

# The internationalization activity measures economics essay

[Economics](#)



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## **Introduction to the Case**

iWater is an environmental technology company, which builds decentralized water management systems, incorporating rain, grey, and ground water utilization. Information on its internationalization path and speed and other basic data can be found below. Basic Data

## **Countries**

### **Internationalization Activity Measures**

Number of Employees20

### **Foreign Revenue/Domestic Revenue 2009**

#### **Score 1**

10/90

#### **1**

Year of Foundation2009

### **Foreign Revenue/Domestic Revenue 2012**

#### **Score 2**

40/60

#### **3**

Initiation of Internationalization2009e. g. Austria, France, Czech Republic

## **Number of Countries**

**2009**

**Score 3**

5

**2**

Export Promotion Participation

-

## **Number of Countries**

**2012**

**Score 4**

30

**5**

Total Internationalization Period (years)<sup>3</sup>Approx. 30 countries: e. g. AFG, B, CH, CHN, CZ, ETH, GB, HR, I, IE, NL, P, SLO, TR

## **Geographic Distance**

**2009**

**Score 5**

Neighboring

**1**

Internationalization Control Period2009-2012See total internationali-zation period

## **Geographic Distance**

**2012**

**Score 6**

Worldwide

**5**

## **Internationalization Speed Score 2009**

**1.3**

## **Internationalization Speed Score 2012**

**4.3**

## **Speed Acceleration 2009-2012**

**+225.8%**

## **Average Internationalization Speed Score**

**2.8**

Based on the data above and on the fact that the firm has had an international background and outlook right from inception, iWater has been identified as a born global.

## **R1a: The Effect of Export Promotion Programs on Internationalization Speed**

The firm has never participated in an export promotion program yet.

Therefore, there is no effect of export promotion programs on the internationalization speed of iWater. The average speed score iWater got is 2.8 (medium speed). iWater's speed accelerated within three years by 225.

8 percent. The informant could not express a view on internationalization speed.

## **R2: View and Implementation of Export Promotion Programs and Internationalization**

The firm has not participated in any form of export promotion since there has not been any reason to utilize these yet." We are growing at a reasonable rate [...] we just want to grow to the extent we can reach on our own"

Moreover, he highlighted that one should be careful with respect to internationalization overall. Certain companies could face negative consequences by internationalizing too much, so the informant:" If I constantly jet from one place to another... that's really great and travelling is nice, too, but at some point, everything that needs to be done internally, will fall by the wayside."

## **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

### **Issues**

The informant stated that his firm has been to various events, where export promotion programs were presented. Moreover, the firm is making use of a promotion program for a research project they are currently working on.

However:" Partially, it's too bureaucratic, I must say. [...]I am not interested in having to write them 300 times, and then even more detailed..."

## **Solutions**

On the other side, iWater's informant explained that his firm's internationalization success can be based on its flexibility, spending power to some extent, and superior product quality. Being asked what he would expect from an export promotion, he answered: " It should be flexible and relatively simple, without a lot of bureaucracy."

## **6. 6 Conclusion**

Having analyzed all interviews one-by-one, various case descriptions could be outlined in this chapter. Highly differing internationalization speed scores could be found for each case, which will help in the subsequent chapters for further comprehension of the effect of export promotion programs on internationalization speed. Furthermore, multifaceted information has been obtained with respect to the view and implementation of export promotion programs and internationalization, and hence resulting moderating effects. Finally, main issues decreasing the effectiveness and hence internationalization speed were listed, while most interviewees also indicated what they desire from export promotion programs. This shall contribute to finding solutions to the issues at hand.

## **Chapter 7 – Cross-Case Analysis of Results**

The full overview of results obtained for each case can be found in appendix 5. Sections 7. 1 until 7. 7 will zoom into each group of cases, as well as illustrate and analyze the situation across the different groups. Section 7. 8 will conclude by translating the compared results into an adjusted conceptual model. Each section will start with a written cross-case analysis,

followed by an overview table summarizing these findings. In the table, so as to ensure clear distinguishability of a) information provided by the interviewee and b) categorizations, themes and conclusions drawn from that data, asterisks have been used to mark the categorizations, themes and conclusions drawn by the researcher.

## **7.1 Export Promotion Agencies**

Comparing the three cases representing the export promotion agency networking in Germany, one can find the following differences, similarities, and conclusions. The three cases studied differ in their range of export promotion services offered. While case 1 offers German exporters primarily bundled market information and central online portals (e. g. ixPOS), case 2 mainly organizes trips to foreign markets, domestic trips and B2B events. Case 3 on the other side offers a full range of consulting and implementation services within the foreign market entry sphere. Furthermore, the cases differ in the manner long-term contact is maintained with their clients. Whereas case 1 largely operates on a non-project basis and hence as solely indirect contact with clients, cases 2 and 3 maintain their relationships in the long-term. Also, the approach to assessing export promotion needs and receiving feedback differs among the cases: case 1 does this indirectly via associations and correspondents, whereas cases 2 and 3 do this directly via surveys and personal contact. While cases 1 and 3 provide their export promotion services to all kinds of firms from all kinds of industries, case 2 is specialized in firms from a specific industry (geothermal). Finally, the three cases differ in their funding: case 1 is a governmental organization, case 2 a public-private organization, and case 3 an NGO. The three cases are

particularly similar in the way that they all attempt to tailor their programs towards the needs of SMEs and all share the goal of promoting business in foreign markets.

## **R1: The Effect of Export Promotion Programs on Internationalization Speed**

The effect of export promotions programs on the overall internationalization speed of an economy is consistently positive throughout all three cases. Exact differences in the strength of the positive effect of each case's services cannot be entirely determined from the given data. It can be concluded, however, that all three cases positively contribute to overall internationalization speed in their own ways. To be precise, given the reach of each case, it can be concluded that the strength of the positive effect of case 1 is the highest, as it serves a large number of firms nation-wide - as compared with cases 2 (about 40 firms) and case 3 (currently about 5 clients). Finally, the effect of export promotion programs on the internationalization speed of its economy are also reflected in the internationalization speed score of the German economy (4.5), as compared with the USA (4.75) and China (5) and its overall speed acceleration of +36.6 percent from 2009 until 2012. This can particularly be contributed to the efforts of case 1 due to its stronger positive effect on internationalization speed. The effect of export promotion programs on the internationalization speed of conventional SMEs in comparison with born globals has been perceived differently among the cases. While case 2 perceived the effect to be the same for all firm species, cases 1 and 3 both indicated that there could be a more positive effect for SMEs than for born globals. Case 1



pointed to less specialized and less well-informed (about foreign markets) firms, which on average are represented by conventional SMEs. Case 3 also emphasized that there is more positive effect for firms that internationalized on their own, yet unsuccessfully (conventional SMEs). Moreover, he explained that as born globals usually are extraordinarily well informed and specialized, export promotion programs nearly are of no use for born globals. Finally, while all interviewees could be identified to have a similar, traditional understanding of an internationalization path rooted in the gradual internationalization model, the understanding of internationalization speed has been dissimilar for all three cases: Case 1, 2 and 3 defined it as the time needed for each step in the internationalization process (also considering international activity of a country relative to its total number of firms), goals achieved within a given time frame, and a function of objectives and investment, respectively.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

The moderating effects of conventional SME properties have consistently been found to be either positive or negative as conventional SMEs on average could be both, either successful or unsuccessful in their approach to internationalization and export promotion programs. Similarly, for all three cases, the moderating effect of born global properties on the effect of export promotion programs on internationalization speed has been identified as positive as born globals rarely utilize export promotion programs. Hence the largest part of born globals does not exploit export promotion resources

important for conventional SMEs in need of these resources. All in all, this positively contributes to the effectiveness of the export promotion organizations and their programs as these do not have to deal with an unmanageable numbers of firms.

### **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

#### **Issues**

Main issues identified in both, case 1 and case 3, are the effectiveness of the online portals provided by the BMWi and GTAI. Please note that this issue primarily have been identified by the researcher by spending time in these platforms and communities. The informant of case 1 did not express any issues of its export promotion offerings. In particular, the dispersed nature of these online portals has been identified as a main issue within case 1. Other issues, which have been touched upon before, included the indirect channels of export promotion needs identification and feedback mechanisms (case 1). Finally, the interview with case 3 revealed that currently weak ties in the German export promotion agency network - consisting of strong individual player - as well as the lack of a central organization offering all export promotion services from a single source - or in other words, the lack of an effective central one-stop shop.

#### **Solutions**

All three organizations had different views on what could be done to increase the effectiveness of export promotion programs. While cases 1 and 2 were convinced of adjusting export promotion programs towards particular needs

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of home market and investing in education in worldwide hotspots as long term solutions, case 3 was in line with the experience the researcher has made in the online platforms: the effectiveness of the online platform (ixPOS) should be increased by means of more effective marketing, the cooperation among export promotion agencies in the current landscape of different export promotion agencies should be increased, and the export promotion agency network should be consolidated towards a central one-stop shop, offering all services from a single source. In conclusion, the three export promotion agencies have different set-ups and hence lead to different effects on internationalization speed. The cases only share the common goal of promoting business abroad and tailoring their services towards the needs of SMEs, and hence currently are identified to lack a clear common vision. Please find an overview below.

## **R1:**

### **Effect of Export Promotion Programs on Internationalization Speed**

## **R2:**

### **Effect of Firm Properties on Export Promotion Programs' Effect on Internationalization Speed**

## **R3:**

### **Increasing Export Promotion Program Effectiveness and Internationalization Speed**

Case 1:

## **Governmental Export Promotion Agency**

### **Germany Trade and Invest**

#### **Positive Factors**

- Cooperation among main agencies
- Online pooled information and export community( ixPOS)
- Transparency through bundled information
- Targeted towards needs of SMEs

#### **Negative Factors**

- None

#### **Effect**

- Positive
- Same for all firm species; might be less positive for highly specialized firms and well informed firms

- **Speed Acceleration: +36. 6%\***

- **Average Internationalization**

**Speed Score: 4. 5 (very high speed)\***

- **Positive\***

- **More positive effect for SMEs\***

- **Weaker positive effect for BGs\***

#### **Understanding of Internat. Speed**

- GTAI's task
- Time needed for each step in internationalization process

- \*

- **Gradual internationalization model\***

- Implementation of export promotion could depend on nature of firm's industry, not on size
- Being born global can imply risky behavior

## **SMEs**

### **Either positive or negative moderating effect\***

## **BGs**

### **Positive moderating effect**

since highly specialized and well informed firms (BGs) often do not utilize programs (and hence free up export promotion resources for SMEs\*)

## **Issues**

- Dispersed online network platforms: GTAI, ixPOS etc.\*
- Export needs identification via associations and correspondents\*
- Feedback via associations\*

## **Solutions**

- Awareness of export promotion practices in other countries, but adjustment of programs towards needs of home market more important

2:

## **Public-Private Export Promotion Agency**

### **International Coordination Office**

### **of International Geothermal Center**

#### **Positive Factors**

- Export needs identification via surveys
- Direct feedback mechanisms
- Long-term accompaniment of firms
- Trips to foreign markets, domestic trips, market information

#### **Negative Factors**

- None

#### **Effect**

- Positive
- Same for all firm species
- **Positive\***
- **Same effect for SMEs and BGs\***

#### **Understanding of Internat. Speed**

- Goals achieved within time frame
- **Gradual internationalization model\***
- Internationalization and implementation of export promotion often not considered due to size

## **SMEs**

**Either positive or negative moderating effect\***

## **BGs**

**Positive moderating effect\***

## **Issues**

- Nature of geothermal industry

## **Solutions**

- Investing in education in worldwide ‘hotspots’
- Get international experts

to domestic market  
Case 3:

## **NGO – Market Entry Consultancy**

### **Entryplanet**

### **Positive Factors**

- Export needs identification via surveys
- Direct feedback mechanisms
- Long-term accompaniment of firms
- Full range of consulting and implementation services from single source
- Increased brand awareness
- ‘Entrylocker’ system (gap analysis)
- Global network

### **Negative Factors**

- As a firm: need to invest at least €100000\*

### **Effect**

- Positive
- More positive for firms that internationalized on their own and did not succeed

- **Positive\***
- **More positive effect for SMEs\***
- **Weaker positive effect for BGs\***

### **Understanding of Internat. Speed**

- Depends on objectives • Depends on investment firm is willing to make
- **Gradual internationalization model\***
- Born globals rarely/never need export promotion

### **SMEs**

**Either positive or negative moderating effect\***

### **BGs**

**Positive moderating effect\***

### **Issues**

- Effectiveness of central online platform (ixPOS) • Weak ties in export promotion agency network of strong individual players\* • Lack of central organization offering all services from one source

### **Solutions**

- Increase effectiveness of central online platform (ixPOS) by means of more effective marketing • Increase cooperation among export promotion agencies • Consolidate export promotion agency network

## **7.2 Participating Conventional SMEs**

Comparing the two cases representing conventional SMEs that participate in one or more forms of export promotion programs, one can find the following



differences, similarities, and conclusions. While case 4 participated in and praised a delegation trip - including a matching event, its firm's presentation and a market analysis - case 5 took part in and positively perceived trade fairs, which included joint booths. Both cases concurred that these export promotion instruments were well organized and of relatively low cost.

## **R1: The Effect of Export Promotion Programs on Internationalization Speed**

Both cases perceived the effect of the export promotion programs as positive; however, case 4 accentuated that no substantial effect could be seen yet since the promotion program was just utilized in 2012 and most likely needs more time. Data from the interviews and the cases' websites yielded an average internationalization speed score of 3.0 (medium speed) for case 4 and 4.15 (high speed) for case 5, in addition to an internationalization speed acceleration of +0.0 percent and +8.3 percent (from 2009 until 2012), respectively. Case 5 hence overall is faster than case 4 in its internationalization process overall as well as in the acceleration of its internationalization within the control period. Based on the interviewees' perceptions and the speed values computed by the researcher, the effect of export promotion programs on the internationalization speed of the two conventional SMEs can be identified to be positive, yet could also be concluded as neutral for case 4. In other words, the strength of the effect is higher for case 5. This finding deserves more detailed elaboration as case 4 has a higher number of employees (250) than case 5 (55) and thus has more resources for rapid internationalization. The reason, however, could be found in the fact that case 5 has participated in export promotion programs since

beginning of its internationalization in the 1980s, whereas case 4 just recently initiated the use of export promotion programs. Other reasons for the higher internationalization speed of case 4 could be found in its internationalization approach: the SME skipped exporting entirely and immediately started with licensing as a foreign market entry mode. Hence, it can be identified to have taken on at least one element of the features of born global internationalization. Comparing these two cases, one finds that the effect of export promotion programs on the internationalization speed of conventional SMEs overall is positive (positive for case 5, positive (or negative) for case 4). The understanding of internationalization speed of the two conventional SMEs is relatively similar: International revenue added to market share relative to time needed to increase these two measures (case 4) and international activity in foreign markets relative to time; where international activity is the activities in different foreign markets and/or within a foreign market (case 5). Nevertheless, case 5's view on internationalization speed is broader and comprises the number of international markets in addition to revenue measures.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

Based on their SME properties, cases 4 and 5 view, approach, and implement internationalization and export promotion programs. Both firms find personal relationships and own contacts with international business partners important. However, case 5 sees equal importance of export promotion programs (and attempts to attend as many trade fairs as possible), whereas

case 4 as a firm perceives export promotion programs as less important (with the informant being the sole employee finding export promotion programs important). Moreover, case 4 pursues organic international growth, so that the speed of internationalization is not important. This overall 'negative' attitude towards internationalization speed and particularly towards export promotion programs (case 4) results in a less effective implementation of internationalization and the promotion programs. This can partially be seen in the results obtained above (R1). In turn, the lower internationalization speed of case 4 negatively (or positively) moderates the effect of export promotion programs on overall internationalization speed (of its economy), whereas the characteristics of case 5 clearly positively moderate the effect of export promotion programs by means of a positive approach towards internationalization and export promotion and hence high individual internationalization speed. The findings can also be related to the fact that case 4 rather follows a gradual (organic) internationalization path and case 5 pursues a gradual internationalization path mixed with born global elements. Overall, combining the individual moderating effects, participating conventional SMEs are found to have an either positive or neutral moderating effect on the effect of export promotion programs on economy-wide internationalization speed.

## **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

### **Issues**

Major issues expressed by both conventional SMEs relate to the identification of export promotion needs. While for case 5 export promotion needs have not been investigated by export promotion agencies at all, the export promotion need identification of case 4 was satisfying, yet could have delivered more precise results during the actual event, meaning that the contacts obtained were not ideal. Other issues discussed were different between the two cases: while case 5 only mentioned a second issue - that information on foreign markets offered for free by foreign chambers of commerce often is too general - case 4 expressed issues with respect to the online platform (ixPOS): a) it is slowly progressing (due the relatively low activity), b) there are a lot of low-quality enquiries in the export community (including spam and scam), and c) the spread of the online network platforms (ixPOS, DEinternational, GTAI etc.).

### **Solutions**

Both cases suggested an improvement of the overall export promotion agency system. First, more transparent information regarding events, whom to contact for which purpose etc., a more transparent system overall, and an adaptation to today's conditions should be implemented, considering the target markets and clients (case 5). Second, more marketing of the online portals and a creation of central one-stop shop like ixPOS, which consolidates the portals would be helpful for SMEs. In addition, case 5 listed three key

success factors for a firm's internationalization speed: hard to imitate technology, innovative strength, and continuous business development. An overview of the findings can be found in the table below.

## **R1:**

### **Effect of Export Promotion Programs on Internationalization Speed**

## **R2:**

### **Effect of Firm Properties on Export Promotion Programs' Effect on Internat. Speed**

## **R3:**

### **Increasing Export Promotion Program Effectiveness and Internationalization Speed**

Case 4:

## **Participating Conventional SME:**

### **PEWO**

#### **Positive Factors**

- Delegation trip; matching event; firm presentation; market analysis
- Well organized and financed by foreign chambers of commerce
- Opportunity to speak in front of a relevant audience
- Contact with potential clients

#### **Negative Factors**

- No valuable business contacts yet

#### **Effect**

- Positive, but not substantial

- **Speed Acceleration: +0%\***

- **Average Internationalization**

**Speed Score: 3 (medium speed)\***

- **Positive or neutral\***

**Understanding of Internat. Speed**

- 

- **Gradual internationalization model\***

- Aware of export promotion through own research via Internet
- Open towards export promotion programs
- Export promotion important for interviewee, less important for firm
- Internationalization by personal relationships and organic growth; speed not important

- **Gradual internationalization model\***

**SME**

**Negative or positive moderating effect\***

**Issues**

- Irregular contact with foreign chamber of commerce\*
- Export promotion needs identification via e-mail satisfying, but results (contacts obtained) could be more tailored towards needs of company
- Slow progress of online platform (ixPOS)
- Spam and scam in export community (ixPOS)
- Dispersed online network platforms: GTAI, ixPOS etc.

**Solutions**

- More marketing of online portal/export community
- Creation of central one-stop shop like ixPOS

Case 5:

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## **Participating Conventional SME:**

### **Lipp**

#### **Positive Factors**

- Trade fairs, joint booths
- Simplicity and low costs
- Regular calls and information on upcoming events by agencies

#### **Negative Factors**

- None

#### **Effect**

- Positive

- **Speed Acceleration: +8.3%\***

- **Average Internationalization**

**Speed Score: 4.15 (high speed)\***

- **Positive\***

#### **Understanding of Internat. Speed**

- 

- **Gradual internationalization model mixed with BG elements\***

- Aware of export promotion through foreign chambers
- High international orientation
- Skipped exporting
- Attended as many trade fairs as possible
- Hesitant towards 'complex' export promotion services
- Equal importance of export promotion and own contacts
- No one employed for export promotion

## • **Gradual internationalization with BG elements\***

### **SME**

### **Positive moderating effect\***

### **Issues**

- Export promotion needs of firm not investigated
- Free information on foreign markets by foreign chambers often too general

### **Solutions**

Firms: • Hard to imitate technology, innovative strength, continuous business development

Agencies: • Adapt export promotion programs to today's conditions, consider target countries, markets, clients

- More transparent information on a regular basis regarding events, whom to contact for which purpose etc.
- More transparent system

## **7.3 Non-participating Conventional SMEs**

Cross-analyzing the two cases representing conventional SMEs that do not participate in one or more forms of export promotion programs, one can find the following differences, similarities, and conclusions. As opposed to case 7, case 6 has participated in one trade fair; nonetheless, the firm received insufficient feedback and refrained from utilizing export promotion programs again.

## **R1: The Effect of Export Promotion Programs on Internationalization Speed**

Both cases conceive export promotion programs generally as positive.

Nevertheless, there is no effect of these programs on the internationalization speed of the two SMEs as these are not participating. Case 6 reached an

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internationalization speed score of 1.3 (very low speed) and hence is slower in its internationalization process than case 7, with an internationalization speed score of 3.3 (medium speed). This difference could be explained by the different size of the two cases (case 6: 7 employees; case 7: 63 employees). For both cases, internationalization speed acceleration within the control period was +0.0 percent. In conclusion, for non-participating conventional SMEs overall, export promotion programs have no effect on internationalization speed. The understanding of internationalization speed of the two cases differs clearly: according to case 6, internationalization speed depends on the size of the client's firm (the bigger the client's firm, the slower the internationalization process due to bureaucratic organization). According to case 7, internationalization speed could be measured beyond quantitative data, particularly in his case.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

In their attitude towards export promotion programs, the cases share that they are not aware of the different export promotion options available. This could partly explain why these firms do not utilize these programs. Other than that, case 6's attitude is characterized by the fact that, according to the informant, for the firm it is difficult to find time for export promotion events. On the other side, case 7's attitude towards internationalization is characterized by seeing international activities as exceptional situations and establishing autonomous firms in foreign countries. Finally, case 7 is "walking the path of least resistance" and thought that export promotion

programs were expensive. Based on these views on internationalization and export promotion programs, the implementation of internationalization and export promotion programs (no implementation) results accordingly. This, in turn, leads to the very low (case 6) and medium (case 7) internationalization speed scores. The internationalization paths of these two cases can both be rooted in the gradual internationalization model. The moderating effect of case 6 is negative, and the moderating effect of case 7 is negative (or positive). Overall, summing up the individual moderating effects, one can conclude that the moderating effect of non-participating conventional SMEs on the effect of export promotion programs on economy-wide internationalization speed is negative or neutral.

### **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

#### **Issues**

None of the two cases expressed any particular issues they could identify with respect to export promotion programs.

#### **Solutions**

Both, however, did express their requests to export promotion programs. A theme that could be identified here is barrier reduction: case 6 would want to get help by means of intermediaries, financial support and other endeavors that reduce barriers, and case 7 would want to receive support as for bureaucracy and legislation matters in foreign markets. An overview of these results can be found in the table below.

## **R1:**

### **Effect of Export Promotion Programs on Internationalization Speed**

## **R2:**

### **Effect of Firm Properties on Export Promotion Programs' Effect on Internat. Speed**

## **R3:**

### **Increasing Export Promotion Program Effectiveness and Internationalization Speed**

Case 6:

## **Non-Participating Conventional SME:**

### **Anonymous Firm**

#### **Positive Factors**

- Currently receiving financial support within a scientific promotion program of the BMWi

#### **Negative Factors**

- Attended one foreign trade fair, but got insufficient feedback

#### **Effect**

- Positive perception of programs

- **Speed Acceleration: +0%\***

- **Average Internationalization**

**Speed Score: 1.3 (very low speed)\***

- **No effect\***

### **Understanding of Internat. Speed**

- Depends on size of client's firm: the bigger, the slower

- **Gradual internationalization model\***

• No idea of different export promotion options • Difficult to find time for export promotion events due to size • Very slow internationalization approach\*

- **Gradual internationalization model\***

### **SME**

### **Negative moderating effect\***

### **Issues**

- None

### **Solutions**

Firms: • Hard to imitate technology, absence of firm's technology in foreign markets, price • Intermediaries in foreign market  
Agencies: • Employ intermediaries • Financial support • Endeavors that reduce barriers  
Case 7:

## **Non-Participating**

### **Conventional SME:**

### **ExTox Gasmess Systeme**

#### **Positive Factors**

- n. a.

#### **Negative Factors**

- n. a.

#### **Effect**

- Positive perception of programs

- **Speed Acceleration: +0%\***

- **Average Internationalization**

#### **Speed Score: 3.3 (medium speed)\***

- **No effect\***

#### **Understanding of Internat. Speed**

- Could be measured beyond quantitative data

- **Gradual internationalization model\***

- International activities as exceptional situations
- No international background
- Establishment of autonomous firms in foreign countries
- Export promotion seen as expensive
- Walking path of least resistance
- Not aware of exact export promotion options

- **Gradual internationalization model\***

**SME****Negative (or positive) moderating effect\*****Issues**

- n. a.

**Solutions**

- Support as for bureaucracy and legislation in foreign markets

**7.4 Born Globals**

Cross-analyzing the two cases representing the species of born globals, one can find the following differences, similarities, and conclusions. While case 9 never utilized any export promotion instrument, case 8 has regularly attended trade fairs.

**R1: The Effect of Export Promotion Programs on Internationalization Speed**

Neither of the cases could identify a clear positive effect, whereas case 9 generally even had a rather negative perception of export promotion programs. The average internationalization speed scores obtained by case 8 and 9 are 4.3 (high speed) and 2.8 (medium speed), respectively. This difference can be explained by the fact that case 8 founded its firm in 1989, whereas case 9 was founded in 2009. Case 8 has 14 employees and case 9 has 20 employees, so that differences cannot clearly be attributed to the size of the two born globals. Moreover, case 9 internationalized into approximately 30 countries, while case 8 internationalized into about 12 countries. This data also yields the considerable internationalization speed

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acceleration of +225.8 percent for case 9. On the other side, case 8 'solely' reached an internationalization speed acceleration of +16.7 percent. Since case 9 has not participated in any program, the effect of export promotion program on case 9's internationalization speed is 0. For case 8, the effect on internationalization speed is positive or neutral (as the trade fairs could have their impact, yet the informant believes that the increase in speed stems from other factors). Comparing these two cases, and understanding that both born globals could reach medium and high internationalization speed scores and substantial acceleration values - with or without the help of export promotion programs, yet mainly without - one can conclude that the effect of export promotion programs on born globals is either positive or neutral. The understanding of internationalization speed is the following: case 8 views internationalization speed as dependent upon the number of foreign markets reached, whereas case 9 could not express a clear view on internationalization speed.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

In their attitude towards internationalization, the cases share that they both took on the born global internationalization model by penetrating multiple countries right from inception of their businesses. Case 9 stressed, however, that a balance between domestic and international business is important so as to not lose track of one's home market. With respect to the attitude towards export promotion programs, for case 8, attending international trade fairs has become "a tradition" and hence is fully integrated in the company's

agenda. For case 9, export promotion programs were not utilized yet as there was no need for the utilization of these yet. Moreover, it is seeking growth from its own drive. Particularly due to its high internationalization speed score, case 8 has a positive moderating effect on the effect of export promotion programs on internationalization speed. Case 9, despite its medium internationalization speed score, is found to have a positive moderating effect on the effect of export promotion programs on internationalization speed due to its tremendously high speed acceleration. Given the two cases' well-balanced attitude towards internationalization and their own initiative-taking, in combination with the medium and high internationalization speed scores, born globals are found to have a positive moderating effect on the effect of export promotion programs on economy-wide internationalization speed.

### **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

#### **Issues**

Main issues regarding export promotion programs, according to case 8 are lack of interconnectedness within export promotion network, no identification of export promotion needs, no feedback, no accompaniment, and arbitrary application processes. On the other side, case 9 solely objected the high level of bureaucracy of export promotion organizations.

#### **Solutions**

The two cases did not have overlapping views on how to improve export promotion programs: case 8 would desire involvement of local export  
<https://assignbuster.com/the-internationalization-activity-measures-economics-essay/>



promotion agencies at trade fairs, while case 9 would want export promotion agencies to act in a more flexible, simple, and less bureaucratic manner.

With respect to key internationalization success factors of these cases, case 8 is capable of serving many large markets with employees who speak the corresponding languages on native tongue level, whereas case 9 stands for flexibility, spending power, and superior product quality. Most of these traits reflect the properties previous research has presented with respect to the phenomenon of born globals. An overview of the results found can be found below.

### **R1:**

#### **Effect of Export Promotion Programs on Internationalization Speed**

### **R2:**

#### **Effect of Firm Properties on Export Promotion Programs' Effect on Internat. Speed**

### **R3:**

#### **Increasing Export Promotion Program Effectiveness and Internationalization Speed**

Case 8:

#### **Born Global (Participating)**

#### **atech innovations**

#### **Positive Factors**

- International trade fairs, Joint booths

## **Negative Factors**

- n. a.

## **Effect**

- No clear positive effect identifiable

• **Speed Acceleration: +16.7%\***

• **Average Internationalization**

**Speed Score: 4.3 (high speed)\***

• **Positive or neutral\***

## **Understanding of Internat. Speed**

- Number of foreign markets

• **Born Global internationalization model\***

• Attending international trade fairs has become a tradition • Aware of export promotion since 80s

• **Born Global internationalization model\***

## **BG**

**Positive moderating effect\***

## **Issues**

• Getting into an export promotion program is arbitrary • Beyond financial subsidization of booth, there is no feedback, no accompaniment • No identification of export promotion needs • Lack of interconnectedness within export promotion network

## **Solutions**

Firms: • Serve many large markets with employees who speak the corresponding languages on native tongue level  
Agencies: • Involvement of local agencies at trade fairs  
Case 9:

## **Born Global**

**(Not participating)**

## **iWater**

### **Positive Factors**

- n. a.

### **Negative Factors**

- n. a.

### **Effect**

- Negative perception of programs
- **Speed Acceleration: +225.8%\***
- **Average Internationalization**

**Speed Score: 2.8 (medium speed)\***

- **No effect\***

### **Understanding of Internat. Speed**

- No view on internationalization speed

- **Born Global internationalization model\***

- Does not utilize export promotion since there has not been a reason to do so
- Find balance between domestic and international business
- Seeking growth from own drive

- **Born Global internationalization model\***

## **BG**

### **Positive moderating effect\***

#### **Issues**

- Too bureaucratic

#### **Solutions**

Firms: • Flexibility • Spending power • Superior product quality  
 Agencies: • Flexibility • Simplicity • Less bureaucracy

## **7.5 Participating and Non-participating Conventional SMEs**

Cross-analyzing these two groups representing the species of participating and non-participating conventional SMEs, one can draw the following conclusions.

### **R1: The Effect of Export Promotion Programs on Internationalization Speed**

The overall effect of export promotion programs on internationalization speed of participating conventional SMEs has been found to be positive, whereas its effect on the internationalization speed of not participating conventional SMEs was found to be zero. Comparing the speed scores obtained by both groups, one finds that the overall speed score of

participating conventional SMEs (overall: 3.6, high speed; 3.0 and 4.15) is higher than the speed score of non-participating conventional SMEs (overall: 2.3, low speed; 1.3 and 3.3). Hence, by comparing these two groups, the positive effect of export promotion programs on the internationalization speed of participating SMEs can be confirmed. Differences between the two groups can be identified in the understanding of internationalization speed: while participating conventional SMEs defined speed as a ratio, non-participating firms use measures based on gut feeling and other factors.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

Overall, participating conventional SMEs were found to have an either positive or neutral moderating effect on the effect of export promotion programs on economy-wide internationalization speed, whereas non-participating conventional SMEs have a negative or neutral moderating effect on the effect of export promotion programs on economy-wide internationalization speed. Summing up these two findings, one can conclude that conventional SMEs, taken together, have a neutral (positive or negative) moderating effect on the effect of export promotion programs on economy-wide internationalization speed.

## **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

No overlapping issues and solutions between the two groups could be found.

## **7. 6 Conventional SMEs and Born Globals**

Cross-analyzing the two groups representing the species of conventional SMEs and born globals, one can draw the following conclusions.

### **R1: The Effect of Export Promotion Programs on Internationalization Speed**

In the previous section, a positive effect of export promotion programs on the internationalization speed of participating conventional SMEs has been confirmed. The effect of export promotion programs on the internationalization speed of (participating) born globals has been found to be positive or neutral. Hence, comparing these two groups, one finds that the positive effect of export promotion programs on the internationalization speed of conventional SMEs is stronger than for born globals. Differences between the two groups can be identified in the understanding of internationalization speed: while participating conventional SMEs defined speed relatively precisely, for instance as a ratio, born globals were merely incurious when it came to the understanding of internationalization speed.

### **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

Whereas conventional SMEs have a neutral (positive or negative) moderating effect on the effect of export promotion programs on economy-wide internationalization speed, born globals were found to have a positive moderating effect on the effect of export promotion programs on economy-wide internationalization speed.

### **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

The following overlapping issues could be found: First, the identification of export promotion needs either did not exist or the results of need identification were not fully satisfying (overall: mentioned three times; mentioned once by born globals and twice by participating conventional SMEs). Second, the lack of interconnectedness within the export promotion agency network has been mentioned once by born globals and elaborated on once by participating conventional SMEs: online network portals are too dispersed. All in all, this issue has been emphasized twice. In addition, the following overlapping solutions were found: simplicity (once by born globals) and transparency (twice by conventional SMEs) with respect to the overall export promotion system but also regarding upcoming events, whom to contact for which purpose etc. One SME detailed this solution by suggesting a more effective central one-stop shop like ixPOS. Finally, one overlapping solution with respect to what firms can do in order to increase export promotion effectiveness and internationalization speed was found: hard to imitate technology, which was mentioned by a non-participating conventional SME and a participating conventional SME.

#### **7.7 Export Promotion Agencies and Firms**

Cross-analyzing the results obtained from the group of export promotion agencies and the groups representing the firms, one can draw the following conclusions.

## **R1: The Effect of Export Promotion Programs on Internationalization Speed**

The effect of export promotions programs on the overall internationalization speed of an economy has been found to be consistently positive throughout the entire export promotion agency group. Moreover, there was a tendency towards the result that export promotion programs will have a stronger positive effect on the internationalization speed of conventional SMEs than for born globals. These results are in line with the findings obtained for all other groups. No exact matching patterns could be determined in the understanding of internationalization speed within the export promotion agency group. Nevertheless, there was a tendency to see internationalization as a gradual process, so that the export promotion agencies' understanding of internationalization speed rather resembles that of participating and non-participating conventional SMEs.

## **R2: Moderating Effects of Conventional SMEs and Born Globals on the Effect of Export Promotion Programs on Internationalization Speed**

The export promotion agency group identified the moderating effect of conventional SME properties on the effect of export promotion programs on economy-wide internationalization speed as either positive or negative. This is in line with what the studied firms have shown: an overall neutral (positive or negative) moderating effect. On the other side, the moderating effect of born global properties on the effect of export promotion programs on economy-wide internationalization speed has been identified as positive by



the export promotion agency group. Similar to the situation above, this is consistent with what the studied groups of firms have yielded.

### **R3: How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed - Issues and Solutions**

The following overlapping issues between the export promotion agency group and the company groups could be identified: First, the identification of export promotion needs mentioned three times by firms has been underlined once by the export promotion agency group, leading to a total number of four. Second, the lack of interconnectedness within the export promotion agency network - as well as the corresponding issue of dispersed online network portals - has been mentioned twice by firms and has been identified once within the export promotion agency group, resulting in a total number of three. Third, issues regarding feedback mechanisms that were identified once in the export promotion agency group, were mentioned once by a born global, the result being a total number of two. Fourth, the issue of an ineffective export promotion overall system characterized by a lack of central organization offering all services from a single source and too bureaucratic structures was found, once by the export promotion agency group and once by the born global group, so in total twice. So as to react to these issues, the following overlapping solutions were suggested: first, simplicity (once by born global) and transparency (twice by conventional SMEs) as well as once by the export promotion group suggesting a consolidated export promotion agency network with a one-stop shop. Hence, simplicity and transparency as a solution has been stressed four times.

Second, increased cooperation within export promotion agency network has been stated twice, once by export promotion group and once by born global group (increased integration of local export promotion agencies). Third, the effectiveness of the central online platform (ixPOS) should be increased by more marketing efforts; this has been said twice, once by participating conventional SMEs and once by the export promotion group.

## **7.8 Adjusted Conceptual Model**

The conclusions obtained throughout the last chapter lead to the following adjusted conceptual model. The overarching logic of the conceptual model could consistently be followed, i. e. when conducting the interviews, as well as when analyzing and summarizing the results obtained from the given data. As compared with the original conceptual framework, a slight change occurred. Proposition two (P2) has changed from an expected negative moderating effect to a neutral (positive or negative) moderating effect as this was consistently concluded by most cases.

## **Chapter 8 – Discussion**

This chapter will conclude the main findings of this thesis and place these into context. The author will interpret the most relevant findings obtained by checking these against previous research as well as a quantitative study used as starting point for this research (8. 1). Subsequently, theoretical and managerial implications will be discussed (8. 2). Finally, the limitations of this master thesis and potential future research directions will be presented.

## 8. 1 Conclusions

The Effect of Export Promotion Programs on Internationalization Speed  
The central research question of this thesis was " Q1. What is the effect of export promotion programs on the internationalization speed of conventional SMEs, born global firms and their corresponding economy?" Building on previous research, two propositions have been developed as expected answers to these questions: " P1a: Export promotion programs generally have a positive effect on the speed of conventional SME, born global and economy internationalization." And " P1b: Export promotion programs have a stronger positive effect on the internationalization speed of conventional SMEs than on the internationalization speed of born globals." Having studied nine cases, all offering highly differing perspectives, and having lived in the online export community of these cases, the results confirmed these propositions.

The Moderating Effects of Conventional SME and Born Global Properties on Export Promotion Programs' Effect on Internationalization Speed  
The second research question of this thesis was: " Q2. How do conventional SMEs implement their internationalization and export promotion programs as compared with born global firms?" Building on prior research, the following relationship had been expected: " P2: Traditional SME properties negatively moderate the effect of export promotion programs on economy-wide internationalization speed; born global properties positively moderate the effect of export promotion programs on economy-wide internationalization speed." After having interviewed nine cases, all with different interests, and having lived in the online export community of these cases, the results confirmed the second part of this expected relationship. The first part needs

to be adjusted to: " Traditional SME properties neutrally (negatively or positively) moderate the effect of export promotion programs on economy-wide internationalization speed." How to Increase the Effectiveness of Export Promotion Programs and Hence Internationalization Speed

The third question, of most qualitative nature, of this thesis was: " Q3. How can export promotion agencies and conventional SMEs increase the effectiveness of export promotion programs in order to increase internationalization speed?"

Building on prior research as well as a quantitative study conducted with more than 500 German SMEs, the following propositions had been build: "

P3a: If conventional SMEs adapt a number of born global properties, the SMEs' negative moderating effect on the effect of export promotion programs on economy-wide internationalization speed will change to an either positive or (less) negative moderating effect." and " P3b: If export promotion programs increase the effectiveness of export promotion programs for conventional SMEs (e. g. by means of bundled services, increased marketing efforts, customized services, and governmental-private central organization) internationalization speed will be higher." Interestingly, proposition 3a could be observed in one of the studied conventional SMEs as it pursued a gradual internationalization path but adopted some born global properties and hence by itself confirmed this proposition. The overall issue is that in the example of Germany, there are more than 300 institutions, private as well as governmental, that offer a kind of export promotion. Firms do not know exactly, which one to approach. Other than that, the way agencies assess the needs and the qualifications of companies oftentimes

are of arbitrary nature. (For solutions to these issues, please see section 8. 2. 2)

## **8. 2 Implications**

Section 8. 2. 1 will outline major theoretical implications of this paper, whereas section 8. 2. 2 will present managerial implications of this paper.

### **8. 2. 1 Theoretical Implications**

As indicated by Kali and Forz, there indeed seems to be a new breed of hybrid versions. "BG theory include!" Domestic experience for many years has recently become less important for successful new international business." Karra et al., 2008 During the last two decades, international entrepreneurship has emerged as a distinct field of study exploring and explaining the phenomenon of born global firms. Scholars were able to identify that the internationalization paths pursued by this young phenomenon have been breaking the conventional patterns of internationalization - and have had a substantial impact thereby. In contrast to conventional SMEs that usually attempt to internationalize in regular ways, a born global firm is " a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (Oviatt and McDougall, 1994). Examples of born globals[1] include companies, such as easyJet, Logitech, and Skype (Karra et al., 2008). Born globals have also been referred to as international new ventures, born international SMEs (Kundu and Katz, 2003), or early internationalizing firms (Rialp et al., 2005). Scholars tend to use them interchangeably as they all, despite some minor differences, refer to

the same phenomenon (Rialp-Criado et al., 2010). For the sake of consistency and clarity, this phenomenon will be referred to as born globals throughout this paper. Despite the fact that most born globals have a highly limited amount of financial, human, and tangible resources, they achieve their goals in internationalization efforts close to inception. Furthermore, Born Globals exist in most industries and are formed by entrepreneurs with a "strong international outlook" (Cavusgil & Knight, 2009). Additionally, they are often characterized by differentiation strategies, and superior product quality and the use of external, independent intermediaries for distribution in foreign markets. According to Rialp-Criado et al. (2010), born globals tend to be more niche-focused than more conventional firms, "usually applying cutting-edge technology to develop more highly specialized outputs suitable for niche global markets". For policy improvement: More precisely, Lederman et al.'s (2009) survey revealed that export promotion agencies with a high ratio of private sector representatives in a given agency's executive board, combined with a high ratio of public sector funding lead to higher national exports. In addition, so Lederman et al. (2009), one strong export promotion agency rather than a set of agencies within a given country is positively linked with exports. As for the first research objective, a global literature review on factors influencing internationalization speed has led to an overview of 'what is going on' around that concept. This way, the author reacted to questions asked in the academic community in a manner feasible within the frame of a master thesis. Different views on the yet not well understood concept of internationalization speed, including the operationalization approach to internationalization speed of the author, have

been outlined in the results sections. Combining the overview of factors influencing internationalization speed and the concept itself, an incremental step towards the understanding of the internationalization speed overall phenomenon has been taken. There have been highly differing views on the concept of Internationalization speed, which could be seen negatively as the concept this way loses its ground and its 'raison d'être' (right to exist) to some degree. Yet, the wide range of differing views can also be interpreted positively: the different views contribute to the theoretical development of a highly interesting, underexplored theoretical concept. Interestingly, born globals did not directly contribute to the understanding of the internationalization speed concept but the understanding of their own born global concept: the studied cases did not have superior answers to the internationalization speed question, which may show that within the born global species, firms do not ponder over concepts too much, but try to act and make decisions as fast and as often as possible, which might be related to their high internationalization speed. The effect of export promotion programs on internationalization speed, a relationship that had not been studied yet, has been investigated thoroughly and shall set the state for further large-scale research. Moreover, this paper explored moderating effects conventional SMEs and born globals have on the effect of export promotion programs on internationalization speed. Taking into consideration the high number of conventional SMEs that do not participate in any form of export promotion, one may think that the overall moderating effect might be rather negative. Nevertheless, more precise findings with respect to non-participating firms are necessary in order to fully confirm this finding. A

highly qualitative exploration of the issues and solutions in an export promotion organism has been delivered. Interview questions and answers went beyond the questions and answers that had been provided by previous research and the quantitative study presented in section 6. 1. Whereas the quantitative study mainly investigated the awareness and effectiveness of German export promotion organizations and particular instruments, this thesis particularly utilized the knowledge gained through the study of the born global phenomenon. This was done in order to push forward the key success qualities this new phenomenon possesses. As shown, the expected solutions were seen as solutions by all different interest groups multiple times.