



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Born Global Firms in The Furniture Industry

A Multiple Case Study of Scandinavian Furniture brands within the
Premium Segment

Master Degree Project, International Business & Trade
Graduate School 2018
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Abstract

Several drivers have contributed to a world that is now more globalized in terms of trade where firms increasingly early in their life cycle, are either incentivized, or forced to engage in foreign markets. Communication, and technological advancements are two aspects that have benefitted the ability of smaller firms to compete with large firms on international markets. Furthermore has the settings for firms within industries that are generally considered traditional now changed, resulting in that they are now increasingly early able to compete on a global scale.

The intention of this study is to examine one such industry, namely, the furniture industry, to see how certain firms contradict, not only the traditional expansion patterns suggested by the industry, but also the incremental stepwise procedure proposed by traditional expansion theoretical models. The question forming the outline of this study subsequently asks how firms in this category expand globally in relation to the conditions that have now been substantially changed.

In order to fulfill the intention of the study, an abductive theory-building approach has been utilized in order to perform a multiple case study with five firms applicable to the description above. In order to capture a wide perspective of the process, three sub-categorical focus points were specifically chosen (the role of prior knowledge, external networks and country of origin effects (COEs) to understand how certain aspects of internationalization impacts the process. Additionally, the main question refers to the choice of entry mode of which a firm with limited resources is likely to choose.

The collection and analysis of empirical data disclosed certain denominating factors that were used in order to comprise propositions in response to each of the questions asked in the study. The propositions, presented in the discussion section were composed through discussion analysis and in comparison to relevant literature presented in the literature review.

The theoretical contribution of the study essentially emphasize the importance of prior experience, external networks, and COEs among BGs in the premium furniture segment, although sometimes indirect, rather than directly.

Key-words: Born global, Prior experience, External networks, Country of origin effects, Entry mode,

Acknowledgements

I would like to express sincere my gratitude to each of the firms that made themselves available despite hectic times – AYTm, Friends & Founders, Green Furniture Concept, Massproductions and No Early Birds. This thesis would not have been possible without the participation of these firms and their contribution of in-depth answers and a commitment to remain completely transparent.

I also want to express appreciation to my supervisor during this thesis, Mikael HilmerSSon who provided insightful advice and feedback throughout the process.

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Fredrik Larsen

Gothenburg, 2018-06-01

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List of abbreviations:

BG: Born global

CEO: Chief Executive Officer

HTSME: Hi-tech Small and Medium-sized Enterprise

MNE: Multinational Enterprise

SME: Small and Medium-sized Enterprise

1 Introduction

The introduction chapter aims to introduce the reader with contextual understanding of this study, as well as to provide understanding for concepts and terminology used throughout. The introduction starts with a review of the furniture industry in relation to globalization and born globals, followed by a description of Scandinavian furniture within the premium segment. The chapter continues with a problem discussion to highlight gaps of current research before concluding a presentation of the research question, purpose, delimitations and research outline.

1.1 Background

Economies of scale, improvements in transportation, faster communication and liberalized trade regulations all exemplify drivers behind an accelerated market globalization (Martinez and Jarillo, 1989). Saturation of domestic markets with a subsequent increase of competition has led to incentive, as well as a necessity for firms to establish international business in a faster pace than before; a process referred to as internationalization (Johanson and Vahlne, 1977; Lehtinen and Penttinen, 1999). A change experienced by small and medium sized enterprises (SMEs) is how technology has reduced the effect of scale economics and allowed smaller firms to compete on more equal terms. This development is especially noticeable in service related industries together with knowledge intensive sectors such IT, however, the “technology evolution” continuously include more practical industries such as manufacturing (Dangayach and Deshmukh, 2005). The furniture industry, heavily reliant on manufacturing, is usually considered to be a traditional industry with its unique practical liabilities with regard to transport and barriers to global trade. The products need to be transported physically in contrast to e.g. software-based firms such as Facebook, where the service is delivered online. The furniture industry has nevertheless benefitted from online activities and the consumer commitment to e-commerce has undoubtedly increased globalization possibilities also here (Business Insider, 2016)

The changes in the global ecosystem of business have led to new possibilities for new and established firms approach markets. Despite limited resources or establishment within their home markets, an increasing amount of firms internationalize swiftly within their early years, or even close to inception. The phenomena have caught the attention of researchers globally and have resulted in a varied terminology that is sometimes interchangeably applied. Namely “International New Ventures” (INVs) (McDougall et al., 1994) and “Born Globals” (BGs) (Rennie, 1993; Knight and Cavusgil 1996; Madsen and Servais, 1997) are commonly attributed to address the aforementioned firms. Madsen and Servais (1997) express how BGs with their unique features operate in distinctive ways that are sometimes difficult to explain by traditional theory. BGs are furthermore described to be especially common in the technology sector, where as for example 50 percent of hi-tech startups originating the Nordic countries initiate international expansion within two years (Lindmark et al., 1994).

BGs generally share specific traits that are used to describe their international orientation. One example relates to the role of the founders background in terms of education, and international living and work experience, a factor that essentially lower the perceived obstacles of international business environments (Madsen and Servais 1997). As the founder or decision maker is already familiar with an international business, it is easier to transition faster and develop new capacities necessary to sustain within an internationally based setting (Cohen and Levinthal, 1990). Another established characteristic of BGs is the ability to utilize networks in order to reach accelerated international presence. The role of business networks allows the BG to engage with intermediaries and obtain a shortcut to exposure in multiple markets. The access to international networks provides both a shortcut to sub contractors, distributors, buyers and sellers, but also access to experience based knowledge that can be retrieved instead of having to gather knowledge without assistance (Knight and Cavusgil, 1996, Burgel and Murray 2000).

The development of the furniture industry has in alignment with BG theory begun gone towards having a more digital platform. International business is greatly benefitting and within the furniture industry, categories *furniture* and *home wares* is expected to express growth with a compound growth rate of 15 percent estimated

annually with an increase in revenue from 110 US billion in 2015, to 220 USD Billion in 2020 (Statista, 2018). Meanwhile, actors within the brick-and-mortar sector are struggling with large players such as “Linens-N-Things” in the US being forced to bankruptcy due to declining sales (Coresight Research, 2016).

On a global scale, the market evolutions have decreased the gap between large players such as “IKEA” and the smaller SMEs; still constituting the majority within the industry. Adaption of global sourcing, being one such evolution, allows smaller firms to manufacture specific parts at a lower price while increasing development capabilities (Giunipero et al., 2006). Other, more entrepreneurial approaches can be viewed with innovative firms that utilize technology in order to bridge the competitive gap to larger firms. US based “FYRN” is one such firm, utilizing complex computer driven technology in order to produce details of furniture and enable cheaper flat package transport similar to IKEA (Fyrn, 2018). The entrepreneurial approach thus enables firms to combine low cost transports with exclusive materials and new design, a mix that primarily has been reserved to premium furniture (Britannica, 1999). Except offering the customer a more premium product, at a reasonable price, it also allows firms to potentially deliver products on a larger geographical scope as margins to a larger extent can cover transportation.

Despite the fact that the furniture industry being traditionally prone to favor local sales and distribution, factors related to globalization are now changing in such a way that progressive and innovative firms can capture new opportunities (Forbes, 2017). Swedish based firm “HEM” is yet another example that have managed to utilize the benefits from global sourcing and smart packaging to allow for more aggressive and early approach to internationalization. Through offering free shipping within the EU and US, HEM has been successful to achieve a substantial ratio of international revenue with The US as their primary market; a process completed within the scope of only a few years (HEM, 2018).

Evidently, this particular industry is developing and firms are finding new ways to contradict the traditional reputation of the industry. Market evolution and contradicting firm behavior thus suggest an opportunity to reevaluate previously established perceptions of the industry. The evolvement of BGs is increasingly

aligning with the perquisites of the furniture industry and opportunities subsequently follow. New approaches to perceived traditional industries are accelerating international business and therefore mounting and interest of studies in the field.

1.2 Premium Scandinavian furniture in a global context

IKEA brought Scandinavian design the masses with cheap furniture and sometimes-questionable quality. However, the heritage of Scandinavian furniture have been imprinted over a long time with consistent work from world renowned designers such as Hans Wegner, Finn Juhl and Arne Jacobsen. Certain “design classics”, from before the 1950s are continuously being produced in low quantity by some of the most skilled woodworkers in the world (Architectural Digest, 2017).

The so-called mid-century-modern Scandinavian design has played a significant part in fortifying the value of having a Scandinavian origin; as well as to boost subsequent export (The Globe and Mail, 2018). For Denmark, furniture exports totaled 14,6 billion DDK in 2015, indicating an 8,4 percent increase from the previous year. The largest part of export targeted neighboring countries, or the EU. However, a significant 40 percent go to markets outside Europe (Danish Furniture, 2015). Scandinavian furniture is in other words requested globally, so when internationally acclaimed furniture design magazine “ELLE DECOR” chooses to write about trending Scandinavian design, it should come as no surprise (ELLE DECOR, 2017).

A further example of global attraction to Scandinavian design stems from the Japanese market where consumers willingly resonate with premium furniture and its focus on manufacturing details and esteemed immaterial virtues. A plausible explanation can be found in cultural values, where the Japanese customer favors fewer possessions with a higher long-term value and characteristics over cheaper products with shorter life cycle. Swedish design is largely in demand globally and the perception of Swedish furniture corresponds with good quality and an ideal “Swedish lifestyle”. There is essentially an ongoing global wave of interest for Scandinavian design and therefore, opportunities appear with greater geographical distance than before. The same opportunities can potentially help grow new businesses and provide with a platform for global expansion (Business Sweden, 2018).

1.3 Problem Discussion

Although research on BGs is rather extensive, where certain factors have been agreed to be of great importance, such as the role of networks and prior knowledge, there is still certain aspects that need to be studied individually in order to obtain a complete understanding of the phenomenon in different industries. The propensity for BGs to operate within the technology sector has led to a responding amount of research to study in this particular field (e.g., Ciravegna et al., 2013; Mullen et al, 2003; Stoyan, 2012; Drayse, 2010). The research field of BGs early internationalization in general needs to be widened to cover more facets of the process in different environments. A greater emphasis on theory development and conceptual frameworks are called for, together with case studies to gather a better in depth understanding of the nature and process of early internationalizing firms, and also factors for their success (Eisenhardt, 1989). Research therefore should favor empirical studies that apply the case study approach. This way it is possible to progress the field of research, while also clarifying the practical managerial application of new findings and best practice (Rialp et al, 2005).

When the furniture industry attracts attention in internationalization related research, it often targets multinational enterprises (MNEs) such as IKEA (e.g. Gummeson, 1988; Edvardsson and Enquist, 2010) or Hermann Miller (e.g. Mullen et al., 2003). Findings of these studies are therefore often impractical in their applicability to modern BGs due to the substantial divergence of MNEs traits, in contrast to BGs; something that can be practically exemplified by the vast discrepancy in terms of tangible resources that differ between them (Luo, 2000). The question, especially for BGs in the furniture industry remains unanswered as to how the process of internationalizing progress and how the established factors of BG theory applies.

The role of prior experience and the role of networks stand out as vital attributes to BGs and the importance of prior experience as a concept can be traced back to the early internationalization models. It is therein determined that experiential knowledge plays a crucial role for the process of internationalization (Johanson and Vahlne, 1977). More recent studies, applicable to BGs and INVs, show that prior experience held by the founder, can result in a shorter learning processes, and a faster adaptation

to foreign markets, namely because of already having acquired necessary tacit knowledge (Madsen and Servais, 1997; Meyer and Estrin, 1997).

The role of networks in BGs internationalization process has similarly been comprehensively addressed. Global networks and alliances have been described as factors to drive development of BG firms in combination with knowledge and culture (Knight and Cavusgil 1996, 2004). Utilization of these three factors converts into tools that allow BGs to compensate for other limitations, such as in financial- or human resources (Freeman and Schroder, 2006). The furniture industry has been studied relatively scarcely and the deficiency then naturally applies to the subject of prior experience, and role of networks in relation to BGs internationalization.

Scandinavian furniture has established a positive reputation because of its unique design and is therefore appealing to consumers globally. The premium segment of furniture adds a layer of uniqueness where to the point where it can be identified as a niche market, known to attract BGs (Knight and Cavusgil, 1996). An interesting aspect of prior presented niche market (premium Scandinavian furniture) is that it is categorized based on an actual geographical region, Scandinavia. The origin of goods in this case consequently plays a role of importance. In research terminology this is commonly referred to as *country of origin effects* (COEs), which essentially translates to benefits, or liabilities related to the origin of the product. Studies have indicated that customers' willingness to purchase a specific product can be affected by the perceived origin of the product (Roth and Romero, 1992). The premium segment of furniture, with any origin, denotes a higher cost of product due to use of precious materials; and often advanced production in lower quantities. The customers' process of purchase thus suggests a more thorough process of consideration where aspects such as COEs are more likely to be of importance. So far, no study has been conducted to measure COEs impact on BGs internationalization within the furniture industry, and therefore this indicates a void in the research of this field.

The current gaps of research on these areas can at least partially be explained by its narrowness and niche characteristics, however, the combination of involved factors creates a research field that can potentially be applied elsewhere. Market developments due to increased globalization affects all industries, so further research

to broaden the understanding will be beneficial. A qualitative case study on internationalizing BGs within the furniture industry is likely to expand current research, develop in-depth understanding of the phenomena, and contribute with potentially generalizable knowledge for firms affected by the unique challenges presented by comparable industries.

Research on BGs is in large a response to world wide market changes that provide both push and pull factors for firms to pursue international expansion in an earlier stage in their life cycle than before. Research on BGs has therefore been continuously evolving parallel to these changes, however, there is still much needed research to holistically understand how the process differs according to various industries. Current research has focused primarily on IT and technology based firms and therefore a greater emphasis is called for on empirical studies in other sectors. The case study is preferred due to its possibility to widen the understanding of the process while also creating a broader foundation for developing new theory.

The role of networks and prior experience is established in BG literature as being vital for successful internationalization. These factors are therefore essential to include to expand, and to provide a platform for comparison to earlier studies. The role of COEs is a more industry specific concept that provide individuality to the study, widening the in depth understanding of the chosen industry. The objective is to balance between to expansion on previous research, but also to penetrate an industry that in context of BGs have received little attention.

This study combine established theory in a new setting to advance and broaden empirical data as well as to deepen the understanding of BGs internationalization process.

1.4 Purpose & Research Question

The purpose of this study is to contribute to existing literature on BGs from the standpoint of a specific context, the premium furniture industry. The findings will widen the foundation of BGs theory in with theory prepositions to encourage further

studies, as well as potentially guide managerial decisions for firms operating in similar environments.

The problem discussion, with presented background, leads to the following research question:

How do Born Globals within the premium furniture industry internationalize with regard to the role of networks, prior experience and Country of origin effects?

1.5 Delimitations

Although the inclusive objective of this study is to examine how BGs in the furniture industry expand globally, and to widen the theory as well as empirical material on the subject, certain aspects reflected by research questions have been chosen to limit the span of the study. The reason for this limitation is due to time restraint and the willingness to present propositions with support from a sufficiently inclusive theoretical framework. The empirical collection of data is based on a conceptual framework initially created to cover the whole process of internationalization (*see: 3.4.6 Interview Conceptual guideline*), so a general understanding of the firms complete internationalization process can be found in this study. The process of internationalization is complex and essentially includes too many aspects to cover in this study. This research firstly aims to answer and explain the role of prior experience and networks in the process of internationalizing BGs. The reason for choosing these specific topics is due to the congruent prior research that states the importance of these factors. An exploratory multiple case study will help to widen the empirical background in these areas and contribute to a larger foundation for they building background. The third focus is specifically related to the chosen industry where *country of origin effects* has shown to have a substantial importance with regard to consumer behavior. The thought behind this choice is to cover an important part of the chosen sector, allowing the study to be in depth and to have an open approach as to what conclusions will be met.

The choice to limit the research to three core subjects has a negative impact in terms of coverage and width to the findings. In essence, the choice derived from time

constraint of the project, however the focus has been to thoroughly decide the most important factors to cover as wide area as possible. In particular, the role of networks and prior experience are factors that are applicable and important in most BGs, however, the role of COEs is something that more specifically relate to the chosen industry.

Another limitation to the study is that all firms studied origin from Scandinavia. Three of the studied firms reside in Sweden and the remaining two in Denmark. This aspect has a two-part effect on the outcome and applicability of the results. The outcomes of the study are certain to show a representative result for the Scandinavian firms; however, as the sample is limited in terms of firms and origin, as lesser degree of generalizability will be the case. Firms from different countries may for example show traits according to business culture characteristic for the country of where they origin, or be affected by the situation of the market where they primarily do business. In thus study it is arguably clear that the Danish market is smaller than the Swedish, causing firms from Denmark to have a larger incentive to engage in earlier export.

In summary, given the small sample of firms as well as the limitations in terms of treated issues, this study will not be able to present any definite results. The study will rather present a contribution to the gap of empirical research on BGs in a specific field. The findings will also be able to stimulate further studies on topic as well as potentially act as a guide for entrepreneurs with similar outlook as the firms in this study.

1.6 Research outline

This thesis covers seven chapters in total and opens with the introductory **chapter 1** to provide the reader with a contextual, conceptual and terminology understanding, necessary to understand the further reasoning in this study. The chapter continues with a problem discussion to highlight gaps of current research before concluding with a presentation of the research question, purpose, delimitations and research outline.

Chapter 2 comprises the literature review and presents existing theory relevant to internationalization as well as the specifically chosen fields of focus, namely role of prior experience, external networks and COEs. The chapter aim to further prepare the reader with current topic related research and ends with a theoretical framework to frame the structure of succeeding discussions.

Chapter 3 is dedicated to methodology serving the purpose of providing the reader with insight to the research process by presenting and discussing the methodological choices.

Chapter 4 presents the empirical findings by conducted interviews. Each interview is structured to provide a short background to the firm before describing the firm's internationalization process followed by answers to questions related to the focused topics of this study. The topic headlines correspond to the conceptual model that was utilized to operationalize the interview in order to cover the internationalization process (see: 3.4.6 Interview Conceptual guideline).

Chapter 5 evaluates and analyzes patterns and relationships based of the empirical findings. It is structured to provide a deeper understandings the empirical data, as well as a clearer overview the differences or similarities of the five studied firms. The chapter is summarized with a visualization of the results to prepare the reader for a discussion and composing of propositions.

Chapter 6 provides a discussion aimed to relate the empirical findings with prior research in order to assure validity of the propositions. Each of the sub categorical research questions is treated individually to frame a justified proposition within its specific context.

The final **chapter 7** presents a summary of the results derived from the discussion before answering the initial purpose and research question of this study. The chapter is finalized with suggestions to further research considering the limitations of the study.

The research outline and its interrelated connections are illustrated in the flowchart below.

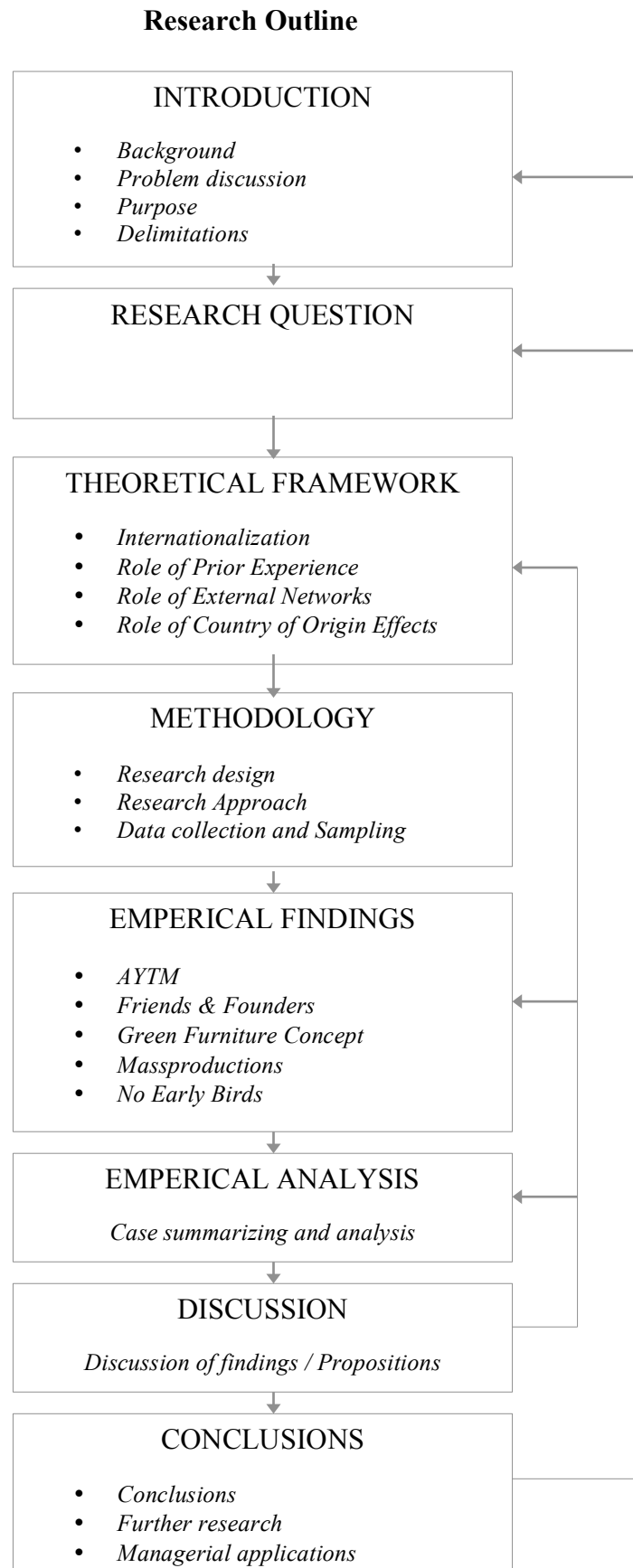


Figure1: Research Outline

2 Literature review

The following part presents existing theory relevant to internationalization as well as the specifically chosen subjects of focus, namely role of- prior experience, networks and COEs. Due to aforementioned gaps in current research, the objective for this chapter is to familiarize the reader with current topic related research, as well as to provide a theoretical framework to structure the succeeding discussions of empirical findings in this study. The abductive reasoning applied to this study serves to counteract the existing theories inability to fully explain the phenomena discussed in chapter 1. The theoretical section created a foundation for the empirical studies and contributes to credibility of the findings as they are connected in the discussion.

2.1 Internationalization

2.1.1 Born Global

The world is continuously becoming more interconnected, and as a result, firms pursue international business in earlier stages in their maturity than before. The firms are often SMEs and characterized by scarcity in human, financial and intangible resources. The uniqueness of these firms and their ability to compete on international markets despite their restraints, have resulted in new research and terminology to collectively address these firms, namely born global (BGs) (Almeida, 2000; Knight and Cavusgil, 1996; Rennie, 1993). Essentially, the born global firm is described as a business organization that from inception seek to derive significant advantages from the use of resources and sale of outputs in multiple countries (Oviatt and McDougall, 1994)

One of the first to research the phenomenon of BGs was Rennie (1993) who detected certain new patterns in the international markets. The changes related to consumer behavior and the impact of technology, improving communication while allowing businesses to easier conduct business on a global scale. Further aspects that explained

the firms' increased international presence were cheaper transportation, as well as a greater flexibility and adaptability due to the smaller size of the firms. In summary, the accumulated changes led to an increase in possibilities for SMEs to, despite having lesser resources, compete with MNEs; not only in domestic markets, but also on the international markets (Cavusgil, 1996; Oviatt and McDougall, 1994).

There is growing interest for research in BGs and the terminology is continuously being modified (Weerawardena, et al., (2007). The concept is still without any single definitive explanation to cover all aspects of the process however, in this study the aforementioned definition by Oviatt and McDougall (1994) is applied in text as well as in the selection of case studies.

It is estimated that up to 18 % of European new ventures are made up from BGs and it is therefore no surprise that the subject has been extensively focus on in recent research (Mandl & Celikel-Esser, 2012). Being new in a market carries a natural disadvantage derived from having lesser knowledge than competitors (Zucchella, Palamara, & Denicolai, 2007). A significant characteristic for BGs is however to overcome these obstacles through personal and external networks that help bridge the gap and provide knowledge of the relevant market (McDougall, Shane, & Oviatt, 1994). The traditional models to describe internationalization have had to be recessed in ways to include the ways of BGs. One example is The Uppsala Model, further described below, that was revisited by the authors to include the factor of relationships to allow for successful internationalization (Johanson and Vahlne, 2009). The basis of this assumption is that firms are able to seek strategic relationships within the new market that acts as a shortcut to local knowledge.

A common notion in current literature is that BGs disregard the incremental steps of internationalizing in favor for a faster step process. The traditional firm will start by building up security in the home market before venturing abroad, something that the BG will skip in order to pursue international markets that have been strategically targeted since firm inception (Forsgren, 2002).

2.1.2 The Uppsala Model

According to the Uppsala Model, the choice of market is largely determined based on *psychic distance*, indicating factors that provide challenges to understand and engage in foreign environments. This could be language barriers, culture, politics or geographical distance. The firms then incrementally acquire enhanced knowledge of new markets before gaining more stability of resources to, thereafter, intensify expansion in terms of higher *psychic distance* (Johanson and Vahlne, 1977). The Uppsala model initially refers to Aharoni's (1966) findings about the interdependence of market knowledge and commitment related to the firms specific activities. It essentially establishes how increased market knowledge leads to market commitment, and that market commitment will benefit market knowledge (Andersen 1993). Retained experiential knowledge reduces the firm uncertainty and subsequently generates new business opportunities (Johanson and Vahlne, 1977).

Oviatt and McDougall (1994) criticized the Uppsala Model, initially created in 1977, by stating that the internationalization process now happens significantly faster than what is expressed in the original model. Researchers such as Madsen and Servais (1997) also indicated that the choice of foreign new markets no longer correlated with *psychic distance* as expressed in the model. Johanson and Vahlne (2009).

In acknowledgement to changes that had occurred in the market Johanson and Vahlne eventually decided to revise their model based on the fact that *network relationships* also impact the choice of foreign markets. The revised model emphasized the role of *network opportunities* in relation to the choice of international markets where firms try to improve knowledge about their opportunities through their network position. The choice of foreign markets could thus for example be determined as to which market the network partner has a strong position or alternatively, where they jointly can explore new opportunities. The revised model incorporates consideration for a transformed business environment with the importance of relationships as being key to internationalization. This is emphasized through the fact that network outsider ship instead of *psychic distance* now stands for the primary source of uncertainty (Johanson and Vahlne, 2009).

State

Change

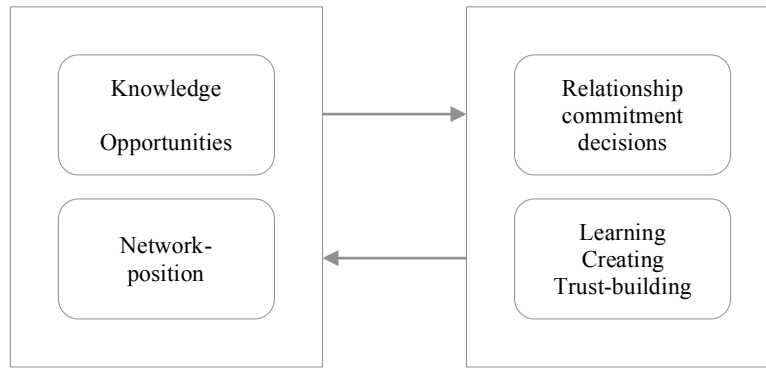


Figure 2: The business network internationalization process model (reconstructed by author) (Johanson and Vahlne, 2009).

The revised model consists of two parts corresponding to state variables, and change variables. The models reflect how these parts interact and for, the “network-position” under state variable clarifies that the process of internationalization is conducted within a network context. Development derives from utilizing change variables incorporated into daily activities, such as *learning*, *creating knowledge*, and *trust building*. The effect is improvement in terms of network position, where access to unique opportunity knowledge is attained (Johanson and Vahlne 2009; Hosseini and Dadfar, 2012).

2.1.3 Entry mode

An overall surge of globalization and subsequent intensification of competition has led to an increase of firms that attempt international markets to maintain or expand their market selection. An entry mode is essentially defined as a means to enable firm’s products, management, human skills or other resources to enter another country, often driven by economic factors (Porter 2004). Hill et al (1990) suggest that the choice of entry mode is influenced by three separate variables. Firstly, the strategic variable relating to the willingness to adapt the product in relation to requirements in the foreign market. Secondly, the environmental variable refers to issues such as country risk, market familiarity and competitive conditions in the market. Thirdly, the transaction cost specific variable refer to advantages within the firm such as know-how or other competitive advantages (Porter 2004). According to previously presented Uppsala Model, the decision of entry mode should additionally

include the firms past experiences, current state, available resources and the overall market specific structures (Johanson and Vahlne, 2009).

A common way to differentiate entry modes is by their level of commitment, control and risk involvement. Categorically, equity, or non-equity modes simply refers to whether the mode requires equity investments or not (Albaum and Duerr, 2008; Canabal and White, 2008). A non equity entry mode, suggest a low investment requirement and low risk, for example contractual entry mode where contracts is signed between the firm and agent for the agent to promote and distribute products in the foreign market. This particular entry mode thus requires no initial investment, where as instead, a percentage fee enables value to the agent. Another non-equity mode is export, either conducted by the firm to the end customer, or indirect through a facilitating export agent or freight forwarder (Erramilli et al., 2002).

2.2 The Role of Prior Experience

Substantial amounts of research have been dedicated to describe the characteristics of BGs, as well as the underlying reason for rapid international expansion. Madsen and Servais (1997) make a connection between the characteristics of BGs and strong entrepreneurial individuals, with comprehensive experience from international business. The experience refers to tacit knowledge, contextually related to where it is applied. The concept of context specific experience has been applied to different fields of research. Another example is in the previously mentioned Uppsala Model where Johanson and Vahlne (1977) referred to experiential knowledge as the *relevant knowledge attained through contextual experience*. McDougall et al., (1994) concur with the notion that BGs often are comprised of experienced individuals, utilizing their experience in pursuit of rapid internationalization. In an effort to describe the rapid expansion, it is maintained that the founders have an unusual set of competencies that allow them to “skip” certain stages in a traditionally stepwise process. Additional scholars (see for example, Crick and Spence, 2005; Knight and Cavusgil, 1996) view this phenomenon similarly, while adding that the individuals responsible for the internationalization phase in this scenario are more prone to have substantial prior international experience. Scholars such as Madsen and Servais (1997) further underline the importance that prior experience should be related to the

specific industry. The importance of prior experience does not restrict to any specific knowledge, but rather include various factors such as the development of personal networks and contacts that can potentially be transferred into opportunities and product sales.

Nordman and Melén (2008) structure prior experience in two separate parts. The first part is defined as international industry knowledge, necessary to manage relationships with foreign counterparts and to conduct business within an international setting. The second part of prior experience relates to technological knowledge, present in high-tech industries where it is often shown that technological knowledge correlates with international growth and financial performance. Nordman and Melén (2008) therefore suggest a causal relationship of advanced technology, combined with innovative products, suitable for international market expansion. The likelihood of success is because of the product uniqueness in differentiation, resulting in competitive potential.

2.3 The Role of Networks

Johanson and Mattsson (1988) introduced the network model, which stood in contrast to prior models relying on incremental steps to explain internationalization such as original Uppsala Model from 1977. The network model refers to internationalization as the establishment and development of relations with networks on foreign markets. The model stress the importance of long term network interactions and measures internationalization by the degree of which increased assimilation in foreign networks (Turnbull and Valla 1986).

The creations of new networks are divided in two types, passive- and active, where as in passive networking the initiative for relationships comes from the buyer, active networking, where relations are initiated by the seller. A firm in the process of internationalization can therefore employ active networking in order to attain knowledge and relationships that is necessary for the foreign expansion (Johanson and Mattsson 1988).

The network model disregards psychic- or geographical distance, and rather focuses on establishment and seeking of new relationships (Ojala 2009). It is described how interdependence between firms can render access to new resources by developing mutually reciprocal relationships. The choice of foreign market therefore often starts with creating cross boarder relationships as the first step of internationalization (Johanson and Matsson, 1988).

Previous studies have focused on knowledge intensive firms and have shown how networking often occur with firms taking a passive stance, with the relationship instead is being initiated from another actor such as an importer, customer, supplier or intermediate. The firms choice of international market is then subsequently led by them being drawn by the actors in their newly established network (Ojala 2009). Internationalization according to network model depends on firms' market investment, indicating expanded network relationships to gradually increase its international business context (*Gebert Persson, et al., 2015*).

Lack of resources is a common trait among born global firms and something that result in increased exposure of risk in comparison to MNEs. A way to mitigate this limitation can be to seek networks that provide complementary attributes in terms of competencies or opportunities. These networks can then be utilized in order to reduce uncertainties and risks that come with the pursuit of foreign markets. Essentially, networks have the potential to provide additional value in terms of knowledge and information that is critical for international expansion. This can be put in contrast to scenarios where the firms gain market experience by trying different directions based on their limited knowledge, a strategy that is risky and potentially costly with the likelihood of mistakes (Weerawardena, et al., 2007). To sustain and foster effective networks is therefore considered a vital part in the process of pursuing rapid internationalization (Liesch et al., 2002) and studies have shown that the network model is appropriate when describing the internationalization process of BGs (e.g., Sharma 2003).

The importance of networks and its connection to management leads Weerawardena, et al., (2007) to conclude that, "the owner-manager's profile is positively related to networking capability in accelerated internationalizing firms". Conclusively, the

importance of networks in internationalizing firms cannot be overseen. A developed *industry related network* and ability to connect with new networks benefit firms to complement and compensate for a potential liability of insufficient resources, commonly associated with SMEs and BGs (Weerawardena, 2007).

2.4 The Role of COEs

One definition of COEs refers to consumer's evaluation of a product regarding qualities of the product, behavioral intention in a purchase scenario as well as the attitude towards the product brand (Agrawala and Kamakurab 1999). Research has suggested that COEs has the ability to significantly influence acceptance of products in a way that either increase or decrease the customers' propensity to purchase a certain product (Dichter 1962; Cuervo-Cazurra et al., 2007).

The concept of COEs is complex, and research show that brand products are sometimes judged by the origin that the actual firm holds and not necessarily where it is manufactured. If a customer perceives the brand to be Swedish, the products will often be associated with the customer's opinion towards Sweden, such potentially being high quality (Anholt, 2010). Technically, the country's image reflects the perception that the customer forms of products originating from a specific country. The perception will derive from, and be able to vary based on the individuals' prior perception of the country's production and/or successfully persuasive marketing. COEs are particularly relevant in industries where as the products involve emotional decisions, such for example being related to design, or style. The importance of COEs in these particular cases can be seen in contrast to industries where production and marketing factors have less importance, such as in services based industries (Roth and Romero 1992).

After conducting a study to examine the impact of COE effects on customer purchases, Roth and Romero (1992) presented examples of how COE influence customers' willingness to purchase foreign products depending on perception of the country of which the product originated from. In the case of autos and watches it was revealed that customers would indicate a higher degree of willingness to purchase if the product originated from Germany, Japan or The US. Comparatively, if the same

type of products originated from France, England, Korea, Ireland or Spain, customers would be less inclined to purchase. The reason for either preference was found as being connected to the particular countries superior overall image, i.e. indicating workmanship, design, prestige and innovativeness. In the same way, products originating from Hungary and Mexico, with a less preferable image, were also subject to reduced willingness to purchase (Roth and Romero 1992). Although dependent on context, COE research have shown that it is considerably more important to consider in premium and differentiated goods due to the customers' likelihood to consider origin aspects.

COEs are utilized in various industries to promote products. German car manufacturers emphasize their origin knowing the perceptive value of German design and engineering. Similarly, mechanisms are utilized in the furniture industry with perhaps the clearest example being IKEA, as they promote its Swedish heritage by using colors of the Swedish flag and incorporate Swedish names on individual products (Magnusson et al., 2011).

A generous amount of previous research has pointed out the importance of COEs in relation to internationalization. However, the research primarily focuses on MNEs (see: Dunning, 1998; Rugman, Verbeke and Nguyen, 2011) or the technology when studying SMEs and BGs. The gap therefore naturally presents a missing link in relation to research of BGs in the furniture industry. In some aspects cross-industry comparisons are potentially compatible as in the case of networking and the effects of COE. Ciravegna et al (2013) studied internationalization of high-tech SMEs (HTSMEs) with the impacts of COEs and were able to develop propositions to the causal relationship. The study examined firms in two different contexts, Costa Rica from a developing country, and Italy from a developed country. The study firstly established the importance of networks in relation to the internationalization process and found that HTSMEs from small Latin American countries more likely to hire foreign experts to alleviate the liabilities of having a negative reputation of origin, as well to attest a notion of credibility. In contrast, the Italian firms did not consider COEs to be a significant factor and did not pursue any measures to increase credibility in a comparable way (Ciravegna et al, 2013). Despite the fact of this scenario not being directly transferable to the exact setting of BGs in the furniture

industry, the effect, which is based on the customers' view of the firms' origin is applicable to other industries. Furthermore, the same way the potential impact of COEs can be negative, it can also result in a beneficial influence if the customers have a positive perception of the country of which the firm or product originates (Ciravegna et al, 2013).

2.5 Theoretical framework

The theoretical framework below visualizes the literature research constructs utilized in order to provide a foundation for the study and validation of the propositions later derived from the empirical findings. The basis of the framework is internationalization topic that brings up established theory on *internationalization*, *BGs* and *entry mode*. This foundation of theory creates a framework and sense of reference to the discussion in where the theory is connected to empirical findings. Presented theories on BGs do not, nor intend to explain the actions of the firms presented in this study. True to the abductive approach, it is however beneficial to grasping the characteristics and motives of BGs, as well as to establish context reference to the discussion and proposed propositions.

The following parts focus on the established important roles of prior experience, external networks and COEs. The contribution of this theory is to present a context framework for the upcoming discussion, as well as validation to the derived propositions.

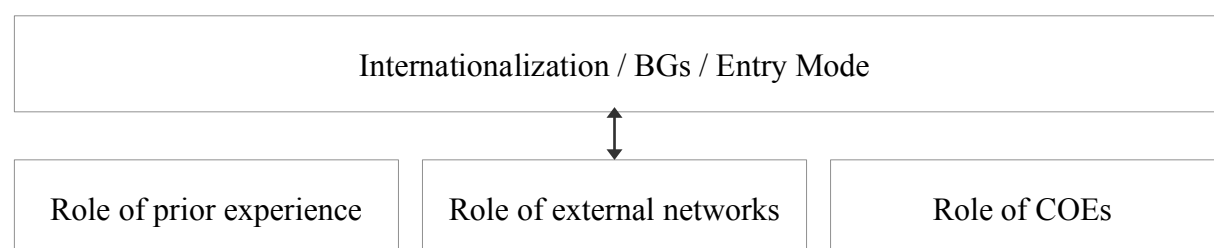


Figure 3: Theoretical framework

3 Methodology

The purpose of this chapter is to provide insight into the research process by presenting and discussing the methodological choices of this study.

3.1 Choice of method

There are largely three ways in which researchers view the connection between theory and research; the two most commonly used being deductive and inductive. The deductive view essentially test a hypothesis that is founded in already established research, while the inductive view works in opposite way with hypothesis founded in empirical data gathered by the researcher. The implications of the findings are then subsequently deduced from existing theory (Bryman and Bell, 2015)

This study takes root in the fact that there is a gap in existing theory on BGs internationalization within the furniture industry. The scenario thus fail to provide a natural fit for neither deductive- nor inductive approach since the existing theory is insufficient to singlehandedly explain the process. Therefore a third alternative view of theory and research is applied. The abductive approach works as a fusion between the inductive and deductive view, allowing for a more flexible research approach. In order to bridge a gap in existing theory it allows the researcher to use existing theory to collect empirical data and thereafter explain findings through analysis (Dubois and Gadde, 2002). In essence, the abductive approach allows the newly extracted knowledge to be used parallel to prior research. It will therefore contribute to a more complete analysis and further development of existing theory. The abductive approach is highly compatible with the purpose of this particular field of research and in the pursuit of expanding existing theory, empirical data has been collected and analyzed accordingly. The empirical data collection was collected through in depth interviews with the selected case studies and later analyzed in light of relevant standing theory.

3.2 Research design

The research design essentially provides a framework for collection and analysis of data in a way that mirrors priority to the overall research objective. As in the case of this study, the qualitative research approach is often used when trying to understand context-specific phenomena in the real world without any manipulation of the situation. Qualitative research is further appropriate when interviews are used in order to gain deeper understanding of a process, as well as when the questions aim to answer questions on “how” or “why” a certain situation occurs (Golafshani, 2003; Bryman and Bell, 2015). In contrary to qualitative research, the quantitative research generally embraces the use of numbers instead of words and is often based on statistical research or large-scale surveys (Bryman and Bell, 2015).

In this particular study the author sought to gain a deeper understanding, and to compare a process that largely vary among firms in different industries. To understand how firms pursue internationalization, it is not enough to look at public information. To fully understand the surrounding aspects and their impact, it is important to communicate with individuals within the firm in order to fully understand this process. Although existing theory sometimes is applicable, these decisions are made by individuals with limited information, or even with restriction due to firm internal or external factors. It is therefore reasonable to utilize a qualitative method approach with interviews in order to arrive at a holistic understanding. The firms in this case study were selected with similar characteristics and as a result of their smaller size, interview with one key person was adequate to form an understanding of the firms internationalization process.

3.3 Research approach

Yin (2009) discuss the applicability of a certain type of research approach to the question is aims to answer. Research questions directed to answer “how” or “why” questions are especially approached with case studies, and the purpose can further determine what specific type of study is most suitable. The purpose of this study is to understand and learn about the respondents’ viewpoint regarding experiences of international expansion and so an exploratory, semi-structured approach is applied. In order to reach a broad base of understanding, this exploratory study uses a multiple

case study approach. By examining several different firms in the same industry, comparison is enabled as well as the possibility of extracting relevant patterns.

3.4 Data collection and sampling

3.4.1 Data collection and theory

As the topic for this study was determined, gathering of relevant theory started. The theory was gathered to in order to create a suitable framework to relate empirical data, as well as to decide what factors that should be included in the study. It became clear in that a few key topics needed to be treated because of their theoretical importance, while other topics needed to be excluded due to time limitations. As Yin (2002) proclaims, it is important to make sure that the case study bases itself on a variation of evidence as it allows triangulation of the findings. The case study should also benefit from prior developed prepositions to further guide the data collection and analysis. This principle has been pursued in this study as the initial focus was determined by this way and theory has been adjusted to reflect the findings of empirical data. The theory chapter was therefore in some instances scaled down when excessive, and enhanced when theory did not correspond to the findings. This way a satisfactory framework was reached, corresponding with empirical data while being grounded in prior research so that propositions could be developed.

3.4.2 Secondary data

An extensive review of existing theory was made where key aspects and relevant theory was studied. Literature was reviewed in consideration to its quality based on the authors' status in their respective field and the quality of publication or publisher. In addition to aforementioned requirements, number of citations was considered as an indication of quality, especially for articles located through various databases. To the largest extent possible, articles from highly ranked journals were prioritized over articles published on public online sources.

3.4.3 Primary data

In this study, the primary and empirical data was collected through semi-structured interviews with companies that have internationalized within the furniture industry.

Interviews with key personnel with insight in this process help to develop a holistic understanding of this process and further probe findings of causal relationships. Interviews with five different companies were conducted with a semi structured interview guideline. The semi structured outline allows the interviewer to cover a set of topics, however, with the possibility to make follow up questions on specifically important topics to gain a deeper wholesome understanding of the topic (Bryman and Bell, 2015).

3.4.4 Selection of companies

An important part of conducting a qualitative, multiple-case study is to decide what cases are to be explored. This process starts from determining the basis and purpose of which the inquiry seeks to understand. For this task Merriam (2009) favor a qualitative purposeful sampling in where the researcher is able to extract in depth understanding of information rich cases, defined as cases able to provide relevant knowledge to the purpose of the empirical inquiry.

Having decided purpose and structure of interest, as reflected in the interview guideline, the choice of potential firms was narrowed down. There are no exactly the same firms in any industry, however the selection of firms was made to provide comparable results. The firms were selected to be similar, in subjective but also factual comparison. This is for example represented by the fact that the firms are comparable in size, and managed by a small number of people, allowing links of cause and effect to be clearer compared to if the firm was substantially larger with several more individuals in top management. The firms, according to selection criteria, can be considered SMEs, currently not having more than 30 employees. An additional consideration is the Scandinavian origin, which makes it easier to compare in a global context. Having the same origin makes it more likely that the firms have had similar experiences and preconditions prior to internationalization, even if the benefit or liability of its origin might have been approached in different ways.

According to the European commission, the furniture industry in Europe is predominantly by small and medium-sized enterprises (SMEs), thus fore the selection

of interviewed firms are limited to this range of size by OECD's definition, having less than 250 employees in total (OECD, 2017; European Commission, 2014).

3.4.5 Selection of respondents

Due to the relatively small firms chosen, it was concluded as sufficient to interview one person with full insight, and in some cases full responsibility of the internationalization process. In three of the cases, the interviewee was founder as well as CEO, and directly responsible for the internationalization process. The remaining two interview subjects were either CEO or directly responsible for internationalization. This scenario allowed one interview to sufficiently cover the topics outlining the interview, as well as enable comparisons between the different firms. The interviews were conducted with the individuals, and under the premises as listed in the figure below.

Company/organization:	Interviewee:	Position:	Interview method:	Nationality:	Duration:
AYTM	Lars Friis Nielsen	Sales director	Skype	Denmark	65 minutes
Friends & Founders	Rasmus Hildebrand	CEO / Founder	Telephone	Denmark	80 minutes
Green Furniture Concept	Jonathan Nilsson	CEO	Telephone	Sweden	45 minutes
Massproductions	Magnus Elebäck	CEO / Founder	Telephone	Sweden	45 minutes
No Early Birds	Per Söderberg	CEO / Founder	Telephone	Sweden	70 minutes

Table 1: Interview details

3.4.6 Interviews

Interviews are likely the most common way to retrieve empirical data within qualitative research. Although it requires substantial amount of time for analyzing, transcribing and actual interview time, it offers great flexibility and is therefore greatly established as a method amongst researchers (Bryman and Bell, 2015).

The qualitative interview indicates less structure compared to survey research commonly applied to quantitative research, and can be principally be categorized in three approaches. *Firstly*, the unstructured interview is conducted with the interviewer only having few topics or questions, the interviewee is then free, or even encouraged

to digress and answer without guidance or influence from the interviewer. The approach is sometimes said to resemble a conversation (Bryman and Bell, 2015). *Secondly*, the structured interview is conducted with fixed interview questions asked in a specific order. The structured interviews rarely deviate from the interview guideline and due to its conformity; it is often used in order to generalize results from a larger population. *Thirdly*, semi-structured interviews, used in this thesis, contain certain topics that should be covered, however, the interviewer has a greater freedom to explain questions or to rearrange the order of which questions are placed during the interview. The semi-structured interview is usually conducted in a conversational way and allows for expanding on topics covered. The open, albeit structured characteristic of this method favors situations where the researcher aims for a deep understanding of a certain topic and to ensure a complete understanding of answers given by the interviewee (Rand, 2009). Despite the open structure, the questions for this study were standardized in an interview guide, enabling comparative usage of the answers. Follow up questions were continuously utilized in order to ensure that the response was fully understood and that the topic was thoroughly pierced.

As interviews in this study was conducted while utilizing a semi-structured approach, room was given to focus on the parts that were of greatest interest. In the interview, this aspect manifested itself by a focus on what had potentially been unique in the overall process to that particular firm. Each interview began with the interviewee providing an overview of his role had been in the firm, and what it was currently during the interview. This topic was followed by a rather comprehensive declaration of the firm's experiences from the point of startup, to subsequent global expansion. If subject matters related to later guideline topics were covered in this segment, they were extracted to avoid repetition later in the interview.

In approval of each respondent, the interview was recorded to enable reanalyzing of interview material if needed, as well as detailed transcription or translation to English if the interview was conducted in Swedish.

3.4.7 Interview Conceptual guideline

This thesis focuses on the role of prior experience, networks and external factors on the internationalization process of BGs in the furniture industry. However, instead of only researching these individual aspects, a wider perspective was utilized to provide greater context and understanding of the results. A conceptual integrative model of internationalization pathways, their antecedents and outcomes were therefore used to compose a structural background for the interview guideline. The model presented by Kuivalainen, et al., (2012) and is a theoretical framework created to comprehensively study internationalization patterns of SMEs and BGs. Kuivalainen, et al., (2012) acknowledges that the internationalization process of SMEs vary greatly and that firms for example might “de-internationalize” after a rapid initial expansion, or alternatively, internationalize rapidly after a longer period of domestic focus. Since the selection of firms in this thesis correspond to BGs/SMEs characteristics, the model was used in order to understand the whole process and consider the chosen focus points introduced in the research question.

One of the core issues that the model is aimed at understanding is whether different antecedent circumstances will yield different outcomes in the process of internationalization. This is not what this thesis primarily is about, it should therefore be clear that the model is not used in its original intention, but rather to provide a suitable structure for the purpose of gaining a holistic understanding of the process. The three topics of the model (managerial level, firm level and environmental level) and its subcategories have been used as reference to operationalize questions that were used in the interviews.

3.5 Internal validity

The quality of research is often evaluated through reliability, replicability and validity, where as the latter is split in two parts, internal, and external validity (Bryman and Bell, 2015). Internal validity refers to the understanding of how well the study’s findings correspond to reality, as well as credibility of the source, in this case relevant to whether the respondents has adequate knowledge of the subject (Collis and Hussey, 2009; Jacobsen 2002). The research methodology in this study has been selected with the upmost purpose to transparently convey the findings. Moreover has

the selection of respondents mirrored the requirement to interview the person within the firm, fully responsible for internationalization decisions. In three of the cases, the respondent held the position of founder and CEO, and therefore the requirement for credibility is consequently met. Lastly, the study was intentionally focused on providing internal validity by establishing the findings to theoretical sources of high quality, such as peer-reviewed articles in highly credible publishing institutions. Given that the study was conducted by one author, certain aspects were intentionally reviewed by the supervisor in order to ensure relevancy and quality. One example is the interview guideline constructed to navigate the company interviews.

3.6 External validity

The external validity refers to the extent of which the research findings can be applied to similar scenarios, thus being generalizable. Often, critique towards single case studies is that it is less generalizable and more dependent on the specific situation studied (Yin, 2009). This particular case study employ a multiple case study approach, enabling a larger “sample” and stronger generalizability compared to a single case study. Although, the study is limited to a specific environment and industry, generalizability should be possible in other industries where firms have similar hindrances or possibilities to engage in internationalization. A further strengthening of external validity can be achieved through replication of the study or with the ability to include more firms’ empirical data. Primarily due to time constraint, the number of individual cases in this study is limited, and therefore has a negative effect on external validity. Regardless of sample size, however, Yin (2009) argues that although surveys with large sample sizes apply highly accepted statistical generalization, it is not always superior in generalizable application. Case studies can employ analytical generalization that, when applied correctly, can serve equally good in terms of generalizability. Future research can potentially include more firms in order to receive a more satisfactory sample in terms of size. The firms in this study are unison in both their behavior and characteristics and it is therefore impossible to rule out that some important aspects have been missed.

3.7 Reliability

Reliability refers to the extent of which results from research will yield the same results if it was reproduced in a comparable case (Yin, 2003). In research, this relates to the credibility of research, serving the purpose of minimizing errors and biases. An unrelated researcher should be able to repeat earlier case studies and be able to “audit” the study. It is therefore imperative to document the procedures used to extract data during the research (Ibid.). Bryman and Bell (2015) emphasize the importance of transparency in order to achieve reliability. As this study’s empirical body is collected through semi-structured interviews, the attempt to avoid risk of subjective influence was satisfied through transcribing the results before analysis. Moreover the interview guideline, semi structured in its design, was surveyed in the most coherent way possible in order to ensure that the same relevant aspects were covered in the same extent for all firms. In summary, all measures that benefit transparency has been regarded and implemented to ensure possibility to replicate the conducted research in a similar case and still produce the same result.

3.8 Data analysis

The abductive approach adopts influence from the inductive, as well as the deductive view. This allows for a more flexible research approach suitable to bridge gaps in existing theory (Dubois and Gadde, 2002). During the process of conducting this study, the theoretical framework has continuously been restructured in order to mirror the core substance of empirical data. As a result, the theoretical framework corresponds appropriately to increase the validity of the discussion, ultimately forming a foundation for the specified propositions.

The empirical findings have been sorted according to the conceptual framework utilized in the interviews (see 3.4.6 Interview Conceptual guideline). Empirical findings therefore starts with the internationalization topic, followed by managerial level, firm level and environmental level. The next step is an empirical analysis that narrows the topics to treat the central areas of this study. Subsequently the topic headings are: the role of- prior experience, networks and COEs.

The data analysis can be said to be the way we interpret data as well as to extract the core meaning of the gathered information. It is in the process of analysis where the author reduces, confirm and interpret what has been said in order to flowingly reconnect the data previously established. The data is therefore only the first step of processing the new material gathered to the study (Merriam, 1998). As this study have collected data from five different companies with different structures and situations, it has been necessary to sort out the data in a way that becomes clear to the reader. The empirical data gives the reader a chance to understand each individual firm and its unique challenges and success factors. The analysis therefore serves the purpose to identify patterns and irregularities of the collected data and present it in a way that can be understood and eventually compared with other research. The practical application in this study is to identify the strongest pattern in terms of what can be supported from the collected data. One example of this that if three out of the five firms express a congruent pattern, then this pattern will be accepted as the fact of this sample. For clarity, the analysis is therefore concluded with a visualized table that provides overview of these patterns, accessible understanding of the findings, as well as the overall conducted analysis.

Following the analysis, the findings are discussed and this is where the author reiterates and connects the findings to the theoretical framework of internationalization, the role of- prior experience, networks and COEs. The purpose of this phase is to establish the isolated patterns in relation to prior research, as well as to ensure validity and guidance to propositions that responds to the research questions of this study.

4 Empirical findings

The empirical findings present the outcome from interviews conducted with the selected companies. Each firm is presented separately with a brief presentation of the company, followed by a description of the individual firms internationalization process before answering the three main topics for the interview (managerial level, firm level and environmental level). The topic headlines correspond to the construct of the conceptual model utilized to operationalize the interview (see: 3.4.6 Interview Conceptual guideline). For the purpose of the readers' clarity it should be mentioned

that the model cover more areas than the ones of the sub categorical research questions. This is essentially a deliberate choice of the author to provide a clearer understanding of the contextual environment of the complete process, and also to ensure that important related influences are considered. The following empirical analysis subsequently narrows down the scope of context to explicitly focus on the chosen core topics of this thesis (Internationalization in relation to the role of prior experience, external networks, and COEs)

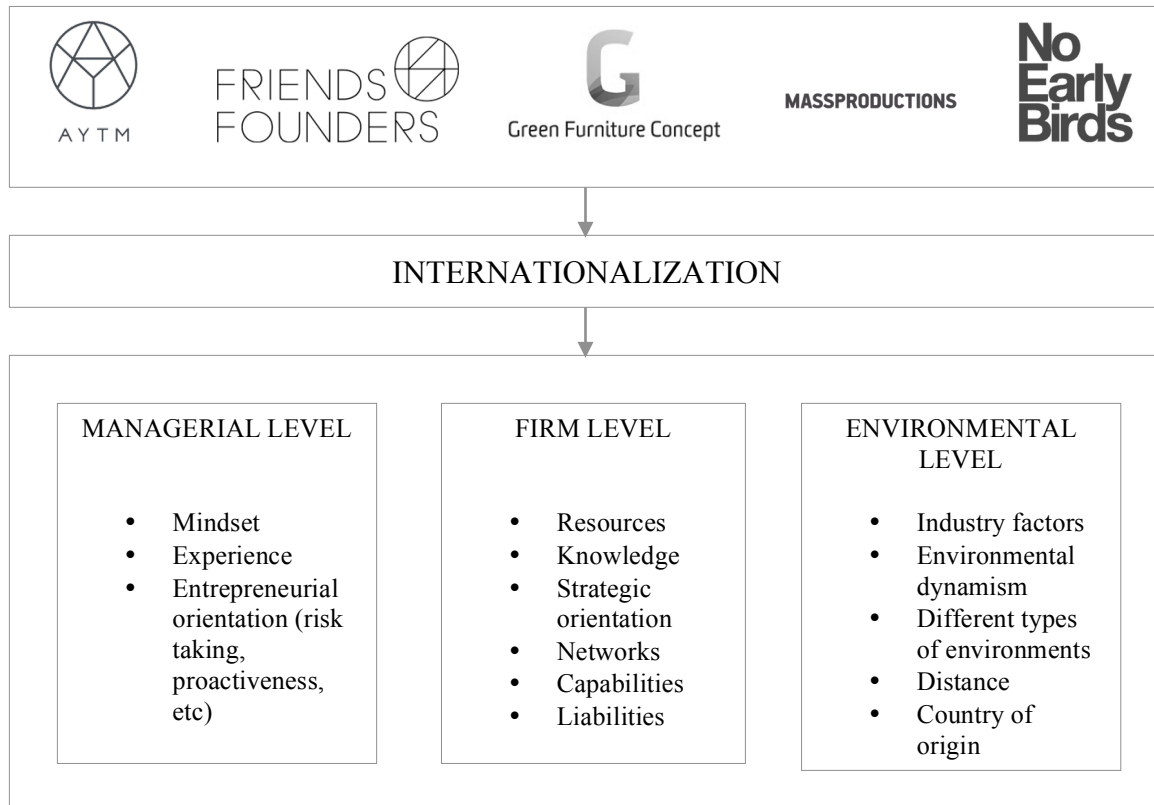


Figure 4: Conceptual framework (interview topics)



4.1 AYT M

AYTM founders and couple Kathrine and Per Gran Hartvigsen started AYT M with many years of combined experience of the furniture design industry. Ever since the foundation, the firm has designed quality home interior for the leading retailers while developing their own designs. The range of goods is inspired by their own personal

taste, and the products are produced with a focus on quality details to present a general impression of exclusivity (AYTM, 2018)

4.1.1 Internationalization

With prior background and experience, AYTM has been able to internationalize in a significantly fast past pace. During the two and a half years of existence, AYTM has established with various level of intensity especially throughout Europe. The Danish, Swedish and Norwegian markets stand for the main source of turnover, however representative agents are also established in Poland, France, Portugal, Holland, Belgium, UK and Germany. In an ongoing process, AYTM currently seek further establishment in Italy and Spain. Although the focus is to satisfy the European markets, outside markets such as The US and Asia are slowly displaying an increase in interest of AYTM's products and therefore stands under assessment apart from a few minor sales. In total AYTM is currently available primarily through agents and resellers in more than 50 countries.

As a testament to their pro-internationalization mindset, the process began by participating in a large international fair for furniture and home decor in France, called "Maison and Objet". The fair essentially led to two outcomes, firstly, potential agents from all over the world came in contact with the firm and their products, and secondly, they received valuable feedback from the market. To describe the foundation for industry expansion Nielsen states: "it is all about people, it is all about connections". The importance appears to be characteristic for the industry and Nielsen further states that: "with good connections, anything is possible".

"Especially in the beginning, you need to adjust the product to market" – L.F Nielsen

According to Nielsen, an important part of getting the product on the market is to listen to feedback and adjust accordingly. Adjustments can relate to a large variation of factors such as the correct packaging or how to practically transport the goods. The product essentially needs to be adapted to the market without jeopardizing the core values and design; this also needs to be connected to the firm's strategy. Nielsen stresses the importance of having agents and resellers that reflects the core principles

of the brand. It is therefore important to already from inception to clarify the values of the firm.

“You have to be sure that you don't go out and open up with discounts, we don't work with discounts - not for the customers, not for the retailers, not for the end-user” –

L.F Nielsen

Part of positioning thus lies in being able to say no to certain agents that require the brand to deviate from its values or to engage in discount sales that are often utilized by less premium products. On the same note, “it is important to know where you see yourself as a company and how you want to be regarded by the customers”. By targeting a premium audience, it is important that the presentation of the actual products follow the same strict guidelines. One of the critical aspects related to their internationalization has subsequently been to make sure that the products are presented in the correct way, that allows for the brand to be displayed in a unison composition in the store. As some stores tend to present the products in an overly dispersed order it is more difficult for the customer to obtain a complete understanding of the brand. This factor is especially important since the firm is striving to create “brand awareness” in a time where the industry is operating with less patience than before. The retail stores Nielsen says, sometimes only give a certain product three months time before evaluating the possible future success.

4.1.2 Managerial level

“When they know you are from Scandinavia, you are always welcomed with open arms” – L.F Nielsen

AYTM pursued internationalization already from inception. Describing it as almost being imprinted in the DNA, the Danish firms are aware, that especially as a small country, it is important to establish an international presence early on. “Denmark has relied on international trade for centuries” and since the home market is small it has long been essential to trade with other countries. Nielsen describes it as jointly having

benefitted the reputation of Danish firms because of them being required to adapt and be benevolent in their approach.

“They like us better than the Germans, Italians or even the Americans” – L.F Nielsen

A good reputation can be useful in the process of new business as for example meetings will be easier to initiate, however, in many ways it comes down to trust, and that the customers generally are positive to you as a company.

AYTM’s management is used to travel with international business and this is something that Nielsen stresses as being crucial for a functioning management in terms of internationalization. The two owners have prior experience from working with globally represented furniture firms; something that have enabled the infrastructure of production and sales to be sufficiently installed from the beginning. Furthermore Nielsen’s more than 25 year experience of the business on the sales side has benefitted the internationalization process, not only in knowledge about foreign markets, but also with relevant contacts when challenges present themselves.

When asked about external actors that support in support of the firm’s internationalization, the response is that there are many expected but also unexpected supporters to the cause. In general, the government of Denmark is considered to be very active in their support of export, especially on design. This includes various actors such as the foreign administrative departments, Danish consulates and even the Royal Family as they actively promote Danish companies around the world.

“We need to stop looking at each others as competitors. Instead we need to look at each other as partners, and help each other do the best we can do around the world”

The quote refers to competitors in the same industry and is backed by the fact that Denmark is a relatively small country where firms subsequently have a greater benefit of cooperating as if compared to larger firms from the US or Germany.

In terms of entrepreneurial orientation, AYTm is aware, although not deterred by the risks of international business involvement. “There is a great deal of risks related to

internationalization, and it is important to continuously reassess your standpoint and identity in the market”.

“You never know what will happen in the future” – L.F Nielsen

Nielsen is aware that the market can change quickly, referencing a large brand player in the industry that only recently experienced a shocking decline in sales. “We need to be updated and prepared for what will happen tomorrow”, Nielsen says, indicating the importance of staying relevant and “one step ahead”. Concerning their involvement in the global market, there are idiosyncratic risks for each country. Few examples under current assessment are business with Russia due to political instability, Africa because of a poor financial system and Italy for their tendency to be less reliable in payment.

Despite the awareness of risk, the importance of progress should not be compromised. The industry requires fast decisions and that is something that naturally increases errors. The idea is therefore to be allowing for such mistakes and instead learn from them as much as possible and to “move on fast”.

4.1.3 Firm level

As the Director of sales Nielsen does most of the firms international travels as well as taking care of agents and reseller contacts.

“It's a bout managing your time and resources” – L.F Nielsen

Face to face contact is important for building of trust and especially within Europe, the relatively low costs of traveling enable personal meetings. Apart from Nielsen, the two owners also share this task.

“Any market around the world is a possible market for us” – L.F Nielsen

The start of a new market presence usually starts with a fair, or through social media where contacts are exchanged. Any market around the world is possible, however it is essential to evaluate the costs and barriers that will affect the potential trade. Within

the European borders, Nielsen feels confident enough to find out about restrictions himself, or with help from contacts that have been acquainted over the years in the industry. If the potential customer resides outside Europe, there are different ways of attaining the necessary information for trade, such might be to discuss with a Danish consulate located in the relevant country.

“To grow!” – Responding to the reason for internationalization Nielsen stresses the importance of growing as a company for various reasons. The brand itself is currently in the phase of establishing itself on the market and that require continuous financing in order to sustain marketing, hiring additional people, and development of new products.

The choice to internationalize directly was a natural strategy from the start of AYTМ, and essentially relevant networks have been the key to foreign markets. Apart from industry contacts accumulated by the owner and sales personnel, external networks of architects and national platforms for interior related firms have been utilized. These forums and networks are for example used to share relevant information about markets and agents, as well as important personal contacts. Another important networking source are firms in the same industry that don't necessarily compete directly. One example is given where firms that differ in style or range of goods can reciprocal synergies in certain scenarios where the products are able to complement each other. This cooperation can for example further extend to sharing of contacts and information about country agents.

4.1.4 Environmental level

“They trust that we are good people, professional, service minded and trustworthy ” – L.F Nielsen

The experience of being Danish or perceived as Scandinavian in the industry is described as being greatly beneficial in business situations as it most of all delivers an instantaneous aspect of trust. Nielsen says that he have not encountered any negative aspects related to the origin of the firm, however, each country have their own

preference of taste in terms of design, and sometimes the Scandinavian style might not be what the customer asks for. There are certain characteristics that create country specific barriers or challenges. Norway for example has a negative attitude towards the “teak wood” because of environmental impacts. In Asia the attention to detail considering packaging is much more important compared to in Europe. Another significant difference from the Asian market is how people in Asia tend to live in smaller spaces, sometimes causing products to require certain modifications, such as making a sofa smaller in size.

*“Establish in your home market first, and then seek out business abroad” – L.F
Nielsen*

During his more than 20 years of experience Nielsen has seen many firms fail to penetrate geographically foreign market due to neglecting differences. One example is the Japanese market, which is though to have a large potential. However, the hierarchical structures of firms are described as being overly complex compared to Scandinavia, resulting in decisions-making processes to take substantially longer time than normal. In reality, this issue, as well as communication barriers explain why there is uncertainty whether market commitment in Japan is well invested or not. The idea is essentially to establish in markets where it is easier to communicate firstly, and thereafter look for markets further away in sense of geographical and cultural sense.



4.2 Friends & Founders

Ida Linea and Rasmus Hildebrand founded Friends and Founders (FF) in 2013. Ida Linea having worked as an architect, wanted to refocus on furniture design, and Rasmus (Hildebrand hereafter) with long experience of international furniture sales and supply chain operations, wanted to do the same. FF was initially originated in Sweden and from the beginning; management was essentially divided with one office in Sweden, and one office in Denmark where Ida Linea and Hildebrand lived. The difficulties of a separated headquarter would eventually result in an adjustment where

Ida Linea and Hildebrand became sole owners of the firm, resulting in a headquarter centralization in Denmark.

The brand operates in the upper premium segment, striving to create furniture that celebrates individuality characterized by a Scandinavian heritage of quality and design philosophy. In practice, these guidelines can translate into custom-made furniture solutions in exclusive materials made possible through advanced technological manufacturing. A deliberate choice of uncompromising quality and design have led to a production process that is to 95 percent produced in Scandinavia, allowing the customer to track the products down to their inceptive material origin (Friends & Founders, 2018)

4.2.1 Internationalization

Since approximately one and a half years back FF has Denmark has been FF's home market, however, since their debut in Stockholm's furniture fair, their market presence has been anything but local.

“99 percent of total income comes from export markets” – R. Hildebrand

Since the relocation to Denmark, the Swedish market is now considered to be their “second home market”, and largest market in total due to personal, as well as business related relations in terms of production. The Swedish market is therefore described as being an important focus, and since Ida Linea previously had worked as an architect in Sweden, the ease of connections with relevant networks are perceived to have been easier to access compared to other Danish competitors.

The first contact with international trade outside Scandinavia came already from the first day of revealing their philosophy and design in the furniture fair in Stockholm. The interest of their furniture design resonated with a global audience of primarily architectures and order where coming from places The US, Canada, South America, Dubai and various countries in Asia. The challenge became to respond to the overwhelming response, something that was particularly challenging considering that the company was newly started and limited in both financial and human resources.

The idea to approach international markets however was seen as the natural plan as they from the beginning knew that they wanted international presence and recognition. One of the reasons for this was that they were relatively sure that in order to find customers willing to pay for premium furniture with a unique design, they would have to explore foreign markets. The process itself was made easier and partially driven because of Hildebrand's experience of international trade with furniture, saying: "it was a natural progression".

"They find us online, on fairs or on architectural networks" – R. Hildebrand

The sales process usually starts with an architect finding their products and want to apply it to a current project. The initial contact usually starts online through specific architectural networks. From that point on, negotiations of price, quantity or eventual specialized modification will be discussed in further depth.

"Personal contact is very important to us" – R. Hildebrand

A testimony to their international focus is the way that they encourage personal contacts. As a second step to the initial contact, the firm prioritizes to arrange a personal meeting to a telephone call where it is easier to develop interpersonal relationships. As an example it is explained where as a customer from New York via telephone provide a solution to "narrow the perceived distance that in reality in this case, is quite far".

The retail contacts usually start with a meeting in a fair dedicated for furniture products. Contracts can either be signed directly or after a process of negotiations. In contrast to many other firms in the industry, FF does not engage in online sales directly themselves. Products are however available online, only through agents or affiliate retailers.

The idea is not to have a "specific plan" but rather to focus on areas where the interest is the largest. This approach reflects in the sales process where customers willing to

conduct a purchase are prioritized and where the “lowest hanging fruit ” is approached first.

“Production and financing has been the biggest challenges for us so far” – R.

Hildebrand

With a substantial amount of experience of design and many of the business and sales related parts of the furniture industry, FF still have had areas where they needed to increase their knowledge. The first issue concerns funding, and essentially the bank related contacts. Convincing a bank to lend money can be difficult, and especially so when the product, or furniture in this case, is relatively untested in the market. An added dimension to the difficulty arose as the owners finances were viewed as being interrelated with the firm because they also were the founders.

The second challenge, also related to the firm’s relatively untested products, was the relationship with factories and the small volumes or individual prototypes that were necessary in the beginning. The factory prefer larger volumes in frequently even rates as compared to the more spread out orders necessary for a new company that requires prototyping and sporadic orders in smaller volumes. Although this particular issue impacts most firms in the same situation, it could largely be mitigated by Hildebrand’s established manufacturing connections from before starting the new firm.

4.2.2 Management

Internationalization has been the focus since the beginning, something that is reflected in response to questions about market priorities.

“We have to be international in order to reach the target segment of customers” – R.

Hildebrand

FF essentially operates in a high-end premium where the price relatively high compared to mainstream products. Because the lack of potential customers in this segment in Denmark and Sweden, it is necessary to target global markets. FF’s way

of approaching this issue is to target retail actors in equally large markets such as The US and Japan.

“It is often personal and therefore emotional intelligence is important” – R.

Hildebrand

The importance of personal networks often characterizes the furniture industry and both of the owners have roughly 20 years of related experience. Hildebrand began his acquiring of knowledge through mentorship, learning about international trade, and continued to work for more than 20 years within the industry. Early on he acknowledged the importance of personal contacts and that is reflected in the firm name “Friends & Founders” referring to the two founders, but also the many friends and associates that together make up the brand.

“If we divide our attention globally, we reduce the risk of being dependent on one single market” – R. Hildebrand

At first, the attitude towards risk is described as “maybe being to nonchalant” however, as Hildebrand elaborate the response, it appears to be more nuanced. It is realized how a widespread crisis would jeopardize the firms income, however, as FF operates globally, the risk is partially mitigated. Internationalization is therefore part of spreading the risk on different markets as “the global establishment ensures that at least one of the active markets will provide sales”.

4.2.3 Firm level

An extension of reducing risk is to manage the amount of employees and therefore many firm processes such as logistics and production are outsourced. Other tasks such as graphic design- and accountant services are sometimes accessed through external suppliers. With a current staff of five people, most of all design, as well as sales, are conducted by in-house personnel. The aim is to maintain an effective and small organization. In some aspect however, extended partners, such as globally spread agents and distributors, are also considered part of the firm. Essentially however, the

strategy guidelines that determine the firm's internationalization originate from the owners and their knowledge from prior work related experience.

FF's use of networks can be divided in two categories, formal and informal. The informal networks are essentially a product from the time before startup, where new acquaintances were met through fairs or other business related contact points. Concerning formal networks, this is something that has been evolving as a result of trial and error. While starting out, various "formal" networks were approached, although it relatively quickly was realized that the firm needed to consider "learning by doing" in order to evolve. The experience was that firms that operated in similar networks were further developed and did not have the same issues or direction as FF. Instead FF started building their own concept, and started developing their own ideas themselves with only a little assistance for external actors. FF focused on "taking it step by step while accepting the challenges"

4.2.4 Environmental level

Geographically, FF is spread out through a global footprint with focus on Scandinavia, UK, Korea, Japan The US and Canada. FF does not however restrict itself to these market but rather approach potential customers with consideration to value and interest. The furthest market in geographical sense is Australia and the market that distinguishes itself the most with regard to cultural aspects and customer taste are Dubai and countries in the Middle East. Locally FF has not reached its potential and future focus therefore aim at increasing establishment in the Danish home market. This is something that has been surprisingly difficult to achieve for more than one reason. It partially relates to differences in design taste, but also how the market is structured, with less potential retailers within the right segment.

Considering access to international markets in general, FF mentions another Danish brand to have "opened the doors" for them, and other brands, originating from Scandinavia. "HAY" is one of the largest furniture design firms in Denmark and have internationalized quickly. With help from external financing in a time where most firms had limited access, they were able to grow fast while developing a new modern design trend in furniture.

“Our products simultaneously works in contradictory settings such as in Dubai where design usually is very expressive, but also in Japan where design tend to be more minimalistic” – R. Hildebrand

A response to the development of globally fast growing brands such as HAY, as well as globalization in general, the industry has established a particularly positive trend towards Scandinavian design. Essentially, this will to some degree benefit all firms that are and make it easier to internationalize.

Hildebrand acknowledges that FF is seen as part of “Scandinavian design” but admittedly does not restrict to any boundaries in terms of design. Instead, the FF strives to create a concept where the products are easily mixed with each other and at the same time maintain a unique personality.

Lastly, the technological aspects of the industry are perceived as to have made the process of internationalization slightly easier. The importance of Internet have benefitted brand establishment, and practical developments within manufacturing have simplified the process of production, as well as enabling the firm to remain effectively small in measure of employees due to new possibilities of outsourcing.



Green Furniture Concept

4.3 Green Furniture Concept

Green Furniture Concept, originally founded in 2007, creates furniture for indoor public landscapes. Their primary products are modular benches, which is suitable for large public indoor spaces such as airports or train stations. The benches are constructed in a way that allows for them to be shaped in multiple forms and extended similarly, in construction sense, to a “Brio train-track”. Apart from appealing design, it is important for the firm to use natural or recycled and genuine materials “that age with dignity.” (Green Furniture Concept, 2018).

4.3.1 Internationalization

The current CEO Jonathan Nilsson entered the firm at a critical point and has had a substantial impact on the prior, current and future direction of the company. When joining the company, it was relatively stable, however slightly stagnant in terms of revenue growth. At the time Nilsson was more or less retired from his prior work related activities and was instead helping others who he considered, “were doing good things”. Johan Berhin fitted this criterion with his eco friendly furniture, and so Nilsson decided to help to apply his knowledge and experience of international business to the company part time. The part time employment gradually increased and today it has evolved to a full time CEO position. The firm has since, grown from a yearly turnover of roughly 2 million SEK, to 18 million in 2016.

Green furniture concept started its foreign expansion by establishing in neighboring countries in Scandinavia before continuing to France, Germany and The UK, stating that: “clearly, we consider the domestic and close related markets before reaching for foreign markets”. However, despite the distance, France was the first market outside Scandinavia. They have now been present there since three years, and in Germany and The UK two years each. The order of entry however is continuously fragmented in a geographical sense as the current focus in Europe now lies on Switzerland, Spain, Italy and the Netherlands. In a wider perspective the firm does not strictly limit itself to Europe. Interesting markets considered outside Europe are The US and Canada where they also control a designated factory. The Middle East have been regarded as an interesting market, although, business has so far progressed relatively slow. Other markets that currently are being assessed are Hong-Kong and Singapore.

“If the barriers of trade are to large, then we rather spend our time and effort elsewhere” – J. Nilsson

Essentially the attitude is to have as little administrative issues as possible. Singapore as an example has until now been too demanding in terms of certificates and legal requirement of having local partners.

The successive involvement in new markets usually follows *two phases*. In *the first phase*, architects are targeted in order to secure a partnership with either an airport,

shopping center, train station or similar in terms of public spaces. Apart from large potential value of sale, especially airports are targeted as they have found the product itself to match with the explicit request from airports in general: “wanting something new”. When the connection is established, two facets are secured. Firstly, a showcase to show potential customers, and second, a contractual value that can be used to address potential local resellers with a proven product. *The second phase* focus on other potential clients that are not necessarily as sizable as in the first phase, however, greater in quantity. The second phase thus focus on schools, hospitals and other smaller projects. If phase one has been successful, it is then likely that the reseller will be able to assist at this stage with contacts, relevant networks or pure sales.

4.3.2 Management level

Nilsson being the current CEO and apparent driver for rapid expansion says that: “*the choice to focus on Europe and larger markets were natural*”. Although when talking further about his specific role in the firm it becomes clear that this international focus largely reflects his own experience of international business.

“I’ve worked in over 20 different countries over a period of 15 years and have participated in multiple international boards” – J. Nilsson

Nilsson acknowledges that his prior engagement in international trade has helped him attain overview of international markets, now allowing him to mix success factors from other industries with the traditional furniture industry. Essentially, he describes the furniture industry as being rigid and slow with an outdated mechanical system where resellers hold most of the power.

“If I come to the reseller with a chair, he has already hundreds to choose from, and will also be prone to market products that worked well in the past, and therefore making it very hard for new products to enter” – J. Nilsson

The attitude towards the stagnant system furthermore reflects the firm’s view of the risks involved with internationalization.

“Only the market knows, just try!” – J. Nilsson

Being a small firm with limited resources demands ingenuity says Nilsson, and it might at least partially explain their recent success. An attempt to reach a specific market doesn't have to cost much, one example being how a business trip to London can contain meetings with several architects, where they are allowed to present their products thoroughly. The attitude is that it “only costs a flight ticket” and potentially contracts can be signed instantaneously. Moreover as he is aware of particular risks, it mostly comes down to the “gut feeling” derived from accumulated experience. He furthermore adds that the risks are considered, however without “any comprehensive calculations”.

4.3.3 Firm Level

As previously mentioned, the limited resources within the company have been a driving factor to find new ways of connecting to their customers. Although Nilsson was reluctant to discuss the exact details of their way to their customer or relevant networks, he explained that they have developed ways to primarily target architects through specific digital networks. The way to reach their customers he says, is inspired by ways developed and used by other industries. One specific way of establishing foreign market based agents, is to secure contracts with architects or other customers committing to larger volumes first, and then contact agents with an already finished deal. The structure of this process produces quality assurance in where the reseller or agent can more easily accept the new product, which in other cases might have been neglected in a large range of goods.

Architects are often the first contact the firm makes in new market and digital networks makes this process easier. In other cases where the language creates a barrier, other solutions have been explored.

“We recruit foreign students to help us reach the right people in their home country in their language” – J. Nilsson

The idea behind this approach is again to find new way to reach their customers and initialize the first contact. This step is vital since the first contract usually becomes the showcase that is used in phase two, and at the same time acts as a provider of quality assurance in relation to the continuous sales process.

4.3.4 Environmental level

“We do the opposite from the traditional ways, and would rather learn from entrepreneurs in other industries such as Google, Ryanair or even Richard Branson – totally respect-less of traditional market structures” – J. Nilsson

Since the company is operating in such a spread out area it is difficult to generalize their targeted markets and to assess how they have developed over time. However, as Nilsson describes, a certain rigid pattern has developed where the reseller of brands hold larger power than before. GFC's response is to disregard all “traditional” ways of doing business and instead invent their own ideas to reach the customer and break through the “noise” of information on the market.

Each country has its own response to the GFC's furniture, and to a large extent, Nilsson explains that each country tends to prefer their own products even if they generally also are positive to Scandinavian and Italian design. Another example describes countries that, in GFC's targeted segment, prefer “chunky leather furniture from The UK”. The Middle East customers also have their own specific preference, even though they gradually are becoming more interested in Scandinavian type design.

Technical regulations that apply especially to airports make for a specific barrier since the furniture is mostly made from wood. Wood is not typically used in the case of public spaces, and therefore firms with padded furniture have an advantage in this scenario. Responding to the question whether the origin of being Swedish affects the customer's view of the products, the answer is nuanced. The Swedish origin can be positive from a quality perspective however it is a “double edged sword” since Sweden is also known for IKEA which is known for “low quality and flat packages”.

It is however said that a Scandinavian heritage helps to create an identity for the firm while doing business abroad.

In a concluding remark, Nilsson says that the firm is currently in a stage of transformation: “We used to be Swedish, but now we’re becoming international”. The idea is to continuously focus on international markets in almost every aspect of the business, and to attempt the larger markets in Europe, The Americas and Asia. “We should not create new furniture for Swedish schools, but rather for the large international markets as they are the most interesting for us”.

MASSPRODUCTIONS

4.4 Massproductions

Massproduction’s (MP) started in 1999 by two designers, Magnus Elebäck from Sweden and Chris Martin from The UK. As they begun designing as consultants for the Swedish furniture industry, the quantity and magnitude of their assignments continuously grew, and eventually the decision to start up their own brand was materialized in 2009. Since 2009 MP has grown from being a Swedish based startup with two employees, to a firm with global recognition and 15 employees. Elebäck with prior experience primarily as a designer is currently CEO, handling the direction of their international business involvement.

From the beginning, the vision was to create functional and elegant furniture with a modern touch. MP’s design process is conducted with a uniquely detailed control over the whole production chain together with in house sales and marketing. Especially the interrelated production chain, has led to high levels of quality assurance, and eventually numerous design awards. Their effort to establish as a player in the premium furniture segment has yielded result and today the firm’s furniture is available through more than a hundred carefully selected retailers and agents, on an international scale (Massproductions, 2018).

4.4.1 Internationalization

“Internationalization happened directly” – M. Elebäck

Elebäck explains how the initial international contact happened right after their first participation in a furniture fair held in Stockholm. After the fair, contractual agreements were met with approximately five new international agents, and by the end of the first year, over fifteen agents would be representative for the firm's products internationally. The agents were evenly spread out, primarily in Europe with for example Holland, Germany, Italy, France and the US. Despite the amount of agents, the outcome varied, much due to the firm's limited resources required to sustain the relationships, as well as the agents' own inabilities to generate sales. As a result from this experience, the firm decided to more or less stop using agents, and instead focus on local resellers in the appropriate premium segment.

The new approach have been working better and currently, Sweden, as their home market, stands for around 40 percent of total sales with the rest distributed more or less equally on The US, Australia, UK and France. Online representation is mostly restricted to premium resellers and the firm is represented on architonic.com as well as archiproducts.com, both digital platforms for architects.

Contact with technical barriers of trade has been limited and is usually not seen as something to restrict trade even though it potentially creates a considerable workload. Individual markets such as the Russian market are considered especially difficult in terms of export, something that is mitigated through outsourced logistical services.

“Marketing has been, and continues to be the largest challenge”

Concerning the largest obstacles, marketing is mentioned as something that especially for a smaller firm with reduced resources can lead to challenges. IT takes considerable time to develop, however on the plus side, longer product life cycles within the furniture industry allows firms to use the same products several times as compared to the clothing industry where it is expected to produce entirely new products in a high frequency. MP produces roughly three new products each year.

Elebäck mentions the many ways of marketing tools that are available and admits that it is an area where the company can improve.

4.4.2 Management level

“Export is everything” – M. Elebäck

Elebäck, in his role as largely responsible for internationalization, describes how the utilization of foreign markets is key in terms of growth. Elebäck references large actor in the Swedish furniture industry and describe how they have had a, close to stagnant progression in terms of sales revenue for several decades. MP’s growth plan therefore contains an objective to increase its international revenue stream to 70 percent from around 40 percent today.

*“We have a diverse geographical spread, although, that is not where the money is” –
M. Elebäck*

An extensive geographical spread in terms of representation does not automatically translate into global sales. Elebäck describes, similar to the issue of foreign market agents, that the mere existence in a market does not lead to sales, but instead the quality of representation. Elebäck elaborates how MF “need to develop markets more in depth” and to stay focused with a higher degree of engagement than what is possible with too many markets. This is considered to be one of the more important learning from the past years and a reason for a strategic shift within the firms approach to foreign markets. Practically these changes interpret into dedicating more of the limited resources to each individually chosen market.

“Even though a certain market seems interesting we should deliberately disregard in case it requires us to change too much. This is something we have struggled with before.” – M. Elebäck

Focus on a specific market indicates several measures of dedications, such as having a dedicated PR firm representative, a local contractual sales person, together with

recurrent participation of fairs in the market. In essence the future direction will emphasize quality opposed to quantity in market representation.

Elebäck did not express any specific prior experience related to international trade, but have previously consultant for large companies where he has attributed knowledge through experience. A sense of self-critique is displayed as Elebäck explains how certain aspects of internationalization could have happened in a more fluent way. It is further however stressed how prior mistakes serve a purpose as it is learning that propel the firm to tackle future issues in a more proactive way.

Regarding risk, MP hedges in different ways depending on the market; however, in responding to the attitude towards risk Elebäck simply says, “we are curious”. In practice, this means that no market is deemed unapproachable in terms of risk. For example, deals with US based firms can be made with insurances and in other cases services and risks are outsourced as in the case with Russia. Another way to avoid risk is to ask for pre-payment if any suspicion is apparent.

4.4.3 Firm level

Despite having 15 employees, Elebäck singlehandedly steers the internationalization processes. This presents an area of improvement as international sales could be higher and Elebäck explains that this is one of the areas where new future recruitment may come into play.

Apart from industry related experience, MP has had guidance from mentorship from someone with connections and substantial industry related experience. On the business side, Elebäck also have had personal mentorship. If someone within the firm cannot accomplish a certain task, MP can hire external firms or as have happened in the past, hire outside consultants. However, the guideline is to learn by doing, or to find knowledge inside the firm. MP also participates in the external network The Swedish Federation of Wood and Furniture Industry (TMF), which is the national trade and employers' association of the wood processing and furniture industry in Sweden. The network provides advisors, experts and consultations for their members,

however, this is something that have failed to yield any significant result for MP says Elebäck

The more practical issues related to international sales are admittedly made easier due to the way in which logistics for example mostly is outsourced. One example is how a potential order can be ordered to ship from the warehouse in Poland to the end customer and where the logistics firm manages all paperwork and issues with border crossing sales.

4.4.4 Environmental level

From the globally spread out markets Australia is currently the furthest in terms of geographic orientation and in response to which market is furthest with regard to culture and taste Elebäck names the Korean and Japanese market.

“We should perhaps thank our Danish colleagues for that” – M. Elebäck

The seemingly unlikely fit considering popularity in the Asian countries are partly contributed by Danish furniture firms that have “opened the door for others”. As the Danish firms have begun establishing in the Asian market, they have also contributed to spread knowledge about Scandinavia design. Elebäck describes it as a “wave of Danish design” is sweeping over the world and that many firms can thrive of this trend. It is further explained how both Denmark and Norway have been more successful in promoting their countries internationally compared to Sweden, particularly in the furniture industry; something that have large potential for improvement according to Elebäck.

MP then, clearly sees the synergetic benefits of a diversity of firms in the industry, and even on firm level they have collaborated with other firms. For example, MP previously shared a showroom together with a brand specialized in lightning fixtures, a type of product that visually complements the products of MP.

The largest changes within technology have happened within the firm. Apart from smaller adaptations, such as more efficient business and logistics systems, 3d printing

is continuously attributed in the process of prototyping shapes and forms for future furniture designs.

Lastly, the view of importance related to the origin of the brand where the view is mixed. Being part of a Scandinavian heritage does come with certain positive aspects as the origin serves as a certain prior acceptance and trust. However, it has shown in the past, that when being part of a resellers range of goods with a specialization of Scandinavian furniture, it has resulted in less turnover compared to if the reseller or, agent have had a more diverse mix of goods also from other countries. Despite the origin, Elebäck comes back to the variety of global markets where the firm is represented, as to indicate that the interest is globally dispersed. The challenge then becomes to translate the initial interest of markets and to establish brand awareness to a wider degree than before.



4.5 No Early Birds

No Early Birds (NEB) is essentially a design collection designed and produced by Swedish architect Per Söderberg. The philosophy underlying the design of the products is “to make conscious design with a significant expression from tactile and elegant materials”. One aspect that directly relates to his philosophy is the manufacturing is entirely made in Sweden. Exclusive materials, such as brass and marble are used together with steel in order to achieve a design, which is architectural in its appearance easily assembled (No Early Birds, 2018).

4.5.1 Internationalization

No early birds was initially launched in 2010 and have despite participation in international fairs such as “Maison & Objet” in Paris, “LDF” in London, and “Salone del Mobile in Milan” approached internationalization with more cautiously seen from a BG perspective.

“We had international request from the beginning, however we choose to put more focus on our Swedish home market which was growing substantially faster because of local presence ” – P. Söderberg

Söderberg elaborates on how local knowledge, contacts and networks were very responsive in terms of generating interest and that it for that reason naturally received more focus and resource attention. As a firm without external funding, it is important to focus and build up a solid foundation opposed to spreading thin over to many causes says Söderberg. Sales purchase in Sweden primarily materializes to buying customers directly through selected furniture resellers, representing a premium segment, preferable with physical representation. To build brand awareness, social media profiles such as bloggers and stylists are usually utilized. This, according to Söderberg, is something that uniquely works as a success factor in Sweden in opposite to other markets such as in France, where marketing processes are generally more traditional and channels such as print magazines, and similar play a more important role. A focus on the Swedish market has resulted in it to be responsible for roughly 80 percent of total sales. The strategy to focus local market presence and at the same time being skeptical to agents, due to large margin cuts, it has had a cooling effect on international sales in terms of volume.

“Our strategy in Sweden could potentially be internationally transferable” – P. Söderberg

Although focusing on their home market, an eye is continuously kept open for international markets and so far, however sporadic, sales have been made on a global scale to countries such as The US, Saudi Arabia and Japan. In Japan they additionally have a long-term collaboration with a reseller. Söderberg sees sales within Europe as being especially accessible and therefore lessen the need for agents in favor for direct export to end customers. However, international sales also within Europe can provide additional administrative workload and this is mentioned as a reason for focusing on markets that lie closer in geographical sense. For a firm with limited resources he says, it is important to focus on sources of income where it pays off the most. Söderberg also highlights how markets usually are unique, causing a certain uncertainty and therefore a risk. An insight of not being fully aware of international

markets dynamics is regarded as a reason to maintain a constrained approach. NEB is however not without European representation as they for example partially have established presence in the French market via a PR firm as well as a Paris based showroom and recurrent local fair participation.

4.5.2 Management level

Per Söderberg who is the founder and CEO of NEB was initially educated in design at “Domus Academy” in Milan, Italy. While in Italy, Söderberg also worked as an architect and gained market insight through participation in industry fairs.

In 1997 Söderberg was returned to Sweden and his architecture and design studio was subsequently established in Stockholm. Since then, Söderberg have designed for other large industry brands such as “Orrefors”, “Asplund” and “Moschino”.

Söderberg and his wife comprise the core of the firm and in an effort to be able to focus on their strengths; manufacturing, logistics and a few other administrative tasks have been outsourced. From a business perspective, Söderberg explains how most of the necessary knowledge has been attained through “learning by doing”. Through approaching the market with patience it has been possible to gradually build and understanding especially for how the European market works and he stresses the importance of being open to learning new ideas and being flexible.

As the majority of sales come from the Swedish market, Söderström does not generally reflect on the risks of international trade however certain measures are used in order to mitigate risks, such as pre-payment for international orders.

4.5.3 Firm level

Prior experience from the industry to a large extent benefitted to solve two of the most important aspects of the furniture market. Söderberg as a designer himself is able to provide a complete visual experience for the customer and keep control of the product through the whole production cycle, something that can be difficult in larger firms with strict hierarchical structures and larger departments. Another benefit from having total control over the design is that the products can be produced in a way that is

optimal from a manufacturing viewpoint. With this approach it is possible to make the manufacturing process more effective and reduce costs.

Through a local presence NEB has been able to build up informal networks that are relevant to their firm. Examples of this are stylists, bloggers and important selected retailers that match their criteria for a premium segment. A strategy has been to focus on resellers within a premium segment with representation online, and preferable with physical representation. Control over the visual presentation of products is highlighted as important, a factor that creates uncertainty with international sales. The fear is to lose the visionary control over the products and to be associated with aspects that is opposite from what is considered premium. Aware of each international markets uniqueness however, it is an aspect that might be reconsidered in order to pursue international online sales. Söderberg also acknowledges an alteration in the market where customers to a larger extent buy furniture online, a change that further increase the value of online sales and the importance of being represented on that sales channel. NEB is also represented on Archtonics.com which is a digital platform primarily for architects on a global scale, as well as 1stdibs.com in The US. Market adaptation is seen as important and as in the case with 1stdibs.com in The US, this is essentially a result from observing how the market works differently in The US where especially for premium furniture for private homes, it is purchased through interior designers on specific online platforms. It is therefore important to be represented on them and this indicates a change in strategy for NEB as they previously only focused on stores with physical representation.

As an initiative to promote Sweden as a “design destination” the organization “Visit Sweden” together with a few independent organizations have received funding to participate on various platforms for this purpose. In 2018 NEB was selected to participate in a joint delegation to present Swedish design in “Salone De Mobile”, a large international furniture fair in Milano. NEB, has also consistently participated in Stockholm based fairs where Söderberg says, international industry actors are avid visitors.

4.5.4 Environmental level

Certain improvements in technology have been favorable for the progress of NEB. Sweden, being highly advanced in its production technology, allows for the products to be manufactured with a very high precision, something that is an essential part of NEB's strategy and design guidelines. NEB almost entirely uses exclusive materials and completes manufacturing in Sweden.

It is important for NEB to keep close to manufacturing for several reasons. Not only does closeness to production contribute to quality assurance, but it also ensures good environment for workers and ensure control over the use of only eco-friendly materials. Furthermore it creates a possibility to mark a certain distinction against lower quality brands with production in china.

NEB has been successful in communicating their heritage and production methods, and being part of a Scandinavian trend can be favorable even if NEB prefers to have an international expression in their design. Söderberg explain how typical Scandinavian design from an outside perspective usually favors light woods materials while NEB focuses more on steel, brass, leather and marble materials. Something that he suspects might have been inspired by his time spent in Italy where these materials are more commonly used.

5 Empirical analysis

The empirical analysis evaluates and analyzes patterns and relationships based of the empirical findings. It is structured to provide a deeper understandings the empirical data as well as an overview the differences and similarities of the five firms. The framework for collecting empirical data was intentionally widened for greater contextual understanding and to make sure that impactful surrounding aspects was identified. The following empirical analysis reconnects with the core focus of the thesis, extracting relevant data from the empirical findings according to the purpose of this thesis. This is reflected in topics that represent the thesis research questions. The chapter starts with a presentation of each firm's internationalization process, followed by a summary of patterns, and lastly key points that is true for a majority of the firms. The chapter concluded with a visualization of the results and patterns to prepare the reader for a discussion and composing of propositions.

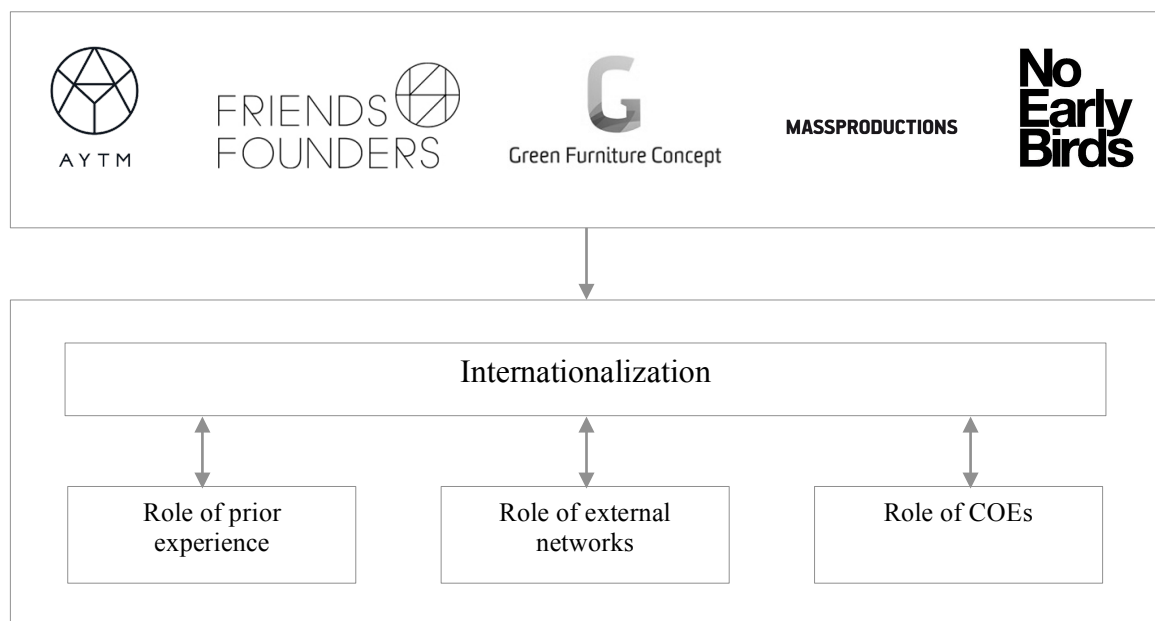


Figure 5: Empirical analysis framework

5.1 Internationalization

AYTM

AYTM's management had an objective before even starting the brand, to internationalize rapidly, while building a strong brand name in the premium segment. The brand first entered the Danish home market, but already shortly after approached neighboring Scandinavian markets, that still today makes out their largest source of foreign turnover. Their current focus is Europe, with agents in Poland, France, Portugal, Holland, Belgium, UK and Germany. The continuous focus lies on expanding their presence in the European markets, however, a parallel agenda is to slowly enter Asian markets and The US. Their initial contact was found through prior established networks or contacts together with new connections found through participating in international fairs for furniture. A difficulty during the internationalization has been to keep control over the brand and how it is presented in stores as well as how much attention the brand receives from agents. So far the brand has reach customers in more than 50 countries through agents and resellers.

Friends & Founders

International fair participation in 2013 became the starting point for FF's internationalization. The successful fair gave the brand global attention and instantly led to international requests. The brand has since continued to grow its foreign representation and orders have been delivered to geographically far markets such as The US, Canada, South America, Dubai and countries across Asia. A reoccurring issue in the process has been to keep up with demand as resources have been limited, and financing have been difficult to assemble. A challenge has also been to focus on markets to ensure not being spread to thin. A geographical focus has therefore been set for neighboring countries and today the largest source of turnover comes from the Swedish market. The future strategy is to continue to attract foreign interest and to serve products globally with a focus were demand is strong, without too much consideration of geographic distance.

Green Furniture Concept

GFC was initially focused solely on the Swedish market. It was not until a new CEO, Nilsson entered the firm, where the international business started growing. Nilsson had been active in multinational firms for many years and through his experience and network, he was able to realize how the GFC could reach foreign sales through new ideas and bypassing of the industries traditional steps. GFC started focusing in Scandinavian markets and successively started approaching Europe and thereafter Asia. The basic strategy was to try the market and act quickly to see if potential value was worth pursuing. If the value was there and the barriers of trade was not to large, then the firm would decide to focus resources.

Massproductions

MP found international establishment from the early stages of the firm. The positive response was followed by a much successful participation on an international fair in which important contacts and networks were met. The first fair established contacts with five agents, and during the first year, 15 agents were established spread out primarily through Europe and The US. The inability to support agents and resellers due to experience and resources, as well as the established agents lack of success, led MP to rethink their strategy. It was decided to focus on physical resellers and to present the products with control of the visual display. The fir, furthermore decided to select fewer markets to be able to more sufficiently provide necessary time and resources.

No Early Birds

NEB differs slightly from the remaining firms in this study since they pursued foreign markets more cautiously. Their sales channels were tightly controlled and fear for loss of margins convinces the firm to prefer direct sales to private consumers. Their sales channel were carefully chosen to be able to represent the brand in a way that aligned with the brand values. Resellers with physical stores were also prioritized over online only-firms and NEB made sure to monitor how the products were displayed. The careful way of trying to control how the brand is presented, resulted in a slower process of covering new markets. This however is said to be the strategy going forward as it though to provide a more secure infrastructure for long term sales.

Networks of bloggers, stylists etcetera are systematically connected to provide representation as well as starting points for direct sales.

5.1.2 Internationalization patterns

When comparing the firms' internationalization trajectory, it is relatively easy to distinguish shared characteristics. Except for GFC and NEB all firms have more or less had a clear international focus since, or even prior to their inception. GPC's internationalization focus is greatly attributed to one individual entering the firm at a more mature stage with knowledge and prior experience. The firm had up to that point been stable, although without an international focus. The increased involvement of one particular individual led to a shift towards international markets, eventually correlating with a growth in turnover. The firm initially started targeting neighboring countries in Scandinavia but quickly expanded to more distant markets with its strategy to target airports where the product already had experienced a proven success, and where it also could serve as a reference for other firms. Another approach, utilized by GFC is to approach architects, directly through specific built up networks where the creation of networks is inspired by other industries.

The strategy is to seek establishment in markets with close proximity to the home market to successively expand to Europe to markets such as Germany, France and the UK. In the larger perspective however, GFC does not limit themselves to European markets, but instead actively aim for global presence. The US, and Canadian markets are currently pursued with help from a designated factory in Canada, and The Middle East is mentioned as a market in progress. Similarly to the other firms, GFC despite its geographical and cultural difference proclaim interest for the Asian market and is currently assessing possibilities in Hong Kong. There is however a limit to how much resources and investments that is dedicated to a foreign market, as shown with Singapore, where business have been deserted due to overly complex technical trade barriers.

AYTM, FF and MP all share a relatively similar start of their internationalization with furniture fair participation as a primary way to source contacts. Fairs present a platform for individual brands, resellers, agents and other actors to meet in order to

establish reciprocal relations. For MP, their first fair participation in Stockholm led to signed contracts with five international agents, and would by the end of their first year have yielded representation of fifteen agents in total. AYTm followed a similar path and have gathered roughly 50 agents and resellers globally during a total brand existence of only two and a half years. FF, having introduced their products in the same Stockholm based furniture fair as MP, deliberately put a distinctive focus on global sales from the beginning in order to attract a high premium customer for their products. The two Danish brands in particular expressed a necessity and natural progression to seek instant international business. It is explained how it is especially important to be open to international trade because of a limited home market. Furthermore, internationalization is described similar to a cultural heritage, causing this progression to come naturally for Danish firms.

In summary, the firms in this study unanimously aim to establish within close proximity of their home markets, to then continuously pursue global markets. A summarizing pattern of expansion, is to establish in countries within Scandinavia first, to successively focus resources on European countries, while simultaneously cautiously accommodate interest from Asia and North America. Four out of five firms (all except GFC) approach foreign markets through contractual agreements with representative agents. As an *indirect non-equity export mode* this low commitment way of internationalization is generally considered a way to reach international markets despite resource constraints.

5.1.3 Internationalization – Key factors

5.1.3.1 Decisive factors for rapid international expansion

- Participation in furniture fairs to attract international interest
- Engage in low commitment export methods to avoid costs, representative agents and resellers
- Approach neighboring countries before expanding on a geographic scale
- Avoid markets with high trade barriers
- Control brand identity by careful selection of representatives

5.1.3.2 Target for continued international expansion

- Focus on markets with the highest demand
- Gather resources and structure financing to better respond to international demand
- Focus resources on markets with highest potential, work with selected representatives
- Control brand identity and sales channels
- Build networks with important actors within the industry
- Build brand awareness through social media

5.2 Role of prior experience

AYTM

The management in AYTM had a substantial combined experience of international business within the specific segment of interior design. The experience allowed for a fast internationalization of business, as they knew what steps to take in order to target strategically important actors. Networking mainly takes place in international industry specific fairs however, there are several more ways where one, especially utilized by AYTM, was to travel and meet key players face to face. The networking experience together with industry specific knowledge were both in favor to AYTM and as explained by Nielsen, the brand was international in its outlook even before the start. The firm thus was able to build an internationalization strategy based of their prior experience to build a brand with international appeal. AYTM essentially was able to pursue a rapid internationalization due to their prior experience. A rapid internationalization through strategic maneuvers where key actors on the foreign market were engaged in a controlled manor.

Friends & Founders

Similarly to AYTM, FF had substantial industry related experience from the industry, both in terms of design and international trade. The premium segment of the furniture industry presents unique challenges such as logistical issues, high material requirements and low manufacturing quantities. Having industry specific experience,

FF were able to create products and design that had a good enough return despite high material costs. Due to industry related experience they were furthermore able to outsource key processes in the firm to focus on their unique and valuable skills of design, marketing and trade. One aspect however, was lacking and as the firm quickly grew internationally, a contradicting lack of experience in the financial field limited the firm to loose out on potential sales. As international demands were rising, while resellers and agents picked up interest, they were unable to meet demands for a period of time.

Green Furniture Concept

International prior experience was vital for GFC to engage in international trade and a secure source of income. The firm, prior to hiring a key figure, CEO Nilsson, had a strained position on the market without a vision for international expansion. Although Nilsson came with experience from other industries, he was successfully able to apply certain measures to help stabilize the firm and thrive in an internationally growing pattern. One implemented strategy was to bypass intermediary players to focus on specifically targeted customers; once securing a customer, agents' or resellers would thereafter be contacted with propositions of business relations on terms of GFC. Nilsson himself explained how experience in business in over 20 countries of 15 years had allowed him to gather confidence and expertise to pursue rapid internationalization.

Massproductions

MP's strength and main experience comes from organizational structure, design and manufacturing. With knowledge from the interior design industry as a result of having worked within the business for a long time, the founders knew the process of manufacturing design and the industry on a national level. Despite their lack of international business experience, MP was able to attract interest from foreign actors early in the life of the brand. The international attention resulting in international contacts with agents and resellers abroad led to the geographical spread to initially become too large, where resources were spread too thin. The inability to properly work with international business was expressed as being the result of lacking sufficient experience. The realization of issues connected to international business eventually led to a slowdown of internationalization in order to regroup. The

inexperience, or wish to increase international presence is likely to be mitigated with hiring external, more experienced individuals with this expertise.

No Early Birds

NEB distinguishes itself as a brand in this study as the brand that focuses most on national sales. Söderberg, the founder and CEO of NEB, deliberately choose to delay international focus despite interest from foreign actors. The choice to do was in part because of a self-realization of inexperience but also because of resource restraint. The strategy is essentially to work closely with important industry participants such as stylists and well-known bloggers to become safely rooted, and then to expand internationally with the same approach in other countries. Söderberg's experience of manufacturing and industry mechanics conclusively allowed him to grow a business with limited financial assets.

5.2.2 Role of prior experience – Patterns

Without initially determining the key role that experience have in the process of global expansion, it is clear to see that it has played a part for all five firms although in different areas. AYTМ and FF broadly share similar background experiences, that is, furniture design, and international business within the furniture industry. Essentially AYTМ have been able to structure a clear plan from the start and take the correct steps in order to, within two and a half years have built a network of agents and resellers in more than 50 countries globally. Nielsen from AYTМ emphasizes the importance of having a management with international experience as he sometimes also share international representation of the brand with the two owners. Also, being that the two owners have worked with globally represented furniture firms, it has been possible to have a clear structure for the infrastructure of manufacturing and sales; something that is very important due to the logistical challenges of furniture transport. With a clear focus on export come logistical issues that need to be considered. Here it is evident that AYTМ have had a clear benefit due to Nielsen's prior experience in trade since he claims to be comfortable to personally resolve potential trade barriers within Europe. Furthermore does his prior knowledge allow him to know what institutions or networks to inquire about specific trade-barriers.

As Hildebrand from FF discusses choice of foreign markets it is evident that the industry related experience have impacted the brands global trade. International expansion is explained as a natural progression derived from an industry insight, that their specific type of premium furniture requires a global market in order to reach a large enough segment of customers. Also in the case for FF, it is clear to see that previous experience of international trade has been beneficial to mitigate the practical challenges such as logistical issues. This was ultimately due to Hildebrand's previous experience in dealing with manufacturing factories, something that additionally allowed them to attain favorable treatment where the factory allowed for smaller order quantities and higher flexibility.

GFC's founder had prior to hiring a new CEO (interviewee Jonathan Nilsson) built a stable source of revenues, however, with more or less no international business. Nilsson, primarily having worked in other than the furniture industry claims find inspiration from "more modern firms" such as Google and Ryanair. As a result, he has gradually implemented new takes on approaching new markets and found new ways to approach potential customers. With experience from working in over 20 different countries over a period of 15 years it came natural to target larger international markets according to Nilsson. The strategy subsequently aims to bypass rigid patterns of the industry and find new ways through the system where resellers hold the power.

Elebäck, co-founder and CEO of MP had prior to MP worked with consultancy projects for large firms and was during that time able to acquire certain industry related experience. However, as responsible for the firm's internationalization process, he is self-critically sincere admitting how a more in-depth experience of international trade could have been beneficial to the overall process. In practice, this lack of international business experience can be reflected by a fast internationalization in where the firm acquired contracts with many agents, however, with a less than satisfactory result. Re-evaluating the process of internationalization has been key, and a certain appreciation of the new knowledge realized through overcoming challenges is expressed. A lack of experience was initially displayed by the inability to set boundaries of available opportunities, and to instead focus resources on selected markets.

NEB can be described similarly to MP in terms of international business experience; however, NEB chose to prioritize their home market instead before pursuing any greater internationalization. An in depth industry experience, as well as design background led to something that can be described as a steady gradual appropriation of their home market rather than a rapid international expansion. A lesser experience from international sales potentially stands in the way for fast internationalization, and furthermore, the willingness to have local market presence creates a resource boundary due the subsequent larger required investment.

5.2.3 Role of prior experience – Key factors

5.2.3.1 Decisive factors of prior experience

- Industry specific and international business experience
- Experience of international trade, marketing and networking
- Brand control, brand building based on prior experience
- Knowledge of manufacturing and outsourcing
- Confidence and specific market entry experience
- Organizational knowledge
- Experience in marketing communication

5.3 Role of external networks

AYTM

AYTM and interviewee Nielsen has a clear focus on building relationships within the industry and sees it as a vital part of their international strategy. Since having a strategy based on rapid internationalization, the firm deliberately utilized previous networks, while also building new connections in the industry. The result from building broad networks allowed the firm to have an international platform to create strategic relationships with brands able to provide synergies of reduced costs and visibility towards customers. A precondition that stood out for the two Danish firms in the study was a state funded infrastructure actively working to promote Danish

brands on an international scene. The assistance gave the firm a feeling of having a head start and gave solution to certain technical issues, such as in overcoming technical trade barriers. Similar brands in within the same industry are furthermore not necessarily seen as a negative, but rather a possibility to help spread customer awareness and interest to Danish design. Architectural forums are furthermore approached to provide a direct channel to project based sales and word wide exposure.

Friends & Founders

An important part of sales for premium furniture comes from architects as they look for furniture to projects. The budgets are generally larger than for private consumptions and to be an alternative for this sector is therefore beneficial. As one of the founders of FF had previous experience working as an architect, this segment was easier to penetrate and had led the brand to generate a secure income and exposure. Interviewee and part owner Hildebrand had prior to starting the brand worked more than 20 years within the industry had therefore created additional networks related to the business. One clear advantage resulting from these networks were manufacturing firm contacts that allowed FF to create initially smaller batches in the beginning before the brand was introduced to the market. Hildebrand also mentioned a state backed support and lifted out that what usually is considered competition, instead was welcomed as it was beneficial to create interest for Danish design globally.

Green Furniture Concept

The international network necessary for GFC's internationalization mainly came through the new CEO Nilsson that with his more than 15 years of international experience had found new ways of connecting key actors. A side effect of not having worked with the furniture industry before allowed him to see structures from a different angle, which was essential to successfully connect actors within the industry in a new way. By bypassing certain steps to access the market, he is able to acquire a more direct contact with customers and agents. The techniques were adopted from other industries and for example allowed the firm to create unique new networks online to reach architects directly. Essentially, GFC's creates their own networks relevant in a direct way, but also disregard the importance of networks in the structure as they are traditionally created in the industry. Nilsson explains how he feels that the

industry is too slow and that there are faster ways to connect new business directly rather than through the traditional networks established and open for all within the business.

Massproductions

Before starting the brand MP, the two founders worked as designers, which essentially allowed them to create important network contacts within the industry. The networks however, related more to actual manufacturing design and national trade rather than international business. Through later fair participation, they were able to engage in new networks related to more international settings. The networks involved resellers and agents internationally and eventually architecturally based networks were approached to provide a link to project based markets. The brand has however been selective to choose networks since their approach and understanding is that it requires much time that is difficult to spare at an early stage of the business.

No Early Birds

NEB and CEO Söderberg has focused on the home market with the strategy to establish first, and gather resources for an unhurried internationalization process. Local networks came to be through meeting with industry important actors such as bloggers and stylists and with a direct sales channel to customers, less importance was placed on agents and representatives abroad. NEB has now started to approach architectural networks where they also are exposed to a global market. A wish for high levels of control restrain the amount of new resellers, and a difficulty to control internet presence on reseller pages have led to the brand being restrictively available online. Although NEB is with comparable lower ratio of international sales, the forward going strategy is to progress with a networking strategy in objective to pursue a stable stepwise internationalization that due to its organic structure will be cost effective.

5.3.2 Role of Networks – Patterns

Concerning the furniture industry, Nielsen from Danish based AYTm stipulates, “it is all about people, it is all about connections” while confirming that, when the commodity is of affectionate value, the statement holds even more true. It is described

how many within the industry are invested in a more personal way than compared to other industries, and so personal connections have a greater importance. A further example of network significance can be seen in the actual firm name of Friends & Founders, meaning, and expressing just that. “Friends” referring to the whole network of people making the brand possible, and “Founders” indicating the owners. In the interview, it became clear that simply having a product available on the market is not enough. The firms strive to visually present products with the intention that was considered in the initial design, as well as the context for which they are created. In order for this practice to practically transferred it requires a personal connection. This is emphasized by Nielsen (AYTM) who to the largest extent makes an effort to meet with customers face-to-face as it offers a personal platform to explain the whole concept. This approach further applies to GFC’s unique way of working with agents. As described, the challenge when working with agents is that their selection of goods is generally larger than their capacity to present each available option. It is therefore seen as an ineffective way to present products to market and GFC therefore instead try to target end customers, architects or other key players to secure interest, and only to then, connect with potential agents with a business proposal.

Elebäck from MP experienced the same issue to reach a high level of representative agents, only to experience that, without follow up and additional market dedication in terms of marketing; the relationship commonly remains unproductive in terms of sales. MP participates in the Swedish based TMF, a network for the furniture that is aimed at strengthening firms competitiveness as well as growth. This particular network however, has according to Elebäck yielded mediocre result, something that can be further confirmed by GFC’s CEO Nilsson. In his interview, without prior mentioning of the network, uses it as an example of how the firm should actively shy away from such traditional industry related connections. It is described as a testimony of the outdated ways in which the furniture industry works. Instead Nilsson advocates a focus that lies on approaching the customers in more direct channels, as well as to rely on how the market judge the product.

Unison for all interviewed firms is that they take part in digital network platforms for architects where they become available on a global scale. Architects are by all firms described as a significant source for potential sales as a channel to the end consumer.

Networks, or any type of platform where architects can be reached are therefore of interest to all brands in the study.

Apart from GFC, all firms have specific industry related experience, which over the years have generated networks that have been utilized in the internationalization process. NEB, being the one with the least part of international business experience can potentially benefit from extended networks. So far, a determination to be locally present has allowed NEB to gain market traction as well as to build local networks, promoting the brand before converting to sales. This is a factor that Söderberg expects to be transferable onto international markets.

One example where firms benefit from industry networks, and sometimes even competitor brands, has been to attain market specific knowledge about certain country based agents. By sharing this information it is possible to avoid costly mistakes and as it has become clear, firms generally see the benefits of cooperating, instead of competing and withholding information. This is furthermore a testimony to the importance that personal networks play in the furniture industry. MP, in this case has gone one step further and formed a limited strategic alliance with a company responsible for a product complementary to the product line. Through this collaboration they were able to achieve synergies and reduce costs.

Specifically for the two Danish firms it is clear that they feel as though they appreciate the beneficial effect of representing “Danish design” and that they recognize potential synergies of a collective approach to international markets. Denmark is described as a country that is dependent on export, where firms work together, and where the government provides considerable support in favor of export. AYT and FF express a general feeling of support from their home country in different ways revolving around the commitment to promote export. This is something that can be put in contrast to firms residing in Sweden, as they do not experience a similar backing support from home.

The firms approach external networks in different ways, however it is clear to see how important of a role networks play in the internationalization process. Different methods work for each individual firm, and their success rate is also varied. However,

relevant networks are key to connect with potential customers, industry representatives as well as to be able to transfer the “story” behind the actual product.

5.3.3 Role of networks – Key factors

5.3.3.1 Role of networks to speed up internationalization

- Support from state funded infrastructure and networks promoting Danish design and business
- State support to overcome technical barriers of trade
- Sales and manufacturing through networks established prior brand start
- Strategic alliances with brands of offering non-competing products
- Cost saving as a result of network belonging

5.3.3.2 Role of networks for continued international expansion

- Sales built on long-term personal relationships
- Networks established according to values of the brand
- Architectural platform networks to pursue contract markets
- Global reach through architectural platforms/networks
- Participation in industry related platforms

5.4 Role of COEs

AYTM

Nielsen for AYTM expressed a distinctive benefit brought by COEs. The effects were however not directly linked to completed sales but rather the connections it allowed in an agent or reseller relationship. The COEs were understood to have positive effects as to open doors and to give favorable starting-point due to good reputation. The historical background of Danish traders was essentially described as having given firms an advantage as they from the beginning were thought to be professional and service minded. In the immediate relationship to the customer, a similar pattern was revealed where the customer would have an initial sense of trust towards the products.

A pattern that was replicable within all approached markets so far. The effect was furthermore explained to be more evident due to the industry of furniture. Not only is the firm able to use the benefits of Denmark in terms of international trade and trust, but also the fact of being a part of the increasingly popular Scandinavian design enhanced the notion of advantage.

Friends & Founders

Similar to Nielsen in AYT, Hildebrand of FF expressed the benefits of being connected to a Danish heritage, both in terms of design, but also with a broader meaning relating to business contacts. The reputation of a country successful in international, of being professional and service minded, helped to open doors in a distinctive way, having an accelerating effect on international business. A more unexpected way in which COEs had a positive impact relates to competitors and how they have been able to penetrate new markets, and by doing so, opened the door for similar brands. An example is raised where a competitor and their focus on Asian markets have contributed to increase the overall interest of Danish design. Despite seeing the benefits of COEs FF does not express it as being a vital part of internationalization. The notion of a certain belonging is expressed to also act as a potential boundary, where FF is preferably freer to create a unique individual expression of design that will be eligible in distant markets such as Dubai and Japan.

Green Furniture Concept

Nielsen from GFC expresses a nuanced view of COEs. GFC operates more or less solely in B2B environment, and could therefore not see the potential in B2C COE value. As the question of COEs is raised, Nilsson from GFC primarily reflects adversely and explains how the Swedish heritage in particular can also indicate a relation to IKEA, in where the customer can read negative association such as poor quality and complicated assembly. GFC is in a transition to becoming more international in terms of revenue sources and also in expression. These objectives do, according to Nilsson, require the firm to also have an international approach, and not be reliable on any particular notion of origin. GFC in reality acknowledges the potential benefits of COEs, however, does not actively incorporate its benefits to their internationalization strategy.

Massproductions

The general response from MP according to COEs is that a wave of especially Danish design has paved the way for other Scandinavian brands in remote markets such as in Asia. MP has had a perceived benefit from COEs in their internationalization process where business contacts have been deemed easier, explained by a higher degree of initial trust. Although the COE are clear to MP, this is not always applicable. For instance in certain markets, unique styles are required by customers and in countries such as France, the origin of Sweden or Scandinavia, does not automatically equal an advantage.

No Early Birds

Neb clearly expresses perceived benefits from having a Scandinavian heritage in relation to both product customer acceptances, as well as in business related connections. The customer is thought to have a general feeling of trust in Scandinavian products within the furniture industry as well as having a special interest in Scandinavian design. The “Made in Sweden” stamp is especially valuable and is something that is indirectly communicated to pave the way for international ventures. Another aspect of local production is the ethical applications that underlie the concept. The meaning of local producing stands for eco-friendly, meaning an ensured ethical choice for the customer as well as reseller. Dissimilar from the other brands in this study, NEB do not actively pursue international business to the same extent, but instead focus lies on their home market, Sweden. The concept of COEs is therefore not as tested in comparison.

5.4.1 Role of COEs – Patterns

“When they know you are from Scandinavia, you are always welcomed with open arms” – L.F Nielsen

All five cases firms are Scandinavian based firms that either resides in Denmark or Sweden and as stated by Nielsen from AYTm, there is, with few exceptions, a perception that a Scandinavian origin is something that is positive in terms of

internationalization. Of all cases the two Danish based firms AYTМ and FF have the largest part of their turnover from foreign sales and are also aware of a positive reputation that is connected to the Danish heritage, especially within the furniture industry sector. The Scandinavian heritage is also described as being greatly beneficial in business situations as it is described how it communicates a reputation of being professional, service minded and trustworthy. Simply being Scandinavian therefore presents an instantaneous sensation of trust, which can be helpful in contact with external agents, resellers, or other buyers.

Competing brands within the same industry is not necessarily seen as a threat. Hildebrand from FF, having conducted business in geographically distant markets such as Dubai and Japan, have an appreciation for other Danish firms that have done before, and how they have opened doors for other firms that are now exploring markets that previously considered too remote or uninteresting. Hildebrand further describes how the being part of a Scandinavian reputation is a positive aspect, but also stresses that the idea is not to deliberately create Scandinavian design, but rather a concept with furniture that have a personality that can easily be blended with other styles.

Nilsson from GFC is also striving for a global approach opposed to producing solely for the Scandinavian market, describing their Swedish origin as being a double-edged sword. Although there are benefits such as trust building, and reputation for good design, it can also be related to IKEA, indicating a representation of a lower quality product. Elebäck from MP also mention the “Danish wave of design” as having had positive synergetic effects for other Scandinavian firms pursuing internationalization, meaning that they have opened door for similar brands with the same origin. The value of the term “Danish design” is not coincidental as he thinks that Denmark has been better to promote firms internationally compared to Sweden, something that he feels can be greatly improved. Similarly, Södersberg from NEB concur with the idea that the Swedish government could do more to promote Swedish furniture industry abroad. Although, not necessarily identifying themselves as fully Scandinavian in their design, NEB sees the benefits that automatically appear as a result from popular Scandinavian design trend. Furthermore, and mutually true for all selected case firms is that so-called competing brands does not necessarily indicate something negative.

Instead it can be considered that each firm is part of a larger puzzle that collectively spread the interest for Scandinavian furniture design globally.

To summarize, all firms in the study expressed that their country of origin have had positive effects in the process of internationalization. Except for end customer satisfaction, it is also expressed how their origin had a positive impact in business related contacts with agents and other foreign representatives. A Scandinavian origin was explicitly presented as a “key” to use for new industry related relationships.

5.4.2 Role of COEs – Key factors

5.4.2.1 Perceived effects of COEs

- Instantly “one foot in the door” due to favorable reputation, Scandinavian
- Initial impression of trust from customers, suppliers and resellers
- “No doors closed” in any market globally
- Customer preference often positive towards Scandinavian design
- New markets being open, not only single brands, but the whole industry as a whole
- Swedish heritage positive, however, also possible negative association such as with IKEA, known for “less good quality and flat packages”
- Scandinavian origin, value of perceived trust with business contacts, however not always practically an advantage
- Possible restriction when brand is expected to have certain design or expression

5.4.2.2 Applied application of COE advantages

- Communicate origin to access business contacts
- Marketing origin to establish trust
- Utilize COEs to ensure customer ethical choices with locally produced products

5.5 Analytical visualization

A diagram was constructed to visualize findings derived from the analytical chapter as well as their potentially causal relationships. The table provides an indication of how the role of sub-categorical factors, prior experience, role of external networks and COEs has affected the overall internationalization process. Although the table provides a general overview of the empirical data, it is only an interpretation of the analytical findings and does not consider all factors that potentially could undervalue the findings. Such factors could be the variation, or limitation, of financial resources, or differences in strategy choices, where a firm for example deliberately focuses on their domestic market, as can be seen with NEB. The column of *internationalization* expresses the firms' general experience of international expansion. The diagram thereafter describe in what way each individual firm has been affected by the impact of prior experience, networks and COEs. The arrow pointing down indicates that the factor has had a negative effect on their internationalization. For example if the firm has experienced a negative effect on international expansion due to a lack of *prior experience*. Similarly, if the firm has had a positive effect due to prior experience, the arrow points upwards. A horizontally pointed arrow indicates that the factor has had a moderate impact, positive or negative. The diagram is essentially a summary of the empirical findings and an interpretation of the impact that the factors have had on the process of international expansion.

Analytical visualization of empirical findings

























	Role of prior experience	Role of networks	Role of COEs	Internationalization
	 Industry related experience held by owners, and more than 25 years of international business related experience in sales director	 Stresses the importance of good networks in the industry, synergies with other Danish firms and support by governmental mechanisms	 Substantial value of origin due to current trends and favorable treatment in business related connections as a response to good reputation	 Represented through agents and resellers in more than 50 countries after 2.5 years of existence
	 Industry and international business related experience of over 20 years	 Broadly utilizing former industry related informal networks to attain brand promotion and “manufacturing relation” benefits	 Acknowledging benefits drawn from other industry peers to have open doors for FF and other firms alike	 Global focus with sales almost entirely derived from international markets
 Green Furniture Concept	 Business related experience from other industries after working internationally in over 20 different countries for more than 15 years	 Disregarding traditional networks while striving for a direct approach as possible to customer	 Admits certain benefits of Swedish origin as well as negatives from IKEA low-quality reputation	 Rapid “re-internationalization” with new CEO, insistently targeting airports and architects on a global scale
MASSPRODUCTIONS	 Primarily industry related experience, opposed to international business related experience which could have benefitted effective international expansion	 Utilizing traditional networks with mediocre effect, as well, expressing lack of government engagement	 Acknowledging Danish firms in the industry to have potentially opened doors of remote markets. Although also experiences where COE have had problematic effect	 (Too) rapid initial internationalization, reevaluated in order to now progress with more focused resources
	 Industry related- , rather than international business related experience, applying “learning by doing” with a cautious approach	 Primarily focus on local networks as a result in local market focus	 Aware of the potential benefits of “Scandinavian heritage” although aspiring to create internationally influenced designs	 Early international expansion, although deliberately maintained focus on home market

Figure 6: Analytical visualization of empirical findings

6 Discussion and formation of propositions

The discussion aims to relate the empirical findings with prior research in order to assure validity of the propositions built on information yielded by the case studies. Each of the sub categorical research questions is treated individually in order to frame a justified proposition within its specific context.

6.1 Internationalization

BGs and SMEs, in contrast the MNEs, typically have a larger degree of scarcity in human, financial, and intangible resources and therefore need to find other competitive aspects in order to compete on international markets (Almeida, 2000; Knight and Cavusgil, 1996; Rennie, 1993). A further important aspect that defines BGs is their tendency to seek international business, and sell their products in multiple countries. (Knight and Cavusgil, 2004; Rialph et al., 2005) The firms in this study largely, with some consideration, apply to these features. All firms have conducted international sales within the their first years of existence and all firms, express an objective of either wanting to, or already attributing the majority of their turnover from foreign markets. The firms however display various levels of international focus, which is something that can be interpreted by the result of the empirical analysis. NEB has deliberately chosen to focus on domestic markets and is therefore indicated as having a negative internationalization direction as they have showed a lesser engagement with regard to international markets. GFC also initiated their business with focus on the domestic market prior to attracting their new CEO. With new determination for international business, GFC started pursuing a rapid internationalization, only to a few years later have reached a global spread.

The remaining firms show a more intentional international focus from the start with the Denmark based firms FF and AYTm especially so. Their international focus is described to be culturally linked because Danish firms internationalize early due to a significantly smaller home market. This aspect is also a reason that potentially explains how the two Swedish firms NEB and MF have started out as more domestically focused. The fact that both Danish firms see Sweden and/or Scandinavia as their largest international market strengthens this claim.

According to the Uppsala Model the decision of how to pursue internationalization should depend on the firms past experience current state and available resources (Johanson and Vahlne, 1977). BGs and SMEs in particular commonly have relatively less resources and are therefore prone to restriction by this aspect. A so-called non-equity entry mode will signify a low level of investment requirement (Albaum and Duerr, 2008; Canabal and White, 2008) and is theoretically therefore a plausible alternative for BGs. The non-equity entry mode is due to its low level of investment requirement also considered an entry mode suggesting low commitment. A common non-equity internationalization entry mode for the studied firms is a contractual entry mode, indicating a contract signed between seller and agent, where the agent will promote the sellers products in the foreign market. In contrast to this indirect export mode, direct export refer to sales without intermediary contact before reaching the customer (Root, 1987). The firms studied in this multiple case study show similar patterns in terms of internationalization processes and largely align with the theory *contractual entry modes* where either, to *direct-*, or *indirect export* is favored. The unison pattern of progress for the majority of firms in this study is to present their products on industry focused fairs in order to attract foreign business interest. The fairs should be appropriate in terms of the premium segment that each brand strive to belong to and be able to attract foreign visitors that potentially can lead to foreign representation or direct sales. The firms essentially seek to find international representation with low levels of commitment/investment. Likely this is connected to the resource limitations characteristic for BGs.

The brands additionally express a desire to control the environment of which their products are associated with. This factor relates to two aspects, where firstly, the brands wish to have control over the physical atmosphere of where their products are represented. One example is this situation is where AYTm express the importance of having their products centered in the store together, instead of a scattered placement where the overall concept is harder to communicate. The second aspect regarding how the products are associated, is exemplified through a deliberate segmentation to distinguish premium products to more “standard” products. A mechanism such as aggressive discount sale is generally considered to reflect subordinate property, and is therefore something the brands wishes to avoid. This particular example comes into play when the firms sell products through resellers in other countries where as if the

reseller have purchased the products, is also free to apply whatever sales processes as they wish. The brands could of course avoid this issue by having their own stores, where the complete representation and atmosphere of the product can be controlled. However, an entry mode where a physical store is establish will naturally be more demanding in terms of resources which a limitation is shared for the firms in this study. The combination of wanting to control the sales process together with a resource limitation affects the breadth of the total sales channel to intermediaries, or direct sales. The intermediary i.e., agent has to provide an approach that aligns with the characteristics of the brand, or alternatively, the customer purchases directly from the firm based of contact points fully controlled by the firm, for example, showroom or company website.

The empirical findings applied to the theoretical context have led the author to derive the following proposition:

Preposition 1

BGs within the premium furniture industry primarily internationalize with low commitment non-equity contractual entry modes, through direct, or indirect exports

6.1.2 Role of prior experience

A considerable amount of research is focused on the role of prior experience with regard to international expansion. Especially internationalization on BGs tends to display a strong connection between the rapid international expansion of BGs and their prior experience (e.g., Nordman and Melén, 2008). Typical characteristics for individuals in these firms are entrepreneurial with international business experience expressed through tacit knowledge related to a specific industry context (Madsen and Servais, 1997; McDougall et al., 1994). In order to describe basic aspects of internationalization, the Uppsala Model also include the importance of experiential knowledge as the knowledge that is accumulated within the context of where it can be applied (Johanson and Vahlne, 1977). All firms examined for this study held substantial experience prior to startup, however, not all had both industry related experience, as well as international business experience. Nordman and Melén (2008) highlight market related knowledge, meaning the individuals capability to manage

relationships with foreign counterparts, and to conduct business within international settings as an important factor. Madsen and Servais (1997) stress the importance of industry specific knowledge to support internationalization. The empirical findings express a few different observations. Despite the CEO of GFC not having substantial prior industry related knowledge, GFC were still able to pursue a rapid internationalization. Remaining firms all had industry related experience, however, a lesser amount of experience of international business for MF and NEB made the internationalization process slightly more uncertain. The managers directing the internationalization process for the two Danish firms FF and AYTm had more than 20 years of international business experience each. This experience was additionally collected in the context of the furniture industry, making it even more valuable. The industry related experience contributes with an indirect advantage due to the formal as well as informal network contacts that have been built up during this time. As a result of having this type of experience, few of the brands in this study show how this specific factor have allowed them to rapidly accelerate international expansion

For the sample of cases that constitute this study, it is clear to see the positive effect that prior experience have on internationalization, and therefore the following proposition have been generated:

Preposition 2

The role of prior experience in terms of market related knowledge and industry specific knowledge strongly correlates with rapid international expansion of BGs in the furniture industry.

6.1.3 Role of external networks

In contrast to the original Uppsala model from 1977, the network model disregards psychic distance and incremental internationalization and instead focuses on establishment on development of necessary networks (Johanson and Mattsson 1988; Turnbull and Valla 1986).

The process creation of networks is divided in two categories, active and passive depending on what part that is the instigator. In an internationalization process, firm

can in this case employ active networking, meaning that it will take initiative to gain learning, knowledge and to establish other related networks that benefit international sales (Johanson and Mattsson 1988). Despite prior studies indicating that firms often take a passive stance in terms of networking with actors such as agents other intermediates (Ojala, 2009), it is clear to see that the majority of empirically studied firms in this study have been active in their approach to networking activities. For instance, all firms actively participate in fairs where they reach an international audience and the firms that currently is highly focused on international markets (AYTM, FF and GFC) active networking is key. Nilsson, CEO for GFC interestingly rejects certain national industry focused networks (i.e., TMF), referring to an overall rigid structure of the industry. Instead the strategy is to employ new ways to reach primarily architects on an international platform. Through means inspired by other industries, GFC have developed their own ways to actively network in favor to their strategy, and the general focus is to actively engage in as many personal meetings as possible. Personal meetings allow for an easier transfer of trust, and most importantly gives the possibility to convey a full concept in a clearer way.

Lack of resources is a common restriction for BGs, and most newly started firms (Porter, 2004). However networks also have the potential to provide additional knowledge and information that is necessary for rapid internationalization (Weerawardena, et al., 2007). Networking is therefore considered an important part of rapid internationalization (Liesch et al., 2002). CEO and founder Hildebrand from FF, and Nielsen, head of sales at AYTM have similar views on networking, indicating a strong opinion of its value. Notable is also the fact that AYTM is the only of the selected firms with a person dedicated merely to national, and international sales. As resources commonly restrict BGs, this factor stands out as posing a probable advantage for them to reach a comparatively fast internationalization. All other firms except GFC and AYTM have the founder CEO and founder responsible for internationalization while also being involved in the firm's daily tasks. Hildebrand, CEO of FF has benefitted from network participation in several ways with one important aspect deriving from networks attained through prior work. This has for example allowed him to secure favorable treatment from manufacturing. Both Danish firms when asked about networks, mention their national origin as key to international expansion. Being a smaller country dependent on export, firms tend to cooperate

more and fore example exchange information opposed to just being competitors. FF with Hildebrand also correspond to the research stating that the owner-managers networking capability is positively related to rapid internationalization (Weerawardena, et al., 2007). Hildebrand having more than 20 years of experience of international furniture sales has utilized networking in order to propel FF to a place where the sales almost entirely derive from international markets.

This discussion and its conclusions based on relevant research and the analyzed empirical findings have led the author to create the following proposition, considering the role of networks:

Preposition 3

Networks play a significant role the internationalization of BGs in the furniture industry as it is utilized in order to, connect with necessary actors in the market (i.e., manufacturing), expand firms' representations (i.e., to connect with agents), and communicate with gateway individuals in markets that the firm wishes to enter.

6.1.4 Role of external factors

Country of origin effects can potentially impact customer's product evaluation and influence acceptance and willingness to commit to purchase (Dichter 1962; Cuervo-Cazurra et al., 2007). Moreover, research shows that products are often judged depending on the origin of the firm and not necessarily where the actual products is manufactured (Anholt, 2010). All firms in this study except NEB (Swedish made only), to some degree have foreign production but still identifies themselves as being part of a Scandinavian origin. This distinction is important because it affirms a certain identity, which within the furniture industry generally is seen as something positive. COEs are especially useful when it come to industries, such as the furniture industry because the purchase process will involve emotional decisions referring to subjectively dependent decisions, such as implied to design or style. As an example, it has been shown that people will be influenced in their willingness to purchase certain products depending on the perception of the origin of which country they come from (Roth and Romero 1992).

A majority of the studied firms in this study express some degree of benefit due to the identification of belonging to Scandinavian design. The impact it has had on the internationalization process however varies between firms. When asked about importance of origin, all firms represented in the study are admittedly part of a “Scandinavian belonging” however the perceptive appreciation of its value is more nuanced. A majority of firms are skeptical to the notion of representing “Scandinavian design”. Instead they express a dedication to have a “globally inspired” design, inspired by other countries’ specific design, such as Italian or French. A discussion of this particular subject is however subjective and as the firms studied carry similarities in terms of being a homogenous group, its value is questionable. The firms to various degrees however agree on the fact that Scandinavian- or specifically “Danish design” is popular on a global scale for the moment, and is something that benefits all firms in regards customer purchase behavior.

The impact of COEs does not however limit only to product evaluations in this case. The Danish brands AYTm and FF express a clear appreciation for their origin within international relations. Interest from international agents is of course connected to the potential value of the actual products itself and therefore subject to COEs. Nielsen from AYTm explains the effect as something that can be translated to other positives such as a beneficial treatment or preinstalled notion of trust and credibility.

Part of COEs is therefore that it can have negative effects as well, although, in this study only one separate negative aspect was brought up regarding this topic, namely the Swedish association with IKEA, which can relate the concept of poor quality and “irritating self assembly furniture”.

The effects of COEs should preferably be viewed in context where it is possible to make comparisons of its relative effects. The sample firms in this study to largely represent the same category as well as origin and is therefore unsurprisingly expressing a congruent pattern attitude towards COEs impact. In light of the empirical findings of this study, COEs have a positive impact on sampled firms in this study and the author therefore structure the following proposition:

Preposition 4

Favorable COEs can positively impact the process of internationalization for BGs in the furniture industry directly through increase in sales due to customer willful attitude towards the products, or indirectly when it is used to acquire contacts, or other international networks beneficial for internationalization.

7 Conclusion

The conclusion chapter will present the summarized results derived from the discussion as well reconnect and answer the initial purpose and research question of this study. The chapter is finalized with suggestions for further research as well as reflections over limitations in the study.

The purpose of this study was to increase the understanding of how BGs within the furniture industry internationalize and how this process is affected by prior experience, external networks and COEs. In order to gain a deeper contextual understanding of the entire internationalization process, a conceptual model generated for researching internationalizing SMEs was operationalized and utilized to gather empirical data. The methodological choice was made to conduct a qualitative, multiple case study while applying an abductive theory building approach in order to gather empirical data through interviews. With support from theory and empirical findings, four separate propositions were defined to answer the main research question as well as the three sub categorical questions.

The purpose of this study is accomplished by answering the research question, which is stated according to an overhanging desire to understand the internationalization process of BGs in the furniture industry and in the premium segment. Through conducting a multiple case study with firms that have undergone rapid internationalization, the author was able to provide in depth understanding of this process, the different steps involved, as well as the impact of three specific factors (prior experience, networks and COEs).

The overarching research process that was studied in this study was internationalization for Scandinavian BGs in the premium furniture industry. Despite the firms having approached internationalization in different pace and in different ways, it was clear that they had predominantly utilized external agents in order to reach foreign markets. Specifically the denominating pattern was to participate in furniture fairs where they could establish contact with agents suitable to represent the brand in a foreign market. Essentially this indicates an entry mode that requires low amount of investment, also referred to as a low commitment entry mode or a non-equity contractual entry mode. A more costly alternative could be to open a store in the foreign market, or to have employed personnel locally, which would indicate an entry mode with higher commitment.

The first issue looked at the role that prior experience plays on the process of internationalization. The empirical findings clearly displayed how substantial amount of industry related experience could be found in four out of five firms. The role of experience presented itself in various ways although it was relatively clear to see its importance. The firms in this study were relatively small and therefore, a few individuals share several important tasks. Three of four firms have the founder and primary designer operating as CEO as well as responsible for the internationalization process. These firms carry experience from working within this industry before, and are therefore prepared for many of the procedures necessary. The internationalization process however is a unique process that is usually tailored to match the product and several other aspects that determine the “right way”. A common restraint of BGs in this industry are the limitations both financial and human resources and firms therefore need to be creative or find have suitable contacts to allow a cost efficient progression. The contacts in this case can indirectly be related to prior experience because individuals with industry related experience potentially have been able to build formal as well as informal relationships during the years prior to starting a firm. It is difficult to determine exactly how these prior contacts have benefitted the studied firms in this study; it is however clear that all firms were initiated by individuals with substantial industry related experience.

The second issue dealt with Networks and how it affects the internationalization process. The answer to this question is that external networks can play a potentially

large role on internationalization and is considered to be key, by the firms with largest international share of sales. FF and AYTm, having a smaller domestic market, stressed the importance of cooperation as a way to share information and to connect their products with the market. The firms originating in Denmark describe a sense of “us vs. them” indicating that smaller firms should cooperate to achieve synergies. This approach is thought to alleviate the liability of being smaller in size compared to large industry players from larger countries. This difference can even be sensed as a difference between the Swedish and Danish firms. The Swedish firms have an advantage since their domestic market is significantly larger than the Danish market. The Danish firms in this segment have a sense of urgency to expand globally to grow and the Swedish market is usually their largest export market. However, having this outlook from the inception, means that the necessity to work together with other Danish firm is likely to be stronger in Denmark compared to Swedish firms in Sweden exploring synergies with other Swedish firms.

The last focused issue examine the industry specific role of COEs what impact the external factor COE might have on internationalization. COEs have shown to impact customer’s willingness to commit to purchase in a potentially positive or negative way. The sampled firms all origin from countries that in terms of their specific industry are considered beneficial. It was therefore not surprising to see that positive effects were met through this aspect. Firstly, a clear benefit was seen as the attributed COEs of these countries are to be considered positive as in that they have a positive effect on customer’s willingness to purchase. Additionally, and unrelated to the actual products were there indirect benefits as the country origin gave the firms in meetings and personal contacts. This was expressed in the empirical findings as starting in an advantageous position as compared to what would be true if they originated from other countries. The perception of ones COEs might be difficult to assess, especially without anything to compare to. The psychological interpretation of this aspect goes beyond the limitations of this study, however it is likely to be something that firms would have paid more attention to if the consequences of COEs were negative. The interpretation of COEs regarding the firms in this study however concludes that COEs provide substantial benefits in terms of customer acceptance and network construction.

7.1 Managerial applications

No company is exactly like any other; resources may vary, as well as product focus, and market segmentation, only to mention a few areas. For this reason no firm can simply copy another firms exact processes in order to obtain the same result. This study has focused on a specific area of business carried out by similar firms. The applicability to other firms can therefore arguably be considered small. There are however firms that occupy the same situation, while striving to establish within international markets. For decision makers in those firms, this study can provide similar to a guideline as the empirical data comes from firms that successfully have reached international markets with their products. Empirical research is something that have been lacking in this subject and with in depth understanding of firms' processes, managers will potentially be able to avoid certain pitfalls and unnecessary mistakes. The research findings generated as a result on internationalization stipulates that BGs within this industry favor indirect exports due to its low investment requirement as well as commitment. For managers of internationalizing firms this can act as a guideline to avoid over investment or unnecessary risk. Similarly, the importance of prior experience and market related knowledge would stand as a suggestion that managers need to educate themselves in markets that they wish to enter. As the preposition on *network importance* indicates, this can also present a way to mitigate a shortage of market knowledge. Networks can be used to gain faster access to foreign markets as well as to establish contact with gateway individuals to essentially provide access to the relevant market. Lastly, COEs are attributes that due to their nature can not be improved through changes of the product or company, however, although the firms in this study did not generally consider COEs before internationalizing, this can be a way to focus resources in a more efficient way. To approach markets where products from the where the products originate from are appreciated, there is possibilities to avoid expenses of convincing customers to purchase.

As initially mentioned, the study does not present any definite answers, but rather guidelines and insights that can potentially be applied in similar scenarios. For firms in similar situation, the empirical findings can be helpful and for future research, the same empirical findings can be used to progress and concretize new theory.

7.2 Limitations & Future research

The benefits of a homogenous sample of firms can also be seen as one of the weaknesses. The possibility to compare COEs was enabled through the fact that all firms in the study originated from Scandinavia and the results derived from this aspect will therefore be interrelated to that specific origin. The impact of COEs was in most aspects seen as something having benefitted the firms in their internationalization, and so a probable assumption is that Scandinavian firms in this aspect have an advantage. If the origin of Scandinavia is favorable to hold, it is also likely that there are countries or regions where firms experience a negative influence due to the origin and it would be interesting to further investigate how this potential liability impact the process and choices that firms take in regards to internationalization. Moreover, a more general aspect of potential further research is related to the relatively small sample of five case studies that build this study. Studying a larger sample of firms would increase possibility of wider generalizations and could for example provide additional explanations for the choices of entry mode. A similar study of MNEs might fortify the identified connection between resource restraints characteristic for BGs and the low commitment entry modes. Furthermore could it identify aspects where the smaller firm might potentially have an advantage due to its fast decision making process.

There are numerous ways to build upon this study where as the above-mentioned topics are only a few examples. The specificity of the study essentially renders it interesting while simultaneously limiting the value of the findings in broad application.

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Appendix - Interview guideline

Interview guideline

Introductory questions and Internationalization

- Tell me about yourself and your role in the organization.
- How did the brand start its operations?
- What was the initial view towards global expansion?
- In broad strokes, how did your process of global expansion proceed from the start until what it is today?

Managerial level

Mindset

- When viewing the firm as a collective, would characterize it to be positive or negative in its attitude towards foreign business involvement?
- Can you give an example of how this attitude is affecting the way you approach foreign business?

Prior Experience of management

- What experience does the top management have of foreign business?
- To what degree has the international experience of top management affected the firms international involvement?
- Besides top management, has other employees' international experience affected the approach to pursue, or not pursue foreign business involvement?
If so, how?

Entrepreneurial orientation

- How do you describe the firms collective attitude towards risks related to expansion of foreign business involvement?
- How has the attitude towards risk affected the choice of specific foreign markets and expansion?
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Firm level

Resources

- How was managerial resources related to the process of internationalization organized internally?

Knowledge

- What specific knowledge has been important has been important in the process of choosing foreign markets?
- How was this knowledge attained?
- If so, where was this knowledge found within the company?

Networks

- When looking outside the firm what business related contact or contacts have been important in the process of pursuing foreign markets?
- How have these contacts been founded and through what individuals?
- Does these contacts still influence the firms existence in foreign markets and if so, how?

Liabilities

- What firm related aspects of being new on a foreign market were perceived as being a liability (for example lack of specific knowledge about customer behavior or regulation) during the pursuit of foreign markets?
- How were these liabilities mitigated during the process?

Environmental level

Industry factors

- If so, how has the market changed in order to incentivize or demand international business involvement for your firm?

Different types of market

- (How is competition in new markets compared to your domestic market?)
- Does technology possessed or utilized by your firm in any way give you advantage or disadvantage in comparison to similar firms in entered markets?
- How does customer preference differ compared to that in domestic market?

Distance

- How many foreign markets are you currently involved in?
- What foreign market of yours is currently the furthest in distance from a geographical perspective?
- What market of yours is currently the furthest in terms of cultural aspects such as language and customer preferences?
- Is there any specific market that have been particularly difficult to access, and if so, why?

Country of origin

- Do you believe that there are benefits or liabilities connected to the origin of your company, and if so, what are they?
- If so, how do you consider these benefits or liabilities when choosing foreign markets?
- Does these possibilities or liabilities have importance enough to alter the choice of foreign markets?