applied to the international business field assumes the same. Contractor et al. argue that if firms' only source of competitiveness would have been local inputs, local firms would always dominate foreign companies. They argue that in order to overcome the hurdles of distance and the liability of foreignness, foreign firms have to have intangible assets that are superior to that of local firms. Only due to their intangible assets that are internally transferable, foreign firms can compete or even have a competitive advantage over local firms (Claver & Quer, 2005; Contractor et al., 2016). Fletcher et al. also state that internationalization knowledge helps firms develop a competitive advantage over local firms (Fletcher, Harris, & Richey, 2013). Other scholars argue that knowledge is the factor that helps firms to identify and exploit foreign opportunities (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009). Different theoretical perspectives already have knowledge as their central factor in the internationalization process, which further calls for the importance of the knowledge-based view in International Business. One of the most relevant internationalization theories, "The Uppsala model", depicts knowledge and commitment as the key factors of the internationalization process. Market/business, knowledge, or foreign institutional knowledge increases the commitment of decision-taking abroad. The model further argues that the knowledge important for the internationalization process is experiential. That is why most firms, according to the sequential point of view, internationalize to countries with low psychic distance first and acquire knowledge. Due to their experiences in low psychic distanced countries, they acquire the knowledge needed and commit to entering higher psychic distanced countries (Casillas et al., 2009; Whitelock, 2002). Fletcher et al. specifically talk about internationalization knowledge in their paper. They further depict three categories of IK. The first of them is market entry IK which will be addressed in more detail in the subsections of this chapter. Market entry IK is the knowledge that helps with market entry strategies and market entry decisions. They further state that IK is highly firm-specific (Fletcher et al., 2013). The organizational learning perspective also depicts knowledge as a central factor for the competitive advantage of firms. They further agree with the sequential point of view that the internationalization process generates knowledge that can be shared and built within an organization. Casillas et al. further state that knowledge is essential in selecting foreign markets, the market entry mode choice, and the speed of the market entry (Casillas et al., 2009).

2.2.2 The Knowledge-Based View of the Firm in Emerging Markets

This subsection covers the KBV in emerging markets. Emerging markets are a very prominent research topic in recent IB studies and gain importance due to the rapid growth opportunities of emerging markets. Even RBV theorists started to propose future research on the topic of internationalization in emerging markets.

Scholars state that the institutional surroundings in which firms operate may significantly impact the strategy and performance they strive for. Institutional factors because of the resources that firms are provided within developing and emerging countries (Barney et al., 2001; Peng, 2001). Peng further argues that emerging economies might become the new field of competition for IB and that IB scholars should emphasize the institutional context of internationalization activities. Especially the liability of foreignness is highlighted in his study and the high degree of uncertainty MNCs face in emerging markets. The RBV and KBV offer great theories that help explain MNCs' competitive advantage or failure in emerging markets (Peng, 2001). The study of Pattnaik, Choe, and Singh further supports the argument that the institutional environment plays a significant role in the internationalization of MNCs. They depict that institutional distance explains differences in subsidiary performances. Especially influential is the quality of institutions in the product, capital, and labor market, compared to home market institutions. They further emphasize that the problem is not the absolute quality of the host country institutions but the institutional distance between home and host country. These differences result in difficulties in transferring firm-specific advantages to the different institutional environments (Pattnaik, Choe, & Singh, 2015). Due to higher risk and uncertainty, market entry mode or resource-commitment are of special interest in IB research.

Scholars depict different factors explaining the high level of risk or liability of foreignness in emerging markets. Cross-national distance is one measure used in order to predict such risk. Factors like economic, financial, political, cultural, demographic, knowledge, as well as geographical distance differences are used (Berry, Guillén, & Zhou, 2010). Other scholars focused primarily on geographical distance as an influencing factor on the internationalization approach. Malhotra and Gaur argue that the firms' choice of control in international acquisitions is significantly influenced by spatial geography. They argue that distance increases adverse selection and moral hazard problems. This issue results in a trade-off, a trade-off between equity ownership, monitoring, and coordination costs. They propose that firms with lower information asymmetry in foreign markets go for higher equity stakes. Furthermore, when geographical distance increases, local partners can help to navigate (Malhotra & Gaur, 2014). Freeman and Sandwell identify face-to-face communication,

language, culture, work practices, and government regulations as key barriers for Service-MNCs to internationalize into EMs. They further state that professional service firms use personal networks in order to overcome these barriers. With the help of these personal networks, MNCs are able to acquire focal market knowledge. They also emphasize that MNCs do not always have the chance to pick their entry mode due to regulatory barriers that can actually restrict certain types of entry modes (Freeman & Sandwell, 2008). In the study of Lin regarding influences on the market entry of Japanese firms in China, the high impact of experiential knowledge is emphasized. This applies especially in EMs with high environmental uncertainty and high market potential. Even though many scholars argue that resource commitment decreases with the increase in uncertainty and market risk, Lin states that the major driver in the market entry decision is experiential knowledge. The accumulation of this market-specific knowledge is positively correlated to higher equity entry modes like WOS (Lin, 2000).

2.3 Concepts of the Knowledge-Based View

In the following subchapter, the different concepts of the KBV are explained and highlighted. Those concepts do play a significant role regarding the underlying research question and the case study undertaken in this thesis.

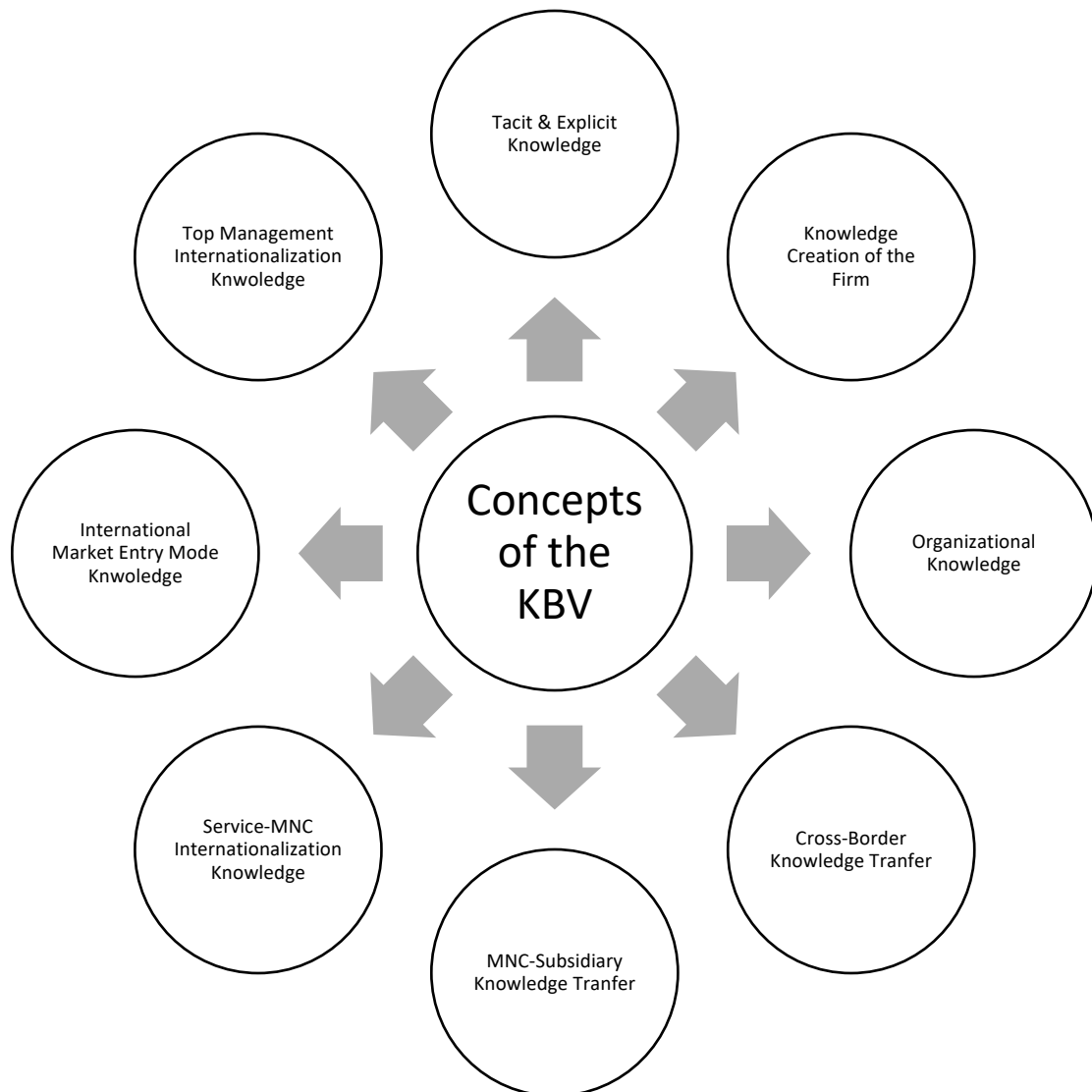


Figure 1: Concepts of the KBV

2.3.1 Tacit and Explicit Knowledge

The first and fundamental concept within the research field of the KBV is the nature of knowledge. In the following, the literature on the nature of knowledge is reviewed, and light is shed on explicit and tacit knowledge. The nature of knowledge is of interest for many scholars because it has a significant influence on, e.g., the transfer of knowledge.

Knowledge can occur explicit as well as tacit in nature. In comparison to tacit knowledge, explicit knowledge can be written down and communicated easily (Grant, 1996a, 1996b; Kogut & Zander, 1996). Nonaka describes explicit knowledge as objective and rational, which can be illustrated through data, scientific formulas, specific actions, and manuals. It can be further transferred via formal and systematic language (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994). In comparison to explicit knowledge, tacit knowledge is much more challenging to articulate. In his book “The Tacit Knowledge” Polanyi states that “... we can know more than we can tell”. And even though it might seem obvious, that quote describes tacit knowledge easily and understandably. He further mentions an example of humans recognizing familiar faces among millions of different faces. Yet humans cannot articulate how they remember the face (Polanyi, 1966, p.4). Considering tacit knowledge in the organizational context, it is often described as the organizational members' know-how, skills, and practical knowledge. Tacit knowledge is further mentioned regarding individual beliefs, perspectives, mental models, ideas, and ideals (Grant, 1996a, 1996b; Kogut & Zander, 1996; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994). Other scholars argue that tacit knowledge can only be acquired through personal experiences (Pak, 2002). Thus, tacit knowledge can hardly be transferred through the market and is mainly transferred within a firm (Kogut & Zander, 1996). Trying to codify tacit knowledge into explicit knowledge often results in a substantial knowledge loss (Grant, 1996a).

Due to a limited cognitive capacity to process and memorize knowledge, humans are limited in acquiring knowledge. And due to the high diversification in firms, the individuals have to specialize their knowledge in specific areas. Certain processes in diversified firms require the communication of differently specialized individuals. A lot of knowledge inherent in individuals can hardly be transferred due to its tacit nature (Grant, 1996a). And even though tacit and explicit knowledge is very different because of its characteristics, the “knowing what” and “knowing how” are neither ever-present without the counterpart being present (Polanyi, 1966, p.7).

Nature of Knowledge	General Information
Explicit Knowledge	<p>Explicit knowledge can be codified and communicated more easily.</p> <p>Due to its explicit form, explicit knowledge can be transferred more easily as well.</p> <p>Explicit Knowledge can occur in form of data, scientific formulas, manuals etc.</p>
Tacit Knowledge	<p>Tacit knowledge is much harder to transfer due to the limited codification.</p>

Tacit Knowledge is often described as know-how, skills etc.
Trying to codify tacit knowledge often results in substantial knowledge loss.

Table 1: General Information on Tacit & Explicit Knowledge

2.3.2 Knowledge Creation of the Firm

Having explained the explicit and tacit nature of knowledge and the struggles in transferring tacit knowledge through the market, the firm can be seen as a tool to transfer and codify tacit knowledge. The primary role of firms is the integration and creation of highly specialized individual knowledge (Grant, 1996a; Kogut & Zander, 1996). Therefore, in the following, the concept of knowledge creation of the firm is highlighted and reviewed.

Even though Grant identifies firms as institutions that primarily integrate or apply knowledge, firms are also involved in creating knowledge (Grant, 1996c). Nonaka et al. describe the utilization of specialized individual knowledge as the most crucial source for SCA (Grant, 1996a; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000). Grant further states that markets cannot coordinate knowledge the way firms do and therefore face failure due to the immobility of tacit knowledge and the risk of expropriation of explicit knowledge (Grant, 1996c). Due to the continuous creation of new knowledge and the exploitation of existing knowledge within a firm, the firm can innovate and gain SCA over other firms. Grant stated that the integration process of knowledge has to be based on two primary mechanisms. The process has to be based on direction and routines. Directions can be standard operating rules, directives, policies, and procedures or the codification of tacit into explicit knowledge (Grant, 1996a). Routines provide the opportunity to integrate tacit knowledge without communication (Grant, 1996a, 1996b; Kogut & Zander, 1996). Even though knowledge can never be transferred fully within a firm, the firm's organizational structure has the "robustness" to minimize the loss of transferred knowledge. The "robustness" comes with the direction and routines inherited within a firm and the specified coding (Kogut & Zander, 1996). And even though scholars question firm knowledge creation, knowledge creation and application specific to a team production process cannot be separated (Grant, 1996c). Furthermore, scholars agree on the importance of interactions within firms, which are not only functioning to transfer knowledge but also for the creation of new knowledge. New knowledge or the exploitation of existing knowledge can only be created with continuous and dynamic interactions and the already existing experiences of individuals within a firm (Kogut & Zander, 1996; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Zander & Kogut, 1992). Grant argues that the way of gaining a competitive advantage over other firms is the common knowledge among

organizational members. The reason for common knowledge being essential for the SCA of a firm is the substantial information loss while communicating in the absence of common knowledge (Grant, 1996b). Directly related to common knowledge is the division of labor. As described previously, firms have diversified due to competition and innovations. The diversification has led to highly specialized individual organization members. The more specialized individuals a firm inherits, the bigger the coordination problem (Kogut & Zander, 1996). The issue of coordination and transferability of especially tacit knowledge depends on five central constructs. It depends on the codifiability of the knowledge, teachability, complexity, system dependence, and product observability. The first two constructs are arguably the most important for successful transfer of knowledge. In contrast, the latter two are working as some form of protection for the threat of imitation of competitors (Zander & Kogut, 1995). Zander and Kogut have addressed that firms can only gain SCA when they are able to protect themselves from imitation. Knowledge has to be codified, so other competitors cannot easily imitate innovations. On the other hand, the knowledge must be easily communicated and transferred within a firm to create new knowledge and innovate (Zander & Kogut, 1995). Another argument that Kogut and Zander mention to strengthen their view on knowledge creation of firms is that; "If knowledge is only held by individuals, firms could change simply by employee turnover". The cumulative knowledge of firms enables firms to expand in foreign or new markets (Zander & Kogut, 1992).

Knowledge Creation of the Firm	General Information
Creation of Knowledge	<p>Utilization of specialized individual knowledge is most crucial for a firm and its SCA.</p> <p>Interactions within firms not only support the transfer of knowledge but also the creation of new knowledge.</p> <p>Competitive advantage over other firms due to the commonly created knowledge among organizational members.</p>
Knowledge Transfer within Firms	<p>Markets are unable to coordinate knowledge the way firms are able to.</p> <p>Especially tacit knowledge can be transferred much better within firms due to routines and specified coding.</p> <p>The division of labor increases the efficiency of firms, however is only possible due to the transfer and coordination abilities of firms.</p>

Table 2: General Information on the Knowledge Creation of the Firm.

2.3.3 Organizational Knowledge

Most papers on KBV agree with the tacit and explicit nature of knowledge, the division of labor, the difficulty of communication and coordination, and finally, the firm's advantage as an

organizational structure to coordinate especially tacit knowledge transfer and new knowledge creation. But some scholars argue that firms inherit more than only a structure for individuals to share, transfer, and create knowledge. Since 1994 Nonaka argues that within the interaction of individuals, also organizational knowledge is created. And it is the organizational or social knowledge of a firm that leads to competitive advantages and new knowledge creation (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994). Therefore, in the following, the concept of organizational knowledge is described.

Nonaka has illustrated this process within her papers via the spiral of knowledge creation (SECI model). The spiral model of knowledge creation is about the continuous and dynamic dialogue between tacit and explicit knowledge. She argues that it is the individual member of an organization that forms ideas. Still, it is the interaction between these individuals, which is essential for the development of innovations, which is also called the ontological dimension of knowledge creation. The spiral of knowledge has four modes of knowledge conversion. The socialization mode, where tacit knowledge is shared among individuals through shared experiences. The externalization stage, where tacit knowledge is codified into explicit one, the combination stage, where explicit knowledge is shared within a firm through, e.g., meetings and telephone conversations, and lastly, the internalization stage where explicit knowledge becomes tacit. Especially the latter stage and the externalization stage are highly firm-specific and are thus critical for what is called social or organizational knowledge (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994). Nonaka et al. also published a paper on the firm being a particular dynamic configuration of "ba." The article and the construct of "ba" have further pushed the theory that not only individuals inherit knowledge, but also the firm or the organization inherits its knowledge. Knowledge is highly context-specific and depends on time and space. "Ba," in this case, is the shared context in which knowledge is shared and utilized (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000). Other scholars, as, e.g., Kogut and Zander, have similar ideas of the firm being important for knowledge creation and SCA. They especially point out the factor of identity, which is a unique link for firms to perform better than markets. The identity is best expressed in the dichotomy of self-interest and the longing to belong to an individual. Kogut and Zander argue that self-interest is only one characteristic of human behavior and motivation. Friendship, loyalty, and empathy are some of the other factors influencing human motivation and behavior. According to their paper, the most crucial dimension of identity in modern societies is employment relationships and location. They further stated that "firms provide the normative territory to which members identify" due to conventions and rules and through the learning of shared

values. The shared identity within the group, organization, or firm consequently lowers the cost of communication, establishes explicit and tacit rules of coordination, and significantly influences the learning processes of firms. Through shared values, trusted cooperation without self-interests is expected within a firm. Thus, coordination and knowledge transfer can be much more efficient and effective than coordination without shared identities. Individuals share similar cognitive models of the world. Furthermore, the shared identity and the context of discourse enhances innovation and motivated behavior. Learning procedural rules and normative boundaries within a firm explains why knowledge creation and sharing are much more efficient (Zander & Kogut, 1995).

Organizational Knowledge	General Information
Spiral Model of Knowledge Creation	SECI is a model describing the continuous and dynamic dialogue between tacit and explicit knowledge. The individual member of an organization forms ideas, however the development of innovations occurs due to interactions between individuals.
Construct of "ba"	The construct argues that not only the individuals within a firm inherit knowledge, but the organization and the structure of the organization as well. "Ba" in this case is the shared context in which knowledge is shared.
Firm-specific Identity	The shared identity within the organization lowers the cost of communication, establishes explicit and tacit rules of coordination, and significantly influences the learning processes of firms.

Table 3: General Information on Organizational Knowledge

2.3.4 Cross-Border Knowledge Transfer

The following subsection wants to highlight what difficulties apply to knowledge transfer across borders and what is needed for an efficient cross-border knowledge transfer. As the other concepts, cross-border knowledge transfer is a very relevant phenomenon that IB scholars and classical KBV scholars focus on.

According to the RBV and the KBV, knowledge is an essential factor for the competitive advantage of firms. Therefore, the transfer of intra-firm and inter-firm knowledge is vital to the internationalization purposes of MNCs. To succeed in foreign markets, the competitive advantage should be transferred to the host countries. A literature review on inter-organizational knowledge transfer depicts that knowledge transfer is crucial for organizations in order to learn from the experience of others. Knowledge can be leveraged due to intra-firm or inter-firm transfer and the skills of others. The literature review further states that increased knowledge sharing improves organizational performance or innovativeness (Easterby-Smith, Lyles, & Tsang, 2008). As frequently mentioned in this master thesis, knowledge can leverage

competitive advantage. According to Wang, Tong & Koh, the transfer of knowledge is an organized exchange of information and skills. Vital for transferring knowledge is the transferor's capability to transfer knowledge and the recipient's capability to acquire the knowledge transferred. Furthermore, the transferor and the recipient must be willing to transfer and acquire knowledge (Duvivier, Peeters, & Harzing, 2019; Easterby-Smith et al., 2008; Wang, Tong, & Koh, 2004). Other scholars argue that attempts without the motivation of the transferor and the recipient are worthless (Najafi-Tavani, Robson, Zaefarian, Andersson, & Yu, 2018). The motivation to share knowledge can be affected by trust and risk structures. Trust ensures the transferor that the knowledge transferred is not misused or exploited (Easterby-Smith et al., 2008). Najafi-Tavani et al. also argue that successful cross-border knowledge transfer moderators are absorptive capacity, shared values, and psychological safety. Due to these moderators, cross-border knowledge transfer is always costly and calls for effort (Najafi-Tavani et al., 2018). Other IB scholars also refer to absorptive capacity as one major factor influencing cross-border knowledge transfer. Absorptive capacity is described as the ability to recognize valuable knowledge and the ability to use that knowledge. This capacity is influenced by previous experiences, culture, and how the knowledge can be memorized (Easterby-Smith et al., 2008). Distance has been the focus of many studies as well. Traditional IB scholars have emphasized that distance is one factor that influences the transfer of ownership-specific advantages. Distance because of the liability of foreignness that the internationalizing firms have to deal with. These ownership-specific advantages mostly inherit the parent firm's intangible assets (Contractor et al., 2016). Other scholars refer to nationalities as boundaries of transfer. Nationalities inherit specific cultures, which influences the way people process, interpret and utilize knowledge (Easterby-Smith et al., 2008). The study of Kedia and Bhagat from 1998 covers cultural constraints on the transfer of technology across nations. Even though they are talking not specifically of knowledge, the term technology at that time was reminiscing to the knowledge term in recent studies. They state that the two major factors influencing the success of cross-border technology transfer between organizations are national culture differences and organizational culture-based differences. Their study best describes this effect while focusing on transferring technologies from advanced developed countries to developing countries. Kedia and Bhagat further depict that person-embodied technologies are more difficult to transfer than product-embodied technologies. Similar to other scholars, the tacitness of knowledge influences the transfer negatively. This applies especially when cultural differences are present. The transfer of technology eases between organizations that are close in societal/national cultures (Kedia & Bhagat, 1988). More recent studies are disagreeing. There

is evidence that more and more MNCs are investing in emerging and less developed economies with a higher liability of foreignness (Contractor et al., 2016). Next to motivation, absorptive capacity, and cultural differences, scholars also refer to ambiguity as a factor influencing the process of knowledge transfer. Simonin refers to ambiguity as to the full mediator of tacitness, prior experience, complexity, cultural distance, and organizational distance on knowledge transfer. Furthermore, he describes ambiguity and tacitness being the core of knowledge transfer. He again states that the adverse effects of tacitness or cultural differences on knowledge transfer are due to the mediating role of ambiguity (Simonin, 2019). Other scholars argue ambiguity having a significant negative impact on knowledge transfer as well (Easterby-Smith et al., 2008).

There are not only factors influencing the knowledge transfer but also methods on how to transfer the knowledge appropriately. Williams focused in his study on replication and adaptation in knowledge transfer relationships. He states that firms replicate due to the ambiguity characteristic of knowledge. In this case, the ambiguity requires that the knowledge needs to be copied. Firms adapt knowledge because knowledge is highly context-dependent. When the knowledge is context-related, the knowledge needs to be modified for the new setting. Due to the replication and adaption of knowledge, knowledge can be successfully transferred (Williams, 2007).

Concluding one can say that several factors are influencing the cross-border transfer of knowledge. Especially the adaptive capacity of the recipient is important to transfer knowledge across borders successfully. Motivation, cultural differences, and the tacitness of knowledge are often mentioned factors that influence the transfer as well. Furthermore, the subsection on cross-border knowledge transfer does mention the replication and adaption of knowledge to transfer knowledge successfully.

Cross-Border Knowledge Transfer	General Information
Competitive Advantage through Knowledge Transfer	It is essential for foreign success that MNCs successfully transfer their knowledge across borders. Increased knowledge sharing improves the organizational performance and innovativeness.
Knowledge Transfer Capabilities and Methods	It is vital for the transfer of knowledge that the transferor is capable of transferring knowledge and the recipient capable of acquiring the knowledge transferred. Furthermore, motivation for the transfer of knowledge has to be pre-existing. Replication and Adaption is used for successful knowledge transfer.
Factors influencing Knowledge Transfer	The motivation is effected by perceived risk and trust and consequently varies regarding foreign knowledge transfer.

The capacity to use and absorb valuable knowledge is influenced by previous experiences and culture.
Distance is another factor influencing the transfer of knowledge, especially due to the liability of foreignness.
Tacit knowledge is another influential factor regarding the knowledge transfer across borders.

Table 4: General Information on Cross-Border Knowledge Transfer

2.3.5 MNC-Subsidiary Knowledge Transfer

In the following subsection, the knowledge transfer between the HQ and subsidiaries is discussed. The transfer of knowledge within an organization is also called intra-MNC knowledge transfer. This concept is significantly related to the cross-border knowledge transfer concept and the other previously mentioned concepts. Again the MNC-subsidiary knowledge transfer concept is a very present topic in IB studies.

In the process of intra-MNC knowledge transfer, the value of knowledge is owned by the source unit. Next to the classical knowledge outflows from the HQ to its subsidiaries, inter-subsidiary interactions are becoming more prominent. Gupta and Govindarajan categorize four types of knowledge transfer. The knowledge outflows from peer subsidiaries, the outflows to the parent cooperation or HQ, the inflows from peer subsidiaries, and the knowledge inflows from the HQ. They further state that even though the parent company remains the main transferor of knowledge, direct inter-subsidiary interactions become more and more important (Gupta & Govindarajan, 2000). Li and Lee refer in their study to a horizontal and top-down vertical knowledge transfer. The horizontal knowledge transfer describes the transfer between the subsidiaries. The top-down vertical knowledge transfer is the transfer from the HQ to the subsidiaries and back. Li and Lee further point out that MNCs need to understand that knowledge is imminent to the success of their focal subsidiaries to save costs (J. Li & Lee, 2015). Najafi-Tavani et al. say in their study that knowledge transfer and the previously mentioned absorptive capacity of subsidiaries results in local responsiveness (Najafi-Tavani et al., 2018).

As mentioned at the end of the last paragraph, knowledge transfer can create a competitive advantage for MNCs. Intra-firm knowledge transfer describes the diffusion of knowledge within organizations in order to be utilized by parts of the organization (Easterby-Smith et al., 2008). Roth et al. state in their study that valuable knowledge in MNCs is their foreign marketing knowledge which is inherited by focal subsidiaries (Roth, Jayachandran, Dakhli, & Colton, 2009). Intra-firm knowledge transfer is special because the social ties between the members of a firm result in a more efficient knowledge flow between

geographically distant locations. Especially regarding strategically important knowledge, intra-firm knowledge flows have a significant advantage over inter-firm knowledge flows. The intra-firm knowledge transfer is pushed because it encourages and strengthens firm-specific capabilities and innovativeness (Easterby-Smith et al., 2008). Wang et al. give knowledge transfer within an MNC an even more prominent role. According to their study, the transfer of firm-specific ownership advantages is needed in order to overcome disadvantages abroad (Wang et al., 2004). Other scholars further push the finding that knowledge transfer within a firm enhances internal capabilities. Najafi-Tavani et al. depict that the vertical knowledge transfer between HQ and subsidiary enhances knowledge development. It enhances the subsidiary's ability to innovate and its local responsiveness. The reverse knowledge flow from the subsidiary to the HQ can improve the HQ innovation capabilities and performance as well. Furthermore, knowledge transfer does help to reduce liabilities of foreignness. Valuable, non-location-specific technological and managerial know-how may help MNCs have a competitive advantage (Fang, Wade, Delios, & Beamish, 2013; Najafi-Tavani et al., 2018). On the other hand, they also mention that knowledge transfer only benefits the subsidiary's performance if the knowledge transfer fits with the capabilities and conditions of the subsidiary. They further state that the subsidiary can utilize the HQ knowledge more easily due to its standardized characteristic compared to the idiosyncratic knowledge transferred by sister subsidiaries (Najafi-Tavani et al., 2018). Özsomer & Gençtürk depict similar findings in their study on market learning in subsidiaries. They state that the resources of the HQ, the subsidiary, or the HQ-subsidiary interaction are related to the creation of new knowledge and the use of already existing knowledge in subsidiaries. But in order to be more responsive to turbulent markets, they support a more autonomous subsidiary model (Özsomer & Gençtürk, 2003). Li & Lee support both previously mentioned arguments. They find that the knowledge transfer from the HQ and the transfer from peer subsidiaries positively influence a focal subsidiary's capabilities (J. Li & Lee, 2015). Ciabuschi et al. criticize knowledge transfer mechanisms from the HQ to the subsidiary. According to their study, centralization through the involvement of the HQ negatively affects the transfer success of knowledge. They refer to the transfer projects as costly and time-consuming (Ciabuschi, Dellestrand, & Kappen, 2011). Similar to Ciabuschi et al., Roth et al. depict that knowledge flows within a firm are subject to substantial problems and inefficiencies (Roth et al., 2009).

As mentioned in the last paragraph, knowledge transfer is a process that many MNCs utilize to develop their capabilities and increase performance. But some factors do influence the intra-firm knowledge transfer. Contractor et al. mention in their study on firm-specific

intangible assets and subsidiary profitability that differences in formal and informal institutions between the host and home country can result in informational disadvantages for the foreign subsidiary. They are referring to institutions like culture, norms, and regulations. They measured the distance between the host and home country regarding technological capacity, IP regime, level of economic development, use of common language, and geographical distance (Contractor et al., 2016). Similar to Contractor et al., Cui et al. also depict market environmental conditions influencing the strategy of the MNC's subsidiaries to develop knowledge management capabilities (Cui, Griffith, & Cavusgil, 2005). Li & Lee mention culture as an important factor for successful knowledge transfer. They state that intra-firm knowledge transfer may not be compatible with a focal subsidiary's culture (J. Li & Lee, 2015). Furthermore, Wang et al. refer, as the subsection on cross-border knowledge transfer, to the capacity and willingness of the HQ to transfer knowledge and the capacity and willingness of the subsidiaries to acquire the knowledge in order to have an effective and efficient knowledge transfer (Wang et al., 2004). Other studies highlight the absorptive capacity of the HQ in order to acquire the foreign marketing knowledge of its subsidiaries. In order to have the capacity and willingness to acquire the subsidiaries knowledge, the legitimacy of the subsidiary plays an important role (Roth et al., 2009). Najafi-Tavani et al. also depict absorptive capacity as a factor influencing knowledge transfer. They further mention shared values as a factor that positively influences the knowledge transfer and the responsiveness of the subsidiaries. Shared values enable the subsidiary to understand and use the HQ's intangible resources better and therefore enhance the local responsiveness. Their study on the directionality of intra-firm knowledge transfer also refers to psychological safety, which moderates the reverse knowledge transfer from subsidiary to the HQ in a positive way (Najafi-Tavani et al., 2018). Other studies also refer to shared values as a factor influencing the transfer of knowledge positively. Roth et al. declare that managers in subsidiaries do not have to share their knowledge compared to managers in functional positions. Therefore, shared values and shared dependency are crucial to motivate subsidiary managers to share their tacit foreign marketing knowledge (Roth et al., 2009). Related to psychological safety and shared values are previous corporations between the subsidiaries and the HQ and between the subsidiaries themselves. Ciabuschi et al. find a positive effect on the transfer effectiveness when subsidiaries have cooperated previously. Furthermore, they refer to IT and shared routines as two other factors that enhance the effectiveness of knowledge transfer (Ciabuschi et al., 2011). Other studies depict that successful knowledge transfer is given when the capacity to transfer knowledge to foreign subsidiaries and the capability to use that knowledge fits. Therefore, the co-presence of high technological and

market relatedness between the HQ and the subsidiary significantly influences knowledge transfer (Fang et al., 2013).

As shown in the last paragraph, different environmental but also organizational factors influence intra-firm knowledge transfer. Contractor et al. mention that the value of the parent knowledge and intangibles may be affected by the ownership strategy of the HQ. Their study further finds that the effect of knowledge transfer on the performance of majority-owned subsidiaries is bigger than on minority-owned subsidiaries (Contractor et al., 2016). This might be related to the MNC's willingness to transfer knowledge. Wang et al. state that MNCs will be more willing to transfer knowledge to the wholly-owned subsidiaries than JVs. They further state that the better the inter-partner relationship to its JV partners is, the more knowledge is transferred by the MNC (Wang et al., 2004). Saka-Helmhout confirms these findings in her study and depicts the mode of entry in the host country influencing the direction of knowledge flow and the impact that the acquired knowledge has on the subsidiaries or the HQ (Saka-Helmhout, 2007). The mode of entry and the autonomy provided not only influences how knowledge is transferred but also what knowledge can be diffused by the subsidiary to its peers and its HQ. Li & Lee state that a more entrepreneurial approach of subsidiaries often results in positive performance outcomes. The subsidiaries are able to absorb not only the knowledge transferred by the HQ but also develop capabilities specific to their local market conditions (J. Li & Lee, 2015). A meta-analysis that specifically focuses on the subsidiary's autonomy and subsidiary performance promote the previously mentioned finding. The autonomy is described as the extent of foreign strategic decisions in its operating environment without the interference of the HQ. The so-called decentralization, which comes with added transaction costs, results in the successful performance of the focal subsidiary. Findings show that autonomy has an overall positive performance effect on the subsidiary. The autonomy is moderated by formal and informal institutional distance, industry dynamism, and knowledge exchange with the HQ. As mentioned previously, a closer institutional distance may enhance the transfer of knowledge between the home and host countries. Therefore the study of Galli Geleilate et al. suggests institutionally more distant subsidiaries to have a more autonomous approach (Galli Geleilate, Andrews, & Fainshmidt, 2019).

Another topic that is closely related to the knowledge transfer between subsidiaries and the HQ is expatriation. Saka-Helmhout refers to a German-based company in his study. To acculturate the focal subsidiaries, managers are internationally transferred. The manager's task is then to transfer or teach their know-how to the subsidiaries they are assigned to. She further highlights German MNCs as very supportive of using expatriates in their foreign subsidiaries (Saka-

Helmhout, 2007). As mentioned in the KBV subsection, individuals inherit valuable tacit knowledge responsible for MNC's competitive advantage. Therefore, expatriation is a very commonly used method to transfer experiential know-how to local employees. The tacitness of knowledge further requires close interaction between the expatriate manager and the foreign subsidiary employees. Furthermore, it is required for the expatriated manager to have superior managerial and technical skills. In the study on knowledge transfer from an MNC parent to its Chinese subsidiaries, Wang et al. depicts on-the-job training and training abroad as the most useful methods to transfer the HQ's knowledge, culture, and values to the Chinese subsidiaries (Wang et al., 2004). Other studies further elaborate on expatriation being a very effectively used method for knowledge transfer. A study focused on the top management composition in international subsidiaries states that firms that started internationalizing recently are more likely to use expatriation and fill in their key subsidiary positions with parent country nationals. Furthermore, scholars state that if MNCs value corporate culture, it is more common to continue to use parent country nationals or third-country nationals (Collings, Morley, & Gunnigle, 2008). Duvivier et al. again highlight the critical role of expatriation as a knowledge transfer channel for MNCs. They further mention inpatriation, which refers to foreign managers that are placed in the HQ in order to pass their valuable market-specific knowledge (Duvivier et al., 2019).

MNC-Subsidiary Knowledge Transfer	General Information
Intra-MNC Knowledge Transfer	<p>Intra-MNC knowledge transfer not only inherits the knowledge flow from HQ to subsidiary, but also between peer subsidiaries and the knowledge inflow from the subsidiaries back to the HQ.</p> <p>The social ties between members of a firm result in a more efficient knowledge transfer between geographically distant locations.</p> <p>The knowledge transfer encourages and strengthens firm-specific capabilities and their innovativeness.</p>
Factors influencing the Intra-Firm Knowledge Transfer	<p>Institutional differences between countries do influence the intra-firm knowledge transfer.</p> <p>The factors that influence the intra-firm knowledge transfer are very similar to the factors that influence the cross-border knowledge transfer.</p> <p>Furthermore, organizational factors like shared values or shared routines influence the transfer as well.</p>
Entry Modes	<p>The HQ's ownership strategy of its focal subsidiaries significantly changes the knowledge transfer from the HQ to its subsidiaries. MNCs are more willing to transfer knowledge to WOS than to JV subsidiaries.</p>
Expatriation	<p>Expatriation is a very commonly used method to transfer experiential know-how to local employees.</p>

Table 5: General Information on MNC-Subsidiary Knowledge Transfer

2.3.6 Service-MNC Internationalization Knowledge

As the previous subsection focuses on knowledge transfer of overall MNCs, this subsection will focus on Service-MNCs and their characteristics. Furthermore, the subsection will describe the uprising of Service-MNCs, the differentiation between service and manufacturing firms, the service characteristics, and the influence on the market entry mode choice.

In recent academic publications, service firms have been more and more prominent. Not only in academic papers but also their role in international trade is getting significantly important. Services are the fastest-growing component in international trade (Ekeledo & Sivakumar, 2004). Services and professional services, as they are mentioned in some studies, show significant FDI growth rates, not only in developed but also in emerging markets (Freeman & Sandwell, 2008; José Álavarez-Gil, Cardone-Riportella, Lado-Cousté, & Samartín-Sáenz, 2003). Sanchez-Peinado and Pla-Barber describe service firms as the most dynamic sector in international commerce and the driving force of the global economy (Sanchez-Peinado & Pla-Barber, 2006). And the rise of the service sector and firms is due to several reasons. Scholars depict trade liberalization of services as the main driver of FDI growth of service firms (José Álavarez-Gil et al., 2003; Ji. Li & Guisinger, 1992; Sanchez-Peinado & Pla-Barber, 2006; Uner, Cetin, & Cavusgil, 2020). The liberalization policies and the deregulations encouraged the service firms to internationalize even further (Freeman & Sandwell, 2008). But it is not only the liberalization of trade that made service-FDIs flourish. Two studies on professional service firms highlight the advanced technology and digitalization as main factors that helped firms like management consultancies, advertising, engineering, and banking firms to internationalize (Freeman & Sandwell, 2008; Uner et al., 2020). Service providers utilize the internet as a very important tool to communicate and distribute the information of their services (Freeman & Sandwell, 2008). Telecommunication and information technology innovations are the main growth forces for those service firms (Sanchez-Peinado & Pla-Barber, 2006). Next to the deregulation and digitalization, market size positively correlates with the flourishing of service firms FDIs (José Álavarez-Gil et al., 2003; Ji. Li & Guisinger, 1992). On the other hand, scholars depict cultural distance as a factor negatively influencing the internationalization of service firms (Freeman & Sandwell, 2008; Ji. Li & Guisinger, 1992). Freeman and Sandwell depict several factors that hinder the foreign market entry of PSFs into emerging markets. They identified face-to-face communication, language, cultural work practices, and government regulations as the key barriers for FDIs (Freeman & Sandwell, 2008). Regarding the internationalization approach, scholars have conflicting views. Some find that there are no significant differences between the

internationalization approach of service and manufacturing firms. Other scholars clearly differentiate between those two. Some demand determinates of entry mode choices to be modified, and some generalize the existing ones of manufacturing firms for service firms (Ekeledo & Sivakumar, 2004). A study of Japanese trading companies, e.g., identifies service MNCs investments to be consistent with findings on manufacturing MNCs. They state that no special MNC/FDI theory is necessary for international service firms (Goerzen & Makino, 2007).

Even though scholars depict manufacturing and service firms to not be as different in their approach to internationalization, others disagree. They disagree and differentiate service and manufacturing firms on different levels. Studies refer to different key challenges these two types of firms face (José Álvarez-Gil et al., 2003). A factor often discussed in studies on the internationalization of manufacturing and service firms is the relationship between resource-commitment and high control modes. Manufacturing firms generally are seen as less mobile due to the high resource-commitment related to FDIs. They have large fixed asset investments and high capital intensity. On the other hand, service firms generally have lower capital intensity when internationalizing (Goerzen & Makino, 2007; Sanchez-Peinado & Pla-Barber, 2006). Ekeledo & Sivakumar describe the investment capital as the main factor influencing the entry mode choice and the main factor differentiating manufacturing and service firms (Ekeledo & Sivakumar, 2004). Even with low resource commitment, service firms can enter markets with a high control mode. The cost of establishing a wholly-owned subsidiary for service firms is often limited to an office compared to capital-intensive production plants of manufacturing firms (Erramilli, 1991). Furthermore, several studies highlight the importance of having close customer interaction. Due to the need for close customer interaction, a capital-intensive internationalization approach is necessary. Goerzen & Makino state that creating a local presence for service firms is much more common than for manufacturing firms. They even state that some services may require FDIs from the very beginning (Goerzen & Makino, 2007). The necessity of having a local presence is also due to characteristics like intangibility, heterogeneity, and inseparability services inherit (Goerzen & Makino, 2007; Uner et al., 2020). A study on the internationalization of service firms in China summarized some of the already mentioned factors that differentiate the entry of manufacturing and service firms. Smith states that the resource requirements and experience exploitation differs. Internationalization service firms depend on the international experience they accumulated compared to corporate resources to internationalize successfully. Finally, he also mentions the intangible nature of services and

the missing inventory that significantly differentiates service firms from manufacturing firms (Smith, 2007).

As already mentioned, service firms and manufacturing firms do differ in their internationalization approach. And the main reason for the differentiation is the characteristics of services. Almost all of the scholars that publish articles on service firms agree on the characteristics that describe services. First of all, services are intangible. That basically means that the core business exchange does not include any physical product (Blomstermo, Sharma, & Sallis, 2006; Capar & Kotabe, 2003; Freeman & Sandwell, 2008; Goerzen & Makino, 2007). The second characteristic which is reminiscent of any service is its inseparability of production and consumption. Due to the tacit nature of most services, the service itself cannot be restored and implies that the supplier and customer must be present during the performance of the service. Furthermore, it is almost necessary for the parent firm to have local subsidiaries (Blomstermo et al., 2006; Capar & Kotabe, 2003; Ekeledo & Sivakumar, 2004; Freeman & Sandwell, 2008; Goerzen & Makino, 2007; Meyer et al., 2015). Furthermore, one of the characteristics of services is their heterogeneity. In recent studies, services are frequently classified as soft or hard services due to their heterogeneity character. (Blomstermo et al., 2006; Ekeledo & Sivakumar, 2004; Freeman & Sandwell, 2008; Goerzen & Makino, 2007). And last but not least, perishability is one of the characteristics which distinguishes service and manufacturing firms. The supply and demand of services have to be symmetric due to the inability to inventor services (Blomstermo et al., 2006; Ekeledo & Sivakumar, 2004; Freeman & Sandwell, 2008; Goerzen & Makino, 2007). And as already mentioned, services are often distinguished into hard and soft services. The main difference is that for soft services, production and consumption cannot be decoupled. Hard services require to incorporate a manufactured component. On the other hand, soft services cannot be exported due to the decoupling issue and therefore require a major local presence (Blomstermo et al., 2006; Ekeledo & Sivakumar, 2004; Freeman & Sandwell, 2008; Sanchez-Peinado & Pla-Barber, 2006; Smith, 2007). Other scholars differentiate between knowledge-intensive and capital-intensive service firms. Knowledge-intensive service firms are especially relying on their workforce. The knowledge that is not only inherited by the executives but by the entire workforce is the main component of their services. The tacitness of their services makes it difficult to find suitable partners abroad for internationalization purposes. Therefore, they prefer to use higher control modes when internationalizing. Accounting, management consultancies, financial services, and architecture services are often referred to be soft services (Bello, Radulovich, Javalgi, Scherer, & Taylor, 2016; Sanchez-Peinado & Pla-Barber, 2006; Von Nordenflycht, 2010). Examples of

capital-intensive service firms are hotels, airlines, or telecommunication firms. They employ more flexible entry mode choices in order to react to technological changes within their sector (Sanchez-Peinado & Pla-Barber, 2006).

The last paragraph already touches on entry mode choices based on the characteristics of services. As previously mentioned, soft service firms often favor sole ownership entry modes (Ekeledo & Sivakumar, 2004). Blomstermo et al. further state that due to the needed interaction between suppliers and foreign customers, a high degree control mode is desirable for soft service firms. They further state that cultural distance even increases the likelihood of soft service firms opting for a higher control mode entry choice. A higher control mode enhances the ability to learn about cultural and other institutional factors abroad. Soft service firms can also acquire local knowledge better with a higher control entry mode (Blomstermo et al., 2006). Freeman & Sandwell refer to the enhanced communication as a reason for setting up a WOS for soft service firms (Freeman & Sandwell, 2008). Meyer et al. depict that the mode choice of service firms is primarily influenced by the customer interaction uncertainty firms face. They face these uncertainties because they develop knowledge in processes and procedures and within the workers themselves. The location of this knowledge deployment then influences the entry mode choice. Service firms with high customer interactions are more likely to deploy their process knowledge abroad (Meyer et al., 2015). Other scholars refer to uncertainty as to the main driver for the entry mode choice. A study on uncertainty and its influence on the entry mode choice of service firms distinguishes between three types of uncertainties. Uncertainty of the host country, the uncertainty of the demand, and the uncertainty related to the behavior affect the choice of how to enter a market. The study further finds that knowledge-intensive service firms' FDI does not require large investments of resources (Sanchez-Peinado & Pla-Barber, 2006). Often a single office is needed for those service firms to internationalize. Due to the low level of resource commitment and the possibility of applying a high level of control without high capital investment, many services opt for higher control modes when internationalizing. But they also state that given that services depend on human capital, human resources need to be given abroad (Sanchez-Peinado & Pla-Barber, 2006; Shukla, Dow, & Misra, 2012). On the other hand, capital intensive service firms follow, according to Shukla et al., a more traditional manufacturing firm approach. They enter new host markets with lower resource commitment and increase resource investment with increasing experience (Shukla et al., 2012). Erramili describes the internationalization approach of service MNCs as U-shaped. He finds that Service-MNCs internationalize in their first attempts with higher control modes, lower them after gaining experience, and increase the control mode with extensive

internationalization experiences (Erramilli, 1991). Capar & Kotabe also refer to a U-shaped curvilinear relationship between multinationalism and the performance of service firms. Due to the characteristics of services, most service firms internationalize first with high control modes. They then switch to lower control modes because of increasing transaction costs. Furthermore, service firms still face some ownership restrictions in some countries. With increasing multinationalism, service firms may benefit from economies of scope and economies of scale. They can lower costs and internationalize with higher control modes (Capar & Kotabe, 2003).

Service-MNC Internationalization Knowledge	General Information
Service-MNC Uprising	<p>Services are the fastest growing component in international trade, mainly due to the deregulation of services and telecommunication and IT innovations.</p> <p>Service firms are the most dynamic sector in international commerce and the driving force of the global economy.</p>
Service vs. Manufacturing Firms	<p>The internationalization of manufacturing and service firms mainly differs regarding to their international resource-commitment.</p> <p>Service firms are much more mobile and flexible due to their generally lower capital intensity when internationalizing.</p> <p>The intangible characteristic of services often requires a local presence in foreign markets.</p>
Service Characteristics	<p>The core business exchange of service firms does not include any physical product and consequently is intangible.</p> <p>Other characteristics that describe services and distinguish them from manufacturing firms is the heterogeny character and the perishability.</p>
Influence on the Market Entry Mode Choice	<p>High control entry modes are much more common for service firms because of the low resource-commitment involved.</p> <p>Furthermore, a high control entry mode enables a better transfer of knowledge and decreases the risk of knowledge misuse.</p>

Table 6: General Information on Service-MNC Internationalization Knowledge

2.3.7 International Market Entry Mode Knowledge

The last subsection already touched on international market entry mode choices. This concept is particularly important because it directly contributes to the main research question. International market entry mode choice has been covered in many articles and books of highly influential IB scholars. This subsection of this chapter tries to review the literature of IB scholars, especially focusing on knowledge related to the market entry mode and the choice of how to enter a foreign market.

Many scholars and their publications highlight the importance of the entry mode decision. Schellenberg et al. state that the success and failure of the internationalization strategy are highly correlated to the market entry mode chosen (Schellenberg et al., 2018). Other scholars argue that the mode of entry significantly influences the overall firm performance (Brouthers & Hennart, 2007). As for the definition of what an entry mode specifically is, many scholars have different definitions. Schellenberg et al. define the entry mode as an arrangement that enables the firm to transfer abroad firms' products, technology, human skills, management, or other resources. They further describe several factors influencing the entry mode choice. Cultural differences, environmental uncertainty, legal environment, level of control, and international experience are all factors influencing the market entry choice (Schellenberg et al., 2018). Sharma & Erramilli describe the entry mode as a structural arrangement that allows implementing a product-market strategy abroad via marketing operations or both production and market operations (Sharma & Erramilli, 2004). Benito et al. emphasize the entry of the firm's resources and the institutional arrangement that enables such a transfer of resources (Benito et al., 2009). Entry modes can have very different institutional structures, but they all purpose the transfer of tangible and intangible resources to foreign markets. Schellenberg et al. further state that the importance of the transfer of key assets like technology and intellectual property significantly influences the entry mode choice (Schellenberg et al., 2018).

But entry modes can have very different structures. Based on control, commitment, and risk variables, Anderson & Gatignon identify 17 different entry mode categories (Anderson & Gatignon, 1986). Other scholars divide the entry modes into two categories. Many divide the categories into equity and non-equity entry modes. The decision between equity and non-equity entry mode is again very dependent on control and the investment requirement factors (Canabal & White, 2008). Brown et al. also categorize their entry modes into equity and no-equity entrants (Brown, Dev, & Zhou, 2003). Hill et al. categorize the entry modes into Licensing/Franchising, Joint Ventures (JV), and Wholly Owned Subsidiaries (WOS) (Hill, Hwang, & Kim, 1990). As the previously cited academic paper determines three categories of entry modes, Brouthers and Hennart do too. They arrange contracts, JVs, and WOS along a continuum, influenced by control, commitment, and risk (Brouthers & Hennart, 2007). All of the different approaches to categorizing the entry modes are based on factors such as, e.g., control, commitment, risk, or equity. Therefore, the next paragraph will further elaborate on the factors which help categorize the entry modes.

The entry modes previously described do differ in their level of control. While some firms internationalize via franchising or licensing and using the contractual approach, with only

partial ownership and a low level of control, the WOS is fully owned and inherits the highest level of control. Besides the ownership, risk and commitment of resources can be controlled as well. And while the ownership, risk, and resource commitment can differ due to the control that can be imposed, different internationalization theories offer different explanations (Ekeledo & Sivakumar, 2004). The Uppsala model describes experiential market knowledge as the factor which leads to a higher level of commitment and, therefore, to increasing full-equity entry modes. Due to market entries in close markets (low psychic distance), experiential knowledge can be built. Furthermore, the model proposes to gradually enter markets, starting with exports and increasing the foreign direct investment gradually (Schellenberg et al., 2018). Other scholars further push the market-centric view of market entry mode choices. Erramilli also argues in favor of the psychic-distance theory. He states that firms prefer to enter similar markets before entering cultural-distanced host countries. He further states that the level of control decreases with an increasing cultural distance between home and host country (Erramilli, 1991). Other theories, e.g., the resource-based view, suggest that organizational capabilities provide the best explanation for firms' market entry mode choice (Ekeledo & Sivakumar, 2004). Ekeledo and Sivakumar depict JVs as a good way to gain new knowledge, which the current firm lacks (Ekeledo & Sivakumar, 2004). Therefore, the resource-based view and the knowledge-based view of the market entry mode choice not only focus on the market, but also on the firm's resources and how these influence the market entry mode choice.

Especially the knowledge-based view focuses on the intangible assets of a firm and how they influence the market entry mode decision. On the one hand, it is tacit knowledge that is hard to transfer and therefore very influential on the market entry mode decision. On the other hand, it is the business or internationalization experience of employees which determines the entry mode decision. Furthermore, codified knowledge, e.g., IPR or patents, influences the entry mode choice (Brouthers & Hennart, 2007; Brown et al., 2003; Ekeledo & Sivakumar, 2004). Brown et al. investigate how tacit and codified knowledge affect the choice of foreign market entry mode. Their research base is that success in foreign markets significantly depends on the ability to transfer tacit and explicit knowledge and the ability of local partners to absorb this knowledge. The availability and the quality of local partners who absorb the knowledge especially influences the choice. However, if a firm collaborates with a local partner who is trustworthy and qualified, it can help firms fill knowledge gaps. If, however, the local partner is chosen wrongly, the transferred knowledge can be misused, and foreign partners can behave opportunistically (Brown et al., 2003). In Ekeledo & Sivakumar's propositions, firms with high tacit know-how arguably prefer entering markets with a higher level of control. But the findings

did not show any significant result (Ekeledo & Sivakumar, 2004). Other scholars, like Brothert & Hennart, depict the transfer of tacit technology as being dependent on how accessible this technology is in the local environment. MNCs that, e.g., have easy access to local factors that complement their hard-to-transact tacit technology will enter foreign markets with WOS. JVs are preferred if local factors that complement the hard-to-transact tacit technology are hardly accessible (Brothert & Hennart, 2007). Besides the transfer of knowledge, the experience and the overall market entry knowledge influence how to enter a market. Most of the knowledge of a firm is inherited from individual employees. That's why the entry mode decision is highly influenced by the experience of the decision-makers themselves (Schellenberg et al., 2018). Casillas et al. state that MNCs that inherit high levels of business, institutional and international knowledge would opt for WOS. They further state that if decision-makers lack foreign institutional knowledge, cooperation with local companies and institutions could help overcome these deficiencies (Casillas et al., 2009). Brothert & Hennart also investigated the relationship between experience and the level of control modes. They find a U-shaped relationship between the length and scope of experience and the entry mode. Their findings state that firms with very little or great experience in internationalization prefer full control modes compared to low control entry modes like JV or contractual modes (Brothert & Hennart, 2007). Herrmann & Datta also investigated the knowledge within an MNC. And comparably to other scholars, they state that increased foreign market or internationalization knowledge increases the level of control carried out. JVs, e.g., help internationalization firms lower the risk of governmental and societal hostility in the host country. Local partners know competitive conditions, legal and social norms, and cultural idiosyncrasies that an MNC with low internationalization experience may not have. They also emphasize acquisitions as one way to gather this missing knowledge, especially because the acquisition of foreign firms includes employees with local know-how (Herrmann & Datta, 2006).

Concluding one can say that the transfer of knowledge highly affects the entry mode decision in foreign countries and the experience and knowledge of the MNC itself. Thus the following subsection will elaborate on the knowledge inherited by the employees and the main asset of Service-MNCs.

International Market Entry Mode Knowledge	General Information
Entry Modes	Entry modes are structural agreements that allow the transfer of tangible and intangible resources to foreign markets. The entry mode choice has a significant influence on the overall firm performance.

Entry Mode Categorization	The categorization of entry modes is based on factors as e.g. control, commitment, risk or equity and can range from exporting to WOS.
Uppsala Model	<p>The Uppsala model describes the experiential market knowledge as the factor which leads to higher level of commitment and therefore to increasing full-equity entry modes.</p> <p>Due to market entries in close markets (low psychic-distance) experiential knowledge can be build.</p>
Factors influencing the Entry Mode Choice	<p>Entry modes differ in their ability to transfer knowledge, especially tacit knowledge.</p> <p>Therefore, the transfer of knowledge definitely influences the entry mode decision.</p> <p>Furthermore, the internationalization experience of firm decision-makers influence the decision as well.</p>

Table 7: General Information on International Market Entry Mode Knowledge

2.3.8 Top Management Internationalization Knowledge

The top management has a crucial role in the internationalization process of a firm. As already mentioned in several subsections, knowledge and internationalization knowledge mainly is inherited by individuals. Therefore, the next subsection will describe what influence the top management has on the performance of an MNC, what knowledge and characteristics the top management of internationalized MNCs inherit, and how the IB knowledge influences the entry mode choice of Service-MNCs.

Hambrick & Mason state in their upper echelons study that organizational outcomes reflect the values and cognitive capabilities of powerful actors in the organization. They further refer to the managerial background characteristics as one of the predictors of organizational outcomes and performances (Hambrick & Mason, 1984). Other scholars depict top managers as uniquely responsible for the evolution of firm processes (Athanassiou & Nigh, 2002). Daily et al. describe CEOs as uniquely responsible for the strategic success of the firm. They differentiate in their study between a CEO and the top management team and highlight the role of the CEO himself. They especially highlight his position because of the level of international assignments CEOs experienced (Daily, Certo, & Dalton, 2000). A study on the influence of the top management team on the internationalization of SMEs states that the international experience of management teams significantly enhances the internationalization of SMEs (Reuber & Fischer, 1997). Sambharya describes the attributes, beliefs, and mindset of the top management team to shape a firm's personality. Furthermore, the top management is seen as the prime motivator of internationalization when they gathered sufficient international experience. He further finds that firms can be globally competitive by giving managers more power with international experience (Sambharya, 1996). All in all, many studies and scholars

have attested the top management a crucial role in the success of an MNC and its internationalization trials.

Many scholars argue that the importance of the top management is due to the experience and the knowledge these individuals gained throughout their professional careers. Hambrick & Mason state that strategic choices reflect the idiosyncrasies of decision-makers. They further describe the cognitive base of those decision-makers to be knowledgeable about future events, alternatives, consequences attached to the alternatives, and their values (Hambrick & Mason, 1984). Herrmann & Datta say that the influence of the executives on the organizations is due to their life experiences. Factors that they used to measure experience are firm experience, age, functional experience, and international experience. They further highlight international experience as a significant factor influencing the internationalization strategies of MNCs (Herrmann & Datta, 2006). Other scholars agree with Herrmann & Datta. They describe the personal experience top managers gain in their overseas activities as crucial for the internationalization performance of the firm. They acquire tacit market and operation knowledge. To acquire tacit and explicit internationalization knowledge, managers have to have face-to-face meetings with local people (Athanassiou & Nigh, 2000). In another study, Athanassiou and Nigh state that the IB experience of top managers is due to functional, geographic, and mode of entry responsibilities they had during their careers. This IB knowledge results in better performance because it eases perceiving IB opportunities and taking them according to the firm's resources (Athanassiou & Nigh, 2002). International experience so far has been interpreted as a way to gain international knowledge in order to interpret opportunities. Still, Daily et al. refer to the international experience as a way to accumulate cultural knowledge and reduce uncertainty. They also describe a part of the knowledge to be tacit in nature and, therefore, difficult to acquire without personal experiences. Due to the importance of international experience for the international performance of a firm, many firms consider international experience as an important selection factor for CEOs (Daily et al., 2000). Other scholars identified the engagement in foreign travel, the number of languages spoken, to be born abroad, or to have worked abroad as factors that predict the international experience of a manager (Reuber & Fischer, 1997). Sambharya summarizes almost all of the previously stated findings. He says that managers with foreign experiences are significantly associated with the international involvement of MNCs. He refers to the international experience as a way to reduce uncertainty and only be acquired through education or tenure abroad. International experience is a way to accumulate cultural knowledge in order to respond to changing foreign markets.

And eventually, the international experience of managers increases the probability of a stronger international MNC presence (Sambharya, 1996).

Scholars also refer to the top management being responsible for the entry mode choice of many MNCs. The internationalization experience top managers gathered in their professional careers influences the entry mode choice decision. Herrmann and Datta find that it influences the choice between greenfield investments, acquisitions, and JVs. CEOs with international experience preferred to enter foreign markets with acquisitions or greenfield investments. They further find that international experience appears to be the factor that gives CEOs the confidence to choose an entry mode with higher resource commitment, more risk, and a higher level of information processing (Herrmann & Datta, 2006).

Top Management Internationalization Knowledge	General Information
Importance of the Top Management	<p>Top managers are uniquely responsible for the strategic success of a firm.</p> <p>The attributes, beliefs and the mindset of the top management team significantly shapes the personality of a firm.</p>
Top Management Knowledge	<p>The importance of the top management is due to their experience and knowledge they gathered throughout their professional career.</p> <p>The tacit internationalization knowledge the top management gathered through their overseas assignments significantly influences the internationalization strategies of MNCs.</p>
Influence on the Entry Mode Choice	<p>Top managers with significant international experience prefer higher control entry modes, compared to top managers with less internationalization knowledge.</p>

Table 8: General Information on Top Management Internationalization Knowledge

3 Chapter 3: Methodology

This chapter describes and explains what type of research has been conducted in this paper and why the interpretivist research approach was chosen. Therefore, in the following, the research philosophy, the general research approach, the research strategy, the data collection, the data analysis, the quality criteria, and ethical considerations will be discussed.

3.1 Research Philosophy

The research conducted in this paper follows an interpretivist research philosophy. Even though recent studies in IB have shown that research does not need to be undertaken solely positivistic or interpretivist, this paper chose a solely interpretivist research approach. The new generation of qualitative research scholars is starting to propose a more interpretivist approach instead of exclusively following the steps Yin (2009) and Eisenhardt (1991) propose for qualitative research and case study research (Leppäaho, Plakoyiannaki, & Dimitratos, 2015; Piekkari, Plakoyiannaki, & Welch, 2010; Poulis, Poulis, & Plakoyiannaki, 2013). The positivistic research approach is characterized by being theory-building, including purposeful sampling and triangulation for analytical generalization. Analytical tools used for classical quantitative research and the replication logic are used to increase the generalizability (Eisenhardt, 1991, 2016; Eisenhardt & Graebner, 2014; Patton, 2015; Yin, 2009). Critics mention the lack of context in these positivistic approaches and push for more context-intense research with less focus on generalizability. Scholars, as e.g., Dubois & Gadde (2014), argue that the relationships and connections which describe unknown phenomena are essential and can be better explored with a focus on context. Furthermore, scholars say that significant theoretical contributions besides generalizability are originality and utility (Dubois & Gadde, 2014). Dyer & Wilkins also argue in favor of more interpretivist research approaches in qualitative research studies. They emphasize the focus on the social context, which describes the underlying phenomenon better. These detailed context-specific descriptions unveil the actual dynamics of the phenomenon, especially in organizations. Furthermore, a single case study conducted in this paper becomes a much more coherent, credible, and memorable story due to the interpretivist research approach (Dyer & Wilkins, 1991). Stake, one of the most beknown scholars for qualitative research, goes even further and questions the purpose of a case and the goal of understanding an underlying phenomenon. He argues that the purpose can solely be to understand the case itself (Stake, 1994, p. 236). The focus of the interpretive approach lies in understanding the participant's experiences, meanings, and actions. The research approach reveals the intentions of these experiences, meanings, and actions (Stake, 1994).

This study tries to follow the interpretivist approach. The following chapters will describe how this paper incorporates this approach.

3.2 Research Strategy

The purpose of this paper is to conduct data about different knowledge types that are perceived as useful by the top management of Service-MNCs for deploying different entry modes. The described phenomenon incorporates different countries, verticals, products/services, etc. As with other phenomenon studied in IB, this phenomenon requires a high contextual and descriptive research approach (Dubois & Gadde, 2014; Poulis et al., 2013). Therefore, data collection and data analysis follows a qualitative research strategy. The following part will answer questions on why this paper chose to conduct a single embedded case study, how this single embedded case study is designed and which firm has been picked for the case study.

3.3 Single Case Study

Related to the research philosophy and the research strategy, the type of case study chosen can differ significantly. Positivist-oriented scholars refer to a multiple case study design as the best way to conduct informative and high-quality data. It follows the logic of replication and is comparable to quantitative research approaches. But classical qualitative research has been criticized for its underappreciation of single case studies. Dyer & Wilkins use some highly impactful single cases to illustrate the importance of single case studies. They emphasize the detailed description that unveiled undiscovered phenomenon, especially in regards to organizations. They further stress the importance of storytelling and the advantage single case studies have in storytelling (Dyer & Wilkins, 1991). Siggelkow also argues in favor of a single case study. He states that single case studies can be compelling examples. He explains that organizations chosen for single case studies are selected uniquely and allow insights that other organizations cannot offer (Siggelkow, 2007). Dubois & Gadde argue that it is difficult for scholars to argue in favor of the replication logic in social sciences because many phenomena are unique. The positivistic approach would distract the researcher from the context and its influence on the phenomenon. The article further mentions that some scholars highlight the trade-off between accuracy, generality, and simplicity in qualitative research (Dubois & Gadde, 2014). As one of the most cited interpretivist scholars, Stake argues that case studies can offer the reader a rich narrative of an experience of a program or activity. He further argues that single case studies can provide naturalistic generalization. The reader can explicitly compare

his situation, and the situation articulated in the single case and include tacit knowledge of the same setting to naturally generalize the case study for himself (Stake, 1994).

Because the research question and the phenomenon studied are based within the IB spectrum, and as previously mentioned, IB phenomena are very context-dependent, this paper will use a single case study. The environmental, institutional, and cultural heterogeneity in an international setting requires a more context-sensitive approach (Poulis et al., 2013). And even though classical qualitative research scholars may argue in favor of a multiple case study being the best practice, the actual practice of case studies in the most prestigious IB journals (IBR, JIBS, JWB, MIR) have shown that single case studies are used regularly (Fletcher, Zhao, Plakoyiannaki, & Buck, 2018; Piekkari et al., 2010).

3.3.1 Single Embedded Case Study Design

As mentioned in the previous part of this chapter, the paper incorporates a single case study. But within the single case study, different units of analysis will be embedded. The single embedded case study design follows the theory of Yin. It helps to identify phenomena within the separate unit of analysis without ignoring the original phenomenon of interest. The subunits often contribute to acquiring significant insights for the single overall case (Yin, 2009, pp. 107). Embedded units of analysis are especially useful for MNCs because it better incorporates heterogeneous settings (Poulis et al., 2013). Fletcher et al. further stated that the number of embedded cases might enhance the study's confidence (Fletcher et al., 2018).

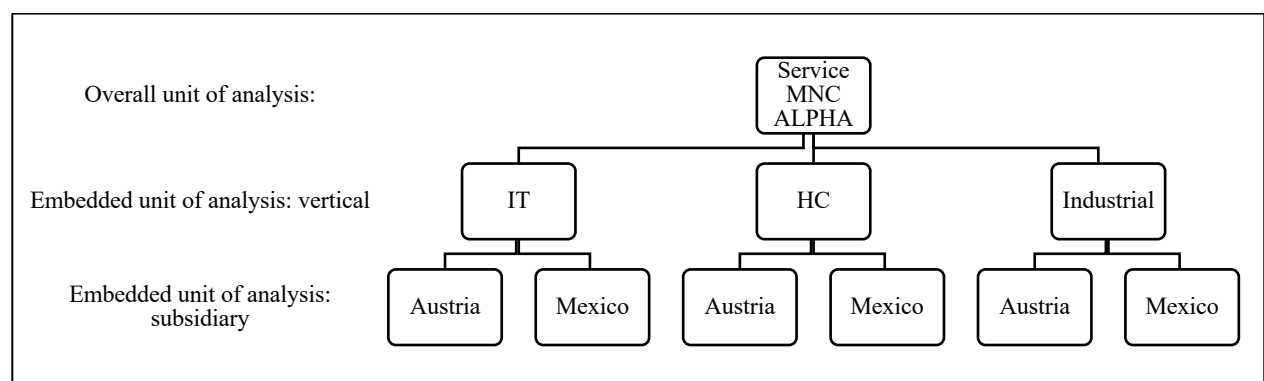


Figure 2: Case Study Design

The case studies' overall unit of analysis is the Service-MNC ALPHA. Therefore, the overall unit of analysis is on an organizational level. Due to the heterogeneity in knowledge types across the MNC's verticals, the first embedded unit of analysis will be the verticals, which the MNC is servicing. The second embedded unit of analysis is two differently located subsidiaries.

The subsidiaries incorporate different geographical contexts and differently developed host countries. Due to the embedded unit of the analysis approach, different dimensions of context can be covered. Culture can be covered by interviewing managers from different cultural backgrounds; the product/service context is included with the various verticals as embedded units of analysis. Furthermore, the embedded case study design helps incorporate the geographical context and the organization due to the subsidiaries included.

3.3.2 Case Firm

As mentioned in the last subsection, the case firm in this thesis is called ALPHA. In the following, the case firm will be introduced to contextualize the data analysis and the findings. This subsection includes general information about ALPHA, the case firm's history, and the focal context of ALPHA.

ALPHA is a multinational technology leasing firm, which operates in 28 countries with almost 1.200 employees. ALPHA is working in the IT, health care, and industrial sectors and leases hardware and software to business customers. The B2B service company leases everything from smartphones to MRT machines. Their business customers differ from multinational industry enterprises to public hospitals. The business model of ALPHA relies on good supplier relationships and an end-of-lifecycle approach. After the end-of-lease, most of the assets are recollected and refurbished at ALPHA's technology centers. After the refurbishment, the assets are then sold to a third market. Due to this approach, ALPHA is able to win customers with very competitive leasing offers. Furthermore, ALPHA offers self-made software to their customers with which the customer can monitor and manage all of its leased assets. Due to the competitive leasing and financing market, ALPHA has to use scale effects and mainly focuses on big and multinational enterprises. As their target customers. The 40-year-old company has its HQ in the south of Germany and recorded a revenue of almost two billion Euros in 2019.

ALPHA was founded in 1979 and started with the leasing of computer systems. In the following decade, the firm added some additional services to its portfolio. Almost fifteen years after being founded, the company wanted to accelerate its growth. The company converted to a private limited company and internationalized. For almost fifteen years, ALPHA also services two other sectors. Next to their core sector, the IT sector, ALPHA started to lease HC and industrial assets.

As already mentioned, ALPHA started to internationalize with the conversion to a private limited company. The MNC first internationalized to Austria and Great Britain. Quickly

subsidiaries in Mexico, the US, Ireland, France, Belgium, Switzerland, Italy, Spain, and Russia followed. The last acquisition of ALPHA was the company GAMMA based in Australia. As previously mentioned, ALPHA currently operates in 28 countries, which does not mean that ALPHA has subsidiaries in all of those 28 countries. Slovenia e.g., is serviced through the subsidiary in Austria.

3.3.3 Case Study Selection

Case studies can be either theory or phenomenon-driven. Most of the single case studies are phenomenon-driven, as is the single embedded case study of this paper. The theoretical function of the paper is theory building and exploration and therefore follows an inductive theoretical logic. Top management entry mode choices of Service-MNCs have been the phenomenon that has driven the case selection (Fletcher et al., 2018). And the Service-MNC chosen in this paper has fulfilled the criteria essential to study the underlying phenomenon. The MNC ALPHA is a technology leasing company that services different verticals and has subsidiaries in North, Central, and South America, in Europe, and Australia. With almost 1200 employees and 40 years of existence, the firm fulfills all the criteria of an MNC. Furthermore, the subsidiaries addressed in this paper incorporate cultural and institutional differences due to their emerging and developing status. Poulis et al. discuss the organizational context in their paper as one of the criteria for purposeful sampling. Firm size, firms' international business experience, and the autonomy of subsidiaries have been identified as factors for exploring potential differences in the usefulness of knowledge types for the deployment of entry modes in different countries (Poulis et al., 2013). The MNC "ALPHA" examined in this case study has the firm size, the international business experience, and the subsidiary autonomy to address the phenomenon of the top management entry mode choice. Next to the organizational context, the product category context has been another factor for purposeful sampling (Poulis et al., 2013). And as ALPHA is a service firm, with its core business activity, the leasing of tangible and intangible assets, it also fulfills the criteria to be a Service-MNC. Besides fulfilling the criteria for researching the underlying phenomenon, the case firm also reflects the theoretical background of the research. Service-MNCs are firms with their core resource being knowledge. Therefore the chosen firm fits the criteria to reflect on the RBV and KBV theory.

Furthermore, this study followed the theoretical sampling method of Kathy Charmaz. ALPHA was sampled because of information richness and for the theoretical understanding of different knowledge types useful for deploying different entry mode strategies. ALPHA deployed several entry mode strategies in the past, from exporting to Joint Venture acquisitions.

Due to the diverse entry mode choices and the internationalization experience, ALPHA has been theoretically sampled for identifying knowledge types related to the different entry mode strategies. Charmaz differentiates in her book "Constructing Grounded Theory" between initial sampling and the sampling you invoke while doing theoretical sampling. Theoretical sampling is a dynamic process and guides you where you go (Charmaz, 2014, p. 197). She depicts that theoretical sampling helps to elaborate and refine theoretical categories. Refining categories means that categories should have been pre-existing (Charmaz, 2014, p. 199). In this case, the different entry mode categories have been pre-existing. ALPHA offered some data that was not expected beforehand but helped to explicate the categories, which is the primary purpose of theoretical sampling according to Charmaz (Charmaz, 2014, p. 198).

3.4 Data Collection

As already mentioned in the research philosophy, this paper will follow an interpretivist approach. This will also be illustrated in the way the data is collected. The depth implied by the interpretivist approach will be assured due to the single embedded case study and a semi-structured interview. Criteria for analytical generalization, as they are stated in the book of Yin, cannot be matched because of resource limitations. Yin orients his research approach and data collection to one of the quantitative researchers. Construct validity, internal validity, external validity, and reliability should be somehow addressed for making the findings generable (Yin, 2009, p. 181). This paper primarily conducts data via interviews. Additional documentation related to the international market entry mode decisions and processes were also accessible to the researcher. Furthermore, did the researcher himself work for ALPHA for several years and could make firsthand observations. The case study report is reviewed by the researcher's supervisor, Professor Emmanuella Plakoyiannki, an expert and a well-known academic scholar within qualitative research and the KBV field. Many scholars have published papers or academic works on triangulation. Patton has done the same in his book. He argues that triangulation will improve the research and data collection quality (Patton, 2015, p. 478). The researcher tried to address triangulation in the way that multiple sources of data are used. Other papers have agreed with the concept of triangulation in that that secondary materials can help understand the history and products of each case better (Leppäaho et al., 2015). Therefore this paper conducted rich and purposeful interview data, which follows the interpretivist research approach. Furthermore, participant observation and additional documentation were used for more in-depth data.

3.4.1 Sampling of Participants

Many scholars within the IB field differentiate between purposeful and convenience sampling. Convenience sampling is an easy and efficient way to sample participants. The sampling method is majorly chosen because of resource constraints (Koerber & McMichael, 2008). This paper chose the purposeful sampling method, which ensures the participants and the end data conducted to be more reliable. Patton argues that the sampling strategy has to support the study's purpose (Patton, 2015, p. 471). This study aims to conduct data on the knowledge that is perceived as useful by the top management to deploy the suitable entry mode in a focal market. Therefore, the sample that was chosen definitely fits the purpose of the study (Fletcher et al., 2018).

The sample chosen includes eight top management members that all have been or are involved in the internationalization strategy of the Service-MNC ALPHA. The sample consists of two members of the Executive Board of Directors, two Executive Vice President Sales managers, two Vice President Sales managers, the Sales Director of Germany, and the Head of Internal International Sales. Studies within the IB field sampled similarly. The study only considered top managers that are or were involved in the internationalization strategy. They were or are engaged in at least one foreign market entry and the internationalization strategy. The participants are the main decision-makers and ensure coverage through variation (Saunders & Townsend, 2016; Stoian, Dimitratos, & Plakoyiannaki, 2018). The participants are situated in the HQ, in the USA, Mexico, and Austria, and ensure location-related coverage. Twelve participants were initially chosen to be interviewed, but four were canceled due to time constraints. No other participants were sampled because others are or were not involved in the entry mode choice and internationalization of the country and vertical of interest. Furthermore, the participants were sampled due to the firm-specific tenure of the author and the recommendations of the VP Sales of Austria. Even though scholars argue that the minimum sampling size of a single case study has to be at least 15, or up to 30 participants, others argue that the number of participants has to fit the research purpose. Furthermore, the sampling size has to fit the time and resource requirements of the study (Saunders & Townsend, 2016). The research purpose of the study is conducted within the scope of a master thesis and therefore is limited in its resources. Fletcher et al. argue similarly and add that qualitative research is more about information richness than the sample size (Fletcher et al., 2018). In his book on qualitative research, Patton states that in-depth information from a small sample can be very valuable if the cases are rich in information. He also mentions the resource and time constraints and

highlights that small samples have been responsible for some of the most important breakthroughs in understanding a phenomenon (Patton, 2015, pp. 470-473).

Participants	Job Title	Age	Nationality	Located in
1	CEO	48	German	HQ
2	CSO	52	German	HQ
3	EVP Sales Americas	52	British	US subsidiary
4	EVP Sales Southern Europe	37	German	HQ
5	VP Sales Austria & Slovenia	37	Austrian	Austrian subsidiary
6	VP Sales Mexico	32	German	Mexican subsidiary
7	Sales Director Germany	51	German	German subsidiary
8	Head of Internal Sales (International)	46	German	HQ

Figure 3: Interview Participants

Even though four of twelve participants canceled and did not participate in the interview process, enough data could be gathered. Besides having the information of the participants, insider knowledge of the author was used in the data collection and analysis to filter important data. The author has worked for ALPHA for almost two years in Germany as well as in Austria. He had the opportunity to observe the internationalization strategy firsthand through his positions as a Sales and Marketing Intern and an Internal Sales Working Student. During his time at ALPHA, he observed participants that are part of this case study. He worked closely with the Head VP Sales Austria & Slovenia and the Sales Director Germany and had frequent conversations with the EVP Sales Southern Europe and the CSO while visiting the office in Austria or during leisure firm activities. Furthermore, he could gather important insights about former market entries due to informal conversations with the latter mentioned participants. According to Spradley, encountering key informants during work or leisure time contributes to rapport. This rapport helps move more quickly to full cooperation and better quality data (Spradley, 1979, p. 79). The close relationship of the interviewer with at least four of the eight participants contributed to more in-depth data and better quality data. He could gather data through participant observation and many casual conversations, which helped to ensure sufficient data even though the sample seems small (Spradley, 1979, p. 58).

Besides using participant observation to ensure better quality data, archival research has been used as well. In her paper on the use of archival records in case study research, Welch argues that the importance of this data is often overlooked. The data primarily helps to interpret the data gathered through the interviews. Especially because archival data is longitudinal, it either strengthens or weakens the retrospective data collected through the interviews (Welch,

2000). This thesis mainly used website data to better understand the internationalization strategy and ALPHA's overall philosophy. Furthermore, the website data helped the author to understand better the services of ALPHA and the different countries and industries they operate in. The top management of an MNC often speaks in firm-specific terminology. The participant observation and the website data helped the author better understand and interpret the data (Spradley, 1979, p. 156). Therefore, the small sample of participants is strengthened by personal observations and archival data and is rich enough to extract meaningful findings.

3.4.2 Semi-Structured Interviews

Fontana & Frey referred to interviewing as one of the most powerful and commonly used ways to understand fellow human beings. The preferred method of interviewing is the individual, face-to-face verbal interchange (Fontana & Frey, 1994). Rapley describes interviews as social encounters in which the interviewer and the interviewee can draw from and co-construct broader social norms (Rapley, 2001). Therefore, the most popular form of data collection in qualitative research is qualitative interviews (Roulston, 2010). Qualitative interviews are especially relevant for social sciences. They are a reliable way for researching organizations, offer great validity and rich insights into organizational realities (Saunders & Townsend, 2016).

But there are many different ways to approach an interview for qualitative research purposes. There are in-depth qualitative interviews which are long-ranging interviews that can last from a couple of hours to several days. These allow the interviewer to enter the interviewee's perspective and make the interviewee's perspective explicit (Patton, 2015, p.628). There is phenomenological interviewing, which wants to depict the personal description of a lived experience in order to describe a phenomenon as well as possible (Patton, 2015, p. 636). Many other scholars differentiate between neo-positivist and romantic interviews. In order to follow the neo-positivist conception, the interviewer has to be skillful and minimize bias by taking a neutral role. The main measures for neo-positivist interviews are objectivity, reliability, repeatability, and validity. This approach includes the utilization of semi-structured interviews that are based on open questions (Alvesson, 2003; Roulston, 2010; Welch & Piekkari, 2006). Romantic interviews, on the other hand, refer to the interview as a form of social interaction. A romantic interview must build an atmosphere of rapport and trust. The atmosphere allows the interviewee to be more open and genuine in its responses. The researcher himself is aware of their subjective position. It further follows the interpretivist epistemology (Alvesson, 2003; Roulston, 2010; Welch & Piekkari, 2006).

The phenomenon studied will follow an interpretivist research approach. Therefore the interview conducted in this study is romantic. The interview further follows a one-in-time approach, which means that there is only one interview per person. The strength of this design is that the required data is gathered at one time and makes the responses of interviewees easy to compare. The weakness of this design is that changes have to be captured via recall interviews (Patton, 2015). The interviewer tried to establish rapport, be non-judgmental, be authentic, ask open-ended questions and follow-up questions to hit all the requirements of skilled interviewing (Patton, 2015, p.630). The interviewer utilized an interview guide for the data to be more comprehensive and systematic but still somehow conversational (Patton, 2015, p.643). The open-ended questions were pre-determined, which guards against variation but leaves room compared to pre-determined questions (Patton, 2015, pp. 646-647). The interviews were semi-structured as other IB peers conducted their data as well. Stoian et al. used a semi-structured interview, started with a discussion on the managerial vision, and continued with open-ended questions related to the internationalization strategy of the firm. The open-ended questions left room for descriptions of thoughts and reasoning. They lasted for about ninety minutes and were audio-recorded (Stoian et al., 2018). The interviews in this master thesis lasted on average sixty-two minutes. A semi-structured interview approach is a multimethod approach that many IB researchers recently use. Structured interviews normally leave little room for variations, and the interviewer has to keep a very neutral role. This approach minimizes errors but leaves little room for socially desirable responses. Unstructured interviews, on the other hand, are based on trust and a human-to-human relation. Due to greater rapport, more informed research is accessible. The downsides are that the researcher may lose their distance and objectivity (Fontana & Frey, 1994). This thesis's interviewer has worked previously to his research for the Service-MNC he is collecting data from. Besides knowing half of the interviewees beforehand, he also interviewed his former supervisor. That alone results in more rapport and doesn't allow the objectivity neo-positivist interview approaches allow. He followed a semi-structured interview approach with an interview guide prepared, but also with the rapport and freedom unstructured interviews are known for. He tried to follow the criteria of Kvale that judge the quality of an interview. The interviewer tried to ask short questions that allow for long answers. He followed up and clarified meanings when necessary (Vaivio, 2012). By following the criteria for quality interviews, key interviewing problems like misinformation, evasion, and lies are avoided (Roulston, 2010). The interviews were in English, even though English is not the native language of the interviewer and most of the interviewees. Language is another important factor regarding the interviews, especially in the IB context.

Language boundaries are frequently crossed when subsidiaries of MNC's are included. And languages affect more than only the translation. It influences the dynamics of the interview etc. The mother tongue allows the interviewer and the interviewee to express themselves fully. Even though only one of the interviewees' mother tongue is English, the project language of this academic work is English. Therefore, the researcher of this paper decided to also go for English as the access language, the interview language, and the post-interview language. With having the interviews in English, later translation issues were eradicated (Welch & Piekkari, 2006).

3.4.3 Interview Guide

As previously said, the interview is semi-structured and followed an interview guide. The interview guide is a list where topics and issues of the studied phenomenon are specified in advance. By using an interview guide, the interview remains conversational but still systematic. Even though the interview guide is structuring the interview, interviewer biases can still appear. Those biases can then lead to substantially different responses and reduce the comparability of those responses. Having an interview guide does not mean that the interview is fully structured. The interviewer can explore and probe freely in order to build conversations. According to Patton, the interview guide more or less serves as a checklist (Patton, 2015, pp. 643-644). Therefore the inexperience of the interviewer in qualitative research and interviews has been supported. The interview guide allows for different types of questions (Patton, 2015, p. 647). It further allows the interviewee to express his own words and elaborate on his personal perspectives (Patton, 2015, p. 648).

The interview guide of this paper (See Appendix) mainly focused on open-ended questions. The interview guide was three-part structured. The first part was solely meant for introduction purposes. The research topic and question were explained. Furthermore, the interviewees were asked for their consent for recording the interview. The second part of the interview guide included background information of the participants. Besides close-questions regarding name and age, solely open-ended questions were used to ask the participants about their firm and position of work. Next to primary questions, follow-up questions were included in the interview guide. The third and the central part of the interview focused on the researched areas of this paper. Open-end questions and follow-up questions for six subsections were prepared for the main topic of KBV in IB. These subsections covered questions regarding the international market entry mode knowledge, cross-border knowledge transfer, MNC-subsidiary knowledge transfer, Service-MNC internationalization knowledge, top management internationalization knowledge, and the KBV in emerging markets. Determined by the

interviewee and his background, these topics were covered in more detail, or some were even disregarded. Participants like the VP Sales Austria and Slovenia or the EVP Sales of Southern Europe were not asked about the internationalization in emerging markets. Even though the interview is purposed to unravel knowledge perceived useful by the top management to deploy particular entry modes, words like knowledge or learning were explicitly avoided as other peer IB scholars have done (Dimitratos, Plakoyiannaki, Thanos, & Förbom, 2014).

3.5 Data Analysis

In the following subsection, the author describes the fundamentals of qualitative data analysis and how he analyzed the data conducted through semi-structured interviews.

The main difference between qualitative and quantitative data analysis is that the analysis focuses on text rather than numbers (Rietjens, 2015, S.321). The analysis itself tries to simplify the complex whole by breaking it down. The researchers break down the data by dissecting, reducing, and sorting the whole (Spiggle, 1994). The first step of data analysis is the documentation itself. Documentation of qualitative data collected most often means that the researcher transcribes interview audiotapes into text (Rietjens, 2015, p. 326). Miles, Huberman, & Saldana emphasize the preparation and refinement of raw data, so it is clear to the reader and analyst (Miles et al., 1994, p. 71). In order to extract insights, the researcher needs to handle the data. The data is classified and further manipulated. With these manipulation operations, one can arrive at conclusions, conceptual schemes, and theories (Spiggle, 1994). The second step, almost all scholars agree on, is categorization. The coding process of the conducted data begins with the identification and coding of paragraphs. This process helps to extract examples for a general phenomenon (Miles et al., 1994; Rietjens, 2015; Spiggle, 1994). Rietjens proposes researchers use charts or matrixes to ease the coding and categorization process (Rietjens, 2015, p. 329). Miles et al. separate the coding into different cycles. The first cycle of coding is the description. Codes can be descriptive or more evocative labels that give data a symbolic meaning. They help categorize similar data bundles (Miles et al., 1994, p. 72). The second cycle regards the application of coding. The assigned codes help detect similarities between data bundles and create categories. The interrelationship between the categories then enables the researcher state assertions, propositions, or theories (Miles et al., 1994, p. 73). The coding itself can be different. Some codes have a descriptive nature, which means that the researcher summarizes a data bundle in a word or a short phrase. Another coding method is called "In Vivo" coding, which uses parts of the data to assign a label to the data chunk. Furthermore, process coding is often used to connote observable and conceptual actions in the data set (Miles

et al., 1994, pp. 74-75). In order to support the coding process, many scholars refer to computer-assisted qualitative data analysis software (CAQDAS) (Miles et al., 1994, p. 81).

To illustrate and give examples of how the author analyzed the data, the following quotation of the VP Sales Mexico will be used:

Participant 6: *"Usually, what ALPHA does, is to grow into international markets through acquisitions. We chose to acquire the knowledge, the market know-how, the people, and a portfolio for a head start."*

Before starting the coding process, the researcher of this thesis read all of the interviews at least twice and made notes to get a feel of the data (Rietjens, 2015, p. 325). The authors' notes to the above-mentioned quotation were:

"Acquiring market knowledge, customer knowledge, and tacit knowledge of the employees. Main reason for acquisitions: Head start."

The researcher of this thesis chose to start with an exploratory and descriptive way of coding, similar to the first cycle mentioned by Miles et al. (Miles et al., 1994, p. 72). The first codes described the paragraph and were all coded differently. This way, the sensitivity regarding the context is given, and the researcher is not only seeking universal generalizations (Rietjens, 2015, p. 325). The exemplary quotation was coded as followed:

"The knowledge needed for acquisitions."

After ending up with almost 180 different codes after the first coding cycle, some codes were pre-determined for the second cycle. Codes were pre-determined based on previously read literature and the descriptive codes of the first coding cycle. The second coding cycle is also referred to as deductive coding in qualitative research (Miles et al., 1994 p. 81). Generally, six different categories were identified that inherit 25 different codes. Five codes were assigned to the quotation of participant six ("EM-AQ", "EMK: MK", "EMK: CUK", "NOK: TK"). The codes and categories are displayed in table one and are further described in the Appendix. The whole coding process was done via ATLAS.ti, one of the most used CAQDAS for qualitative research and data analysis (Rietjens, 2015, pp. 350-353).

CATEGORY: ENTRY MODES	ABBREVIATION: EM
EM: Acquisition	EM-AQ
EM: Full Acquisition	EM-AQ-FA
EM: Joint Venture	EM: AQ-JV
EM: Greenfield	EM: GR
EM: Hybrid - Greenfield & Acquisition	EM: HY
EM: Exporting	EM: EX
CATEGORY: ENTRY MODE KNOWLEDGE	ABBREVIATION: EMK
EMK: Market Knowledge	EMK: MK
EMK: MK: Political Knowledge	EMK: MK: POK
EMK: MK: Cultural Knowledge	EMK: MK: CK
EMK: MK: Institutional Knowledge	EMK: MK: IK
EMK: MK: Macro-Economic Knowledge	EMK: MK: MEK
EMK: MK: Partnership Knowledge	EMK: MK: PK
EMK: Customer Knowledge	EMK: CUK
EMK: Acquisition Knowledge	EMK: AK
EMK: AK: Business Model Knowledge	EMK: AK BMK
EMK: AK: Human Resource Knowledge	EMK: AK: HRK
EMK: AK: Corporate Culture Knowledge	EMK: AK: CSK
EMK: AK: Operational Knowledge	EMK: AK: OK
EMK: AK: Strategic Opportunity Knowledge	EMK: AK: SOK
CATEGORY: NATURE OF KNOWLEDGE	ABBREVIATION: NOK
NOK: Tacit Knowledge	NOK: TK
NOK: Explicit Knowledge	NOK: EK
CATEGORY: PSYCHIC DISTANCE	ABBREVIATION: PD
PD: Low Psychic Distance	PD: LPD
PD: High Psychic Distance	PD: HPD
CATEGORY: TRANSFER OF KNOWLEDGE	ABBREVIATION: TOK
TOK: Positive	TOK: P
TOK: Negative	TOK: N
CATEGORY: VERTICALS	ABBREVIATION: V
V: Health Care	V: HC
V: Information Technology	V: IT
V: Industrial	V: ID

Table 9: Codes & Categories

To analyze the data and gather findings, the codes and categories were cross-tabularized. The first step of the analysis was; counting the quotes with the different codes. Categories and their codes were cross-tabulated to see any consistencies or unusuality. When consistencies or unusuality have been identified, the quotes were re-read, and thoughts were written down. After the numeric counting and the re-reading of the quotes, the findings were extracted. The cross-

tabulation helped examine relationships and showed links between categories and codes (Rietjens, 2015, p. 330).

Furthermore, relationships with low numbers of confirming quotes were re-read and subjectively judged whether they are sufficient to state a significant finding. Disconfirming quotes were also subjectively judged whether or not they are sufficient enough to stand as a finding. This way, the analyzed data is legit (Rietjens, 2015, pp. 330-331). Finally, this researcher's findings have been compared to conclusions and findings of other scholars to increase confidence and authenticity (Rietjens, 2015, p. 332).

3.6 Quality Criteria

The quality evaluation of qualitative research is not as easy as it is for quantitative research. Even though the first and second generation of quality criteria for qualitative research rest on quality criteria of quantitative research, the third generation of qualitative researchers rejects those quality criteria. Especially IB scholars should reassess their current evaluative criteria for qualitative research, according to Welch and Piekkari. In their article, Welch and Piekkari advocate a pluralist approach to the quality assessment of qualitative research. The high context-sensitivity in IB studies due to cross-border, cross-cultural, and cross-language phenomena does not account for a single set of evaluative criteria anymore. The arguments in favor of the pluralist approach are consistent with the scholars that highlighted the benefits of multiparadigm inquiry. Best practice for good quality qualitative research depends on the researcher's paradigmatic stance (Welch & Piekkari, 2017).

This thesis follows an interpretivist research approach and is not focused on following criteria that account for generalization. The data collected via in-depth interviews, observation, and analysis of archival documents strengthen the context-sensitivity needed for the cross-border research phenomena. Furthermore, does the interpretivist approach to data analysis help find context-sensitive knowledge for the single case study in this thesis. The article of Welch & Piekkari states that criteria and procedures should be used that are appropriate to the underlying philosophical assumption (Welch & Piekkari, 2017). The study's author followed quality criteria that are appropriate for the underlying interpretive research philosophy.

3.7 Ethical Consideration

To gather data from a Service-MNC in a highly competitive market, the author anonymized the chosen MNC and the interview participants. With anonymity, the author refers to the practice

which assures that the participant's identity is not leaked. Nevertheless, the insights and opinions of the participants are not disclosed but are handled with caution. Therefore, the Service-MNC of this study is referred to as "ALPHA" and the interviewees as "Participant X". The respondents were much more comfortable giving deeper insights and thoughts on the questions asked with the offered anonymity.

4 Findings

In this chapter, the findings of the qualitative data collection and data analysis are shared. The chapter starts with presenting findings, including a table with all of the codes and categories. In the second subsection of this chapter, the findings are discussed. Based on cross-tabulation, relationships are discussed and emphasized. In order to follow the interpretivist research approach of this thesis, the findings include interview quotes. Thus, the reader can interpret the data as well (Leppäaho et al., 2015). Below, the research questions of this thesis are presented again to remind the reader of the purpose of this study.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

"What knowledge types useful for deploying different entry modes in a focal market are tacit or explicit in nature?"

4.1 Presentation of Findings

The qualitative data collection of this study included eight interviews with the top management of an IT technology leasing MNC. ALPHA is a multinational firm, which operates in 28 countries with almost 1.200 employees. ALPHA is working in the IT, HC, and Industrial sectors and leases hardware and software to business customers.

The qualitative data collection with the top management of ALPHA resulted in six categories and twenty-five codes. The most relevant two categories are "Entry Modes" and "Entry Mode Knowledge". The main research question is: *"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"*. Therefore, the presentation of findings will also mainly concentrate on those two categories. To keep control over the massive data collection and have a structured presentation, the theory will behold against those findings (Dubois & Gadde, 2014). This chapter aims to present the entry modes ALPHA is deploying in foreign countries and identify knowledge types that are perceived as useful for deploying the different entry modes.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

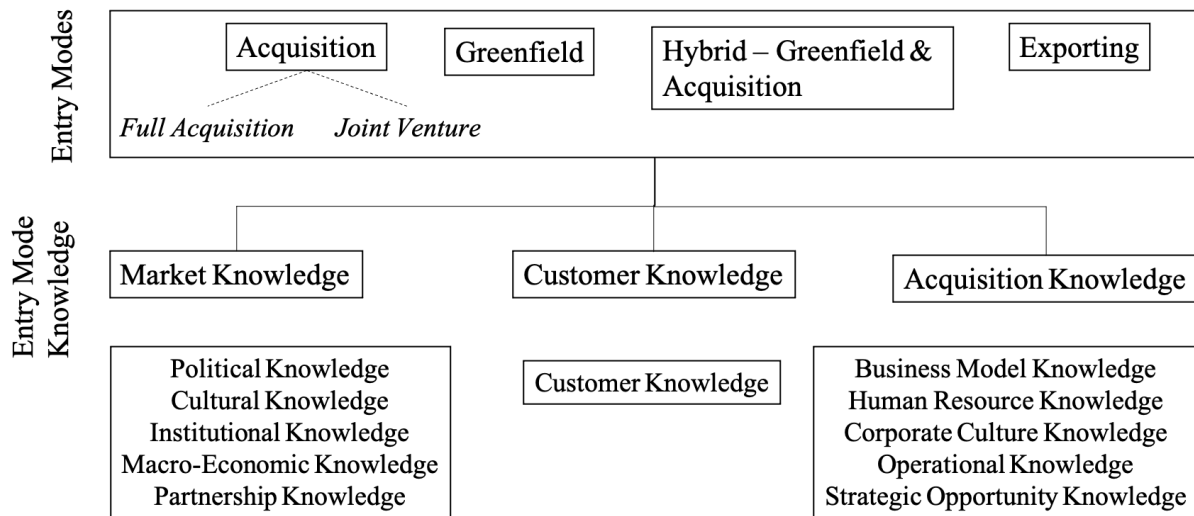


Figure 4: Entry Modes & Entry Mode Knowledge

4.1.1 Entry Modes

This subsection will start with presenting the entry modes identified as most relevant for this study. Four different entry modes have been identified in the process of the qualitative data analysis. The representative company mainly internationalized by exporting, with greenfield investments, or by inorganic acquisitions. Furthermore, the company found themselves appreciating the usage of a fourth entry mode, which the author referred to as a hybrid entry mode. With the hybrid model, the Service-MNC simultaneously enters with a greenfield investment and the inorganic entry route. Furthermore, the firm researched mainly internationalizes with inorganic acquisitions. Acquisitions in this study are separated into full acquisitions and Joint Venture acquisitions. The categorization of those entry modes follows the theory of entry mode literature and the equity and non-equity mode separation. Scholars differentiate entry modes due to factors like control and investment requirement factors (Brown et al., 2003; Canabal & White, 2008). The entry mode categorization of this study focused primarily on the latter factor. The investment requirement factor differentiates exporting from greenfield investments and greenfield investments from inorganic acquisitions or the hybrid entry mode.

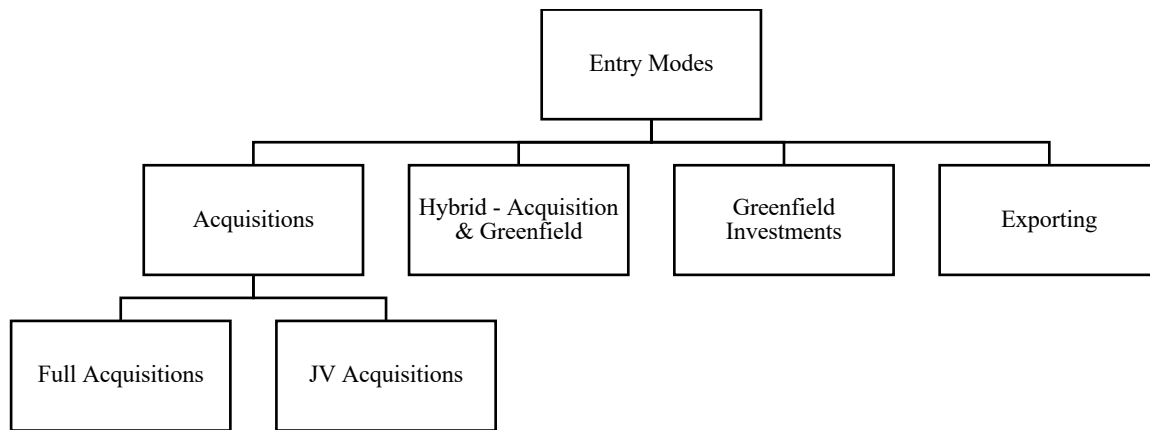


Figure 5: Entry Modes

Acquisitions

Acquisitions are, in different ways, an exciting way of entering new markets. Hermann & Datta emphasize that inorganic acquisitions of existing firms in focal markets are a very efficient way of gathering missing knowledge. Mainly because the knowledge that is tacit and therefore hard to research is inherited in the employees of those focal firms (Herrmann & Datta, 2006). Otherwise, inorganic entry mode routes always inherit high financial investment. Therefore, scholars like Erramili argue in favor of the psychic distance theory. He argues that markets are chosen that are close in terms of culture, especially for high financial investments. With increasing internationalization experiences, the commitment to acquisitions for culturally more distanced markets increases (Erramilli, 1991). The study's findings depict that the researched MNC generally prefers the inorganic acquisition route over the other entry modes. ALPHA rarely internationalized via a greenfield investment or by exporting. After their conversion to a private limited company, they quickly acquired companies in several European countries and increased their international footprint. One of the main advantages, according to the interviewees, is the acquisition of knowledge.

Participant 6: *"Usually, what ALPHA does, is to grow into international markets through acquisitions. We chose to acquire the knowledge, the market know-how, the people, and a portfolio for a head start."*

This quote demonstrates that acquisitions are preferred because of the knowledge that can be acquired. The knowledge ranges from market knowledge to customer knowledge. Furthermore, one can depict that acquisitions may be a faster way of entering markets than greenfield investments.

Participant 7: *"In my opinion, it is better to acquire a company because you straightaway gain a lot of experience, market knowledge, and contacts that you would not have when you start from scratch. You already have a name, you have a brand, and you have employees who know their business."*

The Sales Director Germany, who also worked as the VP Sales Eastern Europe for several years, mentioned again the experience and the market knowledge ALPHA acquires through their acquisitions. The VP Sales Austria & Slovenia also calls on the knowledge acquired and mentions another advantage of acquisitions. The advantage of eliminating existing competition.

Participant 5: *"The first advantage that comes to my mind regarding acquisitions is that you eliminate competition by purchasing a competitor. So, if you start with a greenfield, you simply have one more competitor. And the second advantage that comes to my mind is that by acquiring a foreign company, you also acquire knowledge."*

In conclusion, ALPHA prefers to internationalize via acquisitions because of the knowledge that can be acquired and has not to be acquired beforehand. Furthermore, it is the fast lane route for market entries. However, acquisitions differ in their ownership. There are full ownership acquisitions as well as Joint Venture acquisitions. ALPHA internationalized with both ownership approaches to several focal markets. Therefore, the following subsection will highlight those two entry modes.

Joint Venture Acquisitions

In the case of this thesis, Joint Venture acquisitions are defined as two firms having a 50/50 share of the focal firm. ALPHA only had a JV in Mexico and a mini JV in Japan. The JV in Mexico did not work out for several reasons. One reason was the lack of knowledge about the focal firm that ALPHA partnered with. Nevertheless, literature and scholars like Ekeledo & Sivakumar depict JVs as an excellent way to gain new knowledge, which the current firm lacks (Ekeledo & Sivakumar, 2004). JVs offer the possibility to acquire an existing business with a lower investment commitment compared to full acquisitions. The interviews revealed that sometimes there is no other solution than to partner up, but ALPHA never really prefers JVs over full acquisitions.

Participant 6: *"I think we also knew that a JV is not the perfect solution, but in that specific situation, it was the only solution. The Mexican shareholders were still there, and they did not want to sell their part at that time. However, we at ALPHA were always aware that a JV is not an ideal situation and solution. The experiences in Mexico confirmed our thoughts on JVs."*

The quote refers to the JV in Mexico, which later became a full acquisition. The Mexican JV was not only chosen because the firm wanted to gather knowledge that they had not had, but they chose this specific entry mode because it enabled them to enter markets that they could not enter any other way. In retrospect, the top management of ALPHA all agree that Mexico and the JV were not the most effortless entry.

Participant 6: *"But there was also a local Mexican shareholder, with whom we had the JV from 2009-2012. It did not work out because there was a conflict of vision and strategies of the company and how we wanted to develop and set up the business. In 2012 we took over the remaining 50% of the Mexican shareholder and fully integrated the Mexican business into our group."*

This quote also highlights the missing knowledge of the existing management and employees of the focal company. Furthermore, knowledge about the focal firms' business model was lacking. ALPHA wanted to transfer their business model to Mexico, but the Mexican shareholder did not fully cooperate with the top management of ALPHA. Differences in leasing models or target customers are only two examples of how the vision of the two managements differed.

Full Acquisitions

The difficulties of ALPHA have shown that it is hard to partner up with focal firms and enter a new market with a JV. ALPHA prefers to acquire a focal firm fully and have higher control over the FDI.

Participant 2: *"The strategy of ALPHA is to acquire 100% of a company. We are not looking for any JVs. Maybe we would agree on 80-90 %, but the main strategy for 40 years is to have full ownership over foreign subsidiaries."*

The quote of the CSO highlights the entry mode strategy of ALPHA. A critical factor on why ALPHA prefers to enter with a full acquisition over JVs is the possibility to implement their business model and strategy. Furthermore, ALPHA mainly enters markets with already existing customer knowledge. That is why they are not reluctant on a local partner.

Greenfield Investments

Even though the preferred entry mode of ALPHA is the full acquisition, they also entered markets with greenfield investments. They internationalized organically to Brazil as well as to Austria. These two markets are different in terms of culture and overall perceptions. Still, ALPHA entered both with the same entry mode choice. The decision to enter Brazil with a greenfield was also made because, at that time, there were no other options.

Participant 1: *"Well, in Brazil, it was a different situation. We were willing to enter the market because of the same customers who dragged us to Mexico. We could not find a local player with whom we could joint venture or whom we could acquire. Therefore, we concluded that we would start our own business."*

As for the acquisitions, already existing customers dragged the company into entering the Brazilian market. Furthermore, as the CEO of ALPHA highlights, there was just no opportunity to enter inorganically. The EVP Sales Americas further depicts that ALPHA had good relationships with two individuals with the same business model mindset and knowledge. They had already existing local market knowledge, which helped ALPHA set up a foreign country subsidiary from scratch.

Participant 3: *"And it was very quick that we identified; here were two individuals that had the entrepreneurial spirit, had the local knowledge had all of the skill set components within our market sector, within our business model that we could easily transfer into. And we then decided not to pursue the inorganic route, but to go down the as you calling it, the greenfield approach, where we simply build our business in Brazil from the ground up."*

Again, in Austria, the existing customer knowledge was there because some customers were already serviced out of Germany. Furthermore, cultural knowledge and the low psychic distance pushed ALPHA to enter with a greenfield investment.

Participant 5: *"As far as I know, they simply opened the office in Austria. There was no acquisition of an already existing Austrian company. And as I mentioned previously, it is very easy to copy and paste the business model of Germany to the Austrian market, as the circumstances are very similar."*

The EVP Sales Southern Europe also stated that greenfield investments do protect from bad partnership experiences. This quote also refers to the bad experiences the top management of ALPHA had with the top management of GAMMA in Mexico.

Participant 4: *"As I mentioned previously, I am a huge fan of opening up a company from scratch in foreign markets. Analyzing the country's regulations and the potential, as we have done in Romania, and then build something from scratch. Building a company from scratch is maybe more difficult regarding building the initial structure, but many bad experiences with people from the acquired company cheating you will not happen. This way, you do not have somebody selling you something."*

Exporting

Exporting is the entry mode with the lowest financial investment involved and the slightest knowledge needed. ALPHA has and is exporting its services only to a few countries. Before they entered Austria, they exported their services out of Germany. Furthermore, they are currently exporting their services to Slovenia out of Austria.

Participant 5: *"There were also business cases at that time where customers demanded ALPHA to expand to Austria and Switzerland. ALPHA started in Austria with a formally registered company but with no office. We have been registered somewhere in the western part of Austria, which was only 42 minutes south of our HQ."*

As the VP Sales Austria & Slovenia said, the only knowledge available before entering Austria was customer knowledge. Furthermore, the markets between Austria and Germany are similar. Schellenberg et al. explain the Uppsala model and the increasing commitment of resources with increasing experiential internationalization knowledge. According to the Uppsala model, one starts internationalizing to close psychic distance countries with low equity commitment and gradually increases the commitment (Schellenberg et al., 2018). The explanation of

Schellenberg et al. fits the first internationalization steps of ALPHA. Nevertheless, the world economy is changing, and internationalization approaches as well. Existing customers who demand ALPHA services in foreign countries are not satisfied with exporting these services anymore. Higher equity entry modes enable a more customer-oriented service.

Participant 7: *"The mindset of the big German customers changed over the last several years. Previously they wanted to do business from HQ to HQ. But they faced many tax issues, operational issues, etc. They realized that the companies they work with should provide services in other countries as well. Therefore, the focus now is to have business local to local. We saw the demand and grew in order to keep our important German customers."*

Hybrid – Acquisition & Greenfield

Next to the classical entry modes, ALPHA also entered countries like Australia with a hybrid entry mode. They chose to acquire an already existing Australian firm but simultaneously have a greenfield investment. They decided to do so because acquiring and selecting the inorganic entry mode route enables immediate business. Even though this hybrid entry mode approach seems very expensive, it allows ALPHA to enter the market with direct business and establish their business model in the future. Schellenberg et al. quoted in their literature review some researchers that shed light on a more modern approach to entry modes. They highlight the combination of various entry modes and the incremental change of modes by adding new modes to existing ones (Schellenberg et al., 2018). Benito et al. call the incremental change of modes "mode combinations" (Benito et al., 2009).

Participant 8: *"We also have other examples of acquired companies, like the BETA group, which operates in the Nordics and Australia. The strategy regarding the acquisition in Australia changed a bit. We realized that the business model they had in place worked, and we wanted to leave the existing business model as it is, but simultaneously we wanted to build an ALPHA organization next to it ... The midterm idea is that the existing business model, where our services are fixed to a bank, will be changed ... The difference in this approach is that we want to have a smooth transition. Therefore, we leave the business as it is and then shift smoothly in the future."*

Entry Modes		
Acquisition	Full Acquisition	Full acquisitions have been the main entry mode choice of ALPHA for several reasons. It enables immediate business for ALPHA and does not require a lot of preparations beforehand. Nevertheless, full acquisitions are very costly .
	Joint Venture	Countries were mainly entered with Joint Venture acquisitions, when there was no opportunity for full acquisitions. Eventhough it might inherit the advantage of acquiring existing knowledge of the focal firm and immediate business, ALPHA experienced a lot of friction with the host firm. Therefore, ALPHA does not really want to enter foreign markets with a Joint Venture anymore.
Greenfield		The reasons to enter a focal market with a greenfield investment differed very much for ALPHA. For Brazil it was the only way to enter the market, eventhough it came with a lot of institutional problems. In Austria on the other hand it was very simple due to a close psychic distance. Greenfield investments offer the opportunity to build a subsidiary very close to the HQ in terms of culture and the business model. On the other hand, greenfield investments took longer to be net profit contributor for ALPHA. ALPHA has mixed feelings regarding greenfield investments, but generally prefers full acquisitions.
Hybrid - Greenfield & Acquisition		The hybrid model was used only to enter the Australian market. However, the quotes of the top management emphasizes that the hybrid mode can be a potential model for future entry modes as well. It is more cost-intensive but enables ALPHA to have immediate business and transfer to a greenfield investment smoothly.
Exporting		Exporting is not the preferred entry mode choice for a focal market entry. ALPHA only went with exporting, when the focal market was close in culture and when there were market similarities. Therefore, ALPHA only exported to Austria and is exporting to Slovenia.

Table 10: Case Firm's Entry Mode Choices

4.1.2 Entry Mode Knowledge

As already mentioned in the introduction of this chapter, this thesis's research question focuses on the knowledge types required for the top management of a Service-MNC to deploy a market entry mode. A glimpse of those knowledge types is shown in the first subsection of this chapter. Scholars have already discussed some factors that might influence the success of the entry mode choice. Schellenberg et al. state that cultural differences, environmental uncertainty, and legal environment are only some of the factors influencing the entry mode choice (Schellenberg et al., 2018). Other scholars like Brown et al. refer to knowledge being influencing the choice of foreign market entry mode. They also state that the nature of knowledge and the transfer of the knowledge affect the entry mode choice, which will be discussed in the next chapter of this thesis (Brown et al., 2003). This chapter aims to identify the knowledge types mentioned regarding market entry modes and depict whether or not they are tacit or explicit in nature. The knowledge categories identified in the qualitative data analysis are market knowledge, customer knowledge, and acquisition knowledge. In figure six, the knowledge types specified are illustrated. Furthermore, the knowledge categories and quotes are presented to give the reader an overview.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

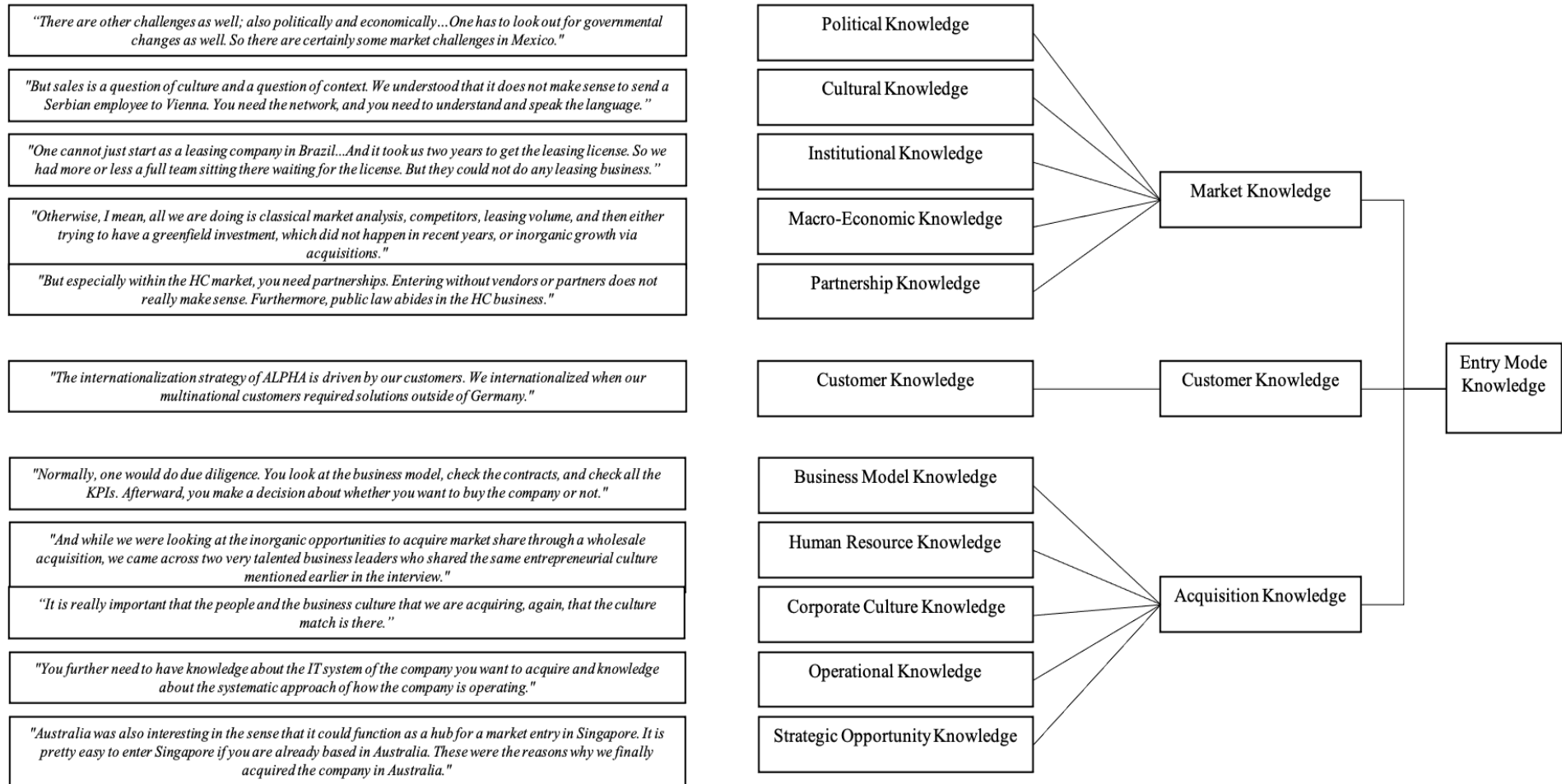


Figure 6: Entry Mode Knowledge Overview

Market Knowledge

As illustrated at the beginning of this chapter, market knowledge is one subcategory identified useful for deploying a specific entry mode. The researcher of this thesis identified five knowledge types for this subcategory that were coded the most during the interview process. Furthermore, a lot of these knowledge types are specified in similar studies. It is essential to mention that those knowledge types are identified regarding the case firm and can not be generalized.

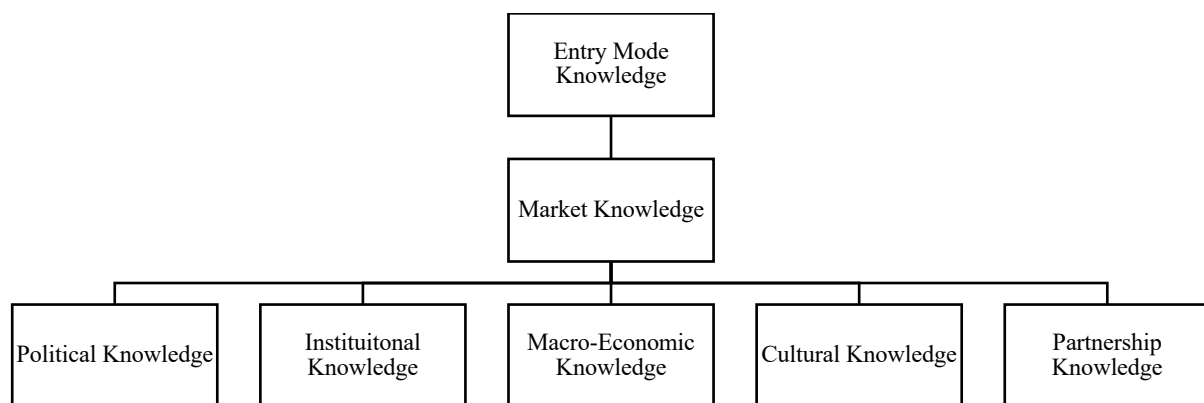


Figure 7: Market Knowledge

Political Knowledge

The political situation of a country is a factor that influences the entry mode choice significantly. Nevertheless, it was surprising that the interviewees referred to other knowledge types far more frequently than political knowledge. The VP Sales Mexico mentioned the political situation of Mexico, especially in regards to the ongoing Covid-19 pandemic.

Participant 6: *"Unfortunately, Mexico, as an interesting leading market, has higher risks in terms of higher credit default ratios. There are other challenges as well, also politically and economically. The Mexican currency is very volatile. Due to COVID, the Mexican currency has been devaluated by approximately 20% over the last six months. Therefore Mexico is even more unstable. One has to look out for governmental changes as well. So there are certainly some market challenges in Mexico."*

Institutional Knowledge

Another knowledge type that has been identified during the coding process was institutional knowledge. Again institutional knowledge is identified in KBV literature and similar studies of

IB and KBV scholars, which confirmed the findings of this study. Casillas et al., e.g., state that MNCs with higher institutional knowledge would opt for WOS and higher financial investments. They further state that local cooperation might help a foreign MNC to overcome those institutional liabilities (Casillas et al., 2009). In the case of ALPHA, institutional knowledge and knowledge regarding market regulations include the legal system of an industry or country, the tax regulations, industry-specific regulations, and compliance and corruption issues.

Participant 8: *"One cannot just start as a leasing company in Brazil. Therefore, we founded a new company, which was not a leasing company. It was actually a rental company in the beginning. We hired only Brazilian guys that were from the leasing industry. And it took us two years to get the leasing license. So we had more or less a full team sitting there waiting for the license. But they could not do any leasing business. Once we had the license, we could really start with the business that we intended to do."*

The latter quote demonstrates the impact institutional regulations could have on the market entry. ALPHA was not able to start its leasing business because of a missing license. The missing institutional knowledge meant that ALPHA had to pay their hired employees even though they could not work properly. ALPHA's issue further demonstrates that previous knowledge might help choose the suitable entry mode or consult not to enter at all.

Macro-Economic Knowledge

Even though macro-economic knowledge might be even more helpful regarding the market entry decision, macro-economic knowledge also affects the entry mode decision. Knowledge about competitors, the revenue potential of a market, the population, geographical information is all part of the macro-economic knowledge identified for this case study.

Participant 8: *"Otherwise, I mean, all we are doing is classical market analysis, competitors, leasing volume, and then either trying to have a greenfield investment, which did not happen in recent years, or inorganic growth via acquisitions."*

In this case, the Head of Internal Sales depicted that in order to decide whether or not to enter with an acquisition or a greenfield investment, one has to gather relevant macro-economic knowledge.

Cultural Knowledge

Culture always plays a part in the entry mode and IB literature. Hofstede's cultural dimension theory might be the most prominent theory on culture in IB literature. Schellenberg et al. further explain the Uppsala model in their literature review and describe the psychic distance that comes with it (Schellenberg et al., 2018). The CSO of ALPHA highlighted the importance of culture for ALPHA in his interview. He further stated that it is vital for ALPHA to understand a country's cultural context to have a successful business.

Participant 2: *"But sales is a question of culture and a question of context. We understood that it does not make sense to send a Serbian employee to Vienna. You need the network, and you need to understand and speak the language. I think we made some mistakes in the past, thinking that we also have the same culture if we speak the same language. The same for Germany; you cannot send a Bavarian to Hamburg. It just does not work. And sales, in particular, is a question of networking, culture, and trust."*

ALPHA only internationalizes with sales subsidiaries, and in order for them to be successful, the CSO of ALPHA depicts language and culture to be essential. He further mentions that it does not make sense to send employees to foreign subsidiaries without any foreign cultural knowledge. This means that if ALPHA has not have the cultural knowledge internally, they have to get it externally. Therefore, the quote highlights the importance of cultural knowledge to deploy ALPHA's right entry mode.

Partnership Knowledge

Partnership-related issues were quoted quite frequently during the qualitative data collection. Therefore, one knowledge type of the market knowledge subcategory is partnership knowledge. That includes all knowledge related to funding partners, hardware suppliers, and general market contacts. For some industries like the HC industry, it might be essential to have partnerships and existing partnership knowledge for the entry mode decision of ALPHA.

Participant 2: *"But especially within the HC market, you need partnerships. Entering without vendors or partners does not really make sense. Furthermore, public law abides in the HC business."*

Customer Knowledge

Customer knowledge is one of the three knowledge categories perceived by the top management of ALPHA as useful for deploying a specific entry mode in a focal market. Other than the market knowledge category and the acquisition knowledge category, only one knowledge type, “Customer Knowledge,” was identified.

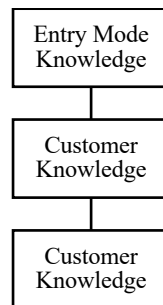


Figure 8: Customer Knowledge

Customer knowledge is a vital knowledge type that influences the market entry mode choice. Many quotes in the interview process referred to the importance of customers and that existing customers have dragged ALPHA to enter new markets. The existing customer base in Austria definitively drove the market entry mode deployment in Austria. Existing customer knowledge enabled ALPHA an initial entry via exporting and later via greenfield investment.

Participant 1: *"The internationalization strategy of ALPHA is driven by our customers. We internationalized when our multinational customers required solutions outside of Germany."*

Especially for greenfield investments existing customer knowledge is essential for ALPHA's direct net incomes and profitable business. Moreover, even though customer knowledge might also be crucial for the entry decision itself, the non-existence of customer knowledge would make full acquisitions and JVs more desirable.

Participant 2: *"The advantages of acquiring companies are that you acquire already existing business, existing contracts, and an already existing customer network. Therefore, I would say that it is much easier to acquire a company compared to have a greenfield investment."*

ALPHA's CSO states that acquisition comes with this desirable and essential knowledge type. Nevertheless, the market entry mode deployment in Mexico was not influenced by this knowledge type. Even though ALPHA had sufficient customer networks in Mexico, they decided to go for the JV acquisition.

Acquisition Knowledge

Next to customer knowledge and market knowledge, acquisition knowledge was mentioned a lot during the interview process. The top management discussed corporate culture knowledge, human resource knowledge, operational knowledge, business model knowledge, and strategic opportunity knowledge that all fall under the category: "Acquisition Knowledge". This knowledge is mainly connected to acquisitions and information about the company that will be acquired. Some of these knowledge types also apply to other market entry mode choices.

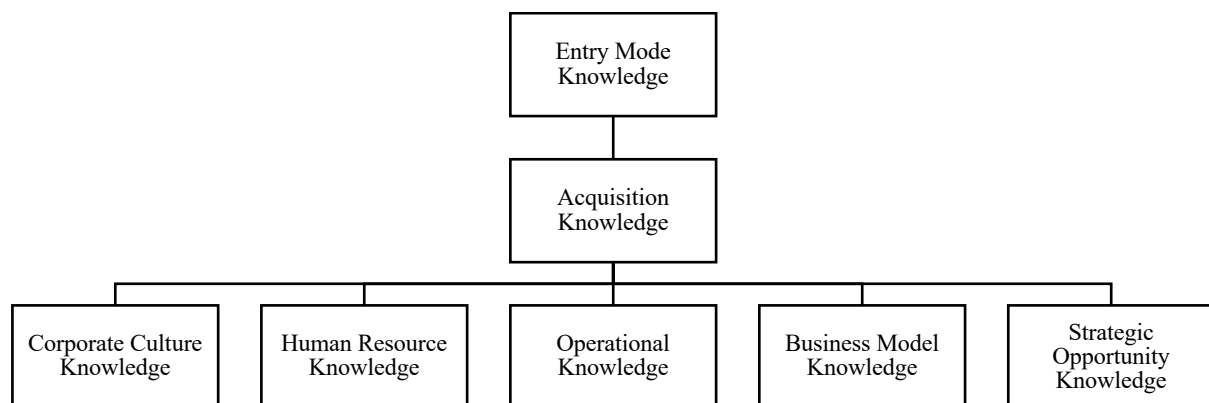


Figure 9: Acquisition Knowledge

Corporate Culture Knowledge

Even though ALPHA is a Service-MNC that internationalizes to many different countries and markets, its corporate culture is vital. Many interviewees highlighted that the corporate culture of ALPHA should be adapted to the local markets' but should inherit its core. Therefore, the knowledge about the corporate culture of a potential acquisition is a significant factor influencing ALPHA's market entry mode decision.

Participant 3: *"We are a technology business. But we are working with people. It is really important that the people and the business culture that we are acquiring, again, that the culture match is there."*

The EVP Sales Americas highlighted the importance of the cultural match between ALPHA and the acquired company. The knowledge about the corporate culture of the potential acquisition is also highlighted in the following quote. In Mexico, one issue that hindered a good JV partnership was the corporate culture and the missing corporate culture knowledge beforehand.

Participant 6: *"Also, the corporate culture; the way you lead people, the way you communicate. Many things define a strategy or a vision of a company. And we were not 100% aligned. Thus I think it was in the best interest of both parties to take separate paths."*

Human Resource Knowledge

Human resource is arguably the most critical resource for a Service-MNC. Human resource knowledge is also important in regards to the entry mode choice of ALPHA. One might choose an acquisition if one might not have any human resource knowledge in a focal market. If the firm that one wants to acquire has not got the human resources that one is looking for, that might influence the entry mode choice as well.

Participant 7: *"In Mexico, we had a 50/50 joint venture with GAMMA. That was a mistake. It has cost us a lot of traffic and friction with the Mexican management, especially regarding the German idea of doing business. I was not directly involved, but I captured the friction and the trouble coming with it."*

The latter quote again demonstrates the importance of human resource knowledge. Fundamental is the knowledge of the management with whom one will work with or one will acquire. The top management of ALPHA had particular frictions with the top management of GAMMA in Mexico. This was also due to the missing knowledge about the firm's management, which ALPHA wanted to acquire. On the other hand, the EVP Sales Americas highlights the management in Brazil and their fit with ALPHA. Therefore, even for greenfield investments, human resource knowledge plays a part.

Participant 3: *"And while we were looking at the inorganic opportunities to acquire market share through a wholesale acquisition, we came across two very talented business leaders who shared the same entrepreneurial culture mentioned earlier in the interview."*

Sufficient human resource knowledge and the fit between foreign and home top management significantly influenced ALPHA to internationalize to Brazil with a greenfield investment.

Operational Knowledge

In the case of ALPHA, operational knowledge plays an important role as well. Operational knowledge includes knowledge about corporate processes, structures, IT Systems, or tender processes. When ALPHA chose to go for the inorganic market entry mode route, they desired a match-up with the existing company.

Participant 5: *"You further need to have knowledge about the IT system of the company you want to acquire and knowledge about the systematic approach of how the company is operating."*

Furthermore, the VP Sales Austria & Slovenia highlighted that it might make sense to acquire companies in focal markets if the operational knowledge of the market is missing.

Participant 5: *"In order, e.g., to succeed in tenders, it is very important to know how to respond to a certain tender in a particular market. And in order to have that knowledge, it is the easiest to purchase an existing company with the staff who has this knowledge."*

Business Model Knowledge

As for the other knowledge types, the business model knowledge also heavily influences ALPHA's entry mode decision. It is similar to the corporate culture knowledge where ALPHA is very keen on having a pretty standardized business model with only a few local adaptations.

Participant 7: *"Normally, one would do due diligence. You look at the business model, check the contracts, and check all the KPIs. Afterward, you make a decision about whether you want to buy the company or not."*

Participant 2: *"We had a look if their portfolio of services fits ours and if the business model fits the one of ALPHA."*

The latter quotes focus on inorganic market entry modes. The entry mode choice deployed in Mexico, e.g., showed that it is indeed very important to have that knowledge beforehand. The top management of GAMMA had a different perception of doing business and did not convert to ALPHA's business model as they wanted. The result was a lot of friction between the companies and a non-efficient JV partnership. However, there were also situations for organic entry mode routes where the top management of ALPHA depicted business model knowledge as very important.

Strategic Opportunity Knowledge

An interesting factor that was mentioned frequently during the interviews was expanding even further due to an acquisition. Some acquisitions offer the opportunity to enter multiple markets at once. The knowledge of the opportunity is coded strategic opportunity knowledge. The strategic opportunity knowledge influenced ALPHA in their acquisition decisions in the US, Mexico, and Australia.

Participant 2: *"Australia was also interesting in the sense that it could function as a hub for a market entry in Singapore. It is pretty easy to enter Singapore if you are already based in Australia. These were the reasons why we finally acquired the company in Australia."*

Not only in Australia but this particular knowledge also influenced the inorganic entry mode route in the US and Mexico. ALPHA was keen on having business in the US and was offered to fully acquire GAMMA in the US and JV with GAMMA in Mexico. Consequently, ALPHA went for the opportunity to also internationalize via JV in Mexico due to the acquisition in the US.

4.2 Discussion of Findings

In the following subsection, the empirical findings from the last subsection are gathered and compared to the findings presented in the theoretical background chapter. This chapter will give a better overview of how the empirical findings link with previous research. Furthermore, the previously stated research question will be answered. Therefore, the chapter is split into two subchapters to answer the following questions:

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

"What knowledge types useful for deploying different entry modes in a focal market are tacit or explicit in nature?"

Before answering the first and leading research question, the most popular market entry mode choice theory in IB is briefly summarized to better contextualize the findings.

The Uppsala model is part of IB research since 1977. The Uppsala model states that firms gradually acquire and integrate international knowledge and increase their commitment to their involvement in the individual foreign market. Firms that have not have the international experience of highly internationalized MNCs start with exporting and gradually acquire foreign market knowledge (Johanson & Vahlne, 1977). This knowledge acquisition results in higher commitment and higher equity market entry mode choices. With low market knowledge, one would start with independent export representatives, evolve to Sales subsidiaries and eventually establish WOS. But not only does the commitment to more equity-intense mode choices increases, the commitment to higher psychic-distanced markets increases as well (Johanson & Vahlne, 1977; Schellenberg et al., 2018). Since the Uppsala model has been introduced, IB has evolved, and the way firms internationalize has changed as well. Globally born firms are only one example of firms that arise questions regarding the applicability of the Uppsala model to modern international business. This thesis does not want to focus solely on the evolution of the Uppsala model or the applicability. The Uppsala model is highlighted here because this thesis's findings represent many characteristics of the model. The novelty of this thesis is that particular knowledge types are depicted that are necessary or useful for specific entry modes.

4.2.1 Knowledge Types and Entry Modes

In the following section, the author will summarize the knowledge types that the top management of ALPHA perceived as useful for deploying one of the previously determined entry mode choices. Knowledge types that have not been mentioned in the figures below or by the author have not been quoted enough to note them as relevant findings.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

Full Acquisitions

The following subchapter depicts the knowledge types perceived by the top management of ALPHA as useful for deploying a full acquisition. For the full acquisition entry mode choice, the findings show that acquisition knowledge is needed. Business model, human resource, and corporate culture knowledge are essential for ALPHA to have a fit between the focal and acquiring firm. Without such a fit, the migration phase takes much longer, and more financial resources are needed to enter successfully. With the latter mentioned knowledge types gathered beforehand, a successful full acquisition can be deployed as it was for BETA in Australia. In regards to high and low psychic distanced markets, business model knowledge was highlighted a lot. Especially in high psychic distance markets like Mexico, business model knowledge is fundamental. Besides the acquisition knowledge, market knowledge is an essential factor for ALPHA as well. In comparison to the acquisition knowledge, the market knowledge can also be acquired from the focal firm. What is challenging to obtain from the focal firm and needs to be researched or gathered beforehand are institutional, partnership, and cultural knowledge. Casillas et al. state that host companies often opt for high control entry modes for the main learning source. Furthermore, they state that an acquisition can be a source of market knowledge regarding countries with slight cultural differences (Casillas et al., 2009). A study on Spanish banks and insurance companies internationalizing to Latin America supports the latter finding. Due to cultural and economic differences, companies opt for full acquisitions or JVs (José Álavarez-Gil et al., 2003). Pattnaik et al. further confirm that the institutional context is significantly impactful on the entry mode choice in HPD countries (Pattnaik et al., 2015). The findings in this thesis confirm those of the previously mentioned scholars. Especially for HPD markets, institutional and cultural knowledge is beneficial when opting for a full acquisition. Last but not least, similar results also apply to the customer knowledge. Customer knowledge can be acquired from the focal firm. Customer knowledge is also one of the main reasons for the full acquisition. ALPHA's top management repeatedly highlighted that full acquisitions are an excellent way to have a head start and acquire market and customer knowledge straight away.

Figure ten summarized the knowledge types that are perceived as most useful for deploying a full acquisition in a focal market.

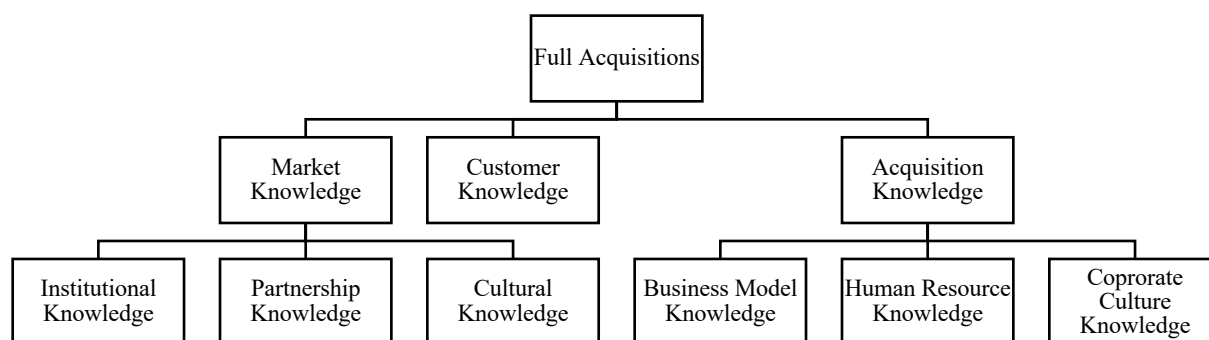


Figure 10: Full Acquisitions & Knowledge Types

Joint Venture Acquisitions

Similar to the findings for the full acquisition, acquisition knowledge is again the most critical knowledge category. JVs regarding the case firm require the collection of human resource knowledge and business model knowledge of the focal firm. The JV acquisition deployment of ALPHA in Mexico with missing business model, human resource, and corporate culture knowledge resulted in many problems and frictions. Differences in the vision and business ideas resulted in legal conflicts and had to be solved with a cost-intensive full acquisition. Brown et al. describe the availability of qualified and trustworthy local partners as a significant factor for the entry mode choice (Brown et al., 2003). Their findings confirm the quotes of the interviewees and the difficulties of ALPHA in Mexico. Furthermore, the collection of operational knowledge beforehand is significant as well. Moreover, even though corporate culture knowledge was not quoted as often as the previously mentioned knowledge types, it was highlighted by the top management as well. ALPHA's JV in Mexico has shown that acquisition knowledge is fundamental to not end up in a similarly tricky situation. The market knowledge findings are similar to the ones of the full acquisition. Institutional knowledge, partnership knowledge, and cultural knowledge are the critical knowledge types mentioned in the JV context. The firm can often acquire institutional knowledge and partnership knowledge from the firm that the JV is with. That also applied for the JV in Mexico. Even though the JV did not run smoothly, the institutional and partnership knowledge of GAMMA enabled ALPHA a quick entry into the market. Casillas et al. confirm the findings of this study and state that if the host firm lacks institutional knowledge, those deficiencies can be overcome with cooperation with local firms (Casillas et al., 2009). Herrmann & Datta support the finding that JVs can access an MNC to valuable local partners and partnership knowledge. They further

confirm Casillas et al. findings and state that a JV can significantly lower the governmental and societal hostility of the home firms in foreign markets. The host firm's institutional and general market knowledge protects the MNC from those hostilities (Herrmann & Datta, 2006). Ekeledo & Sivakumar state it a bit broader and argue that collaborative entry modes enable firms to gain knowledge (Ekeledo & Sivakumar, 2004). Cultural knowledge was also accessible with the JV in Mexico and had not had to be acquired beforehand. The local employees were majorly Mexican and were familiar with the cultural customs. Even the expatriates, like the VP Sales Mexico, could gain cultural knowledge more quickly in this environment. Brouthers & Hennart state in their study that JVs are chosen when local and foreign assets are hard to transact (Brouthers & Hennart, 2007). The study partially confirms this study's findings, especially because tacit knowledge is seen as a driving factor for JVs. JVs are an excellent way to gain market knowledge right away. Brown et al. confirm the latter statement. With a local collaboration, a firm can fill gaps in its knowledge base (Brown et al., 2003). On the other hand, the acquiring firm must have sufficient acquisition knowledge to have a successful JV.

Figure eleven again illustrates the knowledge types that are perceived as most useful for deploying a JV acquisition in a focal market.

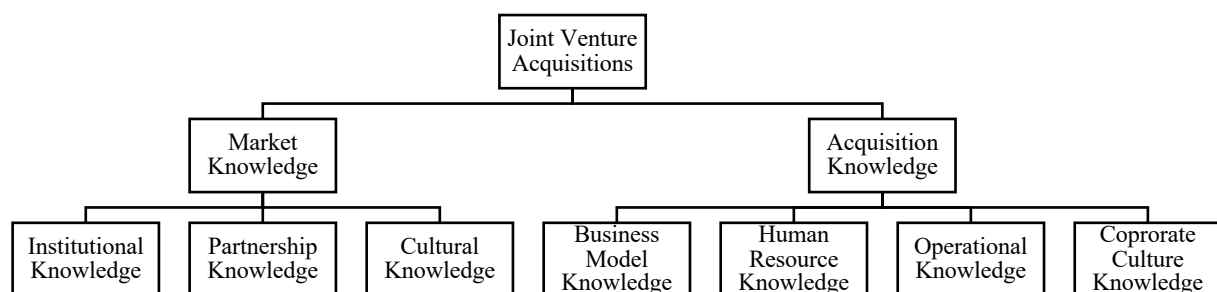


Figure 11: Joint Venture Acquisitions & Knowledge Types

Greenfield Investments

In this study, greenfield investments differ from acquisitions because acquisition knowledge is perceived as not that useful for deploying a greenfield investment. Acquisition knowledge is still relevant for the greenfield entry mode choice. The lack of acquisition knowledge and the lack of business model, human resource, and corporate culture knowledge attracted ALPHA to enter markets with greenfield investments. In order to enter a focal market successfully, market knowledge is needed. Since market knowledge cannot be acquired from the host firm, the

knowledge must be gathered beforehand. Institutional, macro-economic, cultural, and partnership knowledge are essential to ALPHA to enter a focal market successfully. The greenfield investment in Austria showed that existing cultural knowledge and a similar institutional system enabled a straightforward and smooth market entry. The greenfield investment in Brazil, on the other hand, showed that institutional knowledge was missing, which hit the market entry of ALPHA hard. The missing knowledge about the leasing license availability for FDIs has cost ALPHA a lot of money and time. Regarding psychic distance and especially regarding high psychic distance markets, cultural knowledge was quoted much more often. It was much easier for ALPHA to internationalize in low psychic distance markets because of close cultures and existing cultural knowledge. Cultural knowledge is essential for greenfield investments in HPD because it helps reduce the risk for the home country firm and assures the demand for their products (Erramilli, 1991). ALPHA has shown that market entries in France or Russia have failed because of missing market knowledge. Herrmann & Datta support the findings on market knowledge. Greenfield investments need extensive, in-depth environmental scanning (Herrmann & Datta, 2006). Customer knowledge is arguably the most critical knowledge category for greenfield investments regarding the chosen case firm. With existing customer knowledge and customer relationships, the risk of a focal market entry is being minimized. ALPHA only entered focal markets with existing customer knowledge. The customers of ALPHA dragged them into internationalizing and entering markets with a greenfield investment.

Visible in figure twelve are again the knowledge types perceived as most useful for deploying a greenfield investment in a focal market. Especially market and customer knowledge are perceived as very useful for deploying a greenfield investment.

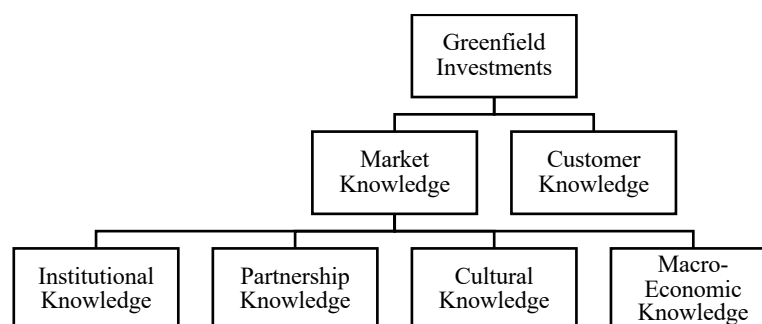


Figure 12: Greenfield Investments & Knowledge Types

Exporting

Since ALPHA is not exporting a lot, not much information could be gathered during the interviews regarding the knowledge types most important for exporting. Nevertheless, the most prominent findings are that institutional knowledge is a significant factor for exporting. When ALPHA started their exporting activities in Austria, the institutional similarities enabled successful exports of their services. Furthermore, similar to the greenfield investment, customer knowledge has to be gathered or pre-existent. Again, Austria was chosen to be serviced via exporting in the first place because existing customers demanded ALPHA's services in Austria.

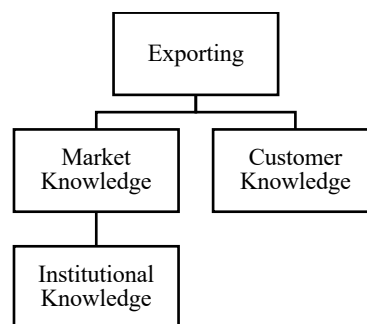


Figure 13: Exporting & Knowledge Types

Hybrid – Acquisition & Greenfield

For the hybrid entry mode choice, not enough information was gathered to detect any knowledge types necessary. However, since it is a hybrid between the greenfield investment and acquisition, similar findings apply to both entry modes separately. The advantage of this entry mode is that existing market knowledge, and customer knowledge can be acquired. Still, the fit with the business model, human resource, and corporate culture knowledge has not to be as good as for a full acquisition or a JV. Therefore, acquisition knowledge has not have to be gathered in detail, as it has to be gathered for the normal acquisition entry modes.

"What knowledge types does the top management of a Service-MNC perceive as useful for deploying different entry modes in a focal market?"

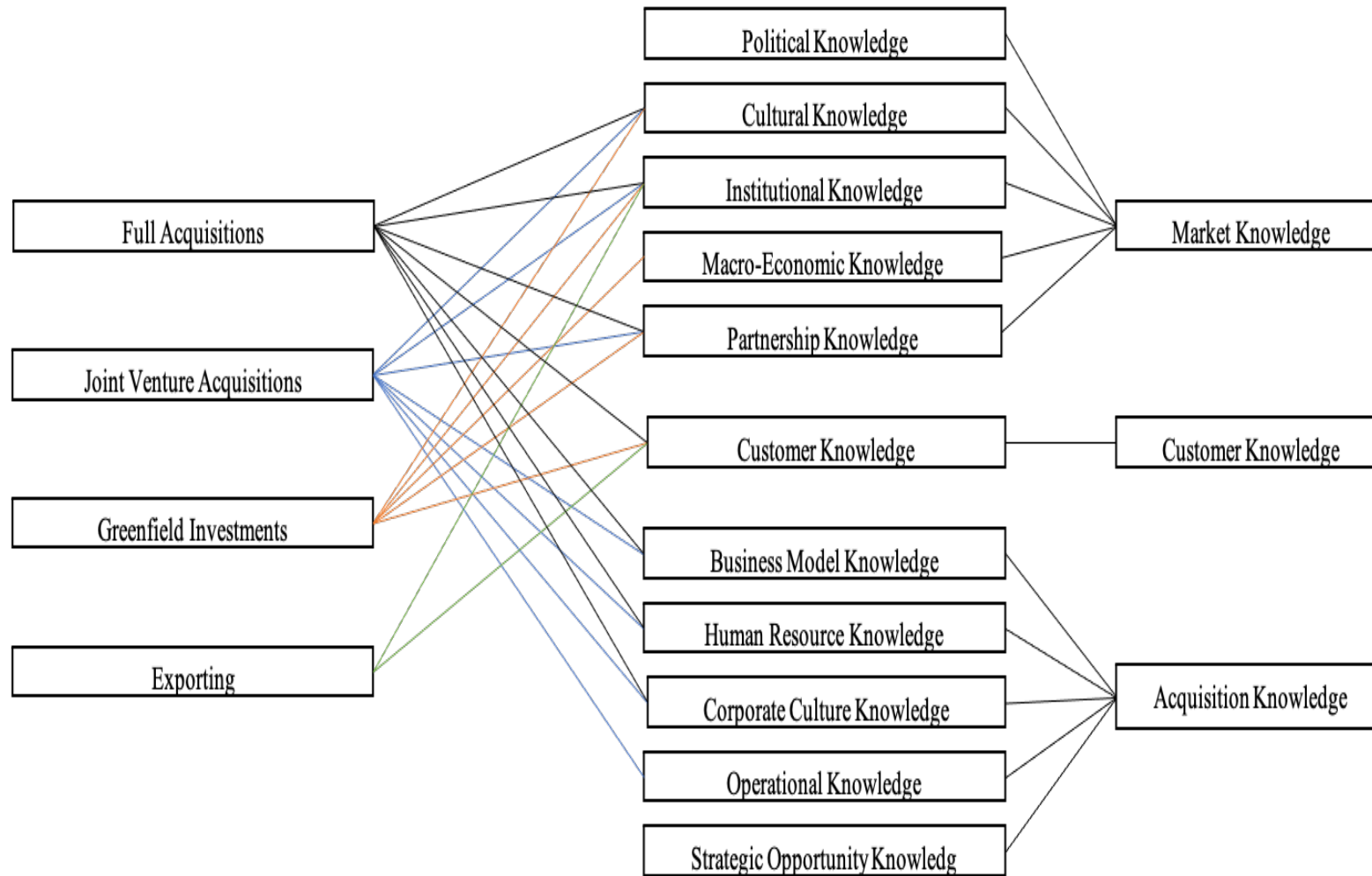


Figure 14: Knowledge Types perceived useful for deploying Entry Modes

4.2.2 Nature of Knowledge

In the following section, the author will elaborate on the nature of the knowledge types identified. The author distinguishes between an explicit and tacit nature of knowledge. This subchapter will focus on answering the second research question of this thesis. The novelty of the findings in this subchapter is that this thesis identifies particular knowledge types as tacit or explicit in nature compared to other IB literature.

"What knowledge types useful for deploying different entry modes in a focal market are tacit or explicit in nature?"

This thesis distinguishes between the nature of the different knowledge types. The distinguishment allows the reader and other scholars to assess whether or not the knowledge type is hard to acquire and transfer or not. Obviously, the findings are gathered in the context of the case firm and do not apply to a general population. Furthermore, none of the interviewees directly described a knowledge type as tacit or explicit, but interpretations of their quotes indicate the nature of knowledge. Knowledge can occur in an explicit form, as well as in tacit form. As mentioned in the subsection "Tacit and Explicit Knowledge," they mainly differ regarding their codification (Grant, 1996a, 1996b; Kogut & Zander, 1996).

Tacit Knowledge

Tacit knowledge has often been described as know-how, skill, and practical organization knowledge in an organizational context. It is further referred to as individual beliefs, mental models, ideas, and ideals (Grant, 1996a, 1996b; Kogut & Zander, 1996; Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994). Cultural knowledge, as an example, is primarily tacit. And to acquire cultural knowledge, one has to acquire it through personal experiences (Pak, 2002)

Participant 2: *"I think the biggest factor in influencing communication is cultural differences. In order to acquire cultural understanding, you have to visit the countries once or twice a year. Just to talk with the local employees and understand them."*

The CSO of ALPHA highlights the difficulty of acquiring cultural knowledge in the latter quote. He describes it as somehow experiential and only acquirable through a local presence. These are all characteristics that apply to the tacit nature of knowledge. Kogut & Zander

furthermore depict that tacit knowledge is hard to transfer through the market and is mainly transferred within a firm (Kogut & Zander, 1996). ALPHA transferred tacit knowledge often by expatriation.

Participant 8: *"In the end, we only succeeded in Mexico because we have sent German employees to Mexico to transfer the business model and processes to Mexico."*

The Head of Internal Sales of ALPHA depicts the expatriation in Mexico and the importance of local-presence knowledge transfer. In this case, she depicts business model knowledge as majorly tacit. Furthermore, the nature of knowledge affects the market entry mode decision because of the necessary due diligence beforehand. Knowledge is gathered in order to make the right decision. Nevertheless, some knowledge is just not observable. The following quote of the CSO demonstrates that in regards to human resource knowledge.

Participant 2: *"I think we always have problems that come with market entries. You normally have to adjust the business after 6-9 months. It's always the same because the due diligence done previously isn't showing everything. And the seller himself will never tell you everything about the purchase. You start to discover the problems when you start implementing the ALPHA business model."*

After assessing the interviewees' quotes and analyzing the data, the author of this thesis identified some knowledge types and knowledge categories as majorly tacit in nature.

Especially, acquisition knowledge is more tacit compared to the other knowledge categories. Corporate culture, human resource, and business model knowledge are the knowledge types that were identified most clearly tacit in nature for ALPHA. In order to transfer the corporate culture of ALPHA to new subsidiaries, expatriates were and still are utilized. The business model of ALPHA was also often transferred personally by the German management to the subsidiaries. Furthermore, the top management of ALPHA found corporate culture, human resources, and the business model of a foreign firm as hard to detect. The due diligence that was quoted often could not gather enough knowledge on those particular topics. Again the JV in Mexico showed that these knowledge types are hard to acquire beforehand but majorly influence the entry mode success. The study of Brown et al. confirms these findings. Tacit knowledge is more challenging to transfer, thus influences the choice of entry mode. They further state that operational knowledge and unique organizational cultures are significantly

tacit (Brown et al., 2003). Furthermore, cultural knowledge is often described as tacit in IB literature and qualitative research. This thesis confirms the findings of peers. Cultural knowledge is tough to acquire from a distance and without experiencing the culture personally. Therefore, cultural knowledge is also often referred to as experiential knowledge. Last but not least, customer knowledge was described as partially tacit by the interviewees as well. An existing customer portfolio and the customer contacts were described as explicit. However, specific customer relationships are tacit, and locals might only inherit those customer relationships. Therefore, customer knowledge is also detected as partially tacit.

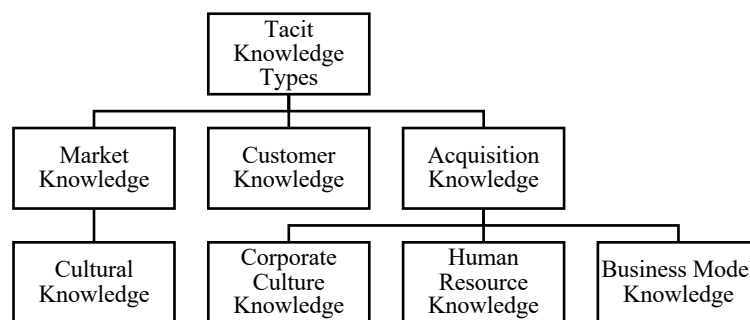


Figure 15: Tacit Knowledge Types

Explicit Knowledge

Explicit knowledge, compared to tacit knowledge, is much easier to codify. Explicit knowledge is often described as objective and rational, illustrated through data, scientific formulas, or manuals. (Nonaka, Ikujiro; Toyama, Ryoko; Nagata, 2000; Nonaka, 1994).

Participant 1: *"They have a look at the leasing market of the country. I mean, the data is accessible via the internet these days. There are leasing associations in those countries, which are also a good source of information. You can travel to the country, meet players, talk to banks, talk to leasing companies, talk to captives, talk to customers, etc. One can conduct interviews. All of the relevant information regarding the potential volume, the regulatory framework, the legal situation of the country, the competitor landscape are transferred back to the HQ. And in the end, you make a business decision whether they meet the criteria or not."*

The CEO of ALPHA depicts the availability of institutional knowledge or macro-economic knowledge through data that can either be gathered via the internet or through interviews. The EVP Sales Southern Europe depicted the macro-economic knowledge that can be gathered

easily through research before making the entry mode decision. In this case, he mentioned the market entry mode decision in Romania. He further states that the explicit nature of institutional knowledge leads to a yes or no decision.

Participant 4: *"Then there are basically two, three things to consider. And I hope I get them all. Of course, it's the potential of the country, which is easy to figure out. You only need to google the companies operating in the country. You then maybe check the top 100 biggest companies operating in Romania, where only ten are attractive to our business."*

Participant 4: *"Especially the people who run the business, the contracts that have been signed in the past with customers, and the regulations of the individual countries, which are maybe the only thing one can put into a decision matrix. The regulations and the legal issues are maybe the only yes or no decisions. The rest of the entry factors are figured out during the due diligence. And as you know, due diligence doesn't result in a yes or no decision."*

There are not as many knowledge types that the interviewees characterized as explicit in nature. Nevertheless, especially knowledge types within the market knowledge category have been described as explicit. Institutional and macroeconomic information collection has been described as regular internet research. Even though the interviewees described the institutional knowledge as explicit and relatively simple to acquire, the greenfield investment in Brazil and the institutional problems showed that explicit knowledge might not always be so easy to acquire. Other knowledge types, such as, e.g., customer knowledge, are partially explicit but not explicitly quoted by the interviewees. The only knowledge types that were described as explicit are institutional knowledge and macro-economic knowledge. That further means that those two knowledge types are much easier to gather and transfer.

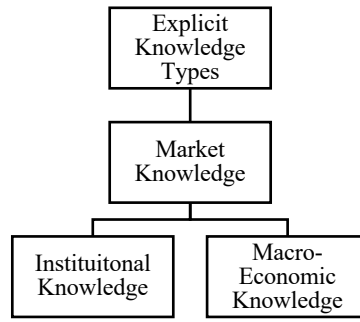


Figure 16: Explicit Knowledge Types

5 Conclusion

This chapter is completing the thesis and will answer the research questions stated in chapter one. Furthermore, the chapter includes a summary, the theoretical contribution, managerial implication, limitations of the thesis, and directions for future research.

5.1 Summary

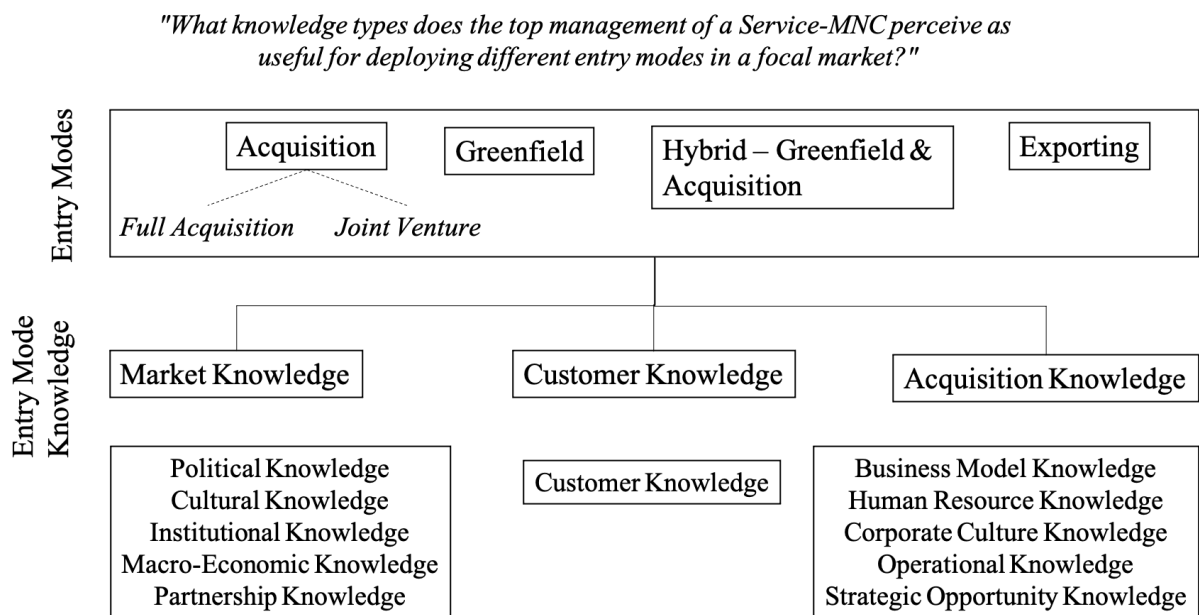


Figure 17: Main Research Question & Overview of Knowledge Types

The main purpose of this qualitative single embedded case study was to find knowledge types that the top management of a Service-MNC perceive as useful to deploy an entry mode choice for a focal market. Furthermore, the nature of those knowledge types was investigated. Together with the empirical findings and the theoretical background, the author of this study found three knowledge categories with eleven different knowledge types. Acquisition knowledge, market knowledge, customer knowledge, and the inherited knowledge types are significant for the entry mode decision of the top management of the Service-MNC ALPHA. These knowledge types are found to be the content of the entry mode due diligence process. The author of this study repeatedly wants to highlight that the findings have to be seen in the context of the case firm "ALPHA" and are not generalizable.

The first knowledge category that was identified in this case study is acquisition knowledge. As the name spoilers, acquisition knowledge is the knowledge mainly necessary for the acquisition entry mode choice. This knowledge category inherits many different knowledge types that are necessary to gather before acquiring a focal firm. Generally,

acquisition knowledge is more tacit and, therefore, more challenging to acquire. Corporate culture knowledge, human resource knowledge, and business model knowledge are the most crucial knowledge types for acquisitions. ALPHA's experiences showed that information about the top management and the employees of a focal firm could decide whether an acquisition is successful or comes with problems. That finding goes for full acquisitions as well as for JV acquisitions. Operational knowledge has been identified as a knowledge type influencing ALPHA's entry mode choice as well. JVs especially need a fit between the HQ-driven operations and the focal firm. Gathered operational knowledge helps identify the risk of a JV or a full acquisition and enables a smooth migration. Business model knowledge was coded the most by the researcher and is essential, especially regarding JVs. If the business model of the HQ and the focal firm are not aligning, a JV decision might be the wrong choice. The JV in Mexico demonstrated the problems that come with missing business model knowledge. Furthermore, business model knowledge is even more critical in the context of acquisitions in HPD countries. Last but not least, the acquisition knowledge category also includes strategic opportunity knowledge as a knowledge type. This knowledge type was also a factor in the case of ALPHA, which influenced the decision towards an acquisition. A focal firm like GAMMA or BETA offered the opportunity for further internationalization and other market entries. ALPHA, therefore, decided to acquire the companies only for the strategic opportunity. Nevertheless, not enough data was collected to give an explicit finding regarding the latter knowledge type.

The second knowledge category is customer knowledge. Due to general answers by the participants, the knowledge category is also the knowledge type. Nevertheless, customer knowledge was also one of the most coded knowledge types. Customer knowledge is essential for greenfield investments and exports in the case of ALPHA. Without existing customer knowledge, a focal market entry with a greenfield investment can take very long to be profitable. The greenfield investment in Austria demonstrated that existing customer knowledge significantly eases the market entry. Regarding acquisitions, customer knowledge is not a requirement. Customer knowledge was often quoted as a knowledge type that can be acquired, leaving the MNC with a head start in the focal market. The top management of ALPHA highlighted their existing customer as a significant driver for internationalization and their market entry mode decision. Therefore, the entry mode decision is very much connected to customer knowledge.

The last knowledge category is market knowledge. Market knowledge is the knowledge category that includes several knowledge types regarding specifications of the focal market.

Market knowledge in the case of ALPHA is essential for greenfield investments. With acquisitions, existing market knowledge might be acquirable, but with greenfield investments and exporting, the knowledge must be gathered beforehand. The greenfield investment and the exporting activities of ALPHA in Austria are prominent examples of pre-existing market knowledge. The acquisition choice in HPD countries like Mexico also requires extensive market knowledge. Market knowledge is more explicit and easier to acquire, which is an advantage for the organic market entry modes. The first knowledge type identified is political knowledge. Even though much literature has focused on political knowledge, the researchers' findings show that political knowledge has not been mentioned as much during the interviews. On the other hand, institutional differences have been quoted a lot regarding focal markets. Institutional knowledge is especially relevant for greenfield investments and exporting. Furthermore, information regarding the institutional situation and regularities is crucial for the entry mode decision in HPD countries. This lack of institutional knowledge and the problems that come with it was demonstrated in the Brazilian market entry. As for the whole category, institutional knowledge is rather explicit in knowledge and therefore easy to gather when deciding to enter with a greenfield or via exporting. The most striking finding is that institutional knowledge was mentioned a lot regarding market entries in the HC industry. Due to the institutional differences between the HC and the other industries, the entry mode choice is influenced. However, the foundation of ALPHA's entry mode choice is macro-economic knowledge. This knowledge is also essential for the market entry decision in the first place. The market potential, which is covered by the latter mentioned knowledge type, is essential in deciding whether the case firm would opt for exporting or for acquisition. Due to the explicit characteristic, the knowledge type is easy to gather. A knowledge type that is not easy to gather and therefore highly influential regarding the entry mode choice is cultural knowledge. If cultural knowledge is missing, an acquisition was and is a solution for ALPHA to fill the knowledge gap. Cultural knowledge is especially important in HPD markets. However, cultural knowledge is also critical to enter markets successfully with the organic entry route. The last knowledge type of the market knowledge category is partnership knowledge. This knowledge type is essential when it comes to the HC market. The top management of ALPHA highlighted the importance of partnerships within the HC market and advised them to opt for a JV because of the high importance of partnerships.

In ALPHA's case, one can say that acquisitions are chosen when market and customer knowledge are missing. Even though it is a more costly entry mode choice, it offers a head start within the market. The difficulty is to gather enough acquisition knowledge to have a good fit

between the focal company and the Service-MNC. For greenfield investments and exporting, market knowledge and customer knowledge cannot be acquired. Therefore, the focus is on those two knowledge categories and might require more effort in the initial knowledge gathering process. To implement its business model and the corporate culture without compromising too much, ALPHA started to enter markets with a hybrid model. This hybrid entry mode is even more costly than acquisitions. Still, it offers the opportunity to build a subsidiary that follows the exact business model of the HQ and inherits the corporate culture of the Service-MNC.

5.2 Theoretical Contribution

In the following, the theoretical contribution of the thesis is depicted. Furthermore, the theoretical novelty of the findings is highlighted, and the contribution to existing IB and KBV literature is presented.

There have been IB literature focusing on knowledge regarding entry modes. Those studies focused primarily on the knowledge transfer influenced by the entry mode choice or the entry mode choice of manufacturing firms. However, this thesis focuses on the knowledge types perceived as useful for deploying entry modes. The author contributed a single embedded case study of a Service-MNC to the existing body of literature of the KBV and IB. With the innovative research question, more awareness on the importance of knowledge in the whole internationalization process is shed. So far, knowledge was primarily researched on behalf of its transfer abilities and its nature. However, this thesis focuses on knowledge types that must be gathered to choose the proper entry mode for a focal market. Furthermore, the researcher wants to inspire continuous research on this topic. The case study findings illustrate with real-life quotes what knowledge is perceived as necessary for the top management of a German Service-MNC to make the right entry mode choice. It sheds light on the top management experiences due to failed or successful market entries and what knowledge they gathered during their experiential learning. Including the top management of the subsidiary in Mexico and Austria, a comparison between HPD and LPD countries could be demonstrated. Therefore, this study also contributes to the literature on entry mode choices in EMs. Including the nature of knowledge as part of the discussion of the findings, the tacit and explicit nature of different knowledge types was highlighted. Furthermore, the thesis included various industries serviced by the chosen case study MNC and shed light on the entry mode choice in different industries. Identifying entry mode knowledge types that the top management of a Service-MNC perceives as useful for deploying different entry modes has not been researched yet. Furthermore, the second research question and the findings regarding the second research question significantly

contribute to the theoretical novelty of this thesis. The explicit and tacit nature of knowledge is assigned explicitly to knowledge types and contributes further to the existing literature. The interpretive research approach and the research questions stated in this thesis offer great potential for future research and managerial implications. Last but not least, this master thesis and the findings gathered offer theoretical insights to the previously introduced concepts of the KBV. It sheds light on the already mentioned tacit and explicit knowledge on Service-MNC internationalization knowledge, cross-border knowledge transfer, MNC-subsidiary knowledge transfer, top management internationalization knowledge, etc.

5.3 Managerial Implications

On a managerial level, the findings of this thesis may help the top management of other Service-MNCs in their entry mode choice. The top management can assess whether the relevant knowledge types gathered are sufficient to choose the suitable entry mode. By understanding the importance of the knowledge categories, managers significantly reduce the risk of deploying the wrong entry mode. In order to enter with an acquisition, the top management is advised to gather sufficient acquisition knowledge. The majorly tacit knowledge of the focal firm is essential to minimize the migration or integration process. Full acquisitions compared to JVs inhabit the advantage that the business model and the corporate culture can be better integrated. With a JV, it is even more critical for the top management of a Service-MNC to have sufficient business model, corporate culture, and human resource knowledge to minimize the risk of conflicts. If the top management cannot gather that information, the organic entry mode route might be advisable. It might be easier to enter with a greenfield investment or exporting due to the primarily explicit needed market knowledge. Even though market knowledge is more explicit and therefore better accessible, there are exceptions to that. Cultural knowledge is tacit in nature and has to be experientially gathered by the management or acquired via local management. Especially when wanting to internationalize to HPD markets, managers should look for local management with cultural knowledge that fits with the corporate culture and the business model idea of the MNC. Furthermore, markets with high regulations and partnership requirements might be better entered with JVs. The HC market is one example of a highly regulated market that might lead the top management of a Service-MNC to enter with a JV. Nevertheless, there are alternative entry mode routes as well. If the management is looking for a perfect fit between the HQ and its subsidiaries and immediate business in the focal market, the hybrid entry mode might be advisable. Even though this particular entry mode is more

costly, it leaves the management to build a subsidiary that fits the business model, the corporate culture, and all of the necessary factors for smooth corporate integration.

5.4 Limitations

Due to the authors' limited resources, the thesis inhabits some limitations. Given that ALPHA is a technology leasing company and offers specific services, the findings do not apply to the top management of Service-MNCs in other industries. Even though the data was collected from the top management of ALPHA, more participants are needed to have a more in-depth interpretive case study result. Furthermore, positivistic-oriented researchers might favor a multiple case study design to generalize the findings better. Moreover, they might argue that the sample choice, the methodology related to the data collection, are limitations as well. Additionally, the author of this thesis collected data regarding the entry mode choice retrospectively. With having participants describing the due diligence of the entry mode choice in retrospect, essential information and knowledge might have been forgotten.

The MNC chosen for this thesis mostly internationalized with full acquisitions or greenfield investments. Limited data could be gathered regarding JVs and exporting. Furthermore, ALPHA has only partially entered the HC, IT, and industrial sectors with different entry modes. Therefore the information gathered regarding the entry mode choice in various industries is hypothetically and with limited practical backup experiences. Not only the findings regarding the industries are limited, but also the findings regarding high and low psychic distance countries inhabit some limitations. Even though the interviews gathered information about the entry mode choices in several countries, the focus of the case study was on Austria and Mexico. The findings regarding those two countries are not generalizable to all other low and high psychic distance markets. In conclusion, due to the limitations of the author's resources and the scope of this thesis, future research is demanded.

5.5 Directions for Future Research

As in the last subsection mentioned, the study inhabits some limitations and offers directions for future research. First of all, the research question could be analyzed from a more positivistic perspective to detect if the methodology used in this study was sufficient to enable representative findings. A multiple case study could enable more profound assumptions on what knowledge types are perceived as useful for the market entry mode of Service-MNCs in general. As already mentioned in the limitation subsection, the data regarding the entry mode choice

was collected retrospectively. Future research could gather data when the top management is doing the due diligence and decides on a market entry mode.

ALPHA focuses on its internationalization approach on full acquisitions and greenfield investments. Future research could focus on Service-MNCs that have primarily entered markets with JVs or via exporting to shed more light on the other identified entry modes. Another case study might also give more information on how relevant political knowledge is as a knowledge type for the entry mode choice. Regarding the acquisition knowledge category, strategic opportunity knowledge should be highlighted in future research as well. Due to limited data in this thesis, no sufficient finding could be presented that shows the influence of this particular knowledge type on the entry mode choice. Moreover, even though the interviewees of ALPHA talked a lot about the importance of customers and customer knowledge, no specific knowledge types could be identified for this category. Future research could focus more on the customer knowledge category. It would further be interesting to see if other Service-MNCs follow the hybrid entry mode strategy as well. Due to the limited resource-commitment of Service-MNCs subsidiaries, this entry mode might become much more common in future practices. Even though the case study embedded Austria and Mexico, more research should focus on psychic distance as a moderating role. Furthermore, this thesis detected some knowledge types as more tacit and explicit. It would be exciting to know if the nature of those knowledge types and difficulties in transferring those knowledge types to focal subsidiaries affects the entry mode choice as well.

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7 Appendix

7.1 Interview Guide

Theory	Concept	Questions for the interview guide	Follow up Questions	Adressed to	Source
Introduction		Present the topic and research question of the thesis.		HQ/Mexico/Austria	Wang, P., Tong, T. W., & Koh, C. P. (2004). An integrated model of knowledge transfer from MNC parent to China subsidiary. <i>Journal of World Business</i> , 39(2), 168–182. https://doi.org/10.1016/j.jwb.2003.08.009
		Ask for consent to record the interview and let the participant be aware that the interview is anonymous.			
		I will ask open-ended questions, so please elaborate your answers as much as possible.			
		Do you have any questions before we start?			
Background information of the interviewee and the firm	Name			HQ/Mexico/Austria	Wang, P., Tong, T. W., & Koh, C. P. (2004). An integrated model of knowledge transfer from MNC parent to China subsidiary. <i>Journal of World Business</i> , 39(2), 168–182. https://doi.org/10.1016/j.jwb.2003.08.009
	Age				Herrmann, P., & Datta, D. K. (2006). CEO Experiences : Effects on the Choice of FDI Entry Mode * Pol Herrmann and Deepak K . Datta. <i>Journal of Management</i> , 43:4(June), 757–778. Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. <i>Academy of Management Review</i> , 9(2), 193–206. https://doi.org/10.5465/amr.1984.4277628
	Can you please describe the organization shortly.	What industries does the company service? And in what countries have the firm internationalized?			Wang, P., Tong, T. W., & Koh, C. P. (2004). An integrated model of knowledge transfer from MNC parent to China subsidiary. <i>Journal of World Business</i> , 39(2), 168–182. https://doi.org/10.1016/j.jwb.2003.08.009
	What position do you hold in the organization?	Could you describe a typical day at work?			Herrmann, P., & Datta, D. K. (2006). CEO Experiences : Effects on the Choice of FDI Entry Mode * Pol Herrmann and Deepak K . Datta. <i>Journal of Management</i> , 43:4(June), 757–778. Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. <i>Academy of Management Review</i> , 9(2), 193–206. https://doi.org/10.5465/amr.1984.4277628
	How long have you had this position and for how long have you worked for Alpha?				Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. <i>Academy of Management Review</i> , 9(2), 193–206. https://doi.org/10.5465/amr.1984.4277628
	Do you have any previous experiences that you feel are helpful to you in your current position?				Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. <i>Academy of Management Review</i> , 9(2), 193–206. https://doi.org/10.5465/amr.1984.4277628
	Could you tell me a story, which best describes the corporate culture within Alpha?				Wang, P., Tong, T. W., & Koh, C. P. (2004). An integrated model of knowledge transfer from MNC parent to China subsidiary. <i>Journal of World Business</i> , 39(2), 168–182. https://doi.org/10.1016/j.jwb.2003.08.009

Theory	Concept	Questions for the interview guide	Follow up Questions	Adressed to	Source
The Knowledge-Based View and International Business	International Market Entry Mode Knowledge	How would you describe or define the internationalization approach of Alpha?		HQ/Mexico/Austria	Casillas, J. C., Moreno, A. M., Acedo, F. J., Gallego, M. A., & Ramos, E. (2009). An integrative model of the role of knowledge in the internationalization process. <i>Journal of World Business</i> , 44 (3), 311–322. https://doi.org/10.1016/j.jwb.2008.08.001
		Can you elaborate on what you want to achieve with international diversification?		HQ	Brouthers, D. K., & Hennart, J. F. (2007). Boundaries of the firm: Insights from international entry mode research. <i>Journal of Management</i> , 33 (3), 395–425. https://doi.org/10.1177/0149206307300817 Pak, Y. S. (2002). The Effect of Strategic Motives on the Choice of Entry Modes: An Empirical Test of International Franchisers. <i>Multinational Business Review</i> , 10(1), 28.
		Can you explain the typical process which is going into market entry decisions?		HQ	Casillas, J. C., Moreno, A. M., Acedo, F. J., Gallego, M. A., & Ramos, E. (2009). An integrative model of the role of knowledge in the internationalization process. <i>Journal of World Business</i> , 44 (3), 311–322. https://doi.org/10.1016/j.jwb.2008.08.001
		Could you explain the decision-making process which went into your last internationalization decision?	By internationalization decision I mean a foreign market on which you have most recently decided to enter.	HQ	Stoian, M. C., Dimitratos, P., & Plakoyiannaki, E. (2018). SME internationalization beyond exporting: A knowledge-based perspective across managers and advisers. <i>Journal of World Business</i> , 53 (5), 768–779. https://doi.org/10.1016/j.jwb.2018.06.001
		Have you been involved in the market entry decision of Mexico or Austria and can you explain how?	Why did you choose to enter the country with a WOS?	HQ/Mexico/Austria	
		Can you elaborate on why Alpha has mostly entered markets with a WOS?	What are advantages and disadvantages of entering a market with a WOS?	HQ	Brown, J. R., Dev, C. S., & Zhou, Z. (2003). Broadening the foreign market entry mode decision: Separating ownership and control. <i>Journal of International Business Studies</i> , 34 (5), 473–488. https://doi.org/10.1057/palgrave.jibs.8400050 Erramilli, M. K., Agarwal, S., & Dev, C. S. (2002). Choice between non-equity entry modes: An organizational capability perspective. <i>Journal of International Business Studies</i> , 33(2), 223–242. https://doi.org/10.1057/palgrave.jibs.8491014
		Have you only internationalized with sales subsidiaries or are other functional areas also offshored?		HQ	Roth, M. S., Jayachandran, S., Dakhli, M., & Colton, D. A. (2009). Subsidiary use of foreign marketing knowledge. <i>Journal of International Marketing</i> , 17(1), 1–29. https://doi.org/10.1509/jimk.17.1.1
		How have previous foreign market entries influenced recent entry mode decisions?	Could you use maybe Mexico or Austria as examples?	HQ	Claver, E., & Quer, D. (2005). Choice of market entry mode in China: the influence of firm-specific factors. <i>Journal of General Management</i> , 30 (3), 51–70. https://doi.org/10.1177/030630700503000304 Erramilli, M. K. (1991). The Experience Factor in Foreign Market Entry Behavior of Service Firms. <i>Journal of International Business Studies</i> , 22(3), 479–501. https://doi.org/10.1057/palgrave.jibs.8490312
		Have you ever been involved in a failed market entry?	And would you elaborate on why you think the market entry failed? Examples.	HQ/Mexico/Austria	Fletcher, M., Harris, S., & Richey, R. G. (2013). Internationalization Knowledge: What, Why, Where, and When? <i>Journal of International Marketing</i> , 21 (3), 47–71. https://doi.org/10.1509/jim.12.0121
		Would you consider different entry modes for the different serviced industries, and if yes, why?	What industry-specific factors have influenced market entry mode decisions?	HQ	Canabal, A., & White, G. O. (2008). Entry mode research: Past and future. <i>International Business Review</i> , 17 (3), 267–284. https://doi.org/10.1016/j.ibusrev.2008.01.003
The Knowledge-Based View and International Business	Cross-Border Knowledge Transfer	Are there standardized formulas to enter different countries or industries?		HQ	
		How would you describe the geographical distance as one factor influencing the communication between the HQ and the subsidiaries?		HQ/Mexico/Austria	Contractor, F., Yang, Y., & Gaur, A. S. (2016). Firm-specific intangible assets and subsidiary profitability: The moderating role of distance, ownership strategy and subsidiary experience. <i>Journal of World Business</i> , 51(6), 950–964. https://doi.org/10.1016/j.jwb.2016.09.002

Theory	Concept	Questions for the interview guide	Follow up Questions	Adressed to	Source
The Knowledge-Based View and International Business	MNC-Subsidiary Knowledge Transfer	How would you characterize the relationship between the subsidiaries (Austria and Mexico) and the HQ?	Do you have examples which best describes your relationship? And why do you think is the relationship different between the various subsidiaries?	HQ/Mexico/Austria	Dimitratos, P., Plakoyiannaki, E., Thanos, I. C., & Förbom, Y. K. (2014). The overlooked distinction of multinational enterprise subsidiary learning: Its managerial and entrepreneurial learning modes. <i>International Business Review</i> , 23(1), 102–114. https://doi.org/10.1016/j.ibusrev.2013.08.003
		How often and by which type of communication does the subsidiary and the HQ communicate?		HQ/Mexico/Austria	Dimitratos, P., Plakoyiannaki, E., Thanos, I. C., & Förbom, Y. K. (2014). The overlooked distinction of multinational enterprise subsidiary learning: Its managerial and entrepreneurial learning modes. <i>International Business Review</i> , 23(1), 102–114. https://doi.org/10.1016/j.ibusrev.2013.08.003
		What is the primary purpose of your meetings with the HQ?		HQ/Mexico/Austria	Dimitratos, P., Plakoyiannaki, E., Thanos, I. C., & Förbom, Y. K. (2014). The overlooked distinction of multinational enterprise subsidiary learning: Its managerial and entrepreneurial learning modes. <i>International Business Review</i> , 23(1), 102–114. https://doi.org/10.1016/j.ibusrev.2013.08.003
		Could you elaborate on an example of how subsidiaries differ in the communication?	Maybe you could explain that by showing differences in the communication with Mexico or Austria?	HQ	Easterby-Smith, M., Lyles, M. A., & Tsang, E. W. K. (2008). Inter-organizational knowledge transfer: Current themes and future prospects. <i>Journal of Management Studies</i> , 45(4), 677–690. https://doi.org/10.1111/j.1467-6486.2008.00773.x
		What is the extent of autonomy provided for your sales subsidiaries in Austria and Mexico? Are products or other marketing activities modified for Austria and Mexico?	If yes, is this done locally in each market or coordinated globally by the headquarters?	HQ/Mexico/Austria	Roth, M. S., Jayachandran, S., Dakhli, M., & Colton, D. A. (2009). Subsidiary use of foreign marketing knowledge. <i>Journal of International Marketing</i> , 17(1), 1–29. https://doi.org/10.1509/jimk.17.1.1
		Are there examples of valuable knowledge that subsidiaries can share that is not, or cannot be, standardized? How important is this knowledge for success in the organization of Alpha?		HQ/Mexico/Austria	Roth, M. S., Jayachandran, S., Dakhli, M., & Colton, D. A. (2009). Subsidiary use of foreign marketing knowledge. <i>Journal of International Marketing</i> , 17(1), 1–29. https://doi.org/10.1509/jimk.17.1.1
		Had this subsidiary have any experience with expatriation or inpatriation?/Has Alpha any experience with expatriation or inpatriation?	Could you maybe give an example and why did you choose to position an expatriate or inpatriate wherever you have positioned him?	HQ/Mexico/Austria	Simonin, B. L. (2019). Ambiguity and the Process of Knowledge Transfer in Strategic Alliances. <i>Strategic Management Journal</i> , 53(9), 1689–1699. https://doi.org/10.1017/CBO9781107415324.004 Collings, D. G., Morley, M. J., & Gunnigle, P. (2008). Composing the top management team in the international subsidiary: Qualitative evidence on international staffing in U.S. MNCs in the Republic of Ireland. <i>Journal of World Business</i> , 43(2), 197–212. https://doi.org/10.1016/j.jwb.2007.11.008 Duvivier, F., Peeters, C., & Harzing, A. W. (2019). Not all international assignments are created equal: HQ-subsidiary knowledge transfer patterns across types of assignments and types of knowledge. <i>Journal of World Business</i> , 54(3), 181–190. https://doi.org/10.1016/j.jwb.2019.02.003
		Which industries does Alpha serve in Austria / Mexico?	Why would they not serve all industries?	HQ/Mexico/Austria	Easterby-Smith, M., Lyles, M. A., & Tsang, E. W. K. (2008). Inter-organizational knowledge transfer: Current themes and future prospects. <i>Journal of Management Studies</i> , 45(4), 677–690. https://doi.org/10.1111/j.1467-6486.2008.00773.x
		Have you ever had any problems with the relationship to one of the subsidiaries and could you explain what the problem was?		HQ	Simonin, B. L. (2019). Ambiguity and the Process of Knowledge Transfer in Strategic Alliances. <i>Strategic Management Journal</i> , 53(9), 1689–1699. https://doi.org/10.1017/CBO9781107415324.004
		How autonom are Mexico and Austria in their businesses?	Can you maybe name examples on their autonomous activities?	HQ/Mexico/Austria	Dimitratos, P., Plakoyiannaki, E., Thanos, I. C., & Förbom, Y. K. (2014). The overlooked distinction of multinational enterprise subsidiary learning: Its managerial and entrepreneurial learning modes. <i>International Business Review</i> , 23(1), 102–114. https://doi.org/10.1016/j.ibusrev.2013.08.003 Özsomer, A., & Gençtürk, E. (2003). A Resource-Based Model of Market Learning in the Subsidiary: The Capabilities of Exploration and Exploitation. <i>Journal of International Marketing</i> , 11(3), 1–29. https://doi.org/10.1509/jimk.11.3.1.20157 Li, J., & Lee, R. P. (2015). Can knowledge transfer within MNCs hurt subsidiary performance? The role of subsidiary entrepreneurial culture and capabilities. <i>Journal of World Business</i> , 50(4), 663–673. https://doi.org/10.1016/j.jwb.2014.09.004 Galli Geleilate, J. M., Andrews, D. S., & Fainshmidt, S. (2019). Subsidiary autonomy and subsidiary performance: A meta-analysis. <i>Journal of World Business</i> , 55(4), 101049. https://doi.org/10.1016/j.jwb.2019.101049
		Are there differences in the organizational culture between the HQ and subsidiaries and could you elaborate on them?		HQ/Mexico/Austria	Li, J., & Lee, R. P. (2015). Can knowledge transfer within MNCs hurt subsidiary performance? The role of subsidiary entrepreneurial culture and capabilities. <i>Journal of World Business</i> , 50(4), 663–673. https://doi.org/10.1016/j.jwb.2014.09.004

Theory	Concept	Questions for the interview guide	Follow up Questions	Adressed to	Source
The Knowledge-Based View and International Business	Service-MNC Internationalization Knowledge	Can you elaborate on the resource-commitment related to setting up a sales subsidiary for Alpha?		HQ/Mexico/Austria	Herrmann, P., & Datta, D. K. (2006). CEO experiences: Effects on the choice of FDI entry mode. <i>Journal of Management Studies</i> , 43 (4), 755–778. https://doi.org/10.1111/j.1467-6486.2006.00610.x Erramilli, M. K. (1991). The Experience Factor in Foreign Market Entry Behavior of Service Firms. <i>Journal of International Business Studies</i> , 22(3), 479–501. https://doi.org/10.1057/palgrave.jibs.8490312 Freeman, S., & Sandwell, M. (2008). Professional service firms entering emerging markets: The role of network relationships. <i>Journal of Services Marketing</i> , 22(3), 198–212. https://doi.org/10.1108/08876040810871165 Sanchez-Peinado, E., & Pla-Barber, J. (2006). A multidimensional concept of uncertainty and its influence on the entry mode choice: An empirical analysis in the service sector. <i>International Business Review</i> , 15(3), 215–232. https://doi.org/10.1016/j.ibusrev.2006.02.002
		Could you describe the three main services of yours (IT, HC and Industrial)?		HQ/Mexico/Austria	Ekeledo, I., & Sivakumar, K. (2004). International market entry mode strategies of manufacturing firms and service firms: A resource-based perspective. <i>International Marketing Review</i> , 21(1). https://doi.org/10.1108/02651330410522943
		Could you elaborate on the lifecycle of your main services?		HQ/Mexico/Austria	Von Nordenflycht, A. (2010). What is a professional service firm? Toward a theory and taxonomy of knowledge-intensive firms. <i>Academy of Management Review</i> , 35(1), 155–174. https://doi.org/10.5465/AMR.2010.45577926
		How important is the customer interaction for your services?		HQ/Mexico/Austria	Blomstermo, A., Sharma, D. D., & Sallis, J. (2006). Choice of foreign market entry mode in service firms. <i>International Marketing Review</i> , 23(2), 211–229. https://doi.org/10.1108/02651330610660092 Goerzen, A., & Makino, S. (2007). Multinational corporation internationalization in the service sector: A study of Japanese trading companies. <i>Journal of International Business Studies</i> , 38(7), 1149–1169. https://doi.org/10.1057/palgrave.jibs.8400310 Meyer, C. R., Skaggs, B. C., Nair, S., & Cohen, D. G. (2015). Customer Interaction Uncertainty, Knowledge, and Service Firm Internationalization. <i>Journal of International Management</i> , 21(3), 249–259. https://doi.org/10.1016/j.intman.2015.04.003
		Does your service still face some regulation maybe in some industries and could you describe them?		HQ/Mexico/Austria	Goerzen, A., & Makino, S. (2007). Multinational corporation internationalization in the service sector: A study of Japanese trading companies. <i>Journal of International Business Studies</i> , 38(7), 1149–1169. https://doi.org/10.1057/palgrave.jibs.8400310 José Álvarez-Gil, M., Cardone-Riportella, C., Lado-Cousté, N., & Samartín-Sánchez, M. (2003). Financial service firms' entry-mode choice and cultural diversity: Spanish companies in Latin America. <i>International Journal of Bank Marketing</i> , 21(3), 109–121. https://doi.org/10.1108/02652320310469494
		How would you describe the differences in the entry mode choice of service firms and manufacturing firms?		HQ	
The Knowledge-Based View and International Business	Top Management Internationalization Knowledge	Please describe your involvement in the internationalization process of Alpha?	What was your first experience or role related to internationalization?	HQ/Mexico/Austria	
		How involved are you in the entry mode decisions? What exactly do you do?	What are previous international experiences that might have helped you in this decision making process?		Athanassiou, N., & Nigh, D. (2000). Internationalization, tacit knowledge and the top management teams of MNCs. <i>Journal of International Business Studies</i> , 31(3), 471–487. https://doi.org/10.1057/palgrave.jibs.8490917 Herrmann, P., & Datta, D. K. (2006). CEO experiences: Effects on the choice of FDI entry mode. <i>Journal of Management Studies</i> , 43(4), 755–778. https://doi.org/10.1111/j.1467-6486.2006.00610.x Athanassiou, N., & Nigh, D. (2002). The impact of the top management team's international business experience on ... <i>Management International</i> , 42(2), 157–181. Sambharya, 1996 Athanassiou & Nigh, 2000
		How often do you visit the HQ/subsidiaries physically?			
		Could you elaborate on your first international assignment and experiences related to your work for Alpha?			Stoian, M. C., Dimitratos, P., & Plakoyiannaki, E. (2018). SME internationalization beyond exporting: A knowledge-based perspective across managers and advisers. <i>Journal of World Business</i> , 53 (5), 768–779. https://doi.org/10.1016/j.jwb.2018.06.001
		Tell us more about the purpose of the work assignments at the HQ/subsidiaries.	When do you go to the HQ/subsidiaries and why?		Athanassiou, N., & Nigh, D. (2000). Internationalization, tacit knowledge and the top management teams of MNCs. <i>Journal of International Business Studies</i> , 31(3), 471–487. https://doi.org/10.1057/palgrave.jibs.8490917 Herrmann, P., & Datta, D. K. (2006). CEO experiences: Effects on the choice of FDI entry mode. <i>Journal of Management Studies</i> , 43(4), 755–778. https://doi.org/10.1111/j.1467-6486.2006.00610.x
		Can you maybe name an example where you learned about cultural differences between Mexico/Austria and Germany and learned to adjust?			Daily, C. M., Certo, S. T., & Dalton, D. R. (2000). International Experience in the Executive Suite: The Path to Prosperity? <i>Strategic Management Journal</i> , 21(4), 515–523. https://doi.org/10.1017/CBO9781107415324.004
		What languages do you speak?			

Theory	Concept	Questions for the interview guide	Follow up Questions	Adressed to	Source
The Knowledge-Based View and International Business	Top Management Internationalization Knowledge	How often do you visit the HQ/subsidiaries physically?		HQ/Mexico/Austria	Athanassiou & Nigh, 2000
		Could you elaborate on your first international assignment and experiences related to your work for Alpha?			Stoian, M. C., Dimitratos, P., & Plakoyiannaki, E. (2018). SME internationalization beyond exporting: A knowledge-based perspective across managers and advisers. <i>Journal of World Business</i> , 53 (5), 768–779. https://doi.org/10.1016/j.jwb.2018.06.001
		Tell us more about the purpose of the work assignments at the HQ/subsidiaries.	When do you go to the HQ/subsidiaries and why?		Athanassiou, N., & Nigh, D. (2000). Internationalization, tacit knowledge and the top management teams of MNCs. <i>Journal of International Business Studies</i> , 31(3), 471–487. https://doi.org/10.1057/palgrave.jibs.8490917
		Can you maybe name an example where you learned about cultural differences between Mexico/Austria and Germany and learned to adjust?			Herrmann, P., & Datta, D. K. (2006). CEO experiences: Effects on the choice of FDI entry mode. <i>Journal of Management Studies</i> , 43(4), 755–778. https://doi.org/10.1111/j.1467-6486.2006.00610.x
		What languages do you speak?			Daily, C. M., Certo, S. T., & Dalton, D. R. (2000). International Experience in the Executive Suite: The Path to Prosperity? <i>Strategic Management Journal</i> , 21(4), 515–523. https://doi.org/10.1017/CBO9781107415324.004
The Knowledge-Based View and International Business	The Knowledge-Based View of the Firm in Emerging Markets	Is there maybe a different pathway of how you enter Latin American markets in comparison to European?	If yes, why would you choose a different pathway to enter these markets?	HQ, Mexico	Dimitratos, P., Plakoyiannaki, E., Thanos, I. C., & Förbom, Y. K. (2014). The overlooked distinction of multinational enterprise subsidiary learning: Its managerial and entrepreneurial learning modes. <i>International Business Review</i> , 23(1), 102–114. https://doi.org/10.1016/j.ibusrev.2013.08.003
		What would you describe as key barriers to internationalize in Mexico?	Could you explain that by listing some barriers faced in Mexico?	HQ, Mexico	Freeman, S., & Sandwell, M. (2008). Professional service firms entering emerging markets: The role of network relationships. <i>Journal of Services Marketing</i> , 22(3), 198–212. https://doi.org/10.1108/08876040810871165
		Are further subsidiaries planned in Latin America?	Why would you or would not further expand to Latin America?	HQ	Zander, U., & Kogut, B. (1995). Knowledge and the Speed of the Transfer and Imitation of Organizational Capabilities: An Empirical Test. <i>Organization Science</i> , 6(1), 76–92. https://doi.org/10.1287/orsc.6.1.76
		How would you describe the Mexican organizational culture compared to the German one?		HQ, Mexico	

7.2 Sample Interview

Participant 3

Wed, 10/14 11:05AM • 57:43

SUMMARY KEYWORDS

business, customer, countries, Mexico, market, subsidiaries, , brazil, question, local, acquisition, acquiring, international, technology, internationalization, headquarter, interview, areas, inorganic, colleagues

SPEAKERS

Interviewer, Participant 3

Interviewer 00:20

Hi, I am sorry for the technical difficulties, but I don't know why Skype sometimes doesn't work.

Participant 3 00:40

Don't worry. We are connected now. So tell me, who out of ALPHA have you interviewed for your thesis.

Interviewer 00:49

So, for my master thesis topic and my research question, I focused on Austria and Mexico as two different countries to compare. Therefore, I have talked with the VP of Austria, I have spoken with Participant 2, with Participant 1, with Participant 4. Everybody who is involved in the internationalization process of ALPHA. Today I have also talked with Participant 8.

Participant 3 01:39

I think you probably have interviewed already the ALPHA royal family. Look, let's try to get started. I think I understand the brief from your interview. Let's maybe just begin the interview?

Interviewer 02:04

Maybe I start first by introducing myself. I'm Interviewer, 24 years old, and I have studied in Vienna for the last two years. I have also worked next to my master's at ALPHA as an internal sales. Before I went to Vienna, I have also done an internship in Düsseldorf and Weingarten. Therefore, I would say that I know the company quite well. Before we start the interview, I want to ask if it's okay for you that I record the interview. I will obviously anonymize the companies' and your name.

Participant 3 02:59

Yeah, perfectly fine.

Interviewer 03:02

Okay. I will ask mainly open-ended questions. So please elaborate as much as possible. And if you have any questions right now or during the interview, please feel free to ask. Okay, so I will start with some broad questions regarding background information about yourself and ALPHA. Maybe you can start with your name and your age.

Participant 3 03:37

My name is Participant 3. I am 52 years old.

Interviewer 03:41

Okay. And can you please describe ALPHA shortly? What industries does the company service, and in what countries have the firm internationalized?

Participant 3 03:58

ALPHA is an independent international service provider of asset management across three technology areas. They are operating in the IT industry, the healthcare industry, and the materials handling industry. ALPHA exists for 40 years. It currently is located across 28 countries and specializes in fair market value leases.

Interviewer 04:39

Perfect. What position do you hold in the organization currently? And could you maybe describe your typical day at work?

Participant 3 04:55

I am a member of the senior international management team within ALPHA. My title is Sales Director Americas, which means that I am responsible overall for the P&L performance of the four Americas countries that consist of the US, Canada, Mexico, and Brazil. Not one day is ever the same, which is one of the most exciting parts of the job, and it comes daily with challenges. Overcoming those challenges and helping people that I work with within the regions to become successful is a huge reward.

Interviewer 06:01

How long have you had this position as the sales director Americas for, and how long have you been working for ALPHA in total?

Participant 3 06:14

I began this role that I'm currently performing in March 2018. And I am on a contract from Europe until December 2021. I have been with ALPHA for the past 11 years. And I joined ALPHA through ALPHA acquiring my business.

Interviewer 06:53

And this was in the UK, right?

Participant 3 06:57

Yes, it was a UK-based company based in London, and it operated in the IT leasing field, specifically in the UK and Europe. The former CEO of ALPHA thought that there were many synergies between the ALPHA business in the UK and my business. And we entered into negotiations in January 2009. And we completed the sale and purchase in July 2009.

Interviewer 07:39

Have you had any other previous experiences that you feel are helpful in your current position, including the experiences you have made managing your own company?

Participant 3 07:56

Yeah, I've been working in the technology finance market sector for 30 years. And I began working for a bank in London that had a technology finance subsidiary. I spent five years there. Then I moved to another bank. I spent another five years there. At the second bank, I met my business partner, and he and I decided to leave the comfort of our paid jobs and set up our

business together that we ran for 13 years before we sold it to ALPHA . So, the experience leading into ALPHA was that I was able to get the background experience of working for two banks for ten years in total, and then working and owning my own company for 13 years before joining ALPHA.

Interviewer 09:10

And did you have any international experience helping you right now to coordinate the four countries you are responsible for?

Participant 3 09:23

I'm sorry, your sound dropped out. So try and repeat the question.

Interviewer 09:28

Have you had any international experience that you feel is helpful, managing the four countries you're responsible for right now?

Participant 3 09:38

Yes, I have. So the jobs that I have undertaken for ALPHA. First of all, I was one of the directors of the UK business. And then I have been appointed Vice President Sales for Western Europe. So I was then responsible for six European countries; the UK, Ireland, France, Netherlands, Belgium, and Luxembourg. So an English man, managing European countries with the translation necessary from the domestic language. And I was also managing, for example, a French business. And I'm English, and I'm working for a German boss and a German company. So you have a layer of French, English, German, German, English, French. So that, to me, is a perfect example of a real sense of internationalization of management. I came from experiences in the UK market and needed to learn the French market quickly. And then I needed them to be giving me the information in simple terms. A way that I can digest that and then relay that again to Germany in a way that they would like to see it. So it was forever disseminating information received, then confirming that I understand the information I've received, and then relaying it, effectively in the language that's required. And if I use that example, in France, that I had to work through. That's a perfect overlay for what I've experienced with Brazil, a Portuguese-language spoken country. And then Mexico, with Spanish. So I do not speak either Portuguese or Spanish. So, I rely on the bilingual skills of my country management. But even with Brazilian

natives or Mexican natives, you still need to work through that process of double-checking. And reaffirming that I understood what they're saying.

Interviewer 12:36

So you mentioned that you don't speak Spanish or Portuguese. Do you speak German? Or do you speak any other additional languages?

Participant 3 12:47

No. In many ways, I'm very lucky that the International Business language is English. So that has helped me. Do I think that it has been a disadvantage? Possibly. But I believe that the communication skills that I possess thankfully compensate for the lack of bilingual skills that I have.

Interviewer 13:30

And now, the last question of the first section. Could you just describe the corporate culture of ALPHA in your own words?

Participant 3 13:47

Absolutely. Really good question. In my opinion, the corporate culture of ALPHA is one of entrepreneurship but entrepreneurship within the local country markets. The board of directors in Germany transfers very generous delegating authorities to the individual countries and me at a regional level. And they expect us to know the local market. So I would say that, first and foremost, the culture of ALPHA is entrepreneurial and respectful for the local individual country markets and respects the leadership teams within those local markets if they do perform to the level of their expectation.

Interviewer 14:56

Okay. So, I will now start asking you some questions regarding the internationalization and market entries. And I would like to start with a question of how would you describe or define the internationalization approach of ALPHA or the internationalization strategy of ALPHA?

Participant 3 15:22

The internationalization strategy of ALPHA is one of absolute respect for our customers' corporate governance. We have thousands of customers that have an international presence.

And their corporate governance differs, and we respect that, that is their corporate governance. We have customers where the corporate governance for procurement is totally centralized. So we work with the centralized functions and work through that process and look to replicate harmonized processes and procedures that have been agreed upon from a centralized procurement function. We work with international customers that have centralized corporate governance. However, they then delegate to the local subsidiaries. So we then work in harmony with what that delegation is and be respectful to the individual, local requirements. There are instances whereby we've got global companies that are ALPHA customers, where the requirement for customer x in Australia and then customer x in Mexico are totally different even though they carry the same name, the same brand and logo.

Interviewer 17:15

Okay. I guess that you, as the sales director Americas, have been involved in the thought process behind entering, for example, Brazil. Can you maybe explain the decision making and the thought process behind these market entry decisions? And perhaps also the entry mode decision?

Participant 3 17:55

If we take Brazil as an example, as you have done so in your question, then Brazil is undoubtedly one of the most emerging markets in Latin America. And they possess a vast ecological benefit. The country itself is geographically huge. The population generally is well educated. Yes, there are significant challenges with the social divide. But when we look at the economics, the economics showed us that we followed our customers into the emerging markets. And what we found was that there were many, many international customers that ALPHA work with that were located in Brazil, but which were just not receiving the level of service or the provision from any other provider locally. So we looked at the economic environment of Brazil. We identified that there genuinely were customers across our footprint, internationally, asking us, can you help us with our requirements in Brazil? And that made our decision to invest in that country easier.

Interviewer 19:40

And why did you choose to enter Brazil with a Greenfield investment instead of acquiring the company?

Participant 3 19:55

Sometimes in the M&A activities of any large or small organization, fate or even luck plays a part. And while we were looking at the inorganic opportunities to acquire market share through a wholesale acquisition, we came across two very talented business leaders who shared the same entrepreneurial culture mentioned earlier in the interview. And it was very quick that we identified it; here were two individuals that had the entrepreneurial spirit, had the local knowledge had all of the skill set components within our market sector, within our business model that we could easily transfer into. And we then decided not to pursue the inorganic route, but to go down the as you calling it, the Greenfield approach, where we simply build our business in Brazil from the ground up.

Interviewer 21:21

Okay. And I am focusing now on Mexico. I don't know if you have been involved in the market entry decision of Mexico as well. But maybe you can also explain why ALPHA decided to enter Mexico and why initially with a joint venture and not with an acquisition.

Participant 3 21:52

The decision to acquire Mexico or any business in Mexico that actually ended up being a joint venture structure was actually by deflection. The business was looking to enter the North American market, particularly the USA. And there was an acquisition target 11 years ago. And it just so happened that that acquisition targeting based in California also had operations in Mexico City. So we kind of were able to inorganically grow into two new countries with one transaction. The US acquisition was made at a wholesale capacity owning 100%. Taking 100% control of the business. The Mexican shareholders at the time, were only willing to enter into a joint venture arrangement, then latterly decided to liquidate the remaining equity that they held. And so that was really the sort of background. And obviously, the NAFTA, as was, has helped. So we could really understand the intra trade between the US and Mexican businesses. So, yeah, we caught two fish with one line.

Interviewer 23:57

After interviewing some of your colleagues already, I can observe the pattern that ALPHA prefers to acquire existing local companies. Can you maybe tell me the reasons, advantages, and disadvantages of acquiring firms compared to joint ventures or building companies from scratch?

Participant 3 24:27

The inorganic acquisition route is faster. It's sometimes more expensive, but it's faster. So you have to weigh up. Much effort goes into the process of acquiring a business, especially the due diligence. And it's the second word of those two words that is important "diligence." When you go through that sale and purchase experience. You also then need to make sure to recognize that one of the most important elements of due diligence is the talented people that exist within the organization. We are a technology business. But we are working in technology areas with people. It is really important that the people and the business culture that we're acquiring, again, that the culture match is there. The grass-root, or from the ground up opportunity into a new country, is potentially attractive because it's less expensive, but it takes longer. And as we've seen with our experience with Brazil; the Brazil business has taken much longer to become a net profit contributor to the group and provide shareholder return. Especially comparing it to an inorganic acquisition. With an inorganic acquisition, you are receiving overnight, increased embedded value in ALPHA business.

Interviewer 26:42

Regarding previous market entries, do you think these experiences also influenced other market entry mode decisions? Like, for example, the experience you had in Mexico with the joint venture. I heard about some difficulties with the part-owner. Do you think this influences the market entry mode decisions of, for example, Brazil or others?

Participant 3 27:14

Yeah, I think it does. But I think with an acquisition, we're looking at it from the other side. Owners are deciding to sell. There has to be a real sense of unity pretty quickly as well, that both parties share nearly the same common goals. Yeah, because, of course, there is a degree of posturing through any sale or purchase. The seller is posturing because they want the best price, and the seller is posturing because they want it for less. It's part of the negotiation process post due diligence. I think that the area that we've seen success in acquiring businesses like Mexico will be in a JV first, and then 100% equity acquisitions. As we've just seen recently, our most recent acquisition in Australia and New Zealand territory is so far away, but the markets are not that different. Yeah, the underlying principles of the business models are pretty much the same. So if you have that as a close match, well, obviously, that helps. But embedded in that is definitely the people.

Interviewer 28:57

Of course. It's good that you mentioned the geographical distance because now I want to start ask questions regarding the relationship between subsidiaries and the headquarter. And the first question would have been, how would you describe the geographical distance as one factor influencing the communication between the headquarter and the subsidiary?

Participant 3 29:25

Times zones play a part. I stress again, that ALPHA is at its core an entrepreneurial business. Through the local market activity, whether in the US or Mexico, we come across business opportunities requiring rapid response. But if you've got time zone challenges, you're unable or find it challenging to adhere to those rapid response requirements, to maintain that competitive edge. So that's one area. What I think that the business has done well is continuing to, and we work in a quite complicated and sophisticated market sector, if we allow it to be that, is to just really simplify. Simplify it, make it, and take it dumb, as I call it, and then the speed of the decision-making process is far quicker. So forget the time zone challenges. For one of the other areas, I think our internationalization success also comes from a very flat management structure. By myself, I am responsible for four countries in the Americas region. And I can pick up the telephone and speak to any of the four members of the board of management in Germany to discuss the topic relevant to my country, in their board responsibility.

Interviewer 31:29

Can you think of any other factors which you think are influencing the communication between the subsidiaries and the headquarters?

Participant 3 31:44

We work in technology, but we absolutely invest in people, and we'll continue to do so. It is the most valuable commodity that ALPHA has. And you've had the good fortune of working for ALPHA. So you know, what that feeling of spirit and generosity to colleagues. And that is not something that you read in an onboarding manual. That comes from the culture within and the leadership. So I think from that aspect, it's vitally important that the communication channels continue, in whatever sense, either in person or via modern technology. Now, I think on average, I'm having 13 MS Teams meetings a day. Would I have 13 separate face to face meetings? Probably not. So, you know, that's one example I would give. As we are a technology

manager, we need to prove that we are an efficient one. We have to practice what we preach. So we use all of the communication tools necessary.

Interviewer 33:20

So you also mentioned that you sometimes have up to 13 MS Teams calls a day. How often and by which type of communication do you and the headquarter communicate?

Participant 3 33:41

Pre COVID, it was by an audio conference call. During COVID, It's via video links, such as MS Teams or Zoom. These are the two preferred platforms that our business uses. That's probably why my colleagues have problems with skype. And if I revert to pre COVID. One of the most important aspects that I found was necessary was each of the board members from Germany physically coming to visit the countries. It's a long way from Germany to get to Sao Paolo. It's a long way to get to Mexico City. But the directors making the time to come and visit physically. Not only can they see the staff and the colleagues face to face. They get this feeling of what the office culture is like. And you do feel that, particularly in Mexico and Brazil. And I think it's just because of Latin America, the culture of being very tactile, and very happy all the time. So, yeah, I look forward to the time when we can revisit our colleagues in person. And I look forward to the time when our board of directors can do so as well.

Interviewer 35:23

So, you mentioned that the primary purpose of the face to face meetings is to sense the culture. But what are the other purposes of visits? And what are the purposes of your weekly or monthly team meetings with the people of the headquarter?

Participant 3 35:51

What's vitally important to me in any international strategy is, that you first of all need to make sure that you've got all of the management team clear of what the strategy is. What we got to do as a management team, we then got to relay that message with such clarity. Then what we've got to do is we've got to repeat that clarity. And then we've got to reaffirm that the clarity that we have sent is being understood. And for me, communication is very much a case of consistency, in a clear way. And to keep clear consistency of messaging going. Yes, there are local deviances that do exist. There is a significantly different regulatory authority process that

we have to adhere to in Brazil than in the UK. It is different from Germany with the labor laws, that's different to the American employment law, which is at will.

Interviewer 37:23

You also mentioned the entrepreneurial spirit of the subsidiaries and the autonomy the headquarter offers to the subsidiaries. Are there also products or services or marketing activities modified for your markets in the Americas?

Participant 3 37:51

Oh, absolutely, they have to be. We are not providing our customers with a can of Coke. So, there are unique local market differences. It still should not remove the consistent cultural delivery of ALPHA across an international platform. But here, there are definitely local differences. Yeah, without a doubt.

Interviewer 38:32

And do you have examples of valuable knowledge that the subsidiary of Mexico, for example, can share with the headquarter, which then can influence operations in other countries as well?

Participant 3 38:51

One example I can probably use to help you with that is that in the United States, the market, particularly with the global employers that are ALPHA customers in the US, are very strong on their social responsibility. So they are eager to work with organizations that have minority accreditations. And while we work with organizations in the US that prioritize their corporate social responsibility, whether it be through sustainability or through using minority-owned or minority accredited organizations. We've seen that we've been able to share those experiences in America with our European colleagues, and there are a number of customers in Europe that have also attached this same philosophy.

Interviewer 40:10

Perfect. So, you are also an ideal example of expatriation. Can you elaborate on why you have been chosen to expatriate and why ALPHA expatriates people to other countries? What is the purpose behind expatriation?

Participant 3 40:36

The purpose is, I think, twofold, threefold, actually. One is to add value to the territory or country that you are in. The second element is that you or the person assigned leaves a legacy. And number three is that that person should also enjoy a professional and personal learning experience through the expatriation. If I speak of myself, I am very eager to make sure that at the end of 2021 I leave a lasting legacy through my time here for the four countries I've been responsible for. That when I return to an international role in Europe, I can then reflect on the strategy, let's say Mexico is following, with great pride, that that was part of the legacy that other management colleagues and I left behind.

Interviewer 42:08

Okay. And could you again but in more detail describe the autonomy provided for your businesses in Mexico? Where is it regulated? And where are you free in your actions?

Participant 3 42:32

Autonomy in the sense of delegated authority internally? Are you thinking of the regulatory aspect internally?

Interviewer 42:41

Yes, internally.

Participant 3 42:42

So I've mentioned it, I think twice. And I think it's relevant to mention again that the board of management in Germany issued down very generous delegated authorities to their international management team, for which I'm one of them. What they are doing is they are conveying trust. They're conveying trust in my commercial aptitude, my 30 years of experience in doing this. The local management within Mexico, Brazil, the US, Canada know the market and should be allowed to make the appropriate local commercial decisions. There is always a drawn line that says, well, this should no longer be a local commercial decision because of the value of risk or the value of the financial investment that exists that may have a performance risk to it. So, therefore, it needs to be regulated. But back to the business's entrepreneurial culture that's clearly demonstrated through the very generous delegated authorities.

Interviewer 44:23

So I would say that this is it for the communication and relationship between the subsidiary and the headquarter. I would want to continue with the service characteristics of the firm. Can you maybe just describe the three main technology areas ALPHA is servicing, and what are the specificities of these technology areas

Participant 3 44:58

So the three technology areas that ALPHA specializes in are IT, healthcare, and materials handling. ALPHA has been in business for 40 years and has been specializing in IT for those 40 years. The second technology area is healthcare. And we've been working with organizations assisting them with the asset management of medical equipment for the past 12 years. And in the materials handling sector for the last seven. So you can start to see an evolution where we started in IT, and we then transferred our business model skillset into medical devices. And we've then gone further into materials handling equipment. If I take materials handling equipment, first, the market has a different appreciation because it's still based on the cost of use, not the cost of ownership. But its cost of use is measured by hours that a particular device is roaming around a warehouse or a distribution center. And then, the classification is that distribution center, and the term is wet or dry, is indoors, or outdoors. And what is the product that it is shipping? So all of those considerations are important to how we service our customers within that technology area. If we then look at the healthcare market, the key characteristics they're definitely one of making sure that we are in partnership with the original equipment manufacturer because we must be certain that our customer is enjoying the most beneficial support packages. That means that the valuable lifesaving medical equipment not only works the first time but works every time. With the medical equipment, the decommissioning process must be handled by a team of experts. And the decommissioning could mean that a Da Vinci robot machine in the hospital, in order for us to help the customer refresh that product, physical walls in the hospital have to be removed in order for it to be taken out. And then the new product is placed. In IT, you are looking at vast quantities of small-ticket items. So you cannot compare it to a Da Vinci robot at \$2 million and an iPhone for 200 bucks. Right? Yeah, you have different approaches to those two asset categories. And then, of course, you have the materials handling that could cost anything from \$150,000 to maybe \$20,000. So, those are the different dynamics in the technology areas that we focus on.

Interviewer 48:48

So, you described the differences. Would you consider different entry modes for these different technology areas? Because of difficulties, like necessary partnerships in the healthcare sector. Would you consider different entry modes also as an option?

Participant 3 49:18

Yes, I believe that the ALPHA is at its very best when it sits in the middle of the supply chain triangle. And obviously, we're on a video call. So it's hard for me to visualize, but I will try. So if you imagine a triangle, the top of the triangle is the customer, the user. The bottom left-hand corner will be the OEM, the manufacturer. The right-hand corner of the triangle would be the value-adding reseller or the distributor for the manufacturer. And sitting in the middle is ALPHA. And we're able to provide cost-effective tools or cost of usage, but we're also able to assist with the financial engineering required for the manufacturer or the reseller or even the customer that requires this. Then, overlaying that is the customer manufacturer or the reseller, value-added reseller, distributor, where they all want to enjoy a transparent experience through the equipment's lifecycle in the visibility of that asset. And we do that by providing the customer, TESMA.

Interviewer 51:00

You also mentioned the customer focus, that this focus drives even internationalization. How important is customer interaction for your services?

Participant 3 51:22

It's core to our business. We provide our customers with solutions to their pain points. And the pain points vary, per location, per customer, per technology area. To have the opportunity to fully collaborate with the customer, with the various stakeholders. It's vital.

Interviewer 52:10

I will continue with the last section of the interview. So there are only a few questions left, and this one focuses on the Latin American market. Do you maybe think that there's a different pathway to how ALPHA is entering the Latin American market compared to European markets?

Participant 3 52:45

Currently, I'm satisfied with the strategy that we're applying. And the strategy that we are applying is that we are focusing on international customers that have representation in Latin America as opposed to focusing on locally owned Latin American companies that got a domestic advantage over the ALPHA internationalization.

Interviewer 53:30

What would you describe as key barriers to internationalize in Mexico? What are the market barriers of Mexico?

Participant 3 53:57

Our biggest strength is internationalization. It can also be seen as our biggest weakness because companies within those local markets actually want to support local companies. And would provide potential preference over that for understandable social reasons.

Interviewer 54:27

Okay. And are other subsidiaries planed in Latin America, and what's the thought process behind considering different Latin American countries?

Participant 3 54:46

Currently, there is no short term strategy to increase our footprint in Latin America. We believe that the markets In Brazil and Mexico still offer further opportunities for growth. So, for the time being, we will concentrate on those two main areas.

Interviewer 55:14

Then I would say we are finished. It was a pleasure to talk to you and have you here, and thank you again that you have taken your time to be interviewed.

Participant 3 55:30

It's been my pleasure. I hope that I have sort of given you the information that you can capture and build into your thesis. And I wish you all the very best of luck.

Interviewer 57:22

Thank you. I will send you the master thesis when it's finished. So you can have a look.

Participant 3 57:33

I would be delighted to see it, and you have a good evening. Thank you. Bye-bye.

7.3 Abstract

Problem: Since FDIs in the service sector have been deregulated, the internationalization of Service-MNCs has increased rapidly. The competitive advantage that successful Service-MNCs have in those focal markets is due to several reasons. Next to the intra-firm transfer of knowledge, the entry mode decision is of special significance. The entry mode deployment is majorly the responsibility of the top management within a Service-MNC. The top management has the internationalization knowledge relevant to decide with which entry mode to enter in a focal market. However, existing literature has not focused on specific knowledge types that are useful for the deployment of various entry modes. Therefore, this thesis wants to shed more light on this particular topic.

Purpose: This thesis aims to depict knowledge types that the top management of a Service-MNC perceives as useful for the deployment of entry modes. Furthermore, the tacitness and explicitness of those knowledge types are identified.

Methodology: In order to answer this thesis's context-sensitive research question, a qualitative research approach was chosen. The base of this qualitative research approach is a single embedded case study. The case firm "ALPHA" is a German technology leasing firm with an international presence in 28 countries. The sample consisted of eight participants who all are part of ALPHA's top management. Furthermore, all of the participants are or have been involved in the internationalization process of ALPHA. The collected data was analyzed with an interpretive approach due to the high context sensitivity.

Findings: Three knowledge type categories were identified during the data analysis process. Acquisition knowledge, market knowledge, and customer knowledge are the identified categories that inherit eleven particular knowledge types. The top management of ALPHA perceived several of those knowledge types useful for deploying an acquisition, a greenfield investment, a hybrid of the latter two, or exporting. Furthermore, most of the knowledge types could be identified as either tacit or explicit in nature, which helps managers assess the availability of those knowledge types.

Problemstellung: Die Deregulierung des Service Marktes hat zu einer rapiden Internationalisierung von Service-Unternehmen geführt. Service-MNCs sind nur in der Lage durch einen firmeninternen Wettbewerbsvorteil auf fremden Märkten zu bestehen. Dieser kann durch verschiedene Faktoren erarbeitet werden. Neben dem firmeninternen Wissensaustausch führt auch die richtige Markteintrittsmodus-Entscheidung zu Wettbewerbsvorteilen. Diese Entscheidung wird vornehmlich von dem Top- Management der Service-MNCs getroffen. Das Top-Management hat sich durch jahrelange internationale Erfahrungen das Wissen angehäuft, welches für die Markteintrittsmodus-Entscheidung von besonderer Bedeutung ist. Auch wenn sich bestehende Literatur mit der Markteintrittsmodus-Entscheidung auseinander gesetzt hat, wurden bisher keine Wissenstypen bestimmt, welche als hilfreich erachtet werden, einen bestimmten Markteintrittsmodus zu etablieren. Daher wird in dieser Masterarbeit die zuletzt beschriebene Literaturlücke beleuchtet.

Forschungszweck: Diese Masterarbeit zielt darauf ab Wissenstypen zu identifizieren, welche von dem Top Management von Service-MNCs als hilfreich erachtet werden, um einen bestimmten Markteintrittsmodus zu bestimmen und zu etablieren. Außerdem wird die explizite und implizite Natur der Wissenstypen identifiziert.

Methodik: Um die kontextintensive Forschungsfrage zu beantworten wurde in dieser Masterarbeit ein qualitativer Forschungsansatz gewählt. Die Basis dieses qualitativen Forschungsansatzes ist eine *Single Embedded Case Study*, welche neben zwei verschiedenen internationalen Niederlassungen auch drei verschiedene Industrien beleuchtet. Das Unternehmen dieser Case Study „ALPHA“ ist ein deutsches Technologieleasing-Unternehmen mit einer internationalen Präsenz in 28 Ländern. Die Stichprobe dieser Masterarbeit bestand aus acht Teilnehmern, welche alle Teil von ALPHA's Top- Management sind. Alle Teilnehmer waren oder sind aktiv in ALPHA's Internationalisierungsprozess involviert. Die erhobenen Interviewdaten wurden kontextsensitiv analysiert und folgen keinen positivistischen Ansätzen.

Ergebnisse: Drei Kategorien an Wissenstypen wurden während der Datenanalyse identifiziert. Neben den Kategorien Akquisitionswissen, Marktwissen und Kundenwissen wurden auch noch elf Wissenstypen identifiziert, welche diesen Kategorien untergeordnet sind. Das Top-Management von ALPHA erachtet einige dieser Wissenstypen als hilfreich, um ein *Greenfield Investment*, eine Akquisition, ein Hybrid aus letzteren Beiden oder den Export zu wählen und zu etablieren. Außerdem konnten einige Wissenstypen als implizit oder explizit ausgemacht werden, welches dem Top- Management hilft die Verfügbarkeit der Wissenstypen auszumachen.