Fashionable Strategies

Internationalization process of small and medium sized Nordic fashion companies

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“Fashion is not something that exists in dresses only. Fashion is in the sky, in the street; fashion has to do with ideas, the way we live, what is happening.”

_Coco Chanel_
i. Declaration

“We declare in lieu of an oath that we have written this master thesis ourselves and that we have not used any sources or resources other than stated for its preparation. We further declare that we have clearly indicated all direct and indirect quotations. This master thesis has not been submitted elsewhere for examination purposes.”

Umeå, May 19th 2011 Arne Barwinski & Caroline Burvall
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iii. Summary

In our master thesis “Fashionable strategies” we analyze the internationalization process of small and medium sized Nordic Fashion companies. In our study we conducted a quantitative survey and qualitative in-depths interviews to shed light on the topic. We use hereby an iterative research strategy through the triangulation analysis method as research approach. The combination of methodologies and perspectives allowed us to analyze our theoretical framework and the research questions in a favorable manner. The research questions we aim to investigate in our study were the following:

- What are the reasons for the small and medium sized Nordic fashion companies when internationalizing, and what are the strategies the companies use hereby?
- What influences the small and medium sized Nordic fashion companies in their choice of strategy and market to enter?
- Which barriers of entry and problems do the small and medium sized Nordic fashion companies see as critical in their internationalization process and how do they overcome these issues?

In the research we especially took a look at the following areas that we found mainly important for fashion companies in their internationalization process: The reasons for expanding, the choice of market, the entry modes that are used and barriers and problems that occur in the process. We take a view on the theoretical models of the Uppsala Model, Helsinki model, Revised Uppsala model and Born-Global Theory to explain the strategies behind the small and medium sized Nordic fashion companies.

We see that the growth of the company and the profit increase are the main reasons for the Nordic fashion companies when expanding their business. The entry modes used by the companies are agents and distributors, and when choosing the markets the fashion companies are contact-driven and focusing first on markets that have a rather smaller distance to their own domestic market. The problems the companies have to overcome are costs of entry, cash-flow and invoice payments which are all related to financial issues.

We believe that our study has contributed with new information to the research field of internationalization concerning small medium fashion companies in the Nordic countries.
# Table of Contents

## 1.0 INTRODUCTION .............................................................. 1

1.1 Background ................................................................. 2

1.2 Problem Discussion ....................................................... 2

1.3 Research Question ....................................................... 4

1.4 Aim ............................................................................. 4

1.5 Limitations .................................................................. 5

1.6 Disposition .................................................................. 5

## 2.0 THEORETICAL RESEARCH METHODS .......................... 7

2.1 Researchers Preconceptions .......................................... 8

2.2 Epistemological Research Philosophy in Social Science ....... 8

2.3 Triangulation as Research Approach ................................. 9

2.4 Iterative Research Strategy ............................................ 10

## 3.0 THEORETICAL FRAMEWORK ................................... 12

3.1 History of Internationalization Research and Theories .......... 13

3.2 Internationalization Models ........................................... 15

3.2.1 The Incremental Nordic Models .................................. 16

3.2.2 Criticism to the Nordic Models ................................... 20

3.2.3 Revised Uppsala Model ............................................. 21
3.2.4 Born-global Theory ................................................................. 23
3.3 Reasons for Firms’ Internationalization .......................................... 24
3.4 Entry Modes of Fashion Companies ............................................... 26
3.5 Market Choice Determination ....................................................... 28
3.6 Barriers of Entry ........................................................................ 29
3.7 Summary of the Theoretical Framework ......................................... 29

4.0 PRACTICAL RESEARCH METHODS ........................................ 31
4.1 Cross-Sectional Survey Design ....................................................... 32
4.2 Primary Data Collection ............................................................... 32
  4.2.1 Quantitative Data Collection ...................................................... 32
  4.2.2 Qualitative Data Collection ....................................................... 33
4.3 Secondary Data Collection ............................................................. 33
4.4. Research Sampling and Participants ............................................. 34
  4.4.1 Quantitative Sampling Method .................................................. 34
  4.4.2 Qualitative Sampling Method .................................................... 35
4.5 Ethical Considerations ................................................................. 36

5.0 EMPIRICAL ANALYSIS ............................................................ 37
5.1 Presentation Empirical Work .......................................................... 38
5.2 Analysis Content and Structure ..................................................... 38
5.2.1 Questionnaire Structure and Content ................................................... 38
5.2.2 Interview Structure and Content ................................................... 39

5.3 Empirical Data Analysis ................................................................. 40
5.3.1 Internationalization Models ................................................... 40
5.3.2 Reasons for Firms’ Internationalization ................................................. 45
5.3.3 Entry Modes ................................................................. 46
5.3.4 Market Choice Determination ................................................... 48
5.3.5 Barriers of Entry ................................................................. 51
5.3.6 Summary of Analysis ................................................................. 54

6.0 CONCLUSION ........................................................................... 56
6.1 General Conclusion ......................................................................... 57
6.2 Recommendations ......................................................................... 58
6.3 Contribution of the Study ................................................................. 58
6.4 Areas for Further Research ................................................................. 59

7.0 TRUTH CRITERION ....................................................................... 60
7.1 Validity and Reliability ..................................................................... 61
7.1.1 Validity and Reliability in Quantitative Studies ......................... 61
7.1.2 Validity and Reliability in Qualitative Studies .......................... 61
7.2 Criticism to our Study ..................................................................... 61
v. Appendices

Appendix 1: Questionnaire

Appendix 2: Interview guideline

vi. List of Figures

Figure 1 Thesis Structure ................................................................. 6
Figure 2 Case Study Model ............................................................... 10
Figure 3 Internationalization Models ................................................ 15
Figure 4 Uppsala Model: State and Change aspects ............................ 17
Figure 5 Uppsala Model: Incremental expansion steps ....................... 18
Figure 6 Revised Uppsala Model: State and Change aspects ............... 22
Figure 7 Internationalization Models ................................................ 24
Figure 8 Drivers and Motivation of Internationalization ..................... 25
Figure 9 Market Entries .................................................................. 28
Figure 10 Theoretical Framework Model .......................................... 30
Figure 11 Survey Statistics ............................................................... 39
Figure 12 Analysis: Internationalization Models ............................... 41
Figure 13 Analysis: Revised Uppsala Model ..................................... 43
Figure 14 Analysis: Born-global Theory ........................................... 44
Figure 15 Analysis: Motivations and Drivers .................................... 46
Figure 16 Analysis: Entry Modes ..................................................... 47
Figure 17 Analysis: Market Choice Determination ............................ 51
Figure 18 Analysis: Barriers of Entry ................................................ 54
Figure 19 Analysis Summary ............................................................. 55
1.0 Introduction

In this chapter we will present the scope of our study regarding the internationalization process of small and medium sized Nordic Fashion companies. We start with the background, the problem discussion and our research questions. We will present our aim for the thesis and go into the limitations of the research study. The thesis structure will be presented at the end of the chapter and gives an outlook what to expect from each chapter in the thesis.
1.1 Background

From a small city in Sweden on to the global fashion stage, cooperating with top designers such as Karl Lagerfeld, Stella McCartney, Roberto Cavalli, Jimmy Choo, or Sonia Rykiel. From its first fashion store opening on 13th September 1947 in Vasterås, central Sweden, to two-thousand stores in four continents in the year 2010. From being in red at the foundation of the company up to €5.5 billion in sales in 2002, by which 88% of the sales were gained outside of Sweden. From being a completely unknown fashion brand to one of the most known brands in the world; Hennes&Mauritz or short H&M has a brand value of estimated $16 billion, making it the 21st most-valuable global brand and most valuable retailer brand in the world (Interbrand).

The times when H&M started were of course different to today and through globalization and its advantages it became easier and faster nowadays for companies to expand in other markets than it was 54 years ago when Erling Persson started H&M. The fashion market at that time was rather small compared to the multibillion dollar business the fashion and clothing industry is today. (H&M)

We can see that the term “Nordic fashion wonder” is not related solely to Sweden or H&M but to the Norwegian, Danish and Finnish Fashion markets as well. Many brands from these countries grew strong in their domestic market and internationalize successfully. That’s why we think it is a really interesting industry, especially from the view of the internationalization process.

The Nordic markets are due to its characteristics small and fast saturated; the fashion market in generally around the world is fierce and companies are fighting, trying to gain market shares using various internationalization strategies. These strategies are implemented using knowledge about the industry and the market. Especially in the fashion industry it is interesting to see how markets are growing and changing.

This short background introduction leads us to the theoretical discussion within the topic of the thesis which can be seen as follows.

1.2 Problem Discussion

The international business, business development and internationalization strategies are complex, and differ from industry to industry. Scholars have discussed and debated the topic of strategic decision-making in the fashion industry using different directions. The history of business internationalization research has gone from solely focus on exporting strategies (Simmonds & Smith, 1968; Cunningham & Spiegel, 1971) through more defined models of firm internationalization (Johansson & Vahlne (1977)), towards several research definitions and behaviors of internationalization.

Through the scope of literature we found interesting and important models and theories of internationalization. Such as motives and drivers for internationalization (Alabaum,
Strømskov & Duerr, 1989; Moore, 1996; Evans, Bridson, Byrom & Medway, 2008), those factors that affect firms internationalization decisions. External and internal aspects of influence, like if the domestic market is saturated or the firm sees great opportunities of growth in expanding into foreign markets. The theoretical claim of the Uppsala Model (Johansson & Vahlne (1977)), where studies implies that firms internationalize through incremental steps of market commitment as to bridge the uncertainty of going abroad. The Helsinki model by Luostarinen (1979) addresses this gradual development and shows the slow export without direct operations in external markets. The born-global theory (McKinsey & Co. 1993; Rasmusen & Madsen, 2002; Chetty & Campbell-Hunt, 2004) on the other hand shows the direct and extensive export into several markets right from the startup.

Most of the literature focus on the classical entry models like the Uppsala Model, push and pull factors and spreading risks and costs to several markets, especially visible in the case of the Fashion company Zara and its competitors (Lopez & Fan, 2009). But some scholars highlight the holistic view of internationalization strategies; Dimitratos, Petrou, Plakoyiannaki & Johnson (2010) focus on the underlying affects of national culture to the strategic decision-making process of a company. Discussing how competitive advantage can come from knowledge of the international market through cultural perspectives.

Several scholars have expanded the initial internationalization theories of the Uppsala Model (Hadjikhani & Johansson, 2001; Blomstermo, Eriksson, Johansson & Sharma, 2001) to include firms expectation of the new market intended for their penetration. The firms’ positive or negative expectations of new markets will affect the outcome of the internationalization process. Recent studies criticize the Uppsala model and discuss the implications of the theories (Vahlne & Johansson, 2002; Guercini & Runfola, 2010). The Uppsala Model is limited in its explanation of firms’ relationship with other actors in the market, actors that can help the firm in their internationalization or that can pose as competitors.

The knowledge gap we aim to study concerns the lack of research of the internationalization process in the fashion industry of the Nordic markets. We aim to study the small medium sized fashion companies, as previous research lack explaining the whole internationalization process for such companies. Through the scope of literature we can see interesting perspectives of internationalization theories, but still we find that an important lack of study on the internationalization process in the fashion industry exists. Through our extensive article and literature review we see especially a gap of research regarding the small and medium sized Nordic fashion companies and their internationalization process and strategies. Our literature review showed that there are shortcomings as previous studies generally explain firm internationalization through models (Johansson & Vahlne 1977; Luostarinen 1979; Rasmusen & Madsen, 2002; Chetty & Campbell-Hunt, 2004) and case studies but do not consider the Nordic fashion industry in particular. Most of the literature concerning fashion industry internationalization does not conceptualize the internationalization process, but explain parts of the process in regards to motives for internationalization (Moore, 1996; Evans, 2008; Lopez & Fan, 2009), market entry modes (Rundh, 1994; Doyle & Reid, 2005; Moore, Doherty & Doyle, 2010), market Selection (Swoboda, Foscht, Maloles & Schramm-Klein 2009) and barriers of market entry (Keenan,
Saritas & Kroener 2004; Parrish, Cassill & Oxenham 2006), none of which consider the Nordic fashion industry and in particular the small and medium sized Nordic fashion companies.

The definition of small and medium sized companies that we refer to in this thesis regard those companies that are employing fewer than 250 people and that has an annual turnover that does not exceed EUR 50 million. (www.europa.eu)

The knowledge gap; lack of research concerning the Internationalization Process of small and medium sized Nordic fashion companies, is significant for our thesis research. We think it is utterly important to study the fashion industry in the Nordic countries as we believe that many small medium fashion firms in Sweden, Norway, Denmark and Finland are growing quickly. We think that these firms are utilizing interesting internationalization methods that affect the market and might have implications for what is commonly accepted in theory, whereby we choose to investigate the Nordic fashion industry in regards to their internationalization process.

1.3 Research Question

The research questions have been developed with the existing research in mind, trying to find answers that will enrich the existing literature and cover the knowledge gap; lack of research concerning the internationalization process of small and medium sized Nordic fashion companies.

- What are the reasons for the small and medium sized Nordic fashion companies when internationalizing?
  - What are the strategies the Nordic fashion companies use hereby?
- What influences the small and medium sized Nordic fashion companies in their choice of strategy and market to enter?
- What kind of barriers of entry and problems do the small and medium sized Nordic fashion companies see as critical in their internationalization process?
  - How do the Nordic fashion companies overcome these barriers?

1.4 Aim

The aim of this thesis is to create awareness of how small and medium sized Nordic fashion companies plan and execute internationalization strategies. We aim to give examples from the industry and provide recommendations for Nordic fashion companies and their managers in how to optimize their internationalization process and use that knowledge as an advantage. We will explore the vast literature regarding internationalization, models, drivers, market selection and entry modes and link them to the practical view from our research.
1.5 Limitations

In this thesis we focus on the internationalization process and its theories and implications of the Nordic fashion industry, especially concerning only the small medium sized firms. We chose the fashion industry in regards to our own interest. We have some experience of working with fashion retailers, and saw the interesting point of investigating the industry’s internationalization process. We do not choose any other industry as the research is limited in time and we need to give focus to our research, and we believe that the Nordic fashion industry will provide the answers we seek. We start with a general description of theories but limit our essential study to specific details regarding the fashion industry. This thesis is limited to only cover the Nordic fashion industry, by which terms we mean the Swedish, Norwegian, Finish and Danish markets. We do not attempt to cover fashion items in terms of objects; we only focus on clothes, accessories and wearable garments, further we will concentrate on the Prêt-a-porter (ready to wear clothing) and street fashion industry instead of the high fashion designs of Haute Couture (individual tailored clothing). We as well limit the study regarding the size of companies we are going to investigate. We will focus on small and medium sized fashion companies (SME’s).

Our study is exploratory, as we aim to study the subject of interest through a multitude of explorative methods. The choice of method will limit the study and therefore this thesis is limited in its nature.

1.6 Disposition

Chapter 1 deals with the scope of the study, including the background and problem discussion. We present our research question and the aim of our thesis as well as we show the limitations of the study and how we build up the thesis in its structure.

The theoretical research methods are elaborated in chapter 2. The research methodology we applied in our study is described and besides clarifying the research philosophy, we show our intention of the study, stress the importance of using our chosen research approach and emphasize the importance of using different research strategies.

In chapter 3 we present the existing literature and review it. We will give a short historical overview of the internationalization studies and elaborate more in detail certain models of interest. We as well go into the criticism and new perspectives on the existing models and theories and conclude the chapter with our theoretical framework.

Chapter 4 includes the discussion about the practical research methods. The research design, the primary and secondary data collection methods are described and we demonstrate our choice of sampling and respondents. The chapter is rounded up by explaining the ethical importance in studying social science.
The empirical analysis is presented in chapter 5, in which we show our findings of our empirical data collection. After describing the content and structure of the quantitative and qualitative data collection, we conclude the chapter by our triangulation analysis.

The conclusion of the thesis is discussed in chapter 6. We elaborate our thoughts and thinking of our research findings, give recommendations, discuss the contribution of the study to the field of research and point out future research areas of possible research interest.

The chapter 7, the last chapter of our thesis, includes the truth criterion of the thesis. We show that the results of the studies are correct and that the thesis upholds a high level of accuracy. We criticize the methods we used in our studies and explain why our research is relevant and how it could be transferred into other contexts.
2.0 Theoretical Research Methods

Researchers Preconceptions

Epistemological Research Philosophy in Social Science

Triangulation as Research Approach

Iterative Research Strategy

In this chapter we start with clarifying our preconceptions and explain the theoretical research methodology we apply to our thesis. We present our choice of research philosophy; the Epistemological view, after which we outline our intention with this thesis, and stress the importance of using the best research approach for our study, the method Triangulation. We emphasize the implications of using different research strategies, and pinpoint why Iteration is suitable for us.
2.1 Researchers Preconceptions

Our background in theory stems from extensive studies in the subject of internationalization. We have gained prior knowledge from studies at the Umeå School of Business, in subjects of internationalization, business development and marketing. Further both of us have studied and worked abroad on several occasions. This has provided us with practical and theoretical experiences in internationalization of firms from work, studies and personal life.

We have some insights in the fashion industry as we have gained knowledge from working with fashion companies. This provided practical experience of how fashion companies operate. None of us have direct insights or practical knowledge into the subject of this thesis at a very theoretical level, thus our preconceptions regarding the internationalization process of small and medium sized Nordic fashion companies is merely theoretical.

It is our opinion that as researchers one should strive to gain an objective view and knowledge to the subject of study. But we realize that human beings cannot be totally and absolute subjective when studying social reality, as the constructs are made up by individuals to whom one gets a relation towards. Therefore we are trying to be unbiased to the subject of study and the research, but we realize that our preconceptions will indefinitely color our view of the study in terms of choice of subject, theories, methods and analysis. They are the basis upon which we rationalize and critically examine the situation.

2.2 Epistemological Research Philosophy in Social Science

Our study stems from an epistemological view, relying on interpretivism through hermeneutics that provides us with freedom to interpret the reason behind why people act the way they do in certain situations, which we consider to be best for our study.

We believe that the human mind cannot be totally and absolute objective when studying social reality, therefore a positivistic approach would not be beneficial for us. Neither do we consider the natural science approach of ontology, as we think of it as to be limited in its perspectives of interpreting reality.

Epistemological issues regard how one can grasp and gain knowledge about the social reality by which Johannessen & Tufte (2007, p.16) explains that as whether one can gain objective knowledge about the reality, or if reality is always depending on one’s interpretations. Bryman & Bell (2007, p. 16) discuss that Epistemology is an approach whereby positivism and natural science are associated, in terms of using natural science principles on social studies. Positivism poses that research is conducted in an objective manner. It is descriptive and uses elements of both inductive and deductive research strategy. Epistemology is further associated with interpretivism as an alternative to the limitations of the positivism. In interpretivism hermeneutics reflect the human difference towards the natural science; it gives room for interpretation and subjectivity to the social reality. Hence our thesis follows the epistemological scheme.
The complex nature of the philosophies and their categorization to which different research methods are associated, is explained by Bryman & Bell (2007, pp.626-640), who emphasize that there is no clear diversification to each of the certain aspects. As qualitative research can include elements of natural science, quantitative research can hold basics of interpretivism. Ryen (2004, p.137) argues that there is no absolute truth of what is considered to be reality, scientists have not agreed on the best method to study reality, and thus it is up to each and everyone to form own methods to grasp the complexity of reality, describe and explain what one sees.

We are aware that our research has been conducted in a certain timeframe, and thus the picture we give will project our subjective interpretations over this specific time. There is no absolute answer to which of the philosophical issues of ontology and epistemology is the correct one to apply to a research, as they can be combined or differentiated in terms of their characteristics; therefore the reality can be both specific and general in each research. If our research is to be conducted at another timeframe by someone else, the results might be different and thus we understand the limitations of our study in the field of social science and business.

2.3 Triangulation as Research Approach

We applied the method triangulation on our study, as we believe our research will benefit from the mix of quantitative and qualitative approaches. First we want to graph a phenomenon through sampling a large amount of data. Most common is letting respondents answer certain questions and give their opinion through polls, and surveys (Bryman & Bell (2007, p. 28)). We believe that combining such quantitative data with qualitative data we can better understand the underlying reasons to the subject of study (Johannessen & Tufte (2007, p.21)), and through in-depth interviews we can understand those phenomena that characterizes social reality and situations (Dalen (2008, p.11)).

Method triangulation enables researchers to view the subject of study from different perspectives. The result may differ from the methods used, but this stimulates new interpretation and gives room for nuances, it offers the analysis to be more comprehensive (Johannessen & Tufte (2007, p.77)). We use a combination where we initially conduct a quantitative internet survey followed by selected respondents for the qualitative interview, as the qualitative interviews give room for answering questions that had not been fully understood through the quantitative survey (Johannessen & Tufte (2007, p.69)).

Utilizing a triangulation method might not be the best for our study in terms of time limitation and the vast data collection it requires. Though we believe it will benefit our research as we will be able to cover most aspects of the research subject. We think that this will aid us in gaining a deeper knowledge and understanding into the internationalization process of small and medium sized fashion companies in the Nordic countries, and as such we hope it will support answering the research questions.
2.4 Iterative Research Strategy

As we are utilizing both quantitative and qualitative research approaches we would indefinitely use a mix of both deductive and inductive research strategy as well. But as we do not form hypotheses, we utilize an iterative strategy. The iterative strategy is the best choice for us as the research field of small medium fashion companies in the Nordic countries has not been previously examined as a total process, thus we go back and forth into theory to grasp the few keys of importance and try to formulate a combined theory, by comparing empirical data to existing theories.

Iteration is related to the Grounded Theory which Patel & Davidson (2003, p.32) explain as a method whereby the researcher initially collects empirical data that covers the unique case that will create the basis of a local theory. The Research question in a grounded theory will be open to change as data is collected throughout the research process. Dalen (2008, p.50) explains the grounded theory as an approach where the study is based on collected data. Researchers create a solid base or ground by starting to find empirical data that are developed into theories.

We started by examining the current theories and finding a gap of knowledge by which we create a theoretical framework to be tested against reality through our empirical studies, and the result we sampled have then been analyzed against the theoretical framework. (See Figure 2 Iterative Model).
Figure 2) We apply the iterative strategy as we go back and forth into theory, as results from our empirical findings are necessary to use in theory, to be able to explain the relationship between old and new theories and our findings to the subject of study.
3.0 Theoretical Framework

In this chapter we will start presenting a short overview of the history and background of the internationalization theory. We further elaborate more in detail the models we adapt and point out some critical aspects of these models. Concluding the chapter we take a look at the different entry modes in the fashion industry and the selection of markets, as well as show the barriers and problems companies face when internationalizing.
3.1 History of Internationalization Research and Theories

The internationalization theory has been developed over the last decades and the volume of literature is immense. Research in the field of business development and internationalization goes back to the beginning of the century. According to researchers (Blomsterno A. & Deo Sharma D., 2003, pp.18-19; Vahvaselkä I., 2006, pp.30-32, Elo M., 2005, pp.63-65; Rugman A. M. & Verbeke A. 2008, pp.157-164) Smith (1776) was hereby the precursor; he argued that countries should specialize in commodities and export those regarding their absolute advantage. The absolute advantage theory was followed by other scholars, such as Ricardo’s (1891) Comparative advantage theory and Ohlin’s (1933) factors proportion development theory, who analyzed the flows of trade between countries. Hobson (1914) & Imlah (1958) on the other hand examined the international portfolio investments, explaining the portfolio flow by looking at the exchange rates of the different countries. Foreign direct investments studies began to emerge in the 1950s and researcher such as Dunning (1958) took a closer look at the impact of employment. (Blomsterno A. & Deo Sharma D., 2003, pp.18-19; Vahvaselkä I., 2006, pp.30-32, Elo M., 2005, pp.63-65; Rugman A. M. & Verbeke A. 2008, pp.157-164)

At that time there was a change of focus towards rather international investments and operations of firms. Questions, concerning the why and how of companies expanding their business, were asked and examined. This can be seen as the start of modern studies concerning the topic of international business.

The Monopolistic advantage theory (Hymer 1976; Caves 1982) describes the superior knowledge companies posses in form of manufacturing processes, differentiated products, brand names, organizational talents or patented technology. This knowledge can be then transferred to other markets at a low marginal cost. The oligopolistic reaction theory (Knickerbocker 1973) emphasizes the fact that companies in an oligopoly tend to expand in order to keep up with the actions of rivals in the market. By copying the competition, companies reduce their risk in going abroad. Internalization theories from Buckley & Casson (1976) and Hennart (1982) focus on the market of knowledge. They examine the question of why firms in many countries make home investments and develop skills in-house. During the late 1960s Process-based internationalization theories evolved from Harvard Business School. Vernon (1966) published a paper about the product life cycle which is based on Burenstam-Linder’s (1961) studies on how American firms expand to new markets. Further work in the process-based internationalization area emphasized the significance of knowledge and learning in firms. Studies from Aharoni (1966), Bilkey & Tesar (1977), Cavusgil (1980) and Reid (1981) had an important impact on this field of research, but truly new impulses came from studies by Wiedersheim-Paul (1972) and Johanson & Vahlne (1977) which brought the research into new directions and showed a theoretical explanation of the internationalization process of firms. (Blomsterno A. & Deo Sharma D., 2003, pp.18-19; Vahvaselkä I., 2006, pp.30-32, Elo M., 2005, pp.63-65; Rugman A. M. & Verbeke A. 2008, pp.157-164)

The following studies after the 1970s covered a shift towards transnational corporations. The evolution of the transaction cost approach by Williamson (1975) and for example Jansson, Saqib & Sharma (1995) who studied the relationship between the transnational
Corporations and countries, and Sharma’s (1983) de-packaging of foreign direct investments. The work of first Hennart (1982), and next Buckley & Casson (1976) stresses that the rise of transnational corporations has its grounds from the fact that they are an effective tool in assisting the transfer of resources across different nations. A more managerial view on the strategy took Stopford & Wells (1972) and later Porter (1985) when studying transactional corporations as organizations. (Blomsterno A. & Deo Sharma D., 2003, pp.18-19; Vahvaselkä I., 2006, pp.30-32, Elo M., 2005, pp.63-65; Rugman A. M. & Verbeke A. 2008, pp.157-164)


Another interesting current research field is the concept of “Born-globals” (McKinsey & Co. 1993; Rennie 1993; Oviatt & McDougall 1994). “Born-global” companies “see the world as their marketplace from the outset and see the domestic market as a support for their international business” (McKinsey & Co., 1993, p.9).

In regards to our focus on the internationalization process in firms, we can summarize that the internationalization process model has been developed by a combination of several theories, which we think are relevant to discuss in line with the internationalization process of small and medium sized Nordic fashion companies in our thesis. In agreement with Vahvaselkä’s (2006, p. 30) combination of theory we see the mix of the behavioral theory “(Cyert & March 1963; Aharoni 1966), the theory of growth of the firm (Penrose 1959), and the stages approach developed by Billey & Tesar (1977), Reid (1981), Cavusgil (1980), Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977), as well as Luostarinen (1980) based on behavioral (Cyert & March 1963; Aharoni 1966) and strategic thinking adopted from Ansoff (1965, 1975), and the systems theory (e.g. Hall & Fagen 1956; Churchman 1968)” as appropriate theories of explaining the development of the internationalization process model. (Blomsterno A. & Deo Sharma D., 2003, pp.18-19; Vahvaselkä I., 2006, pp.30-32, Elo M., 2005, pp.63-65; Rugman A. M. & Verbeke A. 2008, pp.157-164)
3.2 Internationalization Models

The firm’s foreign operations and the internationalization theory itself have developed towards a holistic approach (Elo 2005, 65). Static models have been turned down and rather dynamic process theories gain on importance. In regards to the body of literature we can say that internationalization has been studied from different angles and perspectives. According to Elo (2005, p.65-65) we can divide the internationalization process models into two different perspectives: economic and behavioral. (See figure 4)

![Internationalization Process of the Firm](image)

- **Economic theory**
  - Theory of growth of the firm (Penrose 1959)
  - Internationalization theory (Casson et al. 1986)
  - Market power theory of a firm (Hymer 1976)
  - PLC-product life-cycle approach (Vernon 1966, 1979)
  - OLI-eclectic model (Dunning 1981)

- **Behavioral theory**
  - Holistic model on internationalization (Luostarinen 1979, Welch & Luostarinen 1988, Fletcher 2001)

Based on the *economic theory* of internationalization we see the theory of growth of the firm (Penrose 1959), the internationalization theory (Casson et al. 1986), market power theory of a firm (Hymer 1976) and the PLC-product life-cycle approach (Vernon 1966, 1979) as the main important theories. Other economic theories includes the perspective of choosing the degree of vertical integration of international business by Anderson & Gatinon (1986), Caves (1982), Hennart (1982) and Rugman (1982), and the OLI-eclectic model from Dunning (1988). The main driving forces for internationalization in these
economic theories are corporate growth, new market opportunities, internationalization and vertical integration. (Elo 2005)

On basis of the behavioral theory on internationalization, the theories refer to the organizational and social side. In these theories the lack of knowledge by the firm and the uncertainty related to decision making in the internationalization process are omnipresent. The main behavioral-related theories are incremental, innovation-related, holistic and network internationalization models.

In our thesis we concentrate on the behavioral theory of internationalization. We further indicate that the focus of the models we use will be on the Uppsala model (Johannson & Vahlne 1977), the revised Uppsala model (Johanson & Vahlne 2009), the Helsinki model (Luostarinen 1979) and the born-global theory (Rasmusen & Madsen, 2002; Chetty & Campbell-Hunt, 2004). We present each models and its criticism; we will discuss the process of internationalization that will build the scope of theory for our model in this thesis.

3.2.1 The Incremental Nordic Models

Uppsala Model

Johansson & Vahlne (1977) introduced the Internationalization Process Model of firms. The model has been called the Uppsala Model of Internationalization as regards to the university where the researchers were conducting their studies. The study was groundbreaking and explains the incremental step-wise process of firms entering new markets internationally. The internationalization process model is seen by Johansson & Vahlne (1977) as a process in which an increasing commitment to a new market is leading simultaneously to an increase in knowledge. This new knowledge can then in turn be used to internationalize further. Vahvaselkä (2006) explains that there exist two kinds of knowledge in the work of Johansson & Vahlne (1977): objective knowledge and experimental knowledge. Experimental knowledge is in this case the predominant and the more important knowledge. It is the primary source of reducing the uncertainty and therefore is responsible as well for generating business opportunities. Johansson’s & Vahlne’s concept of market commitment constitutes of the amount of resources which are committed and the degree of commitment.

Johansson & Vahlne (1977) formulated a dynamic model which explains the nature of firms’ commitment approach. In this model (see figure 4) the outcome of one cycle of events provides the input for the following cycle. In general this model shows that market knowledge and market commitment affect both commitment decisions and the way current activities are performed which affects successively market knowledge and commitment.
The Uppsala model discusses further the psychical distance where managers perceive certain markets closer to their business regardless of geographical distance. The psychic distance and its factors prevent or disturb the flow of information between the firm and the market. The factors are differences in language, cultural norm and values, political systems, level of education and level of industrial development. (Johansson & Vahlne 1977)

The incremental nature of firms’ internationalization through the Uppsa...
Helsinki Model

The other Nordic model besides the Uppsala model is the Helsinki model by Luostarinen (1979). Both internationalization models are characterized by its incremental steps in the internationalization process by which learning takes place and the psychic distance factor when deciding on entering new markets. The Uppsala model can be seen hereby as a market model whereas the Helsinki model represents a company model (Vahvaselkä 2006 p.34). The Helsinki model has their focuses on four different stages that develop step by step and are related to product, operations and markets (POM-posture). The POM-strategy according to Luostarinen (1979) includes the product strategy (what), operation strategy (how) and market strategy (where). Luostarinen (1979) uses hereby the basic essentials of Penrose and her view on growth as the main expanding reason for companies. This especially is valid for markets like the Nordic markets, which are small and fast saturated in its characteristics.

Luostarinen (1979) is basing his theory on the strategic decision-making, the growth of the firm and on the particular role of the Finnish economy which represents a small but open market as a pressure towards internationalization. His perspective on the managerial decision making is based on the thought that managers generally follow earlier steps and are rather not so keen to go other ways. When it comes to expanding to markets, the closer ones are penetrated first and rather with export than with direct operations. FDI operations therefore are more common at the beginning of a companies’ internationalization process.

The four stages in the model start with the firm market physical goods using non-direct investment marketing operations. The next stage, the development stage, the firm moves
into the internationalization process with introducing goods and services to foreign markets by direct investments in markets close by and non-direct investment marketing operations in markets with a longer distance. The growth stage is representing the stage within the firm introduces systems and know-how to foreign markets. The last stage, the mature stage the firm started marketing operations globally and started establishing as well own production units. (Vahvaselkä 2006 p.38)

**Expansion of the Incremental Models**

In regards to the Uppsala Model, Alabaum et. al (1998) were to investigate how the lack of knowledge of foreign markets, internationalization and limitations of resources affects the performance of firms’ internationalization. They argued that the uncertainty will slow the process down and even limiting the companies’ performance. Eriksson, Johansson, Majkgård & Sharma (2001, p.28, 35) categorized firms lack of knowledge into three different categories; lack of business-, institutional- and internationalization knowledge. Firms that engage in internationalization processes have to some extent a lack of knowledge in these categories, and that will affect firm’s internationalization processes. The business knowledge refers to companies’ knowledge of competitors and clients in foreign markets. Institutional knowledge refers to a firm’s knowledge of laws, language, standards and norms in foreign markets. Internationalization knowledge refers to companies’ knowledge gained from previous internationalization experience. The lack of institutional knowledge makes firms ethnocentric in their approach to foreign markets.

Market conditions may change, institutional knowledge and business knowledge may be obsolete and thus firms are forced to take new decisions. Expectations of the market and the firm are important to the decision making. Hadjikhani & Johansson (2001, p.149) added expectation as exogenous factor of importance for the internationalization. “Expectation connects the future dimension of commitment to decisions made in the present” Hadjikhani & Johansson (2001, p.148). Expectation makes firms take large commitment with high risks. Expectation, knowledge and commitment are very much linked to each other in the internationalization process. Expectations gives value to the decision of market entry, as firms engage in international processes their knowledge increase and their commitment is stronger. Hadjikhani & Johansson (2002, pp. 287-300) suggest that adding expectations to the dimensions in the Internationalization Process Model will explain how firms make internationalization decisions based on their expectations of the future and the market. And thus internationalization would not only be reactive but an active process, as there is a gain of experiential knowledge through the search process for business opportunities. Positive or negative expectations explain the behavior of the firm, why they enter certain markets and why they exit them.

Blomstermo, Eriksson, Johansson & Sharma (2001, pp. 139-142) further mention duration and variation as important factors for determining the internationalization of firms; Duration is the time-span the company has for involvement in international operations, and variation is the difference in the acquired knowledge gained from the internationalization process. That firms use past experiences gained from previous international businesses and market entries when entering new markets. Firms develop their knowledge from past experiences and present ones to avoid uncertainty.
3.2.2 Criticism to the Nordic Models

We think it is relevant and important to consider critical thoughts and new findings to the theories we apply, whereby we will present different opinions to the incremental models like the Uppsala and Helsinki model.

Rundh (1995, p.3) says that the strategic decision-making of internationalization processes has changed as market changes. Internet and globalization has forced companies to operate differently in a fast pace environment. Processes where firms incrementally expand their business abroad is not as efficient for companies that wish to enter new markets fast, therefore the incremental models would be insufficient. Rundh (1995, pp.20-26) suggests that acquisition and strategic alliances are growth strategies that enable companies to rapidly gain access of markets.

Hadjikhani & Johansson (2001, p.148) argue that the incremental nature of the models are limited, they only explain how market knowledge is gained by firms through step-by-step extension of commitment, and does not give room for those firms that make large market commitments before having any experiential knowledge. In order to explain this, expectation was added to the model, Hadjikhani & Johansson (2001, p.158) argue that firms values and hopes of the market, of the products and the outcome drives the expectation to levels where it is important for the decision making of internationalization strategies. Positive or negative events will affect the expectation and the expectation might change over time, and thus affect the decision making of engaging further in the firms commitment, or lead to market exit. Hadjikhani & Johansson (2001, pp.158-163) implies that the imbalance between expectation and experiential knowledge will also affect the decision of market commitment or market exit. If the expectations are high but not met through what the firms learn by experience, it is reasonable to assume that firms may exit the market.

Johansson & Vahlne (1990, p.18) applied a network view to the Uppsala model as internationalization is a time-consuming process and that a firms’ relationship to others are important in their strategies. Hadjikhani & Johansson (2001, p.158) agree that network connections also play an important part as firms may rely on their partners or connections to solve problems or have the sufficient market knowledge to make up for the commitment. Blomstermo et.al (2001, pp.139-142) poses that experience gained from network relationship when internationalizing is useful for companies in growth. Relations with customers, suppliers, competitors etc are important for the international expansion. Guercini & Runfola (2010, p.909) disregard the incremental nature of the models and withhold the importance of the network approach on the internationalization process for the fashion industry. Business networks are far more important for internationalization strategies and decisions then the focus on one single firm’s actions. Internationalization is often affected by the firms’ relationships to other firms, in terms of competition and even as positive aid. “It can be reasonably argued that, from the individual actor's perspective, the perceived “psychic distance” in the process of internationalization may change due to the presence of relationships with other actors, such as suppliers who already operate in the prospective new geographic market.” Guercini & Runfola (2010, p 909). Network relations can help firms’ gain necessary market knowledge to overcome barriers of psychic distance,
as other actors are already present in the intended market and possess the needed knowledge.

Vahlne & Johansson (2002, pp.210-211) address changes of the IP Model with regards to the experiential learning, and inflict that the new information technology, time and location of business operations has changed the market economy. It is not only physical markets that make up the business world, IT technology has created new markets and therefore experiential learning becomes secondary for firms. Competition is more intense as firms can get access to the same information that is available for everyone, and the uncertainty of doing business is constantly present. Internet has made global markets and customers closer and companies need to change their internationalization behavior. Psychic distance still plays an important role, due to access to more information faster firms cope with psychic distance better. Firms penetrate markets through internet in terms of clusters as they think of countries and markets being connected to each other in a different way than if they were entering markets without the internet. In this case a few European countries can be grouped together and become one single total European market. Market penetration through Internet is a matter of chance rather than reasonable choice.

These critical opinions suggest that there are two more ways of looking at the internationalization of firms, which suggest the Revised Uppsala Model and the Born-global Theory as suitable models for firms describing the export activities today.

3.2.3 Revised Uppsala Model

The revised Uppsala model is commonly known as the Network model and due to the criticism the Uppsala model received over the years Johanson & Vahlne decided to revise the model in the light of the current changes in business practices that could be seen over the last years. The firms of today are seen as “embedded in an enabling, and at the same time constraining, business network that includes actors engaged in a wide variety of interdependent relationships” (Johanson & Vahlne 2009 p.1423). The market these days is rather seen as a web or relationships, as a network than as a classical market where every player is independent. To be left alone and outside of such a network is the root of uncertainty. Psychic distance is hereby not as important as it was in their earlier model. (Johanson & Vahlne 2009)

In the revised model the firms’ action to strengthen their position in the network is seen by Johanson & Vahlne (2009) as actions of internationalization itself. Regarding this statement ibid further argue that the traditional view on market entry is less important than the internationalization process of firms to strengthen its position in the network (Johanson & Vahlne 2003). This opinion results in the claim that the existing business relationships have a big impact on a company’s choice of market entry and on which entry mode to use. This is also consistent with the business network view from Håkanson & Snehota (1995) in which they say that much is contingent on existing relationships and that learning and commitment take place in relationships. (Johanson & Vahlne 2009) In the Uppsala Model it has been primarily assumed that reducing uncertainty mainly is linked to the differences in culture and institutions. Now Johanson & Vahlne believe that learning and commitment is related to identifying and exploiting opportunities (Johanson & Vahlne 2006). They further
argue that internationalization is more about opportunities than about overcoming uncertainties. (Johanson & Vahlne 2009)

When analyzing the new model and comparing it to the original Uppsala model we can point out that the change mechanism for companies is still essential for the revised model and the state variable is still in place. The variables still affect each other and thus the model depicts dynamic, cumulative processes of learning, as well as trust and commitment building. Besides these variables the basic structure from the Uppsala model is the same with some changes in adding “recognition of opportunities” to the “knowledge” concept, Johanson & Vahlne (2009) hereby wants to emphasize the importance of opportunities in the knowledge process. As well we see on the state side, the second element is the “network position” which was in the old model “market commitment”. The explanation hereby is that they assume that the internationalization process of the firm is within a network and that the relationships in the network are characterized by knowledge, trust and commitment. On the change side of the model, Johanson & Vahlne (2009) changed “current activities” to “learning, creating and trust building”. The other change variable “commitment decision” has been changed to “relationship commitment decisions”. The added “relationship” part is to make clear that the commitment decision should be seen towards relationships or the network of relationships as described before. A change in the commitment hereby will whether strengthen or weaken the relationship between the players on the market. (See figure 6)

Figure 6 Revised Uppsala Model: State and Change aspects (Johanson & Vahlne 2009)

Johanson & Vahlne (2009) revised model is based on business networks and have two sides. On one side the fact that “markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns” (Johanson & Vahlne, 2009, p.1411) and on the other side relationships that offer potential for learning and for building trust and commitment which are at the end both preconditions for internationalization. (Ibid)
3.2.4 Born-global Theory

Another interesting current research field is the concept of “Born-globals” (McKinsey & Co. 1993; Rennie 1993; Oviatt & Douglas 1994). Sharma & Blomstermo (2003, p.740; Moen & Servais, 2002, p 51-52) argue hereby that previous internationalization theories like the Incremental models are faulty. Rundh (1995, p.3) argued firms must operate differently today and find quick ways of internationalizing and this could be done through networking and relationships. The Uppsala Model is less important for modern companies, as the uncertainty issues has decreased, and the global environment of today enables for easier travel, communication and spread of technology through which people tend to get international experience. Rasmusen & Madsen (2002, p.6) argues that businesspeople with this knowledge see the entire world as an important and possible market.

Moen & Servais (2002, p 54; Sharma & Blomstermo, 2003, p 739, Chetty & Campbell-Hunt, 2004, p. 62) show that strong personal networks on international markets and previous experiences are key reasons for a Born-global startup. Success in Born-global companies comes from the uniqueness of its network relationship (Sharma & Blomstermo, 2003, p.745). Further Chetty & Campbell-Hunt (2004, p.75) argue that “the key difference between born-global and traditional views of the use of networks in internationalization is not in their use, which is common to both models, but in the rapidity and scope of the networks developed by the born-global firm”. Sharma & Blomstermo’s (2003, p.742-743) study showed that the network influences the internationalization process of Born-globals. Sharma & Blomstermo (2003, p. 745-746) argue that Born-globals are engaged in many relationships at the same time but that most of them have weak ties, and that is the key to success. Sharma & Blomstermo (203, p 748) emphasize that improvisation, spontaneity and adaptation is the key to surviving on global arenas in the startup phase, especially at the entry mode selection Born-globals need to learn from the individuals they meet at the local market, it is a trial and error process, and that the firms learn from their mistakes as well as from their network connections.

Moen & Servais (2002, p 53; Sharma & Blomstermo, 2003, p.747) found that Born-global Firms are willing to change and adapt their internationalization process after the conditions they faced in each new market. Chetty & Campbell-Hunt (2004, p. 76) argues that Born-global firms are more aggressive than traditional firms, especially in terms of commitment, engagement and tolerance to failure. They are keen to improvise and see the expansion process as an experiment as they learn through trial and error.

Sharma & Blomstermo (2003, p. 747-748) further argues that Born-global firms tend to enter markets that have connections to their network, not necessarily the biggest and most profitable markets first though, and that market entry mode selection is determined by the knowledge they gain from their network connections.

To summarize the internationalization theories, we see the correlation between the four researched theories. The incremental models with its criticism and expansions are influencing our opinion towards the inclusion of the Network model and Born-global theory. (See figure 7)
3.3 Reasons for Firms’ Internationalization

There exist several different theories explaining the drivers and motivations for companies in expansion. We analyzed those and recognize that there exist two different approaches; Reactive and active as well as two different triggering factors; push and pull. (See figure 8)

The reason for firm internationalization was a hot topic in the late 80ies, when scholars studied companies’ motives and drivers for internationalization, and found that international competition and domestic market limitation were of importance when engaging in international business (Alabaum et. al 1998). Especially the motives for the clothing and manufacturing companies’ internationalization depended on the level of market saturation and competition, but also that internationalization gave the companies a chance to spread their risks and lower cost of production. Most interesting with Alabaum’s et al (1998) study was that the research indicated that the firms’ own initiative for expansion would make them internationalize despite other external factors.

Further, Moore’s (1996, pp. 346-349) study found that a multitude of conditions as market maturity, competitiveness, and restrictive regulations would force manufacturing firms to internationalize or else they would perish. On the other hand large and niche market segments, underdeveloped clothing industries and favorable economics were business conditions where firms could see investment opportunities. These different conditions were named Push and Pull factors of internationalization. (Moore 1996, p.347)

Another study by Evans et. al (2008, pp.261-265) explained that the drivers behind fashion firms internationalization was due to a desire of expanding the business to increase growth and profits and explore firms’ core competences. The most critical driver was the corporate vision and industrial strength; the firms’ ability to detect opportunity and global efficiency, and the ability to initiate expansion, much like Alabaum’s et.al (1998) initial findings. Evans et al. (2008, p.261) incorporated the Push and Pull factors like Moore (1996) in their study, explaining that growth is linked to the Push factor, as limitations of the domestic market would force the firm to expand into foreign markets. Internationalization would be
pursued by the firm, whether or not the market was indeed saturated or if it was just the perception of the firm. At some point, the firm would reach a saturated market and internationalization would be inevitable. Lopez & Fan (2009, pp.283-285) present that Push and Pull factors work simultaneous; those pushing conditions that encourage firms to internationalize would not be grounds for international growth, unless there was a pulling factor of attractive foreign markets to penetrate.

Moore (1996, p.347) discusses that different motivation for internationalization can be categorized in proactive and reactive approaches. Firms that enter new markets due to limitations in the domestic market are reactive in their approach. Firms that engage in proactive actions seek to explore opportunities in new foreign markets; those firms adopt more aggressively strategies to penetrate the market, and the reason for such actions are often not linked to saturation in the domestic market, but to the own wish of growing.

To summarize the body of literature in the field of companies’ motivation to expand their business, we conclude that the different drivers and motives for internationalization as mentioned briefly at the beginning can be seen as two different directions. On one side the push factors as trigger for expanding and therefore a reactive approach from the company on the market and on the other side we see the pull factors as trigger for the rather proactive approach of companies internationalizing. (See Figure 8)
3.4 Entry Modes of Fashion Companies

Through the body of literature we identify several different entry modes for firms to use when internationalizing into new markets. We can divide them into low commitment, network cooperation’s and high commitment entry modes.

Rundh (1994, pp.18-19) mentions the benefits of strategic acquisition; as a market entry mode acquisition can limit the uncertainty as the company takes over a fully functioning company that has all the knowledge of the market and the business in the intended market. It is an expensive entry mode but the benefits of overcoming obstacles of market entry will provide good grounds for later pay off.

Levitt (1986) were one of the first scholars to mention different new market entry modes like Agent and Export strategy. Using an agent assured that companies could actively perform business activities via the agent in the different markets they pursued, without having to integrate their business entirely on the market. Exporting enables companies to actively trade with certain local middlemen in intended markets, without risking too much of their business. Agent and Export strategy for entry mode requires low commitment in the new market and the business is protected through avoiding uncertainty.

Levitt (1986) further mentions the Global niched markets and Multinational strategy when explaining how companies perform high commitment market entries. Firms that acquire local manufacturers or sales companies benefit from the Global niche market strategy as they can benefit from leveraging the sales and gain profit through large-scale manufacturing and sales. Firms that perform different sets of market entries on different markets are using a Multinational strategy, those companies can diversify their operations and spread risk on different markets and in the same time utilizes the best market entry modes and international strategy for each market.

Moore et.al (2010, p.140) found that previous studies (Hill, Hwang & Kim1990, Kim & Hwang 1992, Dawson 1994) on specific market entry modes for the fashion industry were mergers, acquisition and joint venture. This indicates that fashion companies are less keen to develop own subsidiaries on new markets due to large uncertainty. Moore et.al (2010, pp.141-143) found that some entry modes were indeed joint ventures but also that firm chooses franchising, licensing, and wholly owned subsidiaries in just as large extent. This could indicate that the change of market, business and technology since the early 90ies makes firm choose other foreign market entries today.

Lopez & Fan (2009, p.286) discuss three specific entry modes of fashion companies; own subsidiaries, joint venture and franchising. Own subsidiaries are the most expensive, direct investment that firms can do. Firms need to engage in high levels of commitment, cost and control. In joint venture two or more firms cooperate and thus firms can leverage their control and utilize the benefits of the other part. It is an exchange of firm Know-how and expertise of foreign operations. Joint ventures are one of the best entry modes to pursue in large markets that are difficult to enter though other modes like acquisition, or where it is difficult to set up own subsidiaries due to a strongly competitive environment. Franchising
entry mode gives the firm a strategy to enter small or risky markets that are culturally distant.

Lopez & Fan (2009, pp.280) detected trends of internationalization strategies in the fashion industry. Most common entry modes were mergers, acquisition and strategic alliances. Sub-contracting and relocation of production to low-cost countries were also successful business models.

Swoboda et.al (2009, pp.418, 225) determines that sourcing as an entry mode requires firms to seek cost advantage through wages investments, capital and production. If cost reduction were not sought in all of the former, firms would not benefit from sourcing as a successful entry mode. For firms to set up own sales subsidiaries the market potential was the most important factor.

Moore (1996, p.352) found that entry modes of fashion companies were performed in two stages; firstly through wholesale agreements and secondly through more committed entries like joint ventures, acquisition or own subsidiaries. Wholesaling gave the firms the benefit of entering new markets without having to invest large financial commitment or resources. It also gave the firms’ time to test the market and their products and building relationship with customers. When the market had been covered and the firm felt it had the reasonable knowledge and market penetration they would increase their commitment if it was necessary to increase profits and that the firms saw further opportunities.

Doyle & Reid (2005, p.253) state that the traditional internationalization process for fashion companies is to establish their major brands in several markets simultaneously, followed by diversified brands into different segments, and finally spin off products into designer fragrances etc. this kind of growth strategy might bring the firms profitable benefits through market expansion, multi-channel distribution, economies of scale, spreading risks and costs.

As described at the beginning we divide the entry modes in low commitment, network cooperation and high commitment modes. We summarize these entries modes in the fashion industry in figure 9. Entry modes are sometimes connected to market selection and therefore we continue with explaining briefly the Market Choice Determination regarding the fashion industry.
3.5 Market Choice Determination

Hadjikhani & Johansson (2001, p.148) argue that firms use both objective market knowledge in determining market selection; information that has been gathered through studies of the market but not through firsthand experience, and experiential market knowledge; information that has been gathered by experience of doing business in the market.

Swoboda et.al (2009, p.427) discusses foreign market selection in the fashion industry and mentions that firms’ prior market entry modes and decision to internationalize will affect the present market selection. It is the knowledge gained from factors like competition, time to market, firms size, goals and corporate structure as well as their resources and earlier market involvement that will affect the decision of market selection today. Swoboda et.al (2009, pp.427-428) further discuss how there can be conflicts between goals set to be fulfilled by the market selection and the choice of entry modes within the fashion industry. If internationalization is a failure, reason can be due to poor selection of market and suiting entry modes.

Swoboda et.al (2009, pp.426-427) mention that foreign market selection is not an isolated event in the internationalization process; it is one of several strategies that will determine how successful the firm will be on their new market. Therefore it is important for firms to integrate all strategic decisions of their internationalization process to perform at their best.

Theories (Hadjikhani & Johansson, 2001; Swoboda et.al, 2009) show that market selection in the fashion industry is determined by previous knowledge and market research. It is a mix of strategy and actions taken to reach the goals that the firm has. Market selection and entry modes are sometimes connected in the process of internationalization. Our study aims to highlight such connections and explain the factual implications that might occur; as
research (Rundh, 1994; Keenan et.al, 2004) shows that the process can be hindered by barriers of entry.

### 3.6 Barriers of Entry

Rundh (1994, p.15) says that the company must be aware of that entering a new market and operating on foreign soil have disadvantages other than just competing against domestic companies. The uncertainty of the market, customer preferences and language are barriers of entry and therefore the company must hold some competitive advantage already when entering in order to reach long-term success.

Keenan et.al (2004) poses that future decisions by global institutions will affect the international environment of fashion industry, and predicted that the eliminations of textile quotas by World Trade Organization (WTO, 2005) in 2005 will change the global business and become the driving force in future development of fashion companies. Parrish et.al (2006, p.429) further mentions how external global factors of institutional decisions can affect the internationalization of firm, and Lopez & Fan (2009, p.279) draw attention to when World Trade Organization decided to eliminate all quotas in the textile industry from 1 January 2005. This give actors unrestricted access to the global markets, increase competition and changes prices, which increase the possibilities of many producers and manufacturers as global actors, which limits the internationalization capacity and opportunities on the markets.

Thus we see that market Entry Modes, Market Choice Determination and Barriers of Entry are influencing the entire internationalization process, as our theoretical framework explains. And this leads us to form a figure to explain the theoretical connections we draw.

### 3.7 Summary of the Theoretical Framework

The theoretical framework as just described is the basis of our analysis to which we examine our empirical work. To summarize this extensive literature and theories we conclude that using the incremental internationalization models as main reference gives our study the right direction. Due to the criticism the incremental models received, we include the Revised Uppsala Model and the Born-global Theory to add all different perspectives to our research we think are appropriate.

As the following figure 10 shows, the theoretical framework is based on the internationalization models which we use as background for our questions regarding the motivations for expanding, market choice, market entry and barriers of entry. The motivations of internationalization with the reactive and proactive approach again precede the market choice and entry modes. The barriers of entry mainly seen in financial challenges need to consider when thinking of expanding. The theoretical framework model in total shows the complexity of our theoretical research of internationalization of small and medium sized fashion companies in the Nordic Countries.
Figure 10 Theoretical Framework Model
In the following chapter we will discuss and present the practical research methods we apply to our thesis. Starting with explaining the research design of our study, followed by primary and secondary data collection methods. We demonstrate our choice of sampling and participants in the study and explain the importance of ethics in studying social science. Thus we hope to clarify our intentions with this thesis, and motivate why we choose the following methods for studying the internationalization process of small and medium sized Nordic Fashion companies.

4.0 Practical Research Methods

Cross-Sectional Research Design

Primary Data Collection

Secondary Data Collection

Research Sampling and Participants

Ethical Considerations
4.1 Cross-Sectional Survey Design

In regards to our choice of methods; the triangulation, we apply a cross sectional survey design to our research strategy, as we like to gain deep knowledge of the subject of study and detect variation between different groups of respondents. Using cross sectional survey will aid us in answering the research questions as some of the questions are more qualitative and some are of quantitative nature. Thus a cross-sectional survey can combine the quantitative and qualitative data and give us a wider view of the subject of study.

Bryman & Bell (2007, p.55) says that cross sectional designs are performed through interviews and questionnaires. Our data is collected by interviewing several different groups of respondents, in the same timeframe, to compare each group and detect patterns between each of them. In our cross-sectional research design we firstly sent out an online survey via mail to be filled in, and then we collected further data through qualitative interviews with chosen respondents from the sampling size of the survey and with respondents from external organizations with insight to the matter. Thus we can triangulate the problem and gain a holistic understanding by covering these aspects.

However there are limitations in utilizing a cross-sectional survey design as it requires more effort on behalf of the researcher and its respondents. Time limitations may cause the design to fail; respondents might not be willing to participate in multiple questionnaires and interviews and the researchers must put in more resources in gathering data, organizing and analyzing the outcome. A combination of qualitative and quantitative methods might not be optional for the subject of study, but we believe that our research will benefit from the combination of methods, rather than solely relying on one.

4.2 Primary Data Collection

We apply both qualitative and quantitative data collection through cross-sectional survey design and triangulation. We used an online survey in the quantitative study and in-depth interviews in the qualitative study. Further we will explain the differences of each data collection method and how they benefit our study when combined.

4.2.1 Quantitative Data Collection

We developed the survey questions in line with our research questions and the aim with our study. We analyzed each question so that the layout would be reasonable and correct, that the language was simple to understand and that the survey would cover all aspects of the study without being too long. We started with formulating simple general questions like country of origin, ages etc, followed by more specific questions regarding internationalization strategies. We also gave options for those that did not wish to answer questions. We tried to avoid leading questions. Before sending the questionnaire to the respondents we tested the survey by letting colleagues and friends fill in the answers, giving us feedback on language, time, layout etc. The survey was confidential and each respondent freely choose to participate. We contacted each selected individual first by e-
mail and then by phone to assure they understood the implications of participation, and to make sure we received a good response rate. (Please find the survey attached in appendix 1)

4.2.2 Qualitative Data Collection

We apply in-depth interviews as we try to grasp the different angels of internationalization processes through triangulation. Interviews were conducted to receive qualitative data as the respondents will provide descriptive information by answering questions. In-depth interview is a mix of semi-structured and unstructured interviews (Bryman & Bell (2007, p.213)). We designed a list of topics and issues to discuss to give room for follow-up questions and change the order of questions, (please find the interview guide in appendix 2). Bryman & Bell (2007, p. 259) argue that open questions provide the respondent to give own terms and descriptions. It is time consuming and difficult to analyze but this interview technique gives room for flexibility.

Documentation in qualitative interviews

We decided to have in-depth interviews with selected respondents that we selected from the sample of the respondents in the quantitative survey, in which we repeated some of the questions that we used in the survey, to see if the answers concluding the same direction. We used an interview guideline with supporting questions but mostly held the interviews free and as a discussion (see interview guideline in appendix 2). The interviews were conducted by phone, e-mail or videoconference, or even personal meetings at a time that suited the respondents. We recorded the interviews and transcribed them accordingly.

We are aware that the different choices of how to collect the primary data might be seen as inconsistent and too varied. It might be questionable whether the answers gathered through the qualitative interviews are even comparable to each other, and thus relevant for our analysis. We understand the problem with using such differentiated methods. But the situation we faced required us to be flexible in our approach, due to time limitation, long distances, etc. Several of the respondents did have very little time for answering questions, so we offered different solutions that suited them individually. Thus we were able to get interviews and answers from more respondents than we would have had, if we had only utilized one method of collection.

4.3 Secondary Data Collection

As for secondary data collection we searched for well renowned authors and theories in the subject of business literature with focus on firm internationalization. We used databases through the university library; we read journals and reviews regarding the topic and tried to collect a solid ground for theoretical development and understanding of the subject. Thus we concentrated on finding literature using the keywords of fashion industry in the Nordic countries, internationalization and growth, fashion internationalization, expansion strategies, fashion expansion, Uppsala model, internationalization process, etc.

We read articles from the Journal of International Business Studies, Business Research Premier, Journal of Fashion Marketing and Management, Journal of World Business,
Journal of Retail & Distribution Management, etc. as researcher’s articles are necessary to gain news update in a specific field of study. We read an extensive amount of literature and tried to combine recent studies with historic perspectives. Using books and other literature is sufficient for gaining insights to significant, well established and universally accepted theories. We read literature and reference lists in each of the articles, trying to single out those references that were mostly used, as we thought that those were important for the subject. We tried to collect new insights and theories but also contradictions and criticism to established theories.

We are aware of the limitations of our literature review and theoretical framework. These theories are of our personal choice and might not be of interest, or even relevant for other studies in the subject of internationalization. The literature might be quickly dated and thus invalid for our study. However, we believe that through the scope of literature we create a picture of relevant research and models in the field of our subject, at the time being. The methods whereby we found the literature are broad and vast, indicating that we considered the level of relevancy and how each related to the other, applying a critical eye to the choice of literature.

4.4. Research Sampling and Participants

In the quantitative part of our study we used a sampling method of non-probability sampling and in the qualitative study we issued intensive sampling.

4.4.1 Quantitative Sampling Method

We found 90 small medium sized fashion companies in the Nordic countries. We found these companies using internet search engines and through databases and company registers like the Companies Directory of each country (www.sireh.com). As we considered the number to be relatively small we decided to cover the totality, and send out the online survey to all 90 companies. We believe that these companies are not the absolute size of the population regarding small and medium sized Nordic fashion companies, and the number is not representative for each country, therefore it is a non-probability sample.

The danger with a non-probability sampling is the risk of non-response, the greater the fallout the more damage it creates to the result of the study. Bryman & Bell (2007, p.184) discuss that sampling errors can occur as the wrong individuals are chosen to attend and do not fulfill the requirements of being representative. To limit sampling errors we directly contacted those personnel within each company that we believed had the right knowledge in the subject. We contacted CEO’s, sales and marketing departments to cover all viewpoints of internationalization within companies.

Bryman & Bell (2007, p.182) poses that it is likely to happen that some individuals refuses to answer, or that some are unable to attend. Johannessen & Tufte (2007, p.136) argues that the larger the non-response is the more uncertainty the study is given. Generalization will be difficult if only a small part of the respondents answered and therefore the study is limited or without value. For our online survey we contacted possible companies within the
sampling group of small and medium sized Nordic fashion companies. We send out an email to each company, and contacted them again by phone confirming their participation. We considered non-response to reach 50% as of time limitations and deviation, but we estimate that such a percentage would still be valid for our thesis. However should the non-response not be equal in each group, making one group less represented the error would increase in that sample. As we cross reference and triangulate the data we consider a rather low response rate still to be legitimate.

For the analysis we used an online survey program called Limes Survey (http://www.limesurvey.org). The program collected the answers and reprocessed the data in an easy understandable manner. We believe that using a program like limes survey will benefit our work by easily gather and presenting the data. We issued a three weeks’ notice having the survey only accessible within that timeframe. After the receiving the processed data from Limes Survey we used the data to analyze the respondents tendencies in our research areas.

4.4.2 Qualitative Sampling Method

We applied the intensive sampling method, as we picked the respondents from the sampling size of the online survey that we thought had the most relevant knowledge of the subject. Intensive sampling is a choice of respondents who has great knowledge in the subject of study but without being extreme. They possess the right insights to the matter, are experts or have worked with the issues for several years (Johannessen & Tufte, 2007, pp.84-85)).

In the qualitative interview we choose to interview a selected number of 15 respondents. We decided to interview managers and owners of each of the chosen fashion companies. We believe that those people owning the company would be best for interviews, especially as we got in contact with many small fashion firms, being managed with a few number of people like entrepreneurs and designers. We selected respondents from a variety of companies in terms of country of origin, size, markets, customers and products. Each of the respondents had years of experience in the fashion industry and they were important for the internationalization process in each company, whereby we regard them as suitable respondents for our qualitative study.

From all of those that we intended to interview five Swedish and one Danish respondent had the possibility to participate. The reasons were due to time limitations from our side and high work load for the companies. We tried to spread the participation level to get information from a wide selection of firms as possible. Though in this case the results from the qualitative study are showing mainly a Swedish view, but in contrast, as we compare and cross-analyze the data with the results from the quantitative analysis it is still valid in our research, especially the input from the Danish respondent gives the study a richer representation.
4.5 Ethical Considerations

To assure that we followed ethical principles and laws we abide to the Swedish Research Council’s general research requirements. We informed each participant of the implications of their involvement, how we gathered, stored and analyzed data without presenting private details. We let each participant inspect and comment on our findings to ensure we did everything in accordance.
5.0 Empirical Analysis

Presentation Empirical Work

Analysis Content and Structure

Empirical Data Analysis

In this chapter we will present our findings from the empirical data collection. We start by presenting and describing the survey questionnaire, the interview content and structure and a short presentation of the responding companies. In line with the triangulation and cross-sectional method we will analyze the quantitative and qualitative data, and present it under each headline that follows the structure of the theoretical chapter.
5.1 Presentation Empirical Work

While the fashion industry in general is bursting and the international perspective on Swedish fashion labels and brands is seen as “the Swedish fashion wonder”, many designers and entrepreneurs are struggling to transform their talent or business into a viable one. The fashion industry in general can be seen as a fierce and competitive industry. Especially in the Nordic markets we see that many brands are fighting on the rather small market for success and with the power of international brands pushing into their home markets the Nordic brands have to look outside of their home turf to survive the competition.

We take a special look into this problematic and interesting issue from the practical side with our quantitative and qualitative research and try to find patterns linking to our theoretical framework. We analyze the data in our triangulation analysis; triangulation can be seen as "the combination of methodologies in the study of the same phenomenon" (Denzin 1978 p.291 in Jick T.D. (1979)). We use hereby both the quantitative and qualitative data, take the results from both studies and analyze them in consideration to our theoretical framework. Within this analysis we take a look from two different perspectives, fashion companies and fashion organizations. We follow our main thesis structure as seen before: Motivation and drivers for internationalization, internationalization strategies (internationalization process models), market entry, market choice and barriers of market entry.

By using the triangulation method, we combine the multiple perspectives and methods to overcome the weakness we see in using single-method, single-observer or single theory studies. Intrinsic biases are avoided and therefore a more adequate analysis is warranted.

5.2 Analysis Content and Structure

5.2.1 Questionnaire Structure and Content

The survey included 37 questions which were divided into 5 areas of interest: motivation and drivers for internationalization, internationalization strategies, market choice, entry modes and barriers of market entry. The structure reflects the theoretical framework and aims to give tendencies and answers for our research questions. The detailed survey questionnaire can be found in the appendix 1.

The survey received 32 responses. The amount of collected data is low but legitimate as we can compare the data towards the qualitative survey, and thus conceptualize and cover the main issues of internationalization through analysis. The questionnaire was filled out by various fashion companies from the Nordic market. We can see that most of our respondents are located in Sweden with headquarters in their respective capital. Those who answered were mostly young companies (founded in the last 5 years) with a small amount of employees (1-10 employees) and with products that range from fashion apparel, fashion accessories, shoes and bags to jewelry and watches. (See figure 11)
5.2.2 Interview Structure and Content

The interview structure was designed following the structure of the survey and hence the theoretical framework. The questions were open and gave room for discussions about the various topics, which provided answers in detail. We followed up on our first impression of the survey and tried to get a deeper understanding of various topics in respondents companies’ internationalization processes. The interview guideline can be found in appendix 2.

Company Profiles

The in depth interviews were held with 5 Swedish fashion companies and the Danish Ministry of Foreign Affairs to gain more detailed knowledge and follow up our online survey. We held interviews with the following individuals and companies:

- **Zoundsindustries – Niklas Bergh**
  Niklas Bergh is the creative director and co-founder of Zoundsindustries, founded in 2008. Zoundsindustries, located in Stockholm are best known for their contribution in leading headphones from an electronic accessory to a fashion accessory. Their business is built on their house brands Urbanears, Supear and Coloud on licensing, retail and private labels.
• **E&E Glasses – Emilia Lindmark**  
Emilia Lindmark is a former business student at Umeå Business School and co-founder of E&E glasses. E&E glasses, is a small fashion company from Umeå specializing in spectacles and sunglasses, founded 2009. The company is at the beginning of their expansion process and has ambitious goals for their Lapland brand in the future.

• **Sandqvist – Anton Sandqvist**  
Anton Sandqvist is the founder and CEO of the bag and accessories brand Sandqvist. Sandqvist is located in Stockholm and was founded 2004. The company is precursor in fashion accessories for men and is presented in several countries in the world.

• **MariaWestelind – Maria Westerlind**  
Maria Westerlind is the founder and CEO of her own brand with the name Maria Westerlind. The company was founded 2003 and is creating fine dresses and gowns which are inspired by the 50’s and 60’s. She has a small collection though she sells her dresses worldwide in selected stores.

• **Island of your own – Ulrika Andersson**  
Ulrika Andersson is the design director and co-founder of the female fashion brand Island of your own. The company founded in 2008 creates blouses for women. Sales are mainly focused at the Swedish market but the brand is to be established through sales channels in Europe.

• **Danish Ministry of Foreign Affairs – Martine Gram Barby**  
Martine Gram Barby is responsible for the export of Danish Fashion and Design in the Danish Ministry of Foreign Affairs. She is head of 263 fashion export advisors at the Danish embassies in the world. She helps and supports these advisors and provides continuous updates about the Danish fashion scene in Denmark, trends and news.

### 5.3 Empirical Data Analysis

#### 5.3.1 Internationalization Models

One of the main arguments in the Uppsala model (Johanson & Vahlne 1977) is the linkage between knowledge and market commitment; all the survey respondents tended to agree with the theory that market commitment will increase with the amount of knowledge a company possess about a certain market.

A criticism point to the Uppsala and Helsinki model is that the incremental nature of the models is limited. The models explain that companies expand step-by-step and do not give
room for companies that make large commitments to the market before having any experiential knowledge. The survey respondents mostly agree with the incremental models and point out that they are following the process step-by-step and are especially using the learning-by-doing principle. The expanding strategy of E&E for example is a gradual expansion as well. As Lindmark states, they started selling their products in the store she was working for and increased the sales from there on, but they also knew from the beginning that the brand should be positioned outside of Sweden, especially regarding their thoughts in creating a brand from Lapland, attracting people interested in the exotic origin.

Another interesting aspect in our research was the question regarding the companies’ expectations when entering new markets (Hadjikhani & Johanson 2001 p.158). Our survey respondents see especially the strength of their brands, the company vision and the knowledge of market as reasons for their expectations. Expectations as stated in our theoretical part, gives value to the decision of market entry and when linking it to the knowledge gained by engaging in the internationalization process, a stronger commitment towards entering a certain market is given.

Revised Uppsala Model

Everyone of the survey respondents emphasizes the importance of choosing the right people, agents or distributors when internationalizing. The companies arguing that it is not easy to find the right people and that trust plays an important role hereby. A good network helps hereby to find the right people. Some respondents bring their old network and experience into their business, though many have to create their own network from the start in the fashion business; fashion fairs are hereby seen as the most accepted forum to meet new partners, customers etc. Johanson & Vahlne (2009 p.1423) picked up this networking thinking in their Revised Uppsala Model in which they see the firms’ environment today as not independent in the market but rather in an embedded form that is enabling, and at the same time constraining business network that include actors that are engaged in a wide
variety of independent relationships. However our research shows that on one side many companies state that they should use their network even more, and on the other side think that the networking process is a natural process that goes along their gradual expansion.

The survey respondents support the revised model (Johanson & Vahlne 2009 p.1411) by adding the network aspect. Almost all of the respondents think that their network is crucial when expanding and state that they use the network during their internationalization process. The network elements they are using are generally other fashion companies, distribution companies and agencies as well as friends and old colleagues. However we can see that the respondents are not quite sure if they fully use their network possibilities at this moment which gives indication of improvement possibilities for the companies. Barby emphasize this and adds that a crucial role is the networking capabilities of the fashion companies. Barby states that “it is always useful to have connections in the market you are going to enter”, especially “if Danish fashion companies do not use the services we provide or getting help from other organizations”.

Networks are crucial according to Bergh as well. He even states that if experience does not exist in the company they need to find people who can bring the necessary skills on the table. Zoundsindustries recruited for example the former sales director from Nixon¹, who helps improving the business side of the company. In general Bergh thinks that each of the networks all of the co-founders brought to the company was very helpful. Besides friends and old colleagues, Zoundsindustries try to strengthen their network by being present at fashion fairs. Bergh explains that most important especially at the beginning were their friends and friends of friends who should become the brands ambassadors, and then other business contacts which they meet on their way. As newcomers with no previous experience in the fashion industry, the network aspect is a crucial but challenging one for E&E. Lindmark states that “a good network is really good to have and makes a lot of things easier”. Lindmark states that networking is all about a flow of meeting people and being present at the right spots. She also mentions that moving the office to Stockholm might improve the networking process in the future, but representing a brand from Lapland requires an office in the North of Sweden, and in the next years a second office will eventually be established in Stockholm as the company grows.

To be able to sell abroad Sandqvist realized that his network needs to grow: “Only with a good product, but without good contacts, it is difficult. Your network is extremely important in the whole growing process; for expanding internationally it’s all about having a good network”. Sandqvist thinks that fashion fairs are a good place to get in contact with agents, shop owners, distributors, magazines and bloggers. Sandqvist further thinks that networks grow in an un-strategically manner, it is hard to map out how the network is built and he thinks that one thing leads to the other and it is mostly about being open minded towards new contacts. Sandqvist further argues that “a network is a network of people you know and trust and that has the same mindset than you and understands the way you think and where you go”.

¹ Nixon is an accessories company for the youth lifestyle market founded in 1997 in California, USA.
Network relations are regarded as crucial aspects by Andersson as well and as she states that concerning the growth of the business it is "very important, extremely important and it will affect the choice of markets effectively". Andersson has been active in the industry for about 25 years and during the time she gained a strong network which she actively created over the last years. The network consists of friends and old colleagues, but mostly suppliers and distributors. The company, as Andersson argues, needs that network and that "if we don't have contacts in a new market for example, we are not going to succeed on that market". Westerlind on the other hand argues that she is lacking the benefits one could get from using a network fully, and she think she needs to be better on using hers even more. Especially when looking at Westerlind’s strategy of expanding with the help of agents it is important for the company to select the right people to work with.

Born-global Theory

Our research shows that Born-globals are not very common in the Nordic fashion industry. One exception is Zoundsindustries that have expanded their business from the start into several countries. Bergh states that Zoundsindustries is a “mini-national” company, a small but an international aligned firm. Bergh sees his company as a smaller version of a multinational but with the same spectrum of a global company. Zoundsindustries decided to start their business right from the beginning as a global brand, which we see fits quite well to the Born-global theory; a company that is seen as a young and small company but with presence in many countries all around the world. Such a company sees the whole world as their marketplace and their domestic market as support for their international business (McKinsey 1993 p.9). Bergh argues that “the idea of doing something that is just national never crossed (their) minds”. The co-founders as he further mentioned, brought all international experience and a broad network into the company and as Moen & Servais (2002, p 54), Sharma & Blomstermo (2003, p 739) and Chetty & Campbell-Hunt (2004, p. 62) state, strong personal networks on international markets and previous experiences are key reasons for Born-global startups. Charma and Blomstermo (2003, p.745) emphasize the
relations of success in Born-global companies with the uniqueness of its network relationships. Bergh further says that the world becomes borderless and trends and news are spread around the world so much easier and faster than some years ago, which helps every company to think international and to be internationally oriented.

This case has to be seen as rather an exception in the fashion industry. Most of the companies interviewed and survey respondents argue they follow a rather gradual expansion strategy. Johanson & Vahlne (1977) and Luostarinen (1979) described this phenomenon in their models, and we agree as our study shows that the most common way to expand in the Nordic fashion industry is through a gradual process. Though we have to say that not many, if asked in the survey or interviews, had a clear strategy from the beginning on, they are all focusing on slow growth, starting with conquering their own domestic market and then expanding internationally.

With the gradual incremental expansion many respondents state that they follow a learning-by-doing approach which explains the lack of real strategy from the beginning on. Most of the companies started expanding by chance with getting contacted by various shops in several places that placed orders the companies followed up. At the startup of most of the companies it was rather about being placed in stores, than having a clear internationalization strategy. We see that especially at the startup phase the whole process is contact-driven and expanding into markets that companies get contacted from. Later in their business life the companies get more and more selective and decide more carefully where to place their products to build their brands. It is still very contact-driven as we see it, but other factors than just getting orders come into play when deciding which markets to enter. The biggest factors hereby besides their network and contacts in certain markets are the market size, trends and economic welfare.

![Figure 14 Analysis: Born-global Theory](image-url)
5.3.2 Reasons for Firms’ Internationalization

The main drivers and motivations for internationalization are, according to results from the survey and interviews, growths of the company and increase of profit. These motivations, as Evan et al. (2008 p.261) described are proactive and as Moore (1996 p.347) explained proactive actions are more about exploring opportunities in new markets than overcoming limitations on domestic markets. The survey supported this direction with a large amount of respondents agreeing on the approach of seeking opportunities. It is the companies’ own desire to grow rather than their need to react on limitations on domestic markets that make them go international.

The responses from the survey indicate that another major driver for expanding is the corporate vision. Further network relationships, favorable economies, competition and market saturation are motivating firms to internationalize. Spread of risk, lower costs, restrictive regulations, niche markets and underdeveloped markets play no or a very little role.

Andersson argues that the main drivers for Island of your own are the increased profit and revenues, and she sees the negative aspect of the Swedish market regarding its limitations in its size. For Island of your own the domestic market is quickly saturated and will be too small for their company after a certain time. Sandqvist on the other hand did not decide that it would eventually internationalize; that decision came only after reaching a certain point. Sandqvist states “we realized that the Swedish market is not big enough”, as they realized that the products had a potential customer base in all the big cities around the world. Still the company had no real strategy behind the expansion of the brand; only after a few years as Sandqvist says “I learned how the market was working” and how to ideally expand the brand.

Barby from the Danish Ministry of Foreign Affairs clearly states that the growth of companies and the increase of sales play the biggest role as the reason for expanding. Companies have to, in Bergh’s opinion, to grow and cannot be only passion-driven as a lot of start-up companies are at the beginning. In an environment like the fashion industry, firms have to find the balance between being an artist and a business person. Bergh says that “to be design and business driven at the same time, is the key to the success of Zoundsindustries”.

Nevertheless as we could see in our in-depth interviews, most of the companies knew from the beginning that the domestic markets, which are small especially in the Nordics, will be quickly saturated for their business and that they need to grow outside their borders. In general we would say that we agree on Alabaum et al’s (1998) conclusion that despite all the factors influencing the companies, it is their own initiative driving the companies to new markets; whether the fashion companies decided from the beginning that one day they need to reach outside their domestic market, or after a certain point realizing that having a viable business, they need to enter new markets.
5.3.3 Entry Modes

Mostly every fashion company in the Nordics in our survey or interviews, are arguing for the usage of agents and distributors as preferable entry mode. They are using distributors as a rather safe method for receiving payments and therefore this mode is used in markets where firms see possible problems, and agents are used in markets closer to home where companies do not have to worry that much about the payments.

Regarding entry mode, factors of trends, market size, network relationships and economic welfare played the biggest role for our survey respondents. Swoboda et al (2009 p.418) argues that reasons for a failure in internationalization can be found due to firm’s poor selection of markets and entry modes. The preferred entry modes for our survey respondents are distribution channels, internet sales, exporting and importing. We see that it covers rather the low commitment modes (Levitt 1986), which can be seen as coherent regarding the small size and young age of the respondents’ majority. It seems as it is important for the respondents not having to invest a large financial commitment or resources when entering new markets.

Further our research shows that most of the international expansion processes included sales agents or distribution companies that need to be selected wisely. Zoundsindustries are using sales agents or distributors as entry modes as well. Though they see problems with sales agents in the lack of assurance that all invoices are being paid and the administrative work increases. Positive however is the stronger connection to the agent and to the customers with gaining all their details in the customer database. Distributors in Bergh’s opinion are on the contrary rather risk free with paying their orders up front, but the margins are however lower than with the agents. Bergh mentions that they rather want to use agents “because you get a better flow in the company, everyone is working as a team and you have the same goals”. Zoundsindustries uses agents for Western Europe and other
countries that have similar attitudes or similar banking systems, and they use distributors for the rest of Europe and countries outside of Europe.

For E&E their web shop, that has the biggest margins and easy handling, partnering up with sales agents and distributors are essential as well for the company when moving to new markets. Lindmark argues that besides the fact that it is hard to find good agents, the difficulties with the invoices made her believe that distributors are better to use at their stage right now; it has safe payments and less administrative issues to handle. Andersson on the other hand is aiming for agents; currently looking for new ones in Norway and Germany where she sees a market potential for the brand. Westerlind states that in general “it is a risk to sell abroad” and that is why it is very important to choose the agents wisely. An agent has to have the right experience with good contacts to customers. Westerlind says it is hard to find the right one as she experienced it, but she believes that they have to keep trying to find the right persons for her brand.

The majority of the survey respondents use agents as entry mode explaining that the margins are higher, and that it is easier to connect to the customers and to better create and build their brands through them. Other ways of expanding their business were for some companies the internet possibilities (web-shop) or the independent search for retail stores selling their products. The agent and export strategy from Levitt (1986) and the wholesaling strategy from Moore (1996 p.352) are hereby reconfirmed. Young companies preferring the low commitment methods over the rather high commitment methods such as subsidiaries and the network methods such as joint venture and franchising, which Moore (2010 p.140) described as the most common entry modes for fashion companies. We can say that the high commitment and network collaboration methods can be seen for already larger fashion companies and that the smaller and younger companies we analyzed, prefer exporting with lower commitments which reduces their risk but not their potential success on the markets.

![Entry Modes](image)
5.3.4 Market Choice Determination

Most of the survey respondents stated that the network plays a crucial role when deciding on entering a certain market. Further regarding the discussed psychic distance in the Uppsala model (Johanson & Vahlne 1977), in which companies tend to firstly enter markets that are closer to their home markets (distance wise and cultural/society wise) it was interesting to see if the Nordic brands actually prefer entering their neighbor markets before expanding to Europe or the rest of the world and indeed the results show that the markets with the highest percentage are countries in the Nordics (Sweden, Norway, Finland and Denmark) as well as countries with similar characteristics such as Germany, Switzerland, UK and the Benelux states. North America was also represented with a large percentage. Future market entries pointed towards the Nordic markets, Western Europe, North America but as well Asia.

Our study shows that the decision to enter certain markets is contact-driven. In Bergh’s opinion it is hard to think about how the situation is in countries further away from the home market, especially when seeing that Zoundsindustries try to have one market approach for every market. Bergh states that it is mostly about the presence and then to see where the market or contacts lead the company further. At the beginning of E&E’s internationalization, the strategy was rather free and it was more about getting the product in as many hands as possible. That changed and currently and in the future E&E intend to look for markets that fit their market strategy. E&E want to attract customers in markets that see the company as a brand with an interesting and exotic origin. Lindmark says that they look at other Swedish fashion brands, competitor’s market entries and visitors of Sweden which they see as potential customers for their products. When thinking about potential markets, Lindmark states that at the beginning it was important to have contacts and the stores they could get into. Therefore the first market they entered was due to contacts from Spain. After Spain came Norway and Germany and now the company is entering the Benelux market. E&E intend to enter the precious US market as well but Lindmark says that the time is not right yet, and the costs are still too high, but she explains that the company is young and believes that new markets are just waiting to be explored.

At the beginning of Sandqvist’s expansion, they as well did not choose markets selectively. The company showed their collections at fashion trade shows and hereby got contacted by its first customers outside of Sweden. Sandqvist did not care at the beginning either where their bags are placed but that they are getting their products in as many hands as possible. Germany and Finland were the first markets Sandqvist entered. Nowadays Sandqvist decides specifically which markets to enter and how to do it. They have to refuse some offers due to their position towards the brand, the types of shop or responsible persons. Sandqvist prefer to sell on its own, and states that over 80% of their business is with retail shops. Sandqvist argues that they are keeping the main margins but on the other hand have to work a bit more for it. “When you do it by yourself you need to know the market a bit, so you don’t expose your products in the wrong places and that could ruin the brand eventually...It’s a lot about brand building when it comes to internationalization.” Retail shops hereby help to build the brand. “In a way how you select your partners on the retail side, you can influence how the brand is seen from the customer.”
Due to Westerlind’s strategy to have a limited collection, she cannot sell to that many stores and even if she could, she mentions that she rather stays a little more unique, which in her opinion does not contradict with expanding and broaden the brand. Westerlind wants to be present in many countries but in a really selective way, rather than in all possible stores. The brand’s expansion process started by moving into the closest markets like the Nordic countries, Westerlind feels the importance of these markets to her business and that is also why she had her first agent in Norway. She then found agents in Denmark, Sweden and Finland as well but closed down the Danish and Finnish ones regarding the market size limitations in Finland and the competition in Denmark. Westerlind meets her customer from those countries now solely on fashion fairs; the Copenhagen fashion show as her most important one for example. She further states regarding her expansion strategy that “the choice of markets is driven by those who show interest, rather than that I have prioritized markets to enter”.

Island of your own, a rather young company is having a clear expansion strategy they intend to follow. Ulrika Andersson, creative director of the company explained to us, that the main focus right now lies on the Swedish market and especially Stockholm, followed by other markets. The strategy is rather to sell to big clothing chains and stores than to smaller fashion boutiques. Further Andersson states that the company’s strategy follows a strict business plan which they relate to when it comes to expanding. The company conducted a market research that helps in their decision process. Andersson states that “the importance of having a long-term plan instead of seeing short-term goals being realized.” In general Island of your own is looking for markets that have the prospects of growth and profit potential. Andersson states that “there are so many competitors, we have to choose markets we can be successful”. She further says that hereby they not only are focusing on the Nordic market but as well on other European markets. Denmark is in her opinion widely competitive and hard to enter, Iceland for example is also not in their focus due to their restricted knowledge about the market. They rather will focus on Finland and Netherlands after Germany and Norway.

Barby says that the Netherlands, Germany and of course the Nordic markets are the most successful markets for Danish fashion companies. In the future she sees markets like China, Brazil, Russia and India as the important markets to enter for the Danish companies. When asked about the most preferable market to expand to when leaving Denmark Barby argues that Norway is the key market to most of the new companies to start with. She states as well that it is rather easy to find agents in Sweden, but there are other factors like market economy, positioning and competition which play a role in the decision. Barby says that Bestseller, the family owned Danish fashion house plays often a first mover role for Danish brands. Bestseller is one of the biggest fashion companies in Europe with brands such as Jack&Jones, Vero Moda, Selected and 13 other big brands. Other companies can orientate their expanding strategies as well on the market strategy of Bestseller and see where their brands are successful or not.

Barby explains that when advising Danish fashion companies, she shows the advantages in the Nordic markets, such as easy access, travel and customer similarities. She states that “the markets are similar and it is easier to find right export partners in the Nordic countries than in other European, Asian or American countries”. She further says that
when the companies have proven themselves that they are able to sell in the Nordic markets they are ready to start exporting to markets in Europe, Asia or North America. On the other hand Barby mentions that the fashion companies can also be pulled into markets due to the fact that markets can be consumer driven. She presents Netherlands as such an example of a consumer driven market, thus proving that companies can be pulled into markets due to customers desire to purchase these goods which relates to a reactive approach (Moore 1996, p.347) further we find that though companies being proactive in their desire to grow through motivations and drivers for expansion, firms tend to get pulled into the market by external circumstances like network relations and customers, which coincide with Lopez & Fan (2009 p.284) in their argument that pushing and pulling factors work simultaneous.

When looking at the Swedish and Nordic markets, Lindmark pointed out that the Nordic brands in general have home field advantage due to the acceptance and patriotic feelings towards their home brands. She states that it is easy for the Nordic people to get in touch with neighboring brands and feel acquainted with them. In Lindmark’s opinion a rather negative aspect of the Nordic markets might be the similarity in the fashion industry, that brands resemble each other often and that it is hard to stand out from the crowd. However for E&E it is a good market due to the lack of competitors in their specific market. Regarding the Nordic market characteristics, Sandqvist points out that especially the Swedish market is important. He also mentioned that Swedes tend to like Swedish things and people are loyal to their home brands, and that is something he does not see on the international market. Sandqvist says: “You can’t trust the international market as much as the market close to you.”

Further he mentions the positive effect of being in Stockholm as it is a city where it is easy to spot new trends and he sees the Nordic markets as a safe environment when it comes to trustful payments. Rather negative is in his opinion, is the size of the markets. “You can’t have a healthy business in such a small market with such a small product range like ours; it’s necessary to sell a lot abroad”. Bergh sees Stockholm as a perfect starting point for Zoundsindustries. He argues as well that a lot of people come to Sweden to get inspired and it is the perfect breeding ground for new products to spread around the world. Bergh further states in the same manner than Lindmark and Sandqvist before, that the Nordic people and especially the Swedish are proud of their own brands: “People feel connected to it and are patriotic to their brands”.

The network opportunities in Sweden and particular Stockholm are a benefit in his opinion as well. Bergh mentioned that for his business it is easy to find good creative people, like photographers and designers. The negative sides of Sweden is the tax system according to Bergh as high taxes on employing new people for example is particular a downside when growing. But nevertheless Bergh thinks that “Sweden is a good breeding ground for people to start businesses”. When discussing the benefits of the Nordic markets with Westerlind, she points out the importance of stable and risk free debt collection and debt management. “In other countries there is a greater risk with payments; it is easier with markets that are closer. The Northern European countries are easier to work with, they’re good but as farther south you go, the harder it gets.” She points out hereby the differences in cultures and systems as reasons for the discrepancy in the paying attitude.
We discovered in our analysis hereby that the psychic distance applied to the fashion industry and the reasons are mainly due to the customer preferences for their own Nordic brands and the payment issues. Results from the survey and the interviews indicated that respondents spoke highly about the Nordic markets and in particular about the Swedish market. They see the Swedish market and Stockholm in particular as good breeding ground for new fashion companies. What stick out in their comments is the loyalty of Swedish customers and as well Nordic customers to brands from their own or neighboring markets. Our research showed that this was an important fact for the companies which they use by entering first in the neighboring markets before expanding abroad. When expanding abroad they choose rather countries with similar attitudes such as Germany, Switzerland or the Benelux states. The similar attitude plays a critical role in the concern of many companies when it comes to the billing and invoice payments. The companies are stating that there exists a severe problem with the payments which are a critical aspect for survival among the young companies. These reasons lead the fashion companies to the conclusion to stick at the beginning to the markets where they can expect safe payments.

5.3.5 Barriers of Entry

Answers from the survey shows that the costs of entry, lack of network and market uncertainties were the main barriers firms have to face when internationalizing. Cultural barriers, language, institutional and competition were seen as factors that did not affect firms’ market entries. The majority of the respondents further state that they would not cancel a market entry due to barriers on the market and not coherently changing their expanding strategies due to barriers. When asked about their strategies in overcoming the barriers many mention the contact and partnering up with people with knowledge about the local market and with acquiring experience into the company is the way to go for. Many respondents state that by a slowly learning-by-doing process they will eventually overcome the barriers on their own without external help as well.
When looking at the problems and barriers that E&E faced in their internationalization efforts, Lindmark highlighted that as a start-up the financial issues were omnipresent. Cash flow issues regarding the battle between paid invoices and production payments, and all costs coming from new market expansions are important to consider. Expansion costs regarding translations, legal issues and PR, need to be carefully evaluated, and due to E&E’s usage of own finances without investors, it is crucial for the company to make the right decisions when entering new markets. The biggest barrier as Lindmark says is the process of finding the right markets and right agents and partners. A lot of efforts are put into finding the suited market and the partner they want to work with, within a certain country.

Sandqvist also states that costs and payments of orders are always on the forefront on his agenda when discussing problems for expansion. He mentions that not every country is equally reliable when it comes to paying and therefore the company decided that for certain countries to use distributors, especially for countries that have a large distance to Sweden. In general Sandqvist tries to keep the distance to the markets rather short at this stage of the expansion process. The costs for shipping could ruin the current business model and therefore Sandqvist is patient with the global expansion and even though they have a store they supply in New York, the company focuses on the European market first. Easy customs, tolls and cheap transportation enhance their will to stick to Europe for now. Due to the main use of own money, Sandqvist also as E&E for example always run the risk of a cash flow problem. “If you want to double the revenues you need to invest in new production...the costs of entering new markets are big as well and you need people helping you with the PR work etc”. Therefore the payments of current invoices are crucial for the company. Besides the cash flow issue, Sandqvist states that time is a crucial factor and problem for the company when internationalizing.

Westerlind is pointing out that the costs of entering new markets are risky to take. She has a great interest in expanding to the US market, “but it is a great risk to be out there with the money for so long, so I have chosen not to go for it now. There are many markets; I do not dare to go because the risk is too great for me.” Another point Westerlind is making regarding her problems and barriers in expanding the business is the production site. She had problems with her manufacturer in China and moved it back to Europe, to Portugal. She could not control the production and delivery herself and now with the change she has a better understanding and more control over her own products. Westerlind points further out the importance of managing the supplies: “You have to be so established in production to meet the first delivery and increase the quantities. This must be function before making any new expansion.” Westerlind further states that after establishing the production capabilities, she has to focus on a “good image, great clothing, good material that’s ticks out a little bit and is an exotic brand”. In the expansion strategy the company has to communicate the values and vision to the agents and distributors and choose the right stores she wants her clothes to be seen in. Even though Westerlind has no full control about all the stores, she still has control about the type of stores she is seeking and that the collections need to match her brand. Trust to her agents and partners are important as Westerlind argues.
Barby states that cultural differences, both in consumer minds and in business culture can affect ones expansion. She further mentions the difficulty in finding the right sales channel, the right export intermediaries, middlemen, distributors, agents etc. In general she states that a clear strategy is needed to know all the important factors such as competition and market knowledge as well. To overcome such difficulties Barby states that the knowledge about the markets is the key, to have the right export channels and to follow a strategy. “To be on top on what is new, trend, what the customer wants” is crucial as well. And the companies need to communicate that to the market with a strong communication strategy. Barby closed our discussion with the remark that “most important when it comes to internationalization I think it is to choose the right market, and today that would be one of the Nordic markets”.

Zoundsindustries’ broad network does not prevent from problems and barriers in the internationalization process either. As Bergh mentioned they never thought about the amount of problems they would have had to solve, like for example legal, logistic and financial issues (cash flow when ordering new stocks). Each new market brings new questions, for example the barcodes, environmental certificates and packaging. Bigger problems for Zoundsindustries were setting up the production site in China or the name protection. As for the internal issues, Bergh states that the work with creative designers and business people always arises some sort of tension which has to be dealt with. Different processes and mind sets needs to be combined to be successful. Bergh argues that “when a brand fails on one certain market, it is usually because you went with the wrong people”. Further Bergh explains that each market is somehow different; In Germany the company has their products presented in skate oriented shops, in North America in street fashion oriented shops and in Sweden they have strong placements in bigger stores. Therefore Bergh says as well that it is really important to choose the persons and stores to work with carefully.

Andersson sees the preparation process before entering a new market as the key to success. She does not see limitations when entering new markets but challenges that have to overcome. With the right information and finding the right channels for expansion Andersson will have a well prepared entry, especially using sales agents she believes will help the company succeed.

The problematic factors of internationalization, as just showed in the empirical data, play a critical role in the companies’ decision to go abroad. Knowledge is a key factor and Hadjikhani & Johansson (2001 p.148) divide this knowledge into objective and experiential information and arguing that the lack of such knowledge is the root to uncertainty which is in our opinion not favorable for every company. Uncertainty has to be reduced and with choosing the right people, the right market, and with acquiring the right information and knowledge in the preparation phase this can be reduced and the market expansion has a higher chance to be successful. In our survey it showed that particularly the business knowledge is the most important one to gain in the internationalization process to overcome uncertainties. The most uncertainties for the companies are the network, time, costs, customer preferences and competition. However we discovered in our research the rather positive attitude to all uncertainties, problems and barriers that comes along the way when expanding a business. The companies in general always see it rather as a challenge and an
opportunity than to become desperate about overcoming such uncertainties or barriers. The companies would not change their strategy or cancel a market entry due to problems, and as Rundh (1994 pp.18-20) says rather focusing on their competitive advantage before entering the market to have a successful entry. That goes accordingly with Johanson & Vahlne (2009 p.1411) who argued that internationalization is more about opportunities than about overcoming uncertainties.

Gaining more knowledge through own experience or by acquiring the knowledge from outside the company seems to help overcoming barriers as just described. In general the respondents could not give a main solution for all the problems. As we learned problems will always occur, every company will face their own individual problems, if it is the packaging or legal issues as Niklas Bergh from Zoundsindustries explained or setting up a production site as Maria Westerlind mentioned; problems will arise and it is about how you move on and deal with these issues that will help your company to be stronger in the future. We came to a conclusion that especially the learning effect in an internationalization process is crucial and that there are of course helping factors such as a broad network, information preparation and the selection of the right people and market to go to, but at the end everything is about jumping over these hurdles that stand in the way and trying not to fall down too often and learn how to get up again.

5.3.6 Summary of Analysis

Summing up the findings of our analysis we developed a model that is showing the main results of our study (see figure 19). We take our theoretical framework model and include the findings we see as crucial for our studies.
In our final model we see a correlation between the Incremental models (Johansson & Vahlne, 1977; Loustarinen, 1979), and the step-wise expansion that our study shows. It seems that the domestic market is a great start for companies to take off from, and that markets entries that follows are determined by network relations. From this we draw on to the importance of network and relationships which can be linked to the Revised Uppsala model (Johanson & Vahlne 2009), we also see connections to the Born-global theory (Moen & Servais 2002) in what we adapt to “mini-national” firms. These are all international strategies in the international process of small and medium sized Nordic fashion companies.

The motivations and drivers for expansion proved to be proactive and the companies rather opportunity seeking. The market choices of the companies tend towards the Nordic and close markets with similar market characteristics. The monetary issues and barriers lead to the choice of entry modes like agents or distribution channels.

![Figure 19 Analysis Summary](image-url)
6.0 Conclusion

General Conclusion

Practical Recommendation

Theoretical Contribution of the Study

Areas of Future Research

In the conclusion chapter we answer the research questions we posed at the beginning of our thesis and give recommendation for the Nordic fashion companies. We discuss how our thesis has contributed to the study and show the possible areas of future research in the field of internationalization process of small and medium sized Nordic fashion companies.
6.1 General Conclusion

Driven by our motivation to gain more insights into the Nordic fashion industry through our thesis research study, we aimed to shed light into the internationalization process of small and medium sized Nordic fashion companies. The highly competitive fashion industry in the small and fast saturated Nordic markets is interesting to analyze, and due to our research questions we developed the study in a way that we were able to successfully achieve the objectives we set at the beginning of the thesis.

Our research questions considered a holistic view on the internationalization process of small and medium sized Nordic fashion companies. In detail we wanted to take a look at firms’ internationalization process and see what influences and motivates them to expand their business. We further wanted to examine the reasons behind their choice of market and strategy, and raised the question concerning the barriers of entry and problems the companies were facing in their internationalization efforts; especially how the fashion companies deal with these problems and barriers were of special interest during our research.

Looking at the reasons of expanding, we conclude the study with two main motivations for the companies. The small and medium sized Nordic fashion companies expand their business due to their will to grow and to increase the profit of their business. The corporate visions of the companies lead hereby their intention to internationalize. The internationalization process of the companies can be seen mainly as incremental and by a step-by-step development. Their strategy in expanding is from the start of their business contact-driven and dependent on other people. The network plays a crucial role and as main challenges the companies have to select the right people to work with and the right markets to enter.

The small and medium sized Nordic fashion companies uses mainly agents and distributors when entering new markets and the market they are targeting are first their neighboring markets in the Nordic. After the Nordic markets they focus on markets with similar characteristics, such as Germany, Switzerland and the Benelux states. Another reason for the companies choosing markets not too far away from the domestic markets is linked to financial issues. Invoice payments are seen as risk factors from the companies. Especially regarding its size of the researched fashion companies, the cash flow always plays a critical role in their daily business.

Other problems or barriers that the companies have to consider during the expansion process are costs of market entry, risk of agent and market selection. We found out that the companies have a rather positive view on all the possible problems and seeing them rather as challenges that need to be overcome. We see that companies learning-by-doing principle and the preparation with knowledge gaining beforehand keeps the companies on track and able to cope with the issues in maybe slower but successful ways.
6.2 Practical Recommendations

Analyzing the outcome of our studies and the perspectives we gained throughout the research we see certain areas of importance that small and medium sized fashion companies in the Nordic markets could take a closer look at in order to improve their internationalization processes.

Seeing the discrepancy in acknowledgment of the networking importance and the actual fully usage of the network, we see that the potential is large for companies to follow a more strategic approach when networking. Everyone in our research stated that without a proper network, doing business in the fashion industry is not possible. Seeing that everyone is mentioning that they not really network in a strategically manner we believe that by doing so, the companies could gain an advantage in their internationalization process.

It is important to strategically connect to the right people in the internationalization process, finding the right intermediaries, sales agents, distributors, stores and customers can make an expansion successful in terms of growth and profit. We suggest that firms organize their networking efforts to assure a high level of good relations. As our study shows fashion organizations and business incubators can aid in connecting people, therefore it is important to know where to get help in finding the right network connections.

The second important finding we see is the risk or challenge the companies are facing when choosing the markets and agents/distributors. Our study shows that companies do need an extensive preparation to gain a large amount of knowledge about the markets. On the other hand choosing agents and distributors are rather on a personal level and harder to influence from outside. We believe that finding the right sales agents and distributors are connected to having good personal relations and network. At times it is also important for firms to ask themselves which relationships are more important, and to manage these relations in a proper way; having close knit communication and interpersonal relations or having looser relations that can be changed as it is required.

6.3 Theoretical Contribution of the Study

The field of research concerning internationalization is wide and well studied. The subject of internationalization regarding the fashion industry is rather small and not yet fully explored. Certain parts in the internationalization process have been examined, but a study looking at the process in total could not be found by us. Our study is trying to fill this gap in the internationalization research and we believe that we did manage to show the internationalization process of small and medium sized fashion companies in the Nordic markets to a certain extent.

We see our research as profound and our findings as important for the field of research, but we realize that our findings are limited due to lack of time and resources and that it could be enhance- and extendable. We believe that more sources of insight need to be found in
the Nordic fashion industry to back up our initial insights and even develop them further, and we see some future research areas that could be explored.

6.4 Areas for Further Research

The future research areas we suggest are mainly found in the areas of networking and the choice of people. Our recommendations stated that these are hot topics that the fashion companies should focus on in order to gain a competitive advantage in the internationalization process. But we recognize these areas require further research in order to gain more insights into the implications of networking in the internationalization process of small and medium Nordic fashion companies.

Why do companies not follow up on the networking, and have a rather loose and not strategic way to handle this. What could be done to improve the networking and make it more systematic? Is a systematic and strategic way needed, and does the acceptance of such a way exist in the business world?

On the other hand the choice of agents is seen as a topic that needs a closer look as well. Our research showed that companies see it as a risk and have problems finding the right people to go with. Looking at their preferable entry modes expanding with agents and distributors this is critical and should be optimized. How this optimization could be done and what strategies could be applied to minder the risk, and increase a successful selection of people is an interesting topic for further research.

Overall the topic of small medium Nordic fashion companies’ internationalization process is a subject of interest for future research, as our initial study only map out the ground to the implications, possibilities, problems and results of this. We believe that there are a global affect that stems from the small proactive firms in the Nordic countries and those affects could be measured and analyzed in further research, whether they would be economic consequences or a change in the nature of how firms internationalize in the future.
As we have presented the analysis and our conclusion to our study we aim to secure that the results are correct and that our thesis uphold a high level of accuracy. In this chapter we outline and support our study by critizising the methods we apply and explaining how our study is relevant, and how the data can be transferred into other contexts.
7.1 Validity and Reliability

We believe our thesis hold strong and accurate relevancy. That it has been conducted with great professionalism and thus achieved high validity and reliability. We will explain our thoughts in the matter and motivate the choices we made to prove our validity and reliability. Therefore we will explain each requirement in the respective quantitative and qualitative study.

7.1.1 Validity and Reliability in Quantitative Studies.

We believe our study hold the required level of validity in the quantitative perspective, in terms of the conceptual validity (Johannessen & Tufte (2007, p.47)), as we aimed to study small and medium sized fashion companies in the Nordic countries, which we have done through quantitative surveys. We have interviewed market managers and CEO’s to get the right data collected, from those who have insight to the matter of internationalization strategies.

7.1.2. Validity and Reliability in Qualitative Studies

We know that our study has been conducted at a certain moment in time, which limits the reliability in terms of recreating the same study. But we have been using legitimate sampling methods and processing of data. We have verified the empirical findings by letting the respondents read and criticize our collected interviews.

Internal validity through cross-sectional designs is hard to establish, as our data show association between the groups of respondents in the different interviews instead of strong findings. The associations among the respondents are not strong enough to uphold a thorough causal effects pattern; therefore we cannot rely on our findings to project strong internal validity in that sense. Ryen (2004, p.138-139) argues that a study is valid as the researchers prove deep cognitive understanding regarding the presentation of the subject of study. We hope that the result of the study in our empirical section, the analysis and conclusions drawn thereby are proof to our understanding of the research object. Thus we believe we have reached the required validity and reliability in our study.

7.2 Criticism to our Study

We applied an iterative research strategy combined with an approach where we used triangulation of both quantitative and qualitative methods, leading to a cross-sectional survey design applied through an online quantitative survey and in-depth qualitative interviews, using non-probability and intensive sampling. Thus we consider our methodology to have the right validity and reliability to reach a true, functional and correct study.

We acknowledge the complexity of the research methodology, we are aware that by combining research methods suspicious thoughts might raise to whether our study has been conducted in line with what is generally considered to be normative. We coincide with
Bryman & Bell (2007, p.643) as they discuss the pros and cons of combining and mixing research tools. In the philosophical view research methods are specific to either epistemology or ontology, and a mixing of methods would not be sufficient. As we apply a more technical view to these issues, we as researcher recognize the distinctions of epistemology and ontology, but that neither of them is fixed and therefore a combination of quantitative and qualitative research is capable. We recognize that dividing or combining methods have different outcome of the study results. “The results of an investigation employing a method associated with one research strategy are cross-checked against the results of using a method associated with the other research strategy” (Bryman & Bell 2007, p.646) in explaining the benefits of mixing research methods, which would imply that the decision to utilize a triangulated research method would be viable in our study.

Bryman & Bell (2007, p.174) criticize the quantitative methods, and we recognize that such research fail to differentiate people and social phenomena, that numbers and statistics cannot give a proficient model of reality. To ensure that our study uphold some proof of truth we cross referenced the quantitative data with the qualitative data. Though criticism rise to the qualitative studies such as that they are too subjective in terms of the researchers own perception and values added to the research (Bryman & Bell (2007, p.423)), we know that our research has been affected by our own interpretations, views and relation to the subject of study. Onto the gathered data we added own values to build our analysis on and draw our conclusions thereby. Thus this study has as such been shaped by our previous knowledge and experiences.

It is also hard to replicates a qualitative study due to personal interpretation of the subject of study, its components and the data collected. Therefore the qualitative study has limitation to evaluation in regards to validity and reliability. What makes a qualitative study even harder to grasp is the lack of transparency. Bryman & Bell (207, p.424) calls upon the uncertainty of evidence of what the researcher actually did to generate the results in a qualitative study. Unclear verification of data collection methods, choice of respondents, details of each interview, the research process etc, give room for questionable results. Even though such a criticism is convincing, one must bear in mind that the basics of qualitative studies is to give room for individual interpretation and detail verification of each part of the study is not reasonable for the qualitative study to be correct.

We strongly trust that applying a combination of techniques in the research agenda can limit the weaknesses of only relying to one, and thus utilizing the strengths of the difference between such techniques. Thus we believe that the choice of cross-sectional design and triangulation made the study bare a strong validity and reliability.
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Interview references:

Niklas Bergh, creative director and co-founder of Zoundsindustries
Face-to-face interview (Recording device), Stockholm 13.04.2011 14:00-15:00

Emilia Lindmark, co-founder and CEO E&E Glasses
Face-to-face interview (Recording device), Umeå 19.04.2011 10:00-11:00

Anton Sandqvist, founder and CEO of Sandqvist
Phone-interview (Recording device) 15.04.2011 13:30 – 14:30

Maria Westerlind, founder and CEO of Maria Westerlind
Phone-interview (Recording device), 14.04.2011 10:30-11:30

Ulrika Andersson, co-founder and design director of Island of your own
Phone-interview (Recording device), 13.04.2011 11:00-12:00

Martine Gram Barby, responsible person for the export of Danish Fashion and Design in the Danish Ministry of Foreign Affairs
Phone-interview (Recording device), 02.05.2011 15.20-16:20
Appendices

Appendix 1: Quantitative Survey

Dear Madame/Sir,

Thank you for your interest and taking your time to complete our questionnaire. Your contribution will be very valuable to our thesis and therefore we want to emphasise the importance of this questionnaire to our research. The questionnaire will not only help us gaining the necessary data and useful insights, but the results of this questionnaire will also benefit you by the valuable analysis we will provide you as a result of our research. You will be able to see the internationalization processes in the Nordic fashion industry from a broad perspective which will hopefully help you in your further work.

With our master’s thesis, we are giving an overview about the internationalization strategies of Nordic fashion brands. We are aiming to give useful insights and images between the theories and practice of this basic and recommend how to react to barriers of market entry.

The questionnaire will take about 15 minutes and includes 37 questions. We divided the questions in the same manner as we structure our thesis:
- Motivations and Drivers for Internationalization
- Internationalization Strategies
- Choice of market and entry mode
- Barriers of market entry

Before starting this questionnaire we would like to point out that the respondent likely has to possess certain knowledge and information about his company’s internationalization strategies and processes.

We, Caroline and Anna are eager to gain your practical insights and compare it to our theoretical knowledge. We accept the fact that “In theory, there is no difference between theory and practice, but in practice there is!” (Yogi Berra).

Best regards from Umeå,

Caroline Sunnegård & Anna Sano-Wichniak

[Image of the survey participants]
A note on privacy

This survey is anonymous.

The record kept of your survey responses does not contain any identifying information about you unless a specific question in the survey has asked for this. If you have responded to a survey that used an identifying token to allow you to access the survey, you can rest assured that the identifying token is not kept with your responses. It is managed in a separate database, and will only be updated to indicate that you have (or haven't) completed this survey. There is no way of matching identification tokens with survey responses in this survey.
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

General questions
To start the questionnaire we would like you to answer few general questions about your company.

1: * Which is your company’s domestic market?
Choose one of the following answers:

[ ] Please choose...

2: * In which city is the headquarter of your company located?
Choose one of the following answers:

[ ] Please choose...

3: * What kind of products does your company sell?
Check any that apply

[ ] Fashion apparel
[ ] Accessories
[ ] Sports & Outdoor
[ ] Shoes
[ ] Bags
[ ] Jewelry and watches
[ ] Other...

4: * When was your company founded?
Choose one of the following answers:

[ ] Please choose...

5: * How many employees are working for your company?
Choose one of the following answers:

[ ] Please choose...

Resume later

<< Previous Next >>
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

Motivation and drivers of internationalizing

In this part of the questionnaire we would like you to indicate your motivation and main drivers of your company's internationalization. (If not expanded outside your domestic market, please indicate what will be the reasons in the future)

1. What are your company's main reasons for expanding its business into new markets?

Please indicate on which level you agree or disagree with the given answers:

- Strongly disagree
- Somewhat disagree
- Somewhat agree
- Strongly agree

We are actively exploring opportunities in foreign markets.

We are restricted to limitations on the domestic market.

2. When specifying the reasons for expansion more in detail, on which level do you see the impact of following factors on your company?

- Very low
- Low
- Moderate
- High
- Very high

Growth of company
Market saturation
Competition
Spread of market
Favorable economics
Profit increase
Lower costs
Restrictive regulations
Niche markets
Underdeveloped markets
Corporate vision
Network relationships

3. Are there other reasons within your company?

survey.usbe.umu.se/students/index.php
4. What is your main reason for expanding your business?
Choose one of the following answers:

- Growth of company
- Market saturation
- Competition
- Spread of risk
- Favorable economics
- Profit increase
- Increase costs
- Restrictive regulations
- Niche markets
- Underdeveloped markets
- Corporate vision
- Network relationships
- Other

[Resume later] [Exit and clear survey]
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

Internationalization strategies
In this part of the questionnaire we would like to gain some insights about your company's internationalization strategies. We divided this group of questions into 4 parts: Network, knowledge, uncertainty and expectations.

1. *Is your company using its network when internationalizing?
   Choose one of the following answers:
   - Yes
   - No

2. *Please specify your company's network, which element(s) are you using hereby?
   Check any that apply:
   - Other fashion companies
   - Distribution companies
   - Competitors
   - Designers
   - Trade organizations
   - Fashion magazines
   - Fashion organization
   - Venture capitalists
   - Suppliers
   - Old colleagues
   - Other business partners
   - Other:

3. *Would you say that using your network is essential in your business?
   Please indicate how important it is for your company to strengthen its network:

<table>
<thead>
<tr>
<th>Level of agreement</th>
<th>Very low</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very high</th>
</tr>
</thead>
</table>

4. *Do you think you are fully using the network possibilities that exist within your company? (For example the usage of employee's networks)
   Level of utilization
   - Not at all
   - Not well
   - Fairly well
   - Very well
   - Completely

survey.usbe.umu.se/students/index.php

1/4
The next questions concern the internationalization knowledge a firm possesses. Firm’s internationalization knowledge can be divided into three areas:

- Business knowledge which regards the market knowledge that the company has such as competitors and customers.
- Institutional knowledge regards knowledge about laws, language, culture, standards and norms of foreign markets.
- Internationalization knowledge refers to knowledge that is gained from previous internationalization experience.

What kind of knowledge is the most important for your company when entering new markets?

Choose one of the following answers:

- Business (market knowledge)
- Institutional (laws, language etc.)
- Internationalization (previous experience)
- Other

Do you think by gaining more knowledge about a certain market, your market commitment will increase as well? (Market commitment is the amount of resources a company puts into a market.)

Level of agreement: Strongly disagree Somewhat disagree Somewhat agree Strongly agree

Do you gain knowledge throughout your relationships and networks? Please indicate the level of agreement.

Level of agreement: Strongly disagree Somewhat disagree Somewhat agree Strongly agree

Some companies expand by the “learning-by-doing” principle. To which extent do you follow this approach as well?

Level of agreement

The next questions concern the uncertainty of a company when entering new markets.

To which degree do you rate uncertainty regarding the following before? (When entering new markets)

Costs

Competition

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10: Are there other factors of uncertainty that are considered within your company’s internationalization process?

11: * Do you see the internationalization process of your company mainly as exploiting opportunities or rather in overcoming uncertainties?

Choose one of the following answers:
- Exploiting opportunities
- Overcoming uncertainties

12: *The next question is concerning the expansion of companies when entering new markets.

What are your company’s expansion expectations based on?

Check any that apply

- Knowledge of market
- Company’s vision
- Resources already utilized
- Competitor’s success or failure
- Company’s previous success and failure
- Strength of brand
- Preparation process
- Network capabilities
- Other: ____________________________

13: * Internationalization can be seen as innovation stages throughout the process. Each step in the internationalization process is seen hereby as an innovation for the company.

Do you see this approach in your company as well?

Level of agreement

- Not at all
- Moderately
- To some extent
- Totally
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

Market choice and entry modes
This part of the questionnaire focuses on your company’s market choice and reason behind it. As well we would like to get some practical input about your entry modes in the new markets you expanded to.

1: A. On which markets did you already place your products?
Check any that apply

☐ Sweden
☐ Finland
☐ Norway
☐ Denmark
☐ Iceland
☐ Asia
☐ Australia
☐ Africa
☐ South America
☐ North America
☐ Germany
☐ Lus. and melano
☐ France
☐ Benelux
☐ Spain
☐ Portugal
☐ Italy
☐ Austria
☐ Switzerland
☐ Greece
☐ Turkey
☐ Czech Republic
☐ Poland
☐ Russia
☐ Baltic states (Latvia, Estonia, Lithuania)
☐ Eastern Europe (Croatia, Hungary, Romania, Bulgaria, etc.)
☐ Other:

including your domestic market.

2: B. Which markets did you enter first? Please indicate the order of your market entries. (Please start with your domestic market.)

1:

2:

3:
3. * Please indicate the level of the underlying reasons for your market choice. How high or low is your perception of the following factors as crucial for your market choice?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Vary low</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
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<tbody>
<tr>
<td>Transportation</td>
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<td>Cultural norms and values</td>
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<td>Language</td>
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<td>Costs</td>
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<td>Market size</td>
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<td>Market saturation</td>
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<tr>
<td>Economics of scale</td>
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<tr>
<td>Trends</td>
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<td>Business networks</td>
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<td>Political systems</td>
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<td>Level of education</td>
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<td>(customer and possible employees)</td>
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<tr>
<td>Level of industrial development</td>
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<td>Economy welfare</td>
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<td>Network relationships</td>
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</tbody>
</table>

4. Are there other reasons for your market choice?

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6. * What entry modes did you use in your market entries? Check any that apply

- Franchising
- Distribution channels
- Flagship store
- Internet sales & delivery by mail
- Exporting and Importing
- Own subsidiary
2011-04-25
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10. Are there any differences in your strategy in approach between the Nordic and other European markets? Please specify the main differences.
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

Barriers of market entry (internationalization)

This last part of the questionnaire deals with the barriers of entry you experienced in your past market entries or current efforts in expanding.

1. How crucial are these barriers of entry for your company?

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<th></th>
<th>Very low</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very high</th>
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<tbody>
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<td>Market uncertainty</td>
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<td>Competition</td>
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<td>Costs of entry</td>
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<td>Different customer</td>
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<td>preferences</td>
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<td>Language differences</td>
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<td>Cultural differences</td>
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<td>Institutional barriers</td>
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<td>(laws and regulations)</td>
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<td>Monetary barriers</td>
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<td>Taxes, customs, price</td>
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<td>differences)</td>
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<tr>
<td>Lack of network</td>
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</table>

2. Are there other barriers that your company encounters?

3. Would you / did you cancel a market entry due to barriers of entry?
   - Yes
   - No

4. How is your company reading to overcome market barriers? What are in your opinion the most effective strategies hereby?
Do you choose your expansion strategy due to the barriers that exist in the new market?

Level of usage: Not at all, Moderately, To some extent, Totally.
INTERNATIONALIZATION PROCESS
OF NORDIC FASHION COMPANIES

Concluding remarks
This is the end of the questionnaire. Please fill out the last question below and don't forget to press submit. Thank you very much.

Besides this questionnaire (as quantitative study), we intend to have in-depth interviews (as qualitative study) for our thesis research. In the in-depth interviews we would like to have discussions with key persons of the internationalization process in fashion companies. Would you allow us to contact you for such a discussion? Please indicate this by sending us a short notification to:

s.benynski@gmail.com

(This questionnaire is totally anonymous and we therefore need an extra mail to check on possible interview candidates.)

Last remarks: Did we cover all critical aspects of the Internationalization process in your firm?
(Please indicate as well if you have further remarks on the questionnaire.)

Thank you. We, Caroline and Ane are thanking you for your time and energy you put into filling out this questionnaire.

Please feel free to contact us (see mail address above) anytime for further questions or remarks. We will be happy to provide you with the outcome of our thesis by June 2011.

Best regards from Umeå,

Caroline & Ane
Appendix 2: Interview guideline

- Reasons of expanding (limitations or opportunities)
- Decision to expand the company; main reasons for expanding
- Market choice and strategy; main selection points for new markets
- Positive and negative aspects of the Nordic markets
- Importance of trends
- Entry modes and Steps in the internationalization process
- Knowledge requirements
- Main problems and concerns when expanding the business
- Entry barriers and uncertainty factors
- Minimization of uncertainties and barriers
- Importance of network and strengthening of the network