SME:s spreading their wings as a result of reactive or proactive decisions

A qualitative study of the underlying causes of internationalisation of SMEs in the tooling industry

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Summary

Title: SME:s spreading their wings as a result of reactive or proactive decisions

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Problem: Increasing competition from low cost production countries has forced Swedish tooling firms to seek potential across country borders. However, whether to approach the international market proactively or reactively and how this influences the internationalisation process of the firm is largely unstudied.

Purpose: The purpose of this thesis is to examine how reactive and proactive factors influence the internationalisation of small and medium-sized enterprises within the tooling industry.

Research Question: How do reactive and proactive factors influence the internationalisation of Swedish SMEs in the tooling industry?

Methodology: This thesis is a qualitative study conducted in an abductive approach. A phenomenological research design was applied, examining from four Swedish companies.

Conclusions: Reactive factors have shown to influence SMEs internationalisation to a far greater extent, possessing qualities that determine the survival of Swedish tooling firms. Proactivity, acting as a supplement to the reactive factors, has shown to deliver a competitive edge in internationalisation. However, proactive in contrary to reactive factors have shown as non-crucial for the survival of Swedish firms operating within the tooling industry.

Key words: Internationalisation; Proactive Internationalisation; Reactive Internationalisation; Tooling industry; Small and Medium Enterprises.
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1 Introduction

In the following chapter, an introduction to the research area and its relevant background will be presented and explained. Thereafter, a problem discussion of the chosen topic will be further discussed. A research question alongside the purpose and delimitations in our research will conclude this chapter. At the end of the introduction, we will also present an outline where the structure of the thesis is explained.

1.1 Background

1.1.1 Globalisation & Internationalisation

The globalisation process is explained as a process where countries are linked together through trade and interaction (Hamilton and Webster, 2015). Physical, political, economic or cultural barriers that are hindering or complicating trade are affecting business differently in the countries involved. However, through trade, relationships are bridged across nation borders, and the barriers separating countries from each other are either reduced or removed (ibid). Organisations such as the World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA) have risen as an effect of globalisation and are in contrary to barriers embracing the interplay between different markets by encouraging trade and economic growth (Hamilton and Webster, 2015). The reduction of barriers and the intertwining of markets are both examples of how our business landscape is in a constant stage of evolution. Globalisation is forcing firms to continuously keep up with changes and new advancements (ibid).

The main feature of globalisation is the borderless economy (Ohmae, 1999). People and financial resources are nowadays moving between countries in far more efficient ways, in comparison with the same process a few decades ago. Sweden and any other country are getting more involved and integrated into a global economy and its surrounding business network. An event like the economic crisis in 2008 demonstrates the effect an interdependent market provides (statistiska centralbyrån, 2017). The results of the crisis varied from country to country, some affected more than others (ibid). According to Irwin (2011), Sweden was one of the countries that could recover with distinction due to the strength of the domestic market. Irwin (2011) further stated that one of the factors behind the Swedish success of Swedish companies was their ability to work both within and outside their national borders.

Firms that operate in several markets simultaneously with a significant geographic and psychic distance are increasing annually. These companies are taking large steps and are involved in activities in countries with cultures different from their own. These companies are considered as early adopters, and they utilise their innovativeness and resources to gain foreign market success (Knight and Cavusgil, 2004).
There are several underlying factors for companies wanting or having to internationalise. Some are based on true competition while others are based on the pursuit of economic growth. The tooling industry is no exception in the matter, having global players as well as local players fighting over market shares with innovations or customised solutions. The need for internationalisation to keep up with the dynamic market is an aspect that every enterprise struggles with due to its complexity as well as the uncertainty it brings (Johanson and Vahlne, 2009). Newly adopted ideas and improvements are one key factor for success for companies wanting to stay ahead of the competition. The reason why firms go international is well studied as well as the strategic frameworks of how to internationalise (Knight and Cavusgil, 2004; Johanson and Vahlne, 2009). The dilemma of choosing the most appropriate one depends on the products sold and which industry the firm is operating within. However, behind the decision of going abroad, underlying factors are triggering or affecting the decision taker of doing so, regardless of strategy used.

### 1.1.2 Proactive and Reactive Internationalisation

There are different reasons behind every company’s internationalisation, reasons that are either unconstrained or constrained (Johanson and Vahlne, 1977). These various factors are translated as reactive or proactive decisions to internationalisation (ibid). Proactive factors often correlate to internal factors within a company, the desire to exploit new territory and new markets (Czinkota, 1982). Internationalising through a proactive decision often translates into a decision being made because of having an optimistic business management with the desire to develop further and exploit the internal strength of the company (ibid). Taking advantage of the individual strengths, products and market knowledge is fundamental elements when relating to the proactive internationalisation decisions (Johnston and Czinkota, 1985).

Companies responding to events and changes in the business climate are often referred to as reactive companies (Czinkota et al., 2004). Firms working with reactive decisions often correlate to a more defensive approach to business in general (ibid). They tend to wait for internationalisation (ibid). Reactive firms internationalise due to certain events, events such as a decrease in domestic sales or a self-inflicted overproduction that will come to force them to seek potential customers abroad (Czinkota et al., 2004). These kinds of companies react to the changes in the business climate to keep or gain the necessary competitive advantage (ibid). These two factors, proactive and reactive, have led us to investigate the influence both proactivity and reactivity have on internationalisation as a result of decision making and moreover, its effect on SMEs in the tooling industry (ibid).

### 1.1.3 Industry Background

Gardner Research defines the product within the tooling industry as “as a power-driven machine, not portable by hand, and powered by an external source of energy. It is
designed specifically for metalworking either by cutting, forming, physic-chemical processing, or a combination of these techniques.” (Gardner Research, 2014, p.15). Today the tooling industry consists of over 7,000 companies in Europe alone, with the overall majority of them being presented as SMEs (toolingplatform, 2017). Moulding, special tooling and blank cutting are considered as major parts of the European tooling industry, combined representing an annual turnover of 24 billion US dollars (Gardner Research, 2014).

The Scandinavian tooling industry is characterised by SMEs, where the largest actor employs approximately 100 people (VA Tooling, 2017). The last 15 years a leading threat has derived from low-cost countries and their ability to provide tools at a lower cost (Verkstäden, 2009). However, Sweden managed to increase their production by 3% and their export with approximately 12% from 2013 to 2014 (Gardner Research, 2014). Experts argue that if Sweden aims to increase the total turnover and cope with competition in the future, investments in technology and digitalisation must be done (JP, 2016). Something that is easier said than done, due to the great problems Swedish tooling industry face regarding the lack of competent personnel (VN, 2017). Further on, experts argue that the toolmaker profession has decreased with no more than 2,000 people since the early 90’s, which is worrying the industry (DN Ekonomi, 2005). The Swedish toolmakers are situated all over the country. However, the Gnosjö region in western Småland houses a cluster of small and medium-sized tooling firms (GGVV, 2017).

1.2 Problem Discussion

1.2.1 The practical problem

Before the later 20th century, Swedish tooling manufacturers have traditionally been operating domestically with no need for internationalisation due to a prospering engineering industry with Swedish global players such as Volvo, ABB and Electrolux prompting business (Eliasson, 1985). However, in the early 2000 warning signs arose when competition from Asian and East European players had caught up with technology which allowed them to compete with more developed countries seriously (ibid). In a report from Pressoform AB, it was further argued that the Swedish tooling industry is about to slowly die out due to the lack of skilled personnel, which is the most valuable resource for further development (NyTeknik, 2001). Fierce competition from less developed countries forced Swedish players to constantly modernise technology and seek potential across state borders (ibid).

All Swedish tooling manufacturers are SMEs. However, the size of the firms is a non-relevant factor since small and young business has proved to be more successful than larger business in their internationalisation process (Rialp et al., 2005). Furthermore, Anderson and Wictor (2003) argue that companies with these characteristics often are run by entrepreneurs who are using contacts within their professional network.
However, being an entrepreneur does not guarantee success. Frishammar and Anderson (2009) found that proactiveness is the only way of reaching success when internationalising. Hilmersson (2015) further argues that an advantageous approach towards internationalisation is speed. Being early with internationalisation often results in greater chances of success.

Adopting a proactive approach towards internationalisation is though not always feasible due to substantial changes in both the economic and business environment in terms of increased competition, expectations, product life cycles and other fortuitous events (Lu and Beamish, 2006). Furthermore, Lu and Beamish (2006) argue that internationalising at a too fast pace could result in a decline in profitability, due to the complexities it brings. Using a reactive approach has proven to be more relevant when considering smaller enterprises or businesses regarding short-term initiatives due to it generating quicker profit and lower costs as well as a decrease in risk (ibid). These different theories could all show relevancy in both proactive and reactive internationalisation due to the various business landscapes of modern business but are not relating directly to the tooling industry (ibid). The tooling industry, according to Pusavec and Kenda (2014), has highly accelerating demands regarding innovativeness and quality. Demanding business to either capitalise in producing new solutions and acting proactively or through saturation, being forced to act reactively as it is considered less riskful (Czinkota et al., 2014).

Mockaitis, Vaiginienė and Giedraitis (2006) argue that most manufacturing companies show a low level of internationalisation, even though expressing the desire for a proactive firm. This implies that due to uncertainty manufacturing firms tend to crawl into defensive positioning even though arguing over the benefits of a proactive strategy. Increasing the knowledge of a proactive contra reactive approach when internationalising, is according to Albaum and Duerr (2011) growing in importance when entering the 21st century. Gardner Research (2014) stresses the rising competition from the Asian region, implying that there are necessities for European industry to develop their strategies to stay competitive. This creates a big eye-opener for SMEs to choose whether to act offensively (proactive) or defensively (reactive) in their approach towards internationalisation (Albaum and Duerr, 2011).

1.2.2 The scientific research gap

The internationalisation of firms has been studied for many years with the first studies presented in the latter 18th century, a process that over the course of 200 years have led to both economic and behavioural theories of internationalisation (Smith, 1776; Ricardo 1817; Johanson and Vahlne, 1977; Cavusgil, 1980; Dunning 1977; Dunning, 1980). Smith (1776) and Ricardo (1817) argue over the economic view of internationalisation, stating that nations will benefit from trade if dedicating resources within the production. These theories were later developed by Hecksner and Ohlin (1933), where they discuss countries and their tendencies to specialise in the production of goods and services.
Hymer (1960) argue that internationalisation of firms is a strategy in which companies aim to capitalise on special capabilities which foreign markets lack. This correlates to what Czinkota (1982) studied, arguing that companies with proactive intentions tend to capitalise on their advantages before others can catch up (ibid). Theories are giving companies knowledge about proactive internationalisation but without putting it into its context.

Additional research on firms gaining advantages staying within their home country shows how reactive internationalising, through waiting for saturated markets could end up advantageous by implementing the product life cycle (Vernon, 1966; Czinkota et al., 2004). Williamson (TCA) (2010) and Dunning (OLI) (1988) both also provide frameworks about deciding the most appropriate entry mode to gain advantage and keep costs low. The two theories both supplement proactive and reactive reasoning, which is whether to act offensively or defensively (Czinkota et al., 2004). The behavioural perspective is consisting of more recent studies. Johanson and Vahlne (1977) together with Cavusgil (1980) are two well-cited researchers whom both influenced the interpretation of internationalisation strategies of firms. The research by Johanson and Vahlne (2009) argues that the internationalisation of businesses involves gradually increasing steps and that different company characteristic determine the pace of each internationalisation. They also stress the importance of networks as an influential part of today’s business (ibid). Håkansson and Snehota (2006) further argue that no firm is an island and that business is done with several partners. The Uppsala Model by Johanson and Vahlne (1977; 2009) being one of the first behavioural theories whom influenced the internationalisation of firms has later been challenged by more recent research, stressing the inadequateness of the model (Axinn and Matthyssens, 2002; Kubickova, 2013). Oviatt and McDougall (2005) later argued that the Uppsala model does not apply to all firms since some firms are international right in the start-up phase. These companies are named international new ventures (INV) and are a result of the world becoming more globalised with technical development simplifying communication (ibid).

Whether choosing the Uppsala model (Johanson and Vahlne, 2009), TCA model (Williamson, 2010) or any other approach, the decision of going international is either reactive or proactive. This means that companies either internationalise due to internal circumstances or external circumstances (Zahra and George, 2002). Research explains how a firm behaves when taking a proactive or reactive decision, they either act or react. Proactive firms, for instance, are participating in international fairs. Engaging in fairs often being characterised with the willingness of taking greater risks due to the provided cost they bring (Lumpkin and Dess, 1996). Firms being reactive are characterised by being less willing to take risks and are not seeking new customers intentionally, instead, they are evolving alongside the market (Czinkota et al., 2004). Research covering how reactive and proactive decisions influence companies is noticeably limited. Furthermore, the tooling industry is rapidly changing with technical developments and new innovative solutions, forcing manufacturers to invest in new strategies to cope with the pressure from competing countries. There is, therefore, the need to gain knowledge about the...
impact of proactive and reactive factors on the internationalisation of the firms in the industry.

1.3 Research Question

How do reactive and proactive factors influence the internationalisation of Swedish SMEs in the tooling industry?

1.4 Purpose

The purpose of this thesis is to examine how reactive and proactive factors influence the internationalisation of small and medium-sized enterprises within the tooling industry. The authors achieve this through a phenomenological study of the internationalisation of four firms. The thesis aims to provide knowledge for companies entering new markets and to help decision making and improve awareness about proactive and reactive factors regarding internationalisation. The outcome of the study may be of interest especially for firms operating in the Swedish tooling industry, and the result may contribute to filling the existing research gap.

1.5 Delimitations

The empirical study is limited to only focus on SMEs working within the tooling industry that are located in Småland. Furthermore, the empirical data will not derive from companies producing or selling hand-operated tools.
1.6 Outline

Introduction
- In the first chapter a background of the industry and the relevant topics in the thesis will be presented, thereafter a problem discussion and purpose of the study. Having delimitations and outline finishing chapter one.

Literature Review
- Chapter two will present relevant theories in depth, theories being researched and later on having an impact in forthcoming chapters in terms of foundation for the analyse.

Methodology
- Chapter three will include the chosen methodology alongside the different motivations and decisions of the thesis.

Empirical Findings
- Chapter four will introduce the empirical findings gathered from selected interviews, starting of with an introductory part then progressing into the presentation of the empirical data.

Analysis
- Chapter five connects the theory with the empirical findings, comparing each individually and thereafter interlacing them to localise patterns and differences.

Conclusion
- In the last chapter a conclusion of the analysis and its findings will be presented, allowing for an answer to the research question of the thesis.
2 Literature review

In this chapter, the theoretical framework will be presented. The chapter begins with presenting the tooling industry and its characteristics. Further on the concept of internationalisation of firms will be presented, where the best-known and accepted theories among researchers have been chosen. This is followed up with research on small and medium enterprises’ internationalisation process. The last two sections will explain the concepts of proactive and reactive internationalisation. The chapter will be concluded with a conceptual framework showing how theories presented relate to each other.

2.1 Internationalisation

Internationalisation of firms has been studied for decades. The studies are many and differ in approaches. During the years, two main perspectives have been developed regarding internationalisation theories, the economic view and the behavioural view. The economic view theories stretch back to late 18th century with its first contribution trade theory by Smith (1776) and Ricardo (1817). The behavioural theories, on the other hand, were contributing with research first in 1960’s (Cyert and March, 1963). These two research streams differ in focus. The economic view is focusing on why firms internationalise while the behavioural focus on how firms internationalise (ibid).

2.1.1 Economic view

Three theories belonging to the economic stream of research are the transaction cost analysis (TCA) by Williamson (2010), the OLI framework by Dunning (1988) and the product life cycle theory by Vernon (1966). Transaction cost analysis has its background in Coase's (1937) thoughts on that firm and markets differ in their respective transaction cost. Coase viewed the firms and markets as an alternative form of governance (Williamson, 2010). According to Ellram and Billington (2001) transaction costs are associated with the costs needed to run the system, whether it is a transaction inside the firm or outside. Coase (1937), stating that if firms can withhold a lower price within the firm, instead of achieving it by outsourcing, it will continue to grow. Williamson (2010) explains that the interaction and activities between buyer and seller can be seen as friction. High friction is equal to the high cost for performing activities with another partner and if the company itself can do these activities less costly, internalisation is a fact (ibid).

Dunning (1988) developed the eclectic paradigm, also known as the OLI framework, for firms to use when going abroad. Dunning argues that when a firm is willing and prepared to internationalise its production, three main conditions have to be analysed. These conditions are as follows; the ownership advantage (O), the locational advantage (L) and internalisation advantage (I) (ibid). Ownership advantages are intangible assets
such as; trademarks, know-how, entrepreneurial skills and production techniques. These assets are the competitive advantage a firm possess contrary to firms from other countries. When a company possess these advantages, the more likely it is to engage in foreign production (Dunning, 1988). The locational advantages concern the production, communication and distribution of product and services sold. This means that labour, freights, material and other resources have to be cheaper in the entered market or else the new market will be served by export (ibid). The (I) in this framework means that if it is cheaper to utilise its advantages inside another country, internalisation is a fact. However, if not, externalisation or selling through an intermediary might be the best choice (Dunning, 1988). Consequently, the more advantages identified through the OLI framework, an entry mode with a high level of control will be chosen (ibid). The product life cycle theory developed by Vernon (1966) explains that firms in its initial stage of internationalisation are market oriented. In a more mature stage, the firm's decision of further expansion tends to be more cost orientated. Vernon explains that production is first favourably conducted in the home country with products sold through export. The next stage of internationalisation is to move production into a market where the demand is high (Vernon, 1966). When the products become standardised, and competition arise, the next step is to find a location where mass production best can be exploited. These locations are of less developed countries such as China with its cheap labour costs (ibid).

### 2.1.2 Behavioural view

The research on international behavioural theories has been widely studied throughout the decades, with major articles working as the main foundation for present studies (Johanson and Vahlne, 1977; Petersen, Pedersen and Sharma, 2003). Johanson and Vahlne (1977) are often being referred to by researchers when studying the phenomena of internationalisation processes due to their work with the Uppsala Model. They argue in their early work that internationalisation of firms comes because of a gradual increase in international involvement due to factors such as psychic distance, committed resources and perceived opportunities (ibid), emphasising the importance of culture when considering potential internationalisation and underlining the strength of experiential knowledge as a drive towards successful expansions. Forsgren (2002) further argue that the Uppsala model is focusing on the concept of knowledge, meaning that firms are enabled to deal with uncertainties through learning different markets.

In their latter work, Johanson and Vahlne (2009) describe the emerging importance of relationship as a key factor for successful internationalisation and as something that influences today's internationalisation. Therefore, Johanson and Vahlne decided to revise their model from 1977 to a new model emphasising to a greater extent on networks (ibid). In the former model, Johanson and Vahlne (1977) argued that the main barrier for internationalising is the psychic distance between firms doing business abroad. However, in the latter model, they stress the importance of being part of a network and argue that the main barrier for internationalisation rather is outsidership (Johanson and Vahlne, 2009). However, stressing the importance of network has been studied by a
great number of other researchers (Coviello, 2006; Moen, Gavlen and Endresen, 2004; Zain and Ng, 2006). The network theory has its foundation based on the collective conclusion that no firm is an island, business is conducted by multiple parties (Håkansson and Snehota, 2006). Johanson and Mattsson (1988) argue that a network is a link to other networks and markets, both domestic and foreign. Hence, internationalisation through a network approach is a process where the firm is establishing a position in a foreign network (ibid). Utilising the different actors within a network can be especially useful for SMEs since they can help to overcome barriers more efficiently (Jaklič and Svetličič, 2005). SMEs are therefore expected to be striving towards establishing alliances and relationships to a greater extent when internationalising their business (McDougall and Oviatt, 2000).

2.1.3 Modern behavioural view

The last decades of technological development have simplified how firms communicate, broadening the overall access to information (Knight and Cavusgil, 2004). The rapid information flow changed the business climate and during this era, a new breed of companies was born. These firms are called Born Globals (ibid). Historically small and medium-sized enterprises had no chance to internationalise due to lack of financial strength and international experience. However, the ease of communication, easier accessed information, development of production and logistic systems have opened up opportunities for small and medium enterprises. Development of infrastructure and other factors associated with globalisation together contributed to the feasibility of competing international (ibid).

Born Globals are often seen as an alternative to traditional models of internationalisation among other researchers (Madsen and Servais, 1997). This new breed of firms is early adopters of international activities and is expanding across country borders close to the start-up day (Knight and Cavusgil, 2004). Born global firms are often characterised for being highly innovative and entrepreneurial. These characteristics drive the firm to find potential markets and serve the customers there optimally (ibid). Knight and Cavusgil (2004) found that various orientations and strategies were used by born global firms in order to succeed. Additionally, identifying these strategies have shown to be very useful for firms who aims to internationalise their business, since the business climate has changed significantly after the first models of internationalisation were released. Madsen and Servais (1997) argue that firms coming from small domestic markets have a higher propensity of becoming a born global firm than firms with a large domestic market. However, if coming from a large domestic market, patterns have shown that the products provided by the company often are high-tech products.

Glaum and Oesterle (2007) support Madsen and Servais (1997) by arguing that the company's market is the key factor behind an internationalisation decision. If a company works within a market of a well-scaled economy it may not need to consider an
internationalisation, whereas on the contrary, if a company operates within a small country, they may be forced to internationalise.

International New Ventures (INV) is another new breed of firms which has emerged during the same era as the Born Globals (Fan and Phan, 2007). They share almost the same characteristics and are both seen as main opponents to traditional internationalisation models (ibid). The main difference between International New Ventures and Born Globals is that Born Globals are involved in international activities in three years from start-up and often with markets geographically close. International New Ventures, on the other hand, are involved in international activities at an earlier stage and the choice of markets can be widely spread (ibid). Oviatt and McDougall (1994) argue that International New Ventures begin their foreign expansion with a proactive strategy, in contrast with traditional internationalisation strategies, such as the Uppsala model by Johanson and Vahlne (1977). Further on, these firms are also characterised by being particularly innovative and operating in advanced technology industries (ibid).

Internationalisation of a firm does not happen by chance, someone or something must affect the firm in order to initiate an internationalisation process (Walsh and Ungson 1991; Winter, 2000). These agents or events are known as triggers for internationalisation (ibid). Rundh (2007) came to the conclusion that no factor will alone initiate the process of internationalisation, it is rather a number of factors together triggering the implementation of international activities. The triggers can be divided into two categories, external triggers and internal triggers (Zahra and George, 2002).

2.2 Internationalisation of SMEs

Lu and Beamish (2001) mention that small and medium sized enterprises (SMEs) are expected to continue to grow due to a continuous decrease of government-imposed barriers. For example, most governments have signed the WTO agreement, which encourage trade, and support the interaction between countries by lowering tariffs and other barriers (Hamilton and Webster, 2015). Researchers have shown that small and medium-sized enterprises face greater constraints in a growth process due to limited access to finance from external sources (Svetličič, Jaklič and Burger, 2007). SMEs are also less expected to get themselves involved with foreign direct investments or other activities being influenced by high levels of resources (ibid). Thus, if politicians and policymakers are striving for a prosperous business climate, the financial and institutional development is of great importance, since easier access to capital will compensate the size of different firms (Beck and Demirguc-Kunt, 2006). As a result, legal and financial stability within a country has shown to increase the presence of SMEs, resulting in intensifying their growth (ibid). Leonidou (2004) further explains that barriers to SMEs’ foreign activities can be divided into two categories, external and internal barriers. The internal barriers are those existing within the firm which the company can control or change. The external barriers are the surrounding environments such as foreign markets and societies, which the firm cannot control (ibid). Entering a
new market also consists of entering a new culture and business landscape (Rahman, Uddin and Lodorfos, 2015). Cultural barriers can be seen as factors in the surrounding environment hindering and disturbing the flow of information and communication (ibid). For instance, language, education, culture, political and industry standards are all factors that might affect firms when doing business in a foreign market (Rahman et al., 2015).

Internationalisation through geographical expansions is mentioned as an important growth strategy for SMEs (Barringer and Greening, 1998). Furthermore, small firms are increasing in importance within countries, due to their economic contributions, such as increasing employment rates, innovativeness and wealth creation (Bell, Crick and Young, 2004; Svetličič, Jaklič and Burger, 2007). Continued growth is expected due to advancements within the technology sector (Lu and Beamish, 2001), the technology sector not only opening doors for SMEs but also allowing the introduction of fiercer competition between SMEs and companies of other sizes (Svetličič, Jaklič and Burger, 2007). For SMEs to remain globally competitive, they are according to Kleindl (2000) forced to invest into the latest technologies. Kleindl (2000) further states that lowering operation costs, heightening productivity and reassuring quality is becoming increasingly important for SMEs when relating to global competition.

According to Svetličič, Jaklič and Burger (2007) SMEs have more similarities than dissimilarities when comparing them with the larger companies regarding feasibility for internationalisation. Singh, Garg and Deshmukh (2008) refer to the majority of SMEs as flexible with shorter time span for decision making, hence responding quicker to customer needs than larger enterprises. Lu and Beamish (2002) argues that an early adaptation to internationalisation increases the chances of economic growth. Hilmersson and Johanson (2015) supporting the prior theory, arguing that a company heightens their chances of success by internationalising in their early stages. They both mean that SMEs have the advantage of being able to pursue early internationalisation as a result of their flexibility and easy orientation into new markets (Hilmersson and Johanson, 2015; Sing, Garg and Deshmukh, 2008). Miller and Toulouse (1986) argues that a weakness for SMEs is their incapability to differentiate within the market due to financial restraints. They are stating that even though acting flexible, SMEs still tend to strategise as result of their economic situation (ibid). They further argue that larger firms have an advantage due to their capability to spread costs more evenly (Miller and Toulouse, 1986).

Chelliah et al. (2010) argue in their research that age of firms correlates to negative results regarding internationalisation. Lu and Beamish (2002) strengthening this theory when arguing that firms of older age have their routines, welded establishments and the unwillingness to pursue new markets. Raymond, Bergeron and Blili (2005) argue that there are benefits of having an experienced leader when discussing SMEs, stating that experience correlates to flexibility and integration. Raymond, Bergeron and Blili (2005) further state that experienced leaders possess richer information when searching for potential customers and new technologies. Miller and Toulouse (1986) also argues that
leaders contribute with flexibility for SMEs, though with certain weaknesses. Flexibility is according to Miller and Toulouse (1986) resulting in higher risks and less formal decisions. Lloyd-Reason and Mughan (2002) argues for the great influence a manager’s characteristics have on the SME’s market behaviour. More specifically, the orientation of the owner-manager often determines the firm’s international activities and which path to follow (ibid). Cavusgil and Godiwalla (1982) argues that an internationalisation process of an SME often lacks logical steps presented in well-known theories such as the Uppsala model by Johansson and Vahlne (2009). Consequently, the process is instead based on the owner-managers’ instincts, perceptions and personal views of internationalisation, which tends to be hard to explain with theory (Cavusgil and Godiwalla, 1982). Lloyd-Reason and Mughan (2002) argues that traditional internationalisation theories tend to examine large-scale enterprises (LSE), hence one might find the internationalisation process of SMEs illogical when applying them to traditional theories.

According to Skiver, Hong and Lee (2013) one of the contributors towards the continuous growth of SMEs is the development of e-commerce. E-commerce is allowing for a faster spread, hence widening the business network for future SMEs (ibid). Another key factor behind the internationalisation of SMEs is according to Chetty and Blankenburg Holm (2000) the importance of networks. They are stating that networks contribute with integration, penetration and extension within internationalisation (ibid). The different parts, according to Johanson and Mattson (1988) focusing on the different influences the individual business network have. They are further stating that extension is targeting the newly achieved market and penetration is focusing on developing their already existent market and integration, focusing on strengthening their position within their networks (ibid). Coviello and Martin (1999) argues that the network approach is the most valid theory when explaining service directed SMEs internationalisation processes. Gibson, Leigh Gonzales and Castanon (2006) argue that the reputation is the single most important asset. Further research has shown that a good reputation of a firm is equal to organisational success (ibid). Both positive and negative rumours will affect a firm’s success when spread throughout a network (ibid).

2.3 Proactive Internationalisation

Proactive internationalisation is considered as the self-influenced part of internationalisation (Stewart and McAuley, 1999) seeing it is approached through the interest of exploiting ideas and possibilities within chosen markets. One of the biggest reasons behind proactive internationalisation is the desire of strengthened economic profitability (Czinkota and Ronkainen, 2013). According to Czinkota and Ronkainen (2013), one of the motives behind a successful proactive internationalisation lies within the creation of a unique or technological solution to a problem. Albaum, Strandskov and Duerr (2002) consolidate on the fact that a new product or competence eases the entering of a new market. A proactive firm characterises as a firm that continuously
seeks for opportunities outside their present activities, exploring new markets or
countries and doing so with intent (Lumpkin and Dess, 1996). According to Clercq,
Sapienza and Crijns (2005), being proactive correlates to the willingness of taking risks
and following those out to make economic gains through learning of new activities and
markets. Technological advancements are seen as one of the key elements to stay ahead
of the competition, something that proactive firms are more willing to invest in than the
competition (Dvir, Segev and Shenhar, 1992). As previously mentioned, there are
different triggers of internationalisation (Zahra and George, 2002) External triggers
correlating to reactive strategy and Internal triggers to proactive strategy (ibid).

Forsman, Hinttu and Kock (2002) studied Finnish SMEs internationalisation process and
found that there are three main triggers for internationalisation. These are as follows (1)
Management’s interest in international business; (2) Inquiries about the company's
products and services from abroad; (3) Insufficient demand in the domestic market.

According to Zahra and George (2002) proactiveness emerges because of internal
desires and is therefore not affecting the entire industry at first hand (Zahra and George,
2002). Internal triggers could be a perceptive management, where the manager has
experience and interest in foreign markets, an interest which later influences the firm to
seek opportunities abroad (ibid). The managerial attitude is further supported by Bradley
(2005), stating that managers play an important role towards acting on new activities
and seizing opportunities in new markets. Albaum, Strandskov and Duerr (2002) also
concluded on the fact that SMEs are dependent on the managerial factors when deciding
to enter a new market. A positive attitude is a key factor when implementing a new
internationalisation process (Albaum, Strandskov and Duerr, 2002; Bradley, 2005).
Morgan (1997) further argues that there is a connection between the characteristics
of the owner-manager and the firm’s inception of export activities, meaning that the
orientation of the owner-manager is the main factor influencing a firm’s initiative to
international activities. The orientation of the owner-manager may derive from different
events and experiences such as; the manager had lived abroad, being multilingual or has
gained experience from previous international activities (Lloyd-Reason and Mughan,
2002).

Research also shows that a new employee with experience from international trade
might be a trigger for the implementation of foreign activities (Forsman et al., 2002).
Firms active with inward internationalisation will through the interaction with foreign
partners gain experience and knowledge of international business, such knowledge and
experience might later be a trigger for implementation of outward activities (ibid). Other
studies have identified the impact of trade associations and other external experts which
may have an impact on firms going abroad (Freeman, Edwards and Schroder, 2006).
Managers involved with both formal and informal meetings, participating in conventions
or being a member of a trade association has shown to be more open for international
activities (ibid). Crant (2000) explains a proactive behaviour is characterised by a firm
which is actively trying to improve circumstances or create new ones. Furthermore,
being proactive involves breaking the status quo rather than passively adapting to external circumstances. Moreover, proactiveness is the equivalent of activeness, being active in wanting to improve things and not being afraid of seizing opportunities (Crant, 2000). In addition to the internal triggers of internationalisation, there is also a concept known as pull factors, which are very similar to the internal triggers (Etemad, 2004). However, the pull factors are said to pull the firm out of its comfort zone into the international arena (Etemad, 2004). For instance, an increasing demand for a certain product or service in a foreign market might be opportunistic, as a result attracting foreign firms to reap the benefits there (ibid).

<table>
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<tr>
<th>Table 1 - Summary of proactive factors</th>
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<tbody>
<tr>
<td>Desire to exploit new territories and markets</td>
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<tr>
<td>Actively seeking opportunities</td>
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<tr>
<td>Managers interest in international business</td>
</tr>
<tr>
<td>Experienced employees in International business</td>
</tr>
<tr>
<td>Participating in formal/informal meetings and conventions</td>
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<tr>
<td>Governmental policies</td>
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Source: Own Table based on literature review

2.4 Reactive Internationalisation

Some firms expand internationally with incremental steps in a manner which is not planned or with a set direction to follow (Albaum *et al.*, 2016). A reactive market selection approach is characterised by firms choosing markets passively. In other words, the firm, waiting for unsolicited orders or until other foreign actors are taking the initiative for business. The firm does not actively seek foreign customers, instead, they are responding to the situations occurring around them (ibid). Characteristics of a passive market selection are inquiries from foreign firms with direct contact or through an export agent. These situations could also be interpreted as external triggers (Bower and Christensen, 1996). External triggers are events that could change the whole industry, triggers such as revolutionary innovations or new technological advancements (ibid). Katsikeas (1995) found that unsolicited orders from foreign actors are the most stimulating reactive factor to international activities. Even though Katsikeas (1995) study examined companies with some experiential knowledge of export, the result showed that these firms tended to be reactive to internationalisation, however, proactiveness towards export activities increased when further knowledge was gained.

Leonidou (1995) argues that larger firms are more stimulated by proactive factors, while smaller firms tend to be more reactive in their internationalisation process. Leonidou (1995) further argues that firms with greater resources tend to be more open seeking opportunities abroad. Westhead, Wright and Ucbasaran (2001) argue that smaller firms with limited resources often are pulled into internationalisation by larger firms or
external agents. This comes as a result of the larger firm deciding to exploit international opportunities. The smaller firm being forced to internationalise to retain the larger firm as a customer. Therefore, Westhead, Wright and Ucbasaran (2001) suggest that small firms are reactive rather than proactive exporters since the decision of going abroad is made by the larger firm. Other reactive motives for internationalisation are when firms are responding to events and alterations occurring around them (Czinkota et al., 2004). A growing international market demand for certain products could influence internationalisation activities within firms (Zahra and George, 2002). Pressure from competing firms or trade through associations may also trigger foreign activities (ibid). Furthermore, network partners may encourage firms to do business within their networks, granting them access to foreign customers (Freeman, 2002). Jones and Coviello (2005) further argue that firms within a network may offer both external and internal linkages leading to opportunities other firms find beneficial. Banks, governments, chambers of commerce and export agents may all act as triggers for internationalisation (Freeman, Edwards and Schroder, 2006). Calof and Beamish (1995), strengthening previous theory, arguing that government policies might trigger the firm to internationalise. These decisions are affecting the industry, triggering firms to seek opportunities abroad (ibid).

It is argued that a small home market is a motive for firms to internationalise. This motive does not appear as a certain event. It is rather a consequence of the firm growing too big (Albaum and Duerr, 2008). Treagold and Davies (1988) support this statement, but they have chosen to call it a push factor. They argue that the small home market is pushing the firm out of the domestic market into the international arena. This occurs when the firm are facing problems in the home country, such as slow growth or market saturation (ibid). Furthermore, overproduction and a saturated domestic market might also force firms to seek new customers across country borders (Czinkota and Ronkainen, 2010).

In contrary to proactive decisions takers, the reactive decision takers do not see the advantages of going international or do not possess knowledge of doing so. Hence, they are responding to the environment rather than designing their path (Czinkota et al., 2004). Firms being reactive to the environment are also identified as being conservative (Clercq, Sapienza and Crijns, 2005). Conservative firms have shown to be less successful in an international arena due to their defensive approach of internationalisation. These firms are often less willing to take risks or perform aggressive actions (ibid).
2.5 Tooling industry

The tooling industry is characterised by innovativeness and a relatively high degree of added value (Tepes et al., 2015). Gebauer, Gustafsson and Witell (2011), supporting the prior statement, arguing that in today’s industry, manufacturers have developed a differentiation through service. Furthermore, the industry plays a major role regarding product development and manufacturing due to the influence a tool has on production and its efficiency. For instance, producing parts for one car model requires up to thousand tools (Tepes et al., 2015). Tepes et al. (2015) argue that due to the high degree of know-how in the industry, the innovativeness and high-tech systems tends to influence the development of other activities linked to the production of tools.

Expensive investments and effectiveness within the organisation are two other characteristics that according to Boter and Holmquist (1996) represent the manufacturing industry. Furthermore, they argue for the importance of other factors such as equipment, workers and workflow. Boter and Holmquist (1996) even though stressing the importance of equipment and an effective organisation, states that a common denominator for manufacturing industries are their unwillingness to try new methods and business ideas. Schuh, Boos and Völker (2010) supports this by arguing for SMEs unwillingness of taking risks. Further on, their inflexibility resulting in an ignorance of opportunities and sourcing from low-cost countries (ibid).

Canis (2012) explains that managers of tooling firms main concern are the lack of educated staff needed for their activities. Some managers further explain that a less skilled workforce affect the production, resulting in a weaker quality (ibid). Tepes et al. (2015) argue that the main struggles in the future for European tool manufacturing SMEs will be to produce sophisticated, complex tools while still offering a high added value. They further argue that the main threat derives from less developed countries and their firms able to offer lower prices (ibid). However, fierce competition can be dealt

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<th>Table 2 - Summary of reactive factors</th>
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<tr>
<td>Insufficient demand in domestic market</td>
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<tr>
<td>Overproduction</td>
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<tr>
<td>Unsolicited orders</td>
</tr>
<tr>
<td>Responding to other actors initiative for business</td>
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<tr>
<td>Events changing/revolutionising the Industry</td>
</tr>
<tr>
<td>Competition</td>
</tr>
<tr>
<td>Slow growth in domestic market</td>
</tr>
<tr>
<td>Network partners</td>
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<td>Governmental policies</td>
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Source: Own table based on literature review
with, by offering customers sophisticated and innovative tools with technical solutions the European firms will stay ahead of their competitors (Semolic, 2007). Additionally, through effective use of local production, know-how and procurement of resources from low-cost countries integrated into one supply chain, competition can be fought (ibid). Laforet and Tann (2006) stress throughout their research the importance of staying innovative within the manufacturing industry. In addition, they emphasise the role of managers, as having a big influence whether firms stay innovative or not (ibid). Laforet and Tann (2006) also stated that innovative firms tend to nurture their employees more, empowering them in decision making towards different set goals.

Raymond and St. Pierre (2004) argue that manufacturing firms tend to have lower unique numbers of customers and that their major clients embody in general half of their sales. They further state that companies are being characterised as dependent on these clients, a factor often resulting in smaller proportions of employees due to lower activity (ibid). According to a study made on Slovenian SMEs active in the tooling industry, the average tooling company employs 23 people (Tepes et al., 2015).

Tooling manufacturers have not been characterised by having active interaction with their customers. Instead, the relationships consisted of sporadic interaction since the selling process was project based (Schuh et al., 2015). However, this is about to change as a strategic move by some European tooling manufacturers. By integrating into the product development process, buyer and seller become interdependent, and services deliver added value (ibid). Value added services such as quick repairing are rapidly increasing among tool manufacturers in advanced countries as a way of differentiating themselves from competitors. However, the challenges of providing such service are the cost of travels and the amount of time it takes to reach customers production site if exporting tools globally (Schuh et al., 2015). Schuh et al. (2015) argue that the costs for travel could be reduced by implementing a service platform where licenced local service partners could deal with service on site. This will enable European players to export globally with value added services combined (ibid). In a study on European tooling manufacturer’s competitiveness, it is argued that they need to use their knowledge together with information and communication technologies (ICT) as a competitive advantage (Hauser et al., 2011).

In a survey made by Ginige (2004), it is explained that SMEs exploring the advantages of ICT has changed its way of doing business. The survey is based upon manufacturing firms where the tooling industry is included. Ginige (2004) argues that advantages such as geographical proximity are rapidly decreasing due to new capabilities enabled by the internet. For instance, firms can link up with their customers face to face through communication platforms to set up meetings and exchange information (ibid). Tan et al. (2009) argue that exploiting the advantages of ICT will help firms to gain larger market shares and to cope with competition from larger players. Additionally, firms actively using ICT are bringing different countries together, attracting new potential customers to its products and services (ibid).
2.6 Conceptual framework

The literature review has shown the suggested influence proactive versus reactive approaches have on SMEs in their international adventures. The conceptual framework model below illustrates how internal triggers influence companies in the tooling industry to be proactive when going international. The model further show that external triggers influence firms to be reactive towards internationalisation. Thus, the internationalisation process of Swedish tooling firms originates from internal or external triggers influencing the companies to be either proactive or reactive. The internal and external triggers influence the choice of approach when Swedish tooling firms enter new markets and decides how to operate within them. Consequently, the conceptual framework model illustrates the different factors involved in the internationalisation process of Swedish tooling firms.

![Conceptual Framework](source: Own model based on literature review)
3 Methodology

In the following chapter the methodological framework will be introduced and explained. Throughout the chapter, different decisions will be presented, starting with the chosen research approach, followed by the selected method of the study together with other key subjects that will come to determine this thesis. Subjects such as research design, data collection and operationalisation to name a few. In general, each part will include justifications behind the choices of action.

3.1 Research Approach

The research approach chosen is the correlation between previous theories and the empirical data collected (Patel and Davidson, 2011). Traditionally, a research study is conducted with an inductive or a deductive research approach. The former has its genesis in empirical data, and the latter originate from theory. More specifically, the inductive approach is a sample of observations aiming to find a general pattern. The identified pattern from the collection of cases is later valid as a general truth in the field of study (Alvesson and Sköldberg, 2009). In contrast with the inductive approach, the deductive originates from one general truth and already known premises, which is later applied to any single case (ibid). Alvesson and Sköldberg (2009) argue that the deductive approach is lacking the explanatory element, hence, avoiding explanation and disregards trends and underlying patterns.

The deductive approach moves from theory to data while an inductive approach moves from data to theory. The abductive approach, on the other hand, moves back and forth (Suddaby, 2006). The signification of the abductive approach is that a specific case is interpreted through an overall hypothetical pattern, as it was true. The interpretation should later be verified through new cases. This method has features of both the inductive and deductive approach. However, Alvesson and Sköldberg (2009) stress the importance that the abductive approach is no simple mix of the two traditional approaches. Instead, it contributes with new elements. The abductive approach starts with empirical data as a foundation. However, it endorses previous theoretical preconceptions as deductive when the hypothesis is tested on new cases (Alvesson and Sköldberg, 2009). Through new cases, the original hypothesis will be developed and extended, resulting in a more general hypothesis (Denzin and Lincoln, n.d.).

Dubois and Gadde (2002) argue that an abductive approach simplifies the process of identifying patterns, build a deeper understanding and ease decipherment of empirical and theoretical phenomenon. In contrast, Morgan (2014) argues that all researchers are biased to some extent, hence, the researcher's preconceptions before conducting a study might impact the result negatively. Consequently, the researcher might construct a hypothesis which excludes other possible interpretations (ibid). It is of great importance
that the researcher is retentive to all interpretations. Otherwise, there is an obvious risk of verifying the hypothesis in the abductions deductive phase (Morgan, 2014).

Since this research departs from both theory and reality, an abductive approach was found to be most suitable. The author’s interest in the tooling industry where first caught through articles in magazines, where the situation of Swedish tooling firms were explained. It was identified that Swedish tooling firms struggled with competition from low cost countries which forced them to seek potential across country borders. Therefore, the authors of this thesis considered the internationalisation process and its underlying causes should be examined closer. The internationalisation of firms is something that is well studied, however, not in the context of Swedish tooling firms. Since the interest of this study came from empirical observations, the authors went to literature to find further inspiration and knowledge regarding the phenomenon. The information from previous research enabled the authors to define concepts and structure the study. However, no hypothesis was constructed, since the overall understanding about the topic was insufficient to do so. In such situation Saunders, Lewis and Thornhill (2012) argue that the abductive approach is most appropriate.

3.2 Research Method

Kumar (2014) describes research method as a process of which a study finds the answer to a selected question. Whether it is through a qualitative or quantitative approach, the motive stays the same, gathering data to eliminate uncertainties (ibid). Quantitative method is often being considered as shallow, less in-depth as it is founded in collecting data from numbers (Denscombe, 2016; Kumar, 2014). A quantitative method is often correlating to general answers, hence not allowing for in-depth conclusions (Denscombe, 2016). The qualitative method is more often adapted into studies of smaller scales, granting the accessibility to enter more in-depth interviews, hence resulting in focused answers (Denscombe, 2016). Collecting data for a qualitative method often consists of conducting interviews, exchanging documents or observing patterns (Denscombe, 2016). These actions have a common denominator which is the flow of communication between two partners. Furthermore, the qualitative approach is often recognised as the more flexible approach and is often being used when there is limited research to gather on the chosen topic (Merriam and Tisdell, 2016). The qualitative research method is characterised by closeness to its research objects (Holme and Solvang, 1997). Holme and Solvang (1997) further argues that if researchers aim to build an understanding of situations which companies, people and groups are facing daily, they have to come up-close. Another characteristic of qualitative research is the ability to reflect interviewee’s real opinions and viewpoint of a phenomenon (Yin, 2013). Further on, Yin (2013) argues that this is the main purpose of a study since the events and ideas revealed in qualitative research are the interviewees own perception of life and not the values and preconceptions of the researcher (ibid). The qualitative research, contrary to quantitative research, also can encircle the context and surrounding
circumstances of a phenomenon, which might have great impact on people’s way of living and acting in a situation (Yin, 2013).

Our thesis will be using the qualitative method due to the nature of the research question. Since conducting a study on the differences between proactive and reactive and its influence on different companies, the necessity of a qualitative interview guide was a fact. Another contributing factor towards choosing the selected method was the inadequate theories and their approach towards proactive and reactive internationalisation within the tooling industry. This method provides with the necessary foundation to guide the empirical data gathered into a topical conclusion, a conclusion contributing to the diminution of the presented research gap (Denscombe, 2016).

### 3.3 Research Design

The choice of research design should be made with prudence since all research designs have their pros and cons (Yin and Nilsson, 2007). Furthermore, with support from Merriam (2002) they argue that there are variables determining which design is most suitable for each study conducted. Variables such as; 1) design of problem discussion and research question, 2) level of control the researcher has over the concrete behaviour which is to be studied, 3) and if the focus is on historical or present factors (ibid). The research design shall act as a link which constitutes the logic behind the gathering of empirical data and the research question (Yin and Nilsson, 2007: Halvorsen, 1992). According to Creswell (2013), deciding whether to conduct a qualitative or quantitative research is not final, since both methods consist of directions each appropriate in different situations. When conducting qualitative research, Creswell (2013) discuss five different directions; case study research, grounded theory, ethnographic research, phenomenological research and narrative research.

When using a phenomenological research design the study is usually structured in a certain way (Creswell, 2013). The study commonly involves an introduction where the problem is discussed and the research question is presented. Further on, it involves the research procedures, the empirical data collected, followed with an analysis and completed with a conclusion (ibid). A phenomenological study is characterised by describing a mutual meaning for some individuals, who have experienced a phenomenon or concept in real life (Creswell, 2013). When carrying out a phenomenological study, the type of problem best suited is when the importance lies in interpreting several individual’s common experiences of a phenomenon (ibid). Creswell (2013) claim that data is collected through in-depth interviews with at least five participants all familiar with the phenomenon. The usage of this method allow the researcher to identify the similarities and deviations between the interviewees, the similarities identified could later create a foundation for a new phenomenon (ibid). Creswell (2013) further argues that a phenomenological research design is favourably used when studying a specific industry.
The authors of this thesis believe that Creswell’s (2013) definition of a phenomenological research design is in accordance with this thesis. Since all interviewees are active in the same industry, the tooling industry, they all ought to be familiar with the phenomenon of internationalisation of Swedish tooling firms. The data was collected through in-depth interviews with managers representing different companies. This allowed the researchers to identify similarities and dissimilarities among the interviewees, which created a deeper understanding regarding the phenomenon. The empirical data collected through the interviews contributed to fulfil the purpose of this thesis. Further on, Creswell (2013) defining the structure of a study when applying a phenomenological research design is in accordance with the structure of this thesis.

### 3.3.1 Purposive Sampling

Whenever the general problem of the thesis has been identified, a purposive sampling is in order (Merriam and Tisdell, 2016). According to Merriam and Tisdell (2016), there are two main sampling approaches known as probability and nonprobability sampling. The two differentiate regarding probability sampling being identified as more irregular, accessing statistical numbers, measuring the recurrence instead of creating an understanding of the problem (ibid). Nonprobability sampling is focusing on questions that are not aimed to be answered by quantities and frequencies. Merriam and Tisdell (2016) further explains that most qualitative research chooses the nonprobability sampling due to it generating a deeper empirical base to assist the result of given problem.

The authors of this thesis argue that a purposive sampling is most appropriate to conduct due to it creating a deeper understanding of the problem. Since there has been limited research on the topic of internationalisation of Swedish SMEs, working within the tooling industry it is of great interest to generate a deeper empirical base. When working with a purposive sampling, there is a necessity to decide the attributes of given interviewees (Merriam and Tisdell, 2016). By only conducting empirical sampling with cases that fulfil given criteria and attributes, an information rich thesis is achievable (ibid). This thesis has developed the following criteria based on chosen research question:

- **The companies must:**
  - be Swedish
  - be considered as SMEs
  - be active in international business
  - work within the tooling industry

- **Furthermore, the interviewees on given companies must:**
  - has responsibilities regarding international business
  - be in a managerial position
3.3.2 Cases

Based on the criteria provided in previous section Purposive Sampling, this thesis has derived its empirical data from selected companies and interviewees:

1. Formteknik Anderstorp
   
   Jan Aronsson, CEO & Shareowner
   Leif Fänegård, Sales Director & Shareowner

2. Formteknik Gislaved
   
   Jan Tegnhammar, Production Manager & Shareowner

3. IKV Tools
   
   Alexander Timour, CEO

4. Formteknik Bredaryd
   
   Jan Lindquist, CEO & Owner

Further introduction of selected cases is presented in 4.1 Case companies.

3.4 Data Collection

There are different pathways on collecting data, whether if it is accessing it by interviewing firms working within the research area (primary data) or selecting already researched materials (secondary data) (Ghauri and Gronhaug, 2010). To contribute to existing research gap, a usage of primary data together with secondary data collection will allow the thesis to produce an elaborative research, thus resulting in a more in depth study.

3.4.1 Primary Data

Primary data is known as the source of information being gathered by the actual author of the thesis (Merriam and Tisdell, 2016). There are different ways of gathering primary data, either by conducting interviews, observing or exchanging documents (Merriam and Tisdell, 2016). Choosing the appropriate method depends on the purpose of the research, resources available and the expertise of the researcher (Kumar, 2014). The researcher has to be aware of the limitations of each method since the most appropriate method according to theory might not be feasible in each specific study due to lack of resources (ibid). When examining a narrow research area, Ghauri and Gronhaug (2010) describe primary data as the most relevant collection of data. Further on, the research question and research design were chosen for the study to act as the foundation of what the researcher is about to collect from primary data (ibid). The most common method to collect primary data is through interviews. Ghauri and Gronhaug (2010) explain that conducting interviews provides the researcher with in-depth information and insight of a phenomenon. Face to face interviews allows the researcher to interpret body language, the voice of tone and other physical attributes since the information is gathered with
direct interaction. However, primary data can also be collected through telephone, Skype or e-mail (ibid).

In this study, primary data will be collected through interviews, thus allowing for a reliable collection of information. The majority of the interviews will be conducted face to face on site where the interviewees are working. This is allowing the authors to interpret body language and other physical attributes during the interview. One interview will be conducted through Skype due to the complications the geographical distance provides. However, conducting the interview through Skype still allow the authors of this thesis to interpret the attributes of the interviewee during the interview. Having face to face interviews allow the authors to get a deeper understanding of how reactive and proactive factors influence Swedish SMEs internationalisation in the tooling industry.

3.4.2 Secondary Data

Merriam and Tisdell (2016) describe secondary data as information being gathered from a source outside the designated research group, data that might not be connected to the same research purpose. When conducting a study, secondary data should be approached carefully to evade potential misinterpretations (ibid). Kumar (2014) explains that when collecting the secondary data, the researcher has to extract the essential information useful for the researcher to answer the research question and fulfil the purpose. According to Ghauri and Gronhaug (2010), secondary data can be collected from several sources, such as books, articles or online. Furthermore, newspapers, governmental publications and historical records may also serve as sources for secondary data (Kumar, 2014).

The secondary data used in this thesis is cautiously approached and evaluated before used in this thesis. In this thesis, the secondary data derive from conclusions on relevant studies, statistics from online sources and empirical data from other articles of interest. The secondary data will complement the primary data collected by the authors to generate a higher result of this thesis.

3.4.3 Structure of interviews

There are different structures of interviews, all of which work towards the goal of the researcher wanting to achieve a higher understanding of something outside of his knowledge gap (Merriam, 2002; Denscombe, 2016). By choosing to conduct interviews, the researchers proclaim the usage of observation as inadequate to gather necessary data due to the profound nature of the research area (ibid). There are three main structures of interviews; structured interviews, semi-structured interviews and unstructured interviews (ibid). Merriam (2002) describes the structured method as a method that has its usage in large scale questionnaires. When the study aims to test hypotheses or when quantitative results are of importance. Unstructured interviews often correlate to a greater uncertainty, where the researcher commonly does not have the adequate knowledge to direct the interview to gather necessary data (ibid). The unstructured
approach is according to Merriam (2002) an incremental approach, allowing the research to evolve gradually throughout the process of interviewing. Semi-structured interviews have its ground in between structured and unstructured interviews (Merriam, 2002; Denscombe, 2016), requiring the researchers to possess a basis of information on the research area. These interviews have their foundation in certain questions but enable the interviewee to develop their thoughts within the area (ibid).

In order to produce legitimate data to provide the thesis with the foundation to conclude with a profound result, the study will use the semi-structured interviews. The authors believe it will help this paper accomplish a more elaborate study and grant the possibility to diminish the current research gap. The usage of the structured or unstructured method, when researching about the specific internationalisation of Swedish SMEs was perceived to result in weaker results, hence strengthening the semi-structured choice for our thesis.

3.5 Operationalisation

Jacob and Ferguson (2012) argue that it is of great importance to conduct the literature review before creating an interview guide. Hence, the literature review will serve as a foundation of what is already known and a guide to ask appropriate questions providing the author with useful empirical data (ibid). Furthermore, when conducting a semi-structured interview, Kvale and Brinkmann (2015) stress the importance of designing an outline of questions aiming to cover each area of the literature review. Additionally, Patel and Davidson (2011) argue that the conceptual framework has to be linked to reality and the field of study.

Based on what has been stated above, the theoretical concepts presented in the literature review have been presented in Table 1. The interview questions (Appendix A) have later been constructed with help from this interview guide.
### Table 3 - Operationalisation

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview Questions</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background information</td>
<td>1-5</td>
<td>In order to get an understanding of the company and the respondent, we asked the respondent to tell us about themselves and briefly explain how the company operates.</td>
</tr>
<tr>
<td>Internationalisation</td>
<td>6-9</td>
<td>These questions were asked to get a picture of how the company currently work internationally. The answers in this part of the interview could also give us underlying information of how the internationalised and what triggered them.</td>
</tr>
<tr>
<td>Internationalisation of SME:s</td>
<td>10-12</td>
<td>Answers from these questions would give us understanding how Swedish SME:s operating in the tooling industry feels about internationalisation. The answers could also include underlying information linked to proactive and reactive factors of internationalisation.</td>
</tr>
<tr>
<td>Decision taking / Proactive factors / Reactive factors</td>
<td>13-22</td>
<td>Without mentioning the concepts, we were still able to decipher whether the underlying factor of internationalising is a reactive or proactive.</td>
</tr>
<tr>
<td>Concluding questions</td>
<td>23-24</td>
<td>These questions were asked to conclude what had been said and discussed in the interview. Answers given about the future allowed us to understand whether the companies in the industry will continue to seek potential abroad or not.</td>
</tr>
</tbody>
</table>

Source: Own table

#### 3.6 Method of data analysis

When conducting a thesis through a qualitative research method, the researchers collect a large amount of empirical data. The data collected needs to be organised and analysed for the authors to understand what it contains (Ghauri and Gronhaug, 2010). The empirical data collected shall serve as the author's main tool to answer the research
question (Merriam and Tisdell, 2016). Through the process of analysing the data, the author moves between units of empirical data and theoretical concepts. This process will guide the authors to the conclusion of the research (ibid).

Ghauri and Gronhaug (2010) argue that there is no general agreed-upon approach to analyse the empirical data collected. Miles and Huberman (1994) present three approaches; data reduction, data display and conclusion drawing/verification. The method reduction of data is explained by researchers (Ghauri and Gronhaug, 2010; Miles and Huberman, 1994) to have its starting point in dividing data into themes and categories. Fejes and Thornberg (2015) insisting that this can be done by codifying the empirical data. As a result, patterns might be identified and emerged through the material collected (ibid). Miles and Huberman (1994) argue that reduction of data is an ongoing process through the entire research study since the author anticipates what data to collect when the conceptual framework, research question and research approach are designed (ibid). When conducting research with explanatory purpose, Yin (2014) argues that the method of matching patterns is favourably applicable.

The empirical data collected for this thesis has been gathered through interviews with managers active in the tooling industry. The data has been thoroughly reviewed for the authors to categorise the data to its respective parts of the theoretical framework. By categorising the data relating to each concept presented and presenting each company individually, it was found easier to analyse the information. The information gathered from the different companies were analysed individually and allowed for comparison with each other. The choice of data analysis goes in line with Miles and Huberman (1994) presented above.

3.7 Quality of research

For a research to contribute with theoretical or practical knowledge in the field of study, it has to be rigorously conducted (Merriam and Tisdell, 2016). Further on, Merriam and Tisdell (2016) argue that a researcher has to account for insights and conclusions which are considered trustworthy for readers, practical users and other scholars. Merriam (2002) argues that these rules are no exception for a qualitative study, instead it is said to be more important than if conducting a quantitative study. To meet the ethical standards, there are today well-established guidelines to do so (ibid). The following paragraphs will define Validity and Reliability. Furthermore, it will explain how the authors of this thesis have considered these instruments important to retain the quality of this thesis.

3.7.1 Validity

The validity of a thesis is explained by several researchers (Yin, 2007; Merriam and Tisdell, 2016; Denscombe, 2016) as a key factor when developing trustworthy research. Validity refers to the trustworthiness of the collected data, whether it is information that could be considered to be appropriate or relevant to the purpose (ibid). Validity is the
measurement that puts the most stress on the importance of a well-thought analysis (Denscombe, 2016). Brinkman and Kvale (2015) further argue that the validity not only considers the trustworthiness of a study, it also regards if a method is examining what it intends to examine. Controlling the validity of research is not an inspection made at the end of research, it is an ongoing process throughout the phases of knowledge production (ibid). Designing a valid conclusion of a study only occurs when the different stages throughout a study are based on supportive, reasonable and defensible content (Brinkman and Kvale, 2015). Thus, the validation of each phase acts as a link between the research question, conceptual framework, operationalisation, data and the result. This leads to the researchers investigating what is intended to investigate and presenting results relevant to the research question (ibid).

The importance of validity differs when conducting a qualitative study due to the data collection requiring a more in-depth approach (Yin, 2007). According to Yin (2007), the quantitative approach is concerned to be more generalising, hence requiring the thesis to work towards validating their gathered research at a larger extent than if it was conducted by a qualitative approach. Qualitative tend to go into more in-depth discussions, thus not allowing for the full motion of self-interpretation due to the interviewee having a more influential part of the empirical material (ibid). Denscombe (2016) argues though on the potential flaw of conducting qualitative interviews, whereas the individual conducting the interview could misinterpret the data collected. Denscombe (2016) later argues on the ability to avoid misinterpretations by adapting to certain procedures after conducting an interview. One of the procedures is involving a continuous flow of communication with the interviewee to allow the interpretations to be validated by its original statements (Denscombe, 2016). Merriam and Tisdell (2016) also argue for the importance of validating the collected data by returning it to the interviewee for a secondary review. Another case of increasing the validity of the collected data is through triangulation (Merriam and Tisdell, 2016; Denscombe, 2016; Yin, 2007). Triangulation in short is describing the phenomena of validating the information by comparing it to various results, researchers and methods, thus allowing for validation through a wider perspective (Merriam and Tisdell, 2016).

In this thesis, both methods were conducted to ensure the most validated collection of data. The interviewees were given the opportunity to revise the data being collected from our qualitative interviews, thus eliminating potential misinterpretations that could have been shaped. Each interview has been studied separately and through different perspectives to withdraw valid data from the interpretations.

### 3.7.2 Reliability

Reliability is according to Merriam and Tisdell (2016) referring to the consistency of research studies, whether different studies within the same area generate equal results. Reliability correlates to two studies within the same area, both generating the same results without being connected (ibid). It assumes that there is one reality to each study, thus, saying that further studies will not grant other results (ibid).
When measuring results from qualitative studies, they tend to differ even though operating within the same network and business (Creswell, 2014), thus opposing the general idea of reliability within qualitative studies. As qualitative data establishes from in-depth interviews and the mind that no single individual is alike, the results also tend to differ (Merriam and Tisdell, 2016). The concept of generating the same results as a measurement of reliability, therefore, according to Merriam and Tisdell (2016) is inadequate about qualitative studies. Reliability from qualitative studies aims to study the consistency of the collected data, whether they steer towards the same direction or not (ibid). The measured reliability relies on that the data collected by the researchers are consistent and aligned with the presented material (ibid).

There are different strategies towards strengthening the reliability of a conducted qualitative study, which have been discussed in a prior chapter (see 3.7.1 Validity, review and triangulation) (Merriam and Tisdell, 2016). Another strategy towards strengthening the reliability of a study is to thoroughly guide the reader through the process of data collection until the result of chosen analysis, thus, stepwise introducing all underlying causes for any given conclusion (ibid). By transcribing each interview, studies are provided with a strong foundation of which will allow the reader to stepwise follow the procurement of results (Creswell, 2014).

This study has taken into account mentioned strategies and through transcribed interviews guided the reader through the data collected onto its relevant result. This together with the provided interview guide (see Appendix A) will allow full disclosure in the thesis.

3.8 Ethical considerations

Traditionally, conducting a qualitative study is known for being less complicated, however, in recent years it has become more difficult due to the involvement of ethical considerations (Creswell, 2014). Denscombe (2014) state that any study collecting data from living individuals needs to consider the ethicality aspect. Researchers conducting a qualitative study are guests in people’s private spaces. They should act with professionalism and strictly follow ethical guidelines (Stake, 2005; Merriam and Tisdell, 2016).

Except emphasising the importance of acting professional and with integrity, Denscombe (2010, p.331) present four main principles which qualitative researchers are expected to follow to meet the ethical standards:

[...] “- Protect the interests of the participants;

-Ensure that participation is voluntary and based on informed consent;
- avoids deception and operates with scientific integrity;

- complies with the laws of the land."

The first principle means that a consequence of participating in a research study should not cause harm (Denscombe, 2016). The participation should not affect the participant negatively either in short or long run (ibid). Creswell (2014) argues that the participants could be given an alias to protect their anonymity when the researchers are collecting and analysing the empirical data. Denscombe (2016) argues that anonymity is considered differently from one study to another, it all depends on the field studied. For instance, interviewees working for governmental institutions or where a study is focused on patients in health-care, the ethicality of the study should be highly considered (ibid). The second principle emphasises on interviewee's voluntary participation. No one should be forced to participate (Denscombe, 2014). Information given about the study should be sufficient, this to take a reasonable decision if the interviewee wants to participate or not (ibid). The third and fourth principles mean that researchers should work with openness and honesty throughout the whole study (Denscombe, 2014). They should inform people that they are researchers and what they are aiming to achieve through their study. Further on, they are expected to maintain a professional standard when collecting and managing data (ibid).

This thesis is focusing on the tooling industry, and the interviewees are either the CEO or a manager of the company. Therefore, the need for anonymity is considered to be low. All interviewees had the option of being anonymous. However, no one considered that being necessary. The interviewees were also informed that the result of this paper would be published when approved. When booking the interviews, it was clearly introduced who the authors were and the aim of the study. This gave the participants sufficient background information, enabling them to fully understand the reason behind this study. Additionally, the participants were given a clear picture why they were interesting for this study and the importance of their information given through the interview.
4 Empirical Findings

*In the following chapter, the empirical data gathered will be presented. This chapter begins with an introduction of the interviewees and their companies. This is followed by introducing the empirical data relating to internationalisation within the tooling industry. The chapter will end with the empirical data relating to both proactive and reactive decisions.*

4.1 Case companies

Each company that has participated in this study have all shown experiences within internationalisation, some conducting business in different continents whereas others across national borders. All of the interviewees are located within Swedish borders, and local leaders operate their individual decision making. Four of the five interviews were conducted through face-to-face meetings while the fifth interview due to incapability to physically meet, were done over the internet. All of the interviews were gathered during the period of 2nd of May to the 8th of May.

4.1.1 Formteknik Anderstorp

Formteknik Verktys Anderstorp is a company offering one of the largest engineering capacities within Europe. Formteknik provides their customers with customised quality tools. The company employs 59 workers and are active on several continents, continents such as Asia, Latin America and Europe. The company is founded in 1979 and has since then offered their customers personality and professionality.

Jan Aronsson has been the appointed CEO since the later part of 2000. The work as a CEO at Formteknik consists of handling some of the economics, working towards strengthening the business through different appointed strategies but also to be involved in recruitments. Before working at Formteknik, Aronsson gained experiences regarding international activities at another company named Farbe. While working at Farbe as a toolmaker he got involved with the exports and gathered what he states today as an essential experience.

Leif Fännergård is positioned as the sales director of Formteknik since January 2012, the year when he decided to invest in the company and becoming a part-owner. Fännergård had more than ten years of previous experience of selling machine tools before entering Formteknik. Fännergård's assignments consist of actively working with established customers, but also seek new potential customers in segments attractive to the company.

4.1.2 Formteknik Gislaved

Formteknik Gislaved was founded in the year of 1972. In the year of 1992, one of the existing customers together with Formteknik Gislaved started what according to Jan
Tegnhammar sets them apart from their competition. This grants Formteknik Gislaved the ability to proclaim themselves as not only tool makers but also skilled workers within the plastic industry, a mixture that has allowed the rapid growth of their subsidiary company Formteknik Väst. Together with Formteknik Väst, the corporate group employs 46 people.

Jan Tegnhammar started in Formteknik in the year of 2002 as an employee with management responsibility. By the year of 2006, Tegnhammar decided to invest into the company. As a co-owner of Formteknik Gislaved different tasks lays ahead, tasks such as maintaining the workshop, personal politics, strategic decisions and questions regarding investments, to name a few. Tegnhammars main responsibility in Formteknik is the economy and setting prices for future business.

4.1.3 IKV Tools

IKV Tools was founded in 1982. The company considers itself in a developing phase, where they aim to continue to grow and gain valuable market shares to compete in a more globalised world. With their 26 employees, IKV Tools control everything from start to finish, starting off with building and constructing the project.

Alexander Timour is the newly appointed CEO of IKV Tools, Timour has prior experiences within the market division at IKV Tools. The new role of CEO allows Timour to seize control of more general questions within the company. As the CEO, Timour continues to work with his previous post, adding some responsibilities such as economic decisions, strategic implementation and prosecution of orders presented by the board of directors.

4.1.4 FTB Bredaryd

FTB Bredaryd is a business founded in Forsheda 1983 by Carl-Axel Jönsson together with his brother Göran Jönsson. When moving to Bredaryd, the company became known as FTB, a name which has followed them ever since. Within 2000, Jotte Lindquist became the owner of the company employing 16 individuals. As a result of Jotte, FTB started to push vividly for market shares within the tooling industry.

Jotte Lindquist, also known as Jan Lindquist entered FTB in the year of 2000 as co-partner with the previous manager Carl Axel Jönsson until the year of 2012. Managing the economy, implementing different strategies and maintaining customer relations are all part of everyday business for the CEO of FTB.
4.2 Internationalisation

Formteknik Anderstorp produces their tools in Sweden. However, they purchase materials both domestically and countries such as China and Singapore. Aronsson argues that the domestic market is tiny, representing only 10% of their annual turnover. Further on, stating that the focus is on big players, operating globally. Formteknik Anderstorp has exported tools since 2003 to countries such as; Turkey, Russia, Mexico, Brazil, China and other markets in Europe.

Aronsson states that the main struggles when doing business primarily derive from differences in business culture. The way of constructing a contract and getting paid on time often differ from the Swedish culture. However, he further argues that the different cultures differentiate, whereas some firms deriving from a certain kind of business culture might be very simple to conduct business with other are not. For instance, Brazilians and Mexicans are very laid back, while Germans are very strict and tedious. Aronsson argues that different cultures have their pros and cons. Aronsson further explains that Formteknik Anderstorp has intentionally avoided business with the U.S due to the expensive insurances required. However, they do have a partner in U.S which performs domestically on behalf of the Swedish enterprise. Aronsson, clearly states that Formteknik Anderstorp does not perform anything directly in the U.S due to the risk it generates.

Aronsson argues that the ease of communication, such as Skype, has facilitated the internationalisation process and made decision making more efficient. Further, Aronsson explains that Sweden, Germany, France and Switzerland industry are the ones with the highest degree of technology, stating that they are the strongest countries globally within the industry.

In accordance to Aronsson, the network is of great importance, claiming that the network is the crucial part of their business and without it, no business would be operated. Aronsson further explains that when establishing a relationship their aim is to create interdependency between both partners. This interdependency has according to Aronsson, led to Formteknik Anderstorp expanding abroad with already established customers. Aronsson further explains that Asian players are closing in on European manufacturers regarding quality, though not being able to interact with the customers to the same extent as European firms. Aronsson further explaining that Formteknik Anderstorp’s strength of being innovative and problem-solving together with customers gives them the edge. Further, arguing that having a flexible and innovative staff increases innovativeness and prosperity.

Fänegård explains their main customer focus lies on companies operating outside Sweden and Scandinavia, stating that their focus on the international market is in high volume segment within Consumer Packaging and Medical segment and these markets are mostly outside Sweden. Fänegård further claims that the main barriers for Swedish
tooling firms to expand or even start up from scratch is the high degree of capital needed when doing so. Fänegård further explains that competition from Asian and East European players is the main reason why the number of Scandinavian tool manufacturers has decreased by 70% since the new millennium.

Communication and language is a barrier when doing business abroad. However, technology development such as Skype, according to Fänegård, is a huge tool which facilitates communication and streamlines the daily business. Fänegård further argues that new technologies have had a great impact on their way of doing business and the internationalisation process. Since Formteknik Anderstorp has customers in several different time zones the importance of a working communication system is key.

Fänegård argues for the importance of network as a small company when internationalising, explaining that word of mouth has had a significant effect on their business. Fänegård further stresses that the firm’s reputation is vital when doing business within the tooling industry due to the complexity every order brings, arguing that taking care of the customers together with delivering highly sophisticated tools is crucial. Fänegård further explains that their clients are interdependent, making them more like partners instead of customers.

Tegnhammar is originating from another company which also worked with international business. A company, named Tevad, which according to Tegnhammar brought him experience and knowledge in international business. Tegnhammar further explains that when working at Tevab they imported goods from Taiwan, something that has developed into China within his later years co-partnering at Formteknik Gislaved. Tegnhammar explained that their cooperation with China allowed them to speed up their production processes, letting them keep their timetables and provide their customers with good results. Tegnhammar is stating that they only work with suppliers in China who can deliver representative quality, something that Tegnhammar further explains as crucial, seeing that when comparing to Swedish overall quality, China is outmatched.

Tegnhammar explains that when comparing business in Sweden to France, there are different attitudes and relationships, explaining that one of the barriers when conducting business with France is their culture and their constant need to supervise everything accordingly. Another barrier to international trade, according to Tegnhammar, is the language. Not being able to understand all the necessary details within each project fully. Tegnhammar further explains that when comparing the process of conducting business domestically or internationally, Tegnhammar explains that the big formal difference is the payment morale, noting that international players often require a 90-day payment plan. This is a requirement that has led Tegnhammar to stretch their original time plan of 30 days to 45 to 60 days.

Tegnhammar is stating that today's technology has played an important role when conducting business with China, for instance, allowing Tegnhammar to set up brief
meetings and avoid past problems such as the floppy disk and its relating complications. Tegnhammar is also indicating another important factor behind their success, the factor of them being a smaller firm within a big industry. Further, arguing that one of the benefits of being a small sized business is their relation to solving problems. What normally for big business would take 2-3 weeks could be decided within minutes for Tegnhammar and his co-partner at their firm.

Timour stresses the importance of the Swedish market for their business since this is the foundation and starting point of many projects, explaining that their customers often are situated in Sweden, and that IKV export tools abroad because of its client's international activities. Timour further state that IKV is exporting between 60-70% of their production to different international markets such as Slovakia, China and Norway. Timour explains that the primary barrier when doing business with East European companies is the price. However, in general, when doing business outside Sweden the difference in business is the culture. Timour further argues that buyer and seller in Sweden view themselves as collaboration and the relationship is built on trust. The Italian culture, on the other hand, is quite the opposite where any loophole will be taken advantage of if possible. Timour further highly valuing new technology and its effect on communication, arguing that the technological advancements have played an important role in the internationalisation process. Timour further argues that without the assistance of communication through Skype some of their business opportunities would have gone missing.

Lindquist explains that their principal market is Sweden. However, business is done with firms deriving from Norway, Denmark, Switzerland, Italy and Turkey. Furthermore, stating that China and other Asian countries are not in their interest due to the complexity and difficulties to communicate. Lindquist further states that one main challenge when conducting business outside Sweden is the language barrier, a phenomenon that together with the culture of different markets restrains business. Lindquist, arguing that the complexity varies from different markets and that Switzerland is gentler than both Norway and Denmark. The company’s first international encounter occurred in the year of 2005, since then, several other firms have come into contact with FTB, one of them being a world known company with over 800 employees. According to Lindquist, these big international players have granted FTB experience and an insight of wider international opportunities.

Lindquist believes that a beneficial factor when internationalising is the technological advancements such as the e-mail, having assisted with the facilitative of conducting business abroad. Lindquist argues that producing at full speed during the recession of 2008 allowed them to invest in the latest technological advancements. Further, this enabled FTB to stay ahead of competitors by producing quicker results with a higher price instead of offering similar products at a slower pace for a lower price. Lindquist states that pace and relationships are the main factors for FTB’s success and something that they will continue to strive towards. Lindquist further explains that there according
to facts will be an increase in demand within the tooling industry by 15-20% in Europe due to technological advancements such as the electric car. According to Lindquist, the car manufacturing industry in Europe and foremost Germany will be the main driving factor for an increasing demand for machine tools the coming decade. Even though forecasts reveal a promising future of the tooling industry, Lindquist explains that FTB currently has no further plans to expand their business due to two main barriers, the large amount of capital needed when expanding and the struggles of finding competent staff.

4.3 Proactive and Reactive

In 2012, Formteknik Anderstorp had the vision of expanding their business. The strategy was to increase sales to established customers but also to seek new players actively. The main reason when internationalising the business further, according to Aronsson, was the size of the domestic market. Aronsson further explains how they changed focus from the subcontractors to the end customers, something that was not an intentional strategy at first. Instead, the customers were the driving force of these processes. The countries Aronsson started to operate in were a result of following existent customers. Therefore, Formteknik Anderstorp’s expansion abroad began when established customers decided to expand further into new markets. Aronsson further states that a few unsolicited orders were received from new customers, however, due to limited capacity they were forced to decline these inquiries. Aronsson states that one of the key ingredients behind their success is their work towards providing on-site availability, further explaining that being reachable throughout the continents gives the firm a competitive edge. The company’s vision is to increase efficiency and employ more people both in Sweden and Denmark.

Aronsson further states that there is a line when relating to growth that ought not to be crossed at this stage, arguing that if growing too much they are not able to fill all necessary workstations. The biggest problem for the future is to find new competent staff. Aronsson explains that they are actively working to be an attractive employer and trying to involve its staff to make them feel relevant and useful.

According to Fänegård, the markets where Formteknik Anderstorp currently operates in are chosen based on their customer's decision internationalising. They simply follow the customers abroad into new markets. Fänegård further explains how the company has taken the decision to employ two more people to be active salesmen on the market. Their task will be to comfort already established customers and to find new customers within their niche. Previous experience from working in international sales, according to Fänegård, has had an impact on the company’s successful internationalisation. The experience together with a chosen strategy of seeking for big medical customers resulted in the firm exploding, doubling its turnover in two years.
Fänegård explains that Formteknik Anderstorp has established relationships with multinational companies with thousands of employees, stating that their business base now contains a few big players, representing 80-85% of total turnover. Fänegård, further explaining, that they aim to establish relationships with three or four new customers to spread risk and increase efficiency.

Tegnhammar explains how every customer are unique, requiring their personal attention with both price setting and support. The customers always require uniqueness, wanting products that are innovative and modern. Tegnhammar further explains that every project lasts approximately 12 to 16 weeks before they are considered outdated and in need of replacement. Tegnhammar explains that for them, to stay ahead of the competition, a constant work within the firm regarding providing their customers with continued support but also being able to present state of the art machines is crucial.

Tegnhammar explains that most of their international customers originated due to Swedish activities, arguing that their international business erupted through word of mouth, a common phenomenon when relating to the gathering of business. Tegnhammar further explains that within the tooling industry it is common that through their network of raw material suppliers they get recommendations of business projects and contacts. This is something which, explained by Tegnhammar, is the most dominant way of accessing new business opportunities. Tegnhammar further explains how one of their biggest customers originated from a Swedish customer but due to economic reasons, they were forced to relocate to France, granting Tegnhammar and Formteknik Gislaved the opportunity to follow them into France as one of their suppliers.

Even though the majority of the businesses have presented itself as a result of the Swedish market, there have been occasions where different international actors have approached Formteknik Gislaved. Tegnhammar, further stating, that some of the approaches have led to various projects while others have resulted in close to nothing. The incapability of producing due to the insufficient workforce and economic backing are according to Tegnhammar, two of the main factors behind the missed opportunities. Tegnhammar further explains that they are not conducting any active search for new customers, arguing that most of their customers come as a result of recommendations and previous work. Further explaining that there is much work behind actively searching for new clients and given previous results, it is not in their interest and desire.

The first international activities for IKV occurred about 15 years ago due to their neighbour’s decision of going abroad. Timour explains that all relations with customers abroad have been established through their network and through people they have had previous business with. Timour continues by stating that some relationships derive through recommendations from customers which have been satisfied with their product and services. Timour further explains that coincidence has established other relationships. Timour further explains that the board of directors, also being the owners, implement the strategic objectives for the firm. However, it is Timour’s job to come up with a plan enabling them to follow it through. Timour argues that the market is the
primary driving factor behind their internationalisation process, customers expanding abroad wanting to maintain business with IKV.

Timour argues that IKV tries to be present on the international market by promoting themselves and their services at Europe’s largest convention for machine tool manufacturers, currently situated in Germany. Further on, Timour stresses the importance of being German-speaking to earn German customers trust, a barrier, which could determine a further expansion into a strong Germany. However, Timour explains that they are confident of succeeding in Germany if generating an employee speaking the language. Timour argues that even though the interest in Germany, there is no aggressive strategy to approach new markets. This due to significant investments made recently. Timour further stating that current focus is on maintaining established customers, increasing profitability and efficiency. Timour, stating that in the future, there is a strategic decision to broaden their customer base to reduce risk and avoid being dependent on a few big players.

Lindquist explains that in the year of 2003 FTB started to actively seek for new customers in the nearby regions, an activity which has not been repeated during the following years. The explanation is that firms started to contact FTB directly, companies ranging from sizes of 20 to 800 employees. The later company is also assisting with their international activities, forcing the internationalisation of FTB. Lindquist further explains that there is no need to actively promote themselves since their good reputation has lead customers to them. Lindquist believes that the reputation of FTB is the main factor for the maintained growth. Further stressing the urgency of withholding the reputation to survive, stating that a mishandle would spread like wildfire, especially in a minimal niche industry were few actors operate.

Lindquist explains that their first encounter with the Swiss market came through hearsay, where another Swedish firm navigated the Swiss player to FTB. Further explaining that their international activities with Danish and Norwegian firms have happened by coincidence, where external relations recommended FTB as a trustworthy supplier. However, some inquiries had to be denied due to FTB’s limited capacity and expanding the business is currently unfeasible according to Lindquist due to a shortcoming of experienced toolmakers. Further stating that during the last ten years they have managed to employ no more than three tool makers. The desire is to open up a production site outside Sweden. However, Lindquist clearly states that there are several barriers to overcome before doing so.
5 Analysis

*In the following chapter, a presentation of the analysis by connecting the empirical data with the theoretical frameworks is provided. The similarities and dissimilarities between the data and theory gathered will further be compared and discussed. The analysis will be structured in accordance to the empirical findings chapter.*

5.1 Internationalisation

Internationalisation theory derives from two main perspectives. The economic view and the behavioural view (Smith, 1776; Ricardo, 1817; Cyert and March, 1963; Johanson and Vahlne, 2009). Transaction cost analysis (TCA) and OLI are two theories that relate to the economic perspective (Coase, 1937; Dunning, 1988). Williamson (2010) explains that activities between buyer and seller correlates to friction, arguing that high friction equals to high cost and that if these activities can be done within the company itself internationalisation is a fact. This supports Coase’s (1937) theory, stating that as long as a firm can produce within the firm at a favourable price, it will continue to grow. This is a theory that could not be applied to the majority of companies due to them explaining that they import goods from Asian markets.

Two of the behavioural models, the Uppsala model and the Network Approach study the how firms tend to internationalise, in contrary to the economic view, which studies why firms internationalise (Cyert and March, 1963; Johanson and Vahlne, 1977; 2009). The Uppsala model argues that internationalisation of firms comes because of a gradual increase in international involvement (Johanson and Vahlne, 2009). That firms deal with uncertainties by learning the different markets (Forsgren, 2002). Formteknik Gislaved was entering China as a result of the experience Tegnhammar gathered at his previous company. This allowed them to take advantage of previous procedures, hence allowing them to speed up their production processes with the cooperation of China. Madsen and Servais (1997) together with Glaum and Oesterle (2007) also argue that firms’ home market plays a key role when deciding whether to internationalise or not, stating that if a company works within a market of a stable economy the necessity to internationalise is smaller. From the empirical data gathered there have been patterns arguing that Sweden possess the capability of nurturing the Swedish tooling industry. Formteknik Gislaved, IKV Tools and FTB are all stating that their majority of total turnover comes from within the Swedish market. Aronsson and Fänegård, both working at Formteknik Anderstorp explained, that due to the inadequateness of the Swedish market in relation to their niche they are required to internationalise to markets of other measures. Aronson and Fänegård stating that the home market does not grant them the desired customer, confirming with the theory above, that firms’ home market has a great influence when deciding to internationalise or not (Madsen and Servaise, 1997; Glaum and Oesterle, 2007).
The tooling industry is according to Tepes et al. (2015), characterised by innovativeness and service. A characterisation that Laforet and Tann (2006) stresses when arguing over the importance of staying ahead of competition within the manufacturing industry. Both Formteknik Anderstorp and FTB argued over the increasing importance of maintaining their machines and the strengths of being innovative when aiming to create a competitive edge towards rivals. All companies further stated that one of their advantages when acting innovative was the size of their firm. This correlate to both previous research and with Sing, Garg and Deshmukh (2008) referring to SMEs as flexible and quicker when relating to innovative decisions. All of the interviewees are also arguing that they are problem-solving and flexible, supporting the (O) within the OLI model. Dunning (1988) further explains that locational advantages relate to labour, freights, material and cost of other resources within a new market. The internalisation advantages are relating to firms engaging in foreign production themselves. The (L) could not be applied due to the interviewees stating the necessity of Swedish industry in general, having the technological developments within the market and Sweden offering a crucial experienced workforce as one of their top priorities. According to Lindquist, the (I) is applicable but due to financial and cultural barriers firms are reluctant to implement it.

Expensive investments and effectiveness within the organisation are two supplementing characteristics within the internationalisation of SMEs (Boter and Holmquist, 1996). Both characteristics are being expressed throughout the empirical data. These characteristics are being influenced by factors such as equipment, workers and workflow. Boter and Holmquist (1996), even though stating characteristics that normally correlates to prosperity and growth, argue together with Schuh, Boos and Völker (2010) that a common denominator for manufacturing industries are their resistance to trying new methods and business ideas due to the risk it provides. The previously expressed statement is connecting with the majority of the interviewees, claiming that due to the large investment and the risk provided, they are reluctant to further invest in new markets and business landscapes without any form of assurance. Formteknik Anderstorp, IKV Tools and FTB argue that entering a new market is close to risk-free since business across borders usually occurs together with already established customers. Formteknik Anderstorp and Formteknik Gislaved both stating that their internationalisation is due to their network and existing customers enabling an expansion with the comfort of minimised risks.

In Johanson and Vahlne’s (2009) later work they argue over the emerging importance of networks as a key strength for successful internationalisation, stressing together with other researchers (Coviello, 2006; Moen, Gavlen and Endresen, 2004; Zain and Ng, 2006) that no firm is an island, that business is something that requires multiple actors. The majority of the interviewees confirms with previous theory, defining their relationships as a crucial part for their international activities. Johanson and Mattson (1988) are also stating that a network works as a link between different established networks. Furthermore, Jaklič and Svetličič (2005) support the previous statement,
arguing that the network for SMEs work as a tool to overcome different barriers. This is supported by other researchers, arguing that SMEs should strive towards the creation of networks and alliances to enable a greater internationalisation of their business (McDougall and Oviatt, 2000; Coviello and Martin, 1999). The importance of networks is something that all of the interviewees agreed to in unison. Formteknik Anderstorp implies that without the use of their network, no business would be operated internationally. IKV Tools further support the theory of networks when arguing that their domestic customers create the foundation for their international activities.

Aronsson at Formteknik Anderstorp argues that the main struggles for international business derive from the differences in business culture, cultural barriers relating to what Johanson and Vahlne (1977) expresses as the psychic distance between firms doing business abroad. Leonidou (2004) further argue that there are two categories of barriers, external and internal. Internal barriers relating to those existing within firms, whereas external barriers relate to obstacles outside firms control. Formteknik Gislaved is supporting the previous theory, arguing that there are different attitudes and relationships, further stating an example of one of the main barriers when conducting business with France being their culture and constant need to inspect each action. Formteknik Anderstorp also stating, that Brazilian and Mexican customers tend to have a more easy-going approach towards business, whereas Germans are very disciplined and tedious. IKV Tools is further arguing that the Italian culture in contrast to the Swedish is more unprincipled, stating that Italians tend to take advantage of presented loopholes. FTB further putting the Swiss culture above both Norway and Denmark when expressing ease of business.

Formteknik Gislaved further explains that another big difference between markets is the payment morale. International players often desire longer payment plans than the original time plan of 30 days, a differentiation that Formteknik Gislaved describe as a cultural clash. These cultural barriers are relating to what Johanson and Vahlne (2009) argue as their main barriers before them introducing outsidership as their new main barrier when relating to the importance of network in their later study. Rahman et al. (2015) further state that language, education, culture, political and industry standards are all factors which affect international activity. The majority of interviewees are confirming, further stating that the language barrier within international activities is a major barrier, that communicating on individual projects to avoid costly mistakes is of great importance.

Born Globals and International New Ventures (INV) are seen as companies adopting an early internationalisation, expanding cross borders close to their start-up day (Knight and Cavusgil, 2004; Fan and Phan, 2007). They share almost the same characteristics and are both seen as challengers to traditional models (Fan and Phan, 2007). Born globals are according to Knight and Cavusgil (2004) innovative and entrepreneurial, something that all interviewees characterise themselves as, arguing over the importance of them staying ahead of the competition with the latest investments in technology and
granting the customers a service that will differentiate them from their rivals. However, Glaum and Oesterle (2007) and Madsen and Servais (1997) also argue that the market plays a key factor in an internationalisation decision. They further state that if a company operates within a well-scaled economy the necessity to internationalise is irrelevant due to the market providing with the resources for financial growth (Glaum and Oesterle, 2007; Madsen and Servais, 1997). The previous theory is correlating to all of the companies, not internationalising during their start-up years. The majority of interviewees are getting involved in the international business as a supplement to their Swedish activities. Thus, none of the models is applicable since they originate from internationalisation that is initiated within the start-up period (Knight and Cavusgil, 2004; Fan and Phan, 2007).

Lu and Beamish (2001) and Kleindl (2000) further explain that technological developments not only present new opportunities for business but also present an increase in productivity and quality. The introduction of E-commerce according to Skiver, Hong and Lee (2013) also allowed for a faster increase of business networks and continuous growth for SMEs. All interviewees expressed an increasing importance of technological advancements, explaining that the use of Skype has assisted them in expanding their business network beyond what would be possible without it. Formteknik Anderstorp is arguing that technological help is part of their daily business, stating that due to their customers situated in several time zones the importance of a working communication tool is key. IKV Tools further argues that without their communication through Skype some of their business would have gone missing. FTB is also stating that the e-mail has simplified their way of conducting international business. In conclusion, the majority of interviewees claim that Sweden belongs to the top layer of countries globally when relating to the degree of technology within the industry. This confirms with Kleindl (2000), arguing over the importance of the Swedish industry for SMEs, investing in later technology to remain competitive.

Value added services such as quick repairing are according to Schuh et al. (2015) rapidly increasing in the European tooling industry as a new approach to differentiate themselves from competition from low-cost countries. However, the challenges of providing such service are the cost for travels and the time it takes to reach out to the customer, especially if the firm is exporting globally (ibid). Schuh et al. (2015) argue that these challenges could be dealt with by implementing a service platform where licensed local service partners will deal directly with your customer’s problem. This solution is enabling European players to export globally with value added services combined (ibid). Hauser et al. (2011) argue that European tooling firms must utilise their knowledge together with information and communication technologies (ICT) to stay ahead of the competition. Formteknik Anderstorp states that a key factor for their success is their work of providing on-site availability, further explaining that inquiries have led to closed deals as a result of them being able to provide service on site. Formteknik Anderstorp has licensed business partners in Brazil and the U.S where they administer service and sales. IKV Tools, Formteknik Gislaved and FTB do not have any
service partners abroad. The empirical data demonstrates that having service on site deliver a competitive edge. However, it cannot be considered as crucial for survival.

5.2 Proactive and Reactive

Proactive internationalisation is considered as the self-influenced activities of an internationalisation process, seeing it is approached through the interest of exploiting ideas and possibilities within chosen market (Stewart and McAuely, 1999). Lumpkin and Dess (1996) explain that the characteristics of a proactive firm are that they continuously seek opportunities outside their present activities. This correlates with Formteknik Anderstorp and IKV Tools due to Formteknik Anderstorp’s aggressive approach to finding new customers abroad to spread risk and increase profitability. Furthermore, IKV Tools is promoting their products and services at Europe’s largest tooling convention. Both strategies are requiring proactive decisions and are relating to previous theory, further supported by Freeman, Edwards and Schroders (2006) statement that firms participating in conventions and similar events tend to be more open to international business.

Further Crant (2000) explains that being proactive is actively trying to improve circumstances or creating new ones. This approach is comparable to previously mentioned theory, which argues that firms participating in convention and similar events tend to be more open to international business. This is confirmed with the actions of IKV Tools and Formteknik Anderstorp, both actively promoting them on the market. FTB and Formteknik Gislaved, on the other hand, do not participate in any marketing activities due to various reasons. According to FTB, there is no need for it, arguing that their production line is stocked with orders throughout the year. Furthermore, Formteknik Gislaved is not promoting themselves in the international arena due to the complexity of communication, full production line and according to Tegnhammar not being able to expand further. Therefore, the theory is not applicable on both Formteknik Gislaved and FTB. All interviewees argue that they are heavily investing in the latest technology. This is according to Dvir, Segev and Shenhar (1992) a proactive characteristic, investing within the latest technological advancements to stay ahead of the competition.

According to Forsman, Hinttu and Kock (2002) there are three main triggers for internationalisation; (1) Management’s interest in international business inquiries from abroad and insufficient demand within the home market; (2) Inquiries about the company’s products and service from abroad; (3) Internationalisation due to saturation of the home market.

The first mentioned trigger is emphasised by Zahra and George (2002), arguing that a manager’s interest or previous experience from foreign markets may influence a firm to seek opportunities abroad. The managerial attitude is further supported by Bradley (2005), stating that managers play an important role towards acting on new activities.
and seizing opportunities in new markets. Morgan (1997) agrees when arguing that the orientation of the manager is the main factor influencing a firm’s initiative to international activities. Raymond, Bergeron and Blili (2005) further argue for the benefits of having an experienced leader since they tend to possess richer information when searching for potential customers and new technologies. The empirical data demonstrate that Formteknik Anderstorp and Formteknik Gislaved, with their experienced leaders, differentiate from both FTB and IKV Tools. Formteknik Anderstorp, stating that Fännergård’s previous experience from international business strongly influenced their first established relationship with a foreign customer. Tegnhammar, the co-owner of Formteknik Gislaved is arguing that the obtained experience importing from Taiwan became convenient when creating an alliance with the Chinese manufacturers. The statements from Formteknik Anderstorp and Formteknik Gislaved are confirming the previous theory and Forsman et al. (2002), stating that new employees with experience from the international business could come to trigger internationalisation. Both Timour at IKV Tools and Lindquist at FTB are stating that they did not possess any previous international experience, thus, this theory is not applying to their international activities.

The second trigger, being inquiries about the company’s products and service from abroad correlating to Albaum et al. (2016) when arguing that a reactive market selection approach is characterised by firms choosing markets passively. Bower and Christensen (1996) further states that a reactive market selection is characterised by firms receiving inquiries from direct interaction or through an intermediary. All of the interviewees argue that due to the circumstances of their internationalisation, involving them following existing customers in their international advancements to new markets they were able to grow internationally. This complies with Albaum et al. (2016) when relating to firms choosing markets passively. The last trigger by Forsman, Hinttu and Kock (2002) is suggesting that companies tend to internationalise due to saturation of the home market. This only complies with Formteknik Anderstorp. Fänegård at Formteknik Anderstorp arguing, that due to their specific niche, they were forced to seek customers abroad. Fänegård further stating that the Swedish market was too small for their line of products.

Further theories stress the influence of networks, granting both internal and external linkages to new business opportunities (Jonas and Coviello, 2005). The network is working as an external factor when relating to internationalisation (ibid). Formteknik Anderstorp and IKV Tools, though implementing some proactive strategy, conform to a passive approach towards internationalisation together with all other companies, explaining that their business abroad emerged because of their network wanting to expand outside Sweden. Leonidou (1995) further argues that the size of the firm also triggers either proactivity or reactivity, stating that smaller firms tend to be more reactive in their internationalisation process. Westhead, Wright and Ucbasaran (2001) are stating that smaller firms tend to get pulled into internationalisation by external agents due to their limited resources. That
larger firm tend to force internationalisation upon smaller firms, giving them the opportunity to keep their business relationship by starting to supply abroad. Previous theory, connecting with FTB when arguing that one of their largest customers decide to expand internationally, giving FTB the option to either consent in following them abroad or pass upon further business. Both Formteknik Anderstorp and Formteknik Gislaved also stating that some of their international activities came as a result of them following larger firms abroad. Previously mentioned strategy is in accordance to Westhead, Wright and Ucbasaran (2001), implying that small firms are reactive rather than proactive. The strategy further indicating that the interviewees are responding to the environment rather than designing their path (Czinkota et al., 2004)

Gibson, Leigh Gonzales and Castanon (2006) argue that a firm’s reputation is the single most important asset, stating that good reputation is equal to organisational success, further explaining that both positive and negative rumours will affect a firm’s success when flowing within the network (ibid). The majority of interviewees support the previous theory and are claiming that reputation is vital in an industry where, according to Formteknik Anderstorp, companies consider themselves as business partners instead of rivals. Further on, the majority of interviewees argue that bad reputation often results in immediate closure. FTB, IKV Tools and Formteknik Gislaved are further explaining that several relationships with foreign customers have erupted through the word of mouth. The firms argue that companies are working as mediators, supporting each other by presenting new business opportunities to the actors within the network.

Katsikeas (1995) found that unsolicited orders from foreign actors are the most stimulating reactive factor to international activities. The interviewees, even though granted unsolicited orders, argued over their inability to conduct new business as one of the main barriers for further internationalisation. FTB, Formteknik Gislaved and IKV Tools all indicate the desire to continue to grow, even though they reject business inquiries from different international actors. They state that due to the low financial strength and unavailability of skilled workers they are unable to accept new business opportunities. The defensive stance towards internationalisation could connect to Clercq, Sapienza and Crijns (2005) when arguing that reactive firms with a defensive approach often are less willing to perform aggressively. Aggressive strategies are often connected to risks (ibid), an element the interviewees wanted to avoid completely. The majority of companies want an increase of efficiency and profitability, arguing that during the next five years they will strive to create a more prosperous business, without the intention of growing of in size. The exception being Formteknik Anderstorp who state that they aim to establish relationships with three or four new customers within the following years to strengthen their already strong position on the market.
6 Conclusion

In the following chapter, a presentation of the answer to our research question which will derive from the analysis that was conducted in the previous chapter will be presented. Thereafter we will provide the reader with both theoretical and practical implications that this thesis has resulted in. Limitations and future suggestions for future research will further finalise the chapter.

6.1 Answering the research question

In a world filled with markets of constant change, companies are looking for a chance to keep up with the continuous fluxes globalisation creates, seeing the internationalisation process as a vital stepping stone for the advanced world of tooling industry. Strategies with proactive and reactive components are established to integrate two markets together, creating interdependency between two individual actors. Theories regarding the internationalisation process have been studied widely throughout the years, and even though internationalisation tends to vary from company to company, it is of great importance to create an understanding of the differences the strategies have on new international business. The purpose of this thesis was to develop a further understanding of the two main triggers behind internationalisation, and their individual influence they have on Swedish SMEs within the tooling industry when internationalising. This resulted in one research question which is answered below.

How do reactive and proactive factors influence the internationalisation of Swedish SMEs in the tooling industry?

The literature shows that internationalisation is divided into different models and theories that each has its own propositions and implications relating to the growth of companies. Furthermore, the literature has shown that there are two main factors triggering internationalisation known as internal and external triggers. Internal and external triggers relating to circumstances that in the literature are being described as either proactive or reactive, where proactivity is seen as the self-influenced part of internationalisation and reactivity as the passive. Our empirical findings demonstrated that several factors are influencing the internationalisation process of firms working within the Swedish tooling industry. That both proactive and reactive characteristic was justified within the sector. Companies working within the tooling industry tend to lean more towards the reactive approach towards internationalisation, emphasising the importance of the domestic market to create further growth. An example is that the majority of interviewees stated that their largest market was Sweden and that without their domestic network their internationalisation would be non-existent, showing that through existing networks, firms were able to create international business. Other factors are strengthening the claim that Swedish tooling industry is more inclined on adopting a reactive internationalisation strategy are based on the empirical data, showing that the demand exceeds the supply. The majority of interviewees are explaining that they are
working at full capacity, thus, allowing for a defensive approach towards new business inquiries. Our findings also demonstrate that companies within the Swedish tooling industry tend to be smaller than their customers. Thus, denying them the possibility to dictate terms. This results in a dependency that conforms to a reactive internationalisation strategy. Unsolicited orders are other influential factors deriving from a reactive strategy within the tooling industry, allowing companies to choose within their capacity, which business to accept.

The literature has also shown that proactive internationalisation correlates to the opportunity of a heightened competitive edge toward rival firms. Our empirical research demonstrates that larger firms tend to be more proactive in their approach to international business. Larger firms possess more internationally experienced leaders together with greater resources, enabling them to widen their extended networks. This allows these firms to seize opportunities on a larger scale as a result of their international experience. Patterns are indicating that size correlate to a deeper knowledge of international business. Hence, our empirical data show that even though Swedish tooling firms tend to adopt a reactive approach towards new business, there are indications demonstrating beneficial features behind a proactive implementation.

In conclusion, this study has shown that the influence of proactive and reactive factors in the Swedish tooling industry is divided, firms within the industry are not acting solely reactive or proactive. The study has shown that reactive factors influence SMEs internationalisation in a much wider extent than proactive. Reactive factors are possessing qualities that determine the survival of Swedish tooling firms, providing firms with a strategy to help create economic growth and international experience. Furthermore, the study has shown that acting proactive will aid the firm in achieving higher grades of internationalisation. Reactive, in contrary too proactive, will provide the individual company with the essentials to maintain a steady growth. Through the creation of international experience, firms establish a foundation that enables for a more proactive approach towards future business. The proactive factors have shown to deliver a competitive edge in internationalisation. However, proactive in contrary to reactive strategy has shown as non-crucial for the survival of Swedish firms operating within the tooling industry.

6.2 Theoretical implications

There is almost no previous research on how proactive and reactive factors influence Swedish SMEs in the tooling industry. Thus, a research gap has been identified. Since the aim of this thesis was to contribute with knowledge to fill the existing research gap, the authors of this thesis decided to examine the two previously mentioned factors and how they influenced the internationalisation process of Swedish SMEs in the tooling industry. The outcome of this thesis has demonstrated that being proactive could be considered as giving the firm a competitive edge towards competitors within the industry. However, being proactive has not been proven to be crucial for the survival of
the firm. Reactive factors, on the other hand, have shown to be key for the internationalisation of Swedish SMEs in the tooling industry. By responding to reactive factors influencing the firm, growth and international experience has been gained which might later influence the firm to act more proactively.

This thesis has contributed to theory regarding proactive and reactive factors and their influence on Swedish SMEs internationalisation process in the tooling industry. The result has demonstrated that Swedish firms open for internationalisation does not have to vigorously approach the international arena to succeed. In the conceptual framework where the concepts and how they relate to each other are presented, it is explained that internal triggers affect the proactive factors for internationalisation and external triggers affect reactive factors for internationalisation. The result from this study conform previous theories regarding internationalisation and proactive/reactive factors. However, this study contributes with deeper understanding how proactive and reactive factors influence firms in the tooling industry when going international.

6.3 Practical implications and recommendations

Our empirical findings suggest that creating an understanding of both proactive and reactive factors regarding the internationalisation of Swedish SMEs in the tooling industry should be considered as favourable when wanting to create growth within the tooling industry. We consider the need of understanding reactive factors to be of greater importance when starting up new businesses since reactive factors were demonstrated as more crucial than proactive within the market. By creating an understanding of both proactive and reactive factors, we believe that the internationalisation process will be less troublesome. However, other factors should be taken into consideration when creating an internationalisation strategy, different models and characteristics that could help determine the outcome of chosen path. These models and characteristics together with the understanding of proactive and reactive factors can help Swedish companies within the tooling industry to succeed in their international adventures.

We recommend that Swedish SMEs, working within the tooling industry that possesses the desire to internationalise further to investigate and create a deeper understanding of the underlying factors influencing a successful expansion.

6.4 Limitations

A limitation of this study is that it is focused on a specific industry in a specific country. Hence, the results presented might not be fully generalised to all firms operating in the tooling industry. Considering that the Swedish market has its particular characteristics and business climate, the empirical data from this thesis should be validated through further research in other countries. The low amount of interviews conducted with each firm may be seen as a limitation to this study. However, referring to the small size of the case companies, where the governing body often consists of one or a few persons, the managers possessing the most valuable information were interviewed. Another
limitation of this study is the various levels of international activities among the four case companies. Therefore, a similar study on other Swedish SME firms within the tooling industry might give a different result.

6.5 Suggestions for future research

The authors of this thesis realised the limitation of research available regarding the tooling industry in general. The majority of the research available derives from Europe and North America, but there is a significant lack of research deriving from low-cost countries such as; China, India and East European countries. The literature clearly states that competition from low-cost countries vividly affects the European tooling industry, however, less research has been done from their perspective. Mentioned in the limitations, the result of this study might not be fully generalised since it is focused on a specific country and its characteristics. Hence, the authors have identified two areas of interest for future research:

1. *To examine how proactive and reactive factors influence internationalisation of SMEs in other industries.* By studying other industries, further results may contribute with knowledge of the phenomenon of SMEs internationalisation. The results presented may report if the internationalisation process of SMEs is affected by the characteristics of the industry or if there is a general approach to international activities applicable to all SMEs.

2. *To examine how tooling firms from less developed countries cope with competition in the international arena.* By examining how firms from less developed countries cope with competition, the result may contribute to understanding how such firms differentiate themselves towards high-tech tooling firms from developed countries. The result may be of interest for companies from both less developed and developed countries since it will increase the overall understanding of the industry and all actors within it.
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Interview Participants

1. Aronsson, Jan, CEO & Shareowner at Formteknik Anderstorp, face to face interview, 2017-05-02

2. Fänegård, Leif, Sales Manager & Shareowner at Formteknik Anderstorp, Skype interview, 2017-05-11

3. Tegnhammar, Jan, Production Manager & Shareowner at Formteknik Gislaved, face to face interview, 2017-05-02

4. Timour, Alexander, CEO at IKV Tools, face to face interview, 2017-05-02

5. Lindquist, Jan, CEO at FTB, face to face interview, 2017-05-02
Appendices
Appendix A Interview Guide

Interview questions:

Do you wish to be anonymous and for other people and companies to be anonymous mentioned in this interview?

Background information
1. Information about the interviewee: What is your position in this company and for how long have you had the position?
2. What are your work assignments with international business and do you have any previous experience from international business?
3. Information about the Company: How many employees do you have?
4. What do you produce?
5. When was the company founded?

Internationalisation
6. How important is the domestic market for you?
7. What are your current activities outside Sweden?
8. Why did you choose selected markets?
9. Can you remember when the company first got involved in international activities?

Internationalisation as SME
10. What are the main struggles when conducting business outside Sweden?
11. What was the experience from your first business outside of Sweden?
12. Can you describe how today's technology simplified the internationalisation process?

Decision taking / Proactive factors / Reactive factors
13. How did the company get involved in international activities?
14. Did the company initially make a strategy to internationalize?
15. Did you get any initial orders from foreign companies before internationalizing?
16. Do your company take part in conventions outside Sweden, describe what they contribute with?
17. Why did the company get involved in international activities, can you tell us about the procedure?
18. How would you describe the main uncertainties when internationalising?
19. When internationalising, how important was your contacts?
20. What was your part of the internationalisation?
21. What was the role of management or some managers in the initial plan or decision to internationalize?
22. What are your intentions for future internationalisation, describe how you will approach new markets?

Concluding questions
23. Which factor would you personally consider being the most driving for international activities?
24. Tell us about the future of the company?