Business Models and Internationalization Speed

How a business model determines the internationalization speed of a company

Niclas Lund Stisager

Thomas Michaeler

Supervisor: Arnim Decker

AALBORG UNIVERSITY
DENMARK

AALBORG UNIVERSITY
DENMARK

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ABSTRACT

Most authors attribute the modern phenomenon of companies internationalizing right off the start or at a very early stage in their existence to the characteristics and previous international experiences of the managers in charge. Jean-François Hennart challenges this assumption and argues that the properties of a business model might have a bigger influence on the internationalization speed as previously thought. Based on this idea, the objective of this paper is to analyze whether the characteristics of a business model allow to predict a certain internationalization speed. The latter is defined by the time a company takes to start offering its value proposition abroad. In order to generalize the research and to be able to focus on a general concept, in this paper the term internationalization is defined as entering a foreign market in an oversea region. After analyzing relevant internationalization theories, the degree of additional integration and adaptation are identified as most influential drivers in such a scenario. Furthermore, the business model concept is discussed and a suitable framework is defined, which leads to a thorough discussion of the transaction cost theory. The theory allows to use its basic assumptions and core concepts in order to score the components of a business model in an internationalization scenario in terms of how much integration and adaptation efforts can be expected during a market entry overseas. This leads to the generation of a scorecard and the need to test the validity of it with actual companies. By scoring each business model component of five internationally already accomplished companies, the results can be compared to their individual expansion history and to the outcomes of the other companies. The analysis ends with the observation that there are indeed correlations between a company’s business model and the observed internationalization speed.

Keywords:

Business model, Internationalization speed, Fast expansion, Uppsala model, International new ventures, Traditional firm, Born globals, Reborn globals, Transaction cost theory

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1 INTRODUCTION

Due to the phenomenon of globalization, the entry and communication costs decreased sharply and companies welcomed the opportunity to offer their products and services to new markets without bending to geographical and distance-related boundaries. With reasonable investments, new markets were made accessible and expanding abroad became an attractive opportunity for whole industries. This way, companies are able to develop a competitive advantage by being first-movers and available to the customers in multiple markets. In other words, instead of focusing on geographical markets, companies see the world as one marketplace and can focus on the target customers independently of their location.

In fact, some companies consider expanding their business abroad such an important part of their existence that they expand to foreign countries right from the beginning of their very existence, or soon after Lindqvist (1991) called these young companies "infant multinationals", Knight and Cavusgil (2004) labelled them "born globals (BGs)", and Oviatt and McDougall (1994) described them as "international new ventures (INVs)". Even though the denominations vary, the authors talk about the same type of company that starts its international business activities immediately or right after its foundation in order to sell a significant share of its output abroad.

A second type of a company’s expansion behavior is best described with the Uppsala model (Johanson & Vahlne 1977; Johanson & Vahlne 2009) and refers to companies gradually intensify their foreign commitments and activities - beginning with countries very similar to the home country in terms of geography and culture and slowly expanding further.

Lastly, there are so called "reborn globals" (Bell et al. 2001) or "born-again global firms" (Bell et al. 2003), which can be described as a mix between the previously named types. In these cases, the authors describe companies that use a gradual and slow approach to expand until a change in the strategy or core activities leads to a faster internationalization behavior.

Several authors state that a fast internationalization of a company mostly depends on the knowledge of a company’s manager in terms of languages spoken and experiences abroad. Zhang, Tansuhaj, and McCullough (2009) argue that a superior international entrepreneurial capability leads to a more successful internationalization, while Knight and Kim (2009) think that the growth of foreign sales largely depends on a company’s international orientation, international marketing skills, international innovativeness, and international market orientation - characteristics said to be influenced by the founder's or entrepreneur's knowledge of foreign languages, international education, and experience abroad (Evangelista 2005).

Hennart (2014), on the other hand, argues that a fast expansion abroad heavily depends on what the company sells, to whom, and how. Herewith, the author introduces the business model concept to the discussion and its impact on early internationalization.

> *"Rather than focus on the resources and capabilities of managers, a more promising approach would be to research the specific characteristics of business models that lead to fast internationalization" (Hennart 2014, p.132).*

In today's competitive environments, business models are becoming increasingly popular. The concept of business models evolves around the idea to represent a company in abstract terms in order to show and analyze its proposition to create value, generate revenue, and make profits. It usually includes the company's functions and components, main activities, as well as revenue and expense streams (Zott et al. 2011). With this information, an outline of the problem's field of application is given and the issues can be formalized.

2 PROBLEM

The chapter outlines how the topic arises and the thinking leading to the decision of researching the field. The problem formulation furthermore discusses the issues and leads to a clearly defined problem statement, which directly determines all further steps. The research objective briefly lists the goals and questions to be addressed in order to come up with an answer and refers to the paper's strategy. Lastly, the problem limitations outline characteristics that allow to conduct the research and assumptions that lead to potential conflicts and the distortion of the outcome we have to be aware of from the beginning.

2.1 Problem Formulation

As described above, fast internationalization is usually attributed to personal preferences and experiences of people in charge of strategic business decisions; business models are usually discussed separately. With Hennart (2014), the concepts are put and discussed together. However, the author rather focuses on how a specific type of company is pushed to expand abroad, than on how the concepts can actually influence each other. He argues that simply based on the configuration and characteristics of products or services, a company can internationalize rather effortlessly in comparison to traditional production companies. Specifically, Hennart recognized that typical INVs that sell "niche products at low information, transportation, and adaptation costs" (Hennart 2014, p.117) do not take a long time to enter foreign markets and are therefore prone to do so early on.

In this paper, we want to conduct our analysis on a broader basis. Based on the idea that a business model influences the speed of internationalization, we want to investigate if it is possible to determine whether a company is very likely to internationalize slower or faster by simply looking at its business model - and thus leaving the personal characteristics of the founders, entrepreneurs, and managers out of the scenario.

Thus, the problem statement reads as follows:

Does a business model predict the internationalization speed of a company?

In this paper, we want to analyze if we can find empirical evidence to prove Hennart's hypothesis regarding the relation between business models and internationalization speed. Therefore we are looking at company's business models and try to determine whether we can suggest the likelihood of a company's expansion behavior. In more detail, the different areas of a business model are examined in order to understand their respective impact. The comparison will lead to the understanding of factors that heavily influence the degree of difficulty for a company to go abroad and to bring its products and services to people around the globe.

2.2 Research Objectives

The research objective in this paper is to find out whether a business model can provide the information to make a reliable prediction about a company's internationalization speed. The first step is to thoroughly examine existing literature in order to gather information about relevant theoretical approaches including internationalization behaviors and business model concepts. The goal is to combine the theories and develop a method that allows to predict a company's internationalization speed based solely on its business model characteristics. The model is then applied to real life situations in order to test its validity and to make an attempt to generalize the findings.

2.3 Problem Limitations

First of all, no matter the outcomes of the research, there are always other factors that influence the internationalization behavior of a company. This includes the fact that there are companies that are plainly not interested in internationalizing overseas for a variety of reasons such as personal preferences, marketing strategies, financial restrictions, or similar factors. It means that certain preconditions exist as well as a wide range of other influential characteristics for a company's expansion that are not taken into consideration sufficiently in this paper. It has to be pointed out that depending on the internationalization strategy, a company requires a certain amount of finances and other resources. It determines whether an expansion is actually viable and achievable. It is therefore logical that in a situation with a strong financial backbone and the availability of other resources within a company, riskier investments can be taken without endangering the longevity of a business. This implies that costly expansion operations are more likely to happen at a faster pace and market opportunities are pursued in a more aggressive way. Nevertheless, the analysis of such circumstances is not the focus and goal of this paper. On the contrary, our objective is to determine if different aspects present in a business model influence the internationalization speed in general. That means that we only consider information available through the examination of companies' business models and thus it is possible to neglect company-specific resource options that are not already included in the business model. In fact, the most relevant issues surrounding these aspects automatically impact the components of the business model and are therefore considered in our analysis. At the same time, it has to be noted that the results are supposed to show a predicted and possible internationalization pattern in terms of speed and at no point it is argued that it will be a definite actual scenario. Furthermore, it has to be pointed out that this paper is interested in determining the speed of the internationalization process on a general level. It can be assumed that going abroad is connected to issues directly related to the aspects and location specific to the foreign market. However, such particularities and differences are not the focus of this paper and there is no reference made to what a company should consider when choosing its first foreign market. This idea is discussed more thoroughly in the theoretical chapter, which also provides a clear definition regarding the internationalization perspective taken in this paper.

3 THEORY OF SCIENCE AND METHODOLOGY

This chapter provides the methodological aspect of the paper, which includes describing the basic understandings behind research in general and leads to outlining the theoretical aspects behind the science of researching. In other words, the methodological analysis provides an outline of how to do research in order to produce reliable and trustworthy answers to the research question. In regard to the nature of the academic work in this paper, the research philosophy is examined and the ontological, epistemological, and axiological positions are outlined in order to describe the influence this has on the paper. This leads to the definition of a research paradigm, which formally establishes a set of practices used in the research and thus shows what type of possible explanations and discoveries can emerge in the outcome of the paper. In other words, the research paradigm describes a basic belief system and the associated assumptions about the world in general that underlay the paper and direct the activities of the actual research. Therefore, the methodological approach needs to be suitable to the investigated social phenomena in order for it to lead to an adequate research approach used in the paper (Saunders et al. 2009).

Investigating the ontological, epistemological, and axiological aspects relevant to this paper allows to illustrate the development and the nature of the knowledge necessary to answer the research question in a reasonable way. The positions taken inside the field of research philosophy bring along fundamental assumptions and create a basis upon which the research methods and analysis can be developed. In other words, the research philosophy does not just refer to what the researcher is doing, but furthermore investigates what is actually researched by analyzing the kind of knowledge and information used (Saunders et al. 2009).

The understandings about the research philosophy are organized into clusters and put in a matrix in order to define research paradigms. Thereby, each paradigm includes several basic assumptions that need to be consistently applied throughout the investigation. In other words, all theories used are based on the assumptions specified by the chosen paradigm, which influences and guides the subsequent analysis and therefore affects the selection of issues that are considered and addressed (Kuada 2012).

The description of the research approach refers to the fundamental structure and method. Essentially there are two different strategies when doing research; the deductive approach works from the more general to the more specific. Based on a theoretical foundation, a hypothesis is formulated. Data gathered from observations is then used to either confirm or disprove the hypothesis. The inductive reasoning works the other way around. The research starts with gathering data in the field. The researcher recognizes a pattern and develops a suitable hypothesis, which is transformed into a theory applicable to other scenarios with similar conditions. Even though there is a strict separation between these two research strategies, there is a possibility to combine the approaches for one project if appropriate (Saunders et al. 2009).

To summarize the structure of this chapter, analyzing the research philosophy leads to the definition of a research paradigm and the choice of a research approach determines the methodological foundation, which influence the structure, methods, analysis, and therefore the outcome of this paper.

3.1 Research Philosophy

The following subchapter is describing the underlying assumptions of the researchers, and how these assumptions relate to the analysis. The subchapter will also provide the paradigmatic view of the research, as well as describing the design of the research. This involves either a subjective or an objective approach to research, and these two major philosophical approaches are delineated by several core assumptions concerning ontology (reality), epistemology (knowledge), and axiology (value judgement).

3.1.1 Ontology

The term ontology refers to the philosophical studies concerned with the nature of existence and reality. It discusses profound assumptions about how the world operates and how committed the researchers are to their position. Ontology analyzes what can be considered knowable and real in distinction from what is dependent on personal interaction. In order to address this issue, two broad perspectives need to be analyzed. The first one is based on the assumption that reality exists externally to human beings and their social constructs, which allows the idea of the existence of a truth that is valid for everyone. This notion is called objectivism. The second perspective starts with the concept that reality can be different for every human being and argues that the social world is constructed and experienced differently by each individual. Therefore, research and analysis need to include the personal perceptions in order to explain phenomena. The second perspective is referred to as subjectivism (Kuada 2012).

In this paper we are taking an objectivist stance. The issues addressed by the research question seeks answers and conclusions that are valid and applicable to every company independently of the social construct. Therefore, individual interpretations and experiences should not influence the outcome. Furthermore, a company is considered an organization that acts and operates as an entity, thus not considering the personal and individual backgrounds of the people in charge. This allows us to generalize the relevant factors and find definitions and applications suitable for any company, totally independent from the individuals ultimately responsible to carry out the decisions and activities. Hence, the objectivist approach with the idea of a reality outside of individual conceptions fits this paper best.

Despite all of this, we have to acknowledge the fact that our personal experiences could potentially influence the project and therefore the outcome. Simply by applying subconscious choices in terms of what information to prioritize and the methods to use when analyzing the data could lead to a biased outcome. Nevertheless, the goal is to do the research as objectivist as possible and thus to keep subjective notions to a minimum by trying to base all conclusions strictly on the gathered information (Saunders et al. 2009).

3.1.2 Epistemology

Epistemology continues the thought process of ontology and is concerned with the nature of knowledge. It analyzes possible sources and limitations in order to determine knowledge that is reliable and can be used to research a specific field of study. In other words, the epistemological thoughts help to understand how to distinguish between suitable information and untrustworthy knowledge. There are three philosophical positions to epistemology relevant for this paper. Interpretivism claims that reality depends on personal perceptions and actions and therefore requires a more thorough analysis of people's roles as social actors. It is clearly based on the subjectivist approach and focuses on the human experiences and intentions. Positivism and realism, on the other hand, both refer to the objectivist idea stating that reality is external to individual actors. The most critical difference between these two epistemological notions in the context of this paper is the way they look at empirical evidence; positivism is strictly objectivist and assumes that all empirical evidence must be true for everyone, while realism states that insufficient knowledge can potentially lead to misinterpretations and inaccurate observations of reality - accepting some degree of subjectivism. The classification of these three positions is important for the epistemological discussion as it determines what kind of knowledge should be accepted in a certain field of study and fundamentally guide the way of gathering valuable information used to address the research question (Saunders et al. 2009).

In this paper we adopt the approach of realism. Based on the previously discussed concept of objectivism, realism allows to acknowledge that our own personal experiences and perceptions can influence this kind of research and that subjectivist elements cannot be excluded entirely. First of all, it has to be understood that knowledge gathered from other people's works can always come with a degree of subjectivity from the authors. Furthermore, the actual choice of economic literature and basing outcomes on according information could be misinterpreted due to the fact that it is impossible to read everything that exists on a certain field of study before conducting our own analysis.

3.1.3 Axiology

According to Saunders, Lewis, & Thornhill (2009), the last element relevant to the discussion about research philosophy is concerned with the impact of personal values on the paper. It examines the way and extend values influence the research and the outcome. According to the objectivist notion, the research should preferably be conducted without being influenced by people's values, as this stands in direct contrast to the basic concept of assuming one reality and truth for everyone. Nevertheless, by choosing realism as an adequate position, we realize that there is always a chance of adding biased information to the paper, and thus letting values influence the outcome. For this paper, this could include the choice of economic literature, the selection of case studies, and the emphasis of certain aspects. Furthermore, it has to be noted that concepts and conclusions adopted from other people automatically includes the personal values of the authors (Saunders et al. 2009).

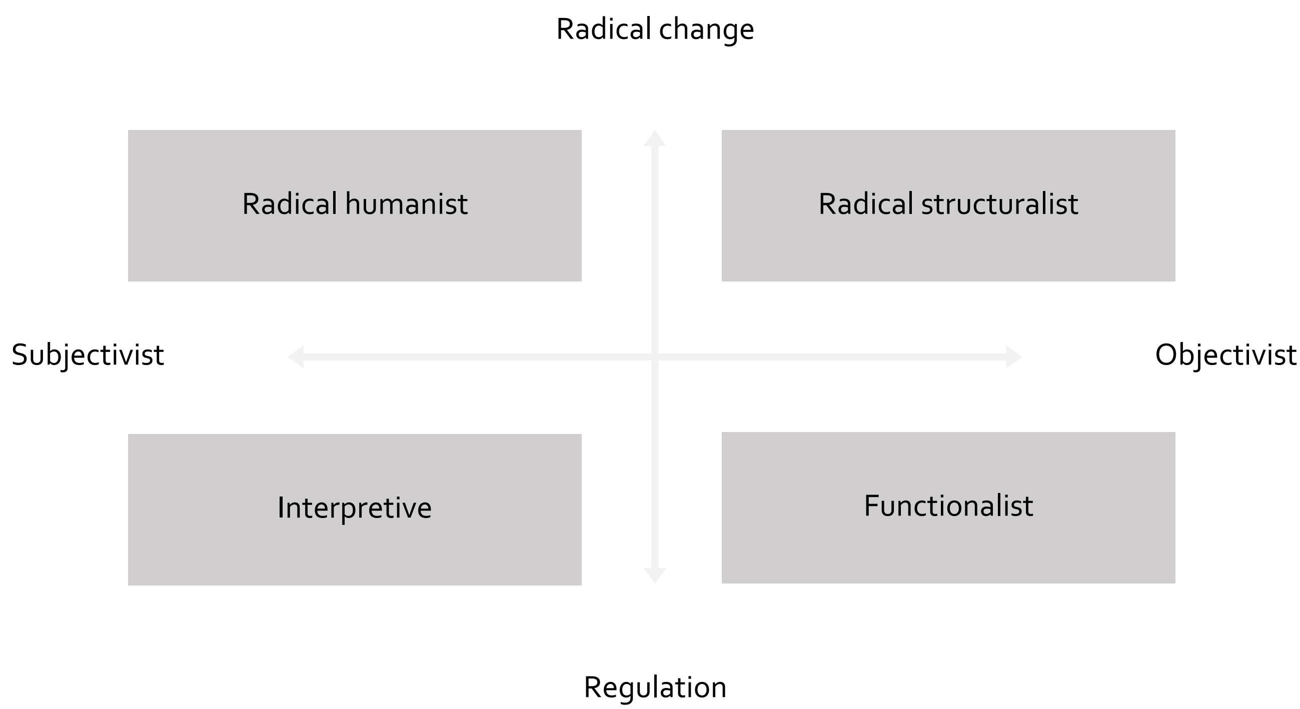
Nevertheless, in order to stay as value-free as possible when gathering data and developing conclusions, the sources of knowledge and the choice of analytical methods are thoroughly examined beforehand.

3.2 Research Paradigm

To formalize the discussion about the research philosophy, research paradigms are used. Paradigms divide the philosophical notions into groups and create a classification of clearly defined options that function as a philosophical base for the examination of a social phenomenon. The associated information illustrates the types of possible explanations and discoveries to be made in a research project. In other words, a specific research paradigm can be used as reference to the basic assumptions behind a project by providing groups of compatible philosophical preconditions. Therefore, the research paradigm is directly related to the research philosophy and helps to develop a better understanding in regard to the basic assumptions that are made (Kuada 2012).

Burrell and Morgan (1979) published a classification of paradigms based on the two opposing conceptual perspectives of subjectivism and objectivism as well as regulation and radical change. Subjectivism and objectivism have been discussed earlier. Regulation follows the idea of examining the existing nature of social order, while radical change is appropriate for sociological studies concerned with the issues of change and conflict. This leads to the four paradigms referred to as *Radical humanist*, *Radical structuralist*, *Interpretive*, and *Functionalist* - as depicted in the graph below (Burrell & Morgan 1979).

Figure 1 - Four Research Paradigms



Four paradigms for the analysis of social theory based on the "Sociological Paradigms and Organisational Analysis" (Inspired by Burrell & Morgan 1979, p.22).

As noted earlier, in order to identify the most appropriate of the four paradigms for this paper we have to take a look at the discussion about the research philosophy. The realist approach allows to acknowledge a limited degree of subjectivism deriving from incomplete or insufficient information. Nevertheless, the stated objective is to leave personal values and assumptions out of the research. In addition, the assumption that there is a reality outside of social actors and independent to individual perceptions links to the objectivist side of the chart. Furthermore, the research and analysis of this paper is based on existing structures and organizations, and not on the effects of radically changing them. This points at the regulation spectrum of the matrix and leads to the Functionalist paradigm. It is based on the idea of a society with a concrete existence and a systematic character. The predominant objective is that society creates order and regulation and social matters are therefore described as value free and objective. This allows the researcher to step back and work detached from the issue being analyzed, which primarily influences the choice of method (Kuada 2012).

According to Burrell and Morgan (1979), the functionalist position is usually chosen when looking for practical solutions to practical problems. In our case, the idea is to research existing organizational structures in the context of international markets and networks. Therefore we have to assume a certain degree of stability in such institutions. The goal is furthermore to develop a model that can be applied to different organizations regardless of their specific characteristics. Again, this relies on a static organizational perspective and on the concept of allowing the existence of one truth and one reality that cannot change depending on the observer. All of this leads to the functionalist paradigm and underlines how well it fits our paper.

On the contrary, a subjective approach would require a research focusing on the individual perception of people in charge of expanding companies and their respective experiences and ideas. Focusing on radical change would lead us to a research concerning the issues connected with rapidly altering the organization and the international institutions when internationalizing. Both of these perspectives are not adequate in this paper - another strong hint on why the functionalist paradigm has been chosen.

3.3 Research Approach

This part outlines the research approach suitable for this paper. As shortly noted before, there are essentially two different possibilities; the deductive approach - also referred to as testing theories - constructs the theoretical foundation at first. The rigid theory describes the expected correlation of two or more variables and generates a hypothesis. Afterwards, adequate data is gathered and the theory is applied in order to test the expected outcome. In case it is deemed necessary, the theory can be adapted and tested again. With this approach, the theory can be confirmed or disproved, which leads to new insights about the matter at hand. Fundamentally, with the deductive approach a theoretical hypothesis is put to test with actual data from the field in order to either support or debunk the initial theories. The deductive approach demands a research mostly based on purely scientific method, which makes it very suitable for rather objective projects (Saunders et al. 2009).

The opposite approach is referred to as inductive approach - or building theory. Basically, information from the field within a specified context and topic is gathered in the beginning. The researcher looks for emerging patterns in the data, which is then formalized. This can lead to a new theory that can be applied to a greater selection of cases than initially used to gather the information. In other words, the inductive research approach starts with specific observations and measures that are used to generate broader generalizations and theories. With this being said, usually the context plays an elevated role and influences the conclusions due to the subjective influences by the researcher. Therefore, the inductive approach is mostly used in a rather subjective type of research (Saunders et al. 2009).

As noted earlier, it is important to remark that even though the two approaches are opposed to each other, there is the possibility of combining them both. This has to be explained thoroughly and it has to be shown how the project can benefit from this choice. Usually, a project is divided into several parts, and the research approaches are applied accordingly (Saunders et al. 2009).

In this paper, the deductive approach is clearly favored. The initial gathering of information and knowledge through an extensive research of economic literature and case studies leads to the formulation of a theoretical hypothesis and a general model. The knowledge and the model are then applied to real-world situations in order to test the hypothesis and to examine whether the model is suitable for the companies and situations being analyzed. Furthermore, the objective is to work as objectively as possible, again implying that the deductive approach is the obvious choice.

4 METHODS

This chapter shows the analytical and conceptual procedure of this paper by giving information about the source of information, by explaining the structure, and by describing underlying thoughts. It enables the reader to comprehend the way of working as well as the main aspects used, which should be considered as the foundations for the outcomes and conclusions.

4.1 Project Scope

The scope of the project spans around the trend to internationalize business operations fast by offering products and services to an international audience. This trend is made possible mainly by the use of modern technologies and tools. The shift of interchanging world views and ideas and thus fostering globalization is the best evidence that many companies are already taking advantage of the new opportunities and try to establish a presence worldwide. However, until now most economic literature focuses on the personal experiences of managers and founders when discussing the reasons for expanding abroad quickly (Knight & Kim 2009; Zhang et al. 2009; e.g., Jantunen et al. 2008; Karra et al. 2008). Based on Hennart's (2014) idea that specific characteristics of a company's business model might lead to a faster expansion, this research focuses on the idea that the business model could indeed be more crucial for the company's behavior than thought so far. Therefore, we want to create an analytical model that fundamentally determines how difficult and resource-intensive it is for a company to go abroad in regard to its business model characteristics in order to find out whether it is indeed correlated to the internationalization patterns and behaviors of companies.

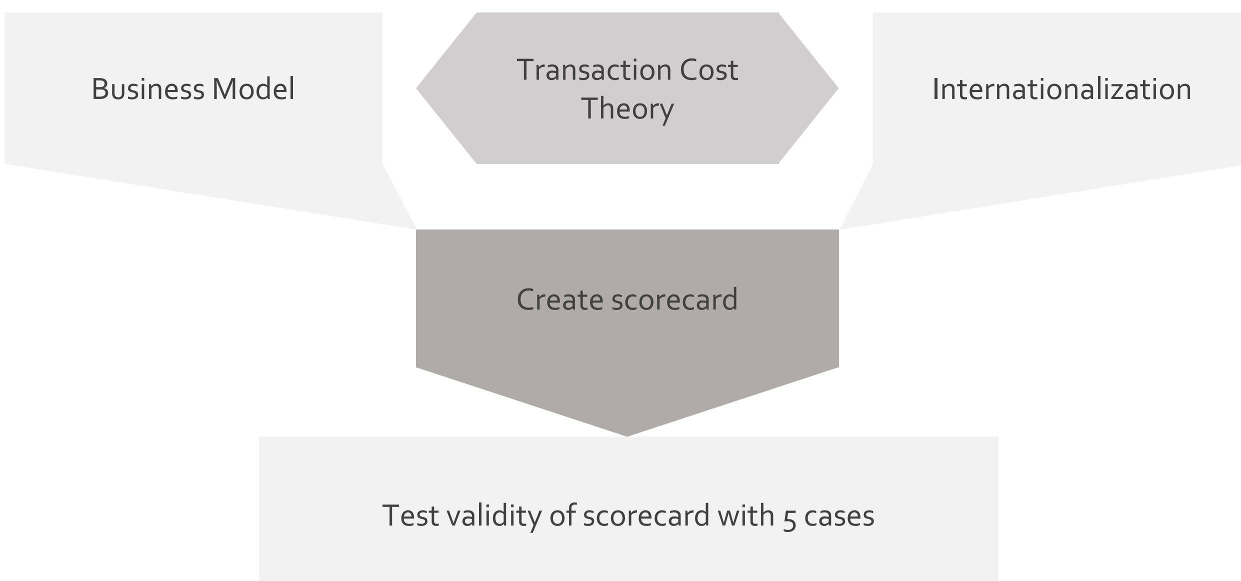
4.2 Thought Process

The objective of this paper is to understand whether a business model can influence the probability of a company's expansion to foreign countries at an elevated speed. Starting with Hennart's (2014) paper "The Accidental Internationalists: A Theory of Born Globals" and his idea that companies with certain product characteristics are prone to internationalize faster than others, we wanted to analyze whether this was true for any kind of company, or not. Therefore, we started by reading several publications regarding the topic and found that the concepts of business models and internationalization behavior were mostly discussed separately. In fact, as briefly stated in the introduction of this paper, most authors believe that the personal experiences of the people in charge of a company had the most significant influence on the speed of entering foreign markets. This led us to the idea to find out if Hennart's hypothesis that the characteristics of a product and thus the business model could have a bigger influence than admitted so far can be applied to different kinds of companies. If we boil this statement down to its essence, it simply means that the easier it is for a company to offer its products and services abroad, the faster it is going to happen.

Essentially, our idea is to score the specific areas of a business model in terms of resources necessary to bring the promised value to the customers when transferring from a local to a global company and entering foreign markets. In other words, the goal is to measure the complexity and the expenditure of time deriving from an internationalization venture for individual business model components. It requires to find one perspective that can be used to determine the degree of complexity in order to make the business model factors comparable. This is where the transaction cost theory is used; the theory was initially developed in order to explain the phenomenon of multinational companies seen to integrate business operations abroad and to provide a theoretical foundation for acknowledging additional costs deriving from organizing and concluding transactions. Transaction costs are also referred to as coordination cost and include all expenses that are not directly related to the actual production or delivery of the good - anything additional from marketing to legal expenses that cannot directly be found in the final output (Malone et al. 1987). The quantifiable expense can then be used to determine a suitable degree of foreign integration. At the same time, some authors (e.g., Dahlman 1979; Malone et al. 1987; Williamson 1996) argue that the transaction cost is directly related to the missing information and knowledge necessary to perform business activities. The more resources needed to gather this information, the more complicated the actual task is. In the theoretical chapter below, the concept is discussed further and a case is made to examine how the application of the associated assumptions benefit this paper.

The reason that choosing the transaction cost theory as an attestation for the difficulty in regard to the business model components is that it refers to all the additional efforts necessary to conduct and coordinate the business internationally and is therefore mostly independent from characteristics of the actual product. Therefore, it allows estimating the additional efforts that occur when internationalizing instead of focusing on the already existing difficulties and barriers coming from producing the product at home. This helps to clearly separate costs deriving from the internationalization process - which is what we are interested in - and costs coming from the actual production process, although it has to be noted that the latter usually influences the former and is therefore not neglected in this concept. At the same time, it has to be noted that the transaction cost theory was developed in order to explain foreign business integrations and the establishment of multinational companies. Thereby, for the first time relevant factors previously not considered in the economic literature were considered and acknowledged such as situations of imperfect information and opportunistic behavior. Therefore, the transaction cost theory provides all the necessary basic assumptions and core concepts that are useful to explain the process and efforts associated with internationalization operations and is suitable to use as a theoretical foundation in this paper. The theory allows us to choose a well-examined perspective on costs and coordination efforts and offers a wide range of publications arguing different angles regarding the topic. It allows us to thoroughly analyze the factors and aspects and to create a definition and a way of applying the ideas that benefits the research and the paper as a whole. Furthermore, the theory allows us to develop a generalized and well-defined method of scoring different business model aspects in an internationalization scenario and to construct a scorecard that can be applied to different companies. By using already established international companies as case studies, the results of the scorecard can be compared to the actual internationalization history and therefore it is possible to determine whether the scorecard results are reliable or not, and thus whether the paper's problem statement can be addressed this way. With these thoughts in mind, the following Figure 2 illustrates the thought process by graphically representing the connections between the theoretical notions and the objectives of the paper.

Figure 2 - Thought Process



Graphical representation of thought process (Own creation).

To summarize, putting the concepts of internationalization and business models together and using a transaction cost perspective allows us to estimate the added transaction costs connected to a company's business model when expanding, and offers an insight into the degree of complexity a company has to master when internationalizing. Returning to Hennart's (2014) hypothesis, this should give us a reasonable overview on a company's probability to enter foreign markets at an elevated speed. To test out this hypothesis, the scorecard allows us to analyze and compare the results of different companies. Looking at five different businesses that already have established an international presence makes it possible to apply the model and compare it with the actual history of the companies. It provides a good indication whether the thinking and the scorecards are suitable when trying to predict internationalization behaviors of companies and their respective internationalization speeds.

4.3 Case Study

As mentioned earlier, the paper first presents the concepts regarding internationalization, business models, and transaction cost theory, and discusses the theories' influences and connections. Five cases are then used to examine the validity of the concepts' suggestion. Case study is a research strategy which involves empirical investigation of present phenomenon within a real life context using numerous sources (Robson 2002). This research strategy is particular relevant when answering questions regarding how and why theoretical assumptions translate into reality. The reason is that this type of research can provide a rich insight and understanding of the context of the research and the processes being depicted (Saunders et al. 2009). For this paper it is relevant to understand and prove a connection between the business model concept and the internationalization speed in a transaction cost perspective, and the case study strategy fulfills the requirements for such research.

The data collection techniques may vary and can be used in combination. The idea is to use and triangulate multiple sources of data, which ensures that the research data is telling what is interpreted (Saunders et al. 2009). Thereby, different research strategies can be used in combination in order to triangulate the data and provide a higher credibility of the interpretations within each study. It is important to understand the distinction between collecting information about each of the cases and the analysis of the cases. We collected information from resources and literature processed by others and subsequently compose the variety into one reality. The types of sources vary between interviews, business cases, articles, and company literature[1]. The secondary research contributes to a general understanding about the companies in discussion and it is thus possible to compare the resulting analytically.

[1] Company literature refers to various sources provided by the company and can consist of the company profile, annual reports, press releases, the company website, and others.

According to Yin (2009), the analysis and comparison of a multiple case study focuses on the need to establish whether the findings within one case occur in the other cases too. At the same time, each case in this paper can be considered holistic, which means that the cases are representing an organization as a whole unit (Yin 2009). As a consequence, it is necessary to generalize the data and findings in order to validate the scorecard, and thereby, the proposed connection between business models and transaction costs and their respective influence on the internalization speed.

4.3.1 Generalizability

An important aspect of case studies is the ability to compare generalized data across organizations. The findings of each case may be equally applicable to others, otherwise the purpose of the research should concern the explanation of what is going on in the particular research setting (Saunders et al. 2009). For this paper, the data of the cases are generalized by analyzing each company with the same business model concept. Further, every business model component is evaluated in an internationalization scenario with the help of the assumptions and ideas of the transaction cost theory. This generates comparable information and data of the multiple cases. Nevertheless, in order to be able to test the scorecards in regard to the behavior during expansion ventures, there are certain conditions that the test cases have to meet in order to give valuable insights into the process. First of all, only already accomplished global companies that are popular enough to generate a decent amount of secondary data are considered in this paper. This implies that there is a danger of testing the hypothesis with relatively similar companies and to base the analysis and conclusion on biased data. In other words, it means that by relying on such companies there is the risk that also the outcome is only applicable to other companies meeting the initially outlined requirements and not to any other type of company as it is the goal. With this in mind, it has to be noted, however, that the characteristics and information that we use as base for our analysis and conclusion is data contained in a company’s business model. As more thoroughly discussed in the theoretical chapter below, the business model concept was developed for a general audience and can very well be applied to any existing company. This means, that by being careful and only considering business model information as foundation for analysis we can assume that our method and scorecard can be applied in different situations. In other words, by solely relying on the business model as input, the testing method can be used by any kind of company. Nevertheless, a risk still remains that the gained conclusions are not as reliable as the ones gathered in our test cases. In order to increase the generalizability as much as possible, however, it is important to focus on a suitable way of choosing the samples in order to provide results based on different types of companies.

4.3.2 Selecting Samples

The particular selection of cases for the research at hand has a strong influence on the results and conclusions presented. A wrong choice of cases could solely highlight coincidences instead of a general truth of the research (Saunders et al. 2009). Therefore, the selection of the samples has to be considered thoroughly. In order to select five companies to test the validity of the scorecard in an unbiased way, it is required to define a way of choosing the companies. This is important in order to provide an objective foundation and therefore the possibility to not interfere with the validity of the scorecard and our results. However, as pointed out before, there are some other basic conditions that a company needs to fulfill in order to be suitable. The companies need to be internationalized in the terms specified and it needs to be possible to find reliable secondary information about their respective business models and expansion history. With this in mind, the goal is to find five companies that cover a wide variety in order to be able to compare the scorecard results in a reasonable manner. Therefore, a theory is presented in the theoretical chapter regarding knowledge-based typologies of companies and used to classify types of companies and their predicted internationalization speeds, which helps to assure the diversity of the test candidates. Based on this, the task is to search and find potential companies and select the most suitable ones. Although by using a theoretical foundation the selection is made as independent to personal values as possible, it is also important to note that subjectivity can never be totally ruled out. In other terms, doing case study research and choosing the respective companies cannot be done solely based on chance and therefore it includes a subjective choice to some degree (Saunders et al. 2009).

According to Saunders, Lewis, and Thornhill (2009), this selection of samples is described as purposive sampling. In order to select samples, the researcher is relying on a judgmental approach. The target is to meet the objectives of the research question and outline cases that are particularly informative (Neuman 2006). In regard to this paper, the validity of the scorecard is mainly based on the diversity between the company types, which need to provide significant variable specifications within the requirements. Each case is chosen with the idea that it provides a diversity to the case samples and supports the validation of the scorecard. It is important to remember that depending on the outcome, the case studies can only strengthen the hypothesis, but never prove it definitely right. The reason is that a sample of five companies cannot cover all eventualities and there is always the risk that the sample chosen only reveals coincidences. This is an important concept that needs to be kept in mind throughout the paper.

4.4 Structure

This paper starts off with a chapter used to introduce the topic and the field of study that outlines the research. It more specifically explains the scope of application and makes reference to trends in the business world that awakened our interest and led to the choice of the subject matter. Thereby, the issues worth investigating and the leading authors are highlighted. The following problem formulation analyzes in detail what matter is being addressed and offers a formal verbalization of the actual problem statement to be answered in this paper. Additionally, the research objectives note the steps to be undertaken in order to get to a reasonable conclusion and the limitations include eventual restrictions deriving from the research approach.

The methodology chapter comments on the philosophical backgrounds and explains ontological, epistemological, and axiological assumptions underlying the research in order to formalize a research paradigm providing a methodological foundation for the paper. It makes sure to direct the research to the right direction and to follow a clear guideline when choosing the methodical and theoretical frameworks in order for them to be consistent with each other. The research approach furthermore outlines the basic strategy when conducting investigations and writing the paper.

In the method chapter, the project scope and thought process are illustrated in order for the reader to grasp the area of application as well as the reflections behind choosing a certain research approach and strategy. It clearly reflects the actions taken in order to answer the problem statement. Furthermore, it is discussed how the usage of case studies to test the scorecard and thus hypothesis impacts the paper as a whole and how ways of selecting suitable case studies influence the generalizability of the results. The structure of the paper is analyzed and references are made to the method of gathering and choosing adequate information.

In the theoretical chapter, all theories and models used to address the problem are described and argued for. This chapter is essential in order to have the theoretical foundation necessary to understand the analytical chapter and conclusions. First of all, the internationalization spectrum is examined and information about different behaviors and trends is given. Business model theories are presented and a framework is provided that is later used to analyze the actual companies. Similarly, the transaction cost theory - its origin, history, and usage in the paper - is outlined and the subchapter offers a clear definition upon which the research is based in this paper. By reference to the thought process, the way of applying the transaction cost theory to the business model in an internationalization scenario is thoroughly explained, as it makes up the core theory of this paper. It is essential to understand how the theories are used together in order to solve the issues at hand. This leads to the creation of a scorecard framework that can be applied to companies and helps to measure their expected internationalization behavior and speed. In order to be able to start from the same presumptions when completing the scorecard, each component is explained individually and practical cases are given. Lastly, a theory helpful to categorize companies when examining internationalization behaviors is outlined, as it is used to be able to select the most suitable case studies.

The analytical chapter's goal is to apply the scorecard to five company cases and compare the results to the company's actual behavior and to each other in order to determine the validity of the scorecard and to be able to use it to answer the problem formulation. Each case consists of a description of the company's operations, characteristics, and internationalization history. It leads to completing the scorecard based on the information supplied in the company overview and an explanation for each component of the business model. The scorecard results and the history are compared in order to find out whether the predictions are accurate. At the end, the results for all five companies are compared to be able to come up with further conclusions and to understand whether the hypothesis can be disproven or not - and whether the problem statement can be answered adequately.

At this point, it is necessary to list and argue several limitations revolving around the analysis. This helps to prevent misunderstandings regarding the analytical method, its application, and conclusions consequently obtained. It furthermore highlights what factors require further research, and other areas that are less important in the context of this paper.

With this in mind, the conclusion is based on the scorecard results and discusses whether it – and thus a company's business model - can be used to predict a company's internationalization speed - thus answering the problem statement in full. At the same time, shortcomings and eventual issues are discussed. The final reflection annotates potential limitations and sources for error. It describes some thoughts about further research within the topic and possible outcomes.

4.5 Information

This subchapter is mainly concerned about validity and reliability and thus the information gathered in order to answer the problem statement. Reliability is provided by using trusted sources, gathering complete information, and basing conclusions only on the information. In other words, a reliable research assumes that other researchers would come up with the same answers to the problem statement. Validity, on the other hand, refers to the question whether the results lead to a final truth, or if the research method only points out causal relationships and coincidences. This determines whether the lessons can safely be applied to other cases outside of the paper (Saunders et al. 2009).

There are essentially two types of information used in this paper; Economic literature providing insights on the topic, theoretical notions, and helpful frameworks as well as company information resulting in case studies resulting in knowledge about the current situation and the journey of getting there. In accordance with the methodological foundations and in order to create a coherent paper, the sources have to be chosen accordingly. Theoretical knowledge is gathered by relying on well-known authors in the business strategy and internationalization field as well as by using well-understood concepts that have been analyzed and examined by a wide range of other authors and scholars in recent times. Furthermore, different sources for each notion are considered and compared in order to choose a definition suitable to the paper. Eventual misconceptions and misalignments are addressed and ironed out. If necessary, the theoretical concepts are adapted and defined, so the reader can fall back on the same understandings. To stay as objective as possible, all of the insights are based on literary sources and established concepts.

Information about the companies being investigated primarily stems from official sources and the company's websites. Due to the fact that we do not need any in-depth information about the companies but merely focus on an overview of business activities and history, the information published by the companies themselves is mostly sufficient. If necessary, global companies allow to find multiple case studies and to compare the information to identify useful and reliable sources. Furthermore, local newspapers and documents are browsed through in order to find company news and profiles.

All in all, we try to only base our thinking and research on trustworthy sources of information and make conclusions without bending to personal experiences and expectations. Nevertheless, there is always the risk to let personal values influence the choice of information and documents. Simply choosing the topic and formulating the problem statement could potentially lead our research in a certain direction and hamper an unbiased research approach. This, however, has already been described in the epistemological chapter of the methodology and it is stated again that we are aware of that risk when writing the paper.

5 THEORETICAL CHAPTER

This chapter is used to provide a theoretical foundation for the paper. All relevant theoretical notions are discussed in detail in order to gain a thorough insight into the matter and to understand the origin of the theoretical concepts, the reason for their development, and their impacts on the business world. Furthermore, a clear definition used in this paper is given in order to allow the reader to look at the analysis and the conclusions based on the same general understandings.

As fundamental topic in this paper, the concept of internationalization is discussed with the goal to outline different expansion behaviors and to define specific characteristics used in the analysis. References are made to the stage theory, the Uppsala model, and patterns associated with international new ventures, born globals, and reborn globals.

The second central concept - business models - is presented by referring to its origins, purpose, as well as different versions and perspectives, before pointing at a specific model adequate for the analysis in this paper. The explanation about the development of the framework shows how the business model benefits the paper and a detailed analysis clarifies the single components.

As outlined in the method chapter, the basic assumptions and core ideas of the transaction cost theory are used to measure the business model components in an expansion scenario. Therefore, the relevant information is supplied at this point and it is presented where transaction cost theories come from, the main authors contributing to the notion, practical application possibilities, and the interrelationship between the theory and the internationalization of a company. It is the foundation for a discussion revolving the application of the transaction cost perspective to business models within the boundaries of this paper and it argues how this benefits and facilitates the analysis. This leads to the formalization of a scorecard that can be applied to the case studies.

Lastly, the main aspects of the knowledge-based view of the firm are outlined leading to the specification of three knowledge-related typologies useful to categorize companies. The ideas are applied to the selection process of suitable case studies in order to ensure that conditions are met and that the choice covers a wide range of different companies with the idea to increase the validity of the analysis.

5.1 Internationalization

Internationalization can simply be described as conducting business activities in more than one country and can have a wide range of reasons. Assuming that the main goal is to maximize profits, a company needs to expand in order to sell more (Williamson 1985). With an existing product, there are essentially two ways of doing that; a company can maintain and develop existing customer groups and increase sales volumes (market development) or find new customer groups in other markets and market segments (market expansion). Internationalization refers to the second option and involves the cross-border expansion of a company in order to exploit new market opportunities. Nevertheless, there are multiple ways of entering a new country and the different options are referred to as foreign entry modes. The most important ones include wholly owned subsidiaries, which are fully controlled entities located abroad that can either be newly founded, purchased, or acquired through mergers. The opposite - an entry mode with the lowest degree of foreign control and thus risk - consists of solely exporting the products and services and rely on third parties to process and sell them further. In addition, there are several hybrid forms in between, which range from different types of more controlled export procedures, to licensing and franchise agreements, and joint ventures - to name a few. The main differences lay in how much foreign integration and control the mother company wants and needs to be able to exercise upon the entities abroad and how much associated risk it wants to take on (Marinova et al. 2009).

In this paper, the term internationalization is used to describe the process of offering a company's products and services overseas. It is based on changing the focus on one region to understanding the whole world as one market without considering characteristics depending on conditions of specific countries. In other words, in this context expanding abroad means making the step from supplying a company's home country to supplying the product and service to the entire planet. Even though it is important to note that entering different countries can have a significant impact on the way and related efforts due to different political, cultural, and economic conditions, the discussion in this paper happens on a higher level and such details are irrelevant. Nevertheless, a more detailed definition is given in the following paragraphs. Additionally, over the last centuries, several authors came up with theories describing reasons and results of internationalizing businesses. Furthermore, lots of theoretical information can also be found about behavioral patterns observable during the process. The most important theories are shortly presented in the following paragraphs.

5.1.1 Stage Theory

Stage theories are based on the idea that development processes happen in distinct stages over time that can be clearly defined. Bilkey and Tesar (1977) published a model that explained the export development process stages of companies in Wisconsin, United States. The first stage refers to a situation where the management is not interested in exporting and does not even consider the possibility. In the next stage, the management fulfills unsolicited orders without exploring any further export-related possibilities. The third stage includes the management to actively investigate export opportunities. The situation develops to a point where the company starts to experimentally export goods to a psychologically very close market. The company then develops in an experienced export company that considers specific adjustments to changing export factors. The sixth stage requires managers to actively analyze feasibilities to export to countries further away. In Bilkey and Tesar's publication (1977), the model stops at this point due to the fact that it includes all relevant stages for the discussion. However, the model can be continued until a company has developed itself into a full-fledged global company with business activities and wholly owned subsidiaries around the world.

5.1.2 Uppsala Model

The Uppsala internationalization model builds on top of the stage theory and was developed by Johanson and Vahlne (1977; 2009). The model was designed primarily based on network research and the main idea is that a company initially gains experience in its own domestic market before going abroad; slowly intensifying international activities starting in markets with low psychic[2] and geographical distance and gradually increasing investments and commitments. At this point, it is easy to observe the similarities to the Stage Theory. The Uppsala model was designed with small Swedish companies in mind, which explains the important assumption that companies always want to minimize risk to the absolute minimum.

The authors take a structuralist standpoint and consider companies as small societies with plans and linkages. Markets are seen as networks of relationships interconnected with each other. Therefore a company can only succeed in new and foreign markets if it has adequate knowledge and establishes a network presence and relationships with players in the field. The most important difference between the two model versions is that the older model says foreign market knowledge comes from previous experience, while the newer version offers the possibility to gain knowledge through relationships in the foreign market (Johanson & Vahlne 1977; Johanson & Vahlne 2009).

More specifically, the original Uppsala model starts from a degree of market knowledge that heavily influences the type and intensity of the initial commitment to a new market investment. At the same time, current activities lead to a certain degree of market commitment. In other words, increased market knowledge leads to increased market commitment, and the other way around (Johanson & Vahlne 1977).

[2] Differences in linguistic, cultural, economic, political, and legal aspects (Nordstrom & Vahlne 1992).

The updated version of the model talks about knowledge opportunities that lead to relationship commitment decisions, implying the importance of network relationships. Furthermore, the resulting activities of learning, creating, and trust-building influence the actual network position of the company. In other words, a company can gradually improve its network position by identifying knowledge opportunities and increasing commitment for business relationships in the market. Again, this is considered a slow and time-consuming process. Of course, the idea also works the other way around and decreasing knowledge opportunities lead to less relationship commitment and weaker network positions, and so on (Johanson & Vahlne 2009).

The most relevant concept of both versions of the Uppsala model for this paper is the idea that internationalization is a lengthy process and based on gradually intensifying commitment, investments, and thus risk when entering new markets. The advantages are the relatively low additional risk, both financially and strategically, a company has to accept at any given moment as well as the fact that the company can align its market entry choices with the degree of control it wants to exercise in the new venture. In other words, a company can increase the commitment in the foreign country step by step. Thereby extending the control of the foreign business activities incrementally, a company can adapt its influence and create trusted assets depending on the amount of sensitive knowledge that has to be transferred to the foreign country. This way, the knowledge and intangible assets can stay with trusted parties owned by the mother company and do not necessarily have to be transferred to third parties like partners or similarly independent organizations and actors. At the same time, companies with a behavior best described by the Uppsala model are usually internationalizing at a relatively slow speed. According to the framework, companies should only expand gradually and foster relationships before actually making binding investments. This way, eventual liabilities of foreignness[3] can be addressed and eventually eliminated with the help of local relationships even before actually entering the foreign country, or shortly after. However, the process takes a lot of time, and therefore the model is not believed to appropriately describe the internationalization experience of modern companies making use of advanced technologies and communication tools (Hennart 2014).

5.1.3 International New Ventures, Born Globals, and Reborn Globals

As referred to in the description of the problem background, lately it was possible to observe a new pattern in regards to internationalization behaviors in comparison to the one outlined by the stage theory and Uppsala model. In fact, the effects of globalization and the invention of

[3] Liability of Foreignness describes the additional costs experienced by companies operating abroad compared to those incurred by local businesses. The costs derive from limited local knowledge, discriminatory attitudes of local stakeholders, and the difficulties revolving around the management of units separated by distance and time (Zaheer 1995).

new technologies have contributed to the possibility for companies to accelerate their expansion processes significantly. Digital products and services made transportation and communication costs and times irrelevant and allow real-time interactions between people located around the planet (Oviatt & McDougall 1994; Hennart 2014).

All of this factors led to the development of companies that supply international markets right from the start or very soon after the foundation. In the last years, a lot of different denominations and definitions have been developed by various authors. However, the most important terms are *international new ventures* (INVs) and *born globals* (BG). Hennart (2014) offers a general definition and refers to foreign sales right after the company's birth.

> *"INVs/BGs are firms that start international activities very early, at birth, or soon afterward, and subsequently sell a high share of their output abroad" (Hennart 2014).*

It has to be noted that there are several authors that provide their own definitions for both terms. Nevertheless, in this paper we base the understandings on Dave Crick's publication (2009) compared and synthesized the concepts. He states that in order to qualify as an INV, a company needs to have outward internationalization in more than two markets overseas within three years of its inception representing at least 30% of the company's turnover. BGs, on the other hand, are judged based on their commitment in the broadly defined markets of North America, Western Europe, and Southeast Asia within the first three years. The commitment is quantified with at least 10% of turnover in each of the three regions. Crick (2009) concludes that BGs usually exploit technology very quickly in a global environment, but do not focus on each region the same way. INVs target lead markets and take additional markets as bonus. Nevertheless, the differences are very small and in the context of this paper we consider INVs and BGs as synonyms - referring to companies that internationalize rapidly after their inception.

To develop a clear definition of INVs/BGs, Evers (2010) came up with the idea that in order to qualify as such, a company should sell 25% of its total sales abroad in the first year of business. Chetty and Campbell-Hunt (2004, p.65) argued that a suitable benchmark would be that INVs/BGs need to have an export intensity of 75% within two years of the company's foundation. Other definitions talk about early foreign investments, but again, the general approach refers to companies that have the ability and willingness to focus on international sales very early in their existence.

In addition, companies denominated reborn globals also show a very fast internationalization process once the strategic decision was made. The behavior is similar to the one observable with INVs/BGs, but the difference is that reborn globals do not expand this way right after their inception, but at a later point in their history. In other words, only after focusing on the domestic market for a long period, the companies decide to go abroad. Bell et al. (2003) furthermore state that the change is usually triggered after a significant change in the company's strategy. Such critical events include the receiving of significant additional human or financial resources, changes in the management or ownership, a company being overtaken or overtaking another business with an extensive international network. It is therefore argued that there are several different paths a company can become a reborn global.

Independent from the differences between the two types of companies, it is obvious that the Uppsala model cannot describe the company's behavioral patterns in a satisfying way. This sparked new discussions and ideas about internationalization processes and led to the general understanding that the assumptions of Uppsala model proponents are not always valid anymore and fast expansions are in fact possible.

5.1.4 Integration

An essential part of the theoretical approach revolving foreign entry modes refers to the integration and internalization of business assets. Therefore, at this point it is important to outline the different options of integration. Fundamentally, it can be distinguished between horizontal and vertical integration. Horizontal integration refers to a situation where a company creates or acquires assets that perform the exact same step in the production process. A practical example would be a company's acquisition of a direct competitor. This basically allows the company to increase the number of production units and is based on strategies aiming at goals such as reducing competition and increasing market shares, or obtaining economies of scale and scope. Vertical integration, on the other hand, refers to the creation or acquisition of assets that are located at different steps in the supply chain. A typical example would be a slaughterhouse buying an animal farm. A vertical integration can be forward and backward, depending on the direction in the supply chain, and is used to lower the uncertainty and dependency revolving two parties (Marinova et al. 2009).

Due to the fact that integration has been identified as one of the main drivers for the internationalization speed, it is important to explain the definition used within this paper. Vertical integration usually talks about the acquisition of a relevant production step normally owned by a separate company. Nevertheless, in our case also other types of agreements are considered that help a company gain control over foreign business operations. In other words, integration is viewed as having the possibility to exercise control over certain aspects of a business and therefore directly relates to the foreign entry mode. This way of thinking allows us to consider different degrees of integration. A full integration allows a company to fully own and exercise total control on the asset, but also results in more risk for the company. The lowest level of vertical integration considered here, on the other hand, consists of short-term sales contracts that do not require any particular degree of commitment or coordination. In between those two extremes, there are several intermediate possibilities, such as long-term contracts, franchise agreements, or similar partnerships. Therefore, the higher the level of integration, the more control and risk are associated.

It can therefore be concluded that a higher degree of integration leads to more control, further commitment, and a higher risk. The risk is characterized by the amount of resources invested in the foreign venture. As the Uppsala model outlines, whenever a company requires a high degree of control in a market abroad, the commitment is seen to be increased gradually. Companies start in geographically and culturally close countries and move to more distant regions only after gaining enough expertise and establishing networks. It results in an approach to minimize risk and slows the internationalization speed significantly. Adopting the model's base assumption that a company wants to reduce the risk to an absolute minimum throughout its existence leads to the conclusion that a higher degree of integration abroad results in a slow internationalization speed. At the same time, if a company can rely on sales channels that do not require a high degree of integration and are very cheap to use, the expansion is expected to be straightforward and at a much higher pace. Therefore, it can be said that the foreign entry mode and thus the degree of integration have a significant impact on internationalization speed.

5.1.5 Adaptation

When a company enters a new market, the environment and the characteristics of customers can change. In some cases, this requires a company to make adaptations to its products and services, the marketing mix[4], and target customer groups. It influences the value proposition[5] and therefore the value creation and the end product and service. Generally, any asset and process can be modified including characteristics such as the supplier networks, production and support resources and activities, and other areas of the company. Hennart (2014) states that INVs/BGs offer products and services with very low adaptation costs. Therefore, need for adaptation is either irrelevant or very simple and companies can go abroad without the requirement of extensive resources. When analyzing factors that make companies expand at a slower speed, he furthermore argues that companies that have to adapt the marketing mix deal with heterogeneous tastes this leads to changes in products, adjustments in prices and promotions, and shifts in the distribution system. It results in the need of significant resources and time to define and implement the adaptations. At the same time, Hennart also argues that the acquisition of new customers is generally more costly than retaining existing ones. The latter are already familiar with the product and service and do not require as much persuasion and education. In case of an adaptation of product and service, however, such factors might result

[4] Refers to the marketing strategy regarding the product, price, promotion, and place (McCarthy 1964).
[5] A value proposition is a term describing a company's promise to its customers and relates to the need that the product or service is supposed to satisfy. In this paper it always refers to a whole company (Osterwalder et al. 2010)

necessary also for existing customer groups. This notion is further underlined by the risk of damaging the reputation of a company by disappointed clients with wrong expectations. In case that the product is relatively expensive in regard to the economic situation of the customers, a company might furthermore need to consider additional financial services and similar support functions. Again, this has to be managed and coordinated. Hennart concludes that the pace of increasing sales is directly related to the adaptation requirements. With the need of changing the marketing mix in several categories, the process is expected to be slower. At the same time, Hennart explains that the it is usually impossible to predict the marketing mix adaptations and therefore the necessary adjustments only appear after the beginning of sales (Hennart 2014).

In the context of this paper, Hennart's discussion about factors that influence the expansion pace perfectly explains potential issues and factors and thus shows how INVs/BGs profit from not needing to consider costly adaptations. On the other hand, companies relying on regional strategies and adjustments need to consider a wide range of changes and potential impacts and need to make sure to coordinate and monitor the relevant activities and assets. Considering that even small changes customers and preferences in a market can lead to several adaptations of the marketing mix emphasizes the importance to consider adaptation as influential factor of the speed of internationalization. In other words, cultural differences and similar variations require adjustments in multiple business activities and assets, which illustrates the impact adaptation requirements can have on the internationalization process. To determine, coordinate, and implement the changes in a more distant environment is even more difficult and therefore the adaptation requirements have to be analyzed in detail before entering a new market in order to be prepared for eventual changes. It can also limits expansion possibilities and discourages certain ventures. In addition, a company needs to consider the costs of examining the new market, making decisions about changes, the implementation and monitoring of such, and dynamically adapt to new trends and opportunities.

5.1.6 Distance

In addition, according to the Uppsala model, expansion speed notably depends on the degree of geographical and psychic distance. Geographical distance refers to the actual locations of the markets on the map and determines how complex transportation and communication between the venues is. Supplying oversea markets automatically limits the options in terms of transferring goods and services, while it also impacts the necessary resources to organize and complete the transports. At the same time, communication across time zones causes additional difficulties, as working hours are not aligned (Zaheer 1995). Furthermore, regions with a relevant psychic distance determines the differences in cultural aspects as well as economic and political implications within a foreign country. Culturally distant regions result in significant differences in the way the people interact and look at things. This can have a big influence on how local companies do business and on habits and ways of behaving in general. It is generally accepted, that usually cultural differences are smaller between geographically close countries. The economic situation includes factors such as available infrastructure, market conditions, and people's purchasing power. Political factors refer to differences in aspects of the government, legal system, and taxation policies (Johanson & Vahlne 1977; Nordstrom & Vahlne 1992).

Therefore, both psychic and geographical factors can complicate the expansion venture significantly and result in major difficulties. Nevertheless, in this paper a general idea of internationalization is used and only a market entry overseas is considered to define a company's internationalization. Therefore, the discussion automatically implies a significant degree of geographical and psychic distance and the relevant factors are considered already. At the same time, the discussion does not go into country-specific particularities and therefore distance as a driver for internationalization speed can be ignored in this paper. In fact, it is possible to assume that any new oversea market causes similar challenges and obstacles for the companies in terms of efforts to consider when establishing an overseas market presence. Much more important is to understand the concept of psychic and geographical distance and consider it as a general factor influencing the analysis. This leads to the idea that rather than being its own internationalization determinant for speed, distance emphasizes the difficulties and requirements for resources when integrating and adapting business assets and process abroad - two drivers that are the basis for identifying factors influencing the expansion speed in this paper (Nordstrom & Vahlne 1992).

5.1.7 Usage

Due to the many definitions and understandings around the internationalization of a company, the following paragraph explains how the concept is used in this paper. Based on the definitions of INVs/BGs discussed above, in this context we consider an internationalized company a business that is able to offer its value proposition in at least one oversea market - additionally to the home market. In other words that means that a company needs to be able to provide its products and services to any two markets located far from each other in order to be considered internationalized in this paper. A practical example could include a North American company doing business at home and in Southeast Asia, or a European company selling products in South America and Europe. Nevertheless, in order to be able to clearly illustrate the differences of the internationalization history between the case studies examined in the analysis, reference is also made to the time required by each company to enter any foreign country - including neighboring and very similar markets. It is only used to facilitate the understanding of the behavioral pattern and not to complete the scorecards.

A further remark has to be made regarding the value proposition. If a company offers various products and support services, in this paper it is only considered internationalized at the point where the whole value - actually differentiating the company - is expanded abroad. For example, a company that sells its product in special stores in its home country and simply offers export options to other countries, is not considered internationalized until it also opens its stores abroad. At the same time, however, if a company allows its customers to order a product online and ships it to them in the home country, and offers the same experience abroad, also a regular export abroad can make a company be considered internationalized. This has to be kept in mind for the rest of the paper, and referred to whenever we talk about an internationalized company.

At the same time, the most influential factors regarding the speed of internationalization overseas in the context of this paper are the respective degree of required integration and adaptation. The discussion of both allows to analyze the resources required to go abroad and therefore directly influence how complicated and time-consuming an expansion is.

Based on the discussion above, the selected foreign entry mode directly relates to the degree of integration necessary in the new market. It describes how many resources a company is willing to invest - and therefore the amount of risk to take on - in order to be able to assume the required level of control over the foreign venture. As stated by the stage theory and the Uppsala model, in order to minimize the risk, a company usually intensifies commitment abroad gradually and relies on new experiences and knowledge before increasing investments. Therefore, it can be concluded that a higher degree of integration abroad leads to a bigger initial investment and thus required more careful considerations and more costly coordination efforts. This has a negative impact on speed and results in a slower internationalization process. In case, there is no need for integration or it is very expensive to achieve due to the use of modern technologies, the internationalization speed is expected to be very high and the process relatively straightforward.

In addition, the speed of expanding abroad also depends on the degree of adaptation that is required to offer the company's value in a new market. Cultural or behavioral differences can lead to the need of adapting strategies, processes, and assets. The resulting considerations outlined above are connected to significant efforts and costs. The changes can therefore be seen as obstructive and slow an expansion operation. On the contrary, if a company does not require any relevant adjustments to its business, the internationalization is facilitated and results in a high internationalization speed.

5.2 Business Models

During the 1990s, the dot-com firms began to use business models to pitch their ideas and attract funding. Nowadays, all sorts of companies in every industry are relying on business models to outline a business idea and thus the popularity of the concept surged. Nevertheless, as Shafer (2005) points out in his publication, many managers remain confused on how business models actually work and have a hard time explaining the core logic of creating and capturing the value in their own business - the basis of a business model. However, the tool can be an important and powerful helper in corporate management if used the right way (Shafer et al. 2005). Before evaluating this aspect further, however, it is necessary to gain more insight into how business models are used and what actually constitutes a business model.

Several actors in different industries developed various business model frameworks shifting the focus to relevant areas for the environment. In fact, several popular business models have specifically been developed for e-businesses, mainly because the topic became popular at the same times of the rise of dot-com companies. Accordingly, the models mostly focus on areas relevant to online shops and web platforms such as key partners and the specification different monetization schemes. Another prevalent perspective of authors consists of looking at business model from a strategy standpoint. It usually requires the users to take a deeper look at the value and supplier network and considers transportation and considers cost structures as significant component - areas usually not so important for common e-businesses. Even other viewpoints include supply chain management as primary focus - leads to a thorough discussion of factors such as infrastructures and sustainability characteristics - or perspectives like technology or information systems (Shafer et al. 2005).

Similar situations are discussed by Christoph Zott (2011), who claims that scholars do not agree on what a business model is and that researchers frequently construct distinctive definitions that are difficult to compare and only fit the purpose of their studies. Likewise, the business model literature is developed in silos with the ambition to only fit the researchers' respective area of interest. The areas can consist in the use of information technology in organizations and e-businesses, strategic issues including factors such as value creation, competitive advantages, and the performance of companies, as well as the management of innovation and technology. Without going into too much detail about the differences between individual concepts, the most relevant message is that people with different backgrounds and from various industries focus on different factors within a business model and therefore tend to emphasize some while neglecting others (Shafer et al. 2005; Zott et al. 2011).

In this paper, the goal is to apply the business model concept to a wide range of different companies in different industries and areas. Therefore, it is necessary to find a business model framework that includes all relevant areas and gives them the same weight and importance. This allows to use the same framework on different businesses and make sure that the results deriving from the comparison of business models are not biased from the very start. The ideal framework for this is Shafer's business model framework (2005), as it was generated based on a dozen popular business models in circulation with the very objective to develop a universally acceptable solution.

First of all, it is very important to understand the purpose of business models. As mentioned earlier, regardless of the popularity of business models in today's world, the concept is often misunderstood even by managers trying to apply it in their respective companies. In fact, businesses seem to have a hard time identifying their way of making money - a core element of a business model - and think in some coincidences of the business model as a strategy. This is wrong, but there is a relationship between a company's strategy and business model. The intention of the business model is to facilitate the analysis, testing, and validation of a company's strategic choices. Furthermore, a company's strategy can be defined from several different perspectives (Shafer et al. 2005).

> *"Strategy can be viewed in at least four different ways: as a pattern, plan, position, or perspective. Specifically, in a backward-looking context, strategy is sometimes viewed as a pattern of choices made over time. More frequently, however, strategy is considered in a forward-looking sense. Within that forward-looking domain, some see strategy as a plan; a view that relates to choices about paths or courses of action, much like a directional roadmap. Some, such as leading strategist Michael Porter, see strategy as a position; a view that relates to choices about which products or services are offered in which markets based on differentiating features. Still, others, such as management guru Peter Drucker, view, in a grand vision, strategy as perspective; choices about how the business is conceptualized." (Shafer et al. 2005, p.203)*

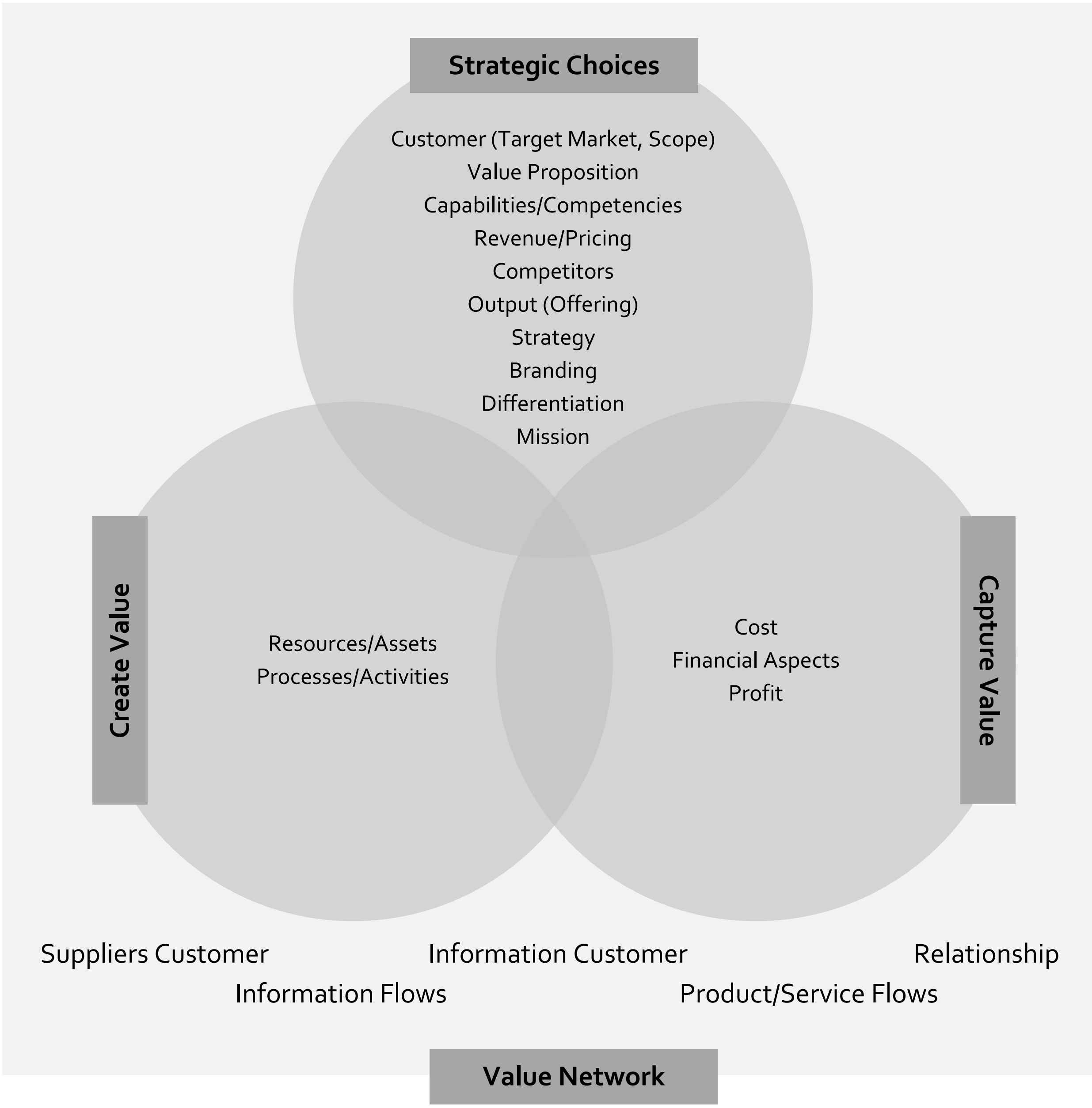
Shafer (2005) argues that these different views of strategy proposed by several authors all have one element in common: making choices. The task of a business model is to reflect these choices and their cause and effect relationships with other areas of the company. In other words, the idea is to test, analyze, and validate strategic choices by inserting them into the business model, which can then be used as a tool to show the correlation between them. At this point, it is possible to use the business model to analyze the strategic choices and test how they influence each other. Therefore it has to be examined whether the cause and effect relationships are reasonable and logical, and if the choices are congruent and support each other. A difficulty could arise, if there might not be available any historical data about market, customer, suppliers, or partners. Nevertheless, with the help of sophisticated management science methodologies and simulation techniques, a company is able to analyze different scenarios and understand how different choices in one area can have an influence on other sections of the company such as performance or cash flow (Shafer et al. 2005). Basically, a well-defined business model can be used to create different strategic scenarios and compare the outcome without neglecting potential company-wide variations. Therefore, a business model can be a powerful tool to accompany strategic business decisions with potential influences throughout a company.

5.2.1 Shafer's Business Model Framework

Based on the previously discussed purpose of a business model and in order to use the business model concept in this paper, it is necessary to provide a clear definition of the model in use. However, various authors offer several different definitions for the term business model. The dispersion may come from a business community with authors from several different fields addressing the matter (e.g., marketing, e-business, low-tech, or high-tech) that led to various perspectives and viewpoints on the topic. It resulted in various definitions and so far none of these prevailed as generally acceptable. In other words, authors have been focusing on a certain angle appropriate to their specific case and produced definitions with slight variations.

Therefore, Shafer (2005) took it up to look at several definitions currently circulating in the field of economics in order to create a generally acceptable model based on the what factors are predominant throughout the definitions. Looking at 12 definitions with a total of 42 model components, he discovered that some of the components appear again and again, while others include unique elements only appearing once. All the components appearing at least twice throughout the definitions were grouped and categorized using an affinity diagram. This way, Shafer was able to establish four general groups: *Strategic Choices*, *Creating Value*, *Capturing Value*, and the *Value Network*. Within the groups, he arranged the 20 components that had been cited more than once and attributed them descriptive titles to complete the model.

Figure 3 - Shafer's Business Model



The groups and components of Shafer's business model framework and how they interact and influence each other (Inspired by Shafer et al. 2005).

The adaptations to Shafer's original work in Figure 3 above, tries to visualize the intercorrelations of the business model groups. In fact, the components and groups influence each other and the business model helps to understand and outline such implications.

Furthermore, in his publication, Shafer also offers a new definition of the term business model suitable to any kind of company:

> *"A representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network" (Shafer et al. 2005, p.202).*

This definition includes the four terms used to describe the business model groups and explains how they are connected to each other. First, the definition indicates that the representation of the core logic is necessary to show the key assumptions regarding the causes and effects of the components in the Strategic Choices group. The latter includes the factors that are in full control of the company and can therefore be changed nearly at will. Changes, however, have effects on the other components and groups in the business plan, which brings us back to the core logic and the idea that it needs to be used to understand such cause and effect relationships.

Creating and Capturing Value are terms that also relate to the business model groups, as they include components describing all the functions that are required for a company's long term success. The Creating Value components are used to point out the different approaches a company takes in comparison to the competitors in the field. This can include core competencies, capabilities, or positional advantages that have to be developed in order to stay competitive. Components within the Capturing Value group, on the other hand, outline the relevant factors for obtaining the main objective, which is creating profits and staying viable along the way. The three groups directly influence each other and changes in one group can provoke modifications of components in another group. Furthermore, these groups happen within the Value Network, which can include the flow of goods and information between suppliers, partners, distribution channels, and alliances that benefit from the company's activities. How the company acts within the Value Network can be crucial for its relationship with the customer. Again, the Value Network has and is influenced by the rest of the components. Shafer's model therefore is ideal to show interrelationships between the different areas of the business model and outline impacts of changes in strategy and environment (Shafer et al. 2005).

The business model is seen as a dynamic tool to analyze, test, and validate the cause and effect relationships of strategic choices. Therefore, the business model can also be used to describe, illustrate, and outline operations of a business and provide an understanding of the company's structural relationships that influence its internationalization behavior.

5.2.2 Potential Difficulties

With this being said, according to Shafer (2005) it is equally important to point out that misusing the business model concept can guide a business into difficult situations. He has identified four pitfalls when using business models:

1) Flawed assumptions underlying the core logic.
2) Limitations in the strategic choices considered.
3) Misunderstandings about value creation and value capture.
4) Flawed assumptions about the value network.
(Shafer et al. 2005, p.204)

First of all, *flawed assumptions underlying the core logic* imply that a company is basing its core logic on inaccurate or untested assumptions about the future. This can result in identifying cause and effect relationships of strategic choices that are simply incorrect and not valid. Secondly, the *limitations in the strategic choices considered* refers to the fact that it is important that the company applies all its core logic when discussing how to create and capture value. A common mistake is that only a part of the logic is used by not considering all the components or defining the components too generally and unsatisfactorily. This can result in an incomplete and potentially misleading business model with the definition of wrong cause and effect relationships. An imprecise definition of a component often leads the company into overestimating the success of the strategic choice in the market. The third mistake is denominated *misunderstandings about value creation and value capture*. This refers to the issue of confusing potential value with actual value as well as defining how a company actually makes money and profits, which, of course, is the basis for the very existence and survival of the company. An example is to measure a company's performance by the number of its customers, instead of its free cash flow. Additionally, there is a tendency to only focus on the value creation - producing a satisfactory product or service - without considering the strategy to capture the value and get the customers' money. Finally, the fourth pitfall stems from relying on *flawed assumptions about the value network*, which usually leads to a different reality when putting the business model in action. It happens when a model mistakenly assumes the value network to be consistent in the future. This means that a company needs to acknowledge the fact that the business environment changes frequently and that strategic choices have to be adapted continuously. In fact, in his publication Shafer (2005) states that business models are never a complete process. The usage of business models needs to be an ongoing and iterative process of analyzing, testing, and validating strategic choices. The most important part is to use the model business model correctly, which makes it a powerful tool to analyze and communicate strategic choices (Shafer et al. 2005).

5.2.3 Components

The components of the business model are not individually described by Shafer (2005), but a descriptive name points at associated components deriving from the business model frameworks considered when creating Shafer's model. Therefore, the titles make it possible to clearly identify the strategic choices and characteristics that belong to each component. Nevertheless, in order to make it more comprehensible the following paragraphs list each component and provides a short description of which factors and objectives belong to it. Due to the fact that Shafer (2005) chose descriptive component titles, it is possible to offer our own definitions in order to be able to align the understandings. As a quick reminder, the group Strategic Choices contains strategic decisions taken by the managers of the company itself, the Value Network includes information about the business environment and supply chain, while Creating and Capturing Value points out resource- and process-related requirements and puts them into a financial perspective.

Strategic Choices

The Strategic Choices group consists of ten components and refers to the decisions a company makes to be successful. The *Customer* component includes information about the targeted customer segments and can happen on a geographic, demographic, psychographic, or behavioral basis. It leads to the positioning of a company. The *Value Proposition* describes the value of the actual product and service that the company wants to offer. In other words, it consists of what the company promises to deliver to the customer and therefore what demand it satisfies. The *Capabilities and Competencies* component shows the abilities that are required to do something successfully or efficiently, in this case referring to the development of products and services. *Revenue and Pricing* includes the pricing segment the company wants to position itself in and is therefore directly correlated to the value proposition. *Competitors* lists the main actors and the degree of competition in a certain market segment including substitutable products. The *Output* component contains the aspects about physical and functional characteristics of products and services based on customer expectations and legal aspects. Furthermore, specifications about delivery and shipping options are listed. *Strategy* consists of short and long term actions and milestones to reach the company's overall objectives. *Branding* includes the choices related to the positioning of the company's brands and the importance of recognizing them in the market. *Differentiation* tells about the product's or service's development, special features, and anything else that sets it apart from the competition. A company's *Mission* summarizes the functions, markets, and competitive advantages in a short written statement referring to business goals and philosophies.

Value Network

The Value Network group includes five components and lists the relationship between the company in discussion and the other members in the supply and value chain. The *Suppliers* component defines relationships and dependencies to the upstream supply chain members that are responsible to deliver resources to the company. *Customer Information* refers to the source and type of information about the company's customers. *Customer Relationship* describes the amount, type, and level of relationships with customers. The *Information Flows* component describes the flow of information and knowledge company-internally and between the members of the supply chain and the company. *Product and Service Flows* include a description about the movements of a company's goods throughout the downstream supply chain including outgoing delivery channels.

Create Value

Create Value refers to two components that describe the factors that allow the company to create the value to be sold to the customers. *Resources and Assets* includes what is needed and used by the company to create value and thus the product and service and can include physical, intellectual, and human resources. *Processes and Activities* describe what the company does with the resources and assets in order to create its products and services.

Capture Value

Capture Value is the last group in the business model and refers to how the company makes money from the value it created. The *Cost* structure throughout the organization includes all the expenses related to resources and activities used in the company. *Financial Aspects* analyze the impact on the delivery of the products and services including potential investments and purchase possibilities. The *Profit* component outlines the financial gain of a company after all the expenses are subtracted from the total revenue.

This concludes the description of the individual components and allows a deeper understanding about the factors influencing the business model and therefore how the components are interconnected with each other. The definition of each component has to be kept in mind, as the analysis and conclusion is based on each of them.

5.2.4 Usage

Shafer's framework is the perfect business model for this paper, as it was developed incorporating several different perspectives with the goal to define a universally-accepted model. Due to the idea that it will be applied to a range of very different companies this ensures the compatibility with all of them and allows to create overviews that are comparable with each other. Therefore, the next step is to outline the transaction cost theory in order to be able to discuss how these two concepts can play together.

5.3 Transaction Cost Theory

Unlike many other terms used in the economic literature, there is not one specific author who gets credited with coining the term "transaction cost", as there are multiple versions. However, it is generally believed that the concept was first brought up by Ronald Coase in his paper "The Nature of the Firm" (1937), where he described it as "the cost of using the price mechanism" (Coase 1937, p.38). Herewith, the focus was laid on property rights and the cost of determining them. Property rights include - broadly defined - all laws, rules, social customs and organizations that cause and guide human behavior (Allen 2000). The concept was taken up by several authors until Oliver Williamson (1985) added an additional dimension by introducing bounded rationality and opportunistic behavior - behavioral patterns initially ignored in the neoclassical perspective. His publication marks the formalization of the concept and named governance structures as distributors of property rights through incentives for desired behavior. In this context, Williamson discusses the importance of transaction costs when answering making or buying decisions and thus the choice between choosing vertical integration (the firm) and contracting (the market). For example, considering the costs of searching and finding a suitable counterpart, communicating and exchanging information, measuring the goods and bargaining, drawing up contracts with the help of lawyers, and similar activities could result more expensive than simply internalizing the relevant business processes. In general, these difficulties and additional costs are referred to as natural market imperfections. Williamson's transaction cost theory is therefore also an approach to explain the existence of institutions and the reason for preferring in-house transactions within a company's boundaries over market transactions. In a broader sense, transaction costs refer here to the cost resulting from the transfer of property rights (Allen 2000).

Around the same time, multinational enterprises (MNEs) gained in popularity and their number grew steadily. However, until the late 1970s, there were no theoretical explanations for the existence and growth of such companies. Even though MNEs proved the opposite, the international trade theories at the time were based on the idea of perfect mobility of products and perfect immobility of factors, which also meant that no transaction costs were considered. Therefore, the doing of MNEs was an unexplained paradox, because even though it was generally accepted that doing business in a foreign country generated additional costs (Hymer 1976), MNEs were seen transferring production factors abroad all the time. Disregarding transaction costs, the only reasonable action of MNEs, however, would have been to license or franchise the know-how to foreign manufacturers in contrast to integrating foreign production flows. At the time, this phenomenon was explained as vertical integration caused by discrepancies in real interest rates. In 1960, Stephen Hymer challenged this hypothesis in his

PhD thesis[6] based on the observable fact that MNEs continued to invest abroad despite unfavorable interest rates. Furthermore, he analyzed why American companies from specific industries were responsible for the vertical integration abroad instead of banks and financial intermediaries. With the reduction of international trade barriers, monopolists from different countries came into competition and the domestic monopolists tried to take over or merge with the foreign competition, or set up their own subsidiaries in the rival's country to prevent an expansion beforehand. This led to the formation of MNEs and to the understanding that in reality the investments were based on homegrown attempts to reduce competition and to protect the company's position of monopoly and its associated profits (Hymer 1976). Therewith, the MNEs found a way to internalize and reduce the externalities caused by structural market imperfections such as barriers to entry and government interventions (Dunning & Rugman 1985). Looking at this from the perspective of property rights, the related transaction costs could be referred to as cost of establishing and maintaining property rights. In practical terms this revolves around activities such as inspecting, enforcing, policing, and measuring property rights and consequently acknowledging the threat of appropriation and theft (Allen 2000).

In both theoretical developments it is possible to identify a common declaration; based on market imperfections, be it structural or natural, additional costs occur that could make an internalization of externalities financially justifiable and discourage a company from relying on the market and its transactions. The costs can consist of resources such as materials, energy, knowledge, or time.

With reference to Coase's interpretation (1937), Carl Dahlman (1979) stated that transaction costs can be divided into three categories, simply by looking at the different stages of the exchange process.

1) *Search and information* costs occur in the very beginning of an exchange. The counterparties have to find each other and communicate their respective interests regarding the good to be exchanged.
2) In case that there are multiple agents involved on each side, making a decision and agreeing on exchange terms can include costly *bargaining and decision* activities.
3) After the decision, *policing and enforcement* costs emerge for activities including policing and monitoring the counterpart to make sure the terms are abided as well as enforcing the reached agreement.

Based on this concept and continuing the thought process, transaction cost theorists have generalized the idea further and added the element of coordination. In fact, the authors argue

[6] The thesis was published only 16 years later

that the total cost of a company can be divided into production costs and transaction costs. Production costs are considered all costs coming from "physical or other primary processes necessary to create and distribute the goods or services being produced" (Malone et al. 1987, p.485), while transaction costs - in these cases often additionally referred to as coordination costs - occur from "all the information processing necessary to coordinate the work of people and machines that perform the primary processes" (Malone et al. 1987, p.485). In other words, all the expenses for materials and work not directly going inside the final product can be quantified as the cost of information that is caused by the efforts to coordinate assets and resources in a company. It furthermore shows the correlation between information and coordination efforts. A higher degree of difficulty and complexity regarding the coordination of business activities also leads to a greater need of information. The resulting information gap, on its part, is reflected in higher overall transaction costs. At this point, we can declare that even though the transaction cost theory can also be used for operations within national borders, in this paper we always use it in an internationalization context.

5.3.1 Factors and Characteristics

In order to describe the usage of the transaction cost theory, it is necessary to refer to Williamson's idea shortly described above and go into more detail. Based on the general assumptions that all companies want to maximize profits and thus minimize costs, Williamson (1985) refers to production costs as deriving from running a perfectly working machine to produce goods, while transaction costs are incurred from the imperfections of markets. Among other factors, the author acknowledges thereby the lack of information and perfect competition in markets. This results in additional costs for companies that are trying to sell or buy products or services - precisely transaction costs. In addition, Williamson (1985) introduced the concepts of bounded rationality and opportunism to the theory. Bounded rationality refers to the limitations of people's knowledge in terms of not being able to gather and process all information available in order to make a certain choice. It usually occurs in situations with a multitude of alternatives that furthermore depend on autonomous third party actions. Therefore, it is possible to observe irrational behavior and other decisions limited through bounded rationality. Opportunistic behavior, on the other hand, refers to people's egoistic behavior in order to get advantages at the cost of others. Basically, opportunism describes situations in which people are dishonest about their intentions or exploit unforeseen circumstances in order to gain advantages. It is usually impossible to predict opportunistic behavior or to identify parties that will act opportunistically. With this said, both bounded rationality and opportunism do not directly determine whether a company integrates or relies on the market, but provides basic assumptions, which influence the way the transaction cost theory is used (Williamson 1985).

In order to pinpoint the characteristics of a transaction, Williamson (1985) came up with three distinct variables, which can determine the topology of a transaction in analysis and thus whether it is cheaper to integrate a company vertically or not. *Frequency* refers to the quantity regarding a certain transaction. If it consists of a very rarely used product or service, a company has generally no interest in integrating it. However, frequently used goods might be cheaper and easier to use if fully integrated into the company. It has to be noted that frequency is usually not considered in transaction cost related discussion. The reason is not that it is less important, but that the frequency of a transaction is so obvious that infrequent transactions are not even talked about in the first place. *Uncertainty*, the second variable, describes how difficult it is to foresee eventualities that possibly happen during a transaction. The variable directly refers to the concept of bounded reality and is based on the fact that usually not all possibilities and variations can be considered. At the same time, eventual opportunistic behavior also attributes to the degree of uncertainty. It is strongly influenced by the duration of the transaction, as longer transactions generally have more uncertain factors and also require to predict the future to some degree. On spot markets, on the other hand, where goods are traded for immediate delivery, it is not necessary to anticipate behavior and thus the time-related uncertainty is minimized. Therefore, vertical integration can reduce the degree of uncertainty for a specific transaction, while relying on the market leads to more uncontrollable and thus uncertain factors. The last variable is *asset specificity* and refers to the degree of which a certain asset is only valuable in the context of a certain transaction. In other words, asset specificity measures the extent to which an investment is more valuable for a particular transaction as it would be under different circumstances. Therefore, it can be said that transactions involving highly specific assets are much cheaper in an integrated business than they would be in a market. Furthermore, integration can prevent potential holdup situations and lead to economic costs (Williamson 1985).

The following figure shows the recommended levels of vertical integration in regard to the degree of uncertainty and asset specificity. As noted earlier, frequency has been left out as it is easily defined and discussions about infrequent transactions are not even being considered.

Figure 4 - Relation between Uncertainty and Asset Specificity

		Asset specificity		
		Low for both parties	High for both parties	High for one party, low for the other
Uncertainty	High	Contract/full integration	Full integration	Full integration
	Low	Spot contract	Long-term contract	Full integration

Suggested foreign entry mode depending on the level of uncertainty and asset specificity inspired by Williamson (1985)

In the case that both uncertainty and asset specificity are considered low for both parties, the transaction does not consider any particular degree of integration. The reason is that the market is sufficient enough and products and services can easily be acquired there. In case it is considered high, on the other hand, a full integration is suggested, because both parties would require extensive efforts to find each other, negotiate the details, set up contracts, monitor abidance, and enforce the agreement if necessary. If either uncertainty or asset specificity is high and the other one low, long term contractions could be a viable solution. This describes a hybrid integration type, as the companies can still exercise some degree of control, but also rely on the market and a partner for other business activities. Furthermore, the graph also considered a situation where the asset is specific only for one of the parties, in which case this party needs to seek a vertical integration as fast as possible due to the fact that it risks a holdup situation where the company is totally dependent on the other party (Williamson 1985).

In his publication (1985), Williamson also states that even though transaction cost theory is widely applied to examine the vertical integration options of a company, it can also be used to analyze issues regarding other types of internalization and externalization. In other words, the application of the transaction cost theory is not only limited to determine the degree of vertical integration of assets, but the concept can also be applied to other scenarios.

Furthermore, Williamson (1985) also admits some limitations to the theory. It is important to note that the separation between production and transaction costs is not always clear or even possible. In other cases, measuring transaction costs can be the issue, as the associated activities and efforts cannot always be and quantifying easily. Additionally, even though bounded rationality is considered as factor influencing decisions, other interests are not considered. Personal experiences and company politics are perfect examples of additional factors influencing integration decisions. Lastly, the concept of trust is neglected as well. The transaction cost theory does not consider past transactions and the relationship between the parties that can lead to trust. In fact, the theory assumes each transaction to be the first of its kind and ignores the reputation and trustworthiness of people and parties. Therefore, simply stating that it is impossible to predict somebody else's opportunistic behavior is an oversimplification and needs to be considered when applying the theory in practice (Williamson 1985).

5.3.2 Internationalization

As seen earlier, there are several different options for entering new markets. The two most important assumptions behind the internationalization of a business from a transaction cost perspective are that companies have the intention of seeking new markets to maximize the profits and that it is generally more difficult to conduct business in geographically and culturally distant territories. In fact, Hennart states:

> *"Operating overseas is usually more costly than the home market. Because a foreigner does not have the same contacts and knowledge of local customs and business practices as indigenous competitors, while being often subject to discrimination by host country governments and private institutions." (Hennart 2000, p.73)*

This leads to structural and natural entry barriers as well as other difficulties related to foreign operations. Structural market imperfections, for example, refer to situations where governments put restrictions on foreign ventures or international competitors have privileged access and control to inputs and technologies, whereas natural market imperfections include variations due to the fact that the assumption of perfect knowledge and enforcement cannot be met in reality and that companies have to spend resources on activities such as gathering information, negotiating deals, and enforcing contracts. At the same time, the risk of opportunistic actions could generate even higher transaction costs and besides overcoming the issues outlined above an integration can also convert counterparts into employees and thereby reduces the probability of them cheating the company. In other words, Hennart (2010) argues that liabilities of operating abroad are directly related to the difficulties regarding the transfer of physical and knowledge-related assets. In fact, he explains that the types of assets and knowledge to be transferred imply certain entry modes for a company, which, in turn, influences the degree of integration of international operations. For example, in the case of hard to transfer knowledge assets, but easily transferred physical assets, Hennart suggests a foreign entry with wholly owned subsidiaries. If even the physical assets are difficult to transact, a hybrid solution based on a joint venture between the mother company and a local business, is suggested. In turn, when the knowledge is easily transferred, but the company relies on complex physical assets for its operations, Hennart argues that a company should rely on the market and not integrate abroad (Hennart 2010).

In summary, in this paper transaction cost theory refers to the additional costs generated when using the market upon entering a foreign country. It determines the suggested degree of integration and internalization of operations abroad and thus the type of entry mode. It thereby backs the Stage Theory and the Uppsala model; according to the two behavioral theories, a company starts out with a low-risk entry mode and gradually gains more insights and experiences, which leads to more commitment and thus a higher degree of integration of the foreign ventures. In other words, the lack of initial experience makes it difficult to integrate operations abroad and therefore more expensive compared to eventual transaction costs. By learning more and more about the foreign location and customs, it becomes cheaper to consider and implement more highly-internalized foreign activities and companies start to change from low-control, low-risk to high-control and high-risk commitments, eventually leading to wholly owned subsidiaries. In addition, INVs/BGs as well as reborn globals are seen to internationalize at a much higher speed and the main reasons are that thanks to new technologies and cheap transportation and adaptation costs there are very little resources required when entering new markets. This relates to low structural and natural barriers and internationalization ventures are not bound to high transaction costs. Therefore, both types of internationalization behavior are very much aligned to the assumptions and propositions of the transaction costs and the theories complement each other.

5.3.3 Usage

As seen before, the internationalization of companies and the transaction cost theory are two very interrelated concepts. In fact, the transaction cost theory was initially developed in order to describe and understand reasons for companies to merge with foreign competitors and to evolve into MNEs. The theory presented an explanation regarding the reasons for companies to internalize business transactions abroad instead of relying on the market. In doing so, the research showed that structural and natural barriers influence the cost of such intentions up to a point that internalization was the cheaper alternative. Based on the discussion above, we can conclude that the anticipation of high transaction costs leads to a high degree of internalization. The opposite is true for a situation with low transaction costs. It means that in order to be able to sell products and services to a foreign country, a company has to consider the related costs and implications. The transaction cost theory conceptualizes this thought and provides a method to determine whether it makes more sense to fully integrate the foreign ventures or not. This results in a company either seeking wholly owned subsidiaries abroad - by merging, acquiring, or simply founding businesses at these locations - or just selling the goods to a counterpart located in the foreign region and relying on it to provide activities required to deliver the products and services to the end user. Of course, a range of possibilities in between these two such as franchising agreements, joint ventures, or other types of partnerships can be used to find a hybrid solution. In any case, transaction costs help to quantify the different scenarios and offer a theoretical basis to make an adequate decision.

Furthermore, the individual steps of a transaction have been examined in order to present a more structured outline of the origins of transaction costs, resulting in the realization that it was in fact imperfect information and the need to gather knowledge that creates the expense for the company. In addition, authors acknowledged that the demand for information is related to coordination efforts within the boundaries of business activities. All of this led to the finding that transaction costs were a quantifiable expense measurement of coordination-related activities, which consists of anything not included in the production costs. In other words, the amount of transaction costs allows insights into how difficult it is to coordinate certain resources and assets that the company needs to succeed. Williamson (1985) was responsible for defining three factors that determine the amount of cost for a certain transaction. He states that the frequency, uncertainty, and asset specificity influence the transaction cost and therefore the decision between making and buying, which again should be the base for decisions regarding integrating foreign business activities or relying on the market and the services offered.

In this paper, the transaction cost theory is not applied directly, as it is not our goal to determine the most suitable foreign entry mode for a company's expansion abroad. On the contrary, the theory's assumptions, core ideas, and logic associations are used to draw conclusions about given scenarios and in order to better understand associated efforts and endeavors. This allows us to create a method to analyze a company's characteristics based on the same assumptions the transaction cost theory is based on. The fact that people act opportunistically and with bounded rationality provides the theoretical background to understand potential difficulties involving tasks such as integrating processes and assets abroad and adapting business operations. Furthermore, the associated assumptions and ideas underline the importance of additional costs not included in the production and can therefore be used to measure and quantify the complexity and difficulty of a certain task. The reason transaction cost concepts are suitable within this paper is first of all that it has initially been developed in order to explain international integrations. Furthermore, it pointed out that the lack of information has a big influence on a business and results in significant costs and expenses. By referring to the transaction cost theory from yet another perspective, instead of determining the most adequate internationalization strategy in terms of entry modes and foreign commitment, we can consider predefined scenarios and characteristics and draw conclusions about the activities and resources that are necessary to complete associated tasks. It means that based on the assumptions of transaction cost, it is possible to consider the same conditions and thus recognize correlations and cause and effect relationships. By adopting the factors, this provides a reasonable understanding about the situation and allows to draw conclusions that are applicable to reality. All of this provides an explanation of why the transaction cost theory is used in this paper and leads to a discussion about how it can be applied.

With this in mind, the transaction cost theory is used in two different ways; first and foremost, transaction costs are used to make assumptions about the complexity and investments required by a certain integration scenario. It means that a specific degree of internalization of both assets and activities determines a particular level of expenses in terms of time and resources. The transaction cost theory provides the theoretical perspective to measure the degree of integration and thus allows to compare different situations.

In addition to this, the transaction cost theory is also used as a way to quantify the complexity and difficulties revolving around the process of adaptation. In case resources, processes, or strategies need to be adapted to the requirements of a foreign market, several activities are involved. For example, information about the market has to be gathered, changes have to be considered carefully and decided upon, and new strategies have to be implemented, monitored, and eventually enforced. Since all of this is happening in a context where a company expands overseas, the difficulties can be expected to increase and even more resources are required. The transaction cost theory, again, allows us to quantify such efforts and helps to determine how complicated, time-consuming, and resource demanding the operations are. This makes it possible to compare different scenarios and therefore to draw conclusions about the impacts on the speed of internationalization.

5.4 Business Models in a Transaction Cost Perspective

The problem statement of this paper addresses the question whether looking at a business model of a company can point at a certain internationalization behavior in terms of speed. In other words, the idea is to look at the business model components of a company and find out if the associated activities are convenient for a fast expansion overseas or not. As we have seen in the previous paragraphs, a business model is a tool that contains the core logic and causes and effects deriving from the strategic choices of a company, while at the same time referring to how the company creates and captures value inside a value network with flows of goods and information. In other words, a business model captures and directly influences what a company sells, how it is sold, and to whom. It basically determines all the relevant aspects of a company, no matter whether it operates at home or abroad. At the same time, the expansion speed directly depends on the degree of integration as well as adaptation required to be able to offer a company's value in a market abroad. An extensive integration of assets and activities implies significant foreign investments, while product and strategy adaptations require substantial efforts to conceptualize, implement, and monitor changes.

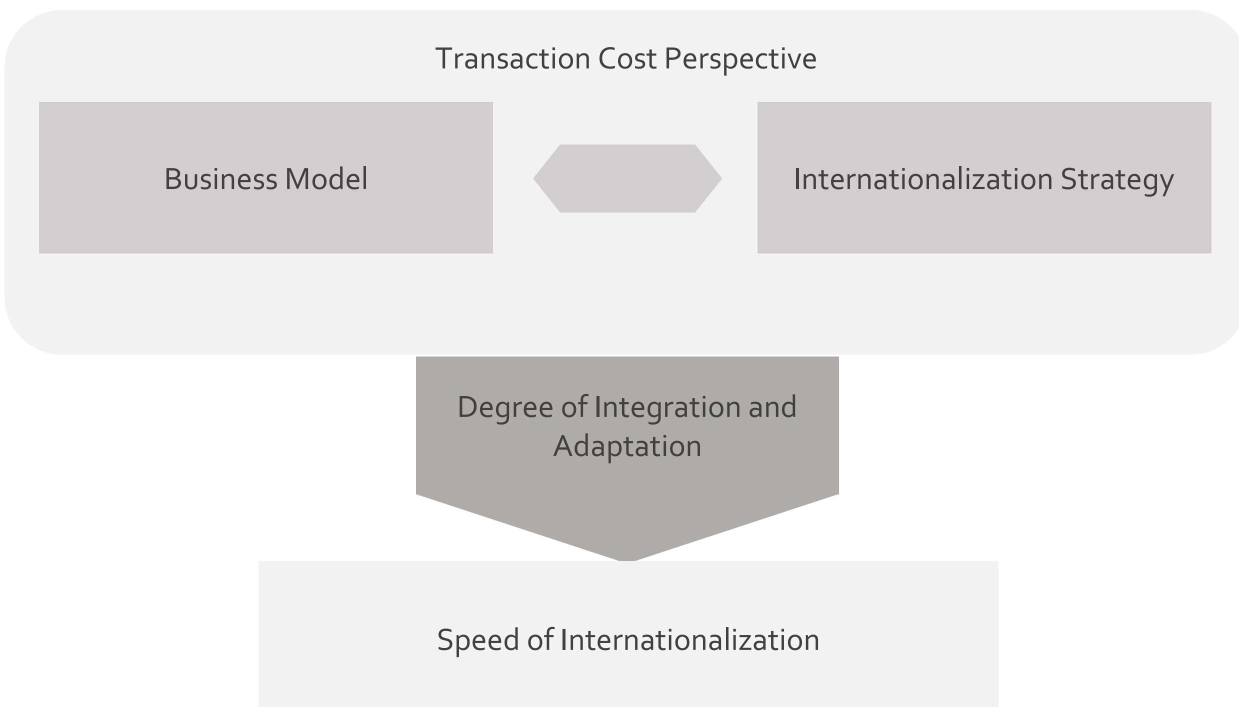
5.4.1 Connection of Theories

Therefore, it is necessary to develop a way to measure the complexity regarding each business model component in order to determine whether a company's expansion abroad can be expected to be fairly straightforward or very complicated. In order to connect business model characteristics with internationalization speed, this paper relies on the assumptions and understandings provided by the transaction cost theory. In general, the transaction cost theory determines the degree of integration abroad that is reasonable for certain business operations. Depending on the degree of frequency, uncertainty, and asset specificity of specific transactions, a quantifiable measure is provided to determine whether a business integration makes sense or a market-related attempt should be favored. At this point, it has to be noted that there are not only the two possibilities of relying on independent parties and building wholly owned subsidiaries, but companies developed hybrid forms that allow partnerships with local companies in order to be able to execute some level of control without bearing the whole risk and with the possibility to use the partner's market knowledge and expertise. This allows to reduce the liability of foreignness and assumes forms such as franchising agreements, long term partnerships, or similar alliances. To summarize this idea, we can say that in order to be able to fully deliver a company's promise abroad, some cases require a certain level of control over the foreign venture. In other words, the more control a company needs over its foreign ventures in order to be able to offer its complete value proposition to the right customers in the right way, the more integration of such activities abroad is necessary.

At the same time, the amount of demanded adaptation of business resources and activities leads to the need of coordination and control. The basic ideas offered by the transaction cost concept can be used to quantify this need - especially referring to bounded rationality and opportunistic behavior - and explain how the speed of internationalization is influenced. In addition, adaptation refers to the requirement of modifying assets and activities in order to be able to provide the requested products and services to the customers. In this context, adaptation includes the changes that become necessary when entering an oversea market. Different cultures, market requirements, and customer preferences can lead to significant shifts of strategies and thus assets and activities. Furthermore, new environments and regional characteristics can result in a changing value network and the need to adapt relevant relationships, partners, and flows of information and goods. The adaptations rely on certain efforts including the need to investigate and understand the changes, to design and determine new strategies, as well as implementing, monitoring, and enforcing modifications. Furthermore, adaptations have to be coordinated and thus also require related managerial operations. With this in mind, a direct connection between business model characteristics and internationalization speed can be made.

Therefore, we can summarize that a company's strategic choices and product and service features determine the associated nature of transactions in terms of frequency, uncertainty, and asset specificity as well as the required changes and modifications of resources, processes, and strategies. A transaction cost perspective allows to measure the resulting degree of foreign integration and adaptation of specific business model components. The higher the required integration and adaptation efforts, the slower the internationalization speed. This whole idea is illustrated in the Figure 5 below and can be used to understand how internationalization, transaction costs, and business models interact in order to determine the degree of additional integration and adaptation, and thus the predicted internationalization speed.

Figure 5 - Connections of Theories



Graphical illustration based on the connection between business models and transaction costs (Own creation).

Based on the reflections and Figure 5 above, it is possible to go into more details about the application of the theoretical foundation. In this paper, we look at existing business models in a context of internationalization abroad. It is important to remember at this point that in this paper the terms internationalization and expansion refer to the ability of offering a company's value proposition in at least one foreign oversea region in addition to the domestic market. This leads to insights regarding what degree of integration and adaption is required in order for a company to be able to offer its value proposition in another country. Looking at this from a transaction cost perspective allows to measure the associated efforts and gain an understanding of how complex and resource-heavy an expansion is expected to be. In turn, this information makes it possible to predict necessary investments in terms of money and resources and thus directly influences the time needed to complete such tasks.

It is very important to point out again that the transaction cost theory is used as a concept in this paper. In fact, it is the theory's logic and way of thinking that is used to analyze the existing business models. During the time of the generation of business models, we can assume that transaction costs had already been considered. Therefore, the task at hand is not to apply the original theory, but use its insights in order to come up with a valid conclusion. With this in mind, the transaction cost is used in two different ways. First of all, the idea is to examine the degree of integration that is required for a company when moving overseas. It leads to an understanding about the complexity and difficulties involved in integrating business assets and activities in a foreign environment. In other words, the transaction cost theory's assumptions and conclusions allow us to look at already specified entry modes and draw backward conclusions about the associated efforts and costs. It results in the possibility to measure such operations and synthesize the information to a point where different scenarios can be compared. In this paper, the idea is to compare integration scenarios of different companies and to predict how it influences a company's internationalization speed.

Furthermore, the degree of adaptation has been identified as major driver for expansion ventures. Again, the look at a business model shows what kind of adjustments in terms of products, services, processes, assets, flows, and networks a company has to undertake in order to be able to fulfill its strategy in a foreign market. Each change in the marketing mix therefore influences several other areas of the company and this results in a need for understanding the adaptations, define strategies, implement and monitor modifications, and dynamically align the adaptations to varying market factors. The concepts of transaction cost allows us to measure the associated coordination and management efforts and therefore provides a concept that makes it possible to look at business model components in a quantifiable way. As seen earlier, it allows to compare different scenarios and therefore it is possible to predict the internationalization speed of a company based on the degree of adaptation required.

To summarize this core idea of our project, we first have to keep in mind that the business model contains all relevant information about a company in terms of what it does, how it does it, and to what end. Dividing these factors into business model components helps to look at a company in detail. Using the assumptions and concepts of the transaction cost theory allows us to determine how resource-intensive each component is when internationalizing overseas. It thereby shows what degree of integration and adaptation abroad is needed. This results in an estimated complexity and thus allows predictions on how easy or difficult it is for a company to internationalize and thus how likely a company is to do so.

5.4.2 Usage

Based on Shafer's business model framework we can simply borrow its arrangement and use the same groups and components. This way, each component can be analyzed from a transaction cost perspective and scored individually. The available scores are 1 (low), 2 (medium), and 3 (high) and refer to the presumed and expected amount of integration and adaptation and thus associated coordination efforts. The numerical equivalent can furthermore be summed up and used to compare to the scorecards of other companies. It is possible to compare components, groups or the model as a whole with the goal to offer valuable insights into the expected internationalization behavior of the companies under investigation. The actual scorecard can be found in Appendix A and is used to analyze companies in the analytical chapter of this paper. However, before completing it, it is necessary to explain what factors actually influence each component in order to make sure that the scorecard can be completed based on the same background information and perspectives.

In order to look at the business model group and components from a transaction cost perspective, we have to ask the following question: "What degree of integration and adaptation is required when a company decides to go overseas?" This question has to be answered for each component individually in order to understand what kind of additional efforts are required when expanding. A low score therefore refers to an insignificant degree of integration and adaptation leading to a small amount of additional coordination and information necessary to adapt associated activities and resources, while a high score implies the opposite.

To make it easier to comprehend what factors can influence the required coordination efforts of each component, the factors are listed in regard to a scenario of low integration and adaptation and a scenario with high adaptation and integration requirements in Appendix B. Based on the scorecard presented above, this creates a straightforward model and puts the thinking into a practical light. It can be used as basis for the actual scorecard used to analyze a company and a way to make sure the score of each component is based on the same factors, understandings, and perspectives. It is important to note that the components in this context do not just reflect the strategic choices of a company, but are used to highlight additional efforts that derive from expanding sales abroad. It mainly consists in investing in increasing control and added adaptation-related activities that cost money and time and therefore complicate the operation. As stated, the table can be found in Appendix B and reading through it makes it evident that certain aspects might have a bigger impact on the final score due to the fact that they influence multiple components. We argue, however, that this does not alter the results in a negative way, but allows to allocate more weight to characteristics that actually have a bigger influence on the company's behavior. For example, the fact that a company needs to adapt a product or service to meet foreign market demands can have an influence on multiple components. This, however, only emphasizes the effect. Similarly, having multiple production sites in different countries immediately increases the coordination efforts in several components. Again, this actually just underlines the importance of such conditions in terms of internationalization challenges.

The overview and the related information regarding each business model component provide a defined list of factors to be considered when completing a company's scorecard. It allows to align the perspectives and results in scorecards that consider the same characteristics of a company, which makes it possible to compare the results.

5.5 Knowledge-based Companies

Before continuing with the analysis of this paper, a theoretical approach to improve the selection of case studies is provided. It is based on the knowledge-based view of the firm - a further development of the resource-based view of the firm and considers knowledge as the most important strategic resource of a company. Knowledge is different in comparison to traditional productive factors, as it does not depreciate over time and can be responsible to generate increasing returns. Furthermore, knowledge is generally difficult to copy and imitate and can provide a company with a sustainable competitive advantage and a superior performance. The knowledge-based view of the firm considers organizations as heterogeneous entities - each with its own knowledge. The theory therefore proposes that the reason for a company's existence is its task to create, transfer, and transform such knowledge in order to turn it into a competitive advantage. This can lead to issues and difficulties - especially in terms of coordinating the available knowledge and to maintain. At the same time, measuring and quantifying intangible assets such as knowledge is not always possible (Curado 2006).

In this paper, the concept of knowledge within a company is used to create a simple method that allows us to choose five adequate companies to test the scorecard presented above. Therefore it is not necessary to go further into the theoretical foundation of the knowledge-based view of companies and it is sufficient to have a general overview on the topic. The following part lists three different types of knowledge-related companies and is used in order to identify the most suitable candidates out of a pool of potential companies.

5.5.1 Knowledge-based Typologies

Since a major part of this paper is to test the scorecard with five already globally established companies, the choice of such companies is very important. In order to make sure to cover a wide spectrum of types of companies and thus increasing the validity of the final conclusions, the following model is used. Bell et al. (2003) suggest a categorization of companies when explaining the speed of internationalization. The idea is to classify firms depending on the sophistication, complexity, and novelty of knowledge used in an organization to create a specific product. According to the concept, the knowledge-type of the company influences the product and therefore impacts how fast the internationalization process proceeds. In this paper, this theoretical model is used to choose companies that are suitable to be discussed in regard to the scorecard and it helps to make sure that all types of companies are considered. In other words, picking at least one company from each of the three types of companies proposed by the authors allows us to cover the existing types of companies that can be expected to have different behavioral patterns when internationalizing.

The first type is referred to as a *traditional firm*, which includes companies that use well-understood technologies in their product development processes to produce mass market products addressing general needs. Even though there are target customers, potential customers can include a wide range of people and organizations. Due to the competition and existence of substituting products, traditional companies usually internationalize incrementally, by introducing existing concepts and products to new foreign markets. Generally, the company's output can be developed anywhere and the competition takes place on price and intangible assets like brands or design. Therefore, in order to sell in foreign markets, a traditional company requires regionally adapted marketing strategies and local partners with sales networks. The internationalization process for such companies is best described by the Uppsala model (Oviatt & McDougall 2005).

The *knowledge-intensive firm* describes the second type. It uses more sophisticated knowledge to develop an optimized version of a product, an improved production method, or a more efficient service delivery (Oviatt & McDougall 2005). Essentially, there is already a demand satisfied by an existing product, but the knowledge-intensive company provides a better solution, be it in terms of the product itself or through a better customer experience and upgraded business processes. Consequently, the companies mostly have a competitive advantage in the market. Selling abroad is relatively easy, as the innovative knowledge led to a superior product and the competitive advantage can be exploited in several different locations. Due to the fact that a demand and thus an interested customer group already exists, marketing-related activities are necessary only in a limited form. Therefore, this type of businesses is likely to internationalize faster than traditional companies (Oviatt & McDougall 1994).

Finally, the *knowledge-based firm* is operating within a very complex knowledge field and has an exclusive competitive advantage (Oviatt & McDougall 2005). The competition in the market is very low if not extinguished due to the uniqueness of the product. Knowledge-based products are often patented and protected and the result of a considerable development stage. Due to the fact that products of knowledge-based companies target a very specific need, well-informed customers worldwide seek the product rendering locally adapted marketing mixes mostly irrelevant. Therefore, this type of company is likely to have the fastest internationalization, especially because the products are highly demanded by specialized customers in many countries (Oviatt & McDougall 2005).

5.5.2 Usage

With the knowledge-based typologies in mind, we can continue to create an overview over how to apply the idea in order to find five suitable companies to test the scorecard. Besides the differences in knowledge-related issues, the companies have to fit some other criteria as well. As stated earlier, we are looking for companies that are already successfully internationalized and that are popular enough to generate enough reliable secondary information that can be used in the analysis. Based on these preconditions, the goal is to find companies that belong to different knowledge types and therefore cover a wide spectrum of potential candidates. To summarize, in order to increase the diversity of the candidates and therefore improve the credibility of testing the validity of the scorecard, it is necessary to choose very diverse companies. According to Hennart (2014), companies belonging to one of the three knowledge-related types of companies show similar internationalization speeds. Therefore, and due to the fact that the internationalization speed is the central topic of this paper, it is reasonable to use the knowledge-based typologies as determinants when selecting the five companies.

6 ANALYSIS

In order to start off the analytical chapter, the five companies that will help to test and compare the scorecards are presented. Each case study includes a detailed description of what the companies are offering in terms of value proposition, products, services, and support functions. A look at the customer segments, customer relationships, and sales channels as well as resources, assets, cost structures, and revenue streams will be useful when putting it into an expansion perspective. While reading through this part, it is important to keep in mind that the scorecard afterwards is complete based only on this information. Finally, a quick overview of the actual company history is given that allows to compare the expansion process with what the results of the scorecard would have suggested. Therefore, each company's presentation is completed with a detailed description of the scorecard factors and results. At the end of the chapter, the predictions based on the scorecard results of each company are compared and discussed. The consequential conclusions lead to a deeper understanding of the scorecard's validity and the significance of our internationalization behavior predictions.

6.1 Selection of Companies

As stated above, completing the scorecard for each of the companies allows us to compare the different results and between the outcomes and the companies' actual internationalization experiences. Basically, we can use the scorecard and test if it is suitable for the task at hand. Basing the selection on the five different companies in relation to the types of knowledge involved in the process, furthermore ensures that we use companies from a broad spectrum and do not focus solely on one type, which would reduce the reliability of the obtained accuracy of the scorecard.

With the knowledge-based typologies in mind - traditional firm, knowledge-intensive firm, and knowledge-based - the companies used in the following analysis are:

1) As traditional company, the Swedish furniture manufacturer IKEA has been chosen. The company produces mass market goods with well-known and proven techniques and mostly bases its strategy on a signature purchasing experience in local stores around the world, supported by regional production and sales networks. As a result, according to the theory, the traditional firm can be expected to internationalize fairly slowly and the behavior is best described by the Uppsala model.

2) Similarly, Starbucks is a coffee store chain offering very similar services and products in its subsidiaries. The coffee is considered high-quality and based on traditional roasting procedures. It means that Starbucks' mostly homogeneous products are aimed at a mass market and satisfy a well-understood need. Again, this makes Starbucks a traditional firm and allows to predict an Uppsala-type internationalization process.

3) Skype, a knowledge-intensive company, took a familiar service of providing phone calls to another level by basing its existence on a free software and an innovative way to communicate with the whole world. In general terms, Skype delivers a better user experience and its method results in a competitive advantage in the market. This makes Skype a perfect example for a knowledge-intensive software development company with an anticipated faster internationalization speed.

4) The American electric car manufacturer Tesla Motors offers a high-tech product with a high degree of a differentiation in a niche market segment within a highly competitive broader market. The fact that the company's knowhow and expertise are the reasons for its competitive advantages and the unique position in the market makes the company a knowledge-based firm. This leads to an expected internationalization behavior unlike the ones above.

5) Sky-Watch also represents the third category of businesses - the knowledge-based company. The whole business model is based on an innovative niche product developed for a very specific task. The knowhow necessary to produce the good is safely kept at its only production site, while sales are made on the entire planet. The way Sky-Watch has internationalized is expected to be very different and much faster.

With this selection of companies in mind, each business is now looked at individually. At first, the companies are presented providing all the information necessary to have a good overview over each company's characteristics, goals, and actual internationalization behavior. This allows us to apply the scorecard to each case and thoroughly examine the scores. Furthermore, the results can be compared to the actual internationalization process of the companies, which allows a first conclusion in terms of whether the scorecard delivers reasonable outcomes. This is the basis for comparing the results in more detail and to find out whether the scores support the hypothesis of predicting internationalization speeds based on business model characteristics.

6.2 IKEA

Founded in 1943	147,000 employees worldwide	361 IKEA stores	Stores in 27 countries

IKEA's value proposition is to offer affordable, but well-designed and qualitative furnishing products to the masses. It includes IKEA's signature shopping experience and a wide range of relatively cheap do-it-yourself furniture that can be bought for a relatively low price. Support services range from delivery options to financing models. The company primarily targets families, businesses, and restaurants, however, its products are bought by pretty much anybody. IKEA accomplished to make shopping at its warehouse-like megastores an experience for the whole family - without forgetting its Swedish roots and values in terms of simplicity and efficiency. Several functions including family memberships and personal assistance channels focus on establishing customer relationships. IKEA's main activities are producing the parts in a cheap and efficient way, without compromising the design, functionality, and quality of the final product. Furthermore, the company disposes of a well-functioning delivery network that allows to offer its roughly 9,500 products in nearly every store and over the internet (Inter IKEA Systems B.V. 2014). The key resources comprise the brand itself, the design and production structures, the delivery network, and the corporate culture based on Swedish ideals, among others. In regard to the focus on sustainability, IKEA always organizes its operations with a positive effect for the environment. To achieve the high standards the organization needs to work closely with the suppliers and still be able to deliver affordable products to its customers.

> *"It takes a well-planned global network to manufacture and distribute IKEA products in an efficient and cost-effective way. [...] Our 1,002 suppliers, including our own IKEA Industry production units, manufacture IKEA products and either send them directly to the store for sale or on to a distribution centre, where stock and store deliveries are managed." (Inter IKEA Systems B.V. 2014, p.21)*

The cost structure is focused mainly on expenses associated with the maintenance of sales channels including delivery and stores as well as the production facilities and networks. The revenues stem from the sale of furniture as well as additional services such as the store-intern restaurants, delivery options, or finance-support functions (Suwaris 2012).

Internationalization History

With more than 60 years in business, IKEA has become the world's leading home furniture retailer (Loeb 2012). The company was founded in 1943 in Sweden and opened its first store 15 years later. In the 1960s, IKEA opened its first stores outside of Sweden, which was in Norway (1963) and Denmark (1969). A rapid expansion happened during the 1970s, where the first stores opened outside of Scandinavia. During this time, stores were built in Switzerland (1973), Germany (1974), Japan (1974), Australia (1975), and Canada (1975) (Suwaris 2012). Japan was chosen as first oversea market due to its westernization progress and the growing similarities to European business realities. IKEA relied on the help of a Japanese joint venture, but stagnant sales forced the Swedish furniture producer to withdraw from the market 12 years later. In 2006, the company reentered Japan (Lane 2007). Many countries followed and during a total of six decades, IKEA has expanded their retail stores to more than 40 countries around the world. In 2014, IKEA was operating 361 stores, 222 of which are located in Europe and 51 in North America. Furthermore, IKEA relies on 1,002 suppliers in 51 countries. Similarly to the geographical distribution of stores, 59% of production takes place in Europe (Inter IKEA Systems B.V. 2014).

In order to understand IKEA's way of expanding, the example in China is very helpful. In 1998, the Swedish furniture retailer opened its first store in Shanghai. In 2003, the store was completely redesigned. It is four times larger than initially and holds around 7,000 products. While in that year, only a quarter of the products were produced locally, IKEA increased this ratio constantly. In 2004, the company already used a total of 362 Chinese suppliers and several hundred thousand employees. The local production and supply chain enables IKEA to adapt their store layout and some products for the Chinese markets and gives a very good insight into the organizational dimensions that IKEA relies upon when entering new markets (Miller 2004).

Scorecard

The completed scorecard for IKEA is available in Appendix C. It provides a tabular representation of the factors and final scores in each component. The following sections describe the information relevant for the scorecard and the thought process behind the scores. Thereby, it is a description of the expected integration and adaptation efforts to consider when moving the business overseas.

Strategic Choices

Even though IKEA targets primarily families, offices, and restaurants, the characteristics and preferences of people within these segments can differ significantly from region to region. Furthermore, IKEA has to adapt the marketing mix and reevaluate its positioning in markets with a different economic purchasing power. The value proposition is based on Swedish ideals and consists in offering affordable and functional furniture sold through an elaborate shopping experience, supported by a variety of additional services. Nevertheless, slight adaptations in products and shopping experiences require IKEA to rethink the value proposition in each new country. When going abroad, the company needs to transfer its capabilities and competencies to the globally-dispersed production sites and stores, while making sure to coordinate and monitor the efforts. Nevertheless, it is possible that IKEA transfers its capabilities to foreign subsidiaries and develop competencies in-house. Due to the fact that the company wants to make its products affordable for everyone, the national income level plays an important role in the pricing strategy. Local production sites furthermore allow to take advantage of low-cost productions and minimize transportation needs. Hence, IKEA can and needs to adapt its prices for each region. The wide range of mass products require continuous monitoring of - and reacting to - competitor's activities in each geographical market, which includes structured plans and strategies for each location. IKEA's products generally consist of multiple parts that stretch from small accessories to entire kitchen and bedroom furnishings. Some products are produced locally, others have to be transported around the world. In addition, some products need to be adapted for their final markets. As pointed out earlier, IKEA's fundamental values are based on Swedish ideals and consolidated in the corporate culture used worldwide. However, some strategic aspects need to be adapted regarding areas such as production, transportation, marketing, and support networks. Furthermore, subsidiaries in different cultural contexts could increase the difficulty to implement and monitor the strategies. IKEA's brand is very recognizable and can be used in the whole world without the need of changing any aspect. The same is considered for the message regarding Swedish furniture with good functionality. The signature shopping and do-it-yourself experience differentiates one aspect of its products, the fact that it concerns easily produced mass products for a wide-open market, however, relativizes it. Additionally, the company requires specially developed marketing campaigns for each region. The mission states that IKEA wants to make its products affordable to as many people as possible, which already implies the long term objective to expand the business globally and suggests that strategic ground works had been laid from the company's beginnings. The mission is furthermore fitting for global markets and does not need to be revisited when expanding.

Value Network

When entering new regions, IKEA relies on local production sites and establishes a network with local suppliers. The incoming goods are rather standardized, but cover a wide range due to the variety of final products offered. Due to the fact that the targeted customer segment slightly differs from region to region and that the people have different culture-related habits and preferences requiring adapted marketing mixes, IKEA needs accurate information about its customers in each new regional market. The importance of the shopping experience emphasizes the need for adapting the approach due to cultural differences. The global presence of sale and support establishments leads to the existence of a great number of potential contact points with the customers, which all need to communicate the Swedish corporate culture, while adapting to local customs in order to improve relationships. IKEA's global presence of production and sales networks leads to a complex and extensive information flow within the company and between partners in terms of location, culture, and language. Furthermore, the vast amount of different products suggests a lot of different types of information without the chance to fully standardize the flow. The various non-professional customers need support at various levels. Similarly, the many raw materials and products have to be transported to multiple destinations throughout the world, which requires accurate planning and cross-border implementation and involves many people from different countries and departments. The subsidiaries create new contact points and additional services have to be offered in each region.

Create Value

IKEA's resources range from production facilities to product designs and the store experience, most of which need to be transferred to a new country when entered. Some assets need to be adapted, while others can be copied rather easily. Nevertheless, this involves great efforts and is necessary to bring the same experience to the customers in foreign countries. The processes and activities have to be copied and transferred everywhere, but moving the cultural values and way of doing things could prove difficult.

Capture Value

With the integration of new suppliers and the establishment of a network in other countries, also the cost structure is likely to change. Opening production sites and stores in a new region requires big initial investments that have a huge influence on the financial aspects of the company. Furthermore, the physical presence in other countries binds the company to the local tax regulations and finance laws. This can have a big impact on the company's profits as well as on transferring the money back to the home country. Additionally, the different pricing strategies directly influence the revenue and thus the profit.

Summary

The high scorecard results in Appendix C imply a very slow expansion behavior of IKEA. It is immediately noticeable that each component in the Value Network group attained the highest possible score. Nevertheless, based on the information above this is totally understandable as IKEA first of all requires physical stores and production facilities in the new markets and furthermore has to develop a complete supply chain and transportation network in order to be able to create adapted experiences and products. Due to the fact that transactions between suppliers and IKEA's stores and facilities are very frequent and that uncertainty regarding the quality and design of products needs to be minimized, the approach consisting of a full integration of supply, production, transportation, and stores is the most suitable. Furthermore, the relatively cheap value, but big physical size, of IKEA's products makes long-distance transportation uneconomical. All of this speaks for integrating the relevant supply chain steps and underlines IKEA's necessity to heavily invest in new markets before entering, which already requires a lot of resources and efforts and slows the internationalization speed. Furthermore, the Swedish company needs to manage the product and information flows between each subsidiary and the headquarters in order to be able to stay true to the Swedish ideals while not missing the opportunity to adapt to local customs and customers. In addition, the Capture Value is also scored with the maximum, which stems from the fact that the changing supplier networks, big initial investments, and varying local regulations and pricing strategies have a big influence on the money streams and on the value that the company needs to capture in order to stay profitable. This is also reflected in the Create Value group as the resources and processes need to be transferred to the new markets, even though they can be copied pretty much from the ones at home. In the Strategic Choices group, containing the components that can most easily be influenced and changed by the company, it is noticeable that besides Branding and Mission - which can simply be applied abroad - all other components require some degree of adaptations and thus rising transaction costs when internationalizing. The Appendix C shows that especially choices regarding customers, pricing, competitors, output, and strategy have to be revised and changed for oversea markets due to nature of the product. This requires significant efforts and coordination activities in terms of researching the cultural and behavioral differences, deciding upon new procedures and negotiating local terms, as well as monitoring and controlling implementations. Only by making sure that the oversea subsidiaries operate based on IKEA's model, the company can assure to offer its full value proposition anywhere in the world.

Conclusion

For this reason, IKEA's expansion behavior is expected to be relatively slow and in fact it took the company 30 years to open its first stores outside of Scandinavia and subsequently outside of Europe. It is evident that the high transaction costs forced IKEA to integrate its oversea ventures in order to stay profitable. This resulted in an expansion behavior best described by the Uppsala model and was realized by carefully entering foreign markets gradually and depending on the geographical and psychological distance by rather low-risk entry modes such as joint ventures. The example in Japan shows this point most clearly as IKEA tried and failed, just to try again years later. Therefore, it can be concluded that the high scorecard scores correctly describe the relatively slow internationalization progress of IKEA. In summary, the company relies on very costly integrations abroad and also needs to consider significant adaptation possibilities.

6.3 Starbucks

Founded in 1985	191,000 employees worldwide	21,366 Starbucks stores	Stores in 65 countries

Starbucks is an American coffee company and coffeehouse chain. In its own words, Starbucks wants to "share great coffee with our friends and help make the world a little better" (Starbucks 2015). The goal is to offer the best coffee possible - relating to highest qualitative and ethical standards - in a friendly and cozy environment and inviting atmosphere. Additional to coffee, Starbucks sells a big assortment of snacks and other drinks. The company primarily targets young professionals with a relatively high income by offering a nice place to relax and work. It offers a Starbucks member card and tries to convince with a quick and friendly service. The major sale channel consists in the signature Starbucks stores placed in key locations in cities and offering services like free Wi-Fi to its customers (Starbucks 2015). Furthermore, Starbucks coffee and products can be found in other locations, such as restaurants, hotels, supermarkets, or wholesalers. The key resources include the global supplier network that delivers high quality coffee beans and powder, the central positions and easily recognizable layouts of its stores, and the baristas that pass on the passion of coffee-making. The most important activities of the company are roasting the coffee beans, the hiring process that allows to pick the right employees, and developing seasonal products around the coffee experience. Starbucks' cost structure consists of all the expenses related to renting store spaces in key positions, buying qualitative coffee beans, having a thorough hiring process, and marketing its products and message. The revenue comes mainly from in-store sales of drinks and coffee powder (Starbucks 2014a).

Internationalization History

Starbucks was founded in 1971 in Seattle, USA and expanded to Canada 16 years later. In 1996, the first stores were opened outside of North America in Japan and Singapore, which led to a total number of 1,412 stores. In the years following, Starbucks extended its brand into grocery channels and continues to open stores in countries around the world. In 2000, Starbucks served over 3,500 stores in 20 countries, which includes only England in Europe. Three years after England's entry, the European countries of Austria, Scotland, Switzerland, and Wales followed. In 2002, the free Wi-Fi concept was launched. With the exception of 2009 and the global crisis, Starbucks continued to expand throughout the world and to offer new products and services. As of March 2015, Starbucks was present in 64 countries and territories with over 21,000 stores (Starbucks 2014b).

Scorecard

The completed scorecard for Starbucks is available in Appendix D. It provides a tabular representation of the factors and final scores in each component. The following sections describe the information relevant for the scorecard and the thought process behind the scores. Thereby, it is a description of the expected integration and adaptation efforts to consider when moving the business overseas.

Strategic Choices

Starbucks' customer segments includes young professional with their own income. The hip vibe that Starbucks tries to pass on, allows the company to keep this primary segment unchanged when going abroad. However, it also speaks to a lot of other people with its offer and the company definitely has to adapt its marketing mix to the different regions. The main value proposition of offering high-quality coffee in a friendly atmosphere can be kept. Nevertheless, anything except the core products - such as seasonal offers, snacks, teas, or merchandize - have to be developed for any region individually due to the different cultural backgrounds. The ability to show the passion for coffee and to create a nice atmosphere as well as to offer high-quality services and products are capabilities that can easily be transferred to foreign locations and do not require a lot of adaptations. The same is accurate for coffee roasting facilities. Starbucks targets high income individuals and can therefore be found in the higher pricing segment. Even though this strategy is maintained abroad, the prices have to be adapted and changed continuously. Besides a number of similar coffeehouse chains, Starbucks also has to compete with bars and restaurants on a local level. This requires lots of resources and efforts when going to different regions. The coffee beans can be transported around the world for relatively low costs. However, as pointed out before, products such as seasonal drinks and snacks have to be developed and adapted for each region, which takes time and requires resources. The main strategy of attracting customers with quality products and store atmospheres can be applied globally. Some minor adaptations in terms of store interiors, marketing ideas, and seasonal product development might be valuable when entering new regions, as cultural backgrounds might have an impact on how the brand is received. It symbolizes the value proposition of the company and is very important to be recognized in order to attract customers and differentiate the stores from competitors. The logo and identity can be used in any country and Starbucks' message does not need to be changed. Additionally, the company does not offer a unique product but differentiates itself with a unique customer experience from its competitors in a mass market. The typical coffee cups, store atmospheres, and services allow to differentiate the brand in other regions as well and do not have to be adapted. Starbucks' mission is "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time" (Starbucks 2015, p.1). Even though a direct reference is missing, the statement implies the willingness to expand to any region in the world and offer the experience to as many people as possible without losing the focus on the individual.

Value Network

Starbucks' supplier network consists of coffee plants that meet certain qualitative and ethical standards. When expanding abroad, the company is still be able to rely on the same suppliers and ship the coffee beans abroad, however, it might be necessary to add new ones to the list. The cultural and lifestyle-related differences in different cultures requires Starbucks to gather new information about its customers in other regions. However, the basic idea used to offer a hip service and product in a nice atmosphere can be applied and transferred everywhere. Starbucks' customer loyalty programs can simply be extended to foreign countries with the need of adapting them. Since most of the interactions happen in the stores themselves, even a multi-lingual support center is unnecessary. Nevertheless, each new store also acts as new contact point to the customer, and the employees involved need to be able to transfer the company's spirit and way of doing things. Due to the fact that Starbucks can continue to work with its existing supplier network when going abroad, the upstream information flow stays unchanged. Furthermore, Starbucks has developed a rather rigid franchising system resulting in very similar organizational structures worldwide. Therefore the information flows are already standardized and do not need to change. However, the people involved and their respective cultural backgrounds change significantly in foreign countries. In Starbucks' case, the most important task is establishing the actual stores in the foreign countries. Once this is concluded, the product and service flow can be centralized there for every region and location. This creates more contact points, but also makes it possible to use the created structures efficiently.

Create Value

Even though the primary resources and assets of Starbucks are needed, they can be copied and transferred to any region in the world. The supplier network stays the same, the store layout can easily be imitated, and the choice of baristas depends on the hiring process. Nevertheless, the locations need to be determined and chosen carefully. Similarly to this, also some processes have to be implemented abroad. However, the coffee bean roasting and hiring process can simply be adopted and used in other regions. The development of seasonal products, on the other hand, depends on local trends and availabilities and is important for convincing customers to come back to the stores to check out new products.

Capture Value

In case of an internationalization, the company's coffee store cost structure will mostly stay identical to the one experienced in American stores. With the exception of additional shipping costs, the main contributing factors remain constant and do not change abroad. Similarly, Starbucks has to consider investments when opening stores abroad relatively similar to the ones required in the United States. Furthermore, adapted marketing mixes demand continuous investments to be able to market the brand convincingly. Additionally, Starbucks needs to extend its supplier and sales network in order to supply the new stores. Since the majority of the profits stem from the sales in the chain's stores, there is no change to expect when moving to foreign markets. With that said, there will be some differences to consider in regard to taxes and transferring profits back to the home country.

Summary

As immediately visible in Appendix D, the overall score of Starbucks is significantly lower than IKEA's. The primary reasons revolve around the fact that Starbucks' Value Network requires slightly less integration than IKEA's. First of all, the coffee beans only grow in certain areas and therefore also the roasting facilities do not need to be transferred abroad. This results in the fact that Starbucks can continue to rely on its production chain when expanding to international markets and only needs to focus on building new stores. Since coffee is transported pretty cheaply due to its physical characteristics, the company can simply supply its stores by expanding transportation networks. Nevertheless, the new stores also lead to a multitude of new contact points between customers and the company that have to be managed in order to provide localized offers and loyalty programs as well as to establish new product, service, and information flows. In addition, some new suppliers are necessary in order to develop seasonal products and gadgets. This directly translates into high transaction costs as it requires a high degree of research and coordination efforts. Therefore, the full integration of the coffee stores makes sense. In addition, the Capture Value group also scores significantly lower in Starbucks' case compared with IKEA. This comes from the fact that the coffee supply does not alter and therefore Starbucks' cost structure does not either. Furthermore, the building of coffee stores requires much less investments than building production facilities and furniture stores. However, Starbucks shows relatively high scores in both Capture Value and Strategic Choices; the coffee business needs to transfer its resources and processes to each of its subsidiaries, which requires resources. Due to the fact that the main investments are bound to the stores themselves and the selection of adequate baristas, relevant insights can simply be used cross-border. At the same time, Starbucks needs to adapt its target market and value proposition in new markets, as cultural and economic differences have a big impact on the business. Additionally, the mass market implies many local competitors ranging from simple bars to restaurants and this furthermore requires the company to spend resources on understanding the market before entering.

Conclusion

Starbucks' scores are noticeable lower than the ones obtained by IKEA. Nevertheless, similar efforts have to be made in order to be able to offer the company's value proposition when going overseas in terms of local integration and adaptations efforts. This is also reflected by Starbucks' actually internationalization behavior; the company expanded to neighboring Canada only 16 years after its foundation in 1971. It took the company until 1996 to enter its first oversea market by opening stores in Japan and Singapore. The expansion continued rapidly after that in Asia. England was the first European country to get a Starbucks store in 1998, other European countries only followed in 2001. Again, this expansion pattern can best be described with the Uppsala model. After expanding its business in the United States for 16 years, Starbucks first of all internationalized to the closest and most similar country - Canada. The first oversea market, for historical reasons again the culturally less distant country in Asia, was Japan. After an initial trial phase, Starbucks learnt from its experience and the following Asian expansion went rapidly. In Europe, the company first went to England for the same reasons, before going to other countries only three years later. It perfectly describes a gradual internationalization strategy and reflects the relatively slow progress - also described by the scorecard results. In summary, Starbucks requires significant foreign integrations in order to run coffee stores abroad as well as some adaptations to the marketing mix.

6.4 Skype

Founded in 2003	1,600 employees worldwide	Available on 16 platforms	Premium services in 24 countries

Skype is a telecommunications software providing voice calls and video chats through an application from computers, tablets, and mobile devices using the internet via the VoIP technology[7]. Additionally, users are able to send instant messages, exchange files, share photos, send video messages, and create conference calls (group calls). Skype is available as an application downloadable onto most currently available operating systems including Windows, Mac OS, Linux, Android, iOS, Blackberry, Windows Phone, and some others (Skype 2015b). Most of the services are free, but the users are required to buy *Skype Credits* or a subscription to call landline or mobile numbers and to use other premium features. The *Skype To Go* service offers local Skype phone numbers that connects a user to an international phone number for the local price, while *Skype for Business* allows to centrally set up business user accounts for a whole company (Skype 2015). Skype's strategy is based on a freemium model (Iglesia & Gayo 2008) and as of 2012, the company employs around 1,600 people (BBC Technology 2012).

The company's customer segments are based on people's behavior and include global internet users who want to communicate with each other via the internet or use the software to cheaply call regular phones internationally. This includes companies and private people alike. Furthermore, hardware manufacturers that use the Skype platform and logo are the other customer segment. Users can buy Skype Credits or subscriptions for premium functions and flat rates. The sales channels are web-based and integrated into the software or online platform. The most important resources are the company's software developers and the resulting software, consequently the main activities include developing the tool and supporting the end user. Due to the innovative product, the Skype brand has become a very important resource as well closely connected to the invention of video calling over the web (Thomann 2006). In Skype's cost structure we can find regular things such as salaries and marketing efforts, and expenses related to services supplied by partners including telecom providers that allow calls to landline and mobile phones as well as payment providers for acquiring credits and subscriptions. Since basic services are free, Skype's revenue streams are limited to the income from acquisitions of Skype Credits and subscriptions as well as fees from licenses to hardware producers (Skype 2015).

[7] Voice over IP is voice, video, and messaging communication over the internet Protocol (IP), such as the public internet.

Internationalization History

In 2003, Janus Friis from Denmark and Niklas Zennström from Sweden founded Skype, which turned out to revolutionize the telecommunication market. Both founders had experiences in the telecommunication market and programming software, and furthermore a well-known connection to the *KaZaA* founder. KaZaA started as a peer-to-peer (P2P) file sharing application, mainly known for its illegal sharing of MP3 files (Thomann 2006). The P2P technology is the same architecture used in the Skype software. In capability of these skills the founders spotted an opportunity in the VoIP market as the technology was starting to gain momentum. Thereby, Skype did not face any problems in either developing the software or raising venture money. The goal of Skype was to put traditional telephone companies out of business by making all calls free. Its first slogan was "Free internet telephone that just works", and the first version of Skype only featured a voice call function. Being a computer software, Skype was immediately launched internationally in 2003 and can be considered a perfect example of an INV/BG. Skype initially focused its advertising on IT specialists who were already used to communicating worldwide. At this time, international calls were very expensive and therefore - especially businesses - quickly noticed the advantages of using Skype. Within the first month of launching the first version to the public, Skype had been downloaded more than 500.000 times (Mance 2013).

In 2005, eBay knocked on the door and acquired Skype. eBay saw a business opportunity in offering its customers a communication tool when conducting business online. The dialog between seller and buyer was supposed to help building a trustworthy relationship. The partnership led Skype to launch four major upgrades including the features of video calling, 10-way conference calls, SMS services to phones, and calling subscriptions. Number one priority for Skype was making good voice and video call quality, and instant messaging service had always been a secondary feature in the application. At this point Skype did not realized any turnover, but with eBay in the back it started to focus on its revenue stream. Skype introduced calling subscriptions which made it possible to make and receive calls from landlines and mobiles. This was a turning point for Skype, as its signature functionalities of today (voice calls, video calls, instant messaging, and subscriptions) were made available. Since then, Skype continued to launch the software on several devices, integrate its service with other applications, and to upgrade and add features in order to offer a better experience. In 2011, Microsoft acquired the company and immediately started to push it to all of its computers leading to nearly 5 million daily active users and over 2 billion minutes spent daily on Skype in 2014 (Smith 2015; Caukin 2012).

There were also some issues for Skype when expanding. In 2005 China banned the functionality of calling landlines and mobile phones due to the country's system of Internet censorship. Since 2007, a modified version of the software is available for download, which was created in collaboration with a Chinese software company (Claburn 2008). Several other countries are suspected to block Skype's VoIP service and similar content as well. In 2011, Skype stopped its *Skype Numbers* service in Italy, after disputes with Eutelia, an Italian phone service operator, and problems with a legal issue between the company and the Italian Ministry of Economic Development erupted (Telecompaper 2011). These are a few examples to show the difficulties than can occur for Skype when expanding around the world.

When summarizing Skype's expansion history we have to point out an important difference; if talking about the availability of the software, Skype can be considered global from the very first release. However, if considering the premium features and thus the services that actually make money for the company, the history paints a different picture. The function to call landline and mobile phones around the world was introduced one year after the foundation of the company and was soon available in every corner of the planet. Skype Number - formerly known as *SkypeIn* - was released a year later and offered a local number that a user can be called on. *Skype To Go* is service allowing to call a cheap local number that forwards the call to an international contact and was introduced in 2009. Both services are currently available in 24 countries (Skype 2015). Each of the features get rolled out gradually in foreign markets, depending on availability, partners, and the devices primarily used by potential customers. Additionally, by introducing new features and functions, Skype is able to change and upgrade its value proposition with time. This is a difference that has to be kept in mind in the context of this paper.

Scorecard

The completed scorecard for Skype is available in Appendix E. It provides a tabular representation of the factors and final scores in each component. The following sections describe the information relevant for the scorecard and the thought process behind the scores. Thereby, it is a description of the expected integration and adaptation efforts to consider when moving the business overseas.

Strategic Choices

Skype's main customer segment is defined by a certain behavioral pattern that includes people using the internet to communicate to each other - on a private and organizational basis. This means that the segment does not need to be changed when internationalizing the business. The company provides a digital tool that allows simple real-time conversations between global users. Addressing a global need and basing the services on computers and internet connections allows Skype to uphold its initial value proposition when entering new markets. Due to the fact that Skype's tools can simply be used on any computer around the world and thus be developed in one location, a transfer of capabilities and competencies is not necessary. In addition to the free basic services, Skype's premium subscription rates are the same in all the regions. Therefore there are no additional efforts in regard to pricing when expanding abroad. The innovative solution presented by Skype allows to keep the number of competitors to a minimum. At the same time, regular phone providers exist in nearly every country and can be considered a substitutional product. Nevertheless, they are very similar in every region and there is even the possibility of cooperation with regular phone providers. Basing all services on a piece of software leads to zero transportation expenses. Small adaptations such as additional languages or other culture-related functionalities can be added with fairly simple efforts. Some countries furthermore require changes in the software for internet censorship and similar reasons. Skype does not need regional subsidiaries to offer its product globally. This, and the fact that the same software satisfies the need of people in different countries from the beginning, make it possible to neglect regional strategies. The innovative product bestows Skype with a highly recognizable brand that can be used all around the world to refer to the product and even to the actual activity of making video calls over the internet. Skype consists of a unique product for a mass market, which does not require adapted marketing strategies in different countries. Skype's mission to be "the fabric of real-time communication on the web" features no location-related restrictions and refers to the whole world out of the box. It is appropriate and easily understood everywhere.

Value Network

Skype does not rely on suppliers providing materials to the product as it consists of a computer software. When users are calling regular phones through Skype, however, a telecom provider is needed, and agreements with these have to be worked out. The customer segment is based on a behavioral aspect of people using the internet to communicate with each other. Therefore, the information it has on its customers can be used globally and only a few new sources are necessary to slightly adapt the software to regional requirements. Again, since the customers are very similar in terms of behavior there is no need to change the approach of establishing and maintaining customer relationships. Additionally, the innovative functions are an important driver to keep customers loyal. Internally, the company does not need to establish additional information flows. However, relying on new suppliers consisting of telecom companies for Skype's premium functions leads to new communication activities. The software can be delivered effortlessly via the internet and all support can be given through a platform. The product and service flow does not change when going abroad.

Create Value

Skype's main resource consists of software developers and the program itself, which do not need to be changed or multiplied when entering foreign grounds. The essential processes and activities do not change with an internationalization, however, support functions for different countries could require slight changes and investments.

Capture Value

The only difference in terms of costs stem from contracts to a country's telecom provider. This can be very different depending on the country and political situation, as such institutions are frequently public. An international support center furthermore influences the structure. Skype does not require any significant investments when going abroad and therefore the financial aspects stay mostly unaltered. Without the need for big investments and no significant variable costs, any additional premium customer increases the profit.

Summary

Skype scores fairly low in each group and this is very simple to explain as its product consists of a software that can run on any computer independently of its location. In regard to the Value Network, the only external condition is an internet connection, which nowadays can be considered a standard service in every household of families in Western countries and increasingly so in the rest of the world. Therefore, Appendix E shows that transaction costs for providing connectivity are close to nonexistent. With this said, the separation between simply providing Skype's basic functionalities and offering the full range of services, makes a big difference and has to be kept in mind. In order to offer premium functions such as calls to landline and mobile phones, Skype is dependent on local telecom providers. Only partnering up with them makes it possible to provide the users with the full value of the product. Since this offers an additional revenue stream to the telecom companies without the necessity for further investments, however, this has historically not been a big challenge for Skype and in fact calls to nearly every corner of the world are offered today. In terms of transaction cost, going to the market is much cheaper for Skype in this case and therefore it would make no sense to integrate telecom providers. Similarly, Skype offers licenses to use its brand for hardware manufacturers without even considering offering their own devices. This, however, has changed with the latest acquisition of Microsoft and new possibilities to obtain synergies. Additionally, the company requires an apparatus of support departments and functions for its basic users but even more so for paying users and customers. Since interactions are frequent and regarding specific application-related knowledge, the support is fully integrated. Relying on the market would not be profitable as frequency and asset specificity would make it too expensive for Skype. Since there are also no additional resources to be transferred or copied and no further local investments required when internationalizing, the Create Value and Capture Value group are also obtained very low scores. Regarding Strategic Choices that have to be adapted when internationalizing, the only relevant components refer to competitors and the output. The fact that regular house telephones and mobile phones are easily available alternatives and that the software has to be modified for new markets especially in regard to languages and internet censorship limitations, lead to a minimal increase in adaptation and coordination costs.

Conclusion

As discussed earlier, the basic software that enables free voice and video calls over the internet is available anywhere in the world from the moment it is released. In this perspective, Skype can clearly be defined an INV/BG company. Nevertheless, in order to be able to offer the whole value proposition which includes functions such as calls to landline and mobile phones, the Skype Number or Skype To Go services, there are some more efforts required. Since relying on the market for offering internet connections and providing telecommunication networks does not result in high transaction costs due to low uncertainty and asset specificity, Skype does not need to consider integrating these assets. On the other hand, the necessary support functions are managed by Skype, mostly due to the specific knowledge about the software required and the high priority of the service for premium members. All in all, the low score of Skype neatly reflects the quick internationalization speed when expanding overseas - especially in comparison to Starbucks' and IKEA's scores and behavior. The score increments in certain business model components, however, relates to the offering of premium functions. Since it requires additional services and partnerships, the expansion is slowed. This is perfectly aligned with the fact that two main premium services are still only available in 24 countries, while calling landline and mobile phones can be called in every corner of the planet. In summary, Skype's internationalization does not lead to significant foreign integrations and only a very limited degree of relatively cheap adaptations.

6.5 Tesla Motors

Founded in 2003	10,000+ employees	429 Supercharger stations world-wide	Fully operating in 18 countries

Tesla Motors is the new boy in class and wants to challenge the traditional gasoline powered car industry by commercializing electric cars. Tesla Motors has a unique value proposition consisting in high-tech, economical, and sporty electric cars, which gives the customer the same flexibility, driving range, and quality as gasoline powered luxury cars. In order to provide this value, Tesla Motors has built 429 Supercharger stations spread across Europe, North America and Asia-Pacific (Tesla Motors 2015a). A Supercharger fully charges a battery (equal to 440 km of range) within 40 minutes. This makes the Tesla Motors cars able to travel long distances with almost the same flexibility as customers are used to from gasoline cars. All repair and service interventions of the cars have to be performed by employees in Tesla Motors' own service and repair shops. No external mechanics or car dealers have the permission and resources to perform services on the cars, which allows to eliminate bad customer service and to better control all interactions with customers. Furthermore, Tesla Motors is guaranteeing a resale price of 50% of the cars base price if a customer sells the car back to Tesla Motors within 36 months after purchasing. This makes the market price of a three year old Tesla Motors car more valuable than a car in the same price segment such as a BMW, an Audi, or a Mercedes. In addition, Tesla Motors also guarantees an eight-year warranty on the battery. The extraordinary services in the car industry were introduced to help convince the customer of Tesla Motors' electric car technology (Musk 2006).

All cars are sold online on Tesla Motor' website and then produced specific to the customer's demands. Tesla Motors' base models already have a high level of standard equipment and some different optional packages with additional features are available. The strategy of Tesla Motors is to position its products in the high end of the market, where customers are prepared to pay a premium price. The target customer is therefore expected to be more willing to buy a product that is innovative, high-tech, and expensive (Tesla Motors 2015b).

As one of the world's most advanced car factories, the production unit of Tesla Motors is located in California (United States). Today the company employs around 11,000 people (Ramsey 2015). The main resource is the knowhow of designing and assembling the cars and developing the technology for the batteries. Besides this, Tesla Motors has to construct service and repair shops and Supercharger stations in the markets. The Supercharger station is free to use for Tesla Motors owners, which gives an extraordinary opportunity for long distance traveling for a low price. All the revenue of Tesla Motors comes directly from the sale of the cars. Financial services are provided to the customers such as leasing agreement and loans (Tesla Motors 2015a; Tesla Motors 2015b).

Internationalization History

In 2003, Tesla Motors was founded by Martin Eberhard and Marc Tarpenning and a year after Elon Musk became involved in the company. Elon Musk brought a large amount of personal funds to the early stage of development and became chairman of Tesla Motors' board of directors. At this point the strategy was to develop and sell a premium electric sports car aimed at early adopters, and use the money from its sale to manufacture a high-end sedan. The next step should be producing a more affordable mainstream car (Musk 2006). From 2008 to 2012 Tesla Motors sold its Roadster model in the United States, a two-seater electric sports car with driving specification comparable to a Porsche and Ferrari. Starting in 2012, sales of a second car called Model S in 4 different motor sizes started. It is best described as a luxury sedan with high-tech technology and the fastest electric car motor available today. Next year, in 2016, the company is expected to introduce a more affordable electric car targeted at families (Tesla Motors 2015b).

In 2012, the first Supercharger station was constructed in the United States. Tesla Motors' first market entry outside North America was Europe in 2013. At this point, the cars could have been bought via official sales channels, and not just imported with the help of unofficial resellers as before. The following year it also established itself in Asia and Australia and rapidly started installing Supercharger Stations in the new markets (Tesla Motors 2014). The full value of Tesla Motors is not accessible before Supercharger stations are located within 250 km from each other, as these stations provide the opportunity to travel long distance in the cars. Right now, the company is fully operational in 18 countries around the world. At the end of 2016, the network will cover all of Europe and the United States. The Asian market currently consisting of Southeast China and Japan will also be covered with the Supercharger network. In the upcoming years, Tesla Motors is said to expand its operations into new markets (Tesla Motors 2015a).

Scorecard

The completed scorecard for Tesla Motors is available in Appendix F. It provides a tabular representation of the factors and final scores in each component. The following sections describe the information relevant for the scorecard and the thought process behind the scores. Thereby, it is a description of the expected integration and adaptation efforts to consider when moving the business overseas.

Strategic Choices

Tesla Motors sells luxury cars and its main target customers are middle class working adults that are tech-savvy, green friendly, and willing to pay the car's high-end prices. This does not change and can be considered the same around the world. In economically more challenged regions, however, Tesla Motors needs to adapt its primary target and focus on its luxury features and technological niceties in order to target the rich population. Tesla Motors develops electric cars that are able to deliver performances very close to gasoline powered cars in terms of range, speed, and quality - for a similar price. In some specs, Tesla Motors' cars even outperform comparable gasoline powered cars. Thus, Tesla Motors provides an eco-friendly, yet stylish, driving experience without the need to renounce characteristics of sport cars. Additionally, Tesla Motors builds Supercharger stations and service and repair shops around the planet in order to serve and support its customers. The value proposition does not have to be adapted when going abroad. All cars are produced in the United States at the Tesla Factory, which is considered one of the most advanced production plants in the world. Customers order the new cars online, which are then shipped to the destination. This eliminates the need for regional production facilities and for transferring Tesla Motors' capabilities. Nevertheless, the company has to expand its Supercharger station network in new markets, and find specialized mechanics that can run service and repair shops. The target market of Tesla Motors is the same around the world, and the prices are not affected when expanding to new markets. The Tesla Motors brand is only targeting customers willing to purchase a luxury car. Charging cars at Supercharger stations is free. The maintenance packages are priced the same globally. The gasoline powered car market will always be an alternative to Tesla Motors' vehicles, but the company has positioned itself as the "real" electric car manufacturer producing only this vehicle typology and achieving promising results. Some other car brands do also produce electric cars, but nobody else solely relies and focuses on this market segment. Therefore, and due to the fact that the car market is a truly global market with the same vendors active everywhere, the competition does not change in new markets. Since there is currently only one production facility, an internationalization of the business might require scaling the production. In addition, Tesla Motors also has to consider some changes to its final designs, as legal issues might force the company to adapt the cars - such as left-hand driving and similar legal factors. Lastly, transporting a car around the globe is a major operation and requires better organization and spending of resources. The goal of producing electric cars that are better than general gasoline cars is not influenced by new market entries and has a long term perspective, which does not require Tesla Motors to adapt the strategy during its internationalization. The company's brand is very powerful within motor enthusiasts and symbolizes luxurious electric powered cars. The target customers already know about Tesla Motors and want to purchase the cars because of the associated sustainability, innovation, and uniqueness. The brand does not have to be adapted and the message it sends, neither. The general car market is a highly competitive global industry and Tesla Motors is in the midst of it. Nevertheless, the company accomplished the creation of a product based on a dominant new technology. The performance based on an industry leading design of batteries allows to have a highly differentiated product that can be marketed around the world. The mission of Tesla Motors is to accelerate the advent of sustainable transport by bringing electric cars into mass market. This implies that the company is targeting a global market from its very beginning.

Value Network

Tesla Motors heavily depends on its current suppliers, but this fact does not change because of entering a new market. The cars will still be produced the same way and in the same location. Due to Tesla Motors' unique position in the market, customers are recognizing its product as a luxury car with innovative technology. The target customers are attracted by the product, and Tesla Motors does not need to identify new target groups and other sources of customer information. Furthermore, the customers not simply purchase a car, but buy into the whole experience. They want to be eco-friendly, but not miss newest high-tech options. Once a car is bought, the customer is generally already convinced. Tesla Motors has to keep the customer satisfied, which in this case means making sure Supercharger stations and repair and service shops are wherever they are needed. Each contact point is a new channel to the customer and needs to be integrated with the company values. Every new opening of a car service and repair shop requires Tesla Motors to educate the mechanics regarding the specifications of the car. However, afterwards the locations are standardized everywhere and so is the information flow. This helps to simply stretch the information network to foreign countries. At the same time, Tesla Motors will need to communicate with people of different cultures and backgrounds, which could potentially be more difficult. As long as the cars can be produced in the current production facility, there is no change in the product flows up to the finished product. Certainly, shipping the cars abroad comes with some changes in the shipping and outbound logistics processes and departments. Furthermore, the construction of Supercharger stations abroad could lead to other product and service flow related difficulties.

Create Value

Tesla Motors' biggest resource is the knowhow related to the field of electric cars and the knowledge to build its vehicles. This does not change and the resources do not need to be transferred when going abroad, since the production site remains the same. Other important assets are the Supercharge stations and repair and service shops that are needed to create a network for the cars to keep running. These need to be built and maintained every time Tesla Motors wants to expand its market, which brings a significant investment with it. Tesla Motors is able to control all of its operations from the headquarters in the United States. A new market entry may affect minor changes in the processes or activities. This could be specific requirements to the cars in certain countries should as right-hand driving position.

Capture Value

The cost structure of Tesla Motors will remain the same and independent from new market entries. The structure of the company's operations are already suited to global distribution and an expansion will not lead to significantly higher costs. Nevertheless, transporting the cars and technologies for building Supercharger stations is more complicated across borders and requires new activities. As discussed above, in order to serve a new country, Tesla Motors needs to build a network of Supercharger stations and service and repair shops. This comes with a high investment and requires regional strategies. Tesla Motors' profits mainly stem from selling cars and providing long term maintenance agreements. Selling cars comes with tax-related issues. Therefore there are slight changes to be expected when offering the cars and support services abroad.

Summary

Tesla Motors has a very similar overall score as Starbucks. However, there are several differences. Tesla Motors' Value Network changes slightly when internationalizing, mainly due to the need to establish a network of Supercharger stations and repair and service shops in order to be able to provide the necessary support services to the company's customers. Due to the fact that there is currently no infrastructure in terms of charging stations and adequately trained mechanics on the market, the transaction costs are as high as investing the money and building the assets. However, this allows to exercise greater control regarding the high-tech knowhow and to span the Tesla Motors brand to every aspect of the experience. At the same time, the production facility remains at its current location, which implies an unaltered upstream supply chain flow. Nevertheless, the outbound shipping and information flows require adjustments, but the value of the product renders the shipping only a fraction of the total cost. The components within the Create Value and Capture Value group require similar transaction cost efforts as in Starbucks' case and refer again to building and maintaining Supercharger stations and repair shops in terms of assets and processes to be implemented as well as financial aspects. It all comes with a significant need for research, coordination, and monitoring activities. The Strategic Choices components score slightly higher than Skype. First of all, eventual changes to the cars due to legal differences and transportation efforts. Furthermore, adaptations regarding customers and regional strategies are required in order to be able to provide the same experience to customers worldwide.

Conclusion

Tesla Motors' value proposition is characterized by a revolutionary technology and a variety of support networks that are necessary to make the cars run. As it can be easily seen in Appendix F, the total score lies in the middle of the analyzed companies. The company was founded in 2003 and sold its first cars in 2008. In 2012, the Supercharger network was introduced in the United States and stations were built that allowed long distance driving. Until this point, car owners had to rely on personal or private charging stations. After a successful first campaign and only a year later, Tesla Motors expanded to Europe and Asia with sales of cars and establishments of service and repair shops as well as Supercharger stations all over the supplied territories - in Asia still limited to Southeast China and Japan. Tesla Motors' internationalization pattern is consistent with the obtained scorecard scores in Appendix F. The company tested its products and services in the home market for a short amount of time, before aggressively expanding to two oversea markets very quickly. In fact, the young company entered several countries at the same time and is still extending its Supercharger and repair shop networks in order to have an infrastructure ready when launching a relatively cheaper version of its electric car portfolio. While the beginning resembles a behavior described by the Uppsala model and consisted in testing the product extensively in its home market, the subsequent internationalization rather reminds of a pattern seen from INVs/BGs in terms of entering several countries nearly simultaneously. This behavior reminds of the one usually observed by reborn globals. In Tesla Motor's case, the expansion requirements were building up the needed resources to successfully expand and the knowhow to implement the Supercharger station and repair shop networks. In summary, Tesla Motors does not rely on significant adaptation requirements when expanding, however, the establishment and maintenance of Supercharger station networks and service and repair shops leads to a limited degree of foreign integration.

6.6 Sky-Watch

Founded in 2009	19 employees	1 facility in Støvring, Denmark	International sales partners

Sky-Watch develops, manufactures, and implements high-tech solutions for real-time decision making in complex environments all over the world. The product consists of state-of-the-art drones and a software that allows a relatively easy maneuvering of the unmanned aircrafts, which is used to provide real-time information of territories in extreme situations. The drones can carry various payloads such as chemical detectors, or thermal and HD cameras. The company's success is based on advanced technologies and unmatched knowhow. Sky-Watch mainly sells its drones to public institutions such as law enforcement agencies, military, and emergency authorities as well as NGOs - professionals operating in extreme situations and territories. Training and maintenance packages are offered and build the foundation for a long term collaboration and relationship between the company and its customers (Sky-Watch 2015a; Sky-Watch 2015b). Sales are made through the sales office located in the Danish headquarters and a global network of distributors and resellers. Besides selling advanced unmanned aerial vehicles to customers worldwide, the company also provides contract-based research and development for the international aerospace and defense industry. The most important resources of the company include first and foremost the knowhow related to develop and build the high-tech drones and the specialized production facility. Currently, Sky-Watch retains 19 highly specialized employees. Similarly, key activities are based on R&D and production competencies and consist of constantly improving and assembling the drones to continuously selling ultra-modern devices. Sky-Watch's cost structure revolves around high-quality raw material and parts, R&D expenses, and production costs. The revenue stems from the sales of the products and support services such as training and maintenance agreements (Sky-Watch 2015c).

Internationalization History

Sky-Watch was founded in 2009 and has its headquarters in North Denmark. In 2013, the company has received a grant from the Danish National Advanced Technology Foundation in order to work in collaboration with the Technical University of Denmark on continuing to produce state of the art technology (Garcia 2014). In 2015, the company signed a contract with the US based business General Dynamics European Lands Systems with the goal to explore future possibilities of using Sky-Watch's drone technology in the battlefield (Sky-Watch 2015c). The collaboration with global entities is a good indication for the advanced knowhow the company produces and its international recognition.

With the help of DanOffice IT, a Danish company providing IT-based shopping platforms as well as logistical solutions and services, Sky-Watch was able to outsource the establishment of a global sales network right from the beginning. With the help of DanOffice IT, Sky-Watch is able to rely on a several retailers located worldwide and therefore only negotiate with the same handful of partners (DanOffice IT 2015).

Scorecard

The completed scorecard for Sky-Watch is available in Appendix G. It provides a tabular representation of the factors and final scores in each component. The following sections describe the information relevant for the scorecard and the thought process behind the scores. Thereby, it is a description of the expected integration and adaptation efforts to consider when moving the business overseas.

Strategic Choices

The special characteristics of the product force Sky-Watch to target public institutions such as law enforcement agencies, military, emergency authorities, and NGOs. Therefore, the targeted customers are the same globally and experts in this field. Sky-Watch offers state of the art drones for public institutions in emergency situations. The company can sell the exact same product and support services globally and does not have to adapt its value proposition. Since the development and production involves highly complex knowhow, the product can only be manufactured and programmed in the original location. Internationalizing sales does not require additional capabilities or the transfer of such. Due to the uniqueness of the product, the pricing segment remains unvaried independently of the customer. However, each sale is based on an individual offer with room for negotiations, which also includes additional support and maintenance contracts. Nevertheless, due to the fact that Sky-Watch has outsourced its sales activities to DanOffice IT, this does not require lots of in-house resources. The competitive advantage setting apart the product of Sky-Watch includes such a complex knowhow that it is impossible to be copied by competitors. Moreover, the innovative aspect allows to disregard any substitutional options. The product is highly specialized and fulfills a very specific need. No significant adaptations are required. Nevertheless, the sensitivity and size of the product might lead to some issues regarding transport, while the application could interfere with national laws. The fact that it is usually sold to public entities, however, relativizes this last aspect. The strategy is not affected by the company's international sales operations, as the market segment stays the same independently of the client. Being a very particular product and being sought after by the customers for its functionalities, the brand of Sky-Watch is only of limited importance and does not need to be adapted or changed. As a side note, it could turn out fruitful to establish a brand that is recognized in case of potential future competition. The product's differentiation and associated knowhow are the main aspects and lead to target specific customers in a niche market. There is no need to change features or characteristics. Sky-Watch creates high-tech multi-purpose drones that help solving tomorrow's challenges. It refers to internationally common situations rather than specific locations and refers to global values and ideals.

Value Network

Sky-Watch has a supplier network that provides reliable high-quality materials and parts. Nevertheless, expanding sales to other countries does not require any changes. Due to the fact that the product satisfies a very specific need, customers seek out the product themselves and openly provide useful information. Additionally, the similarity of customers allows to use and apply the available information globally. When deciding to acquire a drone from Sky-Watch, the customer automatically commits to a close relationship with the manufacturer as collaboration is required to develop the product and offer support in its usage. However, the relationship management approach does not change simply because selling the product abroad. Furthermore, there are no changes in information flows if the company sells its products to foreign markets, as the information necessary remains the same. Expert customers understand technical information and do not need different levels of support. The development and production remains unaltered, however, training and additional support functions might require more elaborate processes due to the international location of customers.

Create Value

There are no additional resources or assets required in order to expand the sales internationally. The specialized drones will still be developed and produced in one location with all the know-how, materials, and resources. This is also valid for processes and activities and includes support functions as the customers are experts in the field.

Capture Value

Sky-Watch is not changing its cost structure depending on the customer, since the manufacturing process remains unaltered. The only additional financial aspects happen in regard to more complicated and distant delivery options, but the company's partner DanOffice IT organizes it. Therefore also the expected profits are remaining very similar.

Summary

Referring to Appendix G, Sky-Watch has the lowest total scores, and very similar scores as Skype. Additionally to the drones, Sky-Watch also offers training and maintenance agreements, which can lead to the need of international support resources. Since the customers are expected to be experts in the field, however, the level will be professional and Sky-Watch does not have to fear too much trouble and changes in service flows. On the other hand, all other Value Network components are considered with the lowest possible score simply because there is no change to the inbound logistics, production, or sales process when selling overseas. The same applies to the Create Value and Capture Value groups; Sky-Watch does not need to change or adapt its assets, processes, or cost structures and therefore no transaction cost considerations are necessary. The only efforts to consider internationally derive from the fact that the products of Sky-Watch belong to the high price segment and therefore each sale allows some price negotiations with the customer, which, however, is filtered through the partner company DanOffice IT. Furthermore, the technology and application of the drone might be limited by transportation issues and national laws regarding unmanned aircrafts. The latter might not be such a big issue, because the product is sold to entities that are supposed to work for the common good.

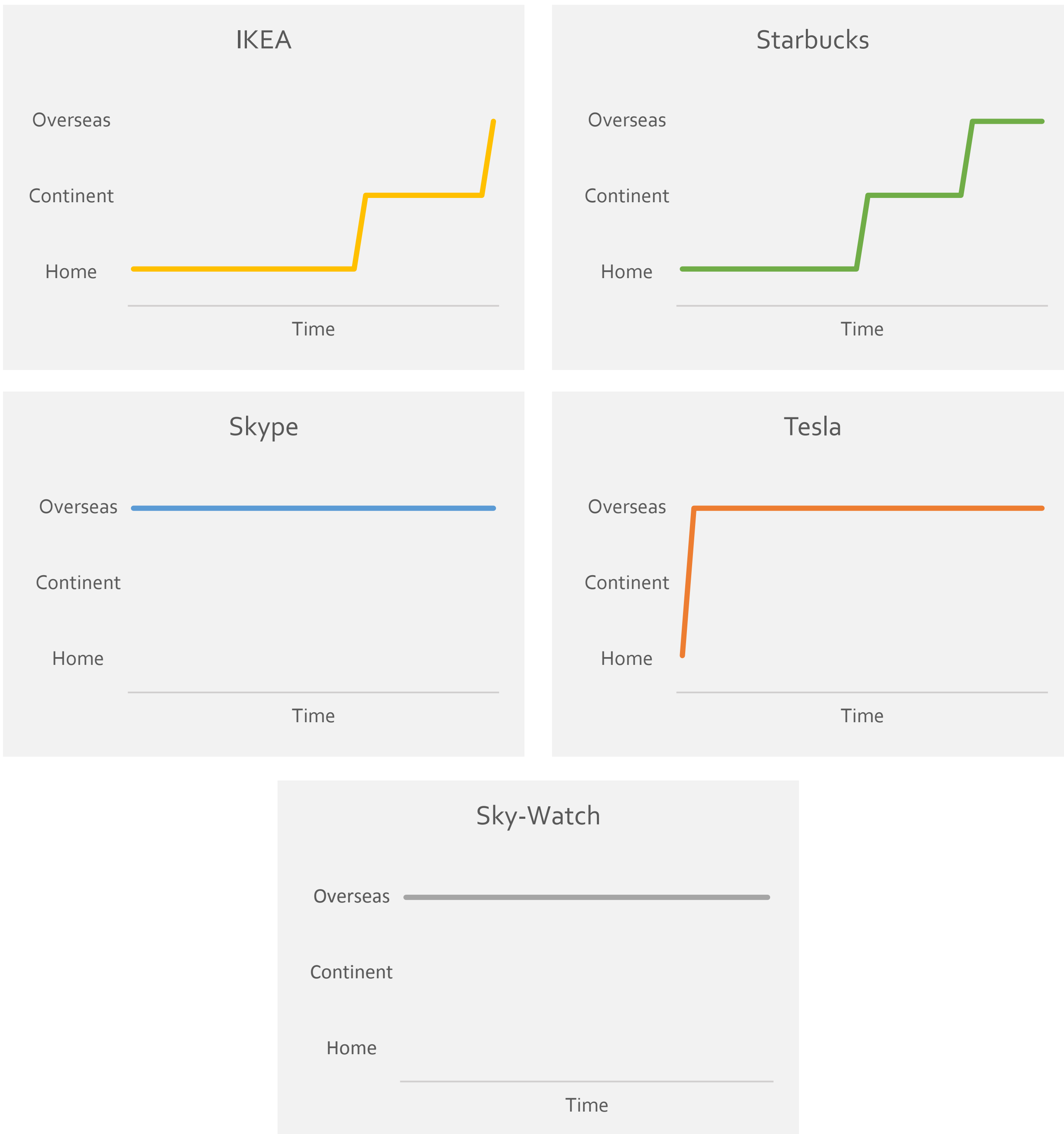
Conclusion

With the lowest scores in every group in comparison to the other companies, Sky-Watch cements its status as INV/BG. The fact that the product and services require close to no adaptations and changes as well as that the technology is sought after from potential buyers around the world, gives Sky-Watch optimal conditions to sell abroad. The company is not limited by geographical or psychic distances, because the customers are experts in the field and the drones satisfy a very specific need in a niche market. In terms of transaction costs, Sky-Watch does not even need to consider make or buy decisions as the frequency of transactions with customers is very limited. Furthermore, the responsibility of establishing of a global sales network was delegated to a partner. In comparison to Skype, Sky-Watch does not need to search or negotiate with regional partners. Therefore, the scores again describe the company's observed behavior, namely of starting out as an international company right from the scratch. In summary, Sky-Watch's internationalization does neither require adaptation or integration efforts.

6.7 Comparison of Companies

After analyzing and scoring each company separately and comparing the results to the actual history observed, we have a good understanding about how the scores compare to the actual history. At this point it is vital to compare the five outcomes with each other in order to be able to determine whether the conclusions can hold. Therefore, the first step consists in presenting the individual actual internationalization behaviors that could be observed from looking at the cases. The following graphs show the development of intensifying international activities by distinguishing between being present only in the home country, expanding to another country, and finally internationalizing in the terms used in this paper referring to entering an oversea market. This results in a timeline that graphically illustrates the time needed to expand for each company. By taking the maximum number of actual years taken as the point of reference, the graphs can simply be compared to each other and immediately show the different patterns. In more practical terms this means that the length of the horizontal axis depicting the time variable is generalized and this allows to understand how much time each company took for each expansion degree. Therefore, a visual comparison is facilitated and the differences can be explained much more simply.

Figure 6 - Internationalization Speeds of Cases



Actual internationalization behavior of companies in terms of time and expansion degree (Own creation).

By comparing the five graphs in the previous figure, the differences are evident. As stated before, IKEA and Starbucks can best be described with the Uppsala behavioral model. The companies spend a significant period of time only serving their respective home markets and expanding within national borders. It takes both companies 20 and 16 years, respectively, to enter the first foreign country. In both cases, the new regions were very similar to the home market - Norway for Swedish IKEA, and Canada for American Starbucks - in order to gain first experiences and to gradually intensify commitments abroad. After close to another 10 years of only expanding the businesses on the same continent, IKEA and Starbucks dared to enter oversea markets. Interestingly, both companies chose to expand to Japan first, a country heavily influenced by Western values in its history and therefore a good starting point to gain business experience in an Asian culture. Afterwards, IKEA and Starbucks both showed a rapid expansion to lots of other countries around the world. The other three companies, Skype, Sky-Watch, and Tesla Motors reveal a very different behavioral pattern. Tesla Motors unveiled and tested its full value proposition including electric cars and a network of Supercharger stations and repair shops in the company's domestic market only one year before expanding to multiple countries in Europe and Asia. The timeframe was considerably shorter than in the previously discussed cases. The step to enter a similar country on the same continent to gather international experience was skipped altogether. Similar patterns are visible for Skype and Sky-Watch, however, there is one important difference; due to the nature of the product - software that can be delivered via the internet in one case and a high-tech drone that is sought after from experts around the world in the other - both companies started out offering their respective products to every region on the planet from the moment of the product's release. In other words, geographical and psychic distances were not even considered and the whole planet was seen as just one target market. Again, it has to be noted that this is only partly true for Skype, as offering some of its premium features require greater investments in terms of time, coordination, and integration and are therefore offered to foreign markets depending on availability of infrastructure and partners. As a result, it has to be kept in mind that the graph refers to the basic Skype functions including calls to landline and mobile phones. Sky-Watch, on the other hand, can simply rely on the market - the partner DanOffice IT specifically in this case - in order to organize and conduct its sales and does not need any kind of integration abroad. Therefore, the company can make use of an international sales network and its product was available globally from day one.

At this point, the differences and patterns of the actual internationalization histories for each of the five companies is well understood. This allows us to analyze the scorecard outcomes and compare the results between the companies and with the observed behaviors. First of all, the following table gives an overview over all components and associated scores discussed earlier. This way the different companies can easily be compared and it is easier to detect patterns, differences, and similarities.

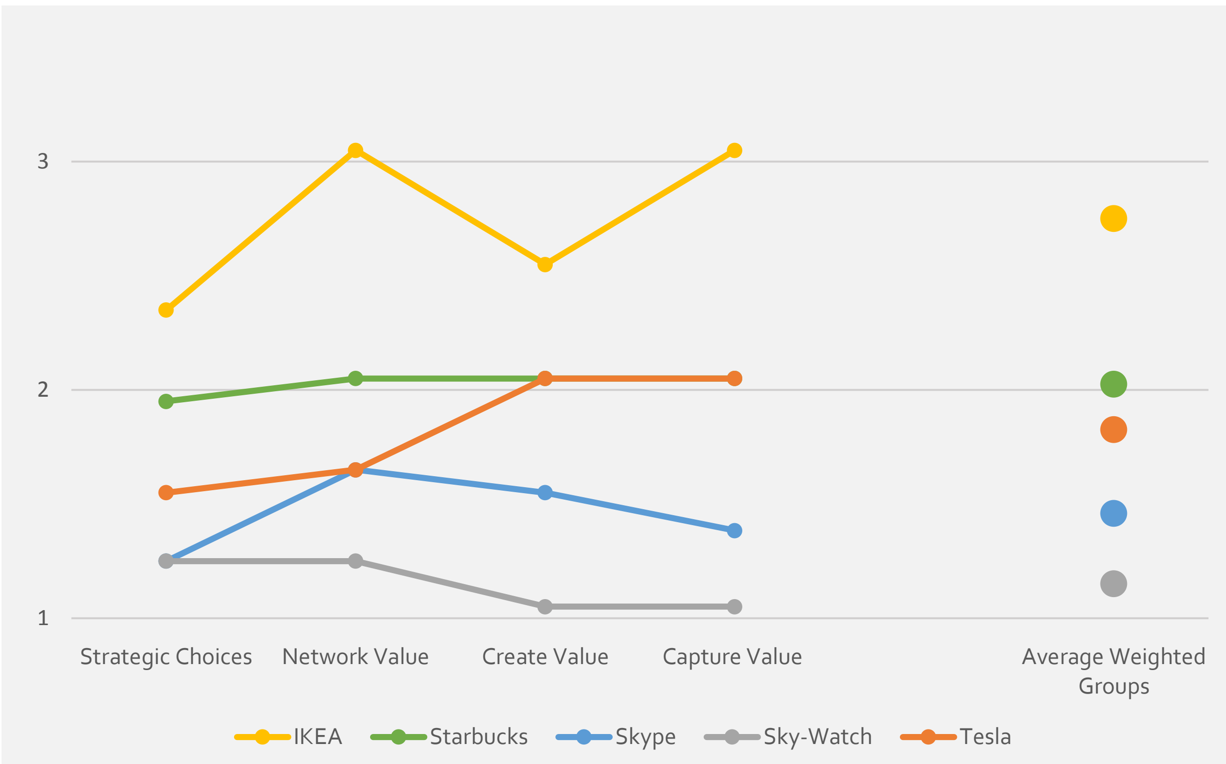
Table 1 - Scorecard Results

Components			*Company*		
Strategic Choices					
	IKEA	Starbucks	Skype	Sky-Watch	Tesla
Customer (Target Market, Scope)	3	3	1	1	2
Value Proposition	2	3	1	1	1
Capabilities/Competencies	2	1	1	1	2
Revenue/Pricing	3	2	1	2	1
Competitors	3	3	2	1	1
Output (Offering)	3	2	2	2	3
Strategy	3	2	1	1	2
Branding	1	1	1	1	1
Differentiation	2	1	1	1	1
Mission	1	1	1	1	1
Total Strategic Choices	**23**	**19**	**12**	**12**	**15**
Value Network					
	IKEA	Starbucks	Skype	Sky-Watch	Tesla
Suppliers	3	2	2	1	1
Customer Information	3	2	2	1	1
Customer Relationship	3	2	1	1	2
Information Flows	3	2	2	1	2
Product/Service Flows	3	2	1	2	2
Total Network Value	**15**	**10**	**8**	**6**	**8**
Create Value					
	IKEA	Starbucks	Skype	Sky-Watch	Tesla
Resources/Assets	3	2	1	1	2
Processes/Activities	2	2	2	1	2
Total Create Value	**5**	**4**	**3**	**2**	**4**
Capture Value					
	IKEA	Starbucks	Skype	Sky-Watch	Tesla
Cost	3	2	2	1	2
Financial Aspects	3	2	1	1	2
Profit	3	2	1	1	2
Total Capture Value	**9**	**6**	**4**	**3**	**6**
Overall Score	**52**	**39**	**27**	**23**	**33**

Overview of each companies' scorecard results (Own creation)

As stated before, the table above gives a first overview of the different scores in regard to each of the five companies analyzed. The variations are easy to observe and therefore the table gives a good indication on the internationalization speed expected from the companies in relation to the other businesses. By taking each business model group and calculating the average score as well as the average number of all groups, the subjacent graph can be created. The reason for using the average values is that only this way the groups are weighted and thus considered of the same importance.

Figure 7 - Comparison of Scorecard Results



Weighted average scores per business model group and company (Own creation).

Looking at Figure 7 above, it is immediately evident that IKEA's internationalization process is expected to take the longest time, closely followed by Starbucks. Tesla Motors scores lower than Starbucks in the Strategic Choices and Network Value groups, but gets the same average results for components within Create Value and Capture Value. Skype's scores are even lower and Sky-Watch is the clear favorite in internationalizing at an elevated speed. The associated predictions are aligned with the observed behaviors analyzed and presented earlier. In fact, the average scores are a perfect match with the rankings related to the actual internationalization speeds.

7 LIMITATIONS

By taking such a general approach to finding a solution to a problem potentially involving different kinds of companies, there are several limitations of this paper that have to be taken into consideration:

In order to choose an adequate sample of companies to test the scorecard model, a categorization regarding the company's type of knowledge is used. Even though it is supposed to grant a differentiated group of companies, it is important to point out that this is in no way attested and finding the correct method of choosing use cases is not the main goal of this paper. Therefore, we relied on already existing research and made the selection based on assumptions from the original publications.

To test the scorecard, we are using a group of already successfully internationalized companies with the idea to compare scorecard results to the actual histories of the companies, which allows to validate the scorecard. Of course, this carries the great risk of subconsciously basing our conclusions on commonalities and coincidences rather than interrelations. At the same time, this lowers the generalizability of the whole approach and increases the uncertainty of applying the scorecard to other companies. The only way of making sure the scorecard also provides adequate results in other scenarios, however, is to apply it to as many other companies as possible - especially not yet internationalized businesses - and to compare it with their respective ventures in reality.

Shafer's business model framework is used to create the scorecard, because it was specifically developed for the purpose of being used by a variety of businesses in different industries. Nevertheless, business models are different for every company and therefore there is a risk of emphasizing and neglecting certain components that do not play the conceded role in reality. On the other hand, it is the only possibility to develop a scorecard with results that can be compared between each other. Similarly, giving the same importance to each business model group and component could bias the outcome and further research is necessary to determine which factors have the biggest influence on the internationalization speed.

Another limitation refers to the time-related validity of the scorecard. To be able to compare the companies, we made the assumption that each of them has today's possibilities to internationalize and focused on the actual business model components rather than on how the companies developed them. In other words, when completing the scorecards we imagined the scenario in which a company starts out in the current time period and considers expanding around the world. By comparing the results to the behavior in reality, we did not account for the differences in areas such as infrastructure and technology for each company at that point in time. This could have had a big influence on the actual behavior. Anyhow, due to the fact that the used companies are all contemporary businesses and very successful nowadays, minimizes this limitation. In addition, our conclusions are valid for today's world and future inventions and we understand that behavioral changes might make the outcomes irrelevant.

The definition of internationalization and expansion used in this paper is very general and only requires entering an oversea market. This choice was made to generalize and simplify the research approach to a degree that allowed us to focus on the relevant areas and not spend too much time on identifying country-specific limitations. Therefore, national entry barriers, legislation particularities, and similar restrictions can be neglected, even though it is obvious that such factors have a potentially high impact on the internationalization speed. However, the goal was to discuss eventual interrelations between business models and the general expansion behavior of companies and therefore examinations of specific countries is unnecessary. At the same time, it has to be noted that the companies were generalized in order to facilitate the analysis. It allowed to ignore possibilities of choosing different internationalization strategies and entry modes for specific countries, as this could also lead to different outcomes. As discussed above, however, examining individual countries was not the objective. In fact, the focus laid on understanding general concepts and connections.

In order to be able to determine the degree and impact of the two main drivers for internationalization speed in this paper referred to as integration and adaptation, we rely on the assumptions and ideas of the transaction cost theory. Our research showed that this approach is justified by pointing at the development and initial reason for creating the theory as well as the link to expansion theories and entry modes. However, it has to be noted that it is also necessary to investigate this approach further and determine if there are better theoretical foundations to explain the connection between integration, adaptation, and the speed of internationalization.

Lastly, in order to score the different components for each company, we tried to solely rely on the information gathered beforehand. This means first of all that we implicitly also took on the assumptions of the people providing us with secondary company data, while it also carries the risk to base the scoring choices on subjective interpretations. The fact that we mainly used well-known companies providing a lot of proper information on official websites and platforms as a well as a wide range of case study materials, allowed us to compare the sources and choose the ones deemed most trustworthy. Furthermore, trying to base the scores solely on the data allowed us to reduce the chance of making subjective choices to a minimum.

With these limitations in mind, this paper can be seen as a starting point for further discussions depending on the outcome of the analysis discussed and explicated before and below.

8 CONCLUSIONS

This paper is written based on Hennart's (2014) ideas that a fast internationalization does not depend on the capabilities and resources of managers as much as on different characteristics of company's business models and the goal to examine the correlation with the help of case studies. Therefore, the first step is to provide a basic understanding regarding the internationalization of companies and to develop a rigid definition that can be used within the limitations of this paper. Furthermore, the discussion illustrates that the most relevant drivers for the internationalization speed in the context of this paper are integration and adaptation. A detailed explanation puts this idea into a practical perspective and relates the thinking to the internationalization theories and behavioral patterns. At this point, the business model concept is introduced. After pointing out different perspectives and ideas, Shafer's business model framework is deemed most suitable, as it was originally developed based on a wide range of popular models with the objective to define a general framework that can be applied in different industries and situations. The discussion of the individual components show the different aspects considered and allows a first insight into how the model can be used in this paper.

In order to show interrelationships between the internationalization and business model concepts, the assumptions and core ideas of the transaction cost theory are used to score company's business model components in order to determine the required integration and adaptation when going overseas. This leads to a formalization of the likelihood of a quick or slow expansion overseas. Accordingly, the concept of transaction cost theory is thoroughly investigated; its beginnings, assumptions, and teachings help to create a theoretical outline necessary to understand how transaction costs influence and guide the behavior of a company seeking to enter foreign markets. The most relevant lesson refers to the idea that structural and natural market imperfections generate additional costs which eventually results in a company's choice to integrate foreign business operations instead of relying on the market. In more practical terms and according to Hennart's statements discussed earlier (2014), the difficulties regarding transactions of physical and knowledge-related assets imply a certain degree of adequate control and internalization abroad and thus suggest the most ideal foreign entry mode for each situation. By relying on the ideas and concepts supplied by transaction cost, it is possible explain how different degrees of integration and adaptation influence the internationalization behavior. Furthermore, the thinking allows to create a scorecard that includes Shafer's business model components and allows to score the impact of integration and adaptation generated by expanding overseas. Due to the fact that in this paper the idea is to apply the theory to actual companies, the respective business models already include information and guidelines for foreign market entries. Therefore, this paper takes the characteristics of a business model and uses the perspective of the transaction cost theory to investigate the complexities revolving around business integrations and required adaptation efforts. The resulting understanding is used to generate a procedure that allows to score each component of a company's business model. In other words, applying the assumptions and concepts of the transaction cost theory allows to find out how complicated and complex a market entry overseas is for each of the examined companies. By choosing already established multinationals as test cases, the scorecard results can be compared to the actual histories of each company as well as to the other cases. The distinctions are used to analyze whether the scorecard results reflect the actual behavior and thus whether looking at business models leads to a reliable prediction of a company's internationalization behavior.

As a reminder, the problem statement in this paper leads to a research investigating the question whether a business model can predict the internationalization speed of a company. As it can clearly be seen, the results of the scorecard and thus the expected internationalization speeds are congruent with the actual history of the companies analyzed. This indeed supports the hypothesis regarding a business model's influence on the internationalization speed. In fact, the rankings of the companies by actual expansion speed are perfectly aligned with the outcomes of the scorecards. Nevertheless, it has to be pointed out that the clear difference between actual patterns of Starbucks and IKEA in comparison to the other three candidates, is not as well distinguishable through the scorecard results as it is in reality. This leads to several conclusions: The business model characteristics directly influence the internationalization speed of a company and thus it does not only depend on the manager's characteristics and previous experiences as it had been argued by several authors before. Using assumptions and core ideas of the transaction cost theory makes it possible to analyze business model components individually and to identify areas that require more integration and adaptation efforts when going overseas. Furthermore, the analysis showed that it is indeed possible to look at each business model component from a transaction cost perspective and thus the chosen method proved fruitful. The scores give an overview over resources that need to be put in motion and business activities that have to be coordinated, which in turn leads to a different expectation in terms of internationalization speed.

By acknowledging that business model components have an impact on a company's speed of internationalizing, it is possible to draw a further conclusion. As stated in the theoretical chapter about the business model concept, we presented the argument that the frameworks are used to present the company's strategy and show how the components can influence each other. Therefore, it can be concluded that an adjustment in the strategy can lead to significant changes in all business model groups and thus result in a totally different scorecard outcome. In conclusion, if a company modifies its strategy the expected internationalization speed can change as well.

9 REFLECTIONS

As we have seen in the analysis and the conclusion of this paper, characteristics of a company's business model can indeed predict the internationalization speed and behavior. Based on the five test cases, it was possible to compare the scorecard outcomes and determine expansion differences and patterns. Nevertheless, as already stated in the limitations chapter, more research is necessary in order to make sure the method used here is applicable to all sorts of different companies. For example, in a situation with a small company that simply does not have the resources and the interest to expand overseas, does the business model analysis consider such limitations in a way that the results actually reflect the reality, or should such examination made before even applying the scorecard? In other words, the issue is whether the components associated with resources and financial changes are strong enough to influence the outcome in a way that the difficulties revolving an expansion become visible and are not overshadowed by potentially favorable components in the Strategic Choices group. At the same time, the question can be posed if such companies automatically also possess disadvantageous components, simply because the lack of resources and interest result in such strategies that are difficult to adapt when going abroad. Overall, a necessary further step would be to apply the scorecard to as many other companies as possible in order to compare the results to the reality.

Furthermore, the fact that this paper considered already internationally accomplished companies with their respective expansion in different times with different technologies, an insightful idea could be to only compare companies that have been founded in the last years and score them accordingly. The comparison should then be done at some point in the future, which to one end assures that not only already internationally active companies are used and furthermore considers similar environments and available technologies and possibilities.

In this paper, the transaction cost theory was found most suitable to build a theoretical basis for scoring the components in an expansion perspective. Nevertheless, at this point it has to be pointed out that this is not necessarily the best option. Even though the transaction cost theory was specifically developed in order to explain foreign integrations of businesses and measure coordination efforts, there is not enough evidence that other theoretical concepts could have been more suitable for the task at hand. Due to the general nature of the theory and its concepts, the application within the scorecards allowed a significant degree of subjective choosing. Although we tried to base all decisions on the data provided in the use cases, it is evident that there is room for improving the scoring procedure - for example with more rigid guidelines in each component and factors with specified partial scores. In any case, the scoring activities and decision-making should be investigated further and improvements are definitely possible.

By analyzing existing companies and their business models, an obvious additional question is whether the concept can be turned around. In other words, further research is necessary in order to determine the possibility of using the scorecard and make strategic decisions based on expected results. An exemplary case could involve a young company that has the major goal of expanding very quickly. Instead of analyzing whether the company's actual business model is suitable for such a venture, the managers could take the scorecard procedure as a starting point in order to shape the company and make strategic decisions in the first place in order to provide the best possible conditions for a fast internationalization. Even though it seems reasonable to be the case, this could provide a base for further research as well.

10 APPENDIXES

The appendixes underneath contain the information supporting the theoretical and analytical chapter in this paper:

Appendix A	The Scorecard model was created to be applied to the five test cases and can be used to identify areas that require integration and adaptation efforts when going abroad.
Appendix B	Two scenarios of low integration and adaptation and high integration and adaptation efforts are presented in order to guide the completion of the scorecard and to provide practical examples for a better understanding.
Appendix C	The completed scorecard for the test case of IKEA
Appendix D	The completed scorecard for the test case of Starbucks
Appendix E	The completed scorecard for the test case of Skype
Appendix F	The completed scorecard for the test case of Tesla Motors
Appendix G	The completed scorecard for the test case of Sky-Watch

Appendix A - Scorecard Model

Components	*Score*		
Strategic Choices			
Customer (Target Market, Scope)	1	2	3
Value Proposition	1	2	3
Capabilities/Competencies	1	2	3
Revenue/Pricing	1	2	3
Competitors	1	2	3
Output (Offering)	1	2	3
Strategy	1	2	3
Branding	1	2	3
Differentiation	1	2	3
Mission	1	2	3
Total Strategic Choices			
Value Network			
Suppliers	1	2	3
Customer Information	1	2	3
Customer Relationship	1	2	3
Information Flows	1	2	3
Product/Service Flows	1	2	3
Total Network Value			
Create Value			
Resources/Assets	1	2	3
Processes/Activities	1	2	3
Total Create Value			
Capture Value			
Cost	1	2	3
Financial Aspects	1	2	3
Profit	1	2	3
Total Capture Value			
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)			

Appendix B - Transaction Cost Scenarios

Low transaction cost	*High transaction cost*
Strategic Choices	
Customer (Target Market, Scope)	
Same targeted customer segment	Different targeted customer segments abroad
Positioning is the same	Positioning is different
The marketing mix is applied globally	The marketing mix is adapted for each region
Value Proposition	
The value is the same globally	The value has to be adapted to regional markets
Same support services	Adapted support services
Capabilities/Competencies	
Same abilities	New abilities
Abilities inside the company	Abilities external to company
Competencies can be trained in-house	Competencies need to be captured
Capabilities are needed in one location	Capabilities are needed globally
Easily transferred abroad	Difficult to transfer abroad
Revenue/Pricing	
One pricing segment fits all customers	Different pricing segment for different markets
One price globally	Different price levels in different regions
No sale negotiations	Lots of sale negotiation
Competitors	
Same global competitors	Different regional competitors
No competitors for niche product	Lots of competitors in mass market
No substitutional products	Lots of substitutional products
Output (Offering)	
Same output	Adapted products and services

Legal system has no influence	Additional legal barriers
Easily transport product	Difficult to transport product
Strategy	
One global strategy	Regional strategies
Easily monitorable and measurable	Difficult to monitor and measure implementation
Similar corporate culture	Different corporate cultures
Branding	
Global brand	Regional brands
Keep brand	Change brand
Customers understand message	Customers need to be educated
Differentiation	
Unique product	Find another differentiation aspect
Niche market	Mass market
Same marketing focus points	Adapted marketing campaigns
Mission	
Includes internationalization aspects	Focuses on home market
Fits new markets	Need adaptation to new markets
Uses internationally recognized values	Based on national ideals
Value Network	
Suppliers	
No new suppliers	Lots of new suppliers
Local suppliers	Global suppliers
One production site	Several global production sites
Standardized materials	Specific and complex materials
Customer information	
Same sources of information	New sources of information

Same information	Different information
Easily transferred and applied	Not usable in other countries
Customer relationship	
Same approach with customers	Different approach
Single sales point	Regionally dispensed sales points
Same level of support	Different support
Information flows	
No internal changes	Cross-border communication within company
Same supplier network	New global supplier network
Specialized customers	New unskilled customers
Product/Service Flow	
Same outgoing delivery	New delivery channels
One contact point	New contact points
Few support services, all based at home	Lots of regional support services
Create Value	
Resources/assets	
Same resources and assets	New or adapted resources and assets
Easily multiplied	Difficult to multiply
One location and easily transferred	Global locations and bounded to location
Processes/activities	
Same processes and activities	New processes and activities
Same location	New locations
Easily copied and transferred	Depend on local conditions
Capture Value	
Cost	
Same cost structure	Different cost structure

Financial aspects	
No impact on the company's finances	Big impact on finances
Standardized finance processes	Regionally adapted finance calculations
Profit	
One revenue stream	New revenue streams
Easily transfer profits back home	Profits are kept in foreign country
No tax restrictions	Different tax restrictions

Appendix C – IKEA

Components			*Score*
Strategic Choices			
Customer (Target Market, Scope)	1	2	**3**

- ➔ Same primary targets of families, offices, and restaurants
- ➔ Characteristics and preferences of target customers varies
- ➔ Adaptations to marketing mix
- ➔ Reevaluation of positioning in markets

Value Proposition	1	**2**	3

- ➔ Unvaried value proposition based on Swedish ideals including affordable and functional furniture sold through an elaborate shopping experience
- ➔ Same variety of additional support services
- ➔ Slight adaptations in products and shopping experiences in each new country

Capabilities/Competencies	1	**2**	3

- ➔ Same capabilities used abroad
- ➔ Transfer capabilities and competencies to globally-dispersed production sites and stores
- ➔ Coordinate and monitor transfers
- ➔ Possibility to transfer capabilities to foreign subsidiaries and develop competencies in-house.

Revenue/Pricing	1	2	**3**

- ➔ National income level plays an important role in the pricing strategy
- ➔ Local production sites allow low-cost productions
- ➔ Varying transportation needs
- ➔ Price adaptations in each region
- ➔ No negotiating

Competitors	1	2	**3**

- ➔ Continuous monitoring of wide range of substitutional products
- ➔ Lots of competitors in mass market
- ➔ Monitoring and reacting to competitor's activities in each geographical region
- ➔ Strategies for each location.

Output (Offering)	1	2	**3**

- ➔ Great variety of products,
- ➔ Some products produced locally, others transported around the world
- ➔ Product adaptations for final markets.

Strategy	1	2	**3**

- ➔ Fundamental global strategy based on Swedish ideals and consolidated in the corporate culture
- ➔ Adaptations to production, transportation, marketing, and support network strategies
- ➔ Implementing and monitoring strategies in different cultural contexts

Branding	**1**	2	3

- ➔ Very recognizable all around the world
- ➔ Clear message regarding Swedish furniture with good functionality.

Differentiation	1	**2**	3

- ➔ Signature shopping and do-it-yourself experience
- ➔ Easily produced mass products for a wide-open market
- ➔ Specially developed marketing campaigns for each region

Mission	**1**	2	3

- ➔ Implies the long term objective to expand the business globally
- ➔ Strategic ground works laid from the company's beginnings

Total Strategic Choices	**23**

Value Network

Suppliers	1	2	**3**

- ➔ Regional production sites and networks with local suppliers
- ➔ Wide range of incoming due to the great variety of final products

Customer Information	1	2	**3**

- ➔ Differing customer segments
- ➔ Different culture-related habits and preferences
- ➔ Adapted marketing mixes
- ➔ Accurate information about customers

Customer Relationship	1	2	**3**

- ➔ Shopping experience adaptations due to cultural differences
- ➔ Lots of contact points due to global presence of sale and support establishments
- ➔ Based on Swedish corporate culture

→ Adaptation to local customs

Information Flows	1	2	**3**

→ Global presence of production and sales networks
→ Complex and extensive information flow within the company and between partners in terms of location, culture, and language
→ A lot of different types of information due to vast amount of different products
→ Non-professional customers need support at various levels

Product/Service Flows	1	2	**3**

→ Multiple destinations throughout the world for raw materials and products
→ Accurate planning and cross-border implementation
→ Involvement of many people from different countries and departments
→ Subsidiaries create new contact points and additional services have to be offered

Total Network Value	**15**

Create Value

Resources/Assets	1	2	**3**

→ Production facilities, product designs, and store experience have to be transferred
→ Some assets need to be adapted, others can be copied
→ Great importance of bringing the same experience to the customers

Processes/Activities	1	**2**	3

→ Need to be copied and transferred everywhere
→ Transfer of cultural values and way of doing things might be difficult

Total Create Value	**5**

Capture Value

Cost	1	2	**3**

→ New suppliers and supplier networks

Financial Aspects	1	2	**3**

→ Big initial investments when establishing production sites and stores
→ Local tax regulations and finance laws

Profit	1	2	**3**

- ➔ Local tax regulations
- ➔ Transfer back to the home country
- ➔ Different pricing strategies

Total Capture Value	**9**
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)	**52**

Appendix D – Starbucks

Components			*Score*
Strategic Choices			
Customer (Target Market, Scope)	1	2	**3**

- ➔ Customer segments includes young professional with their own income
- ➔ Keep the primary segment unchanged when going abroad
- ➔ Also serves a lot of other people
- ➔ Adaptation to marketing mix

Value Proposition	1	2	**3**

- ➔ High-quality coffee in a friendly atmosphere
- ➔ Seasonal offers and additional products to be developed for any region individually

Capabilities/Competencies	**1**	2	3

- ➔ Ability to show the passion for coffee, nice atmosphere, high-quality services and products
- ➔ Capabilities can easily be transferred to foreign locations
- ➔ Do not require a lot of adaptations
- ➔ Unchanged coffee roasting locations

Revenue/Pricing	1	**2**	3

- ➔ Higher pricing segment
- ➔ Continuous price adaptations

Competitors	1	2	**3**

- ➔ Similar coffeehouse chains
- ➔ Bars and restaurants on a local level
- ➔ Lots of resources and efforts

Output (Offering)	1	**2**	3

- ➔ Coffee bean transport relatively low costs.
- ➔ Regional adaptations for products such as seasonal drinks and snacks

Strategy	1	**2**	3

- ➔ Quality products and store atmospheres to be applied globally

- ➔ Adaptations in terms of store interiors, marketing ideas, and seasonal product development
- ➔ Different cultural backgrounds impacts brand reception

Branding	1	2	3

- ➔ Important to be recognized in order
- ➔ Used to differentiate the stores
- ➔ Logo and identity can be used in any country

Differentiation	1	2	3

- ➔ Unique customer experience
- ➔ Typical coffee cups, store atmospheres, and services
- ➔ No differentiation adaptations

Mission	1	2	3

- ➔ Mission implies the willingness to expand to any region in the world

Total Strategic Choices	**19**

Value Network

Suppliers	1	2	3

- ➔ Coffee plants that meet certain qualitative and ethical standards
- ➔ Rely on the same suppliers and ship the coffee beans abroad
- ➔ Potential need to add suppliers

Customer Information	1	2	3

- ➔ Cultural and lifestyle-related differences in different cultures
- ➔ New information about customers
- ➔ Basic idea can be applied and transferred everywhere.

Customer Relationship	1	2	3

- ➔ Adapted loyalty programs simply extended to foreign countries
- ➔ Interactions happen in the stores
- ➔ Each new store also acts as new contact point to the customer
- ➔ Transfer the company's spirit and way of doing things

Information Flows	1	2	3

- ➔ Keep existing upstream information flow
- ➔ Franchising system with similar organizational structures

- ➔ Standardized information flows
- ➔ People with different cultural backgrounds

Product/Service Flows	1	**2**	3

- ➔ Establishing the stores in the foreign countries
- ➔ Product and service flow can be centralized
- ➔ Creates more contact points, but also makes it possible to use the created structures efficiently.

Total Network Value	**10**

Create Value			
Resources/Assets	1	**2**	3

- ➔ Copied and transferred to other regions
- ➔ Supplier network stays the same
- ➔ Store layout can easily be imitated
- ➔ Choice of baristas depends on the hiring process
- ➔ Choice of store locations

Processes/Activities	1	**2**	3

- ➔ Copy and transfer coffee bean roasting and hiring process
- ➔ Local development of seasonal products depending on local trends and availabilities

Total Create Value	**4**

Capture Value			
Cost	1	**2**	3

- ➔ Main contributing factors remain constant
- ➔ Additional shipping expenses

Financial Aspects	1	**2**	3

- ➔ Store opening investments similar to home
- ➔ Adapted marketing mixes require continuous investments
- ➔ Potentially extending supplier and sales networks

Profit	1	**2**	3

- ➔ Majority of the profits from the sales in stores
- ➔ Differences to consider in regard to taxes and transferring profits

Total Capture Value	**6**
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)	**39**

Appendix E – Skype

Components		*Score*	
Strategic Choices			
Customer (Target Market, Scope)	**1**	2	3

- ➔ Defined by a certain behavioral pattern
- ➔ People using the internet to communicate to each other
- ➔ Private people and organizational entities
- ➔ No change when internationalizing the business

Value Proposition	**1**	2	3

- ➔ Digital tool that allows simple real-time conversations between global users
- ➔ Global need
- ➔ Services based on computers and internet connections

Capabilities/Competencies	**1**	2	3

- ➔ Runs on any computer
- ➔ Developed in one location
- ➔ No transfer of capabilities and competencies

Revenue/Pricing	**1**	2	3

- ➔ Free basic services
- ➔ Premium subscription rates the same in all the regions
- ➔ No additional efforts

Competitors	1	**2**	3

- ➔ Minimum number of competitors due to innovation
- ➔ Regular phone providers as substitutional product
- ➔ Very similar in every region
- ➔ Possibilities of cooperation.

Output (Offering)	1	**2**	3

- ➔ Zero transportation expenses for software
- ➔ Small adaptations such as additional languages or other culture-related functionalities
- ➔ Changes in the software for internet censorship and similar reasons

Strategy	**1**	2	3

- ➔ No regional strategies

Branding	**1**	2	3

- ➔ Highly recognizable brand
- ➔ Refers to the product and even to the actual activity of making video calls over the internet

Differentiation	**1**	2	3

- ➔ Unique product for a mass market
- ➔ No adapted marketing strategies

Mission	**1**	2	3

- ➔ No location-related restrictions and refers to the whole world out of the box
- ➔ Appropriate and easily understood everywhere

Total Strategic Choices	**12**

Value Network

Suppliers	1	**2**	3

- ➔ Does not rely on suppliers providing materials
- ➔ Calling regular phones requires a telecom provider is needed

Customer Information	1	**2**	3

- ➔ Information can be used globally
- ➔ Few new sources are necessary to slightly adapt the software

Customer Relationship	**1**	2	3

- ➔ Very similar customer behavior
- ➔ Same way of establishing and maintaining customer relationships
- ➔ Innovative functions loyalty driver

Information Flows	1	**2**	3

- ➔ No changes to internal information flows
- ➔ New telecom partners leads to new communication

Product/Service Flows	**1**	2	3

- ➔ Effortless delivery via internet
- ➔ Support through a web platform

→ No changes

Total Network Value	**8**		
Create Value			
Resources/Assets	**1**	2	3
→ Software developers and the program itself → No changes			
Processes/Activities	1	**2**	3
→ Additional support functions for different countries			
Total Create Value	**3**		
Capture Value			
Cost	1	**2**	3
→ Contracts to a country's telecom provide → Depending on the country and political situation → International support center			
Financial Aspects	**1**	2	3
→ No significant investments			
Profit	**1**	2	3
→ No substantial changes			
Total Capture Value	**4**		
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)	**26**		

Appendix F - Tesla Motors

Components	*Score*		
Strategic Choices			
Customer (Target Market, Scope)	1	**2**	3

- ➔ Main target customers are middle class working adults that can afford the price
- ➔ Tech-savvy, green friendly
- ➔ Economically more challenged regions target the rich focusing on its luxury features and technological niceties
- ➔ No changes required

Value Proposition	**1**	2	3

- ➔ Electric cars that are able to deliver good performances in terms of range, speed, quality
- ➔ Prices as comparable gasoline powered cars
- ➔ Eco friendly, yet stylish, driving experience
- ➔ Supercharger stations and service and repair shops around the planet
- ➔ Value proposition does not have to be adapted

Capabilities/Competencies	1	**2**	3

- ➔ All cars produced at the Tesla Factory
- ➔ No need for regional production facilities
- ➔ Expansion of Supercharger station network
- ➔ Specialized mechanics abroad

Revenue/Pricing	**1**	2	3

- ➔ Targeting customers willing to purchase a luxury car
- ➔ Charging cars at Supercharger stations is free
- ➔ Maintenance packages are priced the same
- ➔ Prices not affected by expansion to new markets

Competitors	**1**	2	3

- ➔ Gasoline powered cars as alternative
- ➔ "Real" electric car manufacturer producing only electric cars
- ➔ Truly global market with the same vendors
- ➔ No competition changes abroad

Output (Offering)	1	2	**3**

- ➔ Might require expanding the production facility
- ➔ Final design changes for legal reasons (like left-hand driving)
- ➔ Transporting a car cross-border is a major operation

Strategy	1	**2**	3

- ➔ Long term goal of making electric cars better than gasoline powered cars
- ➔ Regional strategies to find Supercharger and service shop locations

Branding	**1**	2	3

- ➔ Very powerful brand within motor enthusiasts
- ➔ Symbolizes luxurious electric powered car
- ➔ Tesla Motors' sustainability, innovation, and uniqueness
- ➔ No changes

Differentiation	**1**	2	3

- ➔ Car market as a highly competitive global industry
- ➔ Creation of an electric car that can easily keep up with common sport cars
- ➔ Industry leading design of batteries allows to
- ➔ Highly differentiated final product

Mission	**1**	2	3

- ➔ Tesla Motors is targeting a global market and does not need to adapt the mission

Total Strategic Choices	**15**

Value Network

Suppliers	**1**	2	3

- ➔ Same production at same location
- ➔ No changes

Customer Information	**1**	2	3

- ➔ Unique position in the market attracts customers
- ➔ Information can be used globally

Customer Relationship	1	**2**	3

- ➔ Customers buys into the whole experience

- ➔ Customer satisfaction with working Supercharger stations and repair and service shops
- ➔ Contact points as new channels to the customers

Information Flows	1	2	3

- ➔ New service and repair shops requires education of the mechanics
- ➔ Standardized locations and information flow
- ➔ People with different cultures and backgrounds

Product/Service Flows	1	2	3

- ➔ No change of product flows in the facility up to the finished product
- ➔ Changes in the shipping and outbound logistics departments
- ➔ Construction of Supercharger stations

Total Network Value	**8**
Create Value	

Resources/Assets	1	2	3

- ➔ No need to transfer knowhow about developing and producing electric cars
- ➔ Supercharge stations and repair and service shops every time Tesla Motors wants to expand its market

Processes/Activities	1	2	3

- ➔ Control all operations from the headquarters in the United States
- ➔ Minor changes in the processes or activities due to specific requirements to the cars

Total Create Value	**4**
Capture Value	

Cost	1	2	3

- ➔ Production cost structure independent from new markets
- ➔ Shipping cars
- ➔ Building Supercharger stations and shops abroad might lead to slight changes

Financial Aspects	1	2	3

- ➔ Investments for network of Supercharger stations and service and repair shops

Profit	1	2	3

- ➔ Car sales and long term maintenance agreements
- ➔ Tax-related issues

Total Capture Value	**6**
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)	**33**

Appendix G - Sky-Watch

Components	*Score*		
Strategic Choices			
Customer (Target Market, Scope)	**1**	2	3

- ➔ Public institutions such as law enforcement agencies, military, and emergency authorities
- ➔ Targeted customers are the same globally and experts in this field

Value Proposition	**1**	2	3

- ➔ State of the art drones for public institutions in emergency situations
- ➔ Possibility to sell the same product and support services globally

Capabilities/Competencies	**1**	2	3

- ➔ Manufactured in just one location
- ➔ Support for expert customers
- ➔ No additional capabilities and competencies

Revenue/Pricing	1	**2**	3

- ➔ Unvaried pricing segment
- ➔ Additional support and maintenance contracts
- ➔ Room for negotiations, but sales processes are outsourced

Competitors	**1**	2	3

- ➔ Impossible to be copied by competitors due to knowhow
- ➔ Innovative aspect allows to disregard substitutional products

Output (Offering)	1	**2**	3

- ➔ Highly specialized product for specific need
- ➔ No significant adaptations
- ➔ Sensitivity and size of the product might lead to transportation issues
- ➔ Potential interference with national laws
- ➔ Sold to public institutions

Strategy	**1**	2	3

- ➔ No regional strategies

Branding	**1**	2	3

- ➔ Technology makes the sale
- ➔ Brand potentially important in the future
- ➔ Does not need adaptations

Differentiation	**1**	2	3

- ➔ Technology and knowhow are
- ➔ Specific customers in a niche market

Mission	**1**	2	3

- ➔ High-tech multi-purpose drones that help solving tomorrow's challenges
- ➔ Internationally common situations
- ➔ Refers to global values and ideals

Total Strategic Choices	**12**

Value Network

Suppliers	**1**	2	3

- ➔ No changes to reliable supplier network for high-quality materials and parts

Customer Information	**1**	2	3

- ➔ Customers seek out the product and provide useful information
- ➔ Similar customers globally

Customer Relationship	**1**	2	3

- ➔ Customers commit to a close collaboration with acquisition
- ➔ Same support abroad

Information Flows	**1**	2	3

- ➔ No changes in information flow
- ➔ Expert customers understand technical information

Product/Service Flows	1	**2**	3

- ➔ Training and additional support functions abroad
- ➔ International locations

Total Network Value	**6**

Create Value			
Resources/Assets	1	2	3
➔ Drones developed and produced in one location			
Processes/Activities	1	2	3
➔ Development and production activities stay the same ➔ Support services are adapted to international needs			
Total Create Value		**2**	
Capture Value			
Cost	1	2	3
➔ Production and support activities do not change significantly			
Financial Aspects	1	2	3
➔ No foreign investments or other financial aspects			
Profit	1	2	3
➔ Same profit calculations and margins			
Total Capture Value		**3**	
Overall Score (Strategic Choices + Value Network + Create Value + Capture Value)		**23**	

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