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Department of business administration



Resource Base Change and Development during the Internationalization Process

The Case of a Swedish Fashion Firm

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UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

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Abstract

This thesis examines the processes that define the change and development of a firm's resources and capabilities during the internationalization process. Prior research shows that a firm's resources and capabilities have an important impact on the internationalization process, either hindering or enabling it. Despite this, the processes that explain the development and change of firms' resource bases have been neglected in the extant research. There is still a lack of understanding of how firms' resource bases change and develop and why such changes develop in a particular way during the internationalization process.

To study resource base changes and developments during internationalization, a longitudinal single case study was conducted. The empirical basis of the study is a firm in the Swedish fashion industry starting as they begin their growth and expansion process, wherein this particular firm is confronted with the need to deal, develop and change their resources and capabilities in response to internationalization.

The findings reveal that the development and change to firms' resource bases is a complex and multilayered process. This is because firms need to develop both managerial and organizational capabilities to enable the development of dynamic capabilities, which draw from the firms' managerial and organizational capabilities. Furthermore, the changes are embedded in firms' commitment to resource base change and development; development of knowledge via experience, search, grafting, and congenital learning; and the development of internationalization knowledge.

The study contributes to the internationalization process literature by incorporating the internal aspects related to change and development as firms internationalize. Also, this study explores dynamic capabilities by showing how firms build those capabilities as well as when dynamic capabilities are realized. The thesis shows that dynamic capability is the ability to synchronize the four processes, which are build, integrate, reconfigure, and leverage resources and capabilities. Synchronization involves the ability to be involved in all four processes while also being alert to the changes in firms' business networks.

Keywords: internationalization process, resources, capabilities, dynamic capabilities

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Chapter 1 Introduction

This thesis is about the processes that define the change and development of firms' resources and capabilities during the internationalization process. It is argued that firms' resources and capabilities have an important impact on the internationalization processes, either hindering or enabling internationalization. Although the extant literature recognizes the internationalization process of firms as important, the processes that explain the development and change of a firm's resource base have been neglected. We still lack an understanding of how firms' resource base changes and why the changes unfold the way they do during the internationalization process. Considering this research gap, this dissertation extends and adds knowledge on the internationalization process of firms (e.g., Johanson & Vahlne, 1977, 2009) drawing on a resource-based view (e.g., Penrose, 1959; Barney, 1986) and research on dynamic capabilities (e.g., Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). Thereby, this dissertation also develops knowledge on how firms build their dynamic capabilities for internationalization.

1.1 The Internationalization Process of Firms

Globalization, the growing interdependence of national economies involving consumers, producers, suppliers, and governments, has given rise to an increasingly competitive environment for firms (Knight & Kim, 2009). Globalization enables larger firms to realize economies of scale, which in turn results in reduced costs and lower prices and leads to increased competition for domestically active firms. Hence, the internationalization of activities becomes a competitive necessity for not at least smaller firms' survival and growth (Knight & Kim, 2009; Raymond, St-Pierre, Uwizeyemungu, & Le Dinh, 2014). In other words, internationalization – both in terms of market seeking and innovative seeking behavior – provides a means for firms to overcome local competition and exploit global business opportunities, thereby developing and expanding avenues for economic competitiveness and growth (Zhou, Wu, & Luo, 2007). Internationalization gives access to new markets and enables firms to establish relationships with international customers, suppliers, competitors, and other actors in the business network, allowing firms to improve their products, services, and technologies through increased flow of knowledge and access to a wider range of available resources (e.g. Johanson & Vahlne, 2009; Vahlne & Johanson, 2013). Internationalization is also important as a way of improving the profitability firms' through cheap production outside domestic markets (Jonsson & Elg, 2006).

Internationalization has been discussed as a process where firms increase their international involvement through the transfer of operations, services, products, and resources across markets outside their national boundaries (Welch & Luostarinen, 1988). Internationalization also refers to the degree to which firms' operations are conducted across national borders. The process is viewed as a dynamic and evolutionary process in which firms' increase their awareness of international operations (Calof & Beamish, 1995; Kamakura, Ramon-Jeronimo, & Gravel, 2012). Through internationalization, firms can not only identify and leverage

opportunities, but are also exposed to challenges. The challenges relate to the experienced differences between countries, such as market characteristics, institutional and cultural discrepancies (Johanson & Vahlne, 1977). Forcing firms to adapt their activities in response to these challenges (Calof & Beamish, 1995).

Research in the area of firm internationalization can be classified into two influential paradigms that dominate the discussion on internationalization, i.e., economic theories (e.g., Buckley & Casson, 1976; Dunning, 1988; Hennart, 2009) and behavioral theories (Johanson & Vahlne, 1977, 2003, 2009). The two paradigms stem from two contrasting definitions of how firms are viewed, shaping research within business research, and how we analyze and describe firms' internationalization process. The behavioral approach to internationalization due to the incremental nature and focus towards explaining the process of internationalization is the starting point of this thesis.

A widely used model within the behavioral approach to internationalization is the Uppsala Model (U-M) (Johanson & Vahlne, 1977). The U-M for internationalization argues that firms internationalize by first choosing countries that are psychically close, offering more familiar operating environments (e.g., Johanson & Vahlne, 1977; Pedersen & Petersen, 1998). Firms then follow an incremental approach to developing in adjacent countries before expanding into more distant markets (Johanson & Vahlne, 1977). In the U-M, internationalization is a function of the relationship between market knowledge, commitment decisions, and current activities. Increasing the commitment to a market leads to increasing knowledge, which in turn can be used by the firms to expand into that market. The model has been widely used as the basis for empirical research on the internationalization process of firms. The traditional view of overcoming various countries' barriers (e.g., Johanson & Vahlne, 1977) began to shift the focus towards firms' potential hindrances and possibilities to become part of a business network (e.g., Johanson & Vahlne, 2009). This is because an internationalization process is argued to be more dependent on firms' relationships within current markets than on market and cultural characteristics themselves (Johanson & Mattsson, 1987; Johanson & Vahlne, 2009). A business network view to internationalization describes firms' international behavior with regards to an increased or decreased position in business networks through the development of business relationships across national borders (Johanson & Mattsson, 1987; Johanson & Vahlne, 2003, 2009).

The U-M for internationalization further argues that firms become international in an incremental manner, which may be a result of lack of knowledge about foreign markets, business relationships, high risk aversion, and high perceived uncertainty (e.g., Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2013). In many instances, empirical data supports the notion that firms gradually develop knowledge from experiences, reducing uncertainty and risk over time, thus supporting further internationalization. Expanding across foreign borders and developing business network relationships, exposes firms to new situations, thereby building up international experience and increasing foreign and market organizing knowledge (Zahra, Sapienza, & Davidsson, 2006). In order to develop the know-how to act and do business in foreign markets, it is argued that the experiential knowledge acquired from

foreign operations must be integrated into firms' resources and capabilities in order to support and drive further internationalization (Johanson & Vahlne, 1977, 2009, 2013).

The U-M for internationalization and its emphasis on learning and experiential knowledge are early exponents of applying resource-based view to firm internationalization. This is due to the importance of heterogeneous resources (e.g., Barney, 2001) and how learning and experiential knowledge develop the firm's resources to support further internationalization (Johanson & Vahlne, 1977, 2003, 2009). The U-M suggests that the accumulation of international experience and the increase in knowledge resulting from international experience are reflected both internally and externally. The external change reflects the types of operation modes that firms choose (cf. Johanson & Vahlne, 1977) or relationship developments to firms' business networks (cf. Johanson & Vahlne, 2009). The internationalization process literature also acknowledges the importance of internal changes and refers to the hiring of personnel with experience (e.g., Johanson & Vahlne, 1977). Mention is made to the importance of management developing routines to deal with problems and opportunities posed by changes to the firm's environment (e.g., Johanson and Vahlne, 1977). Furthermore, and referring to Penrose's (1959) work, Johanson & Vahlne (1977, p. 28) state that "with experiential knowledge there is a change in the services that human resources can supply which arises from their activity".

Elaborating on the above, in order for firms to know how to act and develop their operations across and within markets, it is important to integrate the acquired knowledge into their resources and capabilities. The changes that unfold in firms' internal activities are continually grounded in the context of changes and development external to them (e.g., Alexander & Myers, 2000). Indeed, the U-M suggests that internationalization is tightly intertwined with the internal processes of the firm and, more specifically, to the processes surrounding resource base development and change (e.g., Johanson & Vahlne, 1977, 2003; Benito & Welch, 1993). While outward operations such as exports and foreign investment as well as relationship development are important for the internationalization process, advocates of the behavioral approach also highlight the importance of developing resources and capabilities (e.g., Johanson & Vahlne, 2009; Schweizer, Vahlne, & Johanson, 2010; Vahlne & Johanson, 2013).

Internationalization of firms can thus be described as a dynamic process with accumulation feedback loops between the changes that unfold in firms' business networks and firms' resources and capabilities (cf. Karlsen, Silseth, Benito, & Welch, 2003). One cycle of events constitutes input for the next cycle of events (Johanson & Vahlne, 1977). The internationalization process therefore implies the need for resource-based development and change. However, the prevailing literature has not discussed the internal changes as a result of firms' internationalization processes.

Because change and development to firms' resources and capabilities naturally follow in the trace of international expansion, it is of course an important aspect to study. Still, as mentioned above, within the internationalization process literature, the firm has remained a black box (cf. Penrose, 1959; Sirmon et al., 2007). The firm is rather referred to as a carrier of resources and capabilities and little attention has been paid to the internal processes of change

and development that emerge as a consequence of international expansion. Linkages between the internationalization process variables i.e. learning, experience building, knowledge building and a firm's internal context have been poorly explored (cf. Penrose, 1959; Nummela, 2006; Benito & Welch, 1993). Indeed, as mentioned by Benito and Welch (1993), the examination of the process effects of internationalization stops at the outer edge of the firm, leaving many of internal pathways and influences unexplored. Whereas the above have sketched more general literature on firms' internationalization, to a great extent they have ignored the internal processes. As such, studies on the internationalization process of smaller and medium-sized enterprises (SMEs) as well as the more general resource-based view of the firms offer interesting insights for opening up the 'black box' (cf. Sirmon et al., 2007). Insights from these two streams of research are introduced below.

1.2 Insights from Literature on SME Internationalization

Even though little has been said regarding how firms' resources and capabilities change and develop during internationalization, studies focusing on internationalization of SMEs, due to the nature of these firms, have touched on important internal aspects that are essential during firms' internationalization process.

The literature on SMEs' internationalization process acknowledges important factors that pose considerable threats to resource-constrained internationalizing firms, for example, the ability to adapt products, finding and contracting buyers, moving goods across greater distances, and ensuring that products are managed properly in their way to end users. With insufficient or inaccessible resources, SMEs can ill afford to expand their operations across national borders that might end in failure, limiting their international growth (Liesch & Knight, 1999; Brush, Edelman, & Manolova, 2002; Ruzzier & Konecnik, 2006). Therefore, for SMEs, internationalization increases the requirements for coordination and communication among different units as well as other parties located in different geographic zones, stretching thin the managerial and organizational resources (Pangarkar, 2008). Furthermore, SMEs face operational challenges involved in financing, staffing, and how to manage relationships with customers and suppliers in addition to establishing the firms' reputation (Eriksson, Nummela, & Saarenketo, 2014). It is argued that these constraints are apparent for all firms, but becomes more pronounced for SMEs due to the firms' size and often more limited resources.

SMEs are confronted by the challenges and opportunities of international markets, and, in order to achieve competitiveness, need to develop unique firm-specific assets (Zucchella & Siano, 2014). For example, studies have referred to the particular importance of human, financial, and technological resources and adaptations in firms' value chain activities (Matlay, Ruzzier, Hisrich, & Antoncic, 2006; Nummela, Loane, & Bell, 2006; Welch & Luostarinens, 1988). Studies focusing on the internationalization of SMEs have further looked at the internal aspects such as organizational structure, technology, and employees (Lin 1998); firm's innovation activity (Keizer, Dijkstra, & Halman, 2002); research and development (R&D); customer marketing; and relationship management (Suh & Kim, 2014). Researchers have indicated that these internal factors impact SMEs' internationalization process, referring to, for example, the timing and orientation of the internationalization (Bijmolt & Zwart, 1994; Tuppura, Saarenketo, Puumalainen, Jantunen, & Kylläheiko, 2008).

1.3 Insights from a Capability View

Internally, firms prepare for internationalization by developing a set of appropriate resources and capabilities (Knight & Kim, 2009). Elaborating on the importance of change and development of firms' resource base, it is argued in this thesis that the ability to succeed in foreign markets is largely a function of firms' internal capabilities and resources (Knight & Kim 2009). In order to be able to better understand how firms develop and change their resource base during their internationalization, we need a deeper understanding of the role and characteristics of resources and capabilities. Internationalization process theories, discussed above, have primarily drawn on the resource-based view of the firm, discussing the importance of tangible and intangible resources. Resources, both tangible and intangible, give rise to sustainable competitive advantage only when inimitable and non-sustainable (Barney, 1991). However, in this thesis it is claimed, by simply focusing on the importance of resources that the internationalization process literature, though dynamic in nature, becomes static when trying to understand how the resource base develops and changes during internationalization.

The resource-based view implies that firms possess heterogeneous and sticky resource bundles, and it sees resources in isolation of other resources during the internationalization process (Mishina, Pollock, & Porac, 2004). The resource-based view limits the ability to understand the processes that impact resource base change and development. While resources are valuable to firms and act as a source of competitive advantage, the most valuable resources, if not managed correctly, can lead to little benefit during internationalization (Katkalo et al., 2010) A capability-based view of development and change of a firm's resource base confronts the limitations of this view by contributing various solutions (Foss & Robertson, 2000; Metcalfe & James, 2000; Winter, 2003). This is because capabilities refer to firms' abilities to perform a set of coordinated tasks through processes that utilize intangible and tangible resources (Helfat & Peteraf, 2003).

Furthermore, capabilities are defined in this thesis as both operational and dynamic. Operational capabilities generate firms' current activities, while dynamic capabilities develop and change those activities. Dynamic capabilities, defined as the ability to build, integrate, and reconfigure internal and external resources to address changing environments (e.g., Teece et al., 1997; Eisenhardt & Martin, 2000), can provide a framework to capture the internal processes surrounding the development and change of firms' resources and capabilities as firms pursue an internationalization process. The concept of dynamic capabilities has turned the focus to processes aimed at developing and renewing the firm's organizational capabilities (e.g., Teece & Pisano, 1997; Teece, 2014; Eisenhardt & Martin, 2000). The key foundation for the role of dynamic capabilities is that firms are not only competing on their existing capabilities and resources, but also on the capacity to renew and develop them. Therefore, the role of dynamic capabilities is related to their ability to change and develop firms' resources and capabilities (Barreto, 2010).

A dynamic capability perspective can help understand how firms in changing environments can handle the change from being domestic businesses to international players by developing and leveraging certain capabilities. Dynamic capabilities, therefore, have an important role in

overcoming challenges and even acting on opportunities in firms' business networks during internationalization (Eriksson et al., 2014). It is argued that firms that grow and prosper have developed competitive advantages by building both operational and dynamic capabilities, allowing them to interact with other actors in their business network in a manner advantageous to them (Vahlne & Johanson, 2013). However, few studies within the internationalization process literature have advanced and deepened the discussion that firms compete with one another based on their ability to learn and apply knowledge for the purpose of developing and changing the firm's resources and capabilities.

Studies emphasizing the importance of dynamic capabilities in understanding firms' internationalization processes have labelled these capabilities as threshold capabilities, consolidation capabilities, value-adding capabilities, disruption capabilities (Prange & Verdier, 2011), opportunity development capability, internationalization capability, and networking capability (Vahlne & Johanson, 2013). However, in simply labelling certain capabilities as dynamic capabilities, these studies have not looked at how such capabilities evolve, which is argued to be an important aspect for resource base development and change during the internationalization process.

1.4 Research Question and Purpose

In sum, a firm's resource base plays an important part in shaping the internationalization process and, therefore, has an important impact on the ability to internationalize across national borders (Westhead et al., 2001). Internationalization process researchers (e.g., Johanson & Vahlne, 1977, 2009) acknowledged and discussed the importance of integrating the knowledge and experience gained during internationalization into the firms resource bases. However, as discussed above, little is known about how and why the resource base changes and how this change is impacted by a firm's internationalization process. Thus, the first research question addressed in this thesis is:

How does a firm's resource base change and develop during an internationalization process?

Important for understanding 'how', we also need to understand 'why'. During firms' internationalization process, firm resources and capabilities will develop and change in a certain way, which is hitherto unknown. However, in order to describe the process of resource base change and development, it is also important to explore the reasons why the identified changes develop the way they do. Hence, subsequently, the second research question of this thesis is:

Why does a firm's resource base change and develop in a given way during the firm's internationalization process?

Following these two main research questions, this thesis is further anchored in an understanding that the internal change processes of a firm during internationalization are closely related to the development of dynamic capabilities. The reason for that is that dynamic capabilities are argued to provide a foundation to capture the processes linked to resource base change and development. Dynamic capability refers to firms' ability to renew themselves

in the face of a changing environment by integrating, renewing, and developing their capabilities and resources (Teece et al., 1997; Eisenhardt & Martin, 2000). Therefore, studying the internationalization process related to the internal change and development of a firm's resource base requires an assessment of the extent to which dynamic capabilities are developed. Consequently, the third research question is:

How does a firm build dynamic capabilities for internationalization?

The purpose of this thesis is to study and develop theory on how firms change and develop their resources and capabilities during internationalization and why those changes and developments unfold the way they do. The focus is on the processes of building, integrating, reconfiguring, and leveraging resources and capabilities. The ability of firms to build, integrate, reconfigure, and leverage their resources and capabilities hints towards the process of developing dynamic capabilities. Therefore, the study also attempts to understand how firms build their dynamic capabilities.

1.5 A Process Study of a Swedish Fashion Firm

In order to study resource base changes and developments during internationalization, the study adopts a single case study approach which is longitudinal in nature. The study researchers a firm over time to gather insights on the internal processes that unfolds during internationalization. The research design provided a means for developing knowledge on how capabilities and resources change and develop and why they did so in that specific way (cf. Van de Ven & Huber, 1990; Welch & Paavilainen-Männtymäki, 2014; Langley, 1999). The empirical basis of the study is a firm in the Swedish fashion industry. The industry provides a good context for capturing change and development of firms' resource base, as it is quite early in the growth and expansion process, in particular where fashion brands are confronted with the necessity to effectively deal with organizing advanced logistics processes in well-developed distribution networks, just-in-time production, and efficient sales and design processes. Following a single firm overtime has its limitations and therefore caution must be taken regarding the possibility of transferring the findings from this study to other firms undergoing an internationalization process.

1.6 Contributions

This study contributes to the previously unexplored areas of firms' internal development and change during the internationalization process by providing an empirical study on the changes and developments in firms' resource bases and the identification of dynamic capabilities through an exploration of the internal processes occurring during firm internationalization. In doing so, the study also contributes in several other ways.

First, the study advances the dynamic capability perspective by confronting it with empirical data from a longitudinal case study in the fashion industry. Research on dynamic capabilities dates back to the early 1990's; however, it is still ambivalent as to the underlying mechanisms that define dynamic capabilities. This study, can therefore contribute to an understanding of the underlying mechanisms that explain the evolution of dynamic capabilities. Longitudinal data provides an opportunity to see the change processes as they unfold.

Second, understanding firms' dynamic capabilities in relation to firm internationalization is an important avenue of research that enriches internationalization process literature by highlighting the internal capability and resource development and change processes. This thesis therefore enriches internationalization business literature by further studying the dynamic capabilities in which internationalization is embedded.

Third, the research presented herein also has implications for managers. The Swedish fashion industry has several internationally successful fashion firms, but the majority of them are small and need to work extremely hard to establish themselves in both the Swedish and international markets (Jonsson, 2007). One of the problems for these SMEs is the changing characteristics of the fashion industry, which is becoming increasingly dominated by large international and national retail chains, such as the Swedish retailers H&M, KappAhl, and Lindex and the European firms Top Shop, Zara, and Desigual. In addition, the access to retailing channels is becoming narrower in recent years, making it difficult for young designers to reach out to purchasers. This creates a difficult environment for SME fashion labels to grow by only reaching out to their target segment on the home market. Alternative expansion opportunities therefore must be searched for in the international market. Internationalization then becomes an important part of a firm's growth strategy. However, internationalization is not a process on its own. It is embedded in a complex array of resource development and changes that SMEs have to organize and manage, which can be difficult for those firms lacking the capabilities to develop and change their resource base. This study, by highlighting how firms learn to master the necessary internal managerial and organization processes over time by acquiring and evolving their resources and capabilities, contributes to their possibilities to expand, grow, and survive through additional insights into how they can best utilize their resources to grow within the international markets. Until now, few studies have been conducted to actually capture the growth and expansion of retail firms despite the importance of small, young design firms and SMEs to expand beyond national borders.

Chapter 2 A Framework to Understand the Development and Change of a Firm's Resource Base during the Internationalization Process

2.1 Firms' Internationalization Process

Internationalization has been discussed as a process where firms increase their international involvement through the transfer of operations, services, products, and resources across markets outside their national boundaries (Welch & Luostarinen, 1988). Internationalization also refers to the degree to which firms' sales revenue and operations are conducted outside their home country. The process is viewed as a dynamic and evolutionary process whereby firms increase their awareness of international operations to drive the firm's growth and engagement across national boundaries (Calof & Beamish, 1995; Kamakura, Ramon-Jeronimo & Gravel, 2012). During the internationalization process, firms are confronted with challenges and opportunities posed by changing markets and are forced to adapt their firm activities in response to these changes (e.g., Calof & Beamish, 1995; Johanson & Vahlne, 1977; Penrose, 1959).

As firms expand across foreign borders they are exposed to new situations that build international experience and increase firms' foreign and market organizing knowledge (Zahra, Sapienza, & Davidsson, 2006) and the changes that unfold inside the firm during internationalization are continually grounded within the context of changes in the firm's international operations (Alexander & Myers, 2000). Therefore, the accumulation of international experience and the increase in knowledge resulting from that international experience is reflected both internally and externally to the firm.

The internal changes relate to those processes surrounding the development of a firm's resources and capabilities. For example, studies have referred to human, financial, and technological resources and adaptations in the firm's value chain activities (Matlay, Ruzzier, Hisrich, & Antoncic, 2006; Nummela, Loane, & Bell, 2006; Welch & Luostarinen, 1988; Lam & White, 1999). Studies focusing on the internationalization of small- and medium-sized firms (SME) have referred to internal aspects such as organizational structure, technology, and employees (Lin 1998); firm's innovation activity (Keizer, Dijkstra, & Halman, 2002); research and development (R&D); customer marketing; and relationship management (Suh & Kim, 2014). Researchers have indicated that these internal factors impact a firm's internationalization process, referring to, for example, the timing and orientation of the internationalization (Bijmolt & Zwart, 1994; Tuppura, Saarenketo, Puumalainen, Jantunen, & Kyläheiko, 2008), and impact how the external changes unfold.

External changes relate to how firms engage in various operations internationally, i.e., choosing markets with a similar cultural background, proximity to the home country, and areas with similar laws and regulations (Pedersen & Petersen, 1998). The external changes may also reflect the different types of operation modes like no export activities, occasional export sales, export through independent activities, sales subsidiaries, and overseas production

or manufacturing (Johanson & Wiedersheim-Paul, 1975), and how each operation mode represents external changes through the firm's increased international involvement. Later research has focused on external changes such as the firm's increasing position and developments in its business network (Johanson & Vahlne, 2009). The external changes relate to the firm's improvements and the development of a variety of business relationships that support and drive the firm's internationalization process.

The internal and external impacts of internationalization (Welch & Luostarinen, 1988) stress the importance of the inward–outward connections during firm internationalization (Karlsen, Silseth, Benito & Welch, 2003; Nummela, Puimalainen, & Saarenketo, 2005). The three theoretical lines of reasoning that are discussed in this chapter, therefore, are the behavioral approach to firm internationalization, the resource-based view of firm internationalization, and the dynamic capability perspective, which lay a foundation for understanding the development and change in firms' resource base during internationalization.

The behavioral approach to internationalization discusses international expansion as a dynamic and evolutionary process (Johanson & Vahlne, 1977, 2006, 2009; Schweizer, Vahlne & Johanson, 2010; Vahlne & Johanson, 2013). In addition, the behavioral approach acknowledges the importance of the internal–external resource connections, providing a starting framework to help explain how the individual firm evolves over time (Vahlne & Johanson, 2013). Building on internationalization process theories and to develop an understanding of what changes and develops during internationalization, a discussion on the resource-based view and capabilities of firm internationalization is given. However, internationalization does not only depend on the firm's given portfolio of resources and capabilities, but also on its ability to constantly reconfigure and adjust them to international contingencies (Prange & Verdier 2011). Therefore, a dynamic capability perspective is applied and discussed as a useful framework. Dynamic capabilities are processes that allow firms to exploit and explore international opportunities and to acknowledge and integrate the learning and knowledge it acquires during internationalization to build, integrate, and reconfigure the firm's resources and capabilities (Prange & Verdier 2011).

2.2 The Behavioral Approach to Firm Internationalization

With the exception of research on born global firms (Oviatt & McDougall, 1994; Zahra, 2011), a common starting point in the internationalization process literature is the assumption that firms initially operate locally, and that their experiential knowledge reflects their operations in local markets (Blomstermo, Eriksson, & Sharma, 2004; Hsu & Pereira, 2008; Johanson & Vahlne, 1977). As firms extend operations abroad, they base their activities on the existing internal resources and capabilities and the organizational routines they have developed in their domestic market (Blomstermo et al., 2004), i.e., how the firm finds and maintains customers in the domestic market, how they manage sales, other activities that make up the firms' value chain, etc. However, the organizational routines that firms already have do not necessarily help them to understand situations and conditions in foreign markets (Johanson & Vahlne, 2009). For firms to understand and to be able to operate in foreign markets, they must be exposed to different markets, competitors, customers, networks, and institutional rules and cultures (Johanson & Vahlne, 1977, 2009). The firm then bases its

international business activities on the experience they developed in their domestic market followed by the gradual accumulation of international experiential knowledge (Hsu & Pereira, 2008), which is knowledge about what the firm is capable of when exposed to new situations across national boundaries. Essentially, the firm adjusts its organizational routines and resources to support and manage international expansion (Ahokangas, 1998; Johanson & Vahlne, 1977; Matlay et al., 2006; Ruzzier & Konečnik, 2006).

Behavior-based internationalization literature has emphasized the importance of learning, knowledge, and resources during firms' internationalization (Forsgren, 2002; Johanson & Vahlne, 1977; Matlay et al., 2006) and provides a foundation for understanding the changes that occur to a firm's resource base as they internationalize. One of the most cited models of behavioral approaches that also incorporates the importance of the firm's resources together with its environment is the Uppsala Model (U-M) (Johanson & Vahlne, 1977, 2009).

2.2.1 The Uppsala Model of firm internationalization

The U-M is a dynamic model where the outcome of one cycle of events constitutes input for the next cycle of events. The model stipulates that firms experience a gradual accumulation of international experience, and foreign market knowledge is acquired through operating in those markets (Johanson & Vahlne, 1977). The strength of the behavior-based approach to firm internationalization is its focus on a set of process-related variables with feedback loops that help explain how a firm should move forward (e.g. Johanson & Vahlne, 1977, 2009). This indicates the importance of resource-based development and change during international operations without being constrained to specific external events (Benito & Welch, 1994; Johanson & Vahlne, 2009).

Internationalization is described as a function of the relationship between state and change variables. The state variables consist of market knowledge and market commitment. The change variables consist of commitment decisions and current activities in the foreign market (Johanson & Vahlne, 1977). This model is based on the idea that market commitment and knowledge about foreign markets and operations (state variables) affect both the commitment decision and the firm's knowledge development process (change variables). The two change variables imply that firms change by learning from their current experiences operating in foreign markets, and firms change through their commitment decision to strengthen their position in foreign markets (Johanson & Vahlne, 1977).

The U-M of firm internationalization, which was originally meant to explain the characteristics of the internationalization process, was also an early exponent of the resource-based view (Barney, Wright, & Ketchen, 2001; Penrose, 1959), as it stressed the importance of heterogeneous resources (Barney, 2001) and pointed out how learning and experiential knowledge develop the capability and resources of the firm to support internationalization (Johanson & Vahlne, 1977, 1990, 2006; Vahlne & Johanson, 2013).

Even though the outward operations such as exports and foreign investment have received much attention in the international business literature, the internationalization of firms also includes activities that are inwardly oriented, such as the purchase of resources including personnel, codified knowledge, and raw materials, or semi-finished goods, which provide

opportunities for building and expanding the firm across national borders (Karlsen et al., 2003) In order for firms to know how to act and conduct business in foreign markets, the experiential knowledge it acquires from its operations must be integrated into the firm's activities, and in turn a process of resource-based development and change unfolds (Ahokangas, 1998; Johanson & Vahlne, 1977; Matlay et al., 2006). Therefore, the development of the firm's resource base and international expansion occur in tandem (Tseng, Tansuhaj, Hallagan, & McCullough, 2007). Internationalization then results in a series of firm-specific and managerial and organizational changes with the progression of experiential knowledge and learning (Tseng et al., 2007).

The changes in a firm's resource base are also viewed as internal obstacles that firms face during internationalization (Penrose, 1959; Johanson & Vahlne, 1977). A firm's internationalization process demands more resources to buffer costs and risks incurred across national borders due to, for example, greater managerial complexity (e.g., Tseng et al., 2007) and liability of foreignness (Johanson & Vahlne, 1977). However, firms are faced with resource constraints during internationalization, and more importantly, the seriousness of these constrictions hinges on the types of resources that can be deployed across national borders. This suggests that some firms' superiority to other firms in the marketplace could be ascribable to their possession of unique resources (Tseng et al., 2007).

2.2.2 A resource-based perspective on firm internationalization

The resource-based view of a firm looks inwardly to the tangible and intangible resources available to it (Kamakura et al., 2012) and suggests that internationalization and the external changes that unfold can't be viewed in isolation to the overall strategic posture of the firm (Peng, 2001). For a firm to internationalize and grow into and within foreign markets, these firms must possess appropriate resources and capabilities (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Johanson & Vahlne, 1977; Penrose, 1959; Sirmon, Gove, & Hitt, 2008) and gradually increase in their commitment to organizational resources, such as financial capital, production capacity, personnel, and management skills, as the firm's internationalization process progresses (Kamakura et al., 2012; Leonidou & Katsikeas, 1996). This process of acquiring and organizing human and other resources for the planning, execution, and efficient operation of firm expansion has been described as slow and incremental (Johanson & Vahlne, 1977).

However, the U-M of firm internationalization does not discuss in detail the types of resources and capabilities the firm develops during internationalization and how they develop and change over time, with the exception that the model suggests processes of learning and experiential knowledge development as mechanisms impacting resource-based development. Other studies, however, have placed more emphasis on and acknowledged the importance of resources and capabilities in firm internationalization (e.g., Ahokangas, 1998; Kamakura et al., 2012; Keizer, Dijkstra, & Halman, 2002; Kyvik, Saris, Bonet, & Felicio, 2013; Lin, 1998; Matlay et al., 2006; Tseng et al., 2007). The connection between internal and external changes during internationalization and the development and importance of resources and capabilities has been undertaken in studies on SMEs (Autio & Sapienza, 2000; Autio, Sapienza, & Almeida, 2000; Blomstermo et al., 2004; Zahra et al., 2006)

Kyvik et al. (2013) began their study on the internationalization process of firms with a review on how resources impact a firm's internationalization process by defining internationalization as the process of adapting a firm's operations (strategy, structure, resources) to the firm's international environment. Kamakura et al. (2012) created a model that captures the internationalization process over time using certain drivers based on the resource base of the firm. In their study, internationalization is reliant on the resources and capabilities under control of the firm. Supporting the behavioral theorists of firm internationalization, there are studies pointing out that the resources available to the firm or the need to compile new resources play pivotal roles in determining a firm's international growth (Brush et al., 2002; Tseng et al., 2007). Knowledge and technological and marketing resources are found to impact internationalization (e.g., Tseng et al., 2007); however, how these resources are developed during internationalization has not yet been examined.

In contrast to the U-M of firm internationalization, which refers to the liability of foreignness and stems from a firm's lack of knowledge of its operating market, international business research has also introduced the term 'liability of newness and smallness' (Eriksson, Nummela, & Saarenketo, 2014). In doing so, these studies refer to the operational challenges firms face during internationalization and to resources such as financing, staffing, managing relationships with customers and suppliers, and even a lack of resources. A study by Eriksson (2014) argued that dynamic capabilities may in fact have an important role in overcoming these liabilities; however, they also state that so far there is a lack of understanding of those factors that make up the firms' dynamic capabilities.

Other studies have researched the importance of the internal–external connections with a focus on the internal organizational structures and resources, which change and develop during firm internationalization (Nummela et al., 2006; Vahlne & Nordstrom, 1993; Welch & Luostarinen, 1988). Vahlne and Nordstrom (1993) suggested that firms that internationalize grow internally through the accumulation of human, financial, and technological resources during their growth. For example, Nummela et al. (2006) and Welch and Luostarinen (1988) referred to the importance of reassessing a firm's financial arrangements, reconsidering the firm's organizational structure, and/or diversification of personnel.

Several studies within the international business realm have made reference to the organizational structure of a firm during firm internationalization (Lam & White, 1999; Nummela et al., 2006; Welch & Luostarinen, 1988). As an organization internationalizes, both the administrative and organizational functions of the company tend to grow and diversify (Penrose, 1959; Welch & Luostarinen, 1988). The organizational structure of a firm may be suitable for the domestic market; however, this structure may change to ensure that firms control a presence in the international market (Lam & White, 1999). For example, the opening of an export department may be necessary to manage an increase in exports, or a new production department may be required to coordinate and ensure the delivery of products internationally.

These internal changes may in turn drive other changes at various levels of the organization, such as hiring new personnel or changing financing requirements (Nummela & Bell, 2006).

Internationalization is dependent on the people initiating and carrying out related activities. Reference can be made to the business background of the manager in charge of international decision making, in particular their work and foreign experience, education and language, training, and professional networks (Nummela et al., 2006; Nummela, Saarenketo, & Loane, 2016; Stoian, Rialp, & Rialp, 2011). The development of personnel can occur through the acquisition of knowledge and experience in terms of training existing employees, professionals' buying expertise, or recruiting (Nummela et al., 2006). Alexander and Myers (2000) indicated that internal facilitating factors such as leadership, functional coordination, experience, perception, and attitudes all impact a firm's location decisions and entry mode and in turn those aspects impact the firm's internal facilitating competences.

The development of the firm's internal resources and capabilities was first argued according to the U-M model of internationalization as an interaction with the firm and its market. However, as it is now discussed, this view has changed. Specifically, being part of a business network provides firms with the external tangible and intangible resources that aid a firm's internationalization process (Johanson & Vahlne, 2009; Matlay et al., 2006; Wright, Westhead, & Ucbasaran, 2007).

2.2.3 A business network view to firm internationalization

A network model of firm internationalization illustrates that internationalization is a process whereby firms expand to new markets, taking advantage of the network ties they form with suppliers and other collaborators, which function as informal and formal sources of knowledge, contacts, and other resources (Anderson, Håkansson, & Johanson, 1994; Chetty & Campbell-Hunt, 2003; Chetty, Eriksson, & Lindbergh, 2006; Johanson & Mattsson, 1987; Johanson & Vahlne, 2009; Kamakura et al., 2012). The firm's business network is an important external resource providing the firm with an "extended knowledge base" (Johanson & Vahlne, 2009); therefore, access to external resources through networking is considered a solution for resource-constrained firms opting to internationalize (Ahokangas, 1998; Johanson & Vahlne, 2009).

The network model was first presented in the 1980's (e.g., Johanson & Mattsson, 1987) and assumes that a firm is dependent on those resources controlled by other firms, and access to these resources occurs through the development of the firm's position in a business network (Håkansson & Ford, 2002; Johanson & Vahlne, 2009). The term network position is not clearly defined by behavioral theorists. Therefore, referring to Rowley (1997), we can assume that a firm's position in its business network is determined by the firm's ability to acquire and adopt new resources and refers to the density of relationships surrounding the firm as well as the firm's centrality in its business network (Rowley, 1997). Furthermore, centrality and density refer to the number of direct ties to other business relationships, independent access to others, and control over other actors in the firm's business network (Brass & Burkhardt, 1993). Firms with a stronger network position are better able to exploit their internal capabilities and resources to enhance internationalization (Zaheer & Bell, 2005)

The traditional view of internationalization as being able to overcome various country barriers, i.e., culture, laws and regulations, language, and political systems is referred to by

some authors as ‘psychic distance’ (e.g., Johansson & Vahlne, 1977) was complemented with the network view of firm internationalization. The behavioral literature on firm internationalization shifted focus to the firm’s potential hindrances and possibilities for becoming part of a business network. Reference was made to the importance of liability of outsidership (Johanson & Vahlne, 2009). A consequence of being an outsider in a market is that firms attempting to enter a market with no relevant networks will find it difficult to acquire the necessary knowledge and resources needed to exploit opportunities (Johanson & Vahlne, 2009). Therefore, building a firm’s position within its business network becomes important for its internationalization process in terms of accessing and acquiring the resources needed to enter those markets.

A business network approach to internationalization stemmed originally from observations that firms operate in environments that include a limited number of organizational actors, namely suppliers, competitors, and customers (Snehota & Håkansson, 1995). The relationships the firm has with these organizational actors are argued to influence the firm’s international behavior in regards to which geographical market to enter and what mode to apply (Anderson et al., 1994; Håkansson & Snehota, 2006; Johanson & Vahlne, 1990, 2009). Adopting the business network approach to internationalization explains the changes that unfold externally to the firm (Vahlne & Johanson, 2003). The external changes are therefore viewed with regards to the firm’s increased or decreased position in its business network through the development of business relationships across national borders (Johansson & Mattson, 1988).

A firm’s business network is defined as a set of two or more exchange relationships, which comprises customers, suppliers, and competitors (Coviello & Munro, 1997). The changes that unfold for a firm’s resources and capabilities become more related to the firm’s relationships with customers, suppliers, competitors, and other business relationships that make up the firm’s network. Resources and capabilities are differentially available to a firm depending on the firm’s network position (Gulati & Gargiulo, 1999).

The decision to internationalize is based on relationship-oriented motivations rather than market-oriented motivations (Johanson & Vahlne, 2009; Lindstrand, Melén, & Nordman, 2011; Nordman & Tolstoy, 2014). These relationship-based motivations can be described as either active or passive (Ojala, 2009). Active networking refers to internationalization via relationships whereby the firm initiates contact. Passive networking refers to internationalization whereby internationalization via relationships is initiated by actors outside of the firm.

In 1990, Johanson & Vahlne (2009) applied a network perspective to internationalization. Their review of two case studies found the internationalization process to be a gradual one that results from interactions between actors and the development and maintenance of relationships over time. Other studies on networks and internationalization show similar findings. Sharma & Johanson (1987) illustrated that relationships become bridges to foreign markets and provide firms with the opportunity and motivation to internationalize. In addition, Johanson & Mattsson (1987) proposed that a firm’s internationalization process is

more dependent on its position in a network and relationships within current markets than on market and cultural characteristics. The emphasis is on gradual learning and development of market knowledge through interaction within networks. Case findings by Coviello and Munro (1997) on small software firms showed that network relationships can drive market expansion and a firm's development activities, including choice of market and entry modes (Johanson & Vahlne, 2009).

Developing the network perspective for firm internationalization (Johanson & Vahlne, 2009) shifts the importance from how networks influence firm internationalization to the establishment, maintenance, and expansion of networks as important factors in analyzing the internationalization process of firms. Internationalization is then defined as a process of building one's business network through relationship developments in other countries (Johanson & Vahlne, 2009). In contrast to the previous process models, the state and change variables relate to relationship development as opposed to developing a position in a specific market (Johanson & Vahlne, 2009). Therefore, the context of the firm is defined by its network environment whereby the focal firm is at the center both enabling and constraining relationships (Schweizer et al., 2010). The changes that occur to the firm's resources and capabilities are very much linked to its relationship development and building its business network. The network approach to internationalization implies that a firm accesses resources through interactions within its business network, resulting in adaptations and establishment of the organizational routines of the firms involved. The changes that unfold internally, then, are related to the changes and developments that occur in the firm's business relationships (Zaheer & Bell, 2005).

In the Business Network Model (Johanson & Vahlne, 2009), learning and commitment takes place in relationships. A strong commitment to a firm's partners allows those firms to build on their respective knowledge, enabling the discovery and creation of more opportunities (Johanson & Vahlne, 2009). The firm's business network has implications for how firms learn, build trust, develop commitments, and identify and exploit opportunities in both the home and international markets (Johanson & Vahlne, 2009). The Business Network Model includes the importance of relationship specific knowledge i.e. knowledge developed through the interaction between two partners – enables firms to develop knowledge about each other's resources and capabilities (Johanson & Vahlne, 2009). The model becomes important when trying to understand resource base development and change during internationalization and acknowledges the importance of adapting the firm's resources to the firm's business network.

2.2.3.1 Capabilities, resources, and the firm's business network

Business network research has implicitly assumed that firms occupying an advantageous network position can automatically benefit from that position. However, how and why the firm benefits in terms of resource base development and change has not been made explicit. Zaheer & Bell (2005) demonstrated that firms with superior network structure are positioned to exploit their internal capabilities, and they show this by linking network research to the resource-based view of the firm. While a favorable network structure is important for internationalization, it is even more so when firms possess the capabilities that allow them to identify and exploit the knowledge resources in their network. A firm's external network can therefore have little impact on the firm's international performance without the firms first

focusing on how to enhance their own capabilities (Suh & Kim, 2014; Zaheer & Bell, 2005). A study by Suh and Kim (2014) suggested that firms which focus first on their international network may be more likely to fail and should therefore focus first on enhancing their firm capabilities like technological, innovation, and marketing capabilities. Though being a part of a business network is important because the firm is exposed to external knowledge, resource, and new opportunities (Blankenburg Holm & Eriksson, 2000; Johanson & Vahlne, 2009), the importance of a firm having the capability to recognize/explore new knowledge, opportunities, and resources is a necessary antecedent to exploiting the benefits of a business network during internationalization.

Few studies have considered the firms' internal and external knowledge while they are going through their internationalization process (e.g., Denicolai et al., 2014) and have suggested that the acquisition of external knowledge is advantageous to firms. Firms also need the internal know-how and expertise to fully exploit external knowledge. In this sense, the fundamental issue is firms' ability to assess the value of new knowledge and to apply it to meet the demands and challenges posed by internationalization (Dai & Yu, 2013; Denicolai et al., 2014; Fletcher & Harris, 2012; Harris & Li, 2009).

More recent extensions of the U-M (e.g., Johanson & Vahlne, 2011; Vahlne & Johanson, 2013) indicate the importance of concepts such as organizational and dynamic capabilities as important variables to firm internationalization. Both operational and dynamic capabilities allow firms to interact with other actors in their environment in a manner that is advantageous to them (Vahlne & Johanson, 2013). A firm's capabilities are assumed to be influenced by the processes of learning, creation, and trust building and the related commitment decisions. In earlier models, only the concept of knowledge was specified. The importance of a firm having dynamic capabilities to develop operational capabilities over time during internationalization has been indicated in multiple studies (e.g., Schweizer et al., 2010; Vahlne & Johanson, 2013).

Continuing the above discussion, the remaining part of Section 2.2 reviews how knowledge and learning are conceptualized in the internationalization process to deepen the discussion of the impacts a firm's internationalization process has on the development and change of the firm's resource base.

2.2.4 Knowledge and Internationalization

Knowledge is central to the internationalization process models and constitutes one of the main factors behind a firm's international behavior (Casillas, Barbero, & Sapienza, 2015; Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Johanson & Vahlne, 1977, 2009). This is because a lack of knowledge is an obstacle to a firm's internationalization process (Johanson & Vahlne, 2009; Johanson & Wiedersheim-Paul, 1975). Firms must therefore develop knowledge acquired by experience to support and drive the firm's internationalization process (Johanson & Vahlne, 1977, 2009) through its role of regulating the resources committed to a foreign market (Casillas et al., 2009; Prashantham, 2005). The expected outcome of internationalization is the accumulation of knowledge followed by the development of a firm's capabilities and resources. The more experience a firm has to collaborate and acquire

knowledge from its business network, the more capability it develops to enable the identification and value of new knowledge (Eriksson & Chetty, 2003). Therefore, it is important to view internal change as a process that includes integrating the firm's current knowledge and the accumulation of experiential knowledge during internationalization to shape the development of firm capabilities (Hohenthal, 2001).

The discussion on knowledge in the literature demonstrates that there are different views on how knowledge is seen in the internationalization process (Frasquet, Dawson, & Mollá, 2013). Different types of knowledge have been discussed in the internationalization process literature as important variables that influence a firm's internationalization process (Johanson & Vahlne, 1977; Hohenthal, 2001) and the development of firm capabilities and resources.

The main source of knowledge in the U-M is the firm and its experience in foreign operations (Johanson & Vahlne, 1977), which was later developed to include the firm's business network (Johanson & Vahlne, 2003; 2009). Since the U-M was developed, several researchers have stressed the need for additional research and deeper understanding of the knowledge construct (Blomstermo et al., 2004; Eriksson, Johanson, Majkgard & Sharma, 1997). The conceptualization of knowledge in relation to internationalization has also developed (Johanson & Vahlne, 1977) and is argued to be more developed in the Business Network Model towards internationalization (Johanson & Vahlne, 2009). The types of experiential knowledge needed during the internationalization process were developed from market knowledge to include experiential business, institutional, and internationalization knowledge (Eriksson et al, 1997) and knowledge about the firm's business network (Johanson & Vahlne, 2009). This knowledge has been considered fundamental in the extant literature on internationalization (Denicolai et al., 2014; Fletcher & Harris, 2012; Jonsson & Elg, 2006) and have been identified as critical to a firm's international success (Eriksson et al., 1997; Johanson & Vahlne, 2009).

The U-M categorizes market knowledge into objective knowledge, which can be taught, and experiential market knowledge, which can only be acquired through experience in the market (Johanson & Vahlne, 1977; Jonsson & Elg, 2006). Objective knowledge is generated through standardized methods of collecting and transmitting information (Eriksson et al., 1997) such as market research information. This type of knowledge is also easier to transfer and can be replicated by other firms (Eriksson, Johanson, Majkgard, & Sharma, 1997). Experiential knowledge is argued to be much more valuable to an internationalizing firm compared to objective knowledge, as experiential knowledge gives firms the knowledge of how to act and do business in a foreign market and is a crucial aspect of the learning process (Eriksson & Chetty, 2003; Eriksson et al., 1997; Johanson & Vahlne, 2009). In this sense, experiential knowledge influences the knowledge development of the firm during an internationalization process defined as a cumulative process, where prior experiences generate knowledge that is applied as firms make resource commitments to it and its network (Chetty et al., 2006).

2.2.4.1 Market knowledge

The U-M refers to the importance of knowledge about a firm's foreign market. This type of knowledge determines a firm's internationalization process (Johanson & Vahlne, 1977;

Johanson & Wiedersheim-Paul, 1975) when the observed external outcomes of internationalization is being examined with regards to international market selection, entry mode choice, and pace (Prashantham, 2005). Institutional knowledge and business knowledge are synthesized into the concept of market knowledge (Fletcher & Harris, 2012; Jonsson & Elg, 2006). Market knowledge accumulates with increased commitment to the market and, in contrast to internationalization knowledge, is country- and market-specific rather than firm-specific (Fletcher & Harris, 2012).

Foreign business knowledge includes experiential knowledge of clients, the market, and competitors, while foreign institutional knowledge includes experiential knowledge of the government, institutional framework, rules, norms, and values (Eriksson et al., 1997). An increase in any kind of market knowledge, however, allows firms to become aware of opportunities and problems in foreign markets (Hadley & Wilson, 2003).

2.2.4.2 Internationalization knowledge

Internationalization knowledge refers to experiential knowledge of the firm's capability and resources to engage in international operations (Eriksson et al., 1997; Hohenthal, 2001). Through the development of internationalization knowledge, firms are able to increase their understanding of the firm's capabilities when exposed to new situations. Internationalization knowledge is not country-specific because it is concerned with how firms operate in international markets in general. In order for a firm to realize internationalization knowledge, the knowledge needs to be integrated and coordinated with the firm's other resources (Fletcher & Harris, 2012). This process is important, as the firm will then have absorbed knowledge about how to develop and execute an internationalization strategy and internationalize in different countries (Hohenthal, 2001).

As firms develop internationalization knowledge they increase the ability to search for information, identify and evaluate opportunities, screen country markets, and evaluate strategic partners (Fletcher & Harris, 2012). When firms learn that their current resources are unable to support certain international activities, these firms will be in a position to adapt their resources and organizational capabilities of the firm. More specifically, internationalization knowledge deals with the compatibility between firms' existing resources and capabilities and those needed to enter, stay, or immerse themselves more deeply into foreign markets (Eriksson et al., 1997). The importance here shifts to a firm's ability to learn how to create and develop resources and capabilities to organize and manage internationalization. This is to say that knowledge, experience, skills, and resources internal to a firm can be just as if not more critical to successful internationalization (Welch & Welch, 1996).

2.2.4.3 Relationship-specific knowledge

Relationship-specific knowledge refers to the knowledge developed through the interaction between two business partners and incorporates knowledge about each partner's resources and capabilities (Johanson & Vahlne, 2009). According to the network approach to business strategy (c.f., Håkansson & Senot, 1989), in effective business relationships each party can gain access to the other party's resources. Furthermore, these interactions between firms lead to adaptations and establishment of the organizational routines of the firms involved

(Håkansson & Senot, 1989). This concept is also related to network experiential knowledge (Blomstermo et al., 2004), which is knowledge of the local network of business relationships in a market. Firms entering local markets use domestic and international network relationships to establish and develop themselves within a foreign market. Knowledge about the firm's business network and the firm itself is required, and the compatibility between a firm's existing resources and those needed in a firm's business network are crucial.

The different knowledge types suggest that knowledge is both externally generated and internally generated, and the importance of integrating internal and external knowledge highlights the importance and function of capability development and change.

However, the ability of knowledge as a concept to explain a firm's international behavior is not complete without an understanding of how knowledge is integrated within the firm during international expansion. The above discussion includes the importance of knowledge and different knowledge types; however, knowledge can only be effective if firms capitalize on this resource during internationalization. Therefore, the development, accumulation, and transfer of knowledge and the ability to utilize that knowledge, retain and update it are critical issues for managing the move into international markets (Freeman, Hutchings, Lazaris, & Zyngier, 2010; Welch & Welch, 1996). The utilization of knowledge is more effective when the knowledge is linked to the firm's existing capabilities (Kyläheiko, Jantunen, Puimalainen, Saarenketo, & Tuppura, 2011). How knowledge is integrated and developed into the firm's capabilities is therefore important and needs further research.

Furthermore, market knowledge, relationship-specific knowledge, and internationalization knowledge have all been argued to impact, at differing degrees, over the different phases of a firm's internationalization process (Mejri & Umemoto, 2010). This suggests that experiential knowledge may have a different role and vary throughout the internationalization process (Jonsson & Elg, 2006). This can be explained by the different ways in which knowledge is acquired during internationalization. Together, this may impact how and why a firm's resource base changes over time. This issue is addressed in the following section.

2.2.5 Learning and internationalization

Internationalization itself is a learning process in which the firm, starting from the different degrees of previous knowledge at its disposal, generates new knowledge based on its behavior abroad (Casillas et al., 2009). How knowledge is acquired is reliant on the firms' learning processes. Learning during the internationalization process is related to experiential learning (Eriksson et al., 1997; Johanson & Vahlne, 1977, 2009), which is also the case for more recent versions of the U-M (Vahlne & Johanson, 2013). The model that originally emphasized that learning was linked to current activities in specific markets (Johanson & Vahlne, 1977, 2003) later developed and discussed learning as being linked to the firm's business network (Johanson & Vahlne, 2009) and has been supported by other authors who have discussed the importance of networks and learning during internationalization (Agndal & Chetty, 2007; Blomstermo et al., 2004; Eriksson & Chetty, 2003). Through their networks, firms obtain market, international, and relationship-specific knowledge, which are argued to enhance the success rate of a firm's internationalization.

Developing on the significance of learning within internationalization, studies have looked at how organizational learning influences the scope and deployment of internationalization through the development of the organizational learning concept. For example, Hsu and Pereira (2008) defined organizational learning activities as experiential learning practices that direct the flow of a firm's accumulated experiential knowledge from its internationalization to moderate the effectiveness of the move into international markets. Researchers who have touched upon the integration of knowledge within firms during internationalization and apply an organizational learning perspective have discussed concepts like exploration and exploitation (Levinthal & March, 1993), absorptive capacity (Cohen & Levinthal, 1990), and different knowledge acquisition types (Casillas et al., 2015; De Clercq, Sapienza, Yavuz, & Zhou, 2012; Van de Ven & Huber, 1990), allowing for a broader understanding of how knowledge is acquired and integrated into the firm during internationalization.

2.2.5.1 Exploration, exploitation, and absorptive capacity

Exploitation refers to the deployment of existing knowledge on markets, products, and abilities, whereas exploration implies the development of new knowledge in those areas (Cohen & Levinthal, 1990; Levinthal & March, 1993; Levinthal & Myatt, 1994). The importance of exploitation and exploration during firm internationalization implies that firms need to acknowledge not only the acquisition of knowledge but also the use of that knowledge in order to grow internationally (Åkerman, 2015). This process of exploitation and exploration can be further understood when applying the absorptive capacity concept. Absorptive capacity is used in the internationalization process literature to explain the ability to turn experiences into useful knowledge (Cohen & Levinthal, 1990; Eriksson & Chetty, 2003). The firm's learning process during internationalization is described as the firm's ability to use prior related knowledge to identify the value of new knowledge and develop it into the new and/or improved capabilities (Eriksson & Chetty, 2003). Therefore, the ability of the firm to recognize the value of new and external knowledge (exploration) and integrate and apply it to the firm (exploitation) is determined by the firm's prior knowledge (Eriksson & Chetty, 2003; Cohen & Levinthal, 1990). Internationalization as a learning process develops a dynamic fit between the firms' existing stock of knowledge and the acquisition of new knowledge (Casillas et al., 2015). Absorptive capacity is fundamental to exploiting the potential of external knowledge (Dai & Yu, 2013; Denicolai et al., 2014; Fletcher & Harris, 2012; Harris & Li, 2009).

2.2.5.2 Knowledge acquisition types

How firms learn and therefore the changes that occur in firms' resource bases during internationalization can be argued to depend on the different types of learning, referred to here as knowledge acquisition types (Huber, 1991). The U-M implies that knowledge is acquired mainly through experiential learning from the firm's own activities. Therefore, the application of organizational learning in the U-M has been limited and is dealt with, more or less, experiential learning. This was argued to have certain implications for the model's ability to explain and accurately predict firms' international behavior (Forsgren, 2002); however, more importantly this creates a limited understanding as to how firms learn and integrate this learning into developing the necessary internal aspects to support and continue

internationalization. Recent studies have focused on knowledge acquisition types representing the different ways firms can learn, namely vicarious, grafting, congenital, searched, and experiential (Casillas et al., 2015; De Clercq et al., 2012; Fletcher & Harris, 2012; Huber, 1991).

Vicarious knowledge is learning by observing other organizations. Grafting is acquiring knowledge by hiring managers who have international experience outside the firm; this knowledge may help the firm to reduce perceived uncertainty and help identify opportunities elsewhere. It can occur at any time of the internationalization process. Numerous authors have noted a positive relationship between the international experiences of hired managers and exporting. The cause for such positive effects include increased awareness, confidence in decision, and greater knowledge of foreign markets (Casillas et al., 2015; De Clercq et al., 2012; Fletcher & Harris, 2012; Huber, 1991).

Congenital learning is when firms draw on knowledge available at the organization's birth, such as from the founders or personnel. During early internationalization it is argued that congenital learning increases managers' awareness of the value of international opportunities, more capable of assessing such opportunities, and more favorable in pursuing such opportunities than firms who founders lack such experience (Casillas et al., 2015). Furthermore, prior experience in foreign markets increases managers' belief in their ability to assess alternatives in foreign markets (Bruneel et al., 2010) and increases the firm's confidence and ability to successfully navigate the perils of reaching beyond its domestic borders (Lamb, Sandberg, & Liesch, 2011). This is in line with Prange and Verdier (2011), who discussed that entrepreneurial vision and a manager's international experience or alertness to opportunities impacts a firm's ability to learn. Congenital knowledge can impact whether or not firms are receptive to change (Sapienza et al., 2006)

It has been argued that the impacts of congenital learning will decrease as a firm ages because the founders of the firm become further removed from their prior experiences (Casillas et al., 2015). This suggests that how the different types of knowledge interact with each other becomes either more or less important as time goes on. A study by Casillas et al. (2015) suggested that how the different knowledge acquisition types interact with each other can impact a firm's internationalization process in terms of export activity. For example, vicarious learning was strongly associated with export activity when experiential learning was high.

Both grafting and congenital knowledge have become increasingly important in the international business literature, as they represent the potential use of pre-existing network contacts that might be used by the firm as it expands internationally (Clercq et al., 2012; Casillas et al., 2015). Finally, searching is the process of seeking explicit knowledge on the countries, markets, and institutions of the target markets. Grafting new managers into a firm makes searching and vicarious learning more important than if grafting had not occurred (Casillas, 2015). Grafting knowledge helps unleash the learning potential in search and vicarious learning through its effect on greater awareness of opportunities, more positive interpretations of such opportunities, and a greater capacity to exploit those opportunities.

To conclude, internationalization as a learning process develops a dynamic fit between the firms' existing stock of knowledge and the acquisition of new knowledge. A firm's existing knowledge therefore influences how new knowledge is assimilated and interpreted by the firm (Casillas et al., 2015; Huber, 1991; Johanson & Vahlne, 2009). However, we know very little about dynamic fit and how this can be achieved.

2.2.6 Summary and Conclusions

The above discussion says several things about the internationalization process of firms and the importance of resources and capabilities. Generally, the overall research focus has shifted from viewing and trying to explain internationalization as an outward movement of firms' operations (Welch & Luostarinen, 1988) wherein firms increase their international involvement (Calof & Beamish, 1995; Johanson & Vahlne, 1977). The importance of viewing internationalization as a cumulative process in which relationships are continually established, developed, and maintained or even discontinued to achieve a firm's international objectives and the importance of firms developing a position in their business network has also been a research focus (Johanson & Vahlne, 1990, 2003, 2009). The internationalization process is therefore defined as a process where firms increase their international involvement through the transfer of operations, services, products, and resources by building the firm's business network through relationship development across countries.

Furthermore, the process is a consequence of the interplay between knowledge acquisition types (i.e., experiential, congenital, grafting, vicarious, and searching) and the different forms of knowledge (market, international, institutional, and relational) accumulated during the firm's increased and/or decreased position of its business network and the changes and outcomes reflected in the firm's resource base. With a focus on the internal aspects of the firm, a proposed definition of firm internationalization could also incorporate the importance of mobilizing, accumulating, and developing a firm's resource base for international activities (Ahokangas, 1998; Matlay et al., 2006).

As was shown, the research focus on firm internationalization has also shifted to include a greater consideration of the resources needed for firm internationalization (Matlay et al., 2006) and the importance of firm capabilities. Consequently, the shift in focus from only analyzing the changes in a firm's business network during internationalization to the changes and developments of the firm's capabilities and resources is an important step in understanding internationalization. The U-M and the wider internationalization literature sheds light on various embedded elements that are critical aspects of the process of internationalization (Malhotra & Hinings, 2010). From this knowledge and learning are the main mechanisms integrating the internal changes to a firm's resource base and external changes that occur in the firm's business network. It can therefore be claimed that processes driving change that occur to a firm's resource base are processes of learning and knowledge development.

There is a consensus that learning within a network is a viable option to build capabilities for international operations (Elango & Pattnaik, 2007). Through networks, firms can access scarce resources (e.g., financial capital, human capital, etc.); however, firms still need to

apply what they learn into their resource base. Despite developments of how knowledge is conceptualized and its importance in the internationalization process, knowledge can only be effective if firms can capitalize on this resource during internationalization, which means a firm's ability to utilize, retain, and update knowledge (Welch & Welch, 1996). However, this particular process, which is capitalizing on resources and knowledge during internationalization, is difficult to understand because the internationalization process models do not clearly distinguish between the dynamics and relationship between a firm's resources, knowledge, and capabilities. For example, there is a mutually reinforcing effect between knowledge and organizational capabilities. On the one hand, organizational capabilities enable firms to create and leverage knowledge (Eisenhardt & Martin, 2000). On the other hand, the creation of knowledge leads to the creation of organizational capabilities. However, there exists a lack of understanding of this connection which makes it difficult to study the internal changes and outcomes of internationalization.

The role of knowledge also becomes unclear. Knowledge has a narrow definition in the internationalization process. The role of knowledge is not only about regulating the resources, but it is also about how firms integrate resources into capabilities, which becomes important (Penrose, 1959). In addition, there is very little understanding of what capabilities are and the relation between capabilities, resources, and knowledge. These gaps make it difficult to understand how the different types of experiential knowledge are integrated within the firm and how this affects their resources and capabilities.

Indeed, the depth and diversity of experience a firm acquires during the internationalization process will impact the firm's prior related knowledge. Previous experiences may also determine the organizational routines fundamental to the firm's future actions (Eriksson & Chetty, 2003). However, there still lacks a deeper understanding of the underlying processes that explain how the firm's resource base develops and changes. The remaining sections of this chapter discuss resources and capabilities in more detail.

2.3 Insights from a Resource and Capability Based View to firm internationalization

The foundations of a resource and capability perspective during internationalization are based on early views of the firm, as suggested by Schumpeter (1942), Penrose (1959), Rubin (1973), Nelson and Winter (1982), and Barney, (1986). These views contribute to breaking open the black box and understanding what constitutes the firm (Foss & Robertson, 2000) during internationalization by identifying internal properties that have not been discussed in internationalization process literature. Building on each other, the internal aspects of the firm are therefore understood from a resource-based view (Barney, 1986; Wernerfelt, 1984), a capability-based view (Amit & Schoemaker, 1993; Foss, 1996; Grant, 1991) and a dynamic capability perspective (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003a; Teece, Pisano, & Shuen, 1997).

2.3.1 The resource-based view

A resource-based view (RBV) of the firm reaches back to the classic works by Penrose (1959) and Selznick (1957). Penrose (1959), for example, was one of the first to recognize the value

of a firm's resources and provided insights into firms as a collection of productive resources. This view emerged as an important perspective in strategic management literature during the mid 1980s (e.g., Barney, 1986; Rumelt, 1984; Wernerfelt, 1984). The main idea behind this view is that successful firms possess heterogeneous resources, and different combinations of resources enable firms to implement different strategies (Foss & Robertson, 2000). An RBV aims at understanding the influence of firm-specific resources on competitive advantage and connects them to the firm's strategies (Degravel, 2011; Barney, 1991). Hence, an RBV of firm internationalization implies that entering into and expanding across international markets is essentially a function of the firm's resources (Dosi, Faillo, & Marengo, 2008; Penrose, 1959; Pitelis & Verbeke, 2007). The above suggests that internationalization and the changes occurring in the firm's business network should not be viewed in isolation to the overall resource base of the firm (Chetty & Campbell-Hunt, 2003; Johanson & Vahlne, 2003, 2009; Peng, 2001). A RBV to firm internationalization has been discussed in section 2.2.2 and highlights the importance of resources for example financing staffing and managing relationships with members of the firm's business network (Eriksson, Nummela, & Saarenketo, 2014)

From an RBV, firms are conceptualized as unique bundles of accumulated tangible and intangible resources and capabilities (Barney, Wright, & Ketchen, 2001; Peteraf, 1993; Steen & Liesch, 2007), which give rise to the firm's sustainable competitive advantage only when they are inimitable and non-substitutable (Barney, 1991). Research by Barney (1991) has been criticized as being static in nature, however, and the firm's competitive advantage remains in the black box of the firm (Priem & Butler, 2001). In addition, there is a considerable amount of ambiguity surrounding the terminology used by resource-based theorists, especially the distinction between resources and capabilities (Foss & Robertson, 2000). The two concepts have been used interchangeably (e.g., Barney 1991), while other researchers have provided clearer distinctions between the two (e.g., Makadok, 2001; Collis, 1994; Teece et al., 1997; Grant, 1991; Amit & Shoemaker, 1993; Lockett, 2005). For this thesis, addressing the static nature of the resource-based view and defining and distinguishing the concept resources and capabilities are important. These distinctions impact how we understand the internal dimensions of the firm and how these dimensions change or impact firm internationalization.

The distinction between resources and capabilities can be traced back to Rubin (1973), who suggested that resources by themselves are not enough; rather, it is how firms use their resources in their activities that create competitive advantage. As it is argued in this chapter, it is not the possession of resources alone that creates the ability of firms to internationalize and compete internationally, but how the resources are used to exploit their full potential and skills in order to satisfy the firm's objectives (Katkalo et al., 2010).

Resources are "... stocks of available factors that are owned or controlled by the firm" (Amit & Schoemaker, 1993, p. 35) and to which a firm has access on a temporary basis (Helfat & Peteraf, 2003b). This definition of firm resources is broad, and has led to various classifications (e.g., Hall, 1993; Grant, 1991; Barney, 2001; Amit & shoemaker; 1993; Chatterjee & Wernerfelt, 1991). Tangible resources include the firm's physical capital such as

geographic location, plant and equipment, access to raw materials, transportation, technology used in the firm, and know-how that can be traded in the form of patents, licenses, databases, and financial assets (Penrose, 1959; Barney, 2001; Amit & Shoemaker, 1993). Intangible resources refer to the human capital that the firm owns or employs, for example, personnel and management (Penrose, 1959; Amit & Shoemaker, 1993; Grant, 1991). Intangible resources include the know-how of employees, their organizational and personal networks (Hall, 1993), and resources that reside within the interfirm relationships like those with foreign customers, suppliers, and competitors. These network relationships can constitute part of the firm's most valuable resources during internationalization (Ruzzier et al., 2006). Prashantham (2005) termed these resources as network resources. Intangible also refers to reputation, which includes, image, brand, loyalty, trust, and goodwill of the firm (Grant, 1991; Ruzzier et al., 2003).

While a firm's resources can be valuable to a firm and act as a source of competitive advantage contributing to a firm's internationalization process, even the most valuable resources can lead to little benefit if not managed correctly (Katkalo et al., 2010). This implies that firms that are unable to see the usefulness and potential services of resources and/or leverage them will not have the ability to satisfy their organizational objectives (Katkalo et al., 2010; Hyunsuk & Kelly, 2008). This suggests that an RBV applied separately is limited in its ability to explain and define capabilities built and developed over time through complex interactions among firms' resources (Helfat & Peteraf, 2003a; Foss & Robertson, 2000).

Applying a RBV, firms possess heterogeneous and sticky resource bundles (Penrose, 1959; Mishina, Pollock, & Porac, 2004; Teece, 1997) and resources are seen in isolation from other resources during the internationalization process. Therefore, the internationalization process literature though dynamic in nature, becomes static when trying to understand how the resource base develops and changes during internationalization. Without an understanding of the interplay and the creation and development of resources, firms are therefore stuck with what they do or don't have (Teece et al., 1997). Developing the remaining parts of the RBV, this chapter turns focus to a capability perspective to firm internationalization.

2.3.2 A capability-based view of firm internationalization

In contrast to the concept resources, capabilities refer to the firm's ability to perform a set of coordinated tasks through intangible and tangible resources to achieve a result (Helfat & Peteraf, 2003; Grant, 1991). A capability is ability and refers to different ways of achieving certain outcomes through the application, exploitation, and combining of resources (Katkalo et al., 2010; Dosi et al., 2008; Spanos & Prastacos, 2004; Amit & Shoemaker, 1993; Bogart et al., 1994). The distinction between resource and capabilities can also be discussed in terms of their characteristics. A resource can be bought or sold and is tied semi-permanently to the firm, representing what the firm owns (Spanos & Prastacos, 2004; Amit & Shoemaker, 1993; Yu et al., 2010). In contrast, capabilities are firm-specific, path-dependent processes that are developed through long-term and continuous learning processes (Spanos & Prastacos, 2004; Zollo & Winter, 2002).

The above suggests that during internationalization, the development and change of a firm's capabilities are difficult to copy and acquire from other firms and therefore need to be developed within the firm. Firms lacking the initial capabilities needed to internationalize or support a firm's current international status (Kuivalainen et al., 2010) are forced to rely on firm-specific processes combining and recombining resources, as well as the prudent sequencing of these resources over time (Lichtenstein & Brush, 2001) to support and drive an internationalization process. From the above it is fair to say that firms unable to acquire and develop their resources and capabilities will be constrained by the internal attributes of the firm. This can impact the firm's decision to internationalize and determine if an international expansion is viable (Leventhal & Myatt, 1994). It also affects whether or not the firm has the potential to exploit opportunities in international markets (Westhead et al., 2004). Furthermore, the inability or ability to develop capabilities can either inhibit or facilitate a firm's decision to internationalize, respectively (Westhead et al., 2001; Wang & Ahmed, 2007).

A capability-based approach to the development and change of a firm's resource base during internationalization contends with the limitations of the RBV and contributes various solutions (Foss & Robertson, 2000; Metcalfe & James, 2000). For example, a capability view sees firms as a transformation process (e.g., Kogut & Zander, 1992; Zollo & Winter, 2002; Foss & Robertson, 2000; Metcalfe & James, 2000) as well as an exchange process (e.g., Barney, 1986). This brings into focus the integration and combination of resources and their creation and how firms develop them (Freiling, Gersch, & Goeke, 2008). This is because capabilities focus on what, why, and how firms choose to produce (McNulty, 1984), thereby opening up a process view surrounding the internal dimensions of the firm. The nature of capabilities and the role of knowledge are now discussed.

2.3.2.1 The nature of capabilities – operational and dynamic

Capabilities that are characterized as firm-specific and path-dependent and accumulated through long-term and continuous learning (Spanos & Prastacos, 2004) are defined in this thesis as both operational and dynamic in nature (e.g., Helfat & Winter, 2011; Winter, 2003). The strategic management field refers to both types of capabilities as those processes that utilize resources (Amit & Schoemaker, 1993) and the firm's ability to make a living in the present. Both capabilities have intended and specific purposes and outcomes (Helfat et al., 2007; Dosi et al., 2000) enabling repeated and reliable performance of a specific activity (Helfat & Winter, 2011).

Both operational and dynamic capabilities contrast with ad hoc activities, which do not reflect the practiced and patterned behavior that underscores capabilities (Dosi et al., 2000; Winter, 2003; Helfat & Winter, 2011). Emphasized by Winter (2011), the repeated and reliable activities are an important characteristic and illustrate the firm's capacity to perform a specific task. In addition, a firm's capabilities are also distinguished from organizational routines in the sense that a capability is shaped by a conscious decision both in its development and deployment (Dosi et al., 2000). This contrasts to routines that have no presumption regarding an evident purpose and are often found in contexts that cannot be explained (Dosi et al., 2000).

In order to understand how firms develop and change their resource base, the discussion turns to the differences between operational capabilities and dynamic capabilities. The claim has been made by several strategic management theorists that it is difficult to make a clear distinction between these two sets of capabilities, and this is an important aspect for understanding the main research question of this thesis (cf. Helfat et al., 2007; Helfat & Winter 2011). Operational capabilities are those capabilities that generate the current activities of the firm, while dynamic capabilities develop and change those activities (Metcalfe & James, 2000).

Operational and dynamic capabilities differ in their purpose and intended outcomes. Firstly, dynamic capabilities are concerned with change and govern the ability of the firm to make changes to its current operational capabilities (Helfat & Winter, 2011; Winter, 2003; Helfat et al., 2007; Ambrosi, 2009), enabling the firm to alter how it carries out certain activities (Teece et al., 1997). In contrast, operational capabilities are concerned with the firm's ability to perform an activity in the present and on an ongoing basis drawing on similar techniques to support the firm's current customer base (Helfat & Winter, 2011).

Firms' operational capabilities can be categorized into managerial and organizational types. Managerial capabilities are those held by an individual or a group of managers and can include leadership or teamwork skills (Camison, 2005). These capabilities are made up of three components, i.e., managerial capacity, managerial expertise, and managerial process (Graves & Thomas, 2006). The development of managerial capabilities relates to the ability of a firm to build managerial capacity like human resources available for managerial tasks. Managerial expertise can be developed within the firm or the firm might acquire it. Managerial process is when a firm has procedures in place that allow for strategic planning and change. Managerial capabilities also have a cognitive component that relates to the managers' personal attributes and values and a technical component that reflects the management know-how (Graves & Thomas, 2006). Organizational capabilities result from the combination of knowledge and skills integrated into the activities and structures of the firm. These capabilities are independent of the organizational members and, once integrated into the firm, should remain in the firm despite individuals leaving (Camison, 2005).

Capabilities, in the expression dynamic capabilities, are processes that utilize resources that enable change in the firm's resource base (Ambrosi, 2009). However, it is the term dynamic that raises a classification issue. Dynamic should not be seen as synonymous with capabilities. Dynamic can relate to the capabilities themselves if the capabilities are dynamic (Ambrosi, 2009).

Researchers have touched upon the difference between dynamic and operational capabilities. Spanos and Prastacos (2004) distinguished between those activities that define operational capabilities and innovation capabilities through "weaving" activities. Weaving activities aim to build the capability in the first place. Weaving is the ability to assemble individuals with various backgrounds, orchestrate their interactions, organize the team's communications channels, and so on in order for the product development team to be effective (Spanos & Prastacos, 2004). Use of weaving draws from the notion in the literature that the creation of

capabilities critically depends on the firm's ability to integrate, combine, and reconfigure existing knowledge (Spanos & Prastacos, 2004). Amit and Shoemaker (1993) referred to combining and sequencing capabilities. They argued that capabilities can become static and mentioned the importance of meta capabilities in the renewal of operational capabilities. Changes in operational capabilities are important for achieving sustainable growth (cf., Collis, 1994; Winter, 2003).

Coming closer to the distinction and concept of dynamic capabilities and operational capabilities is a study made by Villar, Alegre & Pla-Barber, 2014 whereby a distinction was made between knowledge management practices and knowledge management dynamic capabilities during internationalization. The main idea behind these two concepts is that the importance of knowledge management practices to create transfer and apply knowledge in organizations is discussed and can be referred as an "operational capability". However as the authors mention (Villar et al., 2014) the adoption of knowledge management practices as an organizational process does not necessarily imply that such a practice is appropriate as the firm expands further across national borders. A firms which has knowledge management dynamic capabilities allows the firm to makes changes in their current practices preventing the firm from becoming rigid (Eisenhardt & Martin, 2000)

To elaborate further, capabilities can also be placed into a hierarchy (Collis, 1994; Danneels, 2002; Nordman & Tolstoy, 2014; Winter, 2003). Reference has been made to concepts such as "zero-order capability" and "first-order capabilities" to describe those capabilities that perform the basic functional activities of the firm (Collis, 1994; Helfat & Winter, 2011; Winter, 2003). When a firm is in equilibrium, hypothetically thinking, the capabilities exercised related to for example, producing and selling the same product, on the same scale and to the same customer population over time and relate to "how we earn a living now" capabilities (Winter, 2003). These capabilities are referred to as "zero-order capabilities" (Winter, 2003). In contrast to this, there are also "first order capabilities" (Winter, 2003) or what Collis (1994) refers to as second order capabilities and relates to the dynamic improvement in a firm's activities or processes that can change a firm's zero order capabilities. First order capabilities relate to dynamic capabilities and are defined as the firm's ability to learn, adapt, change, and renew over time (Teece et al., 1997).

The above highlights the difference between those capabilities that perform some activity or task (operational capabilities) and those capabilities that are concerned with change (dynamic capabilities). In this light, few international business studies have advanced and deepened the discussion that firms compete with one another based on their ability to learn and apply knowledge, for the purpose of renewing the firm's resource base, and which is argued here to be determined by the firm's dynamic capabilities (Prange & Verdier, 2011; Sapienza et al., 2006).

2.3.2.2 Capabilities and the role of knowledge

In line with the internationalization process literature, the capability view of the firm places special emphasis on knowledge and learning, however elaborates by providing insight on how knowledge and learning enable for the transformation and integration of resources into unique

bundles (e.g., Metcalfe & James, 2000) to support and drive internationalization. Knowledge is considered one of the most important resources to the firm (Grant, 1991; Zander & Kogut, 1995) and the most important resource during firm internationalization i.e. internationalization knowledge, network knowledge, business knowledge and institutional knowledge (Eriksson, Johanson, Majkgard, & Sharma, 1997; Johanson & Vahlne, 2009; Hohenthal, 2001). This is because without knowledge firms are less capable of exploring as well as exploiting new opportunities, an important aspect of a firm's internationalization process (Wiklund & Shepherd, 2003; Johanson & Vahlne, 2009). This process of exploration and exploitation of international opportunities is related to the development of capabilities whereby knowledge has an important role. In this sense, a firm is defined by what it knows and the firm's knowledge determines what it can do and how, which is the capability view of the firm (Metcalfe & James, 2000)

A firm's operational and dynamic capabilities development requires knowledge, and capabilities are argued to be derived from knowledge (Grant, 1991; Teece, 1997). Essentially, the essence of capabilities is the integration of knowledge (Grant 1996). It is also the firm's current knowledge of its capabilities and business network during internationalization that aids in the development and integration of new knowledge, and therefore the creation of new capabilities.

The relationship between the firm's knowledge and its capabilities is double-sided: on the one hand, knowledge of what to do and how to do it defines the firm's capabilities, while on the other hand, the implementation of a capability develops the knowledgebase of the firm (Metcalfe & James, 2000). As firms internationalize, its knowledge base provides it with the greatest abilities of all its resources to serve as a source of competitive advantage (Grant, 1991; Nieves & Haller, 2014; Wiklund & Shepherd, 2003). During internationalization, knowledge is accumulated and becomes vested at both the individual and the organizational levels (Fletcher & Harris, 2012; Villar et al., 2014).

Individual knowledge resides in the skills of the individual and is owned by the individual, though it can be applied separately to different organizational activities, tasks, and problems (Bhatt, 2002; Jonsson & Elg, 2006; Lam, 2000; Tsoukas & Vladimirov, 2001). The application of individual knowledge relates to the individual's ability to draw distinctions within a domain of action, based on an appreciation of the individual's context and theory (Tsoukas & Vladimirov, 2001). Organizational knowledge refers to the ways in which knowledge is distributed and shared among members of the organization. It is more or less the sum of the individual knowledge depending on the mechanisms that translate individual knowledge into organizational knowledge (Bhatt, 2002). Organizational knowledge exists among rather than within the individuals and is the ability of the organizational members to develop and draw distinctions in the process of carrying out their work in certain contexts. The application of organizational knowledge depends on the evolved collective understandings (Tsoukas & Vladimirov, 2001).

From a discussion on knowledge, one can assume that knowledge, both organizational and individual, is dynamic in nature. The dynamic nature of knowledge distinguishes it from other

resources during internationalization, i.e., financial, brand, and reputation. This is because firms use organizational and individual knowledge to redeploy resources that have been being used for just one purpose to new and more productive purposes (Nason & Wiklund, 2015). This, therefore, aids in the building, integration, and reconfiguration of the firm's capabilities (Al-Aali & Teece, 2014). Firms use both individual and organizational knowledge to learn about its current resources under their control and the new resources that have been acquired. During internationalization, the knowledge a firm has of its resources tends to increase as new ways of combining and using those resources become available (Penrose, 1959). The possibility of using resources and developing capabilities changes with an increase in knowledge (c.f., Penrose, 1959; Al-Aali & Teece, 2014). The above implies that both operational and dynamic capabilities are path-dependent in nature and their development is based on previous knowledge structures of the firm, and learning plays an important role (Nelson & Winter, 1982). Finally, a capability view that incorporates the firm's knowledge, path, and position (e.g., Freiling et al., 2008; Zollo & Winter, 2002) provides for deeper explanations as to how and why internationalization impacts the resource base of the firm.

2.3.3 Dynamic Capabilities to Firm Internationalization

While the development of operational capabilities is important for internationalization, so are a firm's dynamic capabilities. Dynamic capabilities are critical to the internationalization process because they are specifically associated with change. Internationalizing firms that are able to execute change effectively are better positioned to shift their behavior and exploit new opportunities. The success of internationalization depends on how the firm's resources are combined within the firm (c.f., Kuuluvainen, 2010), specifically as they relate to production and sales of products across markets. Internationalizing firms that possess dynamic capabilities are therefore not only competing with their existing resources capacity and capabilities, but also with their capacity to renew and develop such resources and capabilities. The role of dynamic capabilities during internationalization therefore relates to changes to the firm's resources and capabilities (Barreto, 2010; Eisenhardt & Martin, 2000; Helfat et al., 2007; Teece et al., 1997).

A dynamic capability approach to internationalization attempts to explain a firm's greater ability to adapt to the changes in the firm's environment and to overcome the challenges they face during internationalization. This is achieved through the alteration of the firm's resource base (e.g., Nieves & Haller, 2014). Due to external changes, a firm's resources and capabilities are at risk of becoming outdated, which may leave the firm with few opportunities to perpetually appropriate value from the existing resources and capabilities (Nieves & Haller, 2014). For firms to be able to respond to the external changes during internationalization they need to have a higher capability to identify the need or opportunity for change, to formulate a response to these needs or opportunities, and to implement that response (Eriksson, 2014; Helfat, 2007; Danneels, 2008).

Firms expanding their operations internationally are driven to adapt, renew, reconfigure, and re-create their resources and capabilities to cope with changing relationships with new and current customers, suppliers, and competitors and the overall increase in demand, all of which are a consequence of internationalization. Internationalization process studies have

acknowledged the operational challenges involved in financing, staffing, and managing relationships with customers and suppliers and establishing legitimacy of firms in general (e.g., Kyvik, Saris, Bonet, & Felicio, 2013; Kuivalainen et al., 2010). In addition, firms might also be constrained by the limited resources and capabilities and face a high level of uncertainty regarding potential clients and their needs. These issues can make a firm vulnerable to environmental changes. A firm's existing capability set determines if an international expansion is even viable (Levinthal & Myatt, 1994), which means firms must fully evaluate their capabilities before embarking on the internationalization process. Dynamic capabilities can help firms not only to recognize problems that may arise, but they can also help a firm adapt to the environment in such a way that minimizes its effects (e.g., Kyvik et al., 2013; Eriksson et al., 2014).

Dynamic capabilities were first introduced by Teece et al. (1997), and their application has become widespread across strategic management literature (e.g., Eisenhardt & Martin, 2000; Zollo & Winter, 2002; Winter, 2003, 2001; Helfat et al., 2007). Internationalizing firms need to anticipate the changing opportunities and challenges posed by their changing international environment and react to them (c.f., Eriksson, 2014). The ability to do this has been refereed as a dynamic capability (Prange & Verdier, 2011; Vahlne & Johanson, 2013). Centering on the processes of purposeful change and development of the firm's resource base (Helfat et al., 2007; Zahra et al., 2006), these capabilities enable firms to react to the new circumstances posed by internationalization. The core building blocks of dynamic capabilities center on the processes of building, integrating, reconfiguring, and leveraging a firm's resources and capabilities (Teece, 1997; 2014) along with the path and position of the firm, which is common to both operational and dynamic capabilities.

Dynamic capabilities are defined in this thesis as the firm's ability through learned and stable patterns to build, integrate, and reconfigure its internal and external resources to address changing environments (e.g., Teece, et al., 1997; Eisenhardt & Martin, 2000; Lin & Wu, 2014). The building process involves the acquisition, accumulation, and divesting of the firm's resources (c.f., Sirmon et al., 2007). The building process is closely related to and concerns the knowledge development of the firm (Eriksson, 2014). The acquisition of a firm's resources is associated with how firms acquire knowledge (Luo, 2000; Eriksson, 2014). Both internal and external knowledge are important for the internal development of resources. The different acquisition types, i.e., experiential, grafting, vicarious, searching, and congenital, are all important in understanding how knowledge is acquired (e.g., Casillas et al., 2015). In addition, the firm's current resource base impacts the acquisition types. How firms acquire knowledge and their current resource base impacts the acquisition process and, hence, the achievement of dynamic capabilities (Verona & Ravasi, 2003; Wang & Ahmen, 2007; Zollo & Winter 2002).

The accumulation process involves the internal development of the firm's resources (Sirmon et al., 2007). The internal development of resources occurs when the firm's business network is unable to provide the firm with the necessary resources and knowledge to support internationalization. This process often involves learning, whereby employees increase their tacit knowledge (Sirmon et al., 2007). Building the firm's resource base might also involve

divesting, in which firm-controlled resources are shed and the firm's current resources are actively evaluated. Then, those resources that provide little value are let go (Sirmon et al., 2007).

In order for the firm's learning process to continue, firms need to be able to capitalize on their resources so as to perform a set of coordinated tasks, referred to here as the firm's capabilities. For the building process to be useful the firm must integrate the resources into the firm's capabilities (Eriksson, 2014). Therefore, the integrating process of resources becomes a necessary step in appropriating the potential value of a firm's individual resources (Sirmon et al., 2007). The integration process involves combining various resources, typically new knowledge, with the existing resource base of the firm (Eriksson, 2014). Eriksson (2014) discussed this process as pulling together knowledge developed internally with that acquired from external sources, combining the new with what is already known from the firm's own experience. Expanding this concept integration consists of stabilizing, enriching, and/or pioneering activities (c.f., Sirmon et al., 2007). Stabilizing activities consist of incremental improvements to existing capabilities, and enrichment means extending an existing capability, for example by adding a new resource from the firm's existing resources or from the firm's business network. Pioneering, meanwhile, is creating new capabilities. All three processes relate to the firm's ability to integrate resources into capabilities.

Integration activities illustrate how learning during internationalization is realized within the firm. For example, integration is a key activity in exploiting the knowledge in the firm as well as the knowledge explored within the firm's business network (Erikson, 2014). Integration activities highlight the importance of a firm's absorptive capacity (e.g., Cohen & Levinthal, 1990) whereby the ability of the firm to stabilize, enrich and/or pioneer is impacted by the firm's ability to recognize the value of knew knowledge (explore) and integrate and apply it to the firm (exploit) and is also determined by the firm current resource base (Eriksson & Chetty, 2003).

Three components impact the firm's integration activities and they are one, the extent to which the capability accesses and utilizes specialist knowledge held by the individual organizational members (Grant, 1996). Two, the scope of integration which is the breadth of individual knowledge the organizational capability draws upon and finally the flexibility of integration, which is the extent to which a capability can access additional knowledge and reconfigure existing knowledge (Grant, 1996). However, once again little is known about how these three characteristics unfold during internationalization. It has been suggested that the integration process involves problem solving, and therefore implying an ad-hoc natured process in the development of capabilities however, as mentioned by Ambrosini and Bowman (2009) this is inefficient.

The last process of reconfiguration refers to the ability to recombine resources and operational capabilities. Reconfiguring according to Teece (2014) is needed to avoid unfavorable path dependencies and to maintain evolutionary fitness. During internationalization, the inability of firms to change their familiar ways of doing when confronted with changes and developments in the environment can affect the internationalization process. The ability to mobilize and

coordinate the firm's resources and capabilities are important to the reconfiguration process. In order to reconfigure, firms need to be able to identify the capabilities needed to support capability configuration (mobilization) (Sirmon et al., 2007) and then integrate the identified capabilities configurations (coordination). Reconfiguration has been argued to benefit from proactivity because understanding the needs of international customers, suppliers, and relationships within a firm business network and therefore the ability to find ways of managing these needs is a driver of reconfiguration (Erikson et al., 2014).

Not included in the formal definition of dynamic capabilities, however implicitly acknowledged in their development, is the process of leveraging a firm's resources and capabilities. Leveraging refers to the utilization of a firm's capability to create value for the firm and the firm's customers (Sirmon et al., 2007). Firms can realize the value of their resources and capabilities once they have deployed them (Erikson, 2014; Sirmon et al., 2007; Lichtenstein & Brush, 2001).

These processes of building, integrating, and reconfiguring are the essence of a firm's ability to align its present resources and capabilities and develop new capabilities to meet the changes that occur in the surrounding and new international environment (Wang & Ahmed, 2007) and in order to remain competitive.

2.4 A Theoretical Framework for Understanding Resource base Change and Development during Internationalization

This chapter has offered preliminary insights into the development of a firm's resource base during internationalization by first recognizing the importance of learning and knowledge development during internationalization (Johanson & Vahlne, 2009; Schweizer, Vahlne, & Johanson, 2010) and how a firm's business network is an important resource. Furthermore, through a discussion and from the perspective of the resource-based view to firm internationalization, it has been suggested that a firm's resources (Peng, 2001) and, more importantly, the firm's knowledge (Kogut & Zander, 1992) will determine its international behavior in terms of where and how it expands across national borders. Bringing forward the internal properties of the firm with the purpose of breaking open the black box that constitutes the firm (Foss & Robertson, 2000; Penrose, 1959) during internationalization, a capabilities perspective was discussed. More emphasis on the capability view of the firm is presented due to the importance of a firm's ability to integrate and combine resources to perform a set of coordinated tasks (Helfat & Peteraf, 2003; Day 1994).

Capabilities are defined as both operational and dynamic, both of which are integral to a firm's ability to internationalize. Knowledge and learning are therefore imperative to the firm's development. Following an evolutionary perspective (e.g., Zollo & Winter, 2002), the mechanisms that define these capabilities are questions of a continuous learning process (Ethiraj et al., 2005; Zollo & Winter, 2002) and are fundamental to firms during internationalization. Learning occurs in relationships between the firm and the associated parties in its business network (Johanson & Vahlne, 2009). Through learning, a firm is able to develop an understanding of the necessary internal resources to maintain the current relationships and commit to new ones. Therefore, relationship commitment decisions are

important, as they are a source of knowledge and resources required for the development of a firm's resource base supporting internationalization.

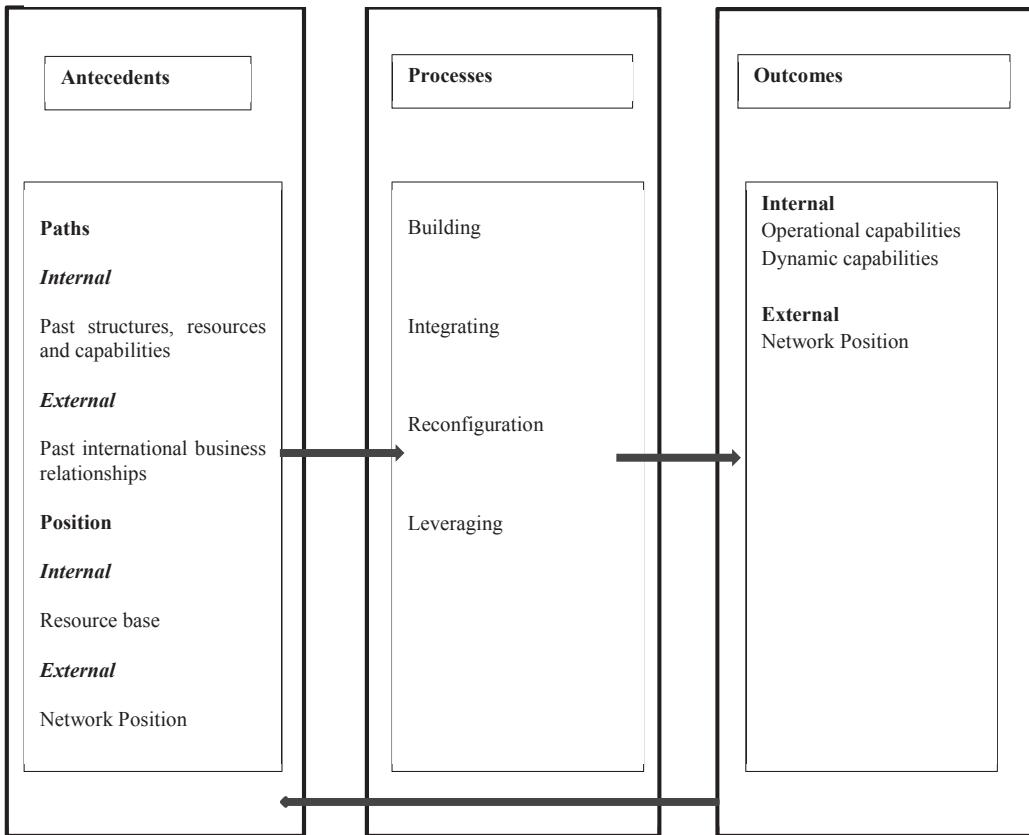
Experiential learning can be described as learning through repeated practice, past experiences, and mistakes (Eisenhardt & Martin, 2000). It can also be understood as an outcome of trial and error and improvisation processes (Zahra et al., 2006). Other types of learning, which were discussed in this chapter, are vicarious, search, grafting, and congenital learning. However, more important to the firm's operational and dynamic capabilities during internationalization is that learning is applied and used to develop and change the resource base of the firm. With this in mind, the organizational processes of exploration and exploitation should be included in the organizational learning that takes place during firm internationalization. As mentioned by Penrose (1959), "the growth of the firm involved a balance between exploitation of existing resources and the exploration of new ones."

The outcome of learning is the development of knowledge, which resides within the firm and the firm's business relationships. The types of knowledge that are important and that were discussed in this chapter as impacting internationalization and the development of the firm's resource base during internationalization are experiential market knowledge, internationalization knowledge, relationship-specific knowledge, organizational knowledge, and individual knowledge. However, the importance of acquiring and integrating these knowledge types to create the firm's capabilities can impact how and why a firm has the ability to act on internationalization opportunities as well as overcome the challenges of the firm's external environment. Therefore, how the firm, through the processes of building, integrating, reconfiguration, and leveraging their internal and external resources was discussed. These processes hint at the development of a firm's dynamic capabilities.

Therefore, both the development of the firm's dynamic capabilities together with its operational capabilities are important processes for internationalizing. These processes are very much in line with what the internationalization process models highlight but do not address in detail, that is as firms internationalize there is a need to develop the firm's resources through some process (Johanson & Vahlne, 1977, 2009). Therefore, the international development of a firm is the result of continuous processes of, building, integrating, reconfiguring, and leveraging a firm's resource base. The processes are central to understanding how firms build the necessary resources and integrate and reconfigure their capabilities, all of which make internationalization possible.

The processes of building, integrating, and reconfiguring a firm's resources and capabilities are specific and identifiable (Eisenhardt & Martin, 2000); they are learned and stable patterns (Zollo & Winter, 2002) and are concerned with the intentional change of a firm's resource base during internationalization. The development relies on combining and reconfiguring resources and prudently sequencing them over time (Lichtenstein & Brush, 2001). These processes and leveraging a firm's resources and capabilities are impacted by the firm's path (i.e., its history) and position (current resource base), not to mention the importance of knowledge development and learning. Figure 1 below is framework of how we can understand these processes in the context of internationalization.

Figure 1 A Model of Resource Base Change and Development during Internationalization



The role that the firm's path has on its development and change processes implies that the ability of the firm to build, integrate, and reconfigure its resource base is impacted by the firm's organizational processes and structures that the firm created to manage itself in the past (Al-Aali & Teece, 2014). The firm, therefore, draws on its individual and organizational knowledge of its past capabilities to alter its resource base more appropriately and to find new ways of adapting to the changes posed by internationalization (Nieves & Haller, 2014).

The path of the firm also includes the firms internationalization strategies (cf. Teece, 2014), implying that a firm's internationalization process, i.e., what the firm has done in the past and what it plans to do in the future, will determine how the firm responds to the challenges and opportunities posed by internationalization. The path can also illustrate how the firm learned in the past and how the firm will learn in the future. For example, a firm's path aids firms in

realizing that their current resource base (the firm's position) is unable to support certain international activities. As such, firms will be in a better position to adapt their resources and capabilities. The path-dependent nature of capabilities is also a question of a continuous learning process (Ethiraj et al., 2005; Zollo & Winter, 2002; Eisenhardt & Martin, 2000). The learning process shapes the creation and development and becomes fundamental to the firm's ability to build, integrate, and reconfigure its resource base (Eisenhardt & Martin, 2000; Kuuluvainen, 2010). Thus, the processes of building, integrating, reconfiguring and leveraging implies a process of organizational learning (Zollo & Winter, 2002; Nieves & Haller, 2014; Kuuluvainen, 2010). It has therefore been discussed in the literature that a firm's operational and dynamic capabilities draw from an evolutionary economics perspective, suggesting their path-dependent nature (Zollo & Winter, 2002).

The position of a firm is determined by its resources and capabilities (Teece, 2014). For an internationalizing firm, the position refers to the firm's network position as well as the firm's internal resources and capabilities. The firm's position in its business network, as mentioned in this chapter, is determined by the number and strength of direct ties it has to other business relationships (Brass & Burkhardt, 1993). It is assumed that firms with a strong network position are better able to exploit their internal capabilities and resources (Zaheer & Bell, 2005). The firm's network position is also an important external resource and provides the firm with an "extended knowledge base" (Johanson & Vahlne, 2009). The density and centrality of a firm in its business network can therefore impact the firm's ability to acquire and adopt resources.

The firm's resource base position is defined by the firm's tangible and intangible resources and capabilities. Therefore, the firm's current knowledge base is also an important element of the firm's position, which highlights the importance of having the capability to recognize/explore new knowledge, opportunities, and resources. This is a necessary antecedent of exploiting the opportunities of the firm's business network. The firm's resource base position is also related to the type of knowledge the firm has, including the firm's internationalization knowledge, relationship-specific knowledge, and market knowledge (Eriksson et al., 1997). The firms' resources and capabilities provide a basic direction for the firm's internationalization process (Grant, 1991) and have an important impact on the firm's ability to build, integrate, reconfigure, and leverage internal and external resources for internationalization (Westhead et al., 2001).

The importance of learning, experience, knowledge, resources, and firms' current capabilities become important antecedents and constitute the foundation of the development of firms' operational and dynamic capabilities (Teece, 2014). In addition, firms that develop knowledge and experience are more capable of identifying the need to introduce changes to the existing resource base and determine the actions required to implement them (Nieves & Haller, 2014). As mentioned previously, a firm's knowledge stock constitutes the basis for new knowledge flows within the learning process, which is a basic mechanism for generating dynamic capabilities (Nieves & Haller, 2014).

The outcomes of the internationalization process are of course a change in the firm's managerial and organizational capabilities and resources as well as the development of a firm's dynamic capabilities. Another outcome is a change in the firm's network position. The outcomes say something about whether the firm has the ability to develop the necessary dynamic capabilities for internationalization. The position a firm has within its business network can be described by the amount and types of relationships a firm has. Possessing dynamic capabilities allows the firm to develop its managerial and organizational capabilities and maintain and increase the relationships it has, thereby increasing its network position. However, the inability to develop dynamic capabilities will result in the inability to renew the firm's operational capabilities and might result in a weakening of the firm's position in its business network. This can be reflected in the loss of business relationships or a weakening business relationship, and will thereby affect the overall internationalization process of the firm. A firm has dynamic capabilities when it is able during internationalization to see a need for change and formulate a response, and then implement that response. These changes can occur both internal and external to the firm; however, they are symbiotic. That is to say, the changes that occur internal to the firm are a result of the changes external to the firm and vice versa.

To conclude, the processes of resource-based change and development to overcome the challenges posed by internationalization and explore and exploit international hint the development of dynamic capabilities, which aid in firms recognizing opportunities and challenges and the ability to adapt to the environment in such a way that minimizes the threats and allows for further international expansion (Eriksson et al., 2014; Helfat et al., 2007). The firm's position and paths aid in the firm's ability to learn how to create and develop resources and capabilities to organize and manage internationalization through the processes outlined above. Internationalization provides learning opportunities through exposure to new markets and cultures, internalization of new concepts, and access to new resources (Johanson & Vahlne, 2009). An international firm can gain advantage over local competitors by exploiting existing distinctive capabilities, but that should be followed by constantly upgrading and reconfiguring capabilities as the firm learns and accumulates knowledge (Frasquet et al., 2013). Designing mechanisms to gather knowledge and learn from international partners would then be crucial to building dynamic capabilities (Teece, 2014; Augier & Teece, 2007).

Chapter 3 Method for Studying Resource base Change and Development during Internationalization

The main purpose of this thesis was to study and develop theory on how a firm's resource base changes and develops during an internationalization process and why a firm's resource base changes and develops in a given way? Furthermore, how does a firm build dynamic capabilities for internationalization? The research questions led to the development of a method to study internationalization through the processes of building, integrating, reconfiguring, and leveraging a firm's resource and capabilities (cf. Eisenhardt & Martin, 2000; Teece, 2007). This study adopted a processual approach that incorporates time, dynamism, and longitudinal data collection (e.g., Pettigrew, 1997; Van de Ven & Huber, 1990; Welch & Paavilainen-Männtymäki, 2014; Soulsby & Clark, 2011).

The chapter begins with a discussion on the research design, which was influenced by a process design and applies a longitudinal, qualitative, single case study approach (cf. Bryman & Bell, 2015; Pettigrew, 1990). Next, the chapter elaborates on the chosen case, a small to medium sized fashion firm located in Gothenburg, Sweden. The chapter further outlines how and from where the empirical data was collected.

The chapter offers insights on how the raw data is presented and coded and how the processes of building, integrating, reconfiguring, and leveraging the firm's resource base were analyzed. The description of how this study was conducted, together with the contents provided in this thesis establish a reference point to evaluate the quality and trustworthiness of the study in terms of confirmability, credibility, transferability, and dependability (cf. Bryman & Bell, 2015; Doz, 2011; Lincoln & Guba, 1985). As with all studies, this study also has limitations. These limitations and the measures that were taken to deal with them are also described in this chapter.

3.1 Research Design

A process research design was chosen because it provided a means for developing knowledge on how capabilities and resources change and develop and why they did so in a specific way (cf. Van de Ven & Huber, 1990; Welch & Paavilainen-Männtymäki, 2014; Langley, 1999). I applied the definitions of process, change, and development used in process research (e.g., Van de Ven, 1992; Langley, 1999; Pettigrew, 1990), which aided in data collection and enabled me to identify change. Most importantly, applying those definitions was an important step that guided the data coding and analysis processes (Van de Ven & Poole, 2005), as discussed further in Section 3.2.

In this study, process relates to building, integrating, reconfiguring, and leveraging a firm's resources and capabilities during internationalization. Elaborating on the terminology, process is conceptualized in this study as the sequence of events that describe how things change and develop over time (Pettigrew, 1997). The sequence of events represents developments in, for

example, individuals' jobs, group formation and development, innovations, reorganizations, leadership, coordination, and job responsibility. Change is represented by one type of event and is an empirical observation of difference in form, quality, or state over time in an organizational entity (Van de Ven & Poole, 1995). Such an entity may be an individual's job, a work group, an organizational strategy, and or a program. Development represents the progression of change events that unfold during the duration of an entity's existence (Van de Ven & Poole, 1995).

In line with existing research on processes (e.g., Pettigrew, 1997; Van de Ven & Poole, 2005), this study adopted a qualitative research method to capture the processes of change of a firm's resource base during internationalization. Qualitative research is particularly suited to opening the black box of organizational processes, that is, how firms learn and develop knowledge and how they apply the learning to develop operative tasks during internationalization over time (Doz, 2011) and how those processes unfold. This method takes the research beyond the 'what' of internationalization (e.g. what are the effects of internationalization on the firm) to the revelation of the underlying processes that explain internal change. For example, Nummela et al. (2006) studied three defined changes to an internationalizing Irish firm's financial and personnel resources and organizational structure as a difference in form, quality, and state. However, they ignored the progression of those events; including how and why the firm built, integrated, and reconfigured their financial and personnel resources as well as the firm's organizational structure.

3.1.1 The Single Case Study

Understanding the development and change in firms' resources and capabilities during internationalization benefited from a single case study approach (cf. Tippmann et al., 2014), which was longitudinal in nature (cf. Pettigrew, 1997; Van de Ven & Poole, 1995). With very little understanding of how and why a firm's resource base changes during the internationalization process, a single case study was important. The single case study allowed me to discover what within the firm's resource base was actually changing, how it changed, and why (cf. Dyer & Wilkins, 1991).

The single case study also allowed for an in-depth empirical data focus and a detailed understanding of the events that were identified to have unfolded within the firm during its internationalization process (cf. Dyer & Wilkins, 1991; Merriam, 1998). In addition, the inclusion of many events and rich descriptions of the progression and interactions of these events was possible (cf. Dyer & Wilkins, 1991; Yin, 2003; Pettigrew, 1990). This was important because changes were seen to unfold at different levels of the firm, i.e., sales, design and production, human resource processes, how the organizational structure was formed, leadership and coordination, and how all these aspects were interlinked with each other. In addition, the case study captured aspects such as knowledge, learning, and commitment, which impacted resource and capability development processes. In line with Merriam (1998), adopting a single case study enabled the identification of these variables and the possibility to portray their interaction over a selected period of time.

The longitudinal design of the case study suited the purpose of this study because the research questions of how and why a firm's resource base changes and develops during internationalization are not addressable except in the long run (cf. Blazejewski, 2011). A longitudinal case design enabled me to investigate the evolution of firm's capabilities and resources, incorporating the time aspect of process research (cf. Yin, 2003; Bryman & Bell, 2015; Pettigrew, 1990). This was done by mapping the changes as they unfolded and evolved over time (cf. Bryman & Bell, 2015), which allowed me to provide descriptions and explanations of why the events unfolded in the way they did.

To conclude, a longitudinal single case study was necessary to create a rich more developed understanding of the research phenomenon. (Ghauri, 2004). Wilson (1979), as cited in Merriam (1998, p. 29) "a case study tries to describe and analyze some entity in qualitative, complex and comprehensive terms not infrequently as it unfolds over a period of time". This suggests that a longitudinal single case allows for more frequent data collection in order to capture events as they occur.

3.1.2 Selecting the Case Study

The case was chosen on the requisite that insights could be gained to fit the purpose of the study, and to possibly answer the research question (Merriam, 1998). The case studied was a small to medium sized Swedish fashion firm with the ambition of expanding their sales across national borders via agents and distributors was chosen. The decision reflects a multi-level approach to selecting a case (Fletcher & Plakoyiannaki, 2011) that involved choices for industry, country, and case firm.

The choice to study change and development within the fashion industry was a conscious decision. The fashion industry is an industry where internationalization is an important part of the industry's survival and in which firms are forced to internationalize at an earlier age in order for the firms to grow and survive. Also, the fashion industry relies on its core capability to meet continuous demands from customers, which in turn require updated designs, advanced information technology, just-in-time production, and shop-floor-led stock control (Wang & Ahmed, 2007). There is also the necessity to develop the ability to juggle design and innovation with the more operative tasks relating to managing and organizing the firm. The need for a firm to adapt its internal resources and capabilities during internationalization is therefore not only necessary but challenging. The review of the Swedish fashion industry presented in Chapter 4 illustrates that, as these firms grow, the demand and complexity for managing and organizing areas such us as economics, legal, distribution, marketing and sales only increases (Sundberg, 2006). This industry therefore provided me with a context to capture, explain, and understand internal resource and capability development during a firm's internationalization process (cf. Tippman et al., 2014).

Sweden was chosen as the country of origin because, first and foremost, fashion is a growing industry and for a small country like Sweden the export market is of great importance for the growth of Swedish fashion firms (Sundberg, 2006). Acknowledging that there are other smaller countries like Denmark, Norway, and Finland that could also suit this study, Sweden was chosen due to convenience sampling (e.g., Merriam, 1998). In addition, fashion firms in

Sweden are faced with competition from both foreign and national retail giants. Table 3 in Chapter 4 illustrates figures from 2016 showing the retail giants, who make up 0.1% of all companies, bring in 30% of the total turnover, compared with the micro-, small-, and medium-sized firms, which make up 99% of the total industry and bring in 52% of the total turnover. Therefore, the domestic market for small and medium fashion labels is small, which creates a difficult environment for these firms to grow if they only reach out to the target segment within their home market (Sundberg, 2006). Alternative expansion opportunities must then be searched for internationally, and internationalization then becomes an important part of their growth strategy.

The firm Twist & Tango was chosen for the study. This is a Swedish fashion label founded in January 1995 in Gothenburg, Sweden. Twist & Tango fit the criteria of being a small to medium sized firm (Sternö & Nielsén, 2016). Twist & Tango were fairly small at the time the case was chosen in February 2008, only having 17 employees. The founder explained that the firm was constantly challenged by the internal changes that resulted from their growth process. An SME was a suitable setting to capture the resource and capability development of a firm as they tend to embark on the internationalization process when they are still quite young, forcing them to organize areas such as finance, organization, management, marketing, accounting, sales, legal, and other aspects, often for the first time (cf. Jonsson, 2007; Sundberg, 2006).

The initial contact with Twist & Tango in February 2008 highlighted that internationalization was on their agenda as a means to increase the turnover. The firm's current choice to internationalize allowed me to capture the changes and developments close to/and as they unfolded (cf. Pettigrew, 1990). As stated by Pettigrew (1990), "truth is the daughter of time". Time will create the frame for determining what changes are seen and also how those changes are explained (Pettigrew, 1990). Twist & Tango reflected a real-life time frame wherein I could capture internationalization and its effects on the resource and capability development process as it occurred. This helped provide accurate accounts of the unfolding process. This does not imply that the retrospective accounts were less accurate, but the current time frame added to the richness of the data collection process. Following a firm during the early phases of internationalization provides an interesting context in which to study and capture the development of operational capabilities (cf. Sapienza et al., 2006) and makes it easier to identify the processes that define the internal development of resources and capabilities.

The case needed to be based in Gothenburg due to the nature of the study, which demanded regular updates of unfolding events preferably soon after the events occurred. Twist & Tango is situated in Haga Gothenburg, a short distance from the University of Gothenburg, which was considered convenient (cf. Merriam, 1998). The willingness and cooperation from the founder of the firm also allowed for the necessary wide-range access.

3.1.3 Data Collection

Data was collected at two levels of analysis: the firm's international activities in terms of how, where, and why in order to understand the firm's internationalization process and the context in which the firm's resource base changed, as well as how the firm managed and

organized their resources and capabilities within the firm. This developed the internal context of the firm, providing a data to begin analyzing how firms build their capabilities and the mechanisms that define such processes.

Multiple data collection was adopted. This included, interviews, meetings, documentation, and archival records along with observations during different case firm events such as fashion fairs and meetings (cf. Gioia et al., 2013; Yin, 2003). However, the heart of this study was the semi-structured interviews conducted from 2008–2015. The semi-structured interviews allowed for both retrospective and current accounts of the interviewees' experiences of the firm's internal events and how and why they progressed during the firm's internationalization process (cf. Gioia et al., 2013).

3.1.3.1 Interviews

Two sets of process-relevant data, i.e., diachronic and synchronic (e.g., Soulsby & Clark, 2011), were collected during the period of 2008–2015. The data supported the longitudinal design of the study (cf. Blazejewski, 2011). The interplay between diachronic data and synchronic data created retrospective and current accounts of how the firm built, integrated, reconfigured, and leveraged their resource base during their international expansion.

The diachronic data collected built chronological stories regarding events and how (possibly) and why they unfolded as they did (cf. Soulsby & Clark, 2011). Allowing the interviewees to talk about how they reached a certain event allowed me to capture a sequence of events leading up to that event (cf. Soulsby & Clark, 2011). The sequence of events contained numerous smaller events that arose and became part of future interviews. For example, diachronic data concerning the interviewees' information surrounding why they cancelled all agent contracts in the year 2000 (Phase One, Chapter 5) uncovered the internal challenges of their informal recruitment processes, inefficient design and purchasing processes, and lack of knowledge in that area of expansion. These became new event sequences for further diachronic data investigation. The narratives included an event sequence that represented first-order retrospective accounts of how past events led to present day events (Soulsby & Clark, 2011). These retrospective accounts were important baseline information and developed both a retrospective case history of the internal and external context of the events leading to the present decision to begin internationalization in 2008 (cf. Van de Ven, 1992) and explanations of events that were captured during real-time accounts (cf. Leonard-Barton, 1990).

The retrospective accounts dated back to the firm's first international expansion in 1997. The purest form of data collection during a longitudinal case design is to have only real-time accounts (Leonard-Barton, 1990), i.e., only synchronic data; however, as acknowledged by other process researchers (e.g., Pettigrew, 1990; Leonard-Barton, 1990), this is not always feasible. This explains why much of the data also relied on interviewees' present-day recollections of historical events (cf. Tsoukas & Chia, 2002).

As mentioned above, specific events were not known prior to the data collection process and evolved through the collection of synchronic data—the descriptions given by the interviewees of the current state of the firm (Soulsby & Clark, 2011). The events were captured by asking

questions such as “what have been the main changes since our last visit”, which prompted the interviewees to discuss the current situation of the firm and recent events in relation to internationalization and the firm’s internal processes. As the firm expanded internationally, different types of events were recognized. For example, during the early phases of data collection, events related to recruitment processes were more evident; however, as the firm continued to internationalize, events related to leadership, coordination, and managerial responsibility became significant. Therefore, the longitudinal design of the study reflecting a chronological sequence of events impacted the data collection process and how the data was presented. This is discussed further in Section 3.2.

To collect both synchronic and diachronic data, interviews were conducted via a visit–revisit interview process (cf. Soulsby & Clark, 2011). The first interview was made in 2008 with Founder A, who ensured access to the firm (Appendix 1). The initial interview with Founder A provided an initial understanding of the firm’s past internationalization process with agents and distributors and why the firm was unable during that time to maintain an internationalization process as well as how the firm would go about the internationalization process that began in 2008. Table 1 is a representation of the interviewees, when they were interviewed, and the importance of the interview.

A process of network sampling was conducted and guided the choice of interviewees to be interviewed (cf. Merriam, 1998), also referred to as snowball sampling (Bryman & Bell, 2015). Hence, after the initial contact with Founder A, additional contact was established with employees of the firm (cf. Bryman & Bell, 2015), the first being the Export Manager and the Assistant and a general interview guide was used (Appendix 2). As interviews were transcribed and analyzed, it became apparent what type of data was needed and who the next person should be interviewed was in order to gain this type of data (cf. Bryman & Bell, 2015; Merriam, 1998). As the research time unfolded, new knowledge of employees who could contribute to the study and provide deeper accounts into the changes that were unfolding during internationalization was gained. For example, interviews were conducted with the purchasing manager, designer, and logistics assistant to triangulate the initial accounts of the firm’s past internationalization process with agents and distributors, the organizational challenges, and why the firm was unable during that time to maintain those relationships (cf. Lincoln & Guba, 1985; Bryman & Bell, 2015; Riege, 2003).

The revisits occurred every 3–6 months over a period of 8 years and a follow up interview guide was used (Appendix 3). During the initial visits, it was not possible to anticipate the study’s potential for longitudinal work; however, it soon became clear that the study being conducted created goodwill with the three main interviewees, which allowed for revisits to the firm (cf. Soulsby & Clark, 2011).

Founder B, who is mentioned and referred to on several occasions in Chapter 5, was not interviewed during the data collection process. Efforts were made on several occasions to organize an interview, however according to the interviewees, an interview with Founder B would not enrich the data. Founder A, who was focused on sales and the international market, along with the Export Manager and the Assistant could provide detailed accounts of the firm’s

internationalization process and the related internal changes. However, to ensure that I captured the necessary data regarding the design and purchasing department, triangulation of the data with the Assistant, Sales Manager, and Founder A ensured the collection of detailed and similar stories regarding the design and purchasing department.

It can be seen from Table 1 below that Founder A, the Assistant, and the Export Manager acted as the three main interviewees during the period 2008–2010. This was an important choice, as Founder A and the Assistant had been with the firm since 1997 and provided important retrospective accounts of the historical development of the firm and provided a foundation for the important resource and capability developments and hindrances the firm faced. In addition, the validity of the information provided by Founder A and the Assistant was checked and compared against the other and with other employees who had worked at Twist & Tango since the early years of establishment. Those individuals were the Sales Manager and the Area Manager (cf. Glick et al., 1990). The Export Manager, who began working there in 2008, was an important interviewee and provided information of the resource support needed for internationalization.

In total, 32 interviews were conducted and ranged from one to three hours. The regular interviews made with the export manager were an important decision for the study and were strengthened when the Export Manager became the CEO. The CEO was able to give detailed descriptions and assessments of the resource development process; secondly, she was willing to cooperate and provide data across the duration of the study; thirdly, due to her position, the interviewee was knowledgeable about the widest possible variety of important changes and their relative importance; fourthly, she had knowledge regarding the antecedents and consequences of the internal changes; finally, she had involvement in the internationalization process of the firm (cf. Glick et al., 1990). The arguments above also explain why the CEO was my main point of contact during the final years of the study. See Table 1 below for a list of interviewees and the topics covered.

The turnover in personnel was a typical challenge faced during the longitudinal case study (cf. Blazejewski, 2011). This made complete planning of the research process difficult. For example, the Assistant left the firm in 2011. Therefore, a follow-up interview was not possible to account for certain changes. This was overcome by interviewing the Assistant's replacement, as well as follow-up interviews with the Export Manager. In addition, new employees began over the duration of the study. However, in line with Blazejewski (2011), remaining open to the changes that unfolded during the research process opened up paths that supported the longitudinal research. For example, the recruitment of a Purchasing Manager, a Designer, and a new Design and Purchasing Manager in 2011 allowed for a deeper understanding of the knowledge that the firm was missing and how it attempted to solve this.

Table 1 Interviewees of the Study

Interview	Title	Date	Important Topics of the Interview
1	Founder A	Feb 2008	Telephone interview/initial contact/retrospective accounts of the firms past experience and developments on the international market.
2	Founder A	Mar 2008	Recaptured and confirmed the retrospective accounts from the previous interview/discussed future goals for expansion and internal responses/awareness that the firm would hire an export manager/new designer/purchasing manager and developed contact with the export manager.
3	Export Manager	May 2008	Experience and professional background/how she would apply this to Twist & Tango.
4	Export Manager	Oct 2008	Follow-up in the processes that were discussed in the previous interview as well as international achievements and how this impacted her work as well as what types of resources she needed.
5	Founder A	Mar 2009	Discovered that the firm would go through an organizational change process as a response to the international expansion.
6	Export Manager	Mar 2009	Challenges related to coordination, leadership and responsibility
7	Assistant	Apr 2009	History of the firm, detailed explanations of the challenges the firm has gone through and the awareness of new challenges i.e. managerial responsibility
8	Purchasing Manager	May 2009	An insight into how the design and purchasing department works as well as how the department worked in the past.
9	Export Manager	Jun 2009	Detailed description of the change process as well as her new role as CEO.
10	CEO	Aug 2009	Confirming and elaborating on past data as well as new challenges.
11	Logistics Assistant	Oct 2009	Explanation of the logistics process and coordination issues between purchasing and distribution
12	Sales Manager	Oct 2009	Detailed description of the firms history /firms current challenges
13	Area Manager	Oct 2009	Detailed description of the firms history/ description of the change process/firms current challenges/
14	Office Assistant	Oct 2009	Collecting missing knowledge on the firms history/description of the change process/current challenges/
15	CEO	Nov 2009	Overall view of the organization/deeper insights into the organizational processes and challenges.

Table 1 Interviewees of the study (continued)

16	CEO	Apr 2010	Follow up on international expansion as well as organizational issues
17	Founder A	June 2010	Follow up on all the challenges and opportunities / still issues of coordination and managing the organization to cope with the growth
18	Designer	June 2010	Organization is not keeping up with the growth
19	Export Assistant	June 2010	Process related to taking orders from customers/ purchasing
20	CEO	Sept 2010	Learnt that there was problems in the design and purchasing department
21	Financial Manager	Sept 2010	Problems with the value chain, communication between purchasing, suppliers and distribution to warehouse
22	CEO	Oct 2010	Decision was made that the CEO would be my main point of contact due to her helicopter view of the firm and detailed insight into the internationalization process.
23	CEO	May 2011	Cancellation of their largest agent France and how they are rebuilding the design and purchasing department
24	CEO	Nov 2011	Follow up on the design and purchasing department
25	CEO	Dec 2012	Taking it slow on the international market and stabilizing the organization
26	CEO	Mar 2013	Follow up on new agents, the design and purchasing department, and overall organizational changes
27	CEO	Mar 2014	Follow up on new agents, the design and purchasing department, and overall organizational changes
28	CEO	Nov 2014	Follow up on new agents, the design and purchasing department, and overall organizational changes
29	Financial Manager	Mar 2015	Information related to logistics, human resources, new employees, and an account of the challenges in the design and purchasing department
30	Design Purch Manager	March 2015	Detailed description of the organizational crisis in 2011/ all the changes and developments made since then
31	CEO	March 2015	Follow up on international expansion as well as organizational issues related to the design and purchasing department
32	CEO	Nov 2015	Follow up on international expansion as well as organizational issues

The collection of diachronic and synchronic data was achieved by conducting semi-structured interviews (cf. Bryman & Bell, 2011). This allowed for an increase in flexibility when collecting data, allowing for a better understanding of the different events that were unfolding within the firm during internationalization over time. The semi-structured interviewing technique also accommodated the unpredictability of the longitudinal events and allowed the interviewees to reflect on the questions and talk freely about the unfolding events.

During the interviews there was also the opportunity for respondents to express themselves using diagrams or notes, which were then compiled with the transcribed interviews. Notes were also taken during the interviews to prevent interrupting the interviewee during his/her story. The opportunity to go back to the notes and follow up on important comments was conducted at the end of the interviews.

Due to the longitudinal nature of this study, it was important that the interviews were transcribed and analyzed during the process. This ensured that events were captured as they unfolded and could be followed up on during the next interview. The unpredictability of the changes that might unfold during the research process meant that follow-up interviews were important. Furthermore, the follow-up interviews allowed for an increased understanding of the events that were discussed in the previous interviews. Keeping the semi-structured format, the phrasing and sequencing of these questions varied from interview to interview (cf. Bryman & Bell, 2015).

All interviews were recorded. Prior to recording, the interviewees were asked for their permission to record the interviews, which ensured there was no self-consciousness that their words were being recorded and preserved without their knowledge. Recording the interviews was important for remaining alert to what was being said, to follow up on interesting points, and draw attention to any inconsistencies in the interviewee's answers (cf. Bryman & Bell, 2015). All interviews were conducted in English. Although all correspondents could speak English, one should not be ignorant to the fact that there may have been language barriers. While the interviews proceeded fluently, there were times when questions required rephrasing and where answers to questions were quite brief and not elaborated on. To overcome this, the same questions were posed to other informants to provide a deeper understanding about those events that were considered important but which were difficult for respondents to elaborate on.

3.1.3.2 Meetings and Events

During the study I also attended Copenhagen fashion week in 2010, an export council meeting as well as Habit Summit. These meetings and events provided an overall understanding of the industry as well as processes involved in presenting a collection at international fairs. The export council meeting provided insight into the main countries that Swedish fashion companies enter and the benefits and disadvantages of entering via agents and distributors. During the Habit Summit, an indication that the Swedish fashion industry is a growing industry and the challenges that can arise for these firms during internationalization were highlighted. Reference was also given to the ability of firms to

effectively manage the value chain specifically that it is not simply about designing and selling clothes. During meetings I was able to come in contact with other members of the fashion industry and gain an understanding of issues that they face when internationalization. Referred to in the industry chapter (Chapter 5), two important members were Lars Hedberg of Uniforms of the Dedicated and Pelle Stenberg of Nudie Jeans whom provided important insights into the organizational challenges that fashion firms face when embarking on an internationalization strategy. In the case of fashion fairs and meetings, notes were taken and at times meetings were recorded.

3.1.3.3 Documentation

Documentation and archival records were important sources of data (Yin, 2003). The types of documents collected were evidence of the firm's agenda and meetings, specifically administrative documents such as written reports of events, job descriptions, organizational charts, routines, and procedures; newspaper clippings and articles appearing in the mass media; and financial reports including budgets, profits, and international sales vs. domestic sales (cf. Yin, 2003). Company presentations were also used over the course of the study. These presentations contained updated data of the firm's agents and distributors as well as developments in the organizational structure and within the different organizational functions.

The documents were used and corroborated together with the interviews as another means (along with follow up interviews) to confirm the interview material. The documents were also used to verify dates, for example when certain agents' contracts were made and/or when fashion fairs were attended. In addition, a formal account of the job roles, tasks, and responsibilities, as well as routines and procedures were used and also played a part in developing the questions for follow-up interviews.

3.1.4 Research Process

This process study began with a theoretical understanding of internationalization and the importance of changes and developments that might occur to a firm's resource base. The theories were used as a guide during the data collection process (cf. Van de Ven & Poole, 2005). However, as the study proceeded, the theories began to develop in terms of specifying how the resource base may change. Therefore, the theory began to develop in the areas of capabilities, dynamic capabilities, and different ways of defining learning.

The research process of the study consisted of continuous data collection every 3 to 6 months from the period 2008 to 2015. The data collection process occurred simultaneously with the development of the theoretical chapter and the analysis. During the first year of data collection, I had a preunderstanding of the internationalization process and the challenges that this process can pose in firms. However, as the data collection continued, I further realized that certain theoretical concepts needed to be explained further.

I worked continuously and simultaneously on the theoretical chapter, empirical chapter, and analysis. It was not until the end of the study that I finally identified dynamic capabilities as the ability to synchronize the four processes of building, integrating, reconfiguring, and

leveraging, and that is why the term was adopted from Sirmon et al. (2007) in the analysis and not the theory.

3.2 Analysis of the Data

The data analysis of Twist & Tango's resource base change and development began by developing a means to empirically present the development and change of the firm's resources and capabilities as a sequence of events that unfolded during the firm's internationalization process. The very nature of the internal processes that unfolded during the internationalization process was messy, fluid, fragmented, spatially and temporally dispersed, and discussed and perceived from different interviewees in the firm (cf. Langley, 1999; Pettigrew, 1990). For example, changes appeared in the firm's business network with the developments and cancellations of agents and business contracts, and changes occurred in where and how the firm presented their collection at different fashion fairs within and across countries. These international changes also impacted the firm at different levels, for example, how personnel were recruited, the types of personnel recruited, how the departments were organized, and the firm's leadership. In addition, as the events evolved during the data collection, they were discussed and referred to by different interviewees at different periods in time. Therefore, a means for identifying and grouping the events and presenting them in a chronological order was challenging, but necessary (cf. Soulsby & Clark, 2011).

I started by formulating a summary of the data as soon as possible after data were collected (cf. Miles & Huberman, 1994). The data analysis process began after the first interview. After the first interview, the internal challenges that the firm faced during internationalization started to arise. After reading through the transcribed interview, notes were taken on "bits of data", which were interesting and particularly relevant for understanding resource and capability development and change (Merriam, 1998; Tippmann, Mangematin, & Scott, 2013; Van de Ven & Huber, 1990). For example data, was considered interesting in the sense that the interviewees saw certain aspects of the organization a challenge during internationalization and impacted how they managed the international process, e.g., "*The lack of organization back then is why it didn't work out with international agents*" (Interview: Mar. 2008), "*We have been growing on the export market; however, with regards to the organization, we are unable to solve the problem of job responsibility, coordination, and leadership*" (Interview 5: Mar. 2009). The first quote prompted me to ask follow-up questions regarding what was meant by lack of organization, which was also triangulated with three other interviewees. Reference was made to job responsibility, recruitment processes, and lack of managerial responsibility.

From the above, I began developing an open system to create categories that reflected the interviewees' narratives of the firm's situation during internationalization (cf. Tippmann, Mangematin, & Scott, 2013). The open system allowed me to begin creating the categories where the changes were unfolding and generating a detailed representation of the data (cf. Strauss & Corbin, 2008). I began by identifying phrases in the interviews. For example, "*everyone was involved*" (Phase One); "*our employment process was ad-hoc*" (Phase One),

“the collection needed to grow due to the firm’s expansion” (Phase One), *“we chose the wrong agents”* (Phase One). As an understanding of the data developed, the aggregation of similar and recurrent phrases was thematically created under broader, first-order concepts (cf. Tippmann et al., 2013). These were then summarized under common themes, each describing a certain process and clustered in event categories. For example, I developed the event categories of indirect and direct export, fashion fairs, organizational functions, job role responsibility, recruitment, and leadership. All incidents that were interpreted as being related to these categories were placed under them (cf. Caprar, 2011; Van de Ven, 1992; Merriam, 1989).

The event categories, which were empirically developed, do not simply include the move from a dual leadership to a single leadership, but includes all the events that occurred to develop the firm’s leadership during the firm’s internationalization process (cf. Van de Ven, 1992). More specifically, the interview notes included events that represent changes within the event categories and how the events were explained by the interviewees (cf. Van de Ven, 1992) for example *“The reasons I was appointed CEO were to create a single leader as opposed to the tandem leadership; to make the organization clearer; my specific knowledge and experience of working with larger companies and the ability to reach turnover goals because I now have control over the steering”* (*Interview 9: Jun. 2009*).

The event categories were abstractions derived from the data as being related to the purpose of the study (Merriam, 1989). They were not directly observed from the data, but were developed to capture and help explain a pattern of events (cf. Merriam, 1989; Van de Ven, 1992). With the purpose of the study in mind, the event categories were constructed at the level of the firm’s internationalization process and the firm’s internal organizational developments. Within internationalization, the event categories created were fashion fairs, agents, and distributors, and within the internal organizational developments the events categories were sales and marketing, design and purchasing, logistics, human resource process relating to recruitment processes, organizational structure, leadership, job responsibility, and coordination. Each event recorded was then coded to the theoretical construct/category when the event (incident when change occurs) was related to a specific construct.

After the chronological data was coded into the event categories, the categories were then divided into phases based on shifts seen to occur in the firm’s internationalization process. A phase represents a period of unified and coherent activity of the firm during a specific time (Van de Ven & Poole, 1989). Five phases were depicted. Each phase was conceptually defined by the co-occurring international activities across the event categories. The phases identified were first international activity, re-considering internationalization via agents and distributors, an increase in indirect and direct exports, rapid internationalization, international and organizational challenges, and rebuilding and stabilizing the organization.

The development and presentation of Twist & Tango’s story was written simultaneously as the event categories were developed and presented in Chapter 5. It was important to move from surface observations towards a process view on change (cf. Van de Ven & Poole,

2005). Therefore, creating a story allowed for an explanation of how the event categories unfolded over time from a description of events to an explanation. Explanations require stories according to Van de Ven and Poole (2005).

The data needs to be described in a sequence, and therefore chronology is central to organizing and analyzing the data (Van de Ven & Poole, 1989). Chapter 5 is therefore the story of Twist & Tango's internal change process during internationalization.

The event categories and chronologies are presented in Chapter 5 as a detailed story of Twist & Tango's developments with agents and distributors and attendance at fashion fairs. This story is told through changes to the firm's recruitment process, coordination, leadership, job role responsibility, design and purchasing function processes, and sales and marketing are presented. However, while Chapter 5 is a crucial building block towards answering the research questions, the next challenge was to explain how does a firm's resource base change and develop during internationalization and why (cf. Pettigrew, 1997; Van de Ven, 1992). Furthermore, how do firms build dynamic capabilities for internationalization?

Chapter 6 is concerned with explaining how the events that were identified in the data unfold over time and why they unfold in that way (Langley, 1999; Van de Ven & Huber, 1990; Pettigrew, 1997) with the purpose of increasing an understanding of how and why a firm's resource base changes as firms internationalize. The analysis begins by discussing the five phases of the firm's internationalization: first international activity, re-considering internationalization via agents and distributors, an increase in indirect and direct exports, rapid internationalization, international and organizational challenges, and rebuilding and stabilizing the organization.

Each event category within and across the five phases was a representation of the theoretical concepts of building, integrating, reconfiguring and leveraging a firm's resources (ref). For When analyzing, for example, Twist & Tango's recruitment process, the ability of the firm to build their resources and capabilities was evident, which highlights that they moved from acquiring resources that did not reflect the knowledge needed for international expansion to acquiring resources that enabled the firm to expand and maintain business relationships. The recruitment process also highlighted how the firm changed overtime in terms of the knowledge needed to support international expansion.

Another example was the development of coordination and leadership. Analyzing the five phases through the lenses of the theoretical framework illustrates that the integration of knowledge was difficult and shows how they managed that integration changed over time, specifically, stabilizing, pioneering, and enriching capabilities (cf. Sirmon et al, 2007). Phase Two implies that the firm could develop new capabilities by acquiring an export manager. However, despite the Export Manager having the knowledge of how and where to expand into international markets, it was important that this knowledge was integrated and developed together with the firm's internal processes. Therefore, integration problems evolved.

The analysis of each phase discusses the internal challenges, responses, and outcomes seen through the lens of the theoretical chapter, providing insight into how firms build, integrate, reconfigure, and leverage their resource base during internationalization. The analysis of the five phases brought forward important findings related to commitment, learning, knowledge, and the importance of simultaneously managing the core building blocks of dynamic capabilities. Therefore, the analysis proceeds by confronting the findings with the theory surrounding the main variables of the internationalization process (e.g., Johanson & Vahlne, 2009) which are also important variables surrounding capability development (e.g. Teece, 2007; Helfat et al, 2007).

The analysis concludes by integrating the main findings of the case to develop a model and draw insights for how firms build dynamic capabilities and develop and change their operational capabilities of the firm.

3.3 Quality of the Study

The quality of the study is discussed below with reference to confirmability, credibility, transferability, and dependability. In doing so, I also establish the trustworthiness of this thesis (cf. Riege, 2003; Krefting, 1991; Guba, 1981).

3.3.1 Dependability

Many qualitative methods are tailored to the research situation and follow a hermeneutical circle that guides the research process in terms of how a researcher conducts and chooses to present the study (Krefting, 1991; Guba & Lincoln, 1994). The following measures were taken to reach the right level of dependability and to show indications of stability and consistency in the research (cf. Riege, 2003). Firstly, a detailed description of the research design, including data collection and the analytical process, was presented (cf. Krefting, 1991; Lincoln & Guba, 1985). This description was developed to ensure a reader can track the development of insights and the analytical process that was applied in the study (cf. Guba, 1981).

Complete records were kept of all phases of the research process and include interview transcripts; evidence of the firm's agenda and meetings—specifically administrative documents such as written reports of events—job descriptions, organizational charts, routines, and procedures; newspaper clippings and articles appearing in the mass media; and financial reports including budgets, profits, and international sales vs. domestic sales (cf. Yin, 2003). Having complete records ensures for examination following the completion of the study (Bryman & Bell, 2015).

3.3.2 Confirmability

To ensure that the findings were shaped by the interviewees, to reduce investigative bias (Guba, 1981) and to ensure the minimization of personal values and theoretical inclinations (Bryman & Bell, 2003) the following measures were taken.

Firstly, the consistency of data collection was ensured by using tape recorded interviews, transcriptions, and written notes. In line with Lincoln and Guba (1985) and Riege (2003),

data such as transcriptions, notes, and documents were retained for use in later inspections. In addition, the detailed presentation of the case in Chapter 5 allows for readers to judge whether inferences based on the data are logical during the data analysis phases as well as for checking the quality of the findings and interpretations (cf. Riege, 2003).

Accounts of the coding process and how the event categories were developed and presented in the empirical chapter were included. In addition, triangulation was used in the study and is discussed in this chapter to promote confirmability and reduce the effect of investigator bias (e.g., Larsson, 1990; Pauwels & MatthysSENS, 2004).

3.3.3 Credibility

Credibility involves the approval of research findings by peers because realities may be interpreted in multiple ways (Riege, 2003). The following measure was taken to demonstrate that the study was carried out credibly (cf. Riege, 2003).

The use of a longitudinal design enhanced internal validity by ensuring that key events are accurately placed in a sequence and facilitate the detection of possible cause and effect relationships (Leonard-Barton, 1990; Langley, 1994). To ensure a congruent explanation of the empirical event categories (cf. Shenton, 2004), certain measures were taken throughout the study. Firstly, the longitudinal case study design allowed for an extended data collection time period (cf. Krefting, 1990). This was important for creating trust with the interviewees, who then felt more comfortable in providing detailed information about the firm's situation as the study continued. The length of the study also allowed me to check interviewee perspectives against each other, decreasing errors and/or confirming the research response of interviewees (cf. Krefting, 1990). Furthermore, the collection of both synchronic and diachronic data resulted in a temporally rich qualitative data base (Soulsby & Clark, 2011).

Deep immersion into the processes, which raised its own reflexive challenges, did not guarantee that I would be able to comprehend "an event" at its location in a sequence (Soulsby & Clark, 2011). Therefore, follow-up interviews were always conducted to capture events that could not be discussed at the initial interview.

Conducting retrospective interviews presumed the ability and willingness of the informants to accurately recall the historical events. This also presumed that the interviewees would "avoid those personal, professional and political motives that, in creating nuance or distortion, may distance or detach their accounts from reality they purport to describe" (Soulsby & Clark, 2011, p. 278). In addition, the nature of retrospective accounts might mean that "interviewees are hindered in their ability to recall events and determine the events cause and effect" (Blazejewski, 2011). As mentioned throughout this chapter, the term 'triangulation' was the main strategy used to ensure that certain events were described similarly by several interviewees (cf. Riege, 2003).

Additionally, using a case study approach gained credibility by thoroughly triangulating descriptions and interpretations, not just in a single step, but also continuously through the study (Stake, 2005). To account for limitations that could arise from retrospective accounts

of events, triangulation techniques were applied. In order to account for the retrospective accounts of the case firm's history (1997-2007), informants' stories of how and why the firm's resources and capabilities developed as they did were compared to other informants' accounts of the same process. That is, those employees who had been with the firm since 1997 were all asked to discuss their historical accounts of the firm. If there were discrepancies, I was able to conduct member checks (Merriam, 1998) via contact with the informants over email or phone, and, at times I was able to conduct an extra interview to clarify any possible discrepancies.

In this thesis, multiple data collection techniques such as primary secondary and few observations decreased risk to post-rationalization. Furthermore, numerous knowledgeable respondents from different functions were used to gather a view of the phenomena from diverse perspectives, which also provided increased credibility of the data (Eisenhardt & Graebner, 2007).

In addition, the research findings were discussed and presented during the course of the study, which ensured that I remained honest during the process (cf. Krefting, 1990). I submitted my research to Founder A and to the CEO for confirmation that I had understood the firm's changes and what they went through during internationalization (cf. Bryman & Bell, 2015).

Reframing questions, repeating questions, and expanding questions during different occasions along the process was also conducted (cf. Krefting, 1990). For example, in order to create a clear account of phase four, whereby the design and purchasing team was reorganized, follow-up questions and similar questions were posed to different interviewees.

3.3.4 Transferability

The study at hand concerns theory development in the area of resource base development and change during an internationalization process. Therefore, the study does not make claims about generalizability. I therefore used the interviews to build a database that allowed for the possibility of transferability judgments (cf. Lincoln & Guba, 1985). This was achieved through a rich description of the case firm in Chapter 5, providing a guarantee against the temptation to rely on a single theoretical lens. This also makes it possible to use and synthesis multiple theories into new conceptual developments (cf. Doz, 2011; Geertz, 1973). In addition, the context of the research is presented in Chapter 4, which allows for readers to assess how transferable the findings are for other firms within the same industry (cf. Krefting, 1990).

3.4 Limitations

This study has limitations related to empirical data collection. Firstly, as was mentioned in this chapter, Founder B was not interviewed, which can be seen as a limitation to the study. Founder B, being part owner of Twist & Tango as well as the main designer from 1997–2008, had extensive knowledge of the firm and its internal processes. Efforts were made on several occasions to organize an interview; however, due to circumstances it was not possible. To ensure that I captured the necessary data regarding the history of the design and

purchasing department, I triangulated the data from the Assistant, Sales Manager, and Founder A to ensure the collection of detailed and similar stories regarding.

Secondly, the primary source of data between 2011 and 2015 were interviews conducted with the CEO. There was the possibility to extend the research process, and in order to maintain contact with the firm and collect rich data related to internationalization and the internal processes, the CEO was chosen as the main interviewee for the following reasons: her ability to give detailed descriptions and assessments of the overall changes and developments occurring in the firm; her involvement in the internationalization process of the firm as export manager; and she was also willing to cooperate and provide data throughout the duration of the study. To ensure that I captured the organizational crisis that occurred in 2011, I made sure to interview Designer2 as well as the new financial manager.

Thirdly, the turnover in personnel was a typical challenge, as mentioned in this chapter. A limitation was the inability to conduct a follow-up interview with the Assistant (referred to as Financial Manager in 2009), who left the firm in 2011. This was overcome by interviewing the Assistant's replacement and conducting follow-up interviews with the CEO.

Finally, the study is a single case study, which limits the ability to generalize the findings across the Swedish fashion industry and even other industries. However, as was discussed previously in this chapter, the study did not intend to generalize the findings.

Chapter 4 The Swedish Fashion Industry - Twist & Tango

In this chapter, an overview of the research setting—the Swedish Fashion Industry (SFI)—is presented. A general background of the SFI is provided, followed by a discussion on the current status of the industry. The purpose of this discussion is to provide an understanding of the processes fashion firms have to manage and provides the foundation upon which firms are faced with the challenge of the increasing complexity of those processes during internationalization. The chapter concludes by placing Twist & Tango in the context of the SWI and provides a short introduction to the firm.

4.1 History of the Swedish Fashion Industry

The Swedish textile and clothing industry originated in the Gothenburg area and later developed in the southwest region, with Gothenburg and Borås as the industrial centers (Hauge, Malmberg, & Power, 2008; Lee & Östberg, 2013). The textile and clothing industry was one of the core industries in that region. However, during the 1960's and 1970's, the industry faced a series of threats leading to dramatic structural changes (Lee & Östberg, 2013; Hauge et al., 2009). Wage levels increased due to strong labor unions (Segerblom, 1983 as cited in Knudsen & Lin, 2007), and the introduction of free trade policies brought an influx of imports from Asian countries (Gråbacke & Jörnmark, 2008; Hauge, 2007; Lee & Östberg, 2013). These changes placed enormous pressure on the actual production of clothing and textile, consequently leading to production being outsourced to countries with lower manufacturing costs, such as Portugal, Estonia, and China. Today, many companies are moving their production to Eastern European countries as opposed to China in response to competition from retailers like Zara, which are able to push the latest trends quickly by sourcing close to home (Hines & Bruce, 2007).

The outsourcing of production transformed the Swedish clothing and textile industry from being producers of clothing to fashion-oriented companies engaged in trading clothing rather than producing it (cf. Lee & Östberg, 2013). The focus was redirected to the more value-added activities like design, marketing, and distribution (Hauge, 2007; Hauge et al., 2009). With the increased interest in fashion and design, marketing, and distribution, this period paved the way to what we now call the SFI. The term “fashion industry” is often used synonymously for “clothing and textile industry”. However, these terms should be differentiated: The clothing and textile industry deals with the material side, while the fashion industry relates to the non-material aspects of fashion. This non-material aspect can be referred to as “immaterial production” (Lee & Östberg, 2013) and is related to the design, planning, communication, marketing, and distribution of clothing. The SFI is defined here as a large industry where the design and trade of clothes, shoes, bags, and accessories are included (Sternö & Nielsén, 2016). While the production of clothing in Sweden has declined, the design, product development, marketing, and distribution have become the main focus for fashion-oriented companies (Gråbacke & Jörnmark, 2008).

Hennes and Mauritz (H&M), which is the world's third largest retailer, is an example of a large chain store that became successful during the eradication of the clothing and textile industry in Sweden, which resulted in the change from manufacturing to design, product development, market, and distribution. Already, in the 1960's, H&M was producing and buying from Asian countries. Swedish fashion began to gain attention from consumers both on the Swedish market and internationally over the three decades, partly due to the success of H&M (Lee & Östberg, 2013). H&M's success is largely due to their focus on providing low-priced garments that reflect the current trends in the European, US, and Asian markets (Lee & Östberg, 2013). The company is known for its expertise in supply chain management and has been very successful over the years. Other companies like H&M, i.e., large retail chains, have also contributed to the success of Swedish fashion are Lindex, KappAhl, MQ, and Dressman. However, the SFI is more than the success of the larger players. Creativity feeds Swedish fashion, and most of Sweden's major brands are small and/or small- and medium-sized companies that started out as small independent brands with an international appeal.

Some of the most successful of these creative fashion designers are Filippa K, Acne Jeans, WesC, and Odd Molly. These designers started their businesses in the 1990's, and it was during this period that several Swedish fashion designers started to receive international success. This continued into the 2000's with more fashion designers and brands making their way into the industry. Some of these brands include Nudie Jeans, Cheap Monday, and Anne-Sofie Back, to name just a few (Gråbacke & Jörnmark, 2008). The 2000's was an important era for Swedish fashion attracting the attention of international consumers. The success of Swedish brands internationally during this time was the beginning of what is called the Swedish Fashion Wonder (Gråbacke & Jörnmark, 2008). The term refers to the rapid development of Swedish fashion as a whole, both domestically and internationally. The main explanation behind the term "Swedish fashion wonder" is that these designers challenge the international fashion concept by combining high design and low prices (Swedish Institute, 2013). Swedish fashion is also considered to be wearable, trend-sensitive, functional, and price worthy. In addition, a sustainable consciousness has long-permeated the work of fashion, and Swedish fashion has a reputation for high quality as well as high social and environmental responsibility (e.g., Nudie Jeans, Uniforms for the Dedicated; Swedish Institute, 2013). Sustainability has become a natural part of the Swedish approach. With all these factors combined, Swedish fashion continues to grow and increase its presence both domestically and internationally.

4.2 The Status of the Swedish Fashion Industry

The Swedish fashion industry has developed into a competitive industry where the total turnover has been increasing at a faster rate. The total turnover in 2015 was 304.7 billion SEK, which was an increase of 15.3% compared to 2014. This shows the fastest surge in total turnover since 2011. A large part of this increase can be explained by exports, which increased by 19.6%, while turnover in the domestic market increased by only 7%. Table 2 presents the total turnover along with export and domestic figures for the years 2011–2015.

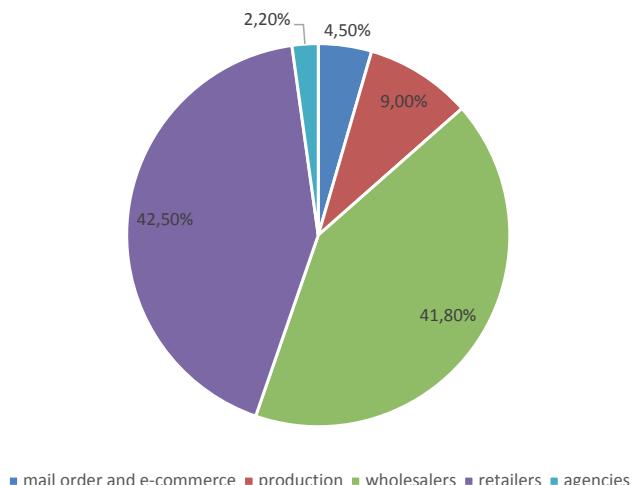
Table 2 Turnover of the Swedish Fashion Industry (Billions Kr) 2011–2015

Year	Swedish Fashion Industry		
	Domestic Market	Export Market	Total Turnover
2015	97.9	206.8	304.7
2014	91.4	172.9	264.3
2013	89.8	147.4	237.2
2012	91.3	138.0	229.3
2011	83.2	123.9	207.2

Source: Sternö & Nielsén (2016)

The fashion industry is Sweden's fastest growing export industry, a statement made by Emma Ohlson, general secretary for the Association of Swedish Fashion Brands (Englund, 2015). In fact, 2015 was Sweden's seventh largest export market year (Lindstedt, 2015). Table 2 also shows that the industry increased its exports by 40% since 2011. A major reason that the export figure is larger than the domestic figure is due to H&M's turnover. H&M's turnover was 181 billion kronor in 2015, which accounts for more than half of the total turnover within the fashion industry in Sweden. Also, the largest percentage (96%) of H&M turnover comes from exports. When we exclude H&M's turnover from the domestic market and the export market, 91 billion kronor of the turnover was due to the domestic market and 32 billion due to exports. However, excluding still H&M from the numbers, the export market is still increasing from 12.2% from 2013–2014 to 18.1% from 2014–2015. The total turnover in 2015 can also be broken down into mail order and e-commerce, agencies, production, wholesalers, and retailers (see Fig. 2) Wholesale and retailers accounted for the largest sector in 2015, representing 41.8% (51.7 billion) and 42.5% (52.6 billion) of the total turnover, respectively. Mail order and e-commerce together accounted for 4.5% (5.6 billion) and agencies 2.2% (2.7 billion) of the total Swedish fashion industry.

Figure 2 Total sales 2015, broken down by sector, excluding H&M.



Most companies within the fashion industry are very small, meaning they are one-person companies; they comprise 62% of all companies and make up 5% of the total turnover in the fashion industry. Micro companies (defined as having 1–9 employees) make up 33% of all fashion companies and 21% of the total turnover. This means that 95% of companies are run by 10 or fewer employees. Companies with 10–49 employees are considered small companies and make up 4% of the industry (26% of total turnover); medium–large companies (50–249) make up 1% and bring in 18% of the total turnover; and companies with more than 250 employees make up only 0.1% of all companies within the fashion industry, bringing in the largest percentage of 30% of the total turnover (see Table 3).

Table 3 Industry Structure Based on Company Size, Excluding H&M

	One-person Firm	Micro Firm	Small Firm	Medium–large Firm	Large Firm
No. firms	10638	5679	625	95	23
Employed	0	14909	12192	9890	19999
Turnover					
Domestic	5209	30311	21773	13996	24877
Export	642	2473	6844	5548	7476
Total Turnover	5851	22784	28784	19544	32353

Source: Sternö & Nielsén (2016)

The small firms bring in 30% of exports compared to medium firms, which bring in 24%, and large firms, which bring in 33%. Despite the number of small firms (625) compared to large firms (23), the larger firms still dominate the market turnover.

Table 4 illustrates the turnover with and without the large retail chains to illustrate that, despite the numbers of large firms in the Swedish market, they still dominate the market in terms of turnover with regards to exports. However, the small- and medium-sized firms still have almost an equal share of the domestic market.

Table 4 Turnover 2015 (Billions Kr)

Turnover				Percentage	
	Domestic	Export	Total	Domestic	Export
Whole market	98	207	305	32	68
Exclusive H&M	91	32	124	74	26
Exclusive large retail chains	81	30	111	73	27

Source: Sternö & Nielsén (2016)

Fashion companies can be categorized into two main types: vertically integrated mass market retailers and niche brand-oriented companies (Hauge et al., 2009). As the figures in Table 4 illustrate, retail chains dominate both the exports and home markets. These are referred to as the vertically integrated chain retailers because they cover almost every activity from design, marketing, distribution, and retail in-house, with the exception of production (Hauge et al., 2009; Lee & Östberg, 2013). The largest of these is H&M, and also includes KappAhl and Lindex. As the figures show, these companies account for most of the market share when it comes to export and domestic turnover.

Alongside the larger retail chains are the micro, small-, and medium-sized firms. Their main competitive advantage rests on the brand and the brand management (Hauge, 2009). These are referred to as the commercial designers (Lee & Östberg, 2013). Examples of this group are Acne Jeans, Nudie Jeans, Velour, Whyred, Uniforms for the Dedicated, and Twist & Tango. This group differs from the larger chains in that their products are sold in department stores and other retail stores, while the vertically integrated chain stores deal exclusively with their own products in their own stores. These firms have had a large impact on the Swedish market due to their noteworthy growth over the last two decades. However, as will be discussed in Section 4.4, in order to be successful these firms have to manage numerous challenges.

Finally, the size of the Swedish fashion industry can be described in relation to the total employment figures across the different industries. For example, the fashion industry employs a total of 58.452 million people, which is larger than both the timber and pulp/paper industry and the food industry, which employ 56.912 and 45.975 million people, respectively. The fashion industry employees more than half of that compared to the vehicle industry, which has a total of 145.063 million employees (Sternö & Nielsén, 2016). We can

draw the conclusion that the Swedish fashion industry is large in size, employing large numbers of people with different talents and skills to bring fashion to consumers (e.g., Hauge, 2007).

4.3 The Fashion System

Designers, new product developers, textile producers, manufacturers, merchandisers, buyers, marketers, technologists, supply chain experts, logistic managers, strategists, and retailers, including front-line customer service staff, are all involved in delivering the best products to the marketplace in the fastest time and at the most competitive price (Hauge, 2007). Overlaying this is that the above processes must be managed and coordinated through complex networks to move the merchandise from the producer to consumer. This highlights that fashion is a holistic process. Fashion is much more than designing; a fashion firm's competitiveness rests heavily upon its marketing, sales, purchasing, logistics, administration, and finance (Hauge & Power, 2008) and the coordination between these aspects and all the related industries involved. Despite this industry being largely dependent on creativity, the management of the rather mundane sides of the business is extremely important. Otherwise, firms would be very short-lived (Hauge, 2012). Starting a brand or fashion label is easy, but starting a business is difficult (Hauge, 2012).

When it comes to retail, larger companies such as H&M have their own retail units that are equipped to continually report back information to the central coordinating unit, which then resupplies and adjusts stocks, initiates new design processes, and production orders accordingly. The small- and medium-sized firms focus on developing relations with key wholesalers to manage the right wholesale stores. This is done through various channels: e.g., department store franchise like Åhlens and Nordic Kompaniet NK, or direct to customers through e-commerce (Gråbacke & Jörnmark, 2008). However, direct retail is another means, such as a brand's own flagship stores or concept stores.

Internationally, smaller firms may choose channels such as agents and/or distributors (indirect export), wholesalers, or direct-to-consumer (direct export) or they may have their own in-house sales (international concept stores) (Holm & Tijburg, 2013). The difference between a distributor and an agent is that the agent does not have legal ownership of the products that are imported. Agents work as intermediaries that take in and manage the fashion company's sales on that specific market. In this way, the fashion company still has control over what the agents do, that is, who agents sell to (Export Council Meeting, 2009). In addition, agents take care of the export companies' sales and negotiations. Companies exploit agents by learning through the agent's experience in that market and their knowledge of and connections in the agents' networks in that specific market (Holm & Tijburg, 2013). According to Twist & Tango, the negative side is that agents can represent several brands and can prioritize one brand over another (Interview 31: Mar. 2015).

Companies may also choose to go through distributors, which import the products and from there have full responsibility over how the brand is positioned and to which boutiques the brand is sold. A firm will usually choose a distributor when entering a market that is geographically far away (Export Council Meeting, 2009). It requires time and resources for

the company to be present in a market, and, depending on the market, customers can be more complex. Most companies use a combination of agents, distributors, and their own sellers with different solutions for different markets. Another way for fashion companies to enter foreign markets is to open up their own concept/flagship store. However, this requires a large amount of turnover. According to a study by Holm and Tijburg (2013), firms need to have at least 10 million SEK in turnover to make their own store worthwhile.

In addition to the above, fashion fairs are considered to be an important related industry and service to fashion firms. Exhibiting or attending a trade show is usually the first step in connecting with an international agent or distributor (Holm & Tijburg, 2013). International fashion shows have become an important platform for Swedish designers to promote their label and Swedish design as a whole (Hauge et al., 2009). Large internationally known fashion cities such as Paris, Milan, New York, and even Copenhagen each hold several fashion shows per year.

The most common fashion shows are located in Copenhagen, London, Amsterdam, Germany, New York and Paris. Paris's different fashion shows are considered to be the most important because they attract buyers from numerous countries. However, it should be noted that the value of attending certain fashion shows is different for all participants. Fashion shows are quite costly to attend, despite being major gateways to the international market. Trade shows can cost between 300-400 thousand SEK each (Holm & Tijburg, 2013). This is a large sum for those small fashion companies whose average turnover can be as low as 100 thousand SEK (Holm & Tijburg, 2013). This drives fashion companies to be selective in choosing the fashion shows that best suit them (Holm & Tijburg, 2013). Stockholm is, therefore, the first gateway into the fashion industry for many Swedish companies.

4.4 Internationalization and the Swedish Fashion Industry

The increase in total turnover in export for firms within the Swedish Fashion Industry has been gaining substantial interest in the media. During 2015 and 2016, reference was made to the export market and how it is rapidly increasing, providing an important platform for Swedish designers to grow and expand internationally (Habit, 2015). An explanation to the increase can also be that the smaller firms can look at the larger firms to learn how they have been successful in their international expansions (Peterson, 2014). In a survey on current and future export markets, the most important markets were the Nordic countries and Germany (Sternö & Nielsén, 2016). Other important markets were identified as the UK, Belgium, the Netherlands, Japan, and the US. From a long-term perspective, Asian countries were reported to be of particular importance in regard to future expansion plans (Sternö & Nielsén, 2016).

The Swedish fashion industry has several internationally successful fashion companies (Holm & Tijburg, 2013). For example, Filippa K is known for their stretch jean and simple timeless style; Anna Holtblad for their simple knits; Acne Jeans for their unisex jeans; Cheap Monday for their low-priced slim washed jeans; Nudie Jean for their organic cotton jeans; and Whyred, who produces clothes inspired by art and music. These are some of the top designers that have become internationally successful. This international success of these

Swedish fashion brands gives the illusion that it is very easy to become well-established, both in Sweden and internationally. The reality is that the majority of companies within the industry are small and need to work extremely hard to establish themselves on both the Swedish and international markets (Jonsson, 2007).

While it is important to have passion and talent to succeed within the fashion industry, it also requires that designers have knowledge surrounding the business aspects of Swedish fashion (Ohlson, as cited in Petersson, 2016). While the export market is increasing, it does not necessarily reflect that firms are able to produce black figures (Ohlson, as cited in Petersson, 2016). Smaller designers, for example, Ida Sjöstedt, who has been in the industry since 2001, chose to focus on the Swedish market where she feels she has control over her label (Petersson, 2016).

Despite the industry growing and the hype around the continued growth in export and total turnover, many of the industry's smaller firms continue to struggle. According Sundberg (2006), one third of the smaller companies do not survive the first three years, and after seven years more than half of them disappear from the market. For example, Fifth Avenue shoe repair and The Local Firm were forced to close down in 2014 (Jakobsson, 2014). Permanent Vacation is an example of a smaller firm that discontinued their brand in 2010. An interview with Lisa Marie from Permanent Vacation (2010) indicated that they found it difficult to manage and organize the purchasing and supply sides of the fashion value chain.

An interview with Uniforms for the Dedicated (2015) highlighted the challenges for these firms during internationalization. In 2013, the firm discontinued their international expansion. Lars Hedberg, managing director of the firm, stated, "We stopped expansion and started focusing on the domestic market". The firm had begun their expansion soon after being founded in 2008, and their turnover increased to 10 million in 2013. The challenge for Uniforms for the Dedicated was that they had the capability to design and sell the products, but they found it difficult to develop the required knowledge about the purchasing, supply, and distribution sides of the value chain. Hedberg stated, "We were not delivering the right amount and we were not delivering on time".

The challenges that the small- and medium-sized firms face have been acknowledged in several studies. A study undertaken by Holm (2013) highlighted several hindrances, such as lack of financing, lack of competent personnel, and lack of time. Challenges also relate to the changing characteristics of the Swedish fashion industry, which is becoming increasingly dominated by large national and international retail chains like the Swedish companies H&M, KappAhl, Lindex, and Gina Trico and Spanish chains such as Zara and Mango. These companies are more focused on price and mainstream fashion, creating a threat against diversity in the industry. As mentioned previously, the total turnover in 2015 for H&M alone (SEK 181 billion) corresponds to more than half of the entire Swedish fashion industry's total sales (SEK 304.7 billion). In addition, fewer but larger retail chains are dominating the market, all having sales exceeding SEK 1 billion (Sternö & Nielsén, 2016), leaving the small- and medium-sized fashion brands in their shadow. This creates a difficult environment for those smaller labels to grow.

In addition, access to large retailing channels is becoming narrower, making it difficult for young designers to reach out to purchasers. Retail chains that sell multiple brands are starting to launch their own brands instead of buying from other designers (Sundberg, 2006). One example from the case data is the large drop in sales from 2009-2010 at Twist & Tango as a result of losing MQ as one of their largest retail outlets. If the distribution channels within the market become smaller, then alternative expansion opportunities have to be found. Internationalization then becomes an important part of a firm's growth strategy. Sundberg (2006) pointed to the importance of selling to boutiques in other countries, for instance.

However, internationalization is not a process on its own. It is embedded in a complex array of resource development and changes that small and medium companies have to organize and manage, which can be difficult for the firms who lack the capability to develop and change their resource base. A problem that many of the small fashion companies face is the lack of resources, not simply financial, but also a lack of know-how (Sundberg, 2006; Statistic & Analysis, 2013; Holm & Tijburg, 2013). Designers are forced to organize areas such as economics and finance, marketing, accounting, sales, legal, and other aspects that they have very little experience in. As they grow, the demand and complexity for managing and organizing these areas only increases (Sundberg, 2006). These are tasks in which the larger chains are experienced.

When an organization is growing, it needs to adapt to the new demands of being an international company. The level of service needs to be high and the company needs to be able to quickly respond to customers in different time zones. Production and deliveries have to be on time, otherwise there are major consequences that extend to financial areas (Holm & Tijburg, 2013). There has been discussion about how the fashion industry as a whole can continue to develop and grow and what support is needed for both new and established companies to grow internationally (Holm & Tijburg, 2013).

Within this discussion, one of the biggest staffing challenges identified is finding creative people with a business drive (Hauge, 2012). Fashion schools endeavor to provide some business training, but they do not do so at a sophisticated level. The students are taught enough about business to understand the basics of a business or a value chain, and to know when other industry expertise is needed (Hauge, 2012). H&M has had a large impact on the development of Swedish fashion on the home market. It has worked like a ground school for those designers and others who have chosen to start up their own companies not only in design, but other aspects of the fashion production process. H&M is one of the most important educational institutions in the Swedish fashion industry, in fact (Hauge et al., 2009). The firm hires young designers and provides opportunities for training. When hired by H&M, new employees usually rotate through departments and learn different aspects of the business. The employee turnover is high and many employees create their own brands and move other companies after a certain period of training (Lee & Östberg, 2013). The firm has also become something of a breeding ground for young designers. Several of today's most renowned Swedish designers have worked for H&M at some point, including Roland Hjort of Whyred, Ann Ring, and Carin Wester. An interview with Nudie Jeans (2010) and

former company Weekday (2010) revealed that JC is an another example of a firm where employees learn and gain retail competence in areas such as purchasing, where production takes place, and the logistics process. “You can have the best design and the most exciting brands, but if it is not delivered at the right time and in the right volume, no one will want to do business with you” (Hauge, 2012). Real education in the fashion industry does not start before students graduate; experience from actual fashion firms is the best education experience.

4.5 Twist & Tango in the Context of the Swedish Fashion Industry

The fact that internationalization seems to be an important strategy for these small- and medium-sized fashion firms who are faced with the competition of foreign and national retail giants suggests that more research on this subject is imperative. Specifically, there is a need to broaden our understanding of the learning and knowledge processes that create the organizational capabilities needed for resource development and change so that smaller Swedish firms are better able to manage and organize the international challenges with which they are faced. Twist & Tango, which was discussed in Chapter 3 as providing an appropriate case setting to see these changes, started as a micro firm with just two employees: Founder A and Founder B. It has grown to a small firm with 31 employees. The firm has its place in the second category mentioned in Section 4.3, commercial designers.

Founder B’s professional background is in design and purchasing. Her working career began as a buyer for KappAhl, a Swedish-based international clothing chain founded in 1953. Founder B continued her career as a buyer for Solo, a Swedish fashion label established in 1981 that today has stores in Malmö, Helsingborg, Gothenburg, Linköping, and Stockholm. Founder A’s professional background in sales, purchasing, and importing emanated at his father’s company, a wholesaling company in Sweden, known then as Emil Sherman AB. During Founder A’s employment at Emil Sherman he gained experience in most support processes of relevance within the fashion industry. He expressed, “It was actually at my father’s company that I learnt everything about the fashion industry in relation to production, purchasing and sales”. Subsequently, he began working for an agent who represented Danish fashion brands on the Swedish market. After working for the agent for approximately one year, Founder A wanted to be more involved in the overall design process. “I wanted to apply my experience gained from my previous employment in the wholesale clothing business and work closer with the design process”. During this time, the agent that Founder A worked for mentioned that his partner was interested in starting a fashion label. He introduced Founder A to his partner Founder B, and this is when the idea behind Twist & Tango was born.

In 1995, Founder A and Founder B decided to start their own fashion label. Founder A worked full-time with the brand whilst Founder B worked part-time. Founder B continued her employment with Solo and worked part-time with Twist & Tango. During the first two years the founders worked from Founder A’s apartment. Founder B was responsible for the design and purchasing processes of the fashion brand. She worked with the help of friends and the contacts she had built through her employment at Solo and KappAhl. Founder A was

responsible for the business side of the company, including sales, marketing, administration, and finance, as this was where his experience lay.

The fashion brand started with the design of three knitted cardigans in two different colors, with a vision of creating women's clothing with an effortless and timeless approach to modern fashion. The first design of cardigans was produced in the Far East with a supplier Founder A had contact with during his previous employment with Emil Sherman AB. The finished cardigans were then delivered to Founder A's apartment and after two weeks they sold out. This was described as a success for the Founders, and it encouraged them to fully start their new fashion brand. They decided to proceed and make a new collection, as Founder A conveyed: "Selling the cardigans in two weeks was a sign that this was working, from here we decided to set the start of the company".

Not long after, in November 1995, the first boutique was opened on Haga Nygatan, in Gothenburg, Sweden. Founder A and Founder B wanted to have a store where they could show their fashion label with the whole spectrum and color scheme and communicate the image of the brand to customers. However, not having a whole collection to fill a boutique, they began working as a small retailer selling brands such as Diesel and Bondelid alongside their own brand, which they named Twist & Tango.

The firm began internationalizing in 1997 via agents and distributors; however, they faced similar challenges as other companies as outlined in Section 4.4. In 2000, they made the decision to cancel all agent and distributor contracts. However, the firm continued to grow in the domestic market. In 2007, they made the decision to internationalize again. In 2015, the firm had developed from a small boutique in Haga to having six concept stores in Sweden and international agent and distributor relationships in Denmark, Greece, France, the UK, Spain, Belgium, Germany, Norway, and Holland. Since 2015, the firm has continued to innovate and expand their products, with recently added product groups such as kids and sportswear, together with the firms' continuously expanding accessories program, including shoes, eyewear, and underwear. The company's journey between 1997 and 2015 is discussed in Chapter 5.

Chapter 5 Internal Change and Development during Twist & Tango's Internationalization Process

Chapter 5 describes the internationalization process of Twist & Tango and the corresponding organizational changes and developments that the firm experienced during its increasing involvement in international operations. The process is presented using a chronological time sequence divided into five phases, with each phase connected sequentially. All phases begin and represent the firm's internationalization process during a particular time frame through a description of fashion fairs and the development and/or discontinuation of agent and distributor relationships, which are referred to under the heading of indirect export. Reference is also made to direct export. After firms' internationalization process is presented, the internal changes to the firm are presented and described within the areas of sales and marketing, design, purchasing, logistics, and human resource processes.

The order in which the different subheadings are presented can differ from phase to phase to keep a flow of the chronological events that unfold. In addition, new areas are introduced in later phases. Finally, within each phase, certain job positions are discussed before that position has been introduced and explained. These intricate details are to ensure proper flow in the text.

Phase one, Section 5.1, is divided into two-time periods: 1997-1999 and 2000-2006. The first period focuses on the organizational changes that unfolded during the firm's first international expansion. During that period, the founders of the firm discovered that there was a lack of knowledge and time to fulfill the ongoing requests that arose on the international market. The lack of knowledge and time resulted in the discontinuation of all agent and distributor contracts. Period two illustrates that international developments via agents and distributors were put on hold with a main focus on developing the brand across Sweden.

Phase two, Section 5.2, is a representation of the firm's reconnection with the international market by means of agents and distributors and their expansion process. This phase is also divided into two-time periods, the first describing and focusing only on the decision to start internationalizing through indirect export (2007), and the second-time period introducing the internationalization process using agents and what impacts this had on the firm's internal organizational developments during the time period (2008-2009).

Phase three, Section 5.3, represents a rapid increase in international export during the time period May 2009 – Dec. 2010. The firm began to grow in the international market with an increase in international agents, participation in new fashion fairs, and potential new discussions with international agents. The organizational changes that unfolded represent an

organizational change process the firm implemented to respond the challenges of leadership, job responsibility, and coordination that evolved during phase two.

Phase four, Section 5.4 represents a crisis to the firm's internationalization process. Despite the organizational changes that took place during phase three, in 2011 Twist & Tango was confronted with the cancellation of agent contracts, resulting in a loss in turnover. As a response, changes began to take place within the design and purchasing department that are the main focus in phase four.

Finally, phase five, Section 5.5, addresses the critical issue of rebuilding and stabilizing the organization between Jan. 2012 and May 2015. The phases all conclude with a summary highlighting the firm's organizational challenges, responses, and outcomes depicting a process of change and development to the firm's resource base over time.

5.1 Phase One-First International Activity

5.1.1 Time Period 1997–1999

5.1.1.1 Fashion Fairs

Twist & Tango's internationalization process began in 1997 and was initiated during the firm's participation at Stockholm Fashion Week. During fashion week in Stockholm, the firm was approached by a creative director, Jan Busch Carlsen, who was responsible for the Nordic Design Corner at the annual fashion fair held in Copenhagen, the Bella Center Fair. The creative director saw great potential in Twist & Tango's design and encouraged them to take part in the Bella Center Fair. Founders A and B, interested in displaying the Twist & Tango brand outside Sweden, decided to participate at the Bella Center Fair. Founder A expressed his enthusiasm: "*It was very exciting for us to go to Copenhagen and display our clothes for the first time and in the Nordic Design Corner*" (*Interview 1: Feb. 2008*). During the Bella Center Fair, Twist & Tango was displayed amongst Swedish design led brands, including Hunkydory and Filippa K, as well as several Danish designers. International buyers that were interested in these designers and other Nordic brands had the opportunity to discover Twist & Tango.

Progressing further, in Jan./Feb. 1998 the firm attended the Copenhagen Fashion Fair, referred to as CPH Vision. The creative director of the Bella Center Fair moved the Nordic Design Corner to CPH Vision, where Twist & Tango then followed. The firm discontinued attending the Bella Penta Center Fair and continued attending CPH Vision twice a year. They attended summer 1998, Jan. /Feb. 1999, and again during the summer of 1999 (Appendix 4).

5.1.1.2 Direct and indirect export

The Bella Center Fair was Twist & Tango's platform for the Danish market, and the firm began directly exporting to customers in Denmark. Founder A mentioned the firm's first exporting activities: "*After the Bella Center Fair we were exporting to our first international customers in Denmark and began to see possibilities to reach out to the Danish market*" (*Interview 1: Feb. 2008*). Moving forward and launching the firm's first full collection at

CPH Vision, Twist & Tango was approached by an agent requesting the opportunity to represent and expand Twist & Tango in the Danish market. The firm's instant reaction was yes. The Assistant¹ expressed Twist & Tango's excitement when stating: "*Of course, this is so cool*" (*Interview 7: Apr. 2009*).

During the summer of 1998, CPH Vision attracted not only Danish, but also Swedish, Norwegian, and Finnish designers and buyers. The fashion fair became an exclusive platform for both established and up and coming designers in Scandinavia. During the firm's attendance at CPH Vision, they were approached by an agent from Norway, who represented Swedish brands, e.g., Filippa K., and requested to represent Twist & Tango in the Norwegian market. Following the firm's correspondence with Norway, the firm received a phone call from an agent in Finland wishing to represent the brand in the Finnish market. The firm had the same reaction as previously and said yes to both agents. The Assistant expressed her reaction: "*We were so excited that international buyers were interested in Twist & Tango*" (*Interview 7: Apr. 2009*). By participating yearly at CPH Vision the firm began to see further possibilities to build their brand not only on the Danish market but in the whole of Scandinavia, as articulated by Founder A: "*... buyers from Scandinavia started to visit CPH Vision, which meant that we started to have customers in Norway and Finland*" (*Interview 1: Feb. 2008*).

Already, in 1999, CPH Vision had begun to develop into a well-established international fashion fair. The fashion fair was growing and began to attract designers and buyers from Scandinavia and around the world. It became a popular fashion event for international buyers from Japan in the east to the United States (US) and Canada in the west. Twist & Tango benefited from CPH Vision's development and began to reach out and directly export to customers outside Scandinavia, as was communicated by Founder A when he said "*... after a few years CPH Vision became very interesting for international buyers from around the world, which resulted in customers from Holland, Great Britain, Dubai and a distributor in the US*" (*Interview 1: Feb. 2008*).

5.1.1.3 The Sales and Marketing Function

Since 1997, Twist & Tango's domestic and international sales have been increasing, making it difficult for Founder A to cope with the workload. Despite the increase in sales, however, there was a marginal decrease in the firm's turnover by 2% between 1997 to 2000, and the firm's operating profit decreased to a negative figure by the year 2000 (Appendix 9).

The firm, which was growing in terms of direct and indirect exports in both the international and Swedish market, began to employ staff that could cover areas such as administrative support, customer support, logistics, and sales. Twist & Tango's first employee was the Assistant, who began in 1997. The firm needed an employee that could manage the administrative tasks, such as opening mail, unpacking clothes that were shipped in from their suppliers, answering the phones, and overall back office support.

¹ The Assistant was employed in 1997. This is introduced in the following section on internal organizational changes.

While the firm was increasing its direct and indirect exports during the years 1998–1999, they were gradually becoming more established in the Swedish market by increasing sales to retailers and boutique stores across Sweden. The sales increase led to a further development in the Assistant's role, wherein she became sales support for the customers in Gothenburg. However, this did not suffice and the increased sales demanded more sales support. With the purpose of developing customer relations and maintaining and strengthening current relations within Sweden, Founder A divided the sales role into two job descriptions: a sales representative to cover the north of Sweden and a representative for the south of Sweden.

The Assistant was performing well with sales, therefore Founder A decided to increase her responsibilities even further and expressed this as: "*You are really good at sales, would you like some customers of your own?*" (*Interview 7: Apr. 2009*).

However, as time passed, the Assistant realized that being responsible for both sales in Sweden, back office support, and the increase in customer enquiries was demanding. In response, in 1998, Twist & Tango hired an employee with the purpose of taking calls from customers in Sweden and the international customers and agents the firm contacted during CPH Vision. The job role was labelled customer service. By the year 1999, the Assistant had become the sales manager for Gothenburg and the south of Sweden, and Founder A hired a dedicated Sales Manager to manage sales in Stockholm and the north of Sweden.

The Assistant's role developed further when she slowly started working with the firm's finances and accounting. Since 1995, Twist & Tango had outsourced their bookkeeping, but over time the Assistant slowly began to take over this function. However, her role became demanding and it became difficult to juggle the different responsibilities. She decided she was no longer interested in working with sales and voiced this when saying: "*I am done with sales because it is not really where my heart is*" (*Interview 7: Apr. 2009*). She then made the decision to attend some speed courses in bookkeeping in the year 2000. The external accountancy firm also acted as her mentor, slowly teaching her what she needed to know. This resulted in her eventually taking over the firm's finances and accounting.

5.1.1.4 The Design and Purchasing Function

In 1998, the first full collections were launched at CPH Vision (Appendix 4). Participating at CPH Vision and with the increase in international exports, Founder B needed to design two new full collections each year, one for Spring/Summer (SS) and one for Autumn Winter (AW). However, despite international growth and the need to design two full collections, Founder B managed the design and purchasing functions in the same way as before, prior to having international customers. She was responsible for designing the collections; the purchasing process, which involved placing customer orders with Twist & Tango's suppliers; and delivery from suppliers and delivery to customers, which required sending out the orders to the firm's respective customers. Overall, these processes were undertaken with the help of previous business contacts that Founder B made during her time with KappAhl and Solo and with the support of the Assistant and the Sales Manager.

The design process involved making sketches and creating the fit and measurements for each piece of clothing. Founder B carried out this process with the help of an external consultant. Once the sketches were complete, they were presented to Founder A, the Assistant, and the Sales Manager. Together, they discussed the prices, colors, and fabrics. Fabrics were then sourced from different fabric and textile fairs that offered designers the opportunity to touch a large range of fabrics. The sketches and fabrics were sent to the Twist & Tango suppliers, a small supplier in China and Lithuania to create a sample collection that could be presented to the employees of Twist & Tango. Together, Founder A, Founder B, the Assistant, and the Sales Manager discussed which styles to keep and which styles to disregard. Therefore, some samples needed to be thrown away and new ones created, a process described as inefficient by the Sales Manager: *"The way the design process was managed and the number of people involved in the design process meant that Founder B needed to remake the sketches several times"* (Interview 12: Oct. 2009).

Once the sample collection was agreed upon, the collection was then presented at CPH Vision in 1999. After the fashion fair, Twist & Tango took out certain design pieces and the Assistant stated: *"...after attending CPH Vision, at times, Twist & Tango discussed further which styles to keep and not keep"* (Interview 7: Apr. 2009). The design process was described as informal due to the number of people involved in the process and the change in styles after presenting the collection to Twist & Tango and at CPH Vision. This was exemplified by the Sales Manager: *"everyone was involved ...during the design process I sat here and the Assistant sat there, and almost all the employees would comment on whether the top should be shorter, or the sleeve should be little longer"* (Interview 12: Oct. 2009). After the sales period, i.e., where Twist & Tango customers placed their orders at CPH Vision or in Sweden for those customers in the home market, the purchasing process, which involved placing orders with Twist & Tango suppliers, began. The increase in customers forced the design and purchasing teams to be more aware of freight and supplier costs compared to when the firm only sold within Sweden.

Twist & Tango's internationalization process was not solely reliant on making sales and creating designs. The product needed to be transported from the suppliers to the Twist & Tango office, and then from the office to the Swedish and international customers. All logistics were managed by Founder B, who was responsible for imports and the incoming deliveries of the in-season collection. This required that Founder B verify that all styles and colors had arrived from their suppliers in Lithuania and China and that all the orders were sent to their respective customers.

5.1.1.5 The Recruitment Process

Recruiting personnel was an informal process involving the employment of personnel with no professional background, and was described by the Assistant as being *"rather ad hoc"* (Interview 7: Apr. 2009).

The Assistant's working background was as a sales assistant in a small clothing boutique in the west coast of Sweden, where she began working after high school. The boutique was owned by Founder B's partner, who recommended the Assistant to Twist & Tango. The

customer service employee hired in 1998 did not have experience in handling customer and agent inquiries, and Twist & Tango did not think this was necessary—the firm simply needed someone who could be in the office and answer the phones. The Assistant stated: “*... Founder A and myself did not think it was necessary to have special skills when working in the office with customer support ... the employee just needed to be a friendly person*” (*Interview 7: Apr. 2009*).

The Sales Manager’s employment occurred via a friend of both Founder A and Founder B. The Sales Manager’s professional background was not in sales or the fashion industry. After completing high school, she furthered her studies and in 1999 completed a bachelor’s degree in social work. During the same year she started working directly for Twist & Tango.

Founder B saw the increase in workload while working with the design and purchasing processes; however, rather than employing staff, she utilized the Assistant and the Sales Manager when tasks related to design and purchasing needed to be done. This meant that in addition to the employee’s existing and established job roles, there was a need to take on extra job tasks in other areas when help was needed. The Sales Manager touched on this when reflecting back: “*... I have been involved in everything from sales to purchasing to design, and I am not even a designer*” (*Interview 12: Oct. 2009*). Therefore, the job descriptions were also described as informal, as the Assistant expressed: “*When a certain task needed to be done like help with design, sales, or logistics, we delegated the task to the best person at the time or we would hire someone to help out ... or when we needed things done we just picked the best person to do it*” (*Interview 7, Apr. 2009*).

Despite the international expansion, the firm’s emphasis during 1997–2000 was towards building the fashion label on the Swedish market. The firm did not focus and spent less time learning how to work with international agents. The resources Twist & Tango had and the resources the firm acquired were mostly targeted towards growth in the domestic market, as expressed by Founder A when he mentioned: “*...during 1997–2000 we were mainly focused on building our brand on the Swedish market and less focus was on the international market*” (*Interview 2: Mar. 2008*). This impacted the firm’s next six years with regards to international operations.

5.1.2 Time Period 2000-2006

5.1.2.1 Direct and Indirect Export

In the year 2000, Founder A and Founder B made the decision to stop working with agents and distributors, ending all of Twist & Tango’s direct export contracts with international agents in Denmark, Norway, Finland, and a distributor in America. In addition, no new business contracts were signed with international agents or distributors between 2000–2006 (Appendix 5). However, the firm continued to be present in several markets through the process of direct exporting. Direct exports to Dubai, Japan, Holland, Spain, Germany, Denmark, Norway, Finland, and Great Britain, among others varied from year to year.

The firm experienced working with agents and distributors to be demanding, craving more time and resources than direct export and selling in Sweden. The firm became aware of the reasons why it did not work out with the international agents, for example Founder B stated: “*We did not make any marketing efforts in these countries, we chose the wrong agents and the organization and the Twist & Tango concept was not ready, therefore it took time to reach profitable turnovers*” (*Interview, Jun. 2010*).

The difficulties were elaborated further with the need for ongoing customer support, as expressed by the Assistant: “*... we didn't have time to place their orders or make the deliveries, which required packing the clothes before sending*” (*Interview 7: Apr. 2009*). The firm lacked knowledge of how to write agent and distributor agreements. Twist & Tango also lacked knowledge related to the agent/distributor in terms of their respective experience, background, and product portfolio. The Assistant admitted: “*... we didn't even conduct research on the agents prior to signing contracts with them*” (*Interview 7: Apr. 2009*). Founder A referred to Twist & Tango's lack of experience when saying: “*... the years 1997–1999 represent Twist & Tango's first time on the export market working with agents and distributors, and we were not organized and experienced enough*” (*Interview 6: Mar. 2009*).

Twist & Tango's agent in Norway was an experienced agent and demanded ongoing customer service, for example, immediate answers to questions, order summaries, and material samples. Twist & Tango at that time did not have the resources to keep up with these demands. In the interview, the Assistant expressed her frustration with this situation: “*... I was unable to attend to the agents right away ... I had to complete my book keeping ... The agent in Norway rang on a Friday demanding an order because the agent had promised her customer they would have the Twist & Tango clothes in the store by Monday*” (*Interview 7: Apr. 2009*). The firm was unable to fulfill the needs of the Norwegian agent, so after one and a half years Founder A decided that Twist & Tango would stop working with this agent. Reflecting back, the Assistant stated: “*The Norwegian agent had a high ambition level, and we were still new, so we didn't have the back-office support and we didn't have any experience regarding how to handle agents*” (*Interview 7: Apr. 2009*). The agent in Finland was unsuccessful in selling the Twist & Tango clothes on the Finnish market, and the agent in Denmark went bankrupt. The firm also found it difficult working with a distributor in the US due to the lack of knowledge of the laws and regulations in that market. This issue was expressed when Founder A stated: “*... there are special rules when exporting to America and we did not have this knowledge*” (*Interview 2: Mar. 2008*).

The firm used email and telephone correspondence to maintain direct export relations, but it was difficult for Twist & Tango to communicate their brand via email and telephone to develop close relations. The way Twist & Tango managed their direct exports during that time was not ideal. Looking back, Founder A admitted: “*...maybe our way of managing international customers was not the recommended way*” (*Interview 5: Mar. 2009*).

In parallel to direct export, the firm focused on building the brand in the Swedish market, which was achieved by the successive opening of five concept stores in 2000, 2002, 2003, and 2005, situated in Stockholm and Gothenburg (see Table x). Founder A expressed the

importance of the process: “*Concept stores are important for building the brand name and for the work of our retailers. Retailers are very positive if you have a store where you can show the consumer who you are and what your brand stands for*” (*Interview 2: Mar. 2008*). In addition to concept stores, the firm reached out to large and small Swedish retailers. The large Swedish retailers included Åhlens, MQ, and Sisters, all of whom have stores throughout Sweden, including in Stockholm, Gothenburg, Jönköping, and Malmö, to mention a few. However, to reach out to the smaller Swedish cities like Mora and Nyköping, Twist & Tango also sold to smaller retailer stores that were only present in those cities.

Twist & Tango’s strategy for building their financial capital was to expand across Sweden rather than finding new international agents and distributors. Founder A stated that: “*Our decision to concentrate on the Swedish market was not only good for the brand, it was also good for the financial situation of the firm*” (*Interview 2: Mar. 2008*). Moreover, the firm was successful in their home market and their current boutique store. The strategy was therefore to focus on opening more concept stores as opposed to international expansion. Founder A stated: “*We were successful in our home market and with the successive opening of our concept stores. Therefore, my strategy was to focus on the opening of more Twist & Tango concept stores. Additionally, because we were put under pressure after working with agents, no decision was taken to move forward with this strategy*” (*Interview 2: Mar. 2008*).

5.1.2.2 Fashion Fairs

During 2000–2006, the firm continued to participate annually at CPH Vision. The Autumn/Winter (AW) collections were presented in January, and the Spring/Summer (SS) Collection was presented in August. Both collections were presented 6 to 8 months prior to the delivery dates to the respective customers, both international and in Sweden.

Direct exports required meeting international customers and managing these customer relationships. This process was managed in the same way as Twist & Tango’s first Danish customers in 1997 and the increase in international customers in Scandinavia throughout the years 1998–2000. After meeting a new international customer, Twist & Tango asked a set of questions. According to Founder A, some of these questions included: “... *where is your boutique situated?*”, “*what other brands do you sell in your boutique*”, “*what type of concept is your store?*” (*Interview 5: Mar. 2009*). The idea was to ensure the collections were displayed alongside brands with a similar portfolio, that the fashion brand was attracting the right customers in the respective markets, and that the image of Twist & Tango was properly communicated, displayed, and represented.

The main point of contact with international customers was at CPH Vision. During the fashion fair, the firm had a short time to learn about and introduce the collection and themselves to their customers. However, this was not optimal and made it difficult to present and sell their new collections to the same customer on a regular basis. Maintaining a consistent flow of sales via direct export, i.e., to a customer in Germany, required Twist & Tango to either participate regularly in the fashion fairs where their customers visit or attend CPH Vision on a regular basis. Founder A exemplified this when saying: “*German*

customers, Spanish customers, or customers from other countries who visit us at the fashion show, they love our collection at the time, but it's very hard to keep a tight relation so that they come back and visit us again in Copenhagen. The next season they might attend the Bread & Butter fashion fair in Germany, which means we can't show them our new collections" (Interview 2: Mar. 2008).

5.1.2.3 Sales and Marketing Function

The firm's turnover began to successively increase, with a 500% increase between 2000 and 2006 and a positive operating profit (see Appendix 9). The sales growth was an outcome of the increase in sales within Sweden, the opening of concept stores, and the constant flow of direct international customers. Founder A continued overseeing the overall sales in Sweden and managing the international customers and agents. The Assistant managed the sales for Gothenburg and the south of Sweden along with back office duties and an increased responsibility in bookkeeping. The Sales Manager took care of sales for Stockholm and the north of Sweden, and the customer support was responsible for all customer inquiries that came to the office. A sales assistant was hired to begin working in the first new concept store and became manager of the concept store in Stockholm. The successive opening of concept stores placed demands on the recruitment of sales staff, which was managed by the Sales Assistant, who mentioned: “... we needed new clothes in the stores, we needed to create new designs, and we needed employees to work in the stores” (Interview 13: Oct. 2009). Therefore, new employees were recruited to cover these areas.

5.1.2.4 The Design and Purchasing Function

Founder B continued working closely with design and purchasing, drawing on the help of the Assistant, the Sales Manager, and the external consultant when needed. However, by 2002, Founder B was finding the increase in workload resulting from the increase in both international and domestic customers and the need to develop two full collections difficult to manage. In addition, managing four processes simultaneously, i.e., the design process, the purchasing process, delivery from suppliers, and delivery to customers became even more demanding. For example, while the AW 2000 collection was being delivered, checked, and sent to customers within Sweden and internationally, the purchasing process of the SS 2001 collection was being carried out in parallel with designing the AW collection for 2001. The firm's growth on the Swedish market and continuous work with direct export put pressure on the management and coordination of these processes. The Assistant stated that “... this was possible when the collection was smaller and there were fewer customers; however, the collection needed to grow due to the firm's expansion and as such the workload increased” (Interview 21: Sept. 2010).

The increase in international and Swedish customers put pressure on the efficiency of the design process, the purchasing process, delivery from suppliers, and delivery to customers. Therefore, Founder A discontinued working with the external consultant, as this created a delay in the design process. As a result, Founder A started doing all the sketches, measurements, and fittings in-house and began building the necessary competencies internally by recruiting new staff.

In August 2002, Founder B hired a design assistant for managing and recording orders made by Twist & Tango's international and Swedish customers and for general backup support. In September 2002, a product technician was employed as extra support within the design process. The product technician was responsible for the measurement lists, the sizing system, and summarizing the commission tests, which meant commenting on whether the item of clothing functions according to its design objectives or specifications. She was also responsible for critical measurements with the intention of avoiding problems with the sizing and fit of the clothing. The importance of having a product technician was indicated by the Assistant when stating: “*... the production technician’s job was to ensure that each design piece came out exactly how the designer wanted it to look and function*” (*Interview 21: Sept. 2010*). This would improve efficiency by reducing the number of times the designs needed to be made. Finally, in 2003 an employee was hired to work with sketches.

The firm started working with several more suppliers, which included an additional supplier in China and a new supplier in India, along with their supplier in Lithuania. This further signified the importance of looking into the freight costs. However, this was difficult, as Twist & Tango didn't have a purchasing department, and Founder B drew on the help of her design assistant with regards to purchasing. The Assistant mentioned: “*It was the Design Assistant that addressed purchasing questions related to supplier costs, and she was also assisting in design and helping out with everything that Founder B needed help with*” (*Interview 21: Sept. 2010*). The Design Assistant, whose workload was high, led to the employment of a purchasing assistant in 2005. The purchasing assistant's role was placing orders with the respective suppliers and followed the sales period when the quantity of clothing items for production was registered. The position began as an internship and became full-time employment because Founder B felt the employee performed well. The Assistant mentioned: “*...the purchasing assistant stayed on because she was so good and the design and purchasing department needed someone*” (*Interview 7: Apr. 2009*).

5.1.2.5 The Recruitment Process

The description of the design and purchasing processes above also reflect an increase in personnel in the design and purchasing department between 2002 and 2005, reflecting the increase in workload. The Assistant expressed: “*...Twist & Tango needed clothes in the stores, we needed to come up with new designs, and we needed support to manage our correspondence with our suppliers in Lithuania, China, and India*” (*Interview 7: Apr. 2009*). Twist & Tango employed persons recommended by social and business contacts as well as interns, and reflected on the constant demand for resources within this department, as mentioned by the Assistant: “*...the design and purchasing area required help all the time. Twist & Tango had not only new employees but interns who were coming in and out to help out*” (*Interview 7: Apr. 2009*).

5.1.3 Summary

Twist & Tango's internationalization process developed from the firm's first participation at the fashion fair in Stockholm. During the fair the firm was contacted by the creative director of a fashion fair in Copenhagen, Denmark. This was followed by the firm's participation first

at the Bella Center Fair and then CPH Vision. These events impacted the firm's internationalization process by providing a platform where the firm met international customers as well as agents in Denmark, Norway, and Finland and a distributor in the US. Table 5 is a summary of the firm's organizational challenges, internal responses and outcomes.

The firm faced challenges during the period 1997–2000 that were related to an increase in workload in both the design and purchasing and sales and marketing processes, managing the increase in international and domestic customers, the inability to provide the necessary requests made by the agents, and the lack of time spent on developing agent and distributor relationships. As a result, the firm began to employ personnel within sales, marketing, design, and purchasing and utilized the current employees when certain tasks needed to be conducted. The firm drew mainly on social contacts during the employment process and did not consider the employees' professional background and knowledge of the current job roles needing to be filled.

Starting in the year 2000, the firm began the process of cancelling all agent contracts in Denmark, Finland, and Norway and the distributor contract in the US. The reason mentioned was the firm believed they did not have the necessary resources needed to continue internationalizing via agents and distributors. In addition to cancelling all international contracts, no new contracts were made.

Instead, the firm developed within the home market, developing relationships with retailers and opening their own concept stores. The firm's turnover decreased between the years 1997 and 2000 with a negative operating profit in 2000. During the years 2000 to 2006 the firm continued to recruit staff in an ad hoc manner. The firm utilized current staff when job tasks needed to be done. Employees of the firm were undertaking multiple tasks that were not included in their job descriptions. The firm's turnover began to successively increase, with an increase of 500% by 2006 and a positive operating profit (Appendix 9).

Table 5 Summary of Phase One

Years	Organizational Challenge	Internal Response	Outcome
1997-2000	Dedicating time to international markets	Focus on Swedish customers as opposed to international	Unhappy agents and distributors
	Communication with international customers How to manage international agents and distributors	Cancel agent's contracts	No more international contracts with agents/distributor
	Lack of personnel	Hiring of staff through informal hiring process Utilize current personnel	Inexperienced staff and informal hiring processes Job division
	Finance to continue international activity	Focus on domestic market	Developed concept and organization in Sweden
2000-2006	Inefficient design and purchasing process	No changes made	Inefficiency
	Pressure on the design team	Utilization of current staff	Job role fragmentation
	Trial and error not sufficient for further growth		

5.2 Phase Two-Reconsidering Internationalization via Agents and Distributors

5.2.1 Re-internationalization (2007)

In 2007, Founder A and Founder B reflected on Twist & Tango's development and how they wanted the firm to move forward in the future. Several alternatives were discussed and were mentioned by Founder A: "*We could open a new concept store, try to sell to more retail stores in Sweden, or make a new fashion line, for example a men's collection, or we could go on the export market and focus on international expansion*" (*Interview 5: Mar. 2009*). Before deciding, the firm discussed what they had achieved so far and the goals they had for Twist & Tango. For example, the firm was already well established in Sweden, with five concept stores, two stores, and a sales outlet in Gothenburg, and three stores in Stockholm. They were selling to 200 selected retailers. In addition, the firm had developed throughout Scandinavia, directly exporting to Denmark, Norway, and Finland. Founder A mentioned: "...*we have created and established the brand in Sweden; we are well-known in Copenhagen and have many international buyers*" (*Interview 1: Feb. 2008*). Furthermore, they discussed the foundation Twist & Tango had built in Sweden and its direct exporting, which created a financial base for the firm and was highlighted by Founder A: "*We also have the finance now*" (*Interview 2: Mar. 2008*). The financial situation in 2007 was a 14% decrease in turnover compared to the year 2000; however, by 2007 the firm had positive profit figures (Appendix 9).

With respect to goals, the founders discussed the firm's turnover goals for 2008 and for the following three to five years. How these goals would be achieved was indicated by Founder A: "...*most of the increase in turnover would come from the export market*" (*Interview 2: Mar. 2008*), and the Sales Manager noted that: "...*there is a lot of money to pick up on the export market*" (*Interview 12: Oct. 2009*). Based on the firm's achievements by 2007 and the possibility to increase their turnover through exports, they decided that this was the perfect time to start concentrating on the international market again. This idea was reinforced by Founder A, who stated: "*We want to do this international race; you only live once and now is the perfect time, it feels right*" (*Interview 2: Mar. 2008*). The decision was exemplified by the Sales Manager, who mentioned: "*Together, we felt we had the ground to stand on in order to begin developing Twist & Tango in the international market*" (*Interview 12: Oct. 2009*).

Founder A referred to European countries outside Scandinavia when discussing Twist & Tango's international focus, and expressed this when saying: "...*from the beginning we spoke a lot about Scandinavia ... however, we now have a strong position on the Scandinavian market ... which I define as our home market ... so when we talk about the exporting market we are talking outside Scandinavia*" (*Interview 2: Mar. 2008*).

5.2.1.2 Organizational Developments

Founder A, Founder B, the Assistant, and the Sales Manager realized together if they were going to focus on internationalization, then something needed to change within the organization. Reference was made to how the international agents were managed in the years 1997–2000 and what the firm needed to do to manage this process better, as articulated by

Founder A: “*If we internationalize via agents we will make sure to have the right information about the agent, we will look at the person behind the agency, take note of the brands the agent represents, who the customers are that the agent works with, and what types of stores these customers have*” (*Interview 2: Mar. 2008*). Twist & Tango did ask these questions during their earlier work with international agents.

Reference was also made to the importance of having a strong organization, and, according to the Sales Manager: “*...the lack of organization back then is why it didn't work out with the international agents*” (*Interview 12: Oct. 2009*). A strong organization for Twist & Tango meant making better decisions about recruiting specialized staff within the areas of design, purchasing, sales, and marketing and export. In the autumn of 2007, Founder A and Founder B made the decision to hire people with specialized experience in these areas. The Assistant stated: “*...so, we decided to hire key people, if Twist & Tango was to focus on internationalization it is important that the firm has the right people*” (*Interview 7: Apr. 2009*). The recruitment of specialized staff was the firm's way of creating a professional design team, purchasing team, sales team, and an export department. ‘Professional’ for Twist & Tango meant having departments that took care of their respective functions, as described by the Sales Manager: “*When you work with international agents it is also important to be professional; you need to have design, production, and sales teams, and you need to have an export manager ... you also need support and much more*” (*Interview 12: Oct. 2009*).

In July 2007, a marketing manager was hired. This was a new role and the position didn't exist before. Twist & Tango decided that they wanted to start working immediately with their image. This meant changing the design of their bags and creating a consistent clothing collection every season. The marketing manager they hired had a professional background in marketing.

In addition to the recruitment of specialized staff, the founders discussed working less with the operative roles, meaning the daily tasks, to give themselves more time to manage the firm. According to the Assistant: “*...Founder A and Founder B wanted to take a step back and work more with the overall organization; they wanted to run the firm*” (*Interview 7: Apr. 2009*). Founder B wanted to move away from the daily tasks demanded in design and purchasing, and Founder A felt the same with regards to sales and marketing.

5.2.2 International Expansion (Jan. 2008–May 2009)

5.2.2.1 Fashion Fairs

The international market for Twist & Tango referred to countries within Europe, and was exemplified by the Export Manager²: “*We want to focus first on building our brand in Europe because this will strengthen our brand and provide Twist & Tango with a strong platform to grow and become known in further international markets outside Europe*” (*Interview 3: May 2008*). The summer of 2008 the Export Manager visited and studied several potential fashion

² The Export Manager is a new employee and a new position created in May 2008 and is first explained in Section 5.2.2.3.

fairs in Europe where Twist & Tango could display their collection. “*We wanted to explore the fashion fairs to see which fairs would be best for Twist & Tango to exhibit their collections*” (*Export Manager, Interview 3: May 2008*). After attending the different fashion fairs, meeting contacts that the Export Manager and Founder A had made in the industry and through their experience in the field, they understood that many of the international buyers and designers in Europe attended fashion shows in both Amsterdam and Berlin. It was therefore decided by Founder A and the Export Manager that attending fashion fairs in Holland and Germany would provide a gateway into countries such as Switzerland, Austria, Belgium, and Luxemburg.

In August 2008, Twist & Tango exhibited the SS collection for 2009 at a fashion show called Gallery in Copenhagen. Gallery, like CPH Vision, was a fashion fair held in Copenhagen representing Nordic design. The Export Manager and Founder B were responsive to the idea, and when they realized that many famous Nordic brands were moving away from CPH Vision, they made the decision to follow these fashion labels and exhibit their clothes at Gallery. It was important to continue displaying their collection alongside brands with a similar portfolio because it attracted the right buyers and allowed the firm to communicate what type of brand Twist & Tango was. See Appendix 5 for the different fashion fairs Twist & Tango attended.

Gallery was viewed by Founder A and the Export Manager as a success. The firm met new international customers who wanted to sell Twist & Tango clothes in their boutique stores. More importantly, the firm was approached by five new agents from Denmark, Germany, Greece, the Benelux countries, and Norway who liked the Twist & Tango collection and were interested in representing the brand in their respective markets.

In January 2009, Twist & Tango attended another fashion fair, this time in Amsterdam. This fair was called Modefabriek. According to the Export Manager: “*We are going to attend the fair in Amsterdam in January, for the first time, to see if we can find the right agents to represent Twist & Tango*” (*Interview 3: Oct. 2008*). Modefabriek was a platform for the firm to gather information, network, and meet new customers in the Dutch market, but also to meet international customers from other parts of Europe.

Amsterdam was a completely new market for Twist & Tango. Thus, this affected Twist & Tango’s performance at the fair in several ways. First, fashion fairs have different segments where you can choose to display your brand. Each segment is designed to represent different types of fashion and determines the type of buyers the brand attracts. In Amsterdam, the fair had six segments: refined, appearance, authentic, limited, industry, and department. Each segment reflected a certain fashion concept and style. For example, Twist & Tango displayed their collection in the refined segment, an area to be if you are a high-end fashion brand and want to be presented in an area that communicates exclusivity. This area attracts buyers that want to be inspired by these types of trends.

However, for Twist & Tango, the refined segment was the wrong area and affected their performance at the fair. The Export Manager and Founder A admitted, disappointedly, that “*...it was not a success, as we attended the wrong segment with brands that did not suite our*

concept" (*Interview 6: Mar. 2009*). The Export Manager saw that the industry segment would have been better and would have attracted more buyers. The industry segment was described as an area for young and energetic designers and consisted of affordable, commercial brands geared towards a stronger fashion-conscious target group. The Export Manager noted: "...*the industry segment had a lot more music, attracted many buyers, and there were more commercial stands in that segment*" (*Interview 6: Mar. 2009*).

Second, Twist & Tango lacked both the social and business contacts in Holland. The impact was that nobody knew who Twist & Tango was. The Export Manager stated: "*Amsterdam was a totally new market and the fair was a new fair, and because we were a new brand we were totally unknown*" (*Interview 6: Mar. 2009*).

After attending the fair in Amsterdam, in February 2009, Twist & Tango attended the Premium Fashion Fair in Berlin. The fashion fair was a new fair and a new market for Twist & Tango; however, the firm's German agent was present. The agent had many contacts at the fair and was therefore able to introduce Twist & Tango to customers in the German market. The agent in Germany was also able to inform Twist & Tango of the different segments. This meant that Twist & Tango exhibited in an area with comparable brands with similar portfolios. The fashion shows in Berlin resulted in international publicity. Twist & Tango were, as a result, approached by agents representing France and Holland. Finally, the firm participated for the second time at Gallery in Copenhagen. This was once again seen by the firm as a success. The firm perceived Denmark as their home market because they had been present there since 1997. Founder A expresses this, saying: "*Everybody knows us and we had people in our stand the whole time*" (*Interview 5: Mar. 2009*).

5.2.2.2 Direct and Indirect Export

The Export Manager and Founder A decided together that entering new markets would be achieved by means of agents and distributors. Twist & Tango were not strongly recognized internationally, that is outside Scandinavia, despite directly exporting to ad-hoc customers. Agents and distributors acting as intermediaries was seen by the firm as a possibility to represent and build the brand in their respective markets, as expressed by The Export Manager: "*Agents are a means to build a brand, and my focus is to find agents and distributors that can support and represent Twist & Tango in Europe*" (*Interview 3: May 2008*).

After being approached by the different agents during Gallery in Copenhagen and the Premium Fashion Fair in Berlin, as mentioned in Section 5.2.2.1, the firm acted cautiously. The Export Manager said: "*We will consider working with these agents; however, we need to research the agent first*" (*Interview 4: Oct. 2008*). An information collection process was undertaken prior to signing any business contract, as was described by Founder A when stating: "*The difference now when we deal with agents and distributors is that we will have the right questions and information*" (*Interview 2: Mar. 2008*).

In addition, even though Greece was not included in the firm's target markets, they decided to research that agent as well. Founder A said: "*If we have other requests that are outside our*

original goals, we will of course listen to who they are, what they do, and their experience in representing fashion brands” (*Interview 5: Mar. 2009*).

The information collection process went as follows. First, the firm considered the agent's brand portfolio, meaning the fashion labels the agent represented. The Export Manager stated: “*The agent needs to sell brands that look good with Twist & Tango, not low fashion and not high fashion*” (*Interview 4: Oct. 2008*), which was important to attract the right buyers. Therefore, Founder A and the Export Manager travelled to each respective showroom where the brand portfolios were displayed.

Second, it was important for the firm to know what type of person represented the respective agencies because they wanted to know that they are the right people to represent Twist & Tango and that the agent represented the brand the same way Twist & Tango would if they were in that respective country. The agent should therefore understand the philosophy behind Twist & Tango and what the firm stands for, as expressed by the Export Manager: “*... it needs to be someone like us, that represents what we stand for and not just a man in a suite*” (*Interview 6: Mar. 2009*) and to ensure this, Twist & Tango visited the agents personally.

Third, the firm considered the type of customers the agents worked with and how the customers' boutiques were presented as expressed by the Export Manager: “*It is important to look at the agent's network and the customers they work with*” (*Interview 6: Mar. 2009*) to enable the firm to learn about the types of stores the agent sells to, the other fashion labels Twist & Tango would be displayed with, and whether the stores sell clothes with a similar price range and quality. The Export Manager, therefore, met with the German agent in Berlin. During her time in Berlin she visited several boutique stores that the German agent recommended as possible stores where Twist & Tango brand would sell well. A similar process was conducted in Greece and Norway with the agent who represented the Benelux Countries.

Fourth, the Export Manager mentioned that the process of signing contracts with new agents was also based on feeling: “*It is also about feeling, a gut feeling, when we sign with agents*” (*Interview 9: Jun. 2009*). Finally, it was important to collect the agent's company profile, allowing Twist & Tango to have a record of all the agents that visit them.

The process of collecting information about international agents was an important process in building the firm's reputation, as explained by the Export Manager: “*...because our brand is not well-known internationally, it is important that we meet the right agents that can represent our brand the right way*” (*Interview 9: Jun. 2009*). In addition, Founder A noted that: “*We did not have this mentality before, we did not have these questions or processes in place when we worked with agents earlier, and that is one of the reasons it didn't work out*” (*Interview 5: Mar. 2009*).

Once the information regarding the respective agents had been collected, the decision was made by Founder A and the Export Manager to work with Germany, Greece, and Denmark (Appendix 6). As expressed by the Export Manager: “*We had this great feeling about it, so we made the decision to work with them*” (*Interview 6: Mar. 2009*). Founder A also stated:

“...we liked their personalities and the strategies these agents had in place” (Interview 5: Mar. 2009). In December 2008, Twist & Tango signed contracts with Germany (which covered Austria and Switzerland), Greece (including Cyprus), and Denmark. Unfortunately, the agents representing Norway and the Benelux Countries did not fit Twist & Tango’s criteria in terms of how the showrooms looked, their customer networks, and their product portfolios. The Export Manager stated: “*...sometimes it just doesn’t feel right ... We wished we could have found an agent in Norway and the Benelux countries, but we haven’t found the right person*” (Interview 4: Oct. 2008).

In spring 2009, the firm’s continuous search for the right agents in Norway and the Benelux countries had not been a success, as was noted by the Export Manager: “*...there were some agents that approached us, but it just didn’t feel 100% right*” (Interview 6: Mar. 2009). However, the Export Manager was in dialogue with one agent in Norway, and they had a meeting scheduled in April 2009. The agent was the former CEO of J. Lindbergh, the Export Manager’s former employer. The Export Manager had a good feeling due to the agent’s experience and professionalism in the fashion industry, and expressed this as: “*He is well-known and famous in the fashion industry*” (Interview 6: Mar. 2009). Following the meeting between the agent and the Export Manager, they signed an agent contract.

Twist & Tango considered the possibility of opening an international concept store as one means of entering the international arena. Founder A mentioned: “*...we could be opening up an international concept store sooner than we think*” (Interview 2: Mar. 2008). Examples of Swedish Fashion labels that have opened international concept stores are Acne, Weekday, Monki, and Filippa K; however, Founder A stated that: “*...one of the reasons these firms managed to do this was external capital*”, and Founder A and Founder B wanted to keep full ownership of their firm and internationalize using their own financial capital. Founder A expressed this when saying: “*...the price we have to pay is to go slower. Maybe we want to go faster, maybe we want to open stores in Amsterdam, Paris, and Berlin, but we are not strong enough yet*” (Interview 2: Mar. 2008). The Export Manager stated: “*Opening up a store is a huge process, so you have to start first with agents*” (Interview 4: Oct. 2008). Looking back, Twist & Tango did not have a positive experience working with international agents and therefore did not want to have the same experience with international concept stores. Founder A expressed this when saying: “*Twist & Tango hastily started working with agents without having the experience, and we are not about to do the same with an international concept store*” (Interview 2: Mar. 2008).

5.2.2.3 Sales & Marketing Function

In 2008, the turnover had decreased further by 2% from 2007 and the firm was still at negative profits. This was a similar case through to 2009 (see Appendix 9). During this period the sales and marketing functions were developed with the creation of a new job role, referred to as the Export Manager. The role of Export Manager was created with the purpose of managing the international expansion process that was decided upon in 2007. The Export Manager would be responsible for and work full-time to develop and expand the fashion label in the international market. This role was important for Twist & Tango. As mentioned previously, the firm’s prior business with international agents and a distributor failed, and the

organization learned they needed a person who was solely responsible for international operations. Reflecting back, the Assistant stated: “*We didn’t have anyone at our head office in Gothenburg to take care of the international questions ... and last time we tried to manage the international market ourselves, i.e., establishing international agents, we failed*” (*Interview 7: Apr. 2009*).

5.2.2.4 The design and purchasing department

In addition to recruiting an Export Manager, Founder A and Founder B employed a design purchasing manager (DPM) and a designer (Designer) to support the growth that Founder A expected from the firm’s internationalization process: “*...the growth that will occur on the international market means an increase in sales, which means we also need to design the collection better and have a new way of thinking regarding our suppliers and where they are situated*” (*Interview 2: Mar. 2008*). The recruitment of the DPM and the Designer in 2008 impacted the organization of the design and purchasing department. As opposed to having one leader (Founder B) who was responsible for both the design and purchasing processes, Founder B’s role was divided. The DPM would focus on the purchasing processes and the overall organization and structure of the design and purchasing department, while the Designer would focus solely on the design of Twist & Tango’s collections.

The role of the DPM was to make changes and develop the organization of the design and purchasing department, as she expressed: “*...a big reason I was hired was the lack of structure and organization of the design purchasing department*” (*Interview 8: May 2009*). In relation to the organization of the design and purchasing department, the DPM referred to the suppliers and buying markets with which Twist & Tango was working: “*Twist & Tango worked with Swedish agents who charged a high price and the clothes lacked in quality*” (*Interview 8: May 2009*). Since her employment, Twist & Tango has expanded their supplier network to using suppliers in Portugal and Turkey, and they started searching for more suppliers in China and India, where they only had one supplier in each country. Having one supplier was not optimal, as mentioned by the DPM: “*...In China, for example, we placed all our orders with one supplier. This is not efficient, and if something happened to that supplier then we wouldn’t have clothes to sell*” (*Interview 8: May 2009*).

According to the DPM, there was a lack of structure in the design and purchasing department that resulted in internal problems of inefficiency and a lack of creativity: “*Twist & Tango was having problems internally; they were growing too fast but they were still working in the same way they did before, like they did not have routines, structure, or organization*” (*Interview 8: May 2009*). This blocked the creativity of the firm, as mentioned by the DPM: “*When you grow, you need to have structure, otherwise you cannot be creative*” (*Interview 8: May 2009*).

In addition, the DPM mentioned that the firm did not adapt their organizational processes to support growth, specifically mentioning the purchasing processes, where there were delays in the delivery of design samples. For example, once Founder B and her assistant designed the collection, they ordered samples of the collection from their suppliers, and those samples at times were delayed or not correct. The DPM stated: “*...they were carrying out the necessary*

steps with relation to design and purchasing that we undergo today, but they did not have structure and deadlines in place” (Interview 8: May 2009).

In response to the lack of organization within the design and purchasing department, in 2008 the DPM implemented a process description of the overall design and purchasing process which contained the different processes and their descriptions, who was responsible for each process, and the corresponding dates on which each process should take place. An example of the process description undertaken in preparation for an AW collection is described. The process begins in August and involves gaining inspiration for how the collection should look. This was done through travel, and both the designer and DPM were involved. The inspiration included design ideas, the quality of the products, and rough sketches, which were presented in the department’s start meeting. The designer was responsible for this presentation. In the same month, a range plan was created. The range plan was a new procedure that the DPM implemented. This ensured that the designer knew how many styles to design and how many items of each style should be produced. The range plan was speculated from the previous sales period. That is, the quantity and type of garment produced was based on the best-selling items from the previous season.

The finished sketches were presented to both the design and purchasing departments and the sales department. This was then followed with a full presentation in meeting three, showing the collection’s quality, colors, and function. This meeting occurred in November and involved the members of design and purchasing department. During a three-month span, i.e., September to November, the purchasing department was responsible for conducting negotiations with the suppliers on the clothing price points based on the cost of producing the clothes. It was the Buying Assistant (BA) who was responsible for all the orders, including negotiating prices, contacting suppliers, organizing the delivery schedule, and ensuring that the samples were delivered on time. The samples were then displayed at the “Sales Kick Off” in December. This event presents and displays the Twist & Tango collection to the employees and possible agents/distributors. During this event, the possibility of presenting the firm’s image through a powerful presentation of the collection was mentioned by the Designer: *“We have a sales kick twice a year where everyone can see the whole inspiration behind the collection” (Interview 18: Jun. 2010).*

The sales period occurred after the sales kick off, spanning a period of 8 to 10 weeks. The process involved the sales team and international agents presenting the collection at fashion fairs and showrooms and international showrooms, respectively. Once sales were made, the results were sent to the design purchasing department where the orders were placed with suppliers. The orders are based on the sales prognosis during the sales period.

The orders were placed six months prior to when the product should arrive at the warehouse in Sweden. Once the orders were made, the BA left the remaining process to the logistics department, who was responsible for the collection once it arrived in Sweden. This process description should support Twist & Tango’s continuous growth internationally and the DPM mentioned that: *“...the process description should not change as we grow, the process*

description will make it easier and allow Twist & Tango to manage the firm's international expansion" (Interview 8: May 2009).

The design process began to change once the new Designer was employed. The new Designer described the design process as purchase-driven, stating: "...previously the thinking around the design process was, what types of garments should we have and in what colors? It was the purchasing department that influenced what kind of collections Twist & Tango would design. However, I wanted to introduce trendy styles, unique styles, and some extreme styles" (Interview 18: Jun. 2010). According to the Designer, Twist & Tango did not have a strong identity and the brand was considered vague. The Designer expressed: "...nobody knew who Twist & Tango was, and when I asked people at the office who are Twist & Tango? No one could answer". The designer also referred to the Twist & Tango customers: "...the customers in Stockholm didn't know if Twist & Tango was a Danish brand, is it a chain store, nobody knew" (Interview 18: Jun. 2010). The firm wanted to change and become more design-oriented, and that was a reason why the Designer was hired. The designs that the Designer started to create were in line with how Twist & Tango wanted to look in the future.

Transforming Twist & Tango into a design-oriented fashion label involved necessary changes to the way the design process started. For the Designer, this meant starting the design process through the creation of a story, referred to as 'story telling collections'. The continual search for new fabrics, changing seasonal colors, prints, and sketches were reminiscent of what the Designer referred to as "...journeys, love stories and experiences" (Interview 18: Jun. 2010). These experiences were then translated into a storytelling collection. The Designer expressed examples of his story collections with the following phrases: "...a journey from the cool African Savannah to soft Nordic summer meadows via a playful Italian beach town translated into the spring/summer 2009 collection ... The female song writers of the late 60's and 70's created the vintage touch in the autumn/winter 2009 collection ... and a 'Love Story' inspired our new spring/summer 2010 collection" (Interview 18: Jun. 2010). Storytelling began to inspire the design of each collection.

Storytelling was the firm's way of communicating the inspiration behind the design and created a common goal towards the outcome of each collection. The Designer mentioned that "...storytelling and the new designs were an important step towards the firm's goal of developing a Twist & Tango concept that could be communicated clearly to the employees and customers" (Interview 18: Jun. 2010) and ensured that Twist & Tango employees were working in the same direction. The Designer had learned this from his work experience with Lindex and H&M. However, this was a slow process to implement because of the time delays from when the collection was designed to when the collection was available in stores. The Designer expressed this by saying: "It takes one year before a new collection is out in stores, and when the collection is out in stores, then we can start working slowly with changing the Twist & Tango concept" (Interview 18: Jun. 2010).

In addition, the firm began working more with the advertising agencies; for example, Twist & Tango started to work closely with the advertising agency known as Ibeyo Studio. Twist & Tango didn't have scheduled meetings with Ibeyo prior to the designer starting employment.

However, these meetings became an important method for developing the Twist & Tango label. During the press meetings, the Designer met with journalists and spoke about Twist & Tango and their unique designs, the background of the firm and where the office was situated. The results of the meeting were positive and were seen as positive by the Designer: “*...the journalists expressed that it would become easier to present the Twist & Tango collection in the press and papers due to our up and coming new designs and unique stories*” (*Interview 18: Jun. 2010*). The Designer expressed the importance of the meeting for the Twist & Tango brand: “*It was during the press meeting that press agents discovered the brand Twist & Tango and learned we were Swedish ... many thought we were a Danish brand*” (*Interview 18: Jun. 2010*).

5.2.2.5 The Recruitment Process

Founder A and Founder B created certain criteria before hiring the Export Manager. For them, an export manager is a person with experience working with agents and distributors in international markets, and knowledge of and having travelled to different fashion shows in Europe. Founder A mentioned that: “*We wanted a person that had travelled and worked with customers first within in Europe because these would be the countries we would prioritize*” (*Interview 2: Mar. 2008*).

Twist & Tango met a possible candidate for the export manager role through their business relationship with MQ, a Swedish retail chain that sold Twist & Tango clothing. The candidate worked as a buyer for MQ and was Twist & Tango’s point of contact. The Sales Manager mentioned: “*...I said to the candidate that Twist & Tango were searching for an employee to manage the export process and asked her if she was interested*” (*Interview 12: Oct. 2009*). The candidate’s professional background met the criteria that Founder A and Founder B were looking for, specifically that she had extensive experience in the fashion industry and had collaborated with customers in international markets as a sales employee and as a buyer. Her professional experience working on the international market had begun in 1997 as a store manager for Mathilde (a retail store that sells and represents clothing labels and interior design). During her time at Mathilde, the candidate was involved in the buying process where she travelled to countries such as Italy and cities such as New York, searching for new brands that could be represented at Mathilde. Between 2002 and 2006 she worked for a Swedish design label, J. Lindeberg, where she was responsible for and learned about the sales and distribution of the women’s line to different retail boutiques.

In 2006, she began working for the Swedish Retail chain, MQ, where she was presented with a new challenge as a buyer of external brands. This buyer role gave her experience on the opposite side of the sales process, and it allowed her to travel to different fashion shows in Europe. She learned about the different fashion shows and how and where different brands exhibit their clothes. This experience was valuable for Twist & Tango. The Designer said: “*The Export Manager was a buyer of other brands; she had therefore seen the process from the buying side, where she learned the demands and expectations of presenting a brand in meetings and at international fashion fairs, which increased her knowledge regarding the demands placed on the sales side of the process*” (*Interview 18: Jun. 2010*). Because of her work experience the candidate had a large contact network within the fashion industry.

The candidate was employed in May 2008 and became Twist & Tango's Export Manager. The Sales Manager stated: "*Founder A decided to offer her the role; she is really good at what she does; she is focused and has worked for big fashion companies ... this is what Twist & Tango needed*" (*Interview 12: Oct. 2009*).

In May 2008, the Design and Purchasing Manager (DPM) was hired. Founder A knew about the DPM from her previous work experience at KappAhl, where they were employed together working in the purchasing department. During November 2007, the DPM was contacted by Founder A to offer her employment at Twist & Tango. The DPM had 18 years' experience in the fashion industry with a focus on purchasing. She went straight from high school and worked as a buying assistant for Åhlens. She then had the opportunity to work for KappAhl as a buyer, which is where she met Founder B. After three years, she continued her career with Solo, where she worked closer with clothing design. The DPM then moved to JC, then to Lindex, where she continued a career in buying. She stated her experience: "*I have a lot of experience in purchasing and many connections with suppliers, and I have been working directly with production factories for many years now*" (*Interview 8: May 2009*).

The Designer was employed in August 2008 after being approached by Founder B during the early months of 2008. The Designer started his career with a bachelor's degree in fashion design, followed by a master's in textile design and design management. He stated: "*I was always interested in design but also with design management which focuses on how you can work with the identity of a company*" (*Interview 18: Jun. 2010*). The Designer also studied culture studies, which involved considering different societies and transforming what you see into the design and/or image you want your company to have. Following his education, the Designer started working for Lindex, where he was in charge of all the printed fabrics in the women's department. "*I have worked a lot with prints, that is my specialty ... working with prints and artworks*" (*Interview 18: Jun. 2010*). Lindex wanted to rebuild their firm with a trendier image, and the Designer recalled: "*...they wanted to create a new look for the firm*" (*Interview 18: Jun. 2010*). The Designer was involved in Lindex's goal to convert their label from a rather "lady-like company" to a "trendy" design label.

Following Lindex, the Designer worked as a freelancer. One of his clients was a Swedish fashion label, Velour, where he began working with their prints and then continued for three years as the designer for Velour's women's line. The role also included responsibility for purchasing. The Designer described his experience as: "*Hard work, but I am happy I was given the opportunity to learn about the purchasing process*" (*Interview 18: Jun. 2010*). He also worked with Velour's image and logo, which was part of building the Velour identity. Building a label's identity was a skill he learned during his design management course. The importance of brand identity was expressed by the Designer: "*If you have a clear identity, if you know who you are, it is easier to grow*" (*Interview 18: Jun. 2010*).

In October 2008, Twist & Tango hired a Logistics Support Assistant (LSA) to take care of logistics. The LSA had previously worked for a construction company within sales. She heard about the position through a friend and Twist & Tango thought that she was the best suitable candidate. The LSA worked directly under the Assistant, who was now in charge of finance,

logistics, and general back office support. The LSA was responsible for the logistics after the product enters Sweden.

The employment of specialized staff, specifically the Export Manager, the DPM, and the Designer, represented a complete change for the firm. The Assistant expressed: "*Finally we made this complete change and we had everyone we needed!*" (*Interview 7: Apr. 2009*). However, it was not long until the firm realized that simply employing specialized persons was not sufficient to support Twist & Tango's internationalization process, as expressed by the Assistant: "*The new employees brought in new knowledge; however, this was not enough*" (*Interview 7: Apr. 2009*).

5.2.2.6 Job Role Responsibility

Despite the formal recruitment of specialized staff, Twist & Tango's informal recruitment process (from phase one) had created problems in developing coherent job roles and coordinating employees and the firm's organizational processes. In addition, Twist & Tango's history of employing staff before the job was formed was still happening. The Assistant pointed out that: "*The staff usually came before the role was formally created*" (*Interview 7: Apr. 2009*), and as Twist & Tango grew they employed staff to take care of tasks they did not have time to work with. The Assistant mentioned that: "*Each year is a good year, we grow and then we feel the workload is too much, so we might reorganize or maybe hire someone, and then the next year it happens all over again*" (*Interview 7: Apr. 2009*). The firm's history of informal recruitment led to undefined job roles and a lack of knowledge regarding certain employees' responsibilities. The Assistant stated: "*No one knew who was in charge of what tasks*" (*Interview 7: Apr. 2009*) and amusingly added: "*...the job descriptions became schizophrenic*" (*Interview 7: Apr. 2009*).

The Assistant described the situation further after the arrival of the new employees: "*There was a storm, everything was upside down, it was not the way we had done things before. Work that was obvious for the new personnel was not even clear for us, and all of the sudden there was a need to put our work into routines and procedures*" (*Interview 7: Apr. 2009*). During the early months of 2009, members of the firm began to realize that nobody knew who was responsible for what task. Founder A emphasized the situation when he spoke about the numerous activities that Twist & Tango was doing: "*We have been growing in the export market, we have opened new concept stores, we have a new designer and new employees, and we have been looking at our core values and our graphical profile. However, with regards to the organization we were unable to solve the problem of job responsibility, coordination, and leadership ... This is something we need to work on*" (*Interview 5: Mar. 2009*).

Towards the end of 2008 and early 2009, the founders, the Assistant and the Sales Manager started to work on defining the roles of the employees at Twist & Tango. The question became, how could the firm integrate the new personnel with the old personnel? At the same time, the firm had the new concept stores, was working with creating better design, and working on their image and branding, all in addition to employing new workers. Looking back, Founder A mentioned: "*We were working on so many projects in parallel, and at the same time trying to solve the problems we had with the organization, there were many*

questions to work with" (*Interview 17: Jun. 2010*). It was very difficult for Twist & Tango to see clearly. The firm tried to manage the creation of job descriptions themselves, but it didn't work. The Assistant expressed: "*We needed someone to come in and say this is how it's supposed to be*" (*Interview 7: Apr. 2009*).

A statement by the Assistant exemplified Twist & Tango's situation at the start of 2009: "*We grew from seven to 30 employees, we have been hiring and hiring, but there is still too much to do. So what is the problem? The problem is that we do not take care of resources ... No one was aware of who was doing what*".

5.2.2.7 Leadership

The firm's leadership was a critical factor that some employees reflected upon when discussing the internal challenges the firm faced because of its international growth. The firm began with two leaders with a similar goal and vision. However, as Twist & Tango grew both on the Swedish market and international market the leadership developed in two separate directions. Founder A became deeply focused on the sales and marketing side and Founder B became only focused on the design and purchasing issues. This dual leadership resulted in the growth of differing views and values about how the firm should be managed, and, according to Founder A: "...*this resulted in unclear problems and unclear solutions*".

The firm's dual leadership is illustrated in the organizational structure (Fig. 3) as the separation between Founder A and Founder B. Fig. 3 provides a visual explanation of the organization as it looked in March 2009. The organizational structure is representative of the main job titles and includes the new employees from 2007 and 2008; however, it is not representative of all Twist & Tango employees, which grew from seven employees in the year 2000 to 30 employees in the year 2009.

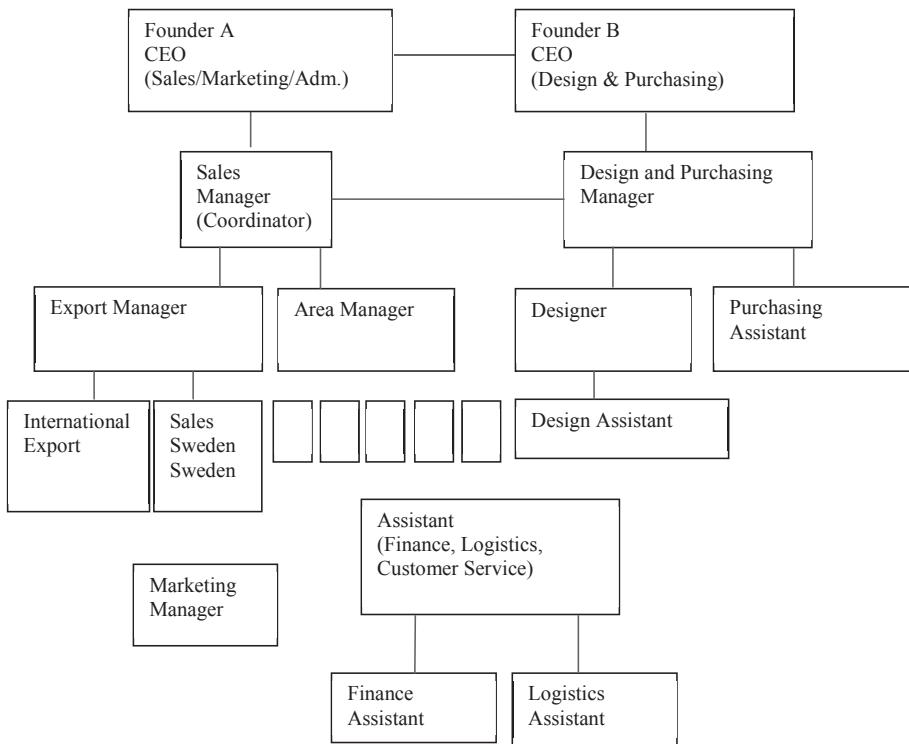


Figure 3 Organizational structure March 2009

The dual leadership impacted the firm in several ways. Firstly, they lacked common views between Founder A and Founder B as well as between the new staff and the old staff. According to the Assistant: *"When you grow, you cannot rely on the fact that everyone has the same view on how work should be organized and managed. This might have worked when the organization was small, but as we started to recruit new employees the unbalance became more evident"* (Interview 7: Apr. 2009). Secondly, a lack of common views made it difficult to make joint decisions, as Founder A stated: *"We have always made decisions together and always agreed about the strategy and the financial questions of the firm, but when the firm grew there was too much space between the leadership, i.e., the creative side and the business side, and suddenly there were too many people involved in important questions related to the firm"* (Interview 5: Mar. 2009). Therefore, a question of managerial responsibility arose.

The Assistant raised the issue of managerial responsibility whereby no employee at Twist & Tango during this period was given the formal role of manager: *"Founder A and B had always been the managers, which meant that no one else had the formal responsibility to*

solve problems when problems arose or when work needed to be done ... we thought that someone else would eventually solve them” (Interview 21: Sept. 2010). It worked when the firm was small, but as they grew it created confusion. The Designer stated: “*When I started I understood that people had been working here for a long time, and during this time they delegated work to people that were capable of the task, however this was confusing. A person that was responsible for unpacking the boxes and taking care of deliveries was also assisting in design sketches*” (Interview 18: Jun. 2010).

Even though the firm hired specialized persons who would manage the different functions, i.e., the Designer (head of design), DPM (head of purchasing), and the Export Manager (head of sales), there remained an uncertainty as to who was working with what. The lack of managerial responsibility made it difficult for the new employees to manage their respective processes. The new recruits were not sure who was doing what. The Assistant expressed: “*...an employee working with sales was also involved in the design process*” and “*No one knows who is doing what, we just work*”.

The Designer was working directly under the DPM, the DPM was working under Founder B), and the Export Manager was working directly under Founder A), while the Assistant and the Sales Manager were divided between the different functions. This also created confusion amongst the older employees. The Assistant expressed: “*Now we have head of Design and he will just be the designer, however what is my role? I am still everywhere*”. Even though Twist & Tango had managers in each of the departments, the older employees were still involved in everything. In addition, the older employees, who had been working for Twist & Tango for more than 10 years, began to feel degraded. Noted by the Assistant: “*This created even more of an unbalance, as we grew and we employed managers that came from large companies that had different professional expertise, but with this comes a strong need to find a balance. This is something we need to work on*” (Interview 7: Apr. 2009).

5.2.2.8 Coordination

This lack of clarity with regards to job responsibility impacted processes of coordination between and within the respective departments. According to Founder A): “*We are having problems with coordination ... During this period, we are open to questions regarding communication and coordination within and between the departments, and there are many questions we need answers to*”. The Assistant brought attention to the fact that even though the firm had developed and created a formal design and purchasing department and sales department, she mentioned that: “*No one was coordinating between them*” (Interview 7: Apr. 2009).

The increasing gap between Founder A and Founder B began to impact the coordination between the sales and marketing and design and purchasing. Founder A) reported: “*As we grew, the gap between Founder B and myself increased and the leadership wasn't as efficient as we wished it to be ... This resulted in the lack of coordination between the two areas and difficulty in making whole and clear decisions*”. Instead, coordination between the functions was undertaken by the Sales Manager, whose position is indicated directly under Founder A in Fig. 3. The Sales Manager, like the Assistant, grew with the firm and was also involved in

many different functions. The coordination between the departments was difficult for the sales manager to manage. The Assistant mentioned: “*One person could not possibly cope with the coordination of the whole office*”.

Another example of this discoordination is the design purchasing department, which was very much focused on designing the clothes, making sure the orders were placed with their suppliers, and then shipped back to Sweden. However, that department did not have much knowledge or give much notice for when the clothes would be arriving in Sweden. This made it difficult for the logistics department to coordinate timing of other processes. In addition, the design purchasing department did not consider whether the warehouse had space or time for the deliveries. Fig. 5.1 illustrates that the logistics, economics, and customer service functions did not have a formal place in the organization. Rather, the Assistant, who was responsible for these three areas, mentioned that: “*...we don't have a logistics department. I am logistics, I am economy, I am customer service*”, reflecting on her roles in multiple departments.

The earlier employees lacked specific roles, and, as pointed out by the Assistant: “*...we are still growing and we are trying to find our role in the new organization*”. As the firm grew, this problem became more significant. With the firm growing, the Assistant needed to focus on the economics side even more. “*I needed to start working more with budgets and figures, and now I need create weekly reports whereas before I made monthly reports*” ... “*I did not have time be everywhere and help out with everything, such as the logistics processes or help the purchasing department*”.

Concluding this phase, Founder A stressed that the issues of job responsibility, coordination and leadership will be a large priority for 2009. The Export Manager and Founder A discussed the importance of fine-tuning the coordination between the sales, design, and purchasing departments. Founder A stated that: “*we need to find a clear solution for our organization*”. The firm learned that they would need to adapt the organization to growth, as mentioned by the Office Assistant: “*We were trying to hold on to the old organization, but there was a strong need to customize the organization to the firm's international expansion*” (*Interview 14: Oct. 2009*). To end this period, the Assistant sighed: “*We need to make changes ... we are not coping ... I hope 2009 is going to be a great year, a year of change*” (*Interview 7: Apr. 2009*).

The Assistant further noted in that, “*It has been chaotic for half a year because we have been growing in the export market, and at the same time we are trying to structure the organization*” (*Interview 7: Apr. 2009*).

5.2.3 Summary

In 2007, the firm made the decision to internationalize and decided to do this via agents and distributors. Based on their achievements in the home market with five concept stores and over 200 selected retailers and the possibility to increase their turnover, the firm's leaders decided to focus on expanding the brand across national borders.

The firm began to attend a wider array of fashion fairs, including fairs in Berlin, Amsterdam, and the usual attendance at the fair in Copenhagen. The fairs resulted in an increase in

international exposure and interest in the Twist & Tango products. The firm's past experience impacted its criteria for signing up with agents and/or distributors, which now consisted of a selection process.

During 2007, the firm's leaders realized they needed to develop the organization in order to support the firm's goals related to internationalization. The challenges the firm faced with international agents and distributors during the previous years, which arose from not having the right information about the agent as well as not having the organization to support them, led to decisions related to the recruitment of specialized staff (Table 6). For the firm, it was important to have key people in the areas of design, purchasing, sales, marketing, and export. Twist & Tango hired a marketing manager, an export manager, a purchasing manager, and a new designer. With the new personnel on board, changes began to occur in how agents were selected. It also changed where Twist & Tango would present their collection. The collection started to become more design-oriented, possible new supplier markets were looked at and signed with, and there was a sudden increase in international customers.

Going international combined with the increase in customers, plus the internal changes with recruitment did not come without challenges. The firm realized that specialized staff and the knowledge this staff brought with them would not suffice to maintain the international expansion during the second half of 2008 and the early months of 2009. The firm faced organizational challenges (Table 6) related to managerial responsibility, coordination, a leadership with common views, job role responsibility, and difficulty in integrating the new staff with the current staff. The firm was unable to respond to these challenges referred to as no change, resulting in unclear roles and a firm with dual leadership.

Table 6 Summary of Phase Two

Year	Organizational Challenge	Internal Response	Outcome
2007	Develop the organization and the firm's business network	Recruitment of specialized staff	New international agents New Design New supplier markets
		Developing professional teams	Deeper focus on the individual tasks Planned process for selecting agents
2008–May 2009	Purchasing process	Develop process plan	Formalized process
	Knowledge of presenting at fashion fairs	Research the different segments at fairs	Learning to research the different segments before attending fairs
	Managing the sudden increase in international customers	No Change	Pressure on the organizational processes
	Difficulty integrating specialized staff with the older employees	No change	No clear roles and dual leadership
	How to manage a growing organization	No Change	No clear organizational structure
	Job responsibility	No Change	No clear job roles
	Dual leadership	No Change	Lack of managerial responsibility
	Coordination	No Change	Lack of communication
	Managerial responsibility	No Change	Lack of managerial responsibility

5.3 Phase Three - An Increase in Indirect and Direct Export

In the following description the Export Manager is referred to as the CEO and the Assistant is referred to as the Financial Manager (FM). These role changes occurred in June 2009 and are explained in this phase with a description on the organizational changes that were made to address the challenges introduced in phase two.

5.3.1 Fashion Fairs

In July 2009, the firm exhibited their SS 2010 collection for the first time at a fashion fair called Bread & Butter (B&B) Berlin. In January 2010, they exhibited their AW collection for the first time in Paris at a fair called Who's Next. The decision to attend these two fairs was an outcome of Twist & Tango's business contracts with the agent in Germany (signed Jan. 2009) and France (Jul. 2009) (Appendix 4). Founder A expressed the importance of attending these fairs: "*When you have new agents in a market it is important to take the brand to the fashion show in the respective market*" (*Interview 17: Jun. 2010*). By attending the fairs in Berlin and Paris, made it easier for the respective agents to communicate the brand to their respective customers. The German and French customers could then meet the Twist & Tango sales people and get a better understanding of the philosophy behind the brand. For Twist & Tango, they could meet the respective customers and learn more about the types of customers that were representing them in France. In addition, B&B was an important fair for Twist & Tango because it acted as a point of contact to learn about the French and Dutch agents with whom they had a dialogue since attending the fashion shows in Jan./Feb. 2009.

During Jan. 2010, Twist & Tango also exhibited their AW collection at Modefabriek in Amsterdam and Gallery in Copenhagen. By the summer of 2010 the firm had been attending fairs in four different countries. During the autumn of 2010 Twist & Tango decided to stop exhibiting at Gallery and start exhibiting again at CPH Vision. For Twist & Tango, a fashion fair is a place to meet top buyers that are able to represent a brand in their respective markets and about exhibiting a collection with other top brands. The fair should create an atmosphere that attracts top brands and buyers. However, Gallery was not doing this. The CEO stated: "*Gallery is not keeping the standard, they are not professional, and all the big brands are moving out*". This was in contrast to CPH Vision: "*CPH Vision is making a huge effort to be the best fair, they are travelling and doing different things to bring in top buyers and visitors*" (*Interview 22: Oct. 2010*).

5.3.2 Direct and Indirect Export

Twist & Tango signed an agent contract with a French agent during the B&B fair in Jul. 2009 (as was mentioned previously). Working with the French agent was a sudden process, as the FM mentioned: "... we hastily began working with an agent representing the French market" (*Interview 20, Sept. 2010*). The impact of this was a sudden increase in orders by the French agent. Because of this, the CEO was also expecting a large increase in orders during the next sales period, Jan./Feb. 2010. The CEO expressed: "*We are expecting our sales to increase even more during the next sales period in 2010. Our French agent has three different show rooms they sell from. When we signed with them, they only sold from one showroom. This means there will be large increase in turnover*" (*Interview 15: Nov. 2009*).

Attending the fashion fairs led to an increase in interest of Twist & Tango, for example from agents in Japan and the UK. As claimed by the CEO: “*We get requests all the time, for example, from distributors in Japan and agents in the UK*”. In addition, the firm had received many new German and Danish customers. With the increase in interest, the CEO began a dialogue with a distributor in Japan during the autumn of 2009. The distributor is run by Swedish persons living in Japan representing Swedish brands in their portfolio, including Odd Molly, Uniforms for the dedicated, Happy Socks, and the distribution of Whyred. The distributor contacted Twist & Tango, and after meeting each other the CEO decided to work with them and a distributor agreement was signed. The decision was influenced by the nature of the distributor who represented the Swedish brands, could speak Swedish, and having been established for six years had knowledge of the Japanese market. The CEO stated: “*When we met this distributor we decided to work with them, since it was nice that they could speak Swedish, they knew the market, and they were very professional*” (*Interview 15: Nov. 2009*).

Entering Japan via a distributor as opposed to an agent meant that Twist & Tango did not have to manage processes such as payment transactions and deliveries to individual customers on the Japanese market. It was the role of the distributor to manage this process and one delivery and one transaction could be made directly to the respective distributor as opposed to managing the process with numerous customers. The CEO supported her choice when stating: “*Japan is far away and it is hard to have full control over the market and the financials, therefore a distributor was the preferred method*” (*Interview 15: Nov. 2009*).

In addition, the CEO spent time selecting an agent in the UK. During the spring of 2010, Twist & Tango were in London where they met with several distributors and agents, but it did not feel right so they continued looking for the right person to represent them. In spring 2010, the CEO began to reassess the firm’s current agents and distributors. The strongest markets were France and Germany, and the CEO explained that: “*... the people behind the agencies drive their business in a fantastic way ... they are extremely professional*” (*Interview 16: Apr. 2010*). The weakest markets were Holland, Belgium, and Norway. The agents who represented those markets were not doing the job in a manner expected by the CEO. She stated: “*...they are not delivering in terms of sales as we expected*” (*Interview 16: Apr. 2010*). The CEO further explained: “*We decide who our partners will be and it is their job to be driven and represent our brand, and they were not doing this*” (*Interview 16: Apr. 2010*). However, the CEO made the decision to give them a second chance to improve their performance for the next season, making specific reference to Holland when stating: “*...we took a chance with Holland, the owners are rookies but they are fantastic entrepreneurs. They are driven, hungry, and have great skills*” (*Interview 16: Apr. 2010*).

Reassessing the agents was a learning process and affected how the sales and marketing functions would handle agents in the future. The firm became even more selective and began to place more attention on aspects such as the agent’s experience, background, and the type of showroom they had and how they would promote Twist & Tango in their respective markets. The CEO described what agents should do when working with their brand: “*They should build a contact network, build the brand in their market, build the distribution, and maybe they need to work more with marketing campaigns to do so*” (*Interview 16: Apr. 2010*).

However, some agents, including the agent in Norway, were still not doing this by Nov. 2010. Therefore, the CEO began cutting ties with the agent in Norway.

During the summer of 2010 the CEO kept international prospects open with an ongoing dialogue with an agent in Belgium, who contacted them during CPH Vision in the summer of 2010; an agent in Spain, who they already had contact with; and an agent in Italy, who they met through one of their current agents. However, the CEO mentioned the importance of being selective during the process of signing new contracts: "*We have learned what doesn't work; it is obvious now what doesn't work, we need to look closer at the showrooms, their experience, and their background*" (*Interview 20: Sept. 2010*). Twist & Tango had still been discussing the possibilities about opening an international concept store. Copenhagen would be their first choice, because it is close to Sweden. However, Founder A mentioned: "*We are not sure that it's easier to have a store in Copenhagen compared to Berlin or Hamburg, because each one means another country and new regulations ... At the moment it is not a priority but it is absolutely a way to go*" (*Interview 17: Apr. 2010*).

The years 2009 and 2010 represented an increase in international agents and distributors and therefore an accomplishment for the firm in terms of international expansion (Appendix 5 & 8). The Sales Manager expressed: "*I don't think we would have the success on the international market that we have now if we had not employed all the people we have*" (*Interview 12: Oct. 2009*). However, despite this, the CEO expressed the importance of slowing down in the international market: "*We are not keeping up in terms of the organization ... all the pieces need to fall in place, e.g., production, sales, design ... We have grown on the export market ... more than we can keep up with*" (*Interview 16: Apr. 2010*).

5.3.3 Sales and Marketing Function

The firm's attendance at more fashion fairs and the increase in international customers directly impacted the time schedule for the sales period³. Twist & Tango's sales period in 2009, for the SS 2010 collection, began in July, increasing their sales period from one month to two months. This meant that the sales kick off meeting was held in June as opposed to July.

Increasing the sales period was considered a positive move by the sales department because the collection was completed earlier, the pricing was completed earlier, and the collection was ready for the fashion fairs. The sales team also had a longer time frame in which to sell the collection. The sales period increased further during the summer of 2010, spreading over a period of three months: July, August, and September. The decision to attend the fashion fair Who's Next in Paris forced Twist & Tango to present their collection in September. This impacted the sales department for the following reason. The deadline for placing orders with suppliers was October/November. During September and October, the sales department was pressured to finalize international orders for the purchasing department to register the orders in time with their suppliers. The supplier's deadline for orders was in November, giving them time to produce and send the collection to Twist & Tango, which must arrive in Sweden by

³ The period where the firm and the firm's agents take orders from Swedish and international customers, by means of fashion fairs and showrooms.

January where the deliveries to the respective customers take place. The CEO stated: “*Already in June larger chains such as MQ and H&M made their orders to their respective suppliers, so we are very late in making our orders in October*” (*Interview 22: Oct. 2010*). The extension of the sales period had direct impacts on the design and purchasing department, and is described below in relation to the design and purchasing functions.

Towards the end of 2010, the CEO expressed again her concerns for the sudden increase in international customers: “*We need to slow down on the international market because we are not keeping up, we need to work with the organization*” (*Interview 22: Oct. 2010*). The export manager referred a lot to the collection, saying it needed to be more professional, and the sales period needed to tighten up. There were sudden hints of these issues already in April 2010 when the CEO was unable to talk about the organization for this research, as she was caught up in so many processes. The CEO stated: “*A lot is happening with the organization ... we are in the middle of everything ... I would prefer if we could have this meeting later*” (*Interview 16: Apr. 2010*). The same concern was expressed further in other words: “*We are re-organizing the whole organization When I say we are in the middle of everything, we really are in the middle of everything*” (*Interview 16: Apr. 2010*). Despite the concerns for the sudden increase in customers, 2010 was the first year that the firm began to see the benefits of international growth. The turnover had increased by 23% and the firm had hit positive profit figures.

5.3.4 The Design and Purchasing Function

The increase in the sales period impacted the design and purchasing department twofold. With the sales period starting in Berlin already in July 2009, the sales kick off was already in June. The challenges related to the ability to place collection sample orders with their respective suppliers early enough to receive a complete collection sample in time for the sales kick off in May. In addition, the samples needed to be unpacked and ready already in May for delivery to all agents for the sales period in the respective countries. It was important for Twist & Tango to send out the collection samples to their respective agents before the fashion fairs, giving the agents time to prepare for a presentation of the Twist & Tango brand in their respective showrooms.

The Designer was feeling the pressure of designing a full collection in a shorter time frame: “*We worked night and day; however, we were unable to create a complete collection, and we just needed to be happy with the final outcome of our collection*” (*Interview 18: Jun. 2010*). The increase in international customers as a result of the agent in France meant that the purchasing team needed to place block orders. A block order meant blocking out a chunk of time with the suppliers to allow them time to produce for the extra customers.

By 2010, Twist & Tango had increased the number of international agents they were working with, and the Designer referred to the effects this had on the design process: “*The larger we become with an increase in international agents, there is of course an increase in certain demands*” (*Interview 18: Jun. 2010*). An example of the demands occurred during the sales kick off in 2010 where the French agent spoke and requested variation in fabrics. Twist & Tango were growing and now competing with the best French brands and the best German

brands. The Designer expressed: “*Before, we were a small firm and then suddenly we grew and the competition increased*” (*Interview 18: Jun. 2010*). This put pressure on the design team to ensure high quality in terms of fabrics and fit. The Designer also stated: “*If you make mistakes with respects to poor quality or construction, it can affect the brand and become hard to turn the brand around again*” (*Interview 18: Jun. 2010*). This is exactly what happened and is described in phase four.

An unexpected change occurred in the design and purchasing department with the resignation of the DPM, who began working with Twist & Tango in April 2008. The Designer was immediately made the new DPM. The FM reasoned: “*Someone needed to do it*” (*Interview 20: Sept. 2010*). There were concerns amongst the employees about this choice, and the FM expressed these concerns as well: “*The designer is capable of doing it; however, I am not sure this is the best solution for the future of the design and purchasing team. This will place an extreme amount of responsibility on the designer, who is very much into design ... he is not a manger*” (*Interview 20: Sept. 2010*). However, the decision was set and the Designer became the new DPM. In addition to this new role, the Designer continued designing the collection. The Designer, who had been working with the design process with the purpose of improving the collection, began to create full, whole collections that were starting to reflect a design label fashion brand. This was in contrast to previously where the collections were garment-driven. In the summer of 2010 the Designer stated: “*We now have unique prints, we can be proud of the design, and I can feel that everyone in the office is proud of the collection*” (*Interview 18: Jun. 2010*).

The Designer, together with the CEO, started to work on Twist & Tango’s brand book in March 2010, a process undertaken to develop the Twist & Tango brand, communicate to their customers who they were, and to create clarity and focus towards who Twist & Tango is. The CEO expressed that: “*The brand book should provide a representation of who we are to our new partners, our current goals where we want to go, our foundation, and our personnel*” (*Interview 16: Apr. 2010*). The importance of having a brand book to support an internationalization process was described by the Designer: “*When you work with the export market and when you meet agents it is important that you have a brand book that explains who we are, what we are good at, and our price ranges*” (*Interview 18: Jun. 2010*).

Part of managing the design and purchasing department was supervising the logistics process. The Designer was responsible for overseeing the delivery of the collection until it reached Twist & Tango’s warehouse in the city of Borås, Sweden. The design and purchasing department increased their involvement in the logistics process, however, as a result of changes to the department. The process began by making a delivery plan and was created by first calculating the latest possible date the collection must arrive at the warehouse. The buying assistant counted backwards and calculated when it must leave the supplier. The process involved a dialogue with the forwarders, i.e., the people or firms that organize the shipments of the collection from the supplier to the warehouse. The discussion involved calculating the time it will take for the delivery to arrive.

The delivery plan was new and was a response to the delays in deliveries that had been occurring as well as the unexpected deliveries that were coming to the warehouse. The delivery plan forced the design and purchasing department to enter in the buying schedule with the dates and the quantity of products that would arrive at the warehouse. The Designer mentioned the benefits of this: *"I think the logistics should be here since we are aware of the whole process. For example, if certain products are delayed, this can affect the prices ... if we have knowledge of the delays, we can either reduce the amount of clothing delivered or ask the suppliers to take the goods by flight at their cost"* (Interview 18: Jun. 2010).

An increase in pressure on the logistics function was felt with the increase in international customers in 2009. The Logistics Assistant (LA) described the situation: *"An increase in international customers meant more orders, which meant more problems and more special treatment"* (Interview 11: Oct. 2009) because it was important to be flexible and maintain the special treatment that was always given to Twist & Tango customers. The firm was still considered small, and for the firm to grow it was central to develop good relations with customers. The LA mentioned: *"Despite the increase in customers, we need to be smooth with them and continue the special treatment in order to build trust"*. As the firm grew, it became difficult to sustain the special treatment because this meant more time and more work. What were once small issues were beginning to increase in importance.

Issues that were once of minor importance became more evident, and reference was made to the different customer demands. An example was the time requests in relation to the delivery dates to customers. Certain customers started to request that products were delivered by a specific date. Another example was a customer who requested their delivery to arrive in May as opposed to February, which is the month that Twist & Tango usually made their deliveries. It was important for the firm to deliver in February in order collect their money in a manner that fit the payment schedules for their warehouse and suppliers. The LA stated: *"The downside with delivering later is we are unable to collect our payment straight away"* (Interview 11: Oct. 2009).

An increase in customers also meant an increase in the reorders (refer to ordering more of an in-season product) to be made, the amount of clothes being sent out to customers, and the number of customer inquiries. The FM referred to inquires as: *"...customers wanting materials for advertising, i.e., logo, questions about Twist & Tango clothes that had been seen over the internet or in magazines, and questions about re-orders"* (Interview 7: Apr. 2009). The FM also explained the importance of the logistics process and also indicated a need to streamline the process: *"It is not just a matter of getting it to Sweden and selling it in the stores, the whole chain needs to flow and be more professional"*.

Once the design and purchasing department had communicated what, when, and how much would arrive at the warehouse, the logistics function took over. When the collection reached the warehouse it was important that all the packing lists were ready for the warehouse to deliver the clothes to the customers. The logistics function prepared these packing lists and faxed these lists to the warehouse; the warehouse used the packing lists to pack the collection for each customer. The logistics process, however, was open to error. The LA mentioned:

“During this process there are always mistakes made, for example, there may be some pieces missing in the factories, which means that they never get delivered to the warehouse, which means the client does not receive it. Another error is that it is very easy for the warehouse to pack the wrong color or the wrong size” (Interview 11: Oct. 2009). To overcome these errors, in 2009 the firm discussed the eventual implementation of a new system whereby the computer in the warehouse would be synchronized to the computer at Twist & Tango.

To improve the efficiency at the warehouse, the Twist & Tango recruited extra warehouse staff in Borås and divided them into two groups. One team in the warehouse took care of the deliveries to the export market, and the other team was responsible for the deliveries to the Swedish market. In addition, the warehouse was larger, providing more space for the clothes. One minor change they made that had made a big difference was how the packing lists were sent to the warehouse. The method changed from fax to email, which makes it quicker, more efficient, and safer. In addition, the LA and the purchasing assistant visit the warehouse twice per season as opposed to once a year. The FM expressed the importance of these minor changes: *“It is these small steps that will make a difference”*.

5.3.5 Organizational Change Program

In May 2009, the firm began a 6-week change program. The program was an outcome of several events, i.e., Twist & Tango’s turnover goals, their ambitions to internationalize further, and to cope with the current growth that had occurred since 2008. Founder A confirmed this when saying: *“To reach our turnover goals and to support the growth that has been occurring on the international and domestic markets, we learned that it was important to create a solid organization, and this is what the change program will be about”* (Interview 5: Mar. 2009). Twist & Tango involved their external accountant in the change process because they realized that it was difficult to accomplish on their own. The CEO stated: *“We tried to manage the organization before but it wasn’t working”*. Twist & Tango came to understand that they needed professional help and advice as to how to build the organization with a new leadership and chief positions.

During the first three weeks they discussed the issue of leadership. Founder A and Founder B began to discuss whether they were the right persons to lead the firm and whether they had the right organization that could support their strategy to internationalize. Founder A noted: *“We have gone through many changes, our new strategy to focus on the international market, our new concept, the new logo, and we felt it was a big challenge managing the organization the old way”*. The employees of Twist & Tango noticed that the firm had grown and that Founder A and B didn’t have complete control over the organization of the firm.

Twist & Tango did not want to hire an external person to take over the leadership of the firm, however. They wanted an internal employee that knew and had experience working with Twist & Tango. Founder A expressed the criteria: *“We wanted a person that knew the firm from the inside, who knew our culture, our attitudes, our mentality, and the staff ... we also wanted to have a person that was sales-oriented”* (Interview 18: Jun. 2010). It was obvious for both founders that the current Export Manager should be appointed Twist & Tango’s new

CEO. In June 2009, the Export Manager was appointed CEO and the founders moved to chair positions.

During the final three weeks, the change program involved the formalization of the organizational structure (Fig. 4) and involved Founder A and Founder B, the new CEO, the FM, and the Sales Manager. Formalizing the organizational structure involved creating formal teams, i.e., design and purchasing, sales, logistics, and economics and their corresponding responsibilities, i.e., the economics and logistics departments would be run by the FM. Smaller groups were also created, i.e., a management team, the board of directors, and a creative team. These teams were a point of contact and way of coordinating between the groups and sharing ideas.

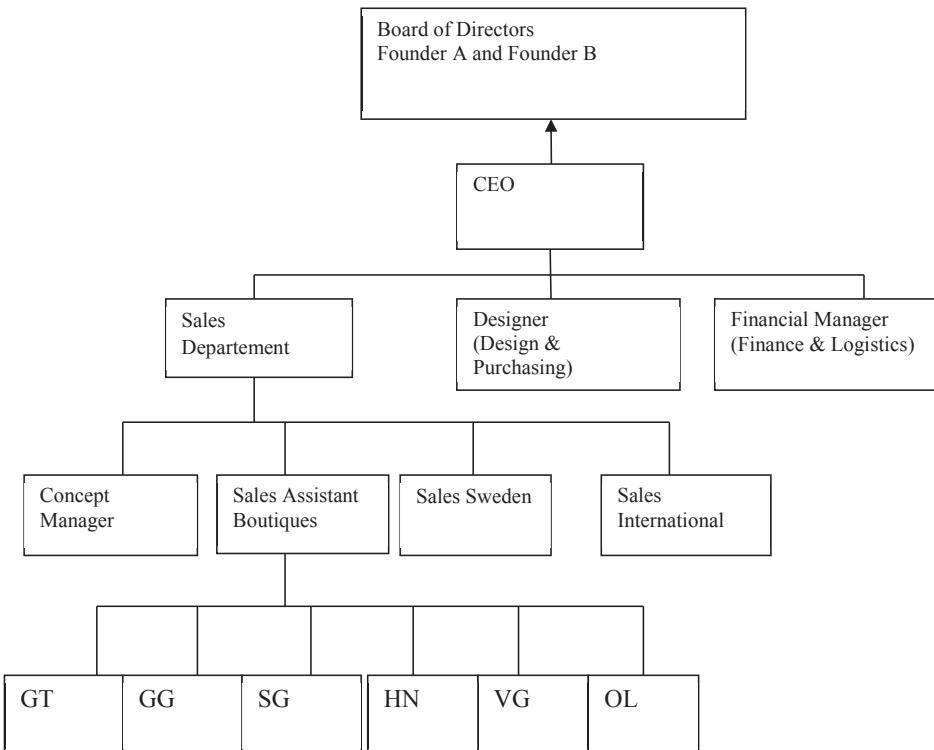


Figure 4 Organizational structure June 2009.

On 5 June, 2009, the plans from the change program were presented. Founder A announced that both Founder B and himself would step back from all operative tasks and together become the board of directors in (Fig. 4). Founder A mentioned: “*We now have a horizontal view of the company. Before, it was hard to make objective strategic decisions, but now we*

can" (*Interview 17: Jun. 2010*). The Export Manager was formally presented to Twist & Tango as the new CEO (Appendix 7). The role of the CEO came with dual responsibility. That is, she was given total operative control and responsibility for Twist & Tango; however, she continued working as Twist & Tango's Export Manager as well with full responsibility for international sales. The sales department was run by the CEO, who oversaw all sales functions. Fig. 4 also illustrates these functions: Twist & Tango's own boutique stores, Grev Turegatan (GT), Stockholm; Götgatan (GG) Stockholm; Skånegatan (SG), Stockholm; Haga Nygatan (HN), Gothenburg; Vallgatan (VG) Gothenburg, and Outlet store (OL), Gothenburg. The Sales Assistant managed all six stores, shown in Fig. 4. Sales Sweden was responsible for all retailers who represented Twist & Tango in Sweden. Sales International managed the international sales and, as mentioned, was run by the CEO.

The reasons behind the recruitment of a CEO were presented during the same meeting and discussed as a means of creating a clearer organization and having one leader. In addition, Founder A and Founder B explained why they chose the Export Manager as the best fit for the role, and they accentuated her work experience within sales and export. The CEO confirmed Founder A and Founder B's choice when stating: "*The reasons I was appointed CEO were to create a single leader as opposed to the tandem leadership; to make the organization clearer; my specific knowledge and experience of working with larger companies; and the ability to reach the turnover goals because I would now have control of the steering wheel*" (*Interview 9: Jun. 2009*). The recruitment of the CEO was a positive experience amongst the Twist & Tango employees, who referred to the CEO's knowledge, professionalism, and trust. The Sales Manager expressed: "*We at Twist & Tango have trust in the CEO and it felt safe that it was she who would take the company forward. She is professional and has changed the company with her knowledge*" (*Interview 12: Oct. 2009*). The outcome of clarity with respect to leadership was conveyed by the FM as well: "*It is now clear who is making the decisions*" (*Interview 21: Sept. 2010*).

The Designer would run the design and purchasing department. The finance and logistics department was managed by the FM. The Sales Manager was given a new title of Concept Manager and managed the ideas and concepts. This was a way to create and ensure that the Twist & Tango concept was present in the different functions. The Sales Manager expressed the reason behind this change: "...*one is working with Sales, one is working with the stores, and someone is working with design; however, there is no common thread between these functions*" (*Interview 12: Oct. 2009*).

The new organizational structure made it easier to see if and where certain changes needed to take place within the organization. The FM mentioned: "*With the new organizational structure it is much easier to see what the next step will be*" (*Interview 21: Sept. 2010*). These changes related to recruitment, job responsibility, and coordination and leadership. Furthermore, the presentation of the organizational change program also involved the turnover and profit goals, whereby the turnover would double from 43 million Swedish kronor (MSEK) in 2008 to 80 MSEK in 2012. The new organization and the export market were expected to play a large role in this increase.

5.3.6 The Recruitment Process

The development of the formal organizational structure had important impacts on Twist & Tango's recruitment process. Learning when and if to employ a new staff member became evident. Looking back, Founder A mentioned that prior to the change in organizational structure they made good decisions but also bad ones. Reference was made to the employment of the marketing manager in 2007: "*Somewhere we lost our integrity when we hired the marketing manager*" (*Interview 17: Jun. 2010*). The marketing manager was good at marketing, but it was not a resource that Twist & Tango needed at that time. The FM stated: "*We thought we needed a marketing manager, but we were not ready for it*" (*Interview 21: Sept. 2010*). The marketing manager was unable to communicate the brand the way Twist & Tango wanted to the brand to be communicated. Founder A mentioned that: "*The marketing manager was experienced in marketing, but she did not use the knowledge and traditions of Twist & Tango ... which meant the marketing did not represent the Twist & Tango personalities*". Founder A conveyed his lesson learned when stating: "*We made some wrong decisions, but of course this also took the company one step further. We have learned from our past and from this learning came many positive things*" (*Interview 17: Jun. 2010*).

As Twist & Tango grew further, they knew they needed employees, and the new organizational structure made it easier to understand where those new employees would go and who would manage them. This is represented in a short example given by the FM: "*When we started to grow again in 2009 we knew we needed more resources but we didn't know where. At first I thought we needed someone in logistics, but we found out we needed help with finance. With the new organizational structure, I was able pull the job descriptions together. From this I learned that I didn't have time to manage the finance department because I was too involved in the daily tasks. I realized that I am a manager now and I have responsibility for my employees. How can I manage them when I am too involved in bookkeeping? Therefore, I needed an assistant*" (*Interview 21: Sept. 2010*).

The new organization created the possibility for Twist & Tango to see what employees they needed and what parts of the organization they needed to focus on. The FM elaborated: "*The organizational structure created a foundation for knowing who to recruit; we have always recruited from our friends or someone that knows someone ... and we also created jobs that suited our employees rather than the other way around*" (*Interview 21: Sept. 2010*). The firm soon learned that it was necessary to first see what personnel the firm needed and to create the job description before a person was employed rather than after. The FM expressed the firm's development in this area: "*We learned to look at the organizational structure first and to see what type of job needed to be fulfilled ... We began to think twice before we hired staff*" (*Interview 21: Sept. 2010*).

5.3.7 Job Role Responsibility

During 2009 and early 2010, the CEO, in collaboration with the different departments, continued formalizing the organizational structure. The process involved writing formal job descriptions to ensure clarity amongst the employees' job responsibilities. Prior to the changes, it was common that employees didn't always know what they were responsible for and who was responsible for what. The SM stated: "*I felt for some time that it was unclear*

what we were supposed to be doing. We were all involved in different activities ... This is nothing negative, but when you grow everyone works better when they have a clear role" (*Interview 12: Oct. 2009*).

Founder A referred to the CEO and her ability to see over the organization and its employees in order to connect the right job description with the right employee by stating: "*The CEO was able to see the competence and knowledge in everybody, she knew what people were good at and managed to create a dynamic energy and power. After many years of our leadership, it only took the CEO one year to form the staff*" (*Interview 17: Jun. 2010*). The changes created a new energy within the firm that motivated everyone to take responsibility for their specific role, and this improvement was felt by all members. Founder A said: "*Now the other employees are more inspired and involved in taking responsibility*". In addition, the SM's comment was representative of the positive outcome of the new organizational structure and the formal job descriptions: "*I like that there is structure and it is clear what we are supposed to be working with*" (*Interview 12: Oct. 2009*).

By 2010 the FM started to see that the Twist & Tango employees began to fit the job descriptions rather than designing the job descriptions fit the Twist & Tango employees and stated: "*Before we wrote job descriptions to fit the person but now we write the descriptions first and then find the person suitable for the new role*" (*Interview 21: Sept 2010*). It might have seemed apparent that this was the best way to work however for Twist & Tango it wasn't and the FM admitted: "*... now that we are working this way it seems so obvious but it wasn't obvious before*" (*Interview 21: Sept 2010*).

The FM conveyed the firms learning with regards to the recruitment process when stating: "*We have learnt to look at the organizational structure and to see where people should fit and we think twice before employing a new staff member. When we plan the organization now we will try and find the person that is best suited to the task... we will also create the job first and then find the best person suited to that job*" (*Interview 21: Sept 2010*).

5.3.8 Coordination

Twist & Tango's international expansion also put pressure on the coordination between the operations that make up Twist & Tango's value chain, from designing the collection to when the collection reached the international and domestic customers. In line with the growth from internationalization, the value chain was not running efficiently, which became evident during the period Nov. 2009 to Feb. 2010 when the CEO saw the need to coordinate the value chain and expressed: "*... we need to tighten up the timeline even more*". Mention was made of the importance of working as a group, planning and refining the timeline together. The CEO stated: "*Several processes and ideas needed to be coordinated better with other processes*" (*Interview 20: Sept. 2010*). For example, up until the end of 2009 it was the purchasing department that designed the clothes and made the purchase orders, ensuring the products were shipped to Sweden on time. However, there was no consideration for whether the warehouse had time or even space to unpack and store the clothing. The outcome was delays in the deliveries of the collection to the firm's international and domestic customers during 2010.

In addition, in 2009, the sales department decided to change the dates and the percentage of clothes that the warehouse would deliver to Twist & Tango customers. The delivery dates changed from two delivery periods, each delivery spanning over two months, from Jan.–Feb. and from Feb.–Mar., to three delivery periods spanning over a period of one month, in Jan., Feb., and Mar. In addition, the percentage of clothes to be delivered would be at its highest (70%) in February. With this came delays in the delivery times to international and domestic customers. The warehouse did not have the time to deliver 70% of the collection nor the capacity to store the 70% of the collection during February. According to the FM, delays in deliveries may have been avoided if the changes were communicated between members that were responsible for the logistics and working with Twist & Tango's warehouse. The FM expressed that "*If this continues it will continue to be difficult to deliver to our customers on time, and the reason is the lack of communication between the sales department and their new plans with the personnel responsible for logistics and the warehouse*" (*Interview 21: Sept. 2010*). If the delivery times were to stay that way, Twist & Tango would need to reconsider the size of their warehouse. The FM expressed this when saying: "*If we want 70% of the collection to be delivered in February, then we need a bigger warehouse*" (*Interview 21: Sept. 2010*).

5.3.9 Summary

The firm once again attended more fashion fairs by representing at two different fairs in Germany, a new fair in France, their regular attendance in Denmark, and a second appearance at the Modefabriek fashion fair in Amsterdam. The firm applied their knowledge and presented their collection at the suited segment in Amsterdam, where they had a better response. During this period, the firm's international activity increased rapidly with a distributor in Japan; agents in Holland, Norway, and France; and new dialogues with agents in the UK, Italy, Belgium, and Spain. In general, May 2009 through to Dec. 2010 represented Twist & Tango's rapid increase in international activity.

In response to the organizational challenges outlined in phase two, the firm went through a 6-week change process. The organizational change process was undertaken in hopes that the firm could adapt to the increase in international activity, adjust the organization of its personnel, and improve its organizational processes to support this growth. The changes were also a response to the firm's progressive growth internationally. During the change process the firm created clear leadership, job roles, better coordination and they learnt when to employ personnel and in which area employees were needed.

However, Table 7 illustrates that even though the changes were implemented, the growth on the international market continued to impact the firm, and this related to the internal processes of sales and purchasing. The attendance at two new fashion fairs meant that the firm was attending fashion shows in June, July, and August. The challenge was the firm's ability to then have the collection ready earlier as well as entering all the orders in time for the purchase orders to be made in November. The pressure was felt by both the design team and the purchasing team.

Further challenges were felt in the overall organization. The firm's organizational structure was not keeping up with the firm's growth. This period was a test period, and the firm soon realized that despite the changes that were put into place, i.e., new leadership, organizational structure, and job descriptions, the firm continued to face challenges, including how the agent contracts should be written, the inability to create a complete collection before the sales kick off, and the increase in competition due to the increase in exposure. This meant that the firm began receiving requests for variations in fabrics and specific delivery dates. Moreover, there was an increase in orders and customer inquiries, all of which resulted in the firm's challenge to deliver on time.

The big challenge, however, was still the organization. Despite the increase in sales, the firm found it challenging to manage the demands that were connected with a sales increase and this had implications for the firm's value chain. That is it became difficult to manage the increase in sales, make the purchase orders and ensure that the collection was delivered to customers. However Twist & Tango at the time were unable to solve these challenges internally represented by no change in Table 7. Therefore the organizational challenges remained.

Table 7 Summary of Phase Three

Year	Organizational Challenge	Internal Response	Outcome
May 2009	Organizational change	Organizational Change process	Clear leadership Job roles Better coordination Learn when and where to employ personnel
August 2009- Dec 2010	Manage the increase in international orders	No change	Difficulties in coping with the organizational challenges
	Organizational Structure	No change	
	Pressure on the purchase orders	No change	
	Managing the sales period	No change	
	Inability to complete a full collection	No change	
	Timeline	No change	
	Communication and coordination of the value chain	No change	

5.4 Phase Four - International and Organizational Crisis

5.4.1 Fashion Fairs

In addition to attending Modefabriek in Amsterdam and CPH Vision in Denmark, in March 2011 the firm attended the fashion fair Nova Mania in China. Together with Scandinavian Multi Brand China, a distributor who represents a selection of Scandinavian brands in China, the firm exhibited their collection to important influences and professionals in Chinese

trading, which included distributors, retailers, and top media (Appendix 4). Twist & Tango was thankful to be invited to this exhibition. For the firm, this was an exceptional opportunity to introduce themselves to China. The CEO stated in a press release: “*This trip is special for our firm ... as we feel ready to enter and challenge the grand market of China*” (Mar. 2011). Twist & Tango received good reviews during the fair, as expressed by the CEO: “*The response we received at the fair from distributors was fantastic*” (Interview 23: May 2011).

5.4.2 Direct and Indirect Export

The year 2011 was a critical year for Twist & Tango. During the early months of 2011, the agent representing the French market cancelled their contract with the firm. The French agent was an important business contract, bringing in the highest sales figures. This affected Twist & Tango’s turnover (Appendix 8). One reason for this loss was voiced by the CEO: “*The French agent was really big and they demanded more, and we were not able to keep up with those demands ... It ruptured here*” (Interview 23: May 2011). To add to this issue, Twist & Tango were not delivering the quality in design what they promised: a strong international brand that represented high quality in the design and form of the clothing. The CEO expressed that the firm was not conveying high quality to their international agents and expressed her disappointment: “*We are not delivering what our brand stands for*” (Interview 23: May 2011). A lack in quality of the clothing was also noticed by the German agent and several other agents, whom the CEO chose not to name. Soon after, a new contract was signed with an agent in France. The new agent was much smaller and a consequence of this was a loss in terms of turnover that became evident in 2012. Even though the turnover continued to increase and in 2011 it had increased by 23% with positive operating profit figures, the figures started to decline in 2012 (Appendix 8 & 9) . One clear explanation was the crisis that occurred in 2011.

While Twist & Tango were having difficulties in the French market, the firm was in the process of an eventual partnership with the distributor who represented Scandinavian brands in China. The contract was in negotiations before officially signing. An important aspect of this contract was production volume of the collection that Twist & Tango could supply to the market. The CEO expressed: “... *China is a very large market and there are no barriers as to how much you can grow ... It is therefore important that we set a maximum amount that we will deliver ... it is important that we can deliver the amount we promise*”.

However, towards the summer of 2011, the firm made the decision not to sign the contract with the distributor in China. The CEO stated: “*It never happened, we were going through extreme organizational changes – with respect to our design and purchasing department – and we did not have the financial capital to take the chance*” (Interview 26: Dec. 2012). Twist & Tango did not feel ready to take on such a large market, and reference was made to both their financial capital and their ability to produce on such a large scale. The CEO noted: “*We are not there yet. We are too small, and we would never be able to grow in China with the capacity that we have now – we have a liquidity problem – it will be hard to release all our products – we need financing*”.

The firm continued to manage sales in Norway internally, i.e., the Export Assistant was responsible for selling the Twist & Tango product to this market. It was only in August 2011 that the CEO found a distributor that promised to represent the firm in Norway and Finland. The distributor had vast work experience, and the CEO described them as: “*...experienced, knowledgeable, and impressive*” (*Interview 24: Nov. 2011*). In addition, Twist & Tango stopped working with the agent in Holland. The agent contract in Denmark was also cancelled, as they were unable to meet Twist & Tango’s demands.

The year 2011 was a learning process, and the CEO reflected on how the firm would handle agents and distributors in the future: “*We have learned a lot when it comes to international agents and distributors and what we have for expectations, what we look at before we sign a contract, what we have to add or take out of our contracts, what we look at when we cancel a contract or when an agent cancels a contract, what it costs when you enter a new market, what do we need, what do we have in terms of resources; it is the whole*” (*Interview 23: Nov. 2011*).

The organizational problems, related to the quality and design of the collection, partly why the firm made the above international decisions, which impacted the choices taken regarding Twist & Tango’s internationalization process. As a result of the lack of quality in the garments and the inability of the firm to keep up with the demand, the firm had bruised their reputation. When it comes to the reputation of the brand, repairs take time to mend. The CEO commented on this: “*It is going to take time to build our brand again, since once you have ruptured a brand it takes a long time to bring it back to the way it was. We are all aware that this is what we need to do*” (*Interview 25: May 2012*). Building a brand once it has ruptured takes time. Therefore, entering new markets was not a priority and was expressed by the CEO: “*... it will take the time it takes and therefore we do not want to enter any more new markets until the issue of quality is settled*” (*Interview 24: Nov. 2011*).

The challenges Twist & Tango faced in the international market with regards to cancelling contracts and complaints regarding the Twist & Tango clothing, led the CEO and the Founders A & B to analyze the situation. Together, they came to the agreement that there were major internal problems. The CEO expressed her concern: “*This became a severe issue ... and we are having problems internally*” (*Interview 24: Nov. 2011*). Following an internal investigation, the problems were directed towards the design and purchasing department.

5.4.3 The Design and Purchasing Function

In May 2011, a meeting was called by Founder B. The design and purchasing department was not delivering what was expected of them. Reference was made to the quality, design, and fabrics of the collections and to the department itself, i.e., who was responsible for what task. The problems of job responsibility and coordination within the firm that appeared prior to the organizational change in 2009 were still evident in the design and purchasing department. This came as a surprise to the CEO and Founder B, who were led to believe that the department was running smoothly. The CEO conveyed this when she said: “*I was shocked. I questioned, how had we been working?*” (*Interview 24: Nov. 2011*). Once the problem was identified, the firm managed to fight hard and hold on to the business contracts with the agent

in Germany and the remaining agents they received complaints from. The firm realized what the problem was and convinced the agents that they were going to solve this internally by making changes to the design and purchasing department.

Reference was made to the Designer who, as mentioned previously, had taken over the role of DPM in 2010. The Designer was unable to fulfill the role of designer and work as a manager of the design and purchasing team. Thus, certain processes within the design and purchasing department were falling short, such as budgeting and the size of the collection to the calculation of the gross margins. The CEO expressed her concern: “*The designer needed steering in terms of being told: this is our range plan, this is our timeline, these are the issues we need to focus on, this is how much we need to order ... these are the strengths we were lacking*” (*Interview 24: Nov. 2011*). The Designer was not a true manager, but a designer. Within this department there was no coordination or understanding as to who was responsible for what. These issues raised question marks as to how this department had been functioning. There was no doubt that they were working hard. The CEO expressed the situation of the design and purchasing department as: “*They were working long hours, but there was still chaos ... we realized then that there was no structure ... they were working overtime because there was no organization. To put it simply, there was a large lack of competence*” (*Interview 24: May 2012*). During the crisis meeting, no individual took responsibility for the lack of competence. The blame was always pointed to someone else.

5.4.4 The Recruitment Process

In August 2011, Twist & Tango recruited a new designer that would take on the DPM role (referred to here as Designer2) (*Appendix 7*). Designer2 was contacted by the CEO, who informed her that the design and purchasing department was in a bad situation. The CEO first met Designer2 from her previous work experience with MQ. The CEO mentioned: “*I worked with Designer2 during my time at MQ, and this is where I learned that she is one of the best in terms of design. When we realized the design and production department was a mess, I contacted her and scheduled an interview*” (*Interview 25: May 2012*). Designer2 had five years’ experience as a design and buying assistant before beginning at MQ, where she worked for five years as a designer. During her employment with MQ she worked with revamping brands. An example was her project to remake Bondelid. Designer2 recalled: “*I was given the chance to remake Bondelid, and this included both the men’s and woman’s lines ... We went from selling almost nothing to what became one of the biggest brands at MQ*” (*Interview 31: Mar. 2015*). After her success with Bondelid, she was given the opportunity to remake two other brands that were sold at MQ. The experience Designer2 developed in restoring brands became a positive characteristic when working with Twist & Tango. In August 2011, Designer2 became Twist & Tango’s new designer and the manager of the design and purchasing team. It was the intention of the CEO to keep the current Designer and change his role back to his original role, a Designer. He would then focus on designing the collection and the work with the concept. However, the Designer made the decision to resign during the summer of 2011.

5.4.5 Changes to the Design and Purchasing Department

Prior to her employment, Designer2 was made aware of the terrible state that the design and purchasing department was in. Having fulfilled her challenges with MQ, she was ready for a new challenge, which was to make changes and rebuild Twist & Tango's design and purchasing department. Already, in her first days of employment, Designer2 started to make dramatic changes to the department. The CEO expressed: "*Thanks to the new designer, we are beginning to turn the whole design and purchasing ship around*" (*Interview 24: Nov. 2011*).

When Designer2 started, she noticed that everyone was involved in everything, for example she reflected on when emails were sent: "*Everyone did everything. For example, if one person sent an email, everyone was copied in that email and no one knew who should answer*" (*Interview 31: Mar. 2015*). The lack of job descriptions made it easy for an employee to deny that a task was theirs. Designer2 described the situation: "*Employees were stating that, this is not my task, which meant there was always one person working on taking on all the left overs*" (*Interview 31: Mar. 2015*). This is an inefficient way to work. As a response, she immediately began looking at the individual tasks undertaken by each member of the department. It was very important for the department to have clear job descriptions, as Designer2 mentioned: "*If you know your responsibilities and you know what to focus on, then you can work better and won't leave until you are finished with your task*" (*Interview 31: Mar. 2015*).

Additionally, Designer2 made changes to the Master Purchase Agreement. Designer2 looked over the Master Purchase Agreement and saw that both the delivery and payment terms were not suitable for a growing organization. There were no routines in place to ensure that the collection was delivered on time and when it would be delivered to the warehouse. Designer2 mentioned that: "*Delivery dates were also something that I needed to work with ... They didn't have shipment dates, they did not include this in the purchase order*" (*Interview 31: Mar. 2015*). Not having shipment dates meant that the purchasing team was not 100% sure when the suppliers were going to deliver the collection. Designer2 made direct changes and introduced delivery terms to the purchase orders, for example if the delivery is delayed 2 weeks, there is a 5% discount, further delays a 10% discount, then 15% and 20%, and so on. The importance of this was conveyed by Designer2: "*This would ensure that the supplier does not push the delivery forward*" (*Interview 31: Mar. 2015*). Changes were also made to the payment terms relating to payment to suppliers. Prior to 2011, it was payment before delivery, then in 2011 it changed to a 30-day payment plan. A 30-day payment plan required a process of trust building between Twist & Tango and their suppliers.

The firm began changing 90% of their supplier relationships. Twist & Tango spread their supplier group to Portugal and Turkey, and changed who their suppliers were in China. This was done for several reasons, one of which was quality and control over the supplier process. The old way of working and communicating with their suppliers was via agents, and Twist & Tango did not have direct relationships with their suppliers, resulting in issues of control regarding ethics, environmental policies, factory placement, and the workers in the factories.

The goal of Designer2 was to develop direct relationships with all suppliers as well as meeting and negotiating with each one personally. That had not been done previously.

Also important was the quality of the product and how that impacted the Twist & Tango brand and customer loyalty. Designer2 talked about the quality of several items when she began and the impact it can have on future sales: “*When I began in 2011, I could take a piece of fabric, pull at it, and it would just break apart ... Of course, if a customer buys a product like this from Twist & Tango they will never want to buy a Twist & Tango product again*” (*Interview 31: Mar. 2015*). Designer2 expressed her concerns further regarding customer loyalty: “*It takes many years to build trust between you and your customer, but it takes one bad item to lose their trust*” (*Interview 31: Mar, 2015*). As a response, Designer2 applied her knowledge of sourcing and design to improve the Twist & Tango collection.

Two main aspects of the design process changed related to the sourcing of the materials and how the overall design process was undertaken. Designer2 referred to how the process was achieved previously. When the department sourced fabrics, they sourced fabrics that were already produced and ready to sell by the roll. For example, if the designer wanted to make a blue dress with a certain type of cotton, the design and purchasing department would source the specific type of cotton. However, if the cotton only came in green and red, rather than making a new material in blue the designer would make the dress in green or red instead. Designer2 reflected on this old method: “*The way they sourced fabrics before, to me, is not sourcing*” (*Interview 31: Mar, 2015*). Reference was also made towards the quality of fabrics that were sourced. For example, the purchasing team might place an order stating 100% cotton. However 100% cotton can mean several things, i.e., thick cotton, thin cotton, etc. There are different textures in a 100% cotton fabric. The orders didn’t refer to the gauge of the cotton. Once the orders were received, as a result, they might end up with cotton that they were not expecting.

Designer2 also expressed her concerns regarding the design process: “*When I started, I was in shock, we did almost nothing by ourselves*” (*Interview 31: Mar. 2015*). Designer2 described how the design process looked before she began: they worked with agents that had their own designers. The agents came to Twist & Tango with readymade fabrics and garments and would present them to the design and purchasing team. Twist & Tango bought this service. A negative outcome of this was mentioned by Designer2: “*In the worst-case scenario the same style could pop up in another fashion label, which is what happened, the same design appeared both at Twist & Tango and at another label*” (*Interview 31: Mar. 2015*). Designer2 worked hard to cancel all work undertaken with these agents. Towards the end of 2011, all design processes were undertaken in-house.

However, it was not long after these changes that Twist & Tango began to feel a new stress on the organization. The further development on the international market discussed next impacted several organizational processes related to sales, design, purchasing, and logistics. The Financial Manager mentioned: “*We still have many organizational changes to make. These changes are the result of the increase in growth, and it is important that we have the organization for this*” (*Interview 21: Sept. 2010*).

5.4.6 Summary

In 2011, the firm extended its international activity to include a new venture in China, which involved attending the fashion fair Nova Mania alongside a selection of Scandinavian brands. However, due to organizational challenges, the firm decided not to continue with this venture and pulled back negotiations with a possible distributor in China. The firm cancelled contracts in Holland and Denmark and lost an important agent contract with France, a result of the low product quality and their inability to meet agent demands. The firm had lost the trust of several of their international agents, resulting in the loss of the agent in France as well as beginning to lose the trust of one their biggest retailers, such as Åhlens in Sweden.

Table 8 represents the challenges during 2011. The challenge was to find the source of the problem. The CEO and Founder B agreed that there were major internal problems coming from the design and purchasing department. The response was a meeting held in May whereby the firm realized that there was no managerial responsibility within this department as well as a lack of job descriptions and processes. Therefore the challenges became how to solve the lack or organization in the design and purchasing department which also involved rebuilding the brand.

In response these internal challenges, the decision was made to recruit a new designer. The outcome of recruiting a new designer was the process of formalizing the design and purchasing functions and developing clear job roles, updating the Master Purchase Agreement, changing and developing the firm's supplier relationships, and transforming the design process.

Table 8 Summary of Phase Four

Year	Organizational Challenge	Internal Response	Outcome
2011	Quality of the product	Internal meeting	Noticed organizational problems in the design and purchasing department
	Lack of organization in design and purchasing department	Recruitment of a new designer	Formalization of the design and purchasing function
			Job responsibility
			New supplier relationships
			Change to the Master Purchase Agreement
			Changes to the overall design process
	Production capacity		Do not expand into China

5.5 Phase Five - Phase Rebuilding and Stabilizing the Organization

(Jan. 2012–May 2015)

5.5.1 Fashion Fairs

Attending fashion fairs was important for Twist & Tango, and it was important for the firm to continue carefully assessing which fairs to attend. The decision was made to attend particular fairs in certain markets related to the firm's current international agents as well as possible new markets the firm wished to enter. Despite only working with the agent in the UK since 2011, that agent was presenting the highest turnover figures (Appendix 4) compare with Twist & Tango's other agents and distributors (Appendix 6). The firm decided it was therefore important to put their resources and time into the UK market. The CEO decided to present the Twist & Tango collection at the fashion fair Scoop in London. The firm continued displaying the collection at Scoop during the years 2013, 2014, and 2015. In 2012, the firm began attending the JFW fashion fair in Japan. The firm, which uses a distributor in Japan, saw the benefits of attending the fair and displaying the Twist & Tango collection to their Japanese customers. However, the CEO decided to stop attending the fair in France. Since the firm lost their agent in France, they had difficulties in this particular market and decided to invest fewer resources here. As the firm has always done, they continued attending the fashion fair in Copenhagen.

5.5.2 Direct and Indirect Export

During the early months of 2012, the CEO travelled to Amsterdam to meet with possible new agents in hopes of replacing their last agent in Holland. However, the decision was made to not sign contracts with agents representing Holland and Belgium, and the search was discontinued. The CEO mentioned: "*We really need to set the organization first; we cannot take on more and more agents. We need to make the organization more efficient, we need to make a profit first and stabilize it, and then we can go forward ... Agents cost money*" (*Interview 26: Dec. 2012*).

In 2012, the CEO reassessed the distributor in Germany. This particular distributor was not delivering, an issue that was reflected in the loss in turnover in this particular market (Table 5.10). The CEO described the situation: "*Our distributor in Germany has no routines and no structure in place*" (*Interview 26: Dec. 2012*). The decision was made in 2013, by the CEO, to cancel this contract. The market would be driven by Twist & Tango's own sales representative until they were able to find a new representative in that market.

Reviewing the firm's current agents and distributors was an ongoing process, and in 2014 the CEO made a new reassessment. The review was an outcome of the CEO's concern that several markets were not producing the expected results in terms of sales. As a result, in 2015 the CEO discontinued their distributor contract with Finland. The CEO noticed already in 2012 that they were not particularly satisfied with the distributor in Finland due to their weak contact network and a lack of drive.

The Finnish distributor, having their own clothing boutiques, did not have full focus on wholesaling to a larger customer base and putting their energy into selling the Twist & Tango

brand in their own stores. The outcome was described as a lack of sales and low turnover; however, it is often difficult to realize these problems in advance. The CEO commented that “*it is hard to see these things when signing contracts with agents and distributors and the problems tend to arise over time*” (*Interview 29: Nov. 2014*). The CEO, who has made reference in the past to the importance of going with your first feeling when deciding to sign a contract with international representatives, mentioned that this was not the case with the Finnish distributor. “*It is important to go with your first feeling; however, I did not do this with Finland. I did not have a good feeling but I still signed with them*” (*Interview 29: Nov. 2014*).

The firm also cancelled their agent contract in France during the summer of 2015. The situation was described as similar to that of the Finnish distributor. The French agent did not prioritize the Twist & Tango brand, and the CEO mentioned that the agent did not have the drive to promote Twist & Tango’s products. The low performance of the French agent reflected in the sales figures (*Appendix 4*); however, this situation is difficult to predict, as the CEO mentioned: “*Unfortunately these are things you cannot see beforehand*” (*Interview 30: Mar. 2015*).

In contrast and reflecting on Twist & Tango’s competence, in 2015 the distributor in Japan decided to cancel their distributor contract with Twist & Tango. The Japanese distributor demanded larger volumes of clothes because they felt they were not earning enough money from the Twist & Tango sales. However, Twist & Tango did not have the capacity to produce such large volumes and the CEO expressed the situation: “*We are unable to produce the volume that the Japanese market demand from us*” (*Interview 30: Mar. 2015*). Therefore, the contract needed to be cancelled. Twist & Tango have ensured that they maintain good relations with this distributor until further notice.

The only new market Twist & Tango entered during this period was Spain in 2012 via an agent contract. Between 2012 and 2014, the firm focused on the Swedish market, its own concept stores and looked for possible new locations within Sweden to open a new concept store. The reason for this direction was expressed by the CEO: “*... there seems to me more money to pick up in Sweden*” (*Interview 29: Nov. 2014*). The decision was to leave the export market as it was, reevaluate the current agents and distributors, set new expectations and demands, and continue focusing on developing an effective organization internally. Another reason for this decision was the cost involved with selling in international markets. The CEO stated: “*Working with agents cost money. It is not just about selling, it is important to look at the whole package*” (*Interview 28: Mar. 2014*). The costs involved when perusing agents include commissions, cost of the samples and the collection, and the cost of delivering and the selling material.

In 2015, the firm felt ready to regain their presence in Germany, Holland, Belgium, France, and Denmark. The CEO succeeded in finding representatives she believed would be able to carry and effectively represent Twist & Tango. The CEO mentioned that she had developed knowledge of how to assess and find new agents and distributors and expressed the following: “*I have learned to look further into how agents work actively in each season with the*

customers, how they maintain good sales, how they promote the brand in each market during each season, and I have learned that is also important to take references" (Interview 32: Nov. 2015). The CEO knows many people in the fashion branch and therefore has a good network for finding references and information about the potential new agents and distributors. By 2015 Twist & Tango was represented by a distributor who would cover both Holland and Belgium, and they had three new agents in Denmark, France, and Germany.

5.5.3 Sales and Marketing Functions

During the years 2012 to 2015, the sales department underwent several changes. In May 2013, the CEO created a new role, Sales Manager. The purpose of this role was to release part of the sales function from the CEO. With the new Sales Manager, the CEO could focus on the organization and the process of selling on the export market. The CEO expressed the following: "*The changes made to the sales and marketing side will make it much easier for me to focus on the export market*" (Interview 27: May 2013). The Sales Manager would have responsibility for the sales budget both for the Swedish and international markets. In addition, she would be accountable for setting the sales targets for wholesale, the Twist & Tango concept stores, online shopping, and exports. The Sales Manager would also administer the roles of the sales activities within the concept stores and wholesales and ensure that information is transferred to the design and purchasing department regarding popular items or whether to cancel a certain item.

In Feb. 2014, the CEO created an additional role named Marketing Coordinator. Finally, the firm had a point of contact for press material, social media, the website, and personal relations. In 2015, an Online Shopping Coordinator role was created (Fig. 5)

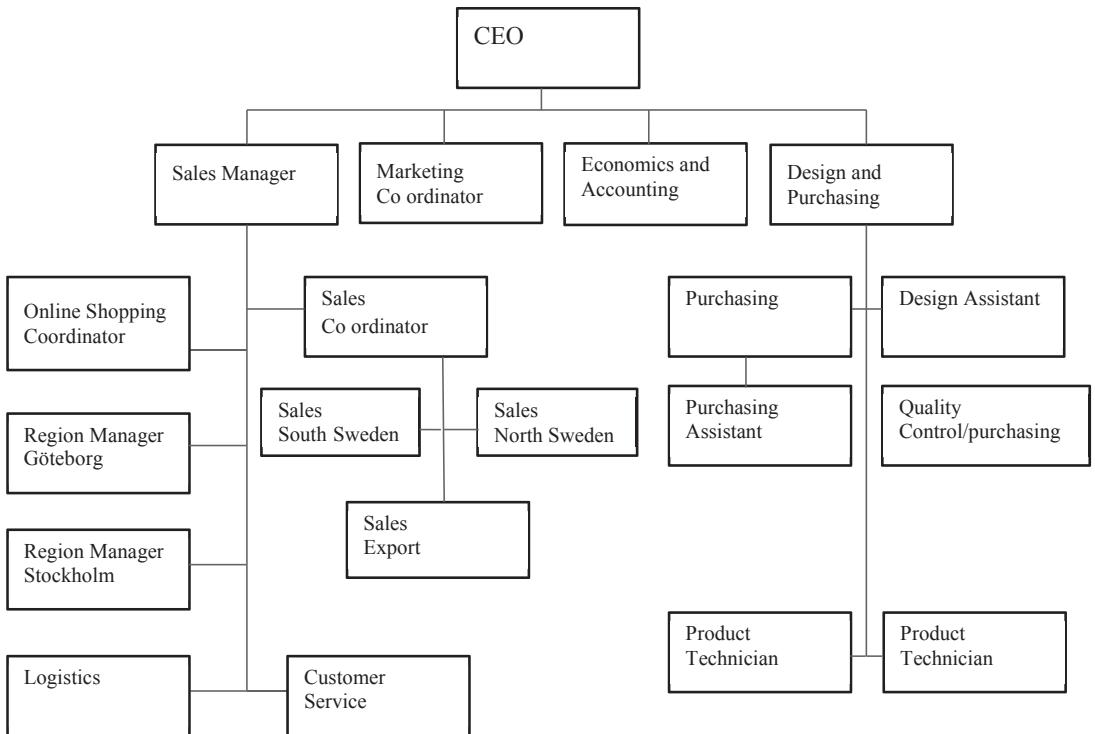


Figure 5 Organizational Structure year 2015

In addition, in 2015 and in response to the issues that arose during working with the distributor in Finland and the agent in France, the CEO made changes to the agent contract. The agent contract was not only concerned with the brands that the particular agents represent, but during the contract period the particular agent is not allowed to trademark other brands that may be competing with Twist & Tango and which are not specified on the contract. If this happens, then Twist & Tango has the right to terminate the contract.

5.5.4 Design and Purchasing Functions

By 2012, the design and purchasing department was considered to be functioning efficiently. The CEO articulated this when saying: “Now we have a doer in place, a true leader. The new designers has re-structured and organized the department so that it runs smoothly” (*Interview 25: Apr. 2012*). During this phase, the firm started to see the benefits of the changes that started to take place during the autumn of 2011 in the design and purchasing department.

The changes that were implemented in the Master Purchase Agreement (mentioned in Phase 4), with regards to the delivery requirements, started to take effect. The firm felt that they finally had control over the delivery of the collection. Desinger2 expressed this when she stated proudly: “Now we have control over our delivery. It is very rare that we are late in delivering to our customers, and if we are late it is because the suppliers are late. If this is the

case, the shipment goes by air instead and the supplier pays for that, not us” (Interview 31: Mar. 2015).

During this period, the design and purchasing department succeeded in changing 90% of their suppliers. After the changes, Twist & Tango had suppliers in Turkey, Portugal, and China (Shanghai). Each supplier specializes in certain fabrics and has their own special qualities that contribute to Twist & Tango’s collection. For example, the supplier in Shanghai specializes in silk with their own fabric factories. Turkey is considered one of the world’s leading countries in denim, and therefore this supplier produces the denim products for Twist & Tango. The supplier in Portugal is extremely experienced with certain cottons.

As a result, Twist & Tango was able to show that they had gained full control over their supplier relationships with regards to ethics, environmental issues, where the factories are situated, and who works in the factories. A positive outcome of this was that they regained their contract with MQ, who was one of their largest retailers prior to losing them as a client. For MQ, it is very important for their suppliers to have a certificate to show what factories they work with and if those factories comply with the Business Social Compliance Initiative (BSCI). Designer2 stated: “*MQ will say no if you do not have a BSCI certificate from the factories*” (Interview 31: Mar. 2015). Twist & Tango now has this certificate.

In addition, the firm had built a strong trust with their suppliers. Designer2 and her assistant ensured that they visit the suppliers and meet with the owners and negotiate price levels. They meet with all their suppliers twice a year. This activity did not exist prior to her employment. During their visits they ensure to invite the suppliers out to dinner. These visits are very important for building strong relationships with their suppliers. The CEO expressed the importance of these relationships when stating: “*It is important that we take care of our suppliers, as Twist & Tango is not a big client to them because we do not produce in large volumes. It is therefore extremely important that we develop a strong relationship with them*” (Interview 32: Mar. 2015). The trust that Twist & Tango gained through their visits made certain negotiation processes much easier.

Designer2 also implemented a change wherein the suppliers should pay for the collection samples. Designer2 noticed that Twist & Tango had been paying for all the collection samples. However, once implemented, Twist & Tango paid only for the sales samples that were used during the selling process. All other samples prior to this (i.e., first samples) according to Designer2 should be paid for by the supplier. Prior to Designer2’s employment it seemed unnegotiable whether Twist & Tango should pay for the samples. Designer2 expressed the mentality of the department prior to her employment: “*But of course Twist & Tango should pay for the samples, it is we that are ordering them*”. However, Designer2 stated: “*If you have a good relationship with your suppliers, then of course they should pay for the samples*” (Interview 31: Mar. 2015).

The changes that were implemented had a positive effect on the overall quality of the Twist & Tango collection. The overall design and purchasing process began to look different compared to previously, i.e., from how the fabrics were sourced to how the design process of each garment was carried out. By 2014, the department had developed a series of reference

numbers indicating the quality and weight of all materials. The department also invested in a similar scaling system to what is used by the textile industry, which allows for more control over the fabrics that are applied to the collection.

Designer2 reflected back on the change process that occurred during the period 2012–2015: “*This has been a long change process. It has taken three years for everything to fall into place*” (*Interview 31: Mar. 2015*). The importance of the changes made was expressed by Designer2: “*I would say if we didn't make the changes three years ago or start making the changes, because it does not happen overnight, then maybe we would be half the people today ... because we lost many important accounts*” (*Interview 31: Mar. 2015*).

The lapse in time for the changes to have effect did have negative consequences, however. Twist & Tango lost key accounts in Sweden, specifically Åhlens and Sisters. Designer2 expressed her frustration: “*The changes I began implementing took time to start working, they do not happen overnight, and these retailers could not wait*” (*Interview 31: Mar. 2015*). However, by 2015 the effects began to show. In Jan./Feb. 2015, Twist & Tango did their all-time high in sales (Tables 5.7–5.8). Designer2 stated: “*We have new accounts, MQ and Sisters are buying from us again, and Åhlens are now following us again*” (*Interview 31: Mar. 2015*).

The designer expressed the positive outcome of the developments made within the design and purchasing department and the firm as whole by saying that “*now we work like a big company even though we are a small company; we are professional now*” (*Interview 31: Mar. 2015*).

5.5.5 Summary

Table 9 represents the challenges during the period 2012–2015 and how the firm solved them. During 2012–2015, the challenges were finding the right agents, but also dealing with agents and distributors that did not turn out the way the firm had hoped. In relation to working with agents and distributors, the CEO pointed out that working with international agents is a constant learning experience. Despite being prepared with formalized questions and criteria before signing contracts, the CEO indicated that issues arise along the way and it is hard to see them beforehand. During 2012–2015 the CEO learned what factors they should not accept when working with agents and what factors they need to be strict with. An outcome of this was changes to the agent contracts.

During this period the firm also began to formalize the organization even more with the CEO developing the organizational structure further, with the introduction of the Sales Manager and a new Marketing Coordinator. This allowed the CEO to focus on managing the firm and exports only. Designer2 began to implement the changes that she mentioned when she began in 2011, and the outcomes of those changes began to be realized during 2014–2015 (Table 9). For example, the firm regained their contracts with MQ and Sisters; they began to have control over the delivery process and their relationships with their suppliers. The improvements to the design processes resulted in more professional designs and improved quality.

Table 9 Summary of Phase Five

Year	Organizational Challenge	Internal Response	Outcome
2012-2015	How to choose agents	Made changes to agents contracts	Improved criteria
	Production capacity (inability to produce in large quantities)	No change	Lose Japan contract
	Changes to the Design and purchasing department	New Designer given full responsibility	Regain contracts with MQ Control over the delivery of the collection Control over their factories Professional design Quality Building trust Increase in Sales

5.6 Summary of the Case Firm's Internationalization Process and Organizational Changes

The chapter described both the internationalization process of the case firm and how and why certain changes were made to the internal aspects of the organization, with specific mention given to the sales and marketing, design and purchasing, and human resources processes. Important internal challenges arose within and across the five phases. These challenges related to a lack of personnel, inefficient organizational processes within the departments, and how the firm recruited personnel. The firm also faced challenges in creating leadership, coordination, managerial responsibility, and job role responsibility and delegation. . Despite the changes the firm made during 2009 related to organizational structure, leadership and managerial responsibility Twist & Tango were constantly challenged by the increase in international export and a need to constantly adapt the internal processes of the firm. The inability to respond to all challenges had its negative outcomes. For example Twist & Tango's brand ruptured in terms of quality and reputation, delays in deliveries, and lost international agents and distributors, for example in France and Japan. Twist and Tango's story shows how the firm responded to the types of challenges changed as the time went on and as they learned more about how to be effective operationally. In 2015 the firm had regained control over the design and purchasing department and began to develop trust with their international customers.

Chapter 6 Analyzing Resource Base Change and Development during the Internationalization process of Firms

This thesis aims to understand how firms change and develop their resource base during internationalization and why the changes and developments that take place unfold the way they do. The underlying driver behind this purpose is that a firm's resources and capabilities play an important role in shaping the direction of a firm's internationalization process and impact a firm's ability to internationalize into and across national boundaries (e.g., Johanson & Vahlne, 1977, 2009; Vahlne & Johanson, 2013). However, the questions of how, why, and even if a firm's resource base changes in response to international challenges and opportunities has not been made explicit in the prevailing internationalization process literature (Benito & Welch, 1994; Johanson & Vahlne, 1990), despite the impact changes in the resource base have on the firm's international behavior.

During internationalization, firms respond to the challenges and opportunities that arise out of their changed position in their business network (Johanson & Vahlne, 2009) through processes of building their resources and integrating them into the firm's capabilities, as well as reconfiguring and leveraging them to avoid unfavorable paths (e.g., Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). These processes, once achieved, indicate a movement towards the development of a firm's dynamic capabilities. Therefore, an assessment of the extent to which dynamic capabilities are developed during internationalization becomes important and is also addressed in this analysis. Hence, the research questions posed in the thesis give way to analyzing the internationalization process of a case firm through building, integrating, reconfiguring, and leveraging the case firm's resources and capabilities.

In Section 6.1, the five phases of the case firm's internationalization process, described in the empirical chapter, are analyzed. Applying insights from the prevailing literature and the lack thereof (see Chapter 2), the discussion surrounds how Twist & Tango builds, integrates, reconfigures, and leverages its resources and capabilities during internationalization. Each phase highlights examples of the internal challenges that the case firm faces during its international expansion, as well as how it responds to these challenges and outcomes. Section 6.1 concludes by highlighting the importance of commitment, learning, and internationalization knowledge (Johanson & Vahlne, 1977, 2009) and the firm's ability to synchronize the core building blocks into dynamic capabilities, i.e., building, integrating, reconfiguring, (c.f. Teece, 1997; 2007; 2014) and leveraging (c.f. Sirmon et al., 2007). Furthermore, the analysis of the five phases indicates that the development of dynamic, managerial, and organizational capabilities unfold simultaneously and incrementally and rely on and impact each other, also implying that changes and developments in resource base are complex and multilayered processes.

Section 6.1 attempts to answer the first research question, namely how a firm's resource base changes and develops during a firm's internationalization process. The focus is on the case

firm's resource base and on changes that previously have been discussed to a lesser degree in the literature. Furthermore, Section 6.1 serves as a foundation for Section 6.2, where emphasis is placed on discussing the second research question, namely why the resource base changes and develops the way it does.

Section 6.2 elaborates on the importance of commitment, learning, internationalization knowledge, and a movement towards synchronizing the building, integrating, reconfiguration, and leveraging processes. In doing so, Section 6.2 provides deeper insight into why Twist & Tango's resources and capabilities developed the way they did and how the firm builds dynamic capabilities. Additionally, this section will answer the third research question of how does a firm build its dynamic capabilities for internationalization. This leads the chapter into Section 6.3, which integrates the main findings of the case and develops a model of resource base change and development during firms' internationalization process. The model offers insights on how firms build dynamic capabilities as well as develop and change their operational capabilities. The development of dynamic capabilities and the development and change of operational capabilities are built over time through the processes described above.

6.1 Resource Base Change and Development – A Complex and Multilayered Process

6.1.1 Phase 1 - First International Activity

Twist & Tango, a firm that had acted within their domestic market for two years, were contacted by agents and a distributor from several different countries. After signing agent contracts in Denmark, Finland, and Norway, and with a distributor in the US, the firm's response was the recruitment and internal development of personnel. Twist & Tango's response highlights that during the early phases of internationalization, firms rely on their ability to build resources and capabilities through the processes of acquiring new personnel and developing their existing human resource base. This finding is in line with the prevailing literature. For example, Johanson and Vahlne (1977; 2009) mentioned the importance of acquiring and organizing human resources for planning, execution, and efficient operation of firm expansion. Reference has also been made in the literature to the importance of recruiting personnel with experience, education, language, and training (e.g., Nummela, Saarenketo, & Loan, 2016; Stoian, Rialp, & Rialp, 2011). While the acquisition and development of resources (e.g., Sirmon et al., 2007) is not surprising, and well-acknowledged in the resource base perspective to firm internationalization (e.g., Johanson & Vahlne, 2009; Kamakura, Ramon-Jeronimo, & Gravel, 2012; Leonidou & Katsikeas, 1996), as will be discussed below, the case raises questions and provides insights into a firm's ability to acquire and develop the knowledge necessary for resource base development.

Twist & Tango's initial entry into foreign markets via export exemplifies that the ability to acquire and even develop resources and capabilities is likely to be clouded by the exposure to an increase in workload due to the international expansion. Based on evidence from the case firm, this thesis argues that, rather than seeing the need to recruit personnel with experience and education (e.g., Stoian et al., 2011) or personnel with the ability to plan and execute

international expansion (e.g., Johanson & Vahlne, 2009), firms might acquire resources simply in order to manage the increase in operative tasks. In the case of Twist & Tango, this is related to managing the increase in export sales together with sales in their domestic market. Therefore, the recruitment of personnel to address the changing demands posed by international expansion does not necessarily reflect the knowledge needed. Rather, it is a firm's perception of the challenges faced from working with international agents and distributors that impacts the acquisition of knowledge. Twist & Tango's perception of internationalization was impacted by its lack of/no experience with selling, purchasing, managing supplier relationships, and distribution to international customers. Indeed, during the early phases of internationalization, firms lack the initial platforms to build from or the know-how to change and develop their resources to support internationalization (cf. Perks & Medway, 2012). Based on insights made in the case, it is argued that a firm might become shocked by the demands posed by internationalization and therefore react hastily to cope with the numerous tasks that arise. In the case of Twist & Tango, the firm reacted by searching for a way to relieve the increase in work capacity in an ad-hoc manner by recruiting personnel via, for example, friends of friends and personal contacts.

The impacts of recruiting personnel with little or no specialized knowledge of the needs of international customers, suppliers, and business relationships, were recognized when Twist & Tango began to receive feedback regarding its capability to manage its first agent and distributor relationships. From reading the internationalization process literature, one would expect that once firms have leveraged their capabilities to create value for their international suppliers and agent relationships (e.g., Sirmon et al., 2001; Eriksson, 2014) and have received a response from their business partners, firms would develop an ability to make the necessary changes to their resource base. The changes enable firms to continue and even expand further into and across markets (e.g., Johanson & Vahlne, 2009). However, the case firm provides an example of where the feedback from international business relationships are not always integrated into developing and changing the firm's resource base, i.e., they are not following the pattern described previously in the literature. For example, in 2000, Twist & Tango cancelled all business contracts with its agents and distributors because it did not have the resource capacity to cope with the increase in demand, which came from working with agents in different countries. Following this, their international expansion was not considered again until the year 2007. Instead, the firm decided to expand in its domestic market and improve their existing business structure. In other words, Twist & Tango was in a de-internationalizing mode (cf. Benito & Welch, 1997; Welch & Welch, 2009) and voluntarily reduced their engagement in international operations (cf. Benito & Welch, 1997).

Whereas Twist & Tango's de-internationalization can be explained by a lack of preparation for foreign operations (cf. Welch & Welch, 2009), its de-internationalization with international agents and distributors can also be interpreted as an example of redirecting commitment; in the Twist & Tango case, commitment of its resources was redirected to the expansion in its domestic market. Due to the redirection of the firm's commitment to the resource base of the firm, the developments and changes that evolved were in contrast to acquiring the necessary resources to support international expansion. Hence, in more general

terms, it seems that the direction of a firm's commitment influences how and if changes and developments are made to the resource base to support internationalization.

The above example illustrates that firms can undergo what is referred to as "international time-out" phase (Welch & Welch, 2009, p. 572). Twist & Tango redirected their resource base changes towards another goal during their international time out period, i.e., the domestic market. Research has thus shown that a time-out period can be positive for a firm's internationalization process (Welch & Welch, 2009), since firms can use this time to restructure their organization and develop the necessary managerial and organizational skills to support future international expansion (Welch & Welch, 2009). The changes that unfolded during Twist & Tango's time out period were related to an increase in financial resources and the further development of the brand and image domestically in Sweden. In this case it is evident that these changes during the international time-out period, even though not intended for further internationalization, eventually influenced and even motivated the firm's internationalization process in 2007 and its future international goals.

6.1.2 Phase 2 - Reconsidering Internationalization via Agents and Distributors

Twist & Tango's re-internationalization phase is a representation of how the redirection of a firm's commitment towards international expansion also redirects its commitment towards developing the resources and capabilities necessary for internationalization. However, the study of the case firm also illustrates that even though firms are committed to international expansion and developing the resource base of the firm, firms still face challenges related to how the development of both organizational and managerial capabilities are achieved.

Twist & Tango's initial step in developing capabilities and resources to engage in international operations was to first acquire knowledge and experience through the recruitment of personnel. As shown in the case description, Twist & Tango acquired specialized knowledge in the areas of export, design, and purchasing. Acquiring specialized knowledge through the recruitment of personnel can be described as knowledge acquisition via grafting (Casillas, Barbero, & Sapienza, 2015; Huber, 1991). First, through employing three new employees, an export manager, design manager, and purchasing manager, the case firm really became aware of other types of knowledge that were needed. That is, grafting that knowledge unleashed the learning potential of the firm. Hence, the recruitment of personnel can indeed be understood as a firm's initial step in developing its capabilities and resources to engage in and develop international business relationships, referred to in Chapter 2 as internationalization knowledge (e.g., Eriksson et al., 1997; Hohenthal, 2001). The decision to develop and change the resource base via acquisition of specialized staff was a result of the firm's prior experience working with international agents and distributors. Twist & Tango eventually had learnt through experience that there were different types of skill sets needed to effectively manage a firm that is operating domestically compared to a firm that is internationalizing. As mentioned in the internationalization process literature, Twist & Tango experienced the need to acquire specialized knowledge for planning, execution, and efficient operation of firm expansion (cf. Johanson & Vahlne 1977, 2009). Even though learning through experiential knowledge is a well-discussed topic in the internationalization process literature (e.g., Johanson & Vahlne, 1977, 2009), the case reveals a gradual movement

towards other knowledge acquisition types and a firm's ability to develop its resource capacity.

Elaborating on the above, the case supports the prevailing capability literature that the acquisition of knowledge alone is not enough to support—as in this case—an internationalization process. Rather, specialized knowledge needs to be integrated into the firm's current resource base, for example by extending an existing capability by means of adding a new resource (Sirmon et al., 2007). As the case reveals, such integration is not trivial. Despite the fact that Twist & Tango successfully acquired knowledge within the areas of design, export, and purchasing, it failed in developing both managerial and organizational capabilities within design, export, and purchasing since it lacked the ability to integrate the new knowledge into the firm's current capabilities.

Drawing on insights from the prevailing literature, one would expect that the above-mentioned integration of the firm's newly acquired knowledge with the firm's current capabilities involves the combination of resources; typically, the process is about pulling together knowledge developed internally with that acquired from external sources (e.g., Eriksson, 2014). However, as will be discussed below in more detail, Twist & Tango's integration process indicates that the ability to build and integrate a firm's managerial and organizational capabilities during internationalization is a complex and multilayered process and takes time to realize. The complexity of the integration process can be understood as an outcome of the firm's path (Teece, 2014), together with issues of learning and developing internationalization knowledge as well as a clear organizational structure.

Expanding further on issues of integration and as is mentioned in the literature, the integration process is impacted by a firm's current resource base (Eriksson & Chetty, 2003). The case of Twist & Tango shows that this process can take time due to a firm's current resource capacity, lack of structure, and coordination in the firm. For example, as highlighted in the case description, there was a clear discrepancy between how the case firm worked previously and how the firm was thought to work with the introduction of new personnel. The new employees of Twist & Tango brought in new knowledge and new ways of managing that were related to how to work with design, export, and purchasing. However, this clashed with the firm's previous, more informal way of working, lacking a clear structure and adequate job specifications. Furthermore, since 'everyone was involved in everything', a lack of clear managerial responsibility existed. It became difficult for the sales, design, and purchasing departments to know whether they had the human resources available for managerial and organizational activities as well as processes and structures in place to allow for planning and change. Hence, a firm's ability to capitalize on its resources to perform a set of coordinated tasks is impacted by that firm's ability to integrate the specialized knowledge together with the knowledge of the organizational members (e.g., Grant, 1996).

As mentioned earlier, learning via grafting (e.g., Casillas, et al., 2009)—through the recruitment of specialized staff—unleashed the learning potential of Twist & Tango. The firm began to realize how they could integrate its resources and capabilities. The realization was a pre-requisite for developing leadership capabilities to develop the firm's organizational

structure, coordination, and resource capacity from which they could draw. At the same time, as a result of the export manager's recruitment, the firm learnt how and which markets to enter. Indeed, grafting knowledge helps to unleash the learning potential from a search, where a firm develops an awareness of international opportunities and becomes more positive towards these opportunities (Casillas, 2015). However, what the literature does not discuss, which the case clearly illustrates, is that grafting knowledge unleashes and triggers a process of internal change and development in the firm's resource base.

Elaborating on the above discussion, the case is an example that firms can overestimate the benefits of acquiring knowledge and underestimate the difficulties in integrating this knowledge to develop operational capabilities. For example, it is disclosed that the development of capabilities is influenced by other organizational factors, suggesting the importance of simultaneously developing a firm's structure, coordination, leadership, job responsibility, and a resource capacity to draw from. However, while Twist & Tango learnt that they needed to make the necessary developments, the firm also realized that it did not have the knowledge to do so. As Twist & Tango acquired knowledge through grafting, the firm developed knowledge of the capabilities needed to engage in international expansion. This development can be understood as an increase in internationalization knowledge (Eriksson et al., 1997), which made the firm aware of the need to develop knowledge about how to manage the challenges related to coordination, structure, and leadership. Based on evidence from the case, it can be argued that firms incrementally develop their internationalization knowledge (e.g., Eriksson et al., 1997) via interactions between different knowledge acquisition types (Casillas, 2015). The case, therefore, is an example of the need to develop leadership, structure, and coordination within the firm in order to further internationalize.

6.1.3 Phase 3 – An Increase in Indirect and Direct Export

During phase three, Twist & Tango showed an increase in commitment to the firm's resource base, which allowed the firm to build on their current resources and capabilities, therefore providing new ways to change and develop. This is in line with thoughts anchored within the business network model of internationalization, which highlights the importance of commitment to a firm's partners and allows firms to build on their respective knowledge through relationship commitment (Johanson & Vahlne, 2009). Elaborating on Johanson and Vahlne (2009), the case highlights that commitment to the firm's resource base enabled the firm to build on their respective knowledge through committing to the development and change of the firm's resource base. The case discloses an internal dimension to commitment, as seen in the internationalization process literature, and will become evident in the following discussion as this section discusses the case firm's organizational change program in 2009.

Rather than discontinuing and redirecting its commitment, as was seen during the early phases of the case firm's internationalization process (see Section 6.1.2), the firm decided, through the organizational change program in May 2009, to commit to the change and development of its resource base. The organizational change program was the firm's way of managing the organizational challenges related to leadership, structure, and coordination that became evident during the re-internationalization phase. The organizational change program also

disclosed that Twist & Tango did not have the required knowledge to manage the change process, which led to the involvement of an external consultant—the firm's way of acquiring the necessary knowledge to develop the required leadership, structure, and coordination. It can be argued from the case that other ways of learning and acquiring knowledge are necessary. Once again, Twist & Tango's internationalization process shows how different ways of learning develop and interact with each other. Through experiential knowledge, firms can learn of other ways to acquire knowledge and, in the case of Twist & Tango, this was knowledge via search (cf. Casillas et al., 2015). The case highlights that with an increase in commitment to the firm's resource base and the acquisition of knowledge via the firm's search process, i.e., the external consultant, enabled the firm to develop and change its resource base to overcome challenges related to the firm's structure, leadership, and coordination.

For Twist & Tango, the organizational change program in 2009 was an indication of the gradual move from acquiring and accumulating resources (e.g., Sirmon et al., 2007) to integrating the resources into capabilities. The new leadership, the new organizational structure, and the improvements to coordination between the design, sales, purchasing, and distribution functions, indicated a development of managerial capabilities and organizational capabilities. The development of the firm's managerial and organizational capabilities during internationalization began to evolve out of a complex process of interaction between commitment to the firm's resource base, different knowledge acquisition types (cf. Casillas et al., 2015; Huber, 1991), and the gradual development of internationalization knowledge (cf. Eriksson et al., 1997; Fletcher & Harris, 2012) in combination with the restructuring of the firm.

Despite the case firm's gradual development of managerial and organizational capabilities, it faced new challenges related to its ability to juggle the increased international exposure. These challenges include managing the attendance at more fashion fairs and new agent contracts. These functions needed to be balanced with the design process, operative tasks relating to purchasing, distribution, and internal coordination within the design and purchasing function. For example, an increase in attendance at fashion fairs and an increase in involvement with agents put pressure on the firm's value chain, including that the designs needed to be ready earlier, which in turn resulted in a decrease in time between the orders and time to purchase. Twist & Tango was challenged to not only build and integrate its resources and capabilities, but also the need to mobilize, coordinate, and leverage its resources and capabilities (c.f. Eisenhardt & Martin, 2000; Sirmon et al., 2007; Teece, 2012). It can be argued that the increase in Twist & Tango's international exposure put new pressures on the firm's ability to develop and change, not at least in its ability to mobilize and reconfigure its operational capabilities to avoid unfavorable paths (cf. Teece, 2007). For example, the challenges Twist & Tango faced were now related to their ability to see and understand the needs of customers while still utilizing the firm's current resource base (cf. Eriksson, 2014).

With the increase in number of agents and exposure at fashion fairs, Twist & Tango's international expansion exemplifies the difficulties in finding a balance between the required internal changes and the increase in the number of export countries. Indeed, towards the end

of 2010, the CEO mentioned that, “*We need to slow down in the international market because we are not keeping up; we need to work with the organization*”. For Twist & Tango, the above changes unleashed the discovery that the firm needed to work more closely with mobilization and coordination within and between the firm’s organizational functions. However, before Twist & Tango could begin working with these issues, another challenge arose with the loss of their largest agent. Losing their largest agent resulted from the firm’s struggle to provide quality in design and fabrics and on-time deliveries. The case exemplifies that it is difficult to mobilize and reconfigure resources and capabilities to avoid unfavorable paths (cf. Teece, 2007). The following section illustrates how the firm overcame these internal challenges, therefore providing insights into how firms can mobilize and reconfigure their resources and capabilities.

6.1.4 Phase 4 - Organizational Crisis

Twist & Tango’s internationalization process is an example that realizing if a firm’s capabilities match the needs of its international customers and suppliers can take time. A consequence of receiving delayed feedback of the value of the firm’s capabilities can be the inability of firms to realize the need to change its resource base and implement the change. The delay in receiving feedback on the firm’s managerial and organizational capabilities can have negative consequences for value creation for both the firm and its customers, i.e., quality, on-time delivery, and financial resources. For example, in 2008, Twist & Tango began developing its design capability with the acquisition of a design manager. Leveraging the design capability began when the first full collection was presented in May 2009. However, feedback regarding the quality and design of the product was received eight to 12 months from when the collection was first presented. It was only brought to the firm’s attention towards the end of 2010/early 2011 that the product was not meeting consumers’ demands when the French agent informed the firm that they wanted to cancel their contract. It is reasonable to assume that inability of firms to realize the value of their resources and capabilities, in time, will have negative impacts on the firm’s ability to see the need to change and to make those changes (cf. Erikson, 2014; Sirmon et al., 2007).

Elaborating on the above, Twist & Tango is an example of why firms may not become aware of the feedback regarding the value of its operational capabilities due to employees, particularly in the case studied, were involved in several tasks. In line with the prevailing literature, the inability to receive feedback or develop an awareness of problems before they arise can be hampered by the managerial diseconomies that occur when managers are involved in running the day-to-day business (e.g., Eriksson, 2014). Several examples can be drawn from the case to support this, for example, the CEO, Designer, and the CFO were each involved in several tasks not related to their main job description. The CEO, while managing the whole organization, was also managing the international sales via export. The Designer had, since 2010, been responsible for managing the design and purchasing department as well as the overall design process. Furthermore, the CFO was still involved in other processes, such as logistics. It can be argued that the ability to see the need to change can become extremely difficult without clear job specifications. In this sense, the managers were blinded and unable to see the need to acquire knowledge and where and how to identify it.

Despite the time it took for Twist & Tango to realize that they needed to reconfigure the design and purchasing department, eventually changes and developments within this department were made. The types of changes and developments that unfolded exemplified an increase in commitment to change and develop the firm's resource base. Furthermore, there was a movement towards simultaneously building, integrating, and even reconfiguring its resource base, suggesting the development of the firm's dynamic capabilities.

The development of managerial and organizational capabilities within the case firm's design and purchasing department highlights that change and development to a firm's capabilities is not trivial and involves the acquisition of knowledge, the integration of knowledge, and a process of reconfiguration. The acquisition of knowledge involved the recruitment of a new design and purchasing manager in 2011 to replace the current purchasing manager and the current designer (referred to as Designer2 in Chapter 5). The recruitment of the new design and purchasing manager is an example of the fact that, as firms develop their internationalization knowledge they increase their ability to search for new knowledge. The ability to search for a new design and purchasing manager that matched the needs for restructuring the design and purchasing department was an outcome of the CEO's experience and helicopter view of the firm in combination with the firm's managerial and organization capabilities at that time. Once again, the firm's current resource base enabled new ways of learning achieved by way of knowledge acquisition via search (cf. Casillas et al., 2015).

The recruitment of the new design and purchasing manager is a further example of capability enrichment through the acquisition of new resources (cf. Sirmon et al., 2007). While the integration of specialized knowledge and the current resource base of the firm had been an enduring challenge for Twist & Tango, the integration of the new design and purchasing manager was less troublesome, highlighting the firm's by-then relatively developed managerial capability. The integration process was smooth, since the firm had been able to exploit their already existing resource base, that is, its leadership capability (the CEO), resource capacity, and clear organizational structure. Furthermore, the firm's change towards the acquisition and development of specialized personnel created a resource capacity to draw from (e.g., Sirmon et al., 2007; Graves & Thomas, 2006). Therefore, when the new design purchasing manager began, she had an organizational structure to work with as well as experienced personnel.

The development of managerial capability in the case studied discloses the multiple processes involved. For example, the acquisition of managerial expertise and know-how (i.e., new design and purchasing manager), the incremental developments to the firm's operational capabilities, organizational structures, and human resources available for managerial tasks could be identified. In this sense, the design and purchasing manager, with her managerial expertise, was able to draw on her own knowledge, the current resource base of the firm, and the structures in place. Together, these aspects created both the managerial and organizational capability of the design and purchasing department. Hence, in more general terms, it seems that the development of managerial capability is impacted by more than just the acquisition of specialized resources. Other factors, such as a firm's organizational structure, leadership, and resource capacity, seem to impact this process.

Furthermore, the development of the design and purchasing managerial capability reflects three important components of integration activities outlined by Grant (1996). Firstly, the managerial capability developed in this department utilized knowledge held by organizational members. Secondly, the capability drew on different levels and sources of individual knowledge, as will be illustrated in Phase 5. Finally, the capability allowed for access to additional knowledge and reconfigured existing knowledge. The development of the design and purchasing department is an example of a move towards the synchronization of the ability to build, integrate, reconfigure, and even leverage the firm's resources (cf. Teece, 2014; Eriksson, 2014; Sirmon et al., 2017), thereby disclosing new ways to adapt to the changes posed by internationalization. This movement is exemplified in the final phase below.

6.1.5 Phase 5 – Rebuilding and Stabilizing the Firm

The case firm's ability to develop and change the managerial and organizational capability in the design and purchasing department unleashed the ability to coordinate and mobilize its resources. This indicated a move towards the ability to reconfigure the firm's resource base. Twist & Tango's reconfiguration process illustrates its ability to change and develop within the familiar ways of operating to avoid unfavorable paths (cf. Teece, 2007). The main driver behind Twist & Tango's reconfiguration process was its increased ability to understand the needs of international customers, suppliers, and relationships within its business network, together with ways of actually managing this need (cf. Erikson et al., 2014). These abilities were developed during the changes and developments within the design and purchasing department. For example, the development of both managerial and organizational capability unleashed knowledge on how supplier relationships should look, how to design and produce high quality products to satisfy customers, and what types of agreements the firm should have in place to support purchasing and distribution processes.

Combining the already available resources and capabilities with the knowledge from the design and purchasing manager, the mobilization and coordination of the firm's capabilities started to take shape. For example, changes were made to the Master Purchase Agreement that involved changes in shipment dates, payment terms, and delivery dates. Also, supplier relationships were changed into direct supplier relationships. In addition, changes regarding how fabrics were sourced and designs were made occurred through the development of internal routines. These changes illustrate the case firm's ability at that time to see what capabilities were needed to create value with its customers, suppliers, and business relationships. The above developments enabled the coordination and flow between the design, purchasing, logistics, and distribution processes. The example represents a move towards an ability to reconfigure the available resources and capabilities because, based on the firm's current resource base, the design and purchasing manager showed her ability to see what capabilities needed to be changed, mobilized, and coordinated.

The changes in the design and purchasing department can also be seen as an increase in commitment to the firm's resource base by not only building and integrating the resources and capabilities, but also reconfiguring and responding to the feedback from customers. In general terms, the commitment to a firm's resource base seems to have positive impacts in relation to a firm's commitment with its business relationships. For example, Twist & Tango regained

the trust of its largest retailer (e.g., MQ) by enabling increased commitment to its business relationship. Furthermore, the increased commitment allowed the firm to begin negotiating with its suppliers regarding prices and shipment dates.

The change to the design and purchasing department is an example of what Teece (2007) referred to as reconfiguration. For example, Twist & Tango disclosed how they avoided unfavorable path dependencies and how they maintained evolutionary fitness by continuously showing their ability to change and develop familiar ways of operating through mobilizing and coordinating their supplier relationships, the design and purchasing process, and the distribution of the product within Sweden.

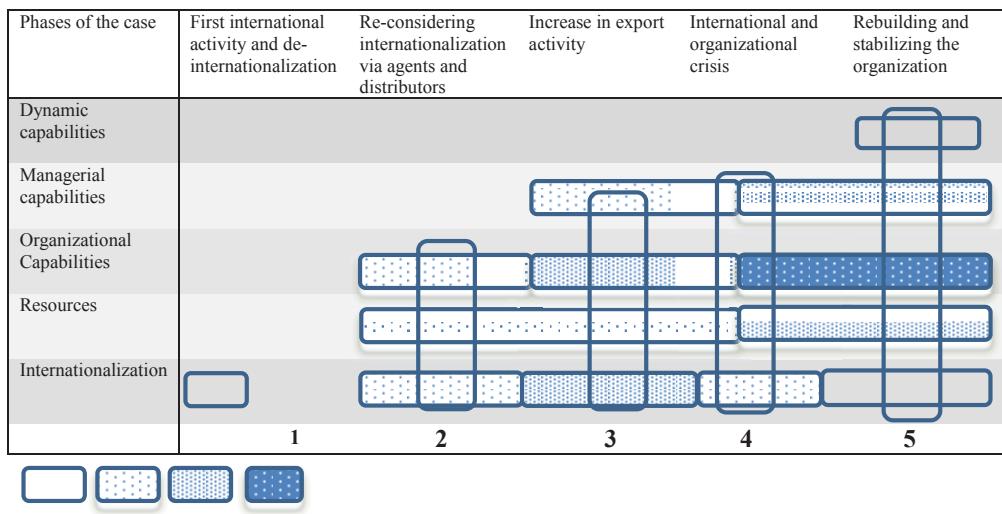
During the same period the firm was forced to cancel their contract with their distributor in Japan. This was a result of the firm's inability to commit to the increase in production capacity demanded by the Japanese distributor. The example represents the importance of committing to the development of a firm's resource base to maintain business relationships. However this is not always possible due to resources constraints. In general terms the inability to change and develop a resource base can impact a firm's business relationships.

6.1.6 Summary of the Analysis of the Five Phases

Based on the analysis of the five phases, it becomes possible to assume how a firm's resource base changes and develops during internationalization. In the following discussion, the first research question (how a firm's resource base changes and develops during internationalization) is discussed. As discussed above, Twist & Tango's internationalization process via export and the corresponding internal changes and developments to its resource base challenged the firm to develop the ability to build, integrate, reconfigure, and leverage its resources and capabilities over time. Elaborating on this, it is possible to conclude from the case that international expansion is a complex and multilayered process. The complexity and multilayered nature of the internationalization process has not been entirely addressed in the literature, and the case of Twist & Tango provides deep insights into this. For example, it shows a firm's ability to simultaneously restructure the firm, recruit personnel with both managerial and organizational expertise, and develop the firm's finances together with managing relationships with suppliers and customers. The case also demonstrates the complexity of coordinating the value chain with a focus on the firm's design and purchasing processes. The need to change and develop becomes more complex and at times difficult to see. Moreover, the changes that need to be made are not always realized in time, and the case illustrates that such a delay might impact the firm's relationships with international customers.

Furthermore, the case firm's internationalization process exemplifies that the ability to build, integrate, reconfigure, and leverage the firm's resources and capabilities changes over time towards the ability to synchronize the four processes together with international expansion. Fig. 6 is a graphic illustration of how a firm's resource base changes and develops during internationalization. It also illustrates the third research question (how firms develop dynamic capabilities for firm internationalization), which will be discussed below.

Figure 6 The development and change in firms' resources and capabilities during internationalization.



The shaded boxes represent change.

The movement from lighter to darker shades represents an increase or decrease in international expansion.

The movement from light to dark shading represents change as well as development of resources, organizational capabilities and or dynamic capabilities of a firm

A firm's resource base changes and develops during internationalization through its ability to build, integrate, reconfigure, and leverage its resources and capabilities (cf. Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). The ability to do so changes over time towards an ability to synchronize the four processes (building, integrating, reconfiguring, and leveraging) together with international expansion. The ability to synchronize the four processes is referred to in this thesis as a firm's dynamic capabilities.

During the early phases of a firm's internationalization process, represented in Fig. 6 as the first international activity, firms focus first and foremost on the acquisition and accumulation of resources (cf. Sirmon et al., 2007), which is also referred to as the processes of building its resources (e.g., Eisenhardt & Martin, 2000; Helfat & Winter, 2011; Teece et al., 1997). The process involves acquiring and/or developing the human resources of the firm. The ability to build the resource base of a firm is impacted by the firm's current resource base and the firm's commitment to resource base changes and development. When firms do not have initial resource platforms on which to build and/or the knowledge (cf. Casillas et al., 2015; Huber, 1991) on how the firm should develop its resources, firms react by simply acquiring resources

to manage the increase in operative tasks. This results in an inability to acquire and develop resources valuable for internationalization. Furthermore, firms that are not committed to international expansion are not committed to developing and changing their resource base to support international expansion. Hence, during firms' first international activity, developments and changes do not always reflect the challenges posed by the firm's international market.

When firms do not develop the resources necessary for internationalization, it becomes a challenge to maintain and drive international expansion. Rather than changing and developing their resource base, firms might choose, based on the inability to develop internationalization knowledge (cf. Eriksson et al., 1997), to discontinue their internationalization process, symbolized in Fig. 6 (in the rectangular figure) as a discontinuation. Firms will continue to acquire and develop their resource base with a focus on their domestic market. This is referred to as the firm's 'time out' period (no 1. In figure 6) (cf. Welch & Welch, 2009). What firms do during their "time-out" period can impact how they develop and change their resource base to re-enter into and across international markets.

Moving into phase two of Fig. 6, reconsidering internationalization via agents and distributors, firms change how they acquire their resources. The ability to acquire and develop a firm's resource base changes from acquiring employees with no specialized experience to the acquisition of employees with specialized knowledge. This change is illustrated in the figure through the use of shading. In addition, the vertical rectangle (2) illustrates the gradual move towards developing the firm's organizational capabilities by enriching or extending the firm's existing organizational capabilities by acquiring specialized resources (cf. Sirmon et al., 2007). The vertical rectangle (2) also represents the creation of new capabilities through pioneering or acquiring completely new resources in order to develop new capabilities in the firm (cf. Sirmon et al., 2007). The vertical rectangle is a graphic view of the firm showing its ability to draw connections between changes in the international market with the resources needed to support this change.

As firms increase their international presence within and across national boundaries, they have also acquired resources in the form of specialized knowledge and integrated resources to form organization capabilities via enrichment and pioneering (cf. Sirmon et al., 2007). However, despite these developments, firms are still confronted with new organizational challenges. This could be in the form of leadership, coordination, and/or organizational structure. Building on a firm's respective knowledge, firms find new ways to develop and change their resources and capabilities. Sometimes it may be difficult for the firm to solve these issues internally, and a need to search for knowledge outside the firm often becomes necessary (cf. Casillas et al., 2009; Fletcher & Harris, 2012). Knowledge through search allows firms to make changes and developments to their organization, which further enables for the development of managerial capabilities. The vertical rectangle (3) represents a firm's movement to integrate the changes occurring in the firm's international market with the development of both resources and organizational and managerial capabilities within the firm.

However, being challenged and unable to find ways to respond to the needs of international customers, suppliers, and business relationships can affect a firm's internationalization process, even decreasing a firm's position in its business network (cf. Johanson & Vahlne, 2009). The ability of firms to respond to the challenges again relate to the firm's current resources and capabilities, internationalization knowledge, and commitment to make the changes and developments. Firms that have made incremental changes to their resources and capabilities during internationalization have developed internationalization knowledge that makes it easier to notice and respond to the feedback from its business network (cf. Johanson & Vahlne, 2009). During the fourth phase (international and organizational crisis), firms might need to conduct dramatic changes to their resource base to cope with increasing demands and pressures from their business network. The vertical rectangle (4) in Fig. 6 represents the firm's ability to integrate the challenges from its export market into developing the firm's resources and organizational and managerial capabilities. Visually, these changes can be seen in rectangle (4) in the degrees of shading across resources and organizational and managerial capabilities, representing a dramatic change to the firm. For example, firms may need to divest resources (cf. Sirmon et al., 2007) and acquire new ones. The acquisition of resources is a way for firms to enrich and pioneer creating new organizational and managerial capabilities for internationalization. The vertical rectangle is a graphic view of the firm that shows its ability to develop and create the managerial capabilities necessary to support internationalization.

During the phase of rebuilding and stabilizing the firm, Figure 6 visualizes the development of a firm's dynamic capabilities (cf. Eriksson, 2014; Eisenhardt & Martin, 2000). Fig. 6 also illustrates the incremental changes and developments that occur during internationalization and when firms develop dynamic capabilities, drawing on their managerial organizational capabilities and resources to respond to the challenges posed by their business network. For example, during the early phases of internationalization, firms are focused on building their resources. Thereafter, during the second and third phases of internationalization, firms begin to show the ability to enrich their capabilities by developing them. However, it is not until phases four and five that the firms develop the ability to proactively respond to the needs of international customers, suppliers, and relationships and find ways to manage those needs through mobilizing, coordinating, and building and integrating the resource base of the firm (cf. Eriksson, 2014).

The discussion above exemplifies the reasons why a firm's resource base changes and develops during internationalization. Themes like commitment to the firm's resource base (cf. Johanson & Vahlne, 2009), learning in relation to different knowledge acquisition types (cf. Huber, 1991, Casillas et al., 2015), and the importance of internationalization knowledge (cf. Eriksson et al., 1997; Fletcher & Harris, 2012) are apparent and were referred to during the analysis of the five phases. This serves as the foundation for Section 6.2, which emphasizes a discussion of the second research question, namely, why the resource base changes and develops the way it does.

6.2 Commitment, Learning, Knowledge, and Synchronization during Resource Base Change and Development

Commitment to the firm's resource base, learning via different ways of developing knowledge, and internationalization knowledge together all play an important role in resource base development and change. As the case shows, these factors influence the firm's ability to build, integrate, reconfigure, and leverage resources and capabilities. In the following, despite the fact that they are interrelated and influence each other, these factors are discussed individually.

6.2.1 The Commitment to Resource Base Change during Internationalization

The first important factor that is discussed and argued to partly explain how and why a firm changes its resource base during internationalization is the commitment to build, integrate, reconfigure, and leverage internal and external resources for internationalization. Commitment to internationalization is discussed in the literature in relation to a firm's commitment to foreign markets and its business relationships (e.g., Johanson & Vahlne, 1977). In the business network model of firm internationalization (e.g., Johanson & Vahlne, 2009), commitment takes place in relationships. A strong commitment to a firm's partners allows them to build on their respective knowledge, enabling the discovery and creation of more opportunities. The case of Twist & Tango, however, shows that the commitment to changing and developing the resource base is of equal if not more important to the internationalization process. Indeed, a decision to commit to developing and changing the resource base is one of the factors enabling and/or hindering the ability to build, integrate, reconfigure, and leverage organizational and managerial capabilities.

A firm's decision to commit to developing its resource base during internationalization can increase or decrease, which partially explains why the necessary capabilities of internationalization are or are not developed (cf. Johanson & Vahlne, 2009). Twist & Tango's internationalization process shows that the commitment to develop and change the resource base varied throughout the different phases. For example, during the early phase, the firm's commitment to the resource base decreased and was even redirected. During 1997–2000, Twist & Tango learnt, through the experience of working with international agents, that their resources were insufficient and inadequate for maintaining and developing their agent and distributor relationships across international markets (cf. Johanson & Vahlne, 2003, 2009). From prior research, it is reasonable to assume that firms will develop the necessary resources and increase their commitment to business relationships (Johanson & Vahlne, 2009). The case reveals that even though the firm begins to develop its business network via agents and distributors that does not necessarily mean that it is committed to those relationships. It is, rather, that the commitment can be redirected. For example, Twist & Tango saw domestic expansion as more viable to their business and redirected the commitment to changing its resource base to support domestic activity.

Furthermore, the degree of commitment to changing and developing a firm's resource base can arguably also explain why firms do not respond and integrate the feedback they receive from their business relationships. Twist & Tango's changing commitment towards domestic learning effort may not have been about reducing the firm's international uncertainty nor an

inability to make the necessary changes, but rather the result of identified domestic opportunities, which in turn made the international opportunities seem less attractive and less important. Hence, it seems reasonable to assume that changing commitment during internationalization has an impact on the commitment a firm has to making internal changes (cf. De Clercq, Sapienza, Yavuz, & Zhou, 2012).

It can be further argued that during internationalization firms assume that knowledge accessed in close markets requires little integration (c.f. De Clercq et al., 2012). For example, it is reasonable to assume that Twist & Tango did not commit to resource base changes and development because their knowledge was obtained through markets close to Sweden, including Denmark, Norway, and Finland. The knowledge might be perceived as being similar to the knowledge the firm has in its home market, leading firms to not commit to exploiting the knowledge for resource base change and development.

As firms increase their commitment to changes and developments in their resource base, they also increase their ability to develop knowledge. For example, during Phase 2 (Fig. 6) Twist & Tango shows an increase in commitment to developing organizational capabilities through the recruitment of an export manager, a purchasing manager, and a new designer. A decision to increase commitment to the resource base through the acquisition of specialized personnel unleashed knowledge development via search and grafting (cf. Casillas et al., 2015). With an increase in knowledge, it is reasonable to assume that firms are better able to see where further commitment should be placed, increasing the depth of commitment to resource base change and development. For the case studied in this thesis, this was exemplified by a commitment to a large organizational change program in 2009.

The impact of a firm's commitment to the resource base was also seen in Phase 5 of Twist & Tango's internationalization process. For example, in 2015, the firm made the decision to discontinue its distributor contract in Japan, since the firm was unable to commit to the resource demands required by the Japanese distributor. Essentially, they lacked production capacity, which affected their ability to meet the commitment required. Instead of increasing its production capacity through increased financial resources, Twist & Tango chose to not continue with that distribution method.

It is further reasonable to assume that a lack of commitment to a firm's resource base during early internationalization impacts the firm's ability to develop knowledge. For example, the case firm's ability to acquire new ways of developing knowledge through the difference phases emphasizes the connections between commitment and process of learning (e.g., knowledge development) during internationalization. The relationship between a firm's commitment and its resource base and knowledge development are similar to how commitment is seen in the internationalization process models. In the studied case however, to develop new suppliers and maintain export relationships, commitment is related to the internal process of resource base change and development.

6.2.2 Learning and Resource Base Change

The second central factor that is argued to explain how and why a firm's resource base changes and develops in a firm's resource base during internationalization is related to how firms learn. Organizational learning is discussed in the literature in relation to knowledge acquisition types, including learning through experiential knowledge, congenital knowledge, knowledge via grafting, and search (Huber, 1991). Knowledge acquisition types have been discussed as means by which knowledge is gathered during a firm's internationalization process (Casillas et al., 2015; Casillas, 2009; De Clercq et al., 2012) and which impacts a firm's internationalization process behavior. From the studied case, it is evident that the different knowledge acquisition types mentioned above impact how a firm's resource base changes and develops during internationalization, thus contributing to how learning is conceptualized in the internationalization process model (Johanson & Vahlne, 1977:2009). The following discusses the development and interplay between experiential, congenital, grafting, and search learning types.

The case at hand shows that while experiential knowledge is important for explaining resource base change and development, so are congenital, grafting, search, and vicarious learning. This finding adds to the prevailing literature on internationalization in which the hitherto experiential knowledge has been seen as the main stimulus for a firm's resource base development. For example, the extant literature has discussed that, during a firm's internationalization process, firms start from different levels of previous knowledge and generate new knowledge based on their international behavior abroad, a process referred to as experiential learning (Eriksson et al., 1997; Johanson & Vahlne, 2003, 2009). Indeed, the changes and developments that unfolded during Twist & Tango's internationalization were partly outcomes of experiential learning; however, in the case firm, the changes also occurred through grafting, search, vicarious, and congenital learning. Therefore, Twist & Tango's case provides insights into different learning types.

Furthermore, the studied case also reveals that a firm's knowledge acquisition method changes over time. These changes in learning styles in turn impacts how and if firms make the necessary changes to their resource bases that are required for further internationalization. How Twist & Tango acquired knowledge changed and developed over the five phases of internationalization, from developing knowledge through experiential learning to a gradual movement towards grafting and search, as well as the interaction between these learning types (cf. Fletcher & Harris, 2012). Hence, it can be argued that the different knowledge acquisition types, how they change over time and interact with each other impact how the firm's resource base changes during internationalization. These arguments are discussed sequentially in the following paragraphs.

It is evident that a lack of congenital knowledge hindered the firm in developing the resources and capabilities necessary during early internationalization to support the firm's first business relationships with Denmark, Finland, Norway, and the US (cf. Casillas et al., 2009). Congenital knowledge refers to learning based on the knowledge of the firm's founders (Casillas et al., 2015; De Clercq et al., 2012). Founders with prior international experience have developed knowledge surrounding international opportunities and have become more

capable of assessing these opportunities, also making them more positive to the idea of pursuing them (cf. De Clercq et al., 2012). In the case of Twist & Tango, it appeared that knowledge acquisition via congenital learning was related to the firm's inability to assess the need to develop and change the firm's resources and capabilities and, more importantly, to suppose and pursue such changes. Specifically, the founder's lack of knowledge on how to acquire and develop their resources and what types of capabilities were needed to remain committed to their partners was an important aspect of changes in the firm's resource base. Hence, it seems that firms lacking congenital knowledge during early internationalization lack the information to identify the value of new knowledge and develop it into new and/or improved capabilities (c.f. Eriksson & Chetty, 2003). It can be argued, then, that changes and developments to the resource base are difficult during the early phases of internationalization because the ability of the firm to recognize the value of new and external knowledge (exploration) and to integrate and apply it (exploitation) is determined by the firm's congenital knowledge (c.f. Eriksson & Chetty, 2003; Cohen & Levinthal, 1990). Simply employing personnel and not considering their professional background suggests that not having congenital knowledge during the early phases of internationalization may impact whether a firm's changes fits the firm's needs during early internationalization.

The internationalization process literature claims that a firm's internationalization process begins via experiential knowledge after firms have entered into their first business relationship (Johanson & Vahlne, 2003, 2009). From this literature, it is reasonable to assume that knowledge via experiential learning would trigger new ways of acquiring knowledge. However, the case shows that early in the internationalization process a reduction of the international engagement was done voluntarily (c.f. Welch & Welch, 2009). It is reasonable to assume that learning via experiential knowledge was not enough to develop the firm's ability to build, integrate, and reconfigure its resource base. It was important for the firm to turn its experiences into useful knowledge (cf. Cohen & Levinthal, 1990; Eriksson & Chetty, 2003). Hence, it can be argued that there is indeed the need for other types of knowledge development, such as learning via search and grafting to maintain and continue with the internationalization (cf. Casillas et al., 2015).

Highlighting the importance of learning via congenital, grafting, and search methods does, however, not exclude the value of experiential knowledge. When Twist & Tango re-entered the international markets in 2008, the learning via its experience of working with previous agents and distributors, unleashed knowledge that was needed to develop its organizational capabilities, with respect to export, design, and purchasing. Twist & Tango developed knowledge via search (cf. Casillas et al., 2015) that was related to internationalization, purchasing processes, and markets, along with how to improve the design of the collection (cf. Eriksson & Chetty, 2003; Cohen & Levinthal, 1990; Casillas, 2015). Search is discussed in the literature as learning that occurs through the process of seeking explicit information on countries, markets, and institutions (Casillas et al., 2015) or opportunities (cf. Johanson & Vahlne, 2006). The case studied revealed that search also relates to the process of seeking knowledge to develop managerial and organizational capabilities, namely export capability, purchasing capability, and design capability.

Furthermore, in order to capitalize on knowledge development via search, the firm also acquired grafted knowledge (cf. De Clercq et al., 2012) via the recruitment of an export manager, a purchasing manager, and a designer. This recruiting triggered a process of knowledge development within the firm, introducing new organizational processes and expertise in specialized areas. Grafting personnel with experience allowed Twist & Tango to acquire experiential knowledge in the areas of export, design, and purchasing (cf. Casillas, 2015), which unleashed new ways to develop knowledge regarding what markets to enter and how to enter those markets, as well as knowledge regarding the firm's purchasing markets and the design of the product. Hence, it can be argued that resource base change during a firm's internationalization process is impacted by other sources of knowledge than just experiential knowledge (cf. Casillas, 2015).

The case further illustrates that firms are in constant need to develop and change how they are building, integrating, reconfiguring, and leveraging resources and capabilities. Twist & Tango's resource base change shows that firms are indeed constantly challenged by the transition from acquiring knowledge to utilizing that knowledge (cf. Åkerman, 2015). The utilization of knowledge is more effective when the knowledge is linked to existing capabilities (Kyläheiko, Jantunen, Puumalainen, Saarenketo, & Tuppura, 2011). An example from the case is the organizational change program implemented during 2009—a result of the difficulties that the firm had when trying to integrate the new employees with the current employees. The firm sought new ways to overcome these challenges. For example, an external consultant was brought in to help with the reorganization by way of developing clear leadership roles, organizational structure, and coordination.

During Twist & Tango's internationalization process, new ways of developing knowledge unfolded and interacted with each other. The studied case showed how an ability to apply experiential knowledge, together with search and grafting, can develop a firm's managerial and organizational capabilities over time. Once the new knowledge was developed, the firm also improved the ability to search for and graft new knowledge. For example, the recruitment of the new designer in 2011 was a result of the already developed knowledge. Based on the current knowledge base, the CEO knew what type of knowledge was needed. This resulted in the recruitment of the new designer (i.e., grafting). In more general terms, it seems the development of knowledge changes and develops over time, impacting how firms develop and change their operational capabilities.

An important factor related to learning that also became evident throughout Twist & Tango's internationalization process was the learning gaps. The learning gap relates to the time between when a firm recognizes the value of new knowledge and/or knowledge that something is not working (exploration) to when a firm applies it to their operations (exploitation) (Eriksson & Chetty, 2003; Cohen & Levinthal, 1990). Twist & Tango's internationalization process illustrates the changes and developments in how knowledge is developed, that is, through increased interaction between experiential, search, and grafting methods, which decreased the gap between recognizing the value of knowledge and exploiting this knowledge. The acquisition of the new designer is an example of this. The firm reacted instantly when they found out that the design and purchasing department was in

trouble. Via search and grafting, the firm began to exploit new knowledge and to develop the design and purchasing department. In more general terms, the development of knowledge over time through learning via experiential, search, and grafting seems to improve the ability of firms to build, integrate, reconfigure, and leverage their resources and capabilities, thereby decreasing the learning gaps.

From the above discussion, it seems evident that how firms build, integrate, reconfigure, and leverage its resource base is in itself a learning process. Learning is anchored in the prevailing literature on capabilities. For example, a firm's ability to learn, defined as the ability to recognize the value of new knowledge (exploration) and integrate and apply it (exploitation), is determined by prior knowledge (Eriksson & Chetty, 2003) and impacts the firm's ability to build, integrate, reconfigure, and leverage resources and capabilities. However, elaborating on the various learning types mentioned above and in line with Forsgren et al. (2002), the Twist & Tango case reveals that a more critical view on learning needs to be incorporated into the internationalization process theories as well as how firms develop and change its capabilities.

Together, knowledge development via experience, search, and grafting increased awareness of the types of capabilities needed to develop during internationalization. These types of learning also increased confidence in decisions regarding international expansion together with a greater knowledge of foreign markets and a greater capacity to exploit international opportunities (cf. Teece, 2007). It is reasonable to assume from the case that the outcomes of learning are the development of internationalization knowledge. It is further possible to conclude that the knowledge acquisition types are impacted by the firm's current resource base, which in turn affects the firm's resource base, implying that how firms learn is also an important part of the entire process of a firm's resource base change and development.

6.2.3 Internationalization Knowledge and Resource Base Change

Together with commitment and the firm's knowledge development process, the third important factor that is argued to partly explain how and why a firm changes its resource base during internationalization is the development of internationalization knowledge (cf. Eriksson et al., 1997; Johanson & Vahlne, 2009). Internationalization knowledge is one of the three types of experiential knowledge (in addition to market knowledge and relationship-specific knowledge), as discussed in the prevailing internationalization process literature (Eriksson et al., 1997). Internationalization knowledge refers to the knowledge of the firm's capability and resources to engage in international operations (Eriksson et al., 1997). The case of Twist & Tango illustrates that the development of internationalization knowledge indeed was an important factor for the ability to build, integrate, reconfigure, and leverage its resources and capabilities. It is through the development of internationalization knowledge that knowledge of what a firm is capable of when exposed to new situations is developed (cf. Eriksson et al., 1997; Hohenthal, 2001).

Twist & Tango's internationalization process reveals that, despite the importance of relationship-specific knowledge and market knowledge during internationalization, it is the development of internationalization knowledge that indeed impacts the ability to develop and change its resources and capabilities. A firm's business network sometimes has little impact

on the international performance without first focusing on how to enhance its own capabilities (cf. Suh & Kim, 2014; Zaheer & Bell, 2005). The case revealed that developing the firm's position in its business network (cf. Johanson & Vahlne, 2009.) does not necessarily mean the development of knowledge to manage those business relationships. Based on this insight, it can be argued that while it is important to develop a position in a business network during internationalization, it is even more important to possess the capabilities that allow for the identification and exploitation of knowledge resources in the network.

Moreover, while being part of a business network is important in exposing a firm to external knowledge, resources, and new opportunities (Blankenburg, Holm, & Eriksson, 2000; Johanson & Vahlne, 2009), the case also highlights that firms, in general, might require the capability to recognize and explore new knowledge opportunities and resources, a necessary antecedent to exploiting the benefits of the business network during internationalization. A study by Suh and Kim (2014) suggested that firms that focus first on their international network may be more likely to fail and should focus first on their own capabilities instead, specifically those in technology, innovation, and marketing. Twist & Tango's external business network, which developed over time through the contacts made at fashion shows and through the search for international customers and suppliers, most likely had little impact on the long-term internationalization performance without the focus on enhancing the capabilities (cf. Zaheer & Bell, 2005; Suh & Kim, 2014). It is possible to put forward that the development of internationalization knowledge should not be underestimated and is equally, if not more, important than the development of market and relationship-specific knowledge.

The case of Twist & Tango illustrates the importance of developing internationalization knowledge, not at least since this type of knowledge impacts resource base change and development by enabling an increase in knowledge about what the firm can do when exposed to a new situation. The studied case highlights that the abilities to build, integrate, reconfigure, and leverage resources and capabilities are developed within the firm rather than between the firm and its business relationships. In other words, eventually, a firm's relationship knowledge and market knowledge become intertwined in the firm through the development of internationalization knowledge (e.g., Fletcher & Harris, 2012). In general terms, it seems reasonable to believe that the development of internationalization knowledge during international expansion impacts the firm's ability to change and develop its resource base. This is because internationalization knowledge is knowledge about the types of capabilities and resources needed to enter, stay, or develop further into and across national markets over time.

During Twist & Tango's internationalization process, internationalization knowledge developed through interactions between the increasing commitment to develop and change the resource base, the interplay between the different knowledge acquisition types, and the current resource base. Twist & Tango's internationalization process shows that the ability to develop knowledge about the types of capabilities and resources needed to enter, stay, or develop further into and across national markets changed over time. The gradual development of internationalization knowledge impacts the ability to build, integrate, reconfigure, and leverage resources and capabilities. Evidence for this lies in firms' increase in the knowledge

of what it is capable of when exposed to new situations. Hence, it can be argued that the development of a firm's internationalization knowledge during internationalization is of more importance for resource base change than market knowledge and relationship-specific knowledge. Internationalization knowledge deals with the compatibility between firms' existing resources and capabilities and those needed to enter, stay, or further enter into foreign markets (cf. Eriksson, 1997). Twist & Tango shows that this knowledge developed incrementally over time and first became evident during Phase 5. The studied case exemplifies the ability to develop internationalization knowledge and the gradual move towards creating dynamic fit between the firm's resources and capabilities and those needed for firm internationalization. This is discussed in more detail in Section 6.2.4.

In sum, it can be argued that through increased commitment to a firm's resource base, the change and development of how a firm learns (i.e., via experiential, congenital, grafting, or search), and the development of internationalization knowledge, a firm can develop an ability to see the need for change, understand how to make the necessary changes, and implement the changes. Such an ability to adapt to the changes in the firm's business network and the ability to overcome the challenges that a firm faces during internationalization is referred to as a dynamic capability in the literature (cf. Nieves & Haller, 2014). Hence, the Twist & Tango case shows that dynamic capabilities evolve gradually over time; firms are not 'born' with dynamic capabilities (cf. Zollo & Winter, 2002; 2003)

6.2.4 Building a Firm's Dynamic Capabilities for Internationalization

Dynamic capabilities have been defined in the prevailing literature as a firm's ability to build, integrate, reconfigure, and leverage resources and capabilities to cope with the firm's changing environment (Teece, 2007; Eisenhardt & Martin, 2000; Eriksson, 2014). Drawing on insights from the case, it is possible to argue that this definition does not fully explain the importance of dynamic capabilities. While managing all four processes is important, the case of Twist & Tango reveals that it is only once the processes are synchronized (cf. Sirmon et al., 2007) that a firm has built dynamic capabilities for internationalization.

Still, identifying and even explaining how firms develop dynamic capabilities is still somewhat vague in the prevailing internationalization literature (cf. Johanson & Vahlne, 2009, 2013). Hence, contributing to this lack of research, this thesis' third research question, namely how firms build dynamic capabilities for internationalization is discussed. In other words, drawing on insights from how Twist & Tango developed its dynamic capabilities, the following parts shed light on the development of dynamic capabilities and when a firm can say they have dynamic capabilities ready for internationalization.

A firm's ability to simultaneously manage the four processes of building, integration, reconfiguration, and leveraging a firm's resources and capabilities is important. The studied case exemplified that the simultaneous involvement in all four processes is necessary because, during internationalization, feedback from a firm's business network (cf. Johanson & Vahlne, 2009) influences all four processes. For example, the changes that develop in a firm's business network require that a firm has the ability to acquire and develop resources, stabilize and enrich the firm's capabilities, and understand which capabilities need developing

(mobilizing) and how to coordinate them (cf. Sirmon et al., 2007). However, for the case firm, this took time, and the ability to simultaneously manage all four processes was a struggle.

As mentioned, the ability to simultaneously manage how firms build, integrate, reconfigure, and leverage resources and capabilities is influenced by a firm having dynamic capabilities. To understand the building blocks that define dynamic capabilities, it is important to review the processes leading up to their development. This is true because dynamic capabilities that are firm-specific and path-dependent are accumulated through long-term and continuous learning processes (cf. Spanos & Prastacos, 2004; Helfat & Winter, 2011). The five phases of internationalization summarized in Section 6.1.6 showed that the firm was changing and developing its resource base continuously; however, it was only when the firm developed the ability to make adjustments to all four processes that its dynamic capabilities could be seen.

The analysis of the five phases also highlighted that the gradual development of internationalization knowledge, commitment to resource base change and development, and the gradual development of a firm's organizational and managerial capabilities provided the grounds for a more proactive response to the business network. Where proactivity is considered an important dimension of dynamic capabilities (cf. Sirmon et al., 2007; Eriksson et al., 2014), Phase 5 of Twist & Tango's internationalization process exemplifies the proactive development of knowledge and incremental adjustments to the four processes that define dynamic capabilities.

How the firm responds to the feedback from its business network is important to the firm's ability to build, integrate, reconfigure, and leverage resources, and capabilities. Firms learn through leveraging whether or not capabilities create value for their customers (e.g., on-time deliveries, quality of the product, customer service, etc.). If firms do not satisfy the needs of members in their business network, then adjustments are necessary. The studied case exemplified that the ability to respond to feedback develops over time. For example, the firm responded to feedback from its environment by simply acquiring resources during the early phases of internationalization. This gave the firm the ability to know what types of resources were needed, which capabilities needed developing, and how to coordinate between and within the different capabilities. The case is an example of the fact that how firms perceive and respond to feedback most likely changes over time. This change plays an important role in how firms develop and change their resource base and is, thus, important for the development of firms' dynamic capabilities.

It is reasonable to argue that to understand how firms develop dynamic capabilities, it is important to view the entire change and development process. For example, over the duration of Twist & Tango's internationalization process, through incremental changes and developments to resources and organizational and managerial capabilities, an ability was developed to simultaneously build, integrate, reconfigure, and leverage resources and capabilities for internationalization. It is therefore argued in this thesis that dynamic capabilities should be understood as a firm's ability to synchronize the processes of building, integrating, reconfiguring, and leveraging its resources and capabilities (cf. Sirmon et al., 2007). While firms should manage each process separately (i.e., building the resources of the

firm, integrating them to form operational capabilities, reconfiguring to avoid unfavorable paths, and leveraging them to create value for customers), all processes should be integrated with each other (cf. Sirmon et al., 2007). This is done when firms can respond to the feedback from its business relationships and integrate this feedback into all four processes. As touched upon in the previous sections, commitment to resource base changes, how knowledge is developed and the gradual development of internationalization knowledge impacts the ability to develop and change the resources base and the development of dynamic capabilities. The case illustrates that not only does the change and development of a firm's resource base take time, but the same is also true for the development of a firm's dynamic capabilities. Indeed, to build something readily perceptible takes time (cf. Helfat & Winter, 2011).

To conclude, Twist & Tango's internationalization process exemplifies that dynamic capabilities are indeed firm-specific and path-dependent and accumulated through long-term and continuous learning processes (cf. Spanos & Prastacos, 2004; Helfat & Winter, 2011). Furthermore, and contributing to the extant literature, the case reveals that during internationalization, firms are not only developing ways to build, integrate, reconfigure, and leverage a firm's resource base, but also building on their ability to synchronize these activities. The challenge for firms is, then, how to balance the four processes of building, integrating, reconfiguring and leveraging, to create an internal environment that can support the challenges and opportunities posed by international expansion. Insights from the studied case puts forward arguments for the importance of both managerial and organizational capabilities, together with a commitment to resource base changes, the ability to develop knowledge through experience, search and grafting, and the gradual development of internationalization knowledge. This enables the firm to simultaneously build, integrate, reconfigure, and leverage its resources and capabilities. Furthermore, synchronization also hints at the greater ability for a firm to achieve a dynamic fit between the firm's current resource base and those needed for international expansion. Dynamic fit, which was only touched upon in the theory (Casillas et al., 2015) and which refers to the fit between the firm's existing stock of knowledge and acquisition of new knowledge, can be realized when firms have the ability to synchronize the four processes. Synchronization is a way to tighten the gap between understanding the needs of customers, suppliers, and business relationships and respond to these needs by making adjustments to all four processes of resource base change and development (cf. Teece, 2007).

6.3 A Resource Base Change and Development Model of Firms' Internationalization

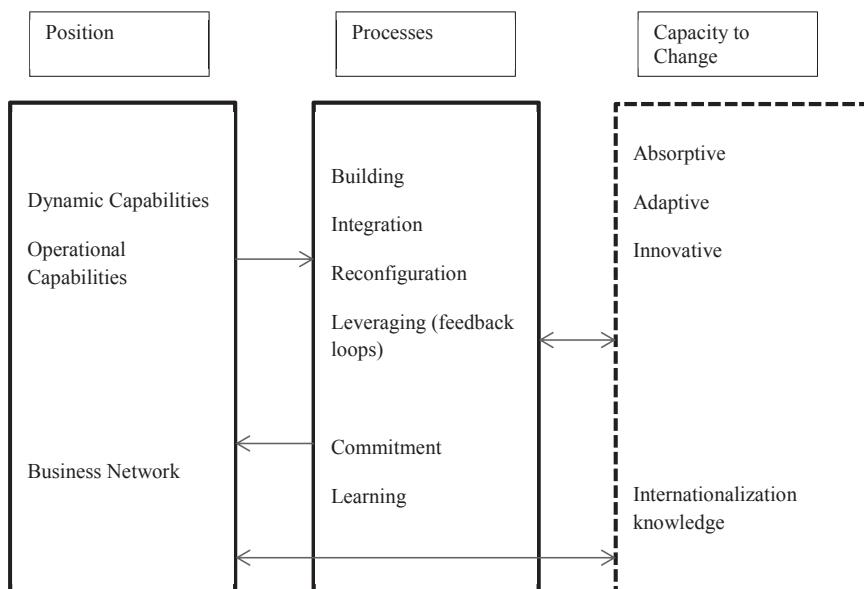
This chapter has offered insights into a firm's resource base change and development during internationalization by first analyzing the case firm's five phases of resource base change and development. The study has shown that the firm's development and change in its resource base during international expansion is a gradual move that builds specialized resources to help the firm develop knowledge and operational and dynamic capabilities. Furthermore through a discussion of why the firm's resource base changed and developed in a given way, the case study showed that the development of resources and capabilities is impacted by how the firm learns, whether the firm is committed to changing its resource base, and the incremental

development of internationalization knowledge. These three aspects will direct the firm to either decrease or increase its engagement in its business network work. Furthermore, it was suggested that operational and dynamic capabilities for internationalization develop simultaneously over time and influence each other. To be more specific, for a firm to develop the managerial and organizational capabilities to support and drive an internationalization process, the firm needs to have developed dynamic capabilities. However, dynamic capabilities are developed over time through gradual developments and changes to the operational and managerial capabilities, which requires the dedication of management and the firm as a whole.

The following is a presentation of the final model of this thesis. The model presented (fig. 7) is a representation of change and development of both operational and dynamic capabilities through processes of building, integrating, reconfiguring leveraging. The model also includes the main findings from the analysis thus the importance of commitment to resource base change, learning through congenital, search and grafting as well as the importance of internationalization knowledge.

Figure 7 shows resource base change and development during a firm's internationalization process. The model includes three parameters: (1) current position, (2) processes, and (3) capacity to change. All three parameters are crucial to a firm's ability to change and develop during internationalization because each factor influences the other.

Figure 7 Resource base change and development during internationalization



6.3.1 Processes

The model takes its point of departure in the processes of knowledge development (learning); commitment (in the form of development and change to the resource base); and how firms build, integrate, reconfigure, and leverage their resources and capabilities together with the feedback loops. How firms build, integrate, reconfigure, and leverage their resources and capabilities impacts the internationalization process, in particular firms' position in terms of their capabilities and their business network. The position of firms in their networks and their current capabilities in turn impacts their processes. However, the model also shows that the processes are impacted by the firm's internationalization knowledge - which also includes absorptive adaptive innovative capacity and adaptive capacity. Knowledge, however, is unique because it's the backbone that allows firms to even have the opportunity to implement change to improve their international market and business network position. Therefore the concept knowledge has its own place in the model under capacity to change, despite of that fact that knowledge is a part of the first two boxes in the model, and is explained in 6.3.2.

The model shows that the ability of a firm to build, integrate, reconfigure, and leverage resources is impacted by the firm's commitment to resource base change and knowledge development (i.e. learning). Commitment is a necessary component of all the process of change. Without commitment, continued improvement and knowledge integration cannot be completed, since those processes require time and effort. Commitment also impacts and is impacted by the firm's learning process; that is, as a firm commits to changing and developing the resource base it develops new knowledge and new ways to commit to resource base change. For example, a firm can go from simply committing to building its resource base to integrating, reconfiguring, and leveraging their knowledge.

Knowledge development is learning via experiential learning, grafting, search, and congenital learning. Learning impacts how a firm builds, integrates, reconfigures, and leverages its resources and capabilities. In contrast to other internationalization process models (e.g. Johanson & Vahlne, 1977, 2003, 2009) learning in the model here includes other learning as mentioned i.e. grafting, search and congenital. These learning types unleash new ways of developing knowledge and in turn impacts how a firm builds, integrates, reconfigures, and leverages its resources.

6.3.2 Capacity to Change

The ability of a firm to build, integrate, reconfigure, and leverage resources and capabilities is impacted by the development of internationalization knowledge, including knowledge of how the firm handles exposure to new situations. The knowledge is based the firm's current capabilities and the firm's current position in its business network (illustrated with the arrow in figure 7) and impacts a firm's ability to build, integrate, reconfigure and leverage its resources and capabilities. The dotted line is to highlight that internationalization knowledge and the capacity to change is embedded in the firm's current position and processes, the other two three parameters of the model however, deserves a separate box in order to highlight its role in the overall process.

The development of internationalization knowledge is closely related to the development of a firm's absorptive, adaptive, and innovative capacities during internationalization (cf. Wang & Ahmed, 2007). The model therefore includes these three capacities that impact a firm's ability to build, integrate, reconfigure, and leverage resources and capabilities. Absorptive capacity provides a link between knowledge development undertaken during expansion and growth, i.e., the internationalization process and the internal processes that lead to change in a firm's organizational capabilities to build, integrate, and reconfigure their resource base. Absorptive capacity relates firms' ability to recognize and evaluate the value of new information in its business network, assimilate it, and apply it to the firm's activities (cf. Cohen & Levinthal, 1990). Firms with high absorptive capacity have a great chance of creating new knowledge and integrating this knowledge effectively into developing organizational capabilities for further expansion. This is an important factor leading to the evolution of dynamic capabilities. A firm's adaptive capacity highlights the importance of adapting the competences and resources as the environment changes. The most important aspect of internationalization and resource base change is the firm's ability to align competences and resources with the changes that occur in the environment (Wang & Ahmed, 2007). Finally, innovative capacity focuses on the firm's ability to develop new products, organizational process, and identify new markets (Breznik & Hisrich, 2014). Together, internationalization knowledge and absorptive, adaptive, and innovative capacities impact how firms also perceive feedback from their business network. It is argued in this thesis that all three capacities and internationalization knowledge described support a firm's ability to build integrate, reconfigure and leverage its resources and capabilities, thereby allowing for changes to the resource base in response to international expansion and growth, which then allows firms to develop their positon in their business network.

A firm's capacity to change also impacts the willingness to commit to resource base change. With increased internationalization knowledge firms become more confident in what is needed in order to make changes and therefore it becomes easier to commit to these changes.

6.3.3 Position

The role that a firm's position has on its development and change processes implies that the ability of a firm to build, integrate, and reconfigure its capabilities is impacted by its current capabilities and the firm's business network. This suggests and as was seen in the analysis, a firm's operational capabilities that develop over time can be used to generate the firm's dynamic capabilities and vice versa (cf. Helfat & Winter, 2011). Capabilities developed in the firm during internationalization can therefore simultaneously serve both dynamic and operational purposes, making it difficult to draw sharp lines between dynamic and operational capabilities (cf. Helfat & Winter, 2011). This is because the analysis clearly shows that firms need to develop both managerial and organizational capabilities to enable firms to develop dynamic capabilities, while firm's dynamic capabilities draws from its operational capabilities, processes, and the capacity to change.

As was discussed in the theoretical chapter, in general terms, a capability, whether dynamic or operational, is the firm's ability to perform a set of coordinated tasks to achieve a specific purpose and enable repeated and reliable performance of a certain activity (Helfat & Winter,

2011; Helfat et al., 2007). The prevailing literature on capabilities similarly describes how capabilities are developed in the model, and that capabilities are firm-specific and path-dependent. Additionally, firm capabilities accumulate through long-term and continuous learning processes. However, this model (fig 7) is somewhat different than how the dynamic capabilities and operational capabilities were studied in the prevailing literature, including internationalization-specific literature.

Both capabilities are developed out of a firm's ability to build, integrate, reconfigure and leverages its resources and capabilities and includes the ability of the firm to commit to resource base change and development, the firms capacity to change together with learning via, congenital, search and grafting. More importantly is that eventually, dynamic capabilities are formed when firms develop the ability to simultaneously build, integrate, reconfigure, and leverage their resources and capabilities. This requires that firms have an ability to integrate the feedback they receive from their business network into the four processes of building, integrating, reconfiguring and leveraging a firm's resources and capabilities. Dynamic capabilities are built over time; however, dynamic capabilities can also be short-lived. This shows that firms are constantly changing and developing how they build, integrate, reconfigure, and leverage resources and capabilities. Therefore, firms are not only competing in their ability to develop their resource base but also on their ability to simultaneously build, integrate, reconfigure, and leverage their resources and capabilities, discussed in the findings as a firm's ability to synchronize the four process.

Summing up, the three parameters presented in figure 7 i.e. the firm's position, processes and capacity to change aid in the firm's ability to build, integrate, reconfigure and leverages its resources and capabilities for firm internationalization. Therefore the model exemplifies that that the development of a firm's operational and dynamic capabilities is a complex and multilayered process. The changes are embedded in the firm's commitment to resource base change and development, development of knowledge via search, grafting, congenital and experiential learning and are impacted by the firm's capacity to change. Furthermore the model is incremental whereby a firm over time develops both managerial and organizational capabilities to enable the development of dynamic capabilities, while firm's dynamic capabilities draws from the firms managerial and organizational capabilities in order to simultaneously build, integrate, reconfigure and leverages its resource and capabilities.

Chapter 7 Conclusions

Internationalization has captured the interest of many scholars; however, little effort has been made to understand the internal processes that impact firms' resource base during internationalization. In this thesis, I have opened this 'black box' by studying the internal processes explaining resource base change and development during internationalization, thereby highlighting the importance of firms' ability to respond to the demands, challenges, and opportunities emerging from entering into foreign markets. The first section of this final chapter answers the three research questions posed in Chapter 1. Thereafter, the theoretical contributions and managerial implications are discussed. Finally, the study's limitations and the possibilities for future research are discussed.

7.1 Resource Base Change and Development during Internationalization

To answer the first research question, *How does a firm's resource base change and develop during an internationalization process?* the study at hand reveals that firms' resource base changes and develops through the ability to build, integrate, reconfigure, and leverage resources and capabilities to respond to the changes that arise from entering foreign markets. The processes of building, integrating, reconfiguring, and leveraging in turn, impacts firms' ability to develop organizational and managerial capabilities necessary for internationalization.

Hence, during an internationalization process, the development of organizational and managerial capabilities is not a trivial process; these capabilities develop over time in line with firms' ability to build resources, integrate resources to develop capabilities and/or create new ones, and reconfigure and leverage resources and capabilities. Furthermore, the process of developing organizational and managerial capabilities is a complex process that is influenced by how firms learn, their commitment to resource base change and development, and the development of internationalization knowledge.

An obvious, but important prerequisite for developing firms' managerial and organizational capabilities is to have the necessary resources from which to draw. The ability to build these resources takes time. The thesis suggests that the acquisition of specialized resources for internationalization often takes time, as the firm initially lacks knowledge during the early stages of internationalization and is likely to be clouded by the exposure to an increase in workload. Rather than recruiting personnel with experience and knowledge of internationalization, a firm might only recruit human resources to manage the increase in operating tasks. In other words, during the early phases of firms' internationalization process, firms most likely will not be able to see the need to acquire specialized resources, and are therefore rather focused on acquiring (human) resources to simply manage the increase in workload. The impacts of recruiting personnel with little or no knowledge of the needs of international business relationships (cf. Johanson & Vahlne, 2009) is an inability to commit to the needs of agents and distributors and other business relationships. The study shows that

how firms respond to the needs of international customers, suppliers, and other members of firms' business networks is impacted by firms' current resource base and its commitment to resource base change regardless of whether the firm has internationalization knowledge. Not having these aspects can result in the discontinuation of international expansion. Firms that become committed to resource base change and/or have developed internationalization knowledge might decide to continue or reenter international markets.

Through experiential learning, firms can realize that it is the acquisition of specialized resources that allows them to either extend its current organizational capabilities or to create new organizational capabilities, such as the capability to develop an export market, to improve research and design and innovation, as well as searching for and managing supplier relationships. As firms develop knowledge of what is needed in order to internationalize, they begin to acquire knowledge and experience through the recruitment of personnel with specialized knowledge.

The acquisition of resources is a way for firms to develop and create capabilities. Firms begin developing and changing their capabilities by adding or developing resources to extend their current capabilities (enriching) or creating new ones (pioneering) (cf. Sirmom et al, 2007). It is important to note that the acquisition of resources and the gradual development of organizational capabilities can be difficult when the knowledge acquired differs from the knowledge base of the firm. Therefore, extending or creating organizational capabilities might also require that firms restructure their organization. Restructuring firms allows for the coordination and integration of knowledge, making it easier to develop and create new capabilities.

Furthermore, it is not inevitable that firms develop managerial capabilities for internationalization through the acquisition of specialized resources. Hence, the thesis emphasizes the difficulties of creating managerial capabilities for internationalization. It is also therefore proposed that the development of the managerial capabilities required for internationalization involves the acquisition of managerial expertise and know-how, incremental developments of the existing organizational capabilities, and the organizational structures. Moreover, the already available human resources have to be utilized and developed to undertake different activities within the firm.

In a similar vein, the study shows that developing managerial and organizational capabilities for internationalization are not simply about acquiring and developing specialized resources to develop firms' internationalization process; rather, it is also about developing managerial and organizational capabilities in regards to leadership and capabilities in areas such as purchasing, supply chain management, and, in the case studied, also design. Furthermore, all these processes need to be coordinated with each other to become relevant for the support of internationalization. In sum, the thesis sheds light on the difficulties in extending or creating new capabilities. It is not simply about acquiring the necessary resources.

Hence, the thesis confirms previous research arguing that the development of organizational and managerial capabilities during firms' internationalization process are path-dependent, and that these capabilities are the result of accumulating knowledge through long-term and

continuous learning processes (e.g., Spanos & Prastacos, 2004). Then again, the study provides a more detailed depiction and explanation for such a path-dependent process, as well as for the different learning types that are involved in developing firms' managerial and organizational capabilities needed for internationalization. The different learning types that impacted firms' ability to develop and change its managerial and organizational capabilities were learning via experiential, grafting, and search methods (cf. Casillas, Moreno, Acedo, Gallego, & Ramos, 2009) and are discussed in the section research questions below.

The thesis shows that how firms respond to the feedback from their business network is important to how those firms develop their managerial and organizational capabilities during internationalization. A response can be influenced by its current resources base and if the firm is committed to making the necessary changes. This was addressed, among other aspects, when answering the second research question: *Why does a firm's resource base change and develop in a given way during the firm's internationalization process?* During the analysis of the case, it was disclosed that commitment to changing and developing a firm's resource base, learning via different ways of developing knowledge, and internationalization knowledge all played an important role in the development and change of a firm's organizational and managerial capabilities for internationalization. The final model in Chapter 6 showed that all three factors, i.e., commitment, knowledge, and learning, are interrelated and impact on the firms' increased ability to build, integrate, reconfigure, and leverage its resources and capabilities. Likewise, firms that are committed to resource base change and development open up paths for learning, which eventually results in the development of managerial and organizational capabilities that aid in the development of internationalization knowledge.

The thesis further confirms that it is through knowledge development via experience, search and grafting (cf. Casillas et al., 2015) that leads to resource base change and development and, therefore, an increased awareness of what types of capabilities firms have to develop during internationalization. Furthermore, with increased commitment to resource base change and development and the development of knowledge through learning via experiential, search, and grafting, firms gradually develop resources and capabilities, which in turn develop internationalization knowledge. The study shows that through increased commitment to change, firms are also committed to developing knowledge through learning and integrating the knowledge to develop and change the resource base. With these changes comes an increased awareness of what firms are capable of when exposed to new situations in their business network.

Elaborating on the importance of how firms respond to feedback in their business network, the study suggests that as firms increase their commitment to resource base change, develop knowledge through learning, and increase their internationalization knowledge, firms react and respond to the business network in a proactive way. That is, rather than hastily reacting to the feedback through the recruitment of human resources that do not add value during the early stages of firms' internationalization process, over time and as the firm becomes more aware of the needs of their business relationships, firms develop ways to respond to the

feedback. This is done by proactively searching for knowledge and grafting knowledge to acquire specialized resources that allow a process of capability development and change.

In sum, the thesis suggests that through increased commitment to firms' resource base, the change and development of how firms learn (i.e., experiential, search, grafting) and the development of internationalization knowledge, firms develop an ability to see the need to change, understand how to make the necessary changes and implement the changes.

The first two research questions provide a mean to answer the third, which was another important finding of this thesis: ***How does a firm build dynamic capabilities for internationalization?*** The thesis suggests that through incremental changes and developments to resources, and organizational and managerial capabilities, firms develop an ability to simultaneously build, integrate, reconfigure, and leverage resources and capabilities for internationalization. The ability to simultaneously build, integrate, reconfigure, and leverage a firm's resources and capabilities are referred in this thesis as a firm dynamic capabilities.

The thesis confirms previous literature that dynamic capabilities are indeed firm-specific and path dependent and accumulated through long-term and continuous learning processes (cf. Spanos & Prastacos, 2004; Helfat & Winter, 2011); however, it contributes with insight into the processes involved. The process involved the gradual development of managerial and organizational capabilities; it is an outcome of the firm's commitment to resource base changes, the ability to develop knowledge through experience, search, and grafting; and the development of internationalization knowledge, therefore enabling the firm to simultaneously build, integrate, reconfigure, and leverage its resources and capabilities.

Elaborating on the development of dynamic capabilities, it is important for firms to have both managerial and organizational capabilities. This explains why, during the early phases of firms' internationalization processes, firms have difficulties developing the dynamic capabilities necessary for internationalization. However, over time and as firms develop managerial and organizational capabilities during internationalization, they develop the ability to learn how to respond to the feedback from the business network and, more importantly, integrate the feedback into firms' ability to build, integrate and reconfigure resources and capabilities. Therefore, the ability of firms to first understand the feedback from its business network and to develop ways to simultaneously integrate the knowledge into the four processes of building, integrating, and reconfiguring is important to leveraging the firm's managerial and organizational capabilities to build firms' dynamic capabilities. For this to happen, firms need to first be committed to resource base change and development, then they must have developed an ability to learn what is needed that is also an outcome of internationalization knowledge.

The study exemplifies that firms are not only developing ways to build, integrate, reconfigure, and leverage firms' resource base, but also building on their ability to synchronize these activities. Synchronization is discussed in the analysis as a way to tighten the gap between understanding the needs of customers, suppliers, and other business relationships and respond to these needs by making adjustments to all four processes of resource base change and development. The challenge for firms is how to balance these components, enabling firms to

respond to challenges in its business network and act on opportunities. Through the synchronization of the above four processes, firms have a greater ability to achieve a dynamic fit between the current resource base and those needed for international expansion.

7.2 Theoretical Contributions

This thesis contributes to the internationalization process literature and the dynamic capabilities literature in several ways.

7.2.1 Internationalization Process literature

The final model, Resource Base Change and Development during Internationalization (Figure 7 presented in Chapter 6), contributes to the U-M model of firm internationalization (e.g., Johanson & Vahlne, 1977, 2009) by incorporating the internal aspects related to change and develop as firms internationalize. This was achieved by showing how firms developed dynamic and operational capabilities during an internationalization process. This thesis offers an understanding for how a firm develops dynamic and operational capabilities and in doing so opens the black box by showing the internal pathways (i.e., the feedback loop from a firm's business network to the firm's capabilities). The model shows the internal aspects required for enabling a firm to absorb the knowledge received from the business network in order to develop operational and dynamic capabilities. These aspects relate to learning, commitment, internationalization knowledge, and processes related to building, integrating, reconfiguring, and leveraging.

The model illustrates that, as a firm increases its commitment to resource base change and development, it also commits to developing knowledge that develops the capabilities of the firm. Knowledge is developed through different learning processes, including experiential, search, and grafting, and firms begin to build the resources of the firm. The development of a firm's resources increases internationalization knowledge, which then enables them to see the challenges and opportunities in the business network and the capabilities needed to manage those challenges and act on the opportunities. In turn, the firm begins to also develop its resources into capabilities (referred to in the mode as integration). The process is incremental, where the firm shows an increased commitment to resource base change by developing knowledge through learning. Eventually, the knowledge is integrated into all four processes of building, integrating, reconfiguring, and leveraging, and is argued to lead to the development of dynamic capabilities. Elaborating further, the model is argued to contribute to the internationalization process literature by showing how firms can develop dynamic capabilities for internationalization.

Furthermore, the model includes the importance of alternative learning types to the internationalization process of firms. The application of learning in the internationalization process literature has hitherto foremost been limited to experiential learning. As it has been shown, this limitation has had implications for the literature's ability to explain and predict the international behavior of firms (Forsgren, 2002). In prior research on internationalization it has not been discussed as to how other types of learning - such as congenital learning, as well as learning through grafting and search - enable the development of firms' resource base to support and continue internationalization. Whereas experiential learning is proposed to be a

driver for learning via search and grafting, experiential knowledge alone does not explain how firms develop and change their managerial and organizational capabilities. Learning via search and grafting complement experiential learning in the way that they are an outcome of experiential learning and thus a means to integrate the knowledge into the capabilities of the firm. The model therefore contributes to how the learning impacts resource base change and how the various types of learning develop overtime as firms develop their resource base.

A new dimension to commitment as seen in the internationalization process literature is also included in the model. In the business network model to firm internationalization (Johanson and Vahlne, 2009) it is for example argued that learning and commitment are strongly related to identifying and exploiting opportunities. Commitment to business partners allows a firm to build on their respective bodies of knowledge, which in turn makes it possible to create and exploit opportunities. However this is only one aspect of commitment. The model in this thesis proposes that when a firm increases its commitment to their resources base, they increase their ability to commit to their business relationships and vice versa. Commitment to developing and changing a firm's resources and capabilities is most likely equally important for maintaining existing and developing new business relationships. The importance lies in a firm's ability to be able to convince business network partners they are committed to continuously adapt and renew organizational processes in order to content their needs.

Furthermore, the model that includes internationalization knowledge contributes to the internationalization literature not only by depicting in detail how internationalization knowledge develops over time during a firm's internationalization process, but also by highlighting the importance of internationalization knowledge for the development of dynamic capabilities. It is through an increase of internationalization knowledge that a firm seems to develop its abilities to search for new knowledge, to identify and evaluate opportunities, to screen country markets, evaluate strategic partners, and manage agents and distributors. As the firm built its internationalization knowledge, it created the ability to develop both market- and relationship-specific knowledge. Furthermore, the development of market knowledge and relationship-specific knowledge was influenced by firms ability to develop internationalization knowledge, a finding of this thesis that deserves more attention in future research, not at least since internationalization knowledge commonly is referred to as firms' capabilities and resources to engage in international operations.

In sum, the model, which includes internal aspects related to resource base change and development, contributes to the wider literature on internationalization process of firms due to the importance of commitment to the resource base, alternative learning types for internationalization, the importance of internationalization knowledge, not to mention how firms develop dynamic capabilities for internationalization.

7.2.2 Dynamic capabilities

By studying resource base development and change with a longitudinal research design, the study was able to show how a firm builds dynamic capabilities. Despite the importance of dynamic capabilities in the extant literature (e.g., Villar et al., 2014; Eisenhardt & Martin, 2000; Prange & Verdier, 2011; Teece, 2009), research to date is unclear on how a firm builds

dynamic capabilities. This thesis questions the prevailing, somewhat simplified view on how dynamic capabilities are built by illustrating that dynamic capabilities are more than an ability to build, integrate, reconfigure, and leverage a firm's resource base, but also depends on the firm's ability to synchronize these activities.

Synchronization involves the ability to be involved in all four processes (building, integrating, reconfiguring, and leveraging) while also being alert to the changes in a firm's business network. In turn, firms should integrate the feedback from its business network back into the processes of building, integrating, reconfiguring, and leveraging. Furthermore, synchronization also leads to firms' greater ability to achieve a dynamic fit between firms' current resource base and those resources and capabilities needed for international expansion. This is because synchronization has been discussed in this study as a way to tighten the gap between understanding the needs of customers, suppliers, and business relationships and responding to these needs by making adjustments to all four processes of resource base change and development. By making adjustments to all four processes, it is argued that firms are better able to maintain their business relationships and/or develop new ones. Therefore, dynamic fit, which hitherto has only been touched upon in the prevailing literature (Casillas et al., 2015), is proposed to refer to the fit between a firm's existing stock of knowledge and the acquisition of new knowledge, and can be realized when firms have the ability to synchronize the four processes.

The study further showed the complex nature of developing a firm's capabilities during internationalization because capabilities can serve both dynamic and operational purposes. (cf. Helfat & Winter, 2011). This is because the development of dynamic capabilities relies on a firm's ability to develop both managerial and organizational capabilities, while the development of managerial capabilities and organizational capabilities for internationalization eventually relies on the firm's ability synchronize processes of building, integrating, reconfiguring and leveraging resources and capabilities.

7.3 Managerial Contributions

The study has important contributions to the fashion industry, as a whole, in terms of how firms within this industry can develop their resources and capabilities for growth and expansion. The European clothing industry has undergone a transformation from producers of clothing to brand-based companies engaged in trading rather than production. Through global sourcing, the clothing industry began to take advantage of the international labor division and wage differentials. Production activities started to develop in low-cost countries, while distribution, control of the value chain, design, and marketing remained with the retailer. This movement fostered the emergence of large retail firms like H&M, Zara, Cortefiel, Mango, and exclusive brands like Luis Vuitton, Benetton, Armani, Acne, and Malene Birger. This has resulted in challenges for SME fashion firms, which found their home markets increasingly dominated by national and international retail giants. Alternative expansion opportunities therefore have to be searched for on international markets, and internationalization becomes an important part of SMEs' growth strategies.

The situation described above raises important topics related to the growth and expansion of SMEs within the fashion industry. Faced with increased competition in their home markets, these firms tend to embark on an internationalization process while they are still quite young. This study contributes to the industry as whole by showing that internationalization is not a process on its own. It is embedded in a complex array of resource base development and changes that SME firms have to organize and manage. Important for these firms to think about are developing knowledge in the areas of sales, purchasing, distribution, and the importance of coordinating these aspects. Firms need to be aware that internationalization is not a process on its own. It is embedded in a complex array of resource development and changes that SMEs have to organize and manage. This can be difficult for the firms who lack the capability to develop and change their resource base. In order to do so, a firm needs to be responsive to the feedback they receive from their business network and commit to developing the resources necessary to deal with those needs.

The study, therefore, has implications that can guide SMEs within the fashion industry as to what they need to consider when embarking on an internationalization process. An important implication is to focus on developing resources and capabilities needed for internationalization as well as how. It is important that firms realize it is not just knowledge of which markets to enter that becomes important for internationalization but also the types of capabilities they have and how they can develop and change them to support internationalization. Focusing on developing capabilities is important for internationalization, as firms tend to focus more on their international sales as opposed to the supportive activities that drive this process. Internationalization needs to be seen as a process involving a wider array of activities, such as supply chain management, distribution, design process, etc., and firms in this industry need to be able to manage these processes in order to support increased international sales.

However, problems that firms often face are related to a lack of initial resources during the early stages of internationalization, which can impact their expansion process. Managers therefore need to be responsive to feedback during internationalization in a proactive manner. Managers need to search for specialized knowledge in the firm's business networks, specifically experienced personnel in areas of purchasing, export, and design. The study also highlights the importance that challenges continue to rise in firms' business network during internationalization and how this impacts the firm's activities. That is, managers need to be alert of the feedback they receive from customers and business relationships, and then integrate that feedback into the firm's activities. The study further suggests that there might be a need for managers to make changes at different levels of their firms. For example, it is not enough to hire an expert in marketing, export, or design, but it is important to integrate the new knowledge in firms to develop managerial and organizational capabilities necessary to respond to the feedback.

7.4 Outlook on Future Research

Because the thesis' findings are based on a longitudinal in-depth single case study, it contains limitations regarding how possible it is to draw conclusions from this case and apply them to other cases (cf. Yin, 2014). To better understand the resource base change and development

during internationalization, it is argued that there is a need for additional longitudinal case studies in the same industry, in other industries and outside of Sweden. Performing more studies is a means to provide a broader empirical base that can allow for comparisons that can deepen and/or extend our knowledge of how firms build, integrate, reconfigure and leverage their resources and capabilities as well as build dynamic capabilities for internationalization. The following, further discusses three future avenues of research that also address the limitations of this study.

This thesis captures the process of one firm in the Swedish fashion industry. In order to strengthen the managerial implications of this study, which are directed towards firms in the Swedish fashion industry as well as the theoretical contributions, it would be valuable to study several fashion firms in a Swedish context by the use of multiple longitudinal cases studies. This could highlight the challenges firms face in this particular industry and how their responses are similar across firms. Similar findings can enrich our understanding of the capability development process, while diverging findings might result in the inclusion of other important aspects. For example, future research might take a deeper look into the different learning aspects discussed in the thesis i.e. it would be interesting to study multiple firms with different levels of congenital knowledge during the early phases of internationalization to see how this impacts their resource base change and development. This would provide an account of how the different knowledge types impacts resource base changes and developments.

Furthermore longitudinal case studies could be conducted in other industries. The operations of fashion firms relate to their core capability to meet the continuously new demands from their customers, which in turn requires update design, advanced information technology, just in time production and shop floor led stock control (cf. Wang & Ahmed, 2007). The fashion industry, which is characterized as a fast changing industry, can therefore influence how firms build and develop their resources and capabilities for internationalization. It would be interesting to compare across industries to see if the specifics of an industry impact how firms develop their resources and capabilities during internationalization.

Moreover, in this study, resource base change and development is studied in a Swedish context. Longitudinal case studies carried out in other geographical context, but still within the same industry, would most likely add to a broader understanding of if and how firms' change and development processes are impacted by for example institutions, culture, governmental policies, as well as politics. It might very well be that different geographical contexts impact how firms development their capabilities for internationalization due to aspects such as governmental support.

Finally, it is also suggested to be of interest to study capability development in larger firms to learn if the challenges these firms face and the measures they take to deal with the challenges are similar or different to the findings of this study. It is reasonable to assume that the ability to build, integrate, reconfigure and leverage resources differs for larger firms that already most likely possess necessary capabilities which then would make it somewhat easier for these firms to see the need for change and implement this change. This could develop the

finding in this thesis regarding the synchronization of building, integrating, reconfiguring and leverage firm's capabilities. This further might add new dimensions to capability development. Furthermore, such a future study would add to the literature by either confirming the findings of this study or extending them by adding a new dimension to capability development and change, which might be that size matters when developing a firm's capabilities and resources during internationalization.

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Appendix

Appendix 1

Interview Guide One – Initial Contact

Background

- What is your professional background? Education, work experience etc
- How was the firm founded?
- By whom was it founded?
- Why did you decide to have both your own stores and retailers in Sweden?
- How did the business develop?
- Roughly how many employees work for Twist and Tango?

International Business

- How and when did the international activities start (export)?
- Why did you decide to take your products abroad?
- When did you begin exporting?
- Was this a conscious choice of your own?
- How do you choose your international customers? Is there a formal process or certain criteria? (e.g. Scandinavian design, particular market focus to create an image for twist and tango etc)
- Who is involved in the process of finding and choosing international customers?
- What and how much do you sell abroad?
- How do you know which of the products you want to sell?
- How did you develop the export market and who was involved?

Development of International Business

- What is happening now with the export market?
Is it expanding? If so how?
Do you still have the same customers?

- Who is involved in managing and developing this process?
- How is the export market managed and developed?
- Have your export relations developed?
 - The exchanged product
 - People involved
- What are your future plans?
Have you considered setting up your own boutique internationally?
Why not previously or now?

Learning process during international business

- How do you organize the export process internally? In terms of:
 - Getting resources: people, finances, etc
 - Is there anyone who takes on the extra responsibility?
- How do you decide who should be involved?
 - Their background?
 - What type of experience do they have?
 - What type of knowledge do they have?
- Have you involved external persons in the export process?
 - How do they learn about the twist and tango product?
 - How do they learn about the international market?
- Internal persons: How do they learn about the international market?
- Has your international export business changed the way your company operates internally?
- What have you learned during the export process?
 - About the countries
 - About the customers
 - About your capabilities as an international player
 - Or anything else
- Do you think you would have acted differently if you had had more knowledge of doing business abroad? If so, in what way?
- Is the knowledge you gain from export activities enough to open your own boutique in a foreign market? What else does your company need?

- How can you take advantage of this knowledge to open an international boutique?
- If you are lacking resource (financially, human) does an expansion internationally prevent the expansion of stores in Sweden?
- Twist and Tango have 5 stores in Sweden but sell to 200 retailers: is there a reason for this division?
- Internationally you prefer retailers; is there any particular reason for this?
- What do you think you gain/ miss out when you chose to work with retailers?

Risk and Uncertainty

- How do you perceive operating in an international environment in terms of uncertainties and risks?
 - In relation to export :
 - What are the risk and uncertainties
 - How do you handle the risks? Export
 - In relation to opening your own boutique internationally
 - What are the risks and uncertainties
 - Does this perception of risk effect your decision to open your own boutique internationally?
- How do you manage risks and uncertainties?

Appendix 2

Interview Guide Two – General

The aim of the interview is to get an understanding of your role within twist and tango. How it has changed and developed from when you began up until today. The following questions are simply to guide me during the interview however, please feel free to discuss any other points that you feel are relevant with regards to the three headings below; your background, your role at twist and tango, and critical events that have occurred.

Background

- What is your professional background? E.g.
- When did you begin working with Twist and tango?
- How did you come into contact with Twist and Tango?
- Why did you begin working for Twist and Tango?
- Why do you think twist and tango chose you as one of their employees? This question will help me understand Twist and Tangos recruitment strategy when it comes to developing their business internationally.
-

Your role at Twist and Tango

I would like you to discuss your role within Twist and Tango from when you began until today

- Has your role changed or developed since you began?
- What is your role today
- Are you involved in the internationalization process of the firm? e.g.
 - Logistics, back office support to Marcus and Tina, international business strategies or decisions,
- What type of support do you need to perform your job?
 - Who do you rely on for information?
 - Who assists you?
- Have you performed a similar role prior to working with Twist and Tango?

Important events that have occurred

Can you think of any events (positive or negative) that have impacted your ‘work’ and/or ‘twist and tango’ over the last year or from when you began working with Twist and Tango?

Maybe we can also discuss how these events have impacted your work and/or twist and tango.

Appendix 3

Interview Guide Two – Follow up Guide

What has happened since we met last?

What has happened on the Export Market?

How has this impacted the organization?

What has happened within the organization?

What are you working with now both internationally and with regards to the organization?

Appendix 4 Twist & Tango's Participation in Fashion Shows

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	
Year	1995-1997	1997-2000	2000-2006	2007	2008	2009
Jan-Feb	Stockholm fashion show (CPH)	CPH Vision (CPH)	CPH Vision	Gallery (CPH)	Premium (Berlin) Modefabrik (AMS) Gallery	
July-August	Bella CenterShow (CPH)	CPH Vision	CPH Vision	Gallery	Who's Next (Paris) Bread & butter (Berlin)	
	Phase 6	Phase 7	Phase 8	Phase 9	Phase 10	
Year	2010	2011	2012	2013	2014	2015
Jan-Feb	Gallery Modefabrik' Who's next	CPH Vision Modefabrik' Nova Mania (China)	Bread & butter CPH Vision	Bread & Butter JFW (Japan) CPH Vision Scoop (London)	CPH Vision Bread & Butter Scoop (London)	Premium Berlin Who's next CIFF (CPH) Scoop (London) Premium (Munich)
July-August	Gallery Bread & butter Who's next	Bread & butter CPH Vision Who's next	Bread & butter CPH Vision	Bread & Butter Scoop (London) CPH Vision	CPH Vision Bread & Butter Scoop (London)	CIFF Panorama (Berlin)

Appendix 5

Twist & Tango's International Development: Agents, Distributors, Customers

	Year	1995	1996	1997	1998	1999	2000-2007	2008
Agents			Denmark	Norway & Finland			Discontinued working with agents	
Distributors					America			
Ad-hoc customers								
Year	2009	2010	2011	2012	2013	2014	2015	
Agents	Denmark, Greece, France Holland Germany Norway	Denmark Stop Greece France (stop) France (new) Holland (Stop)	Greece France Holland (Stop)	Greece France UK Spain	Greece France UK Spain	Greece France UK Spain	Greece France UK Spain Belgium Germany	Denmark (new) Greece France (Stop) France (new)
Distributors	Japan	Japan	Japan Norway (new) Finland Germany	Japan Norway Finland Germany	Japan Norway Finland Germany (stop)	Japan Norway Finland	Japan Norway Finland	Japan (stop) Norway Finland (stop) Holland (new)
Ad-hoc customers								

Appendix 6

Twist & Tango's Concept Stores Sweden

Year	1995	1996	1997	1998	1999	2000	2001	2002	
Store	November 1 st TWIST & TANGO Concept store Haga Nygatan 22 Gothenburg					May 2 nd TWIST & TANGO Concept store Haga Nygatan 31 Gothenburg		November 3 rd TWIST & TANGO Concept store Skånegatan Stockholm	
Year	2003	2004	2005	2006	2007	2008	2009	2010	
Store	November 4 th TWIST & TANGO Concept store Grevg. Turegatan Stockholm								
Year	2011	2012	2013	2014	2015				
Store									

Appendix 7 Twist & Tango's Recruitment and Role Changes (of interviewees only)

	Phase 1 (1995-1997)	Phase 2 (1997-2000)	Phase 3 (2000-2006)	Phase 4 (2007)	Phase 5 (2008- 2009)	Phase 6 (2009-2010)	Phase 7 2011	Phase 8 (2012-2015)
1	Founder A	*	*	*	*	Chairman		*
2	Founder B	*	*	*	*	Chairman		
3	Assistant	*	*	*	*	CFO	Resigned	
4	Customer Service	*	*	*	*	Office Manager		
5	Sales Manager North	*	*	*	*	Concept Manager	Resigned	
6	Sales Assistant	*	*	*	*	Store Area Manager	*	
7			Marketing Manager	*	Made redundant			
8				Office Support	*	*	*	
9				Production Manager	Made redundant			
10				Export Manager	CEO			
11				Designer	Design Purchasing Manager 1 (DPM1)	Resigned		
12				Logistics Assistant	*			
13					Export Assistant	*		
14					Economics Assistant		New CFO	
15						Designer2		

*=same position (No Change)

Appendix 8

Twist & Tango's Sales Figures (SEK)

	2008	2009	2010	2011	2012	2013	2014	2015
Sweden (wholesale)	13 343 269	14 800 000	16 600 000	22 900 000	23 981 848	16 703 403	15 570 721	21 000 000
Germany	1 000 000	2 900 000	3 800 000	1 555 000	1 600 000			
Denmark	290 000	1 300 000	1 500 000	408 970	300 000	287 883	600 000	
Greece	130 000	1 400 000	1 400 000	1 461 057	1 300 000	1 963 781	2 200 000	
Finland	317 000	620 000	770 000	585 748	430 000	727 261	1 800 000	
Norway	800 000	1 700 000	800 000	1 771 660	1 400 000	1 551 085	2 400 000	
France	118 055	2 900 000	2 100 000	697 221	1 100 000	664 081	1 600 000	
Japan	40 000	300 000	1 100 000	973 642	1 250 000	852 368	500 000	
Holland	29 723	120 978	186 918	19 391				
UK		201 000	3 500 000	3 288 011	4 600 000	3 506 769	4 200 000	
Spain					620 000	1 222 122	1 800 000	
Export via Agents								
Total								
Ad-hoc	1 289 071	560 000	1 700 000	1 500 000	971 489	1 500 000	1 481 627	1 800 000
TOTAL	14 632 340	18 055 055	29 440 000	39 370 000	36 017 890	30 803 403	30 260 396	41 700 000

	2008	2009	2010	2011	2012	2013	2014	2015
Sweden (Retail)	*	21 037 429	21 629 157	21 988 518	21 224 130	23 192 404	29 954 219	32 100 000

Appendix 9

Year	1999/2000	2000/2001	2002	2003	2004	2005	2006	2007
Turnover	12836635	12544702	19341000	29953000	26413000	28911000	51315000	44002000
Operating profit	457976	-346178	1653000	4629000	3246000	163000	8716000	6376000
Employees	7	10	10	17	20	25	27	28
Year	2008	2009	2010	2011	2012	2013	2014	2015
Turnover	43205000	42406000	52241000	64464000	57133000	54704000	60063462	74473535
Operating profit	-1701000	-1507000	590000	2152000	230000	-1062000	120250	-1114649
Employees	28	30	30	33	33	30	31	31

Twist & Tango's Turnover and Profit Figures (SEK)

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