



The ownership types influence on internationalization strategy

– *A case study on how and why ownership type influences firms' internationalization strategy*

Authors: Niclas Johansson
International Business Strategy

Maria Désirée Landström
International Business Strategy

Samuel Palmer
International Business Strategy

Tutor: Dr. Mikael Hilmerström

Examiner: Prof. Bertil Hulten

Subject: International Business Strategy

Level and semester: Master's Thesis, Spring 2013

Abstract

Internationalization opportunities for firms have never been greater due to technological advancements and market liberalisations around the world. Newly established companies show tremendous growth, huge revenues and rapid internationalization patterns despite their young age. Reasons of why certain companies grow big while others stay small has captured the interest of researchers in the international business field. Research has suggested that different types of ownership structures influence corporate strategies of firms. However, little attention has been given to understand underlying reasons of how and why certain types of ownership influence internationalization behaviour of firms. By analysing the difference in scale, scope and speed of internationalization between companies with internal, external and corporate blockholder ownership it was possible to answer how the ownership type influence internationalization strategies of firms. By analysing the degree of corporate governance, the role of owner, the autonomy of managers and the attitude of owners and managers in the company, it was possible to answer why ownership type influence internationalization strategies of firms. A qualitative case study was conducted, where the empirical data was collected through six interviews with companies having different types of owners. The authors found that the speed, scope and scale vary between the ownership types. The main reasons why include the level of autonomy and corporate governance, as well as the resources available and the attitude of the owners. This study contributes to filling the gap in the theoretical discussion concerning ownership types influence on internationalization of firms. The academic implications from this study are that future research concerning internationalization of firms must take into account the ownership type, as there are strong differences between how different ownership types internationalize, and why that is the case. Implications for owners and practitioners are that corporate governance and autonomy within the firm will dictate how much influence their attitude has on internationalization.

Key words: *Internationalization - ownership type - strategy - internationalization strategy - corporate governance - autonomy - scale - scope - speed - role of owners*

Acknowledgements

We want to thank our case companies, which dedicated their time for us in order to support our thesis. Therefore, we want to give our special thanks to Ronald Selwood and Thomas Adolfsson from Luma Metall, Björn Långberg from Trebema, Mikael Perdin from BIM Kemi, Tarja zu dem Berge from Almi Invest and finally Bengt Rimark from Rapid Granulator for their enthusiasm and kindness during and after the interviews. All participants gave us valuable information and insights for our study.

Furthermore, we want to acknowledge Mikael Hilmerzon for being a very supportive supervisor, who guided us throughout the entire process and provided us with great advice and feedback.

Lastly, but not forgotten, we want to thank our classmates for an unforgettable year!

Samuel Palmer

Niclas Johansson

Maria Désirée Landström

Kalmar, 2013-05-29

List of content

1. Introduction	1
1.1 Background	2
1.2 Internationalization	3
1.3 Commitment and internationalization strategy	5
1.4 Ownership types	8
1.5 Problem discussion	11
1.6 Research question	13
1.7 Contributions	13
1.8 Purpose of the study	14
1.9 Outline of the thesis	14
2. Methodology	16
2.1 Deductive research approach	17
2.2 Qualitative research method	18
2.3 Case study	19
2.3.1 Type of case study	21
2.4 Selecting case companies	22
2.4.1 Internal ownership	23
2.4.2 External ownership	24
2.5 Collecting Case Study Evidence	25
2.5.1 Interview and question design	25
2.5.2 Firm interviews	27
2.6 Data analysis	28
2.7 Quality of research	29
2.7.1 Construct validity	29
2.7.2 Internal Validity	30
2.7.3 External Validity	31
2.7.4 Reliability	31
3. Theory	33
3.1 Ownership structure	34
3.1.1 Autonomy	37
3.2 Firm Ownership	37
3.2.1 Internal ownership	37
3.2.2 External ownership	40
3.3 Strategy	42
3.3.1 Internationalization strategy	43
3.4 Conceptual model	47
3.4.1 Key Constructs and theoretically derived propositions	47
4. Empirical Findings	51
4.1 Luma Metall	52
4.1.1 Role of Owners - the owner's perspective	52
4.1.2 Internationalization	55
4.1.3 Internationalization strategy	55
4.1.4 Owners attitude to internationalization	57

4.1.5 Role of Owners - the management's perspective	57
4.1.6 Internationalization	59
4.1.7 Internationalization strategy	59
4.1.8 Owners attitude to internationalization	60
4.2 Trebema.....	60
4.2.1 Role of Owners.....	61
4.2.2 Internationalization.....	62
4.2.3 Internationalization strategy.....	63
4.2.4 Owners attitude to internationalization.....	64
4.3 BIM Kemi	65
4.3.1 Role of owners	65
4.3.2 Internationalization.....	67
4.3.3 Internationalization strategy.....	68
4.3.4 Owners attitude to internationalization.....	69
4.4 Almi Invest	69
4.4.1 Role of Owners.....	70
4.4.2 Internationalization.....	72
4.4.3 Internationalization Strategy	72
4.4.4 Owners attitude to internationalization.....	73
4.5 Rapid Granulator.....	74
4.5.1 Role of Owners.....	74
4.5.2 Internationalization.....	76
4.5.3 Internationalization Strategy	77
4.5.4 Owners attitude to internationalization	78
5. Analysis.....	80
5.1 How firm ownership influences internationalization strategy	81
5.1.1 Firm and Scale of internationalization.....	81
5.1.2 Firm and Scope of internationalization	83
5.1.3 Firm and Speed of internationalization	86
5.1.4 Returning to propositions	89
5.2 Why firm ownership influences internationalization strategy.....	91
5.2.1 Corporate governance influence on internationalization	91
5.2.2 Role of ownership in internationalization	94
5.2.3 Influence of autonomy on internationalization.....	100
5.2.4 Owners' attitudes influence on internationalization.....	103
5.3 Key analyzations.....	108
5.3.1 Owner manager.....	109
5.3.2 Family owned.....	110
5.3.3 Venture capital	110
5.3.4 Corporate blockholders.....	110
6. Conclusion	111
6.1 Limitations.....	114
6.2 Future research	116
6.3 Implications.....	116

7. References.....	118
Appendix	130

List of figures

Graph 1 Thesis outline	15
Table 1 Case companies	27
Figure 1 Types of strategy	43
Figure 2 Key Constructs	48
Figure 3 Revised Key Constructs	90
Figure 4 Key Analyzations	109

1. Introduction

Background

Problem discussion

Research question

Purpose of study

In this first chapter the authors provide a background to the main concepts, leading to the research problem and research question, which will be discussed. The authors describe the different ownership types in relation to the internationalization strategy of firms in terms of scale, scope and speed of internationalization. The authors discuss this topic by identifying a gap within research in this field and what the purpose of this paper will be.

1.1 Background

Efficient communication technology, market liberalisation and transportation has greatly enhanced internationalization opportunities for small and medium-sized enterprises (SMEs) (Fernandez & Nieto, 2006). Size is no longer a restriction on internationalization activities (Wolff & Pett, 2000). Recent evidence has emerged, suggesting that small firms are internationalizing instantly, or rapidly from their inception (Kuivalainen et al., 2012). The past 15 years is full of examples of SMEs experiencing rapid internationalization and phenomenal growth. Companies such as Amazon, Google, EBay and Facebook all started with an idea and quickly internationalized, generating huge revenues from their internationalization. Nor is it exclusively an American phenomenon. European start-ups such as Skype and Spotify have also internationalized extremely quickly, now operating in many countries. One thing these companies all have in common is their ownership type; each one has received funding from venture capitalist firms. Airbnb provides a clear illustration of venture capital funding spurring internationalization. Created in 2008, it has received \$120 million in funding from venture capitalists. In one year, Airbnb grew by 800% and now operates in 186 countries. It is valued at \$1.3 billion. Compare this to the now defunct company CrashPadder, which essentially offered its users the same thing. It was a successful company, but only operated in the UK. It was managed by the owner, who funded the company by renting out his apartment. In 2012, it was acquired by Airbnb, having never expanded into a foreign market. Clearly, not every firm grows into a multinational. Some firms are destined to remain small, only operating in their home market. This is an interesting example of a venture capital backed company, which

internationalized, whilst the owner/manager was acquired. However, issues concerning the understanding of how and why certain companies grow big has been given little attention.

Research suggests that a manager's ownership equity influences their internationalization (Zajac & Westphal, 1994). Managers become more risk averse as their ownership in the firm increases (Beatty & Zajac, 1994), or there is a positive association with risk and increased equity (Sanders & Carpenter, 1998). The ownership structure of a firm can influence its corporate strategy, as it is related to the different degrees of risk aversion (Thomsen & Pedersen, 2000). This clearly makes a firm's ownership important to its internationalization strategy, however, why and how it is important remains to be seen.

1.2 Internationalization

The term internationalization can be described as the process of increasing involvement of international activity across borders (Welch & Luostarinen, 1988). The amount of cross border activities of a firm can therefore be expressed by its degree of internationalization (DOI) (Oesterle et al., 2013). Other definitions define the term internationalization as a strategy process with the aim of growth (Dana et al., 2008). Further papers describe it as a process by which organizations become active in international business because they notice the direct and indirect influence of international transactions in their future business performance (Calof & Beamish, 1995). Other papers determine internationalization as any form of business activity assembling a foreign element (Dana et al., 2008) or as a process in which involvement in international operations is increasing (Calof & Beamish, 1995). However, it is argued that the main difference between internationalization and alternate strategies of growth is that an organization transfers or sources its products, services or resources across-borders (Dana et al., 2008).

Various models on internationalization strategy try to explain the process of international expansion. Coase (1937) presented the foundation for transaction cost theory and it was further developed by Williamson (1975) who focused on where the transaction costs occurred. By looking at friction and control costs he developed a theory for how firms could compete in the international environment either through internalizing or externalizing business activities. Dunning (1988) based his studies on transaction cost analysis and developed the eclectic paradigm and the OLI-model, which included a framework of internationalization theories looking at how firms can create a sustainable competitive advantage by focusing on specific benefits concerning ownership, location and internationalization.

Internationalization is often described as an incremental process (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Cavusgil, 1980). This step-wise pattern was first presented in Johansons and Wiedersheim-Pauls (1975) paper and explained the relationship between experience and commitment to be critical within the process of going global. Derived from that, they state that each subsequent stage taken signifies more commitment to the market than the previous stage. Another perspective on internationalization is the network perspective, which indicates that firm internationalization is influenced by relationships, which are embedded in networks. This model is highly appropriate for describing firms such as born globals which leapfrog certain stages of internationalization, such as those presented by the Uppsala model and the incremental commitment approach (Johanson & Mattsson, 1988; Sandberg, 2012).

International entrepreneurship has been used to try and explain the phenomena of born global firms (Oviatt & McDougall, 1994, 2005). Firms which are operating in foreign markets from their inception, or just after inception. The theory started with the internationalization of new ventures, but moved on to cover all firms, unconcerned with their age, size or sector (McDougall & Oviatt, 2000). The theory examines the use of networks and the role of the entrepreneur, such as their need for achievement, risk taking ability and international orientation (Knight & Cavusgil, 2004). Mainly, the

theory sought to explain the non-sequential process of internationalization, which was always a heavy criticism of Johanson and Vahlne's (1977) Uppsala model.

Several definitions of internationalization have been stated in this study, common for them all are the involvement of cross border activities. Various internationalization theories have been developed in order to explain the internationalization behaviour of firms, however with a somewhat different focus. Some look at transaction costs, the role of entrepreneurs or the influence of relationships, while others look at it as a stepwise process that evolves over time. All the above stated theories require firms to commit resources to their internationalization.

1.3 Commitment and internationalization strategy

When firms internationalize they commit resources, this is an investment. Johanson and Vahlne (1977) describe internationalization to be a stream of decisions. In the internationalization process a firm has to take a large amount of decisions, including financial decisions, as the expansion process requires substantial capital (George et al., 2005). For instance, Koch (2001) researched different aspects of the internationalization decision process – amongst others the market entry mode selection, which involves committing financial resources. This research was grounded on the basis of a wide range of influencing factors, which are categorized into internal, external and both mixed factors, which is both internal and external. Regarding the internal factors, the author studied the firm size in terms of their resources, which resulted in the conclusion that industry-specific resource demands are a critical influence in entry mode choice of a firm. So for instance, a fully owned subsidiary, which is very favourable for firms in terms of control, requires much more investment and involves higher risk than exporting. Khemakhem (2010) explains foreign operations to be a trade off between the cost of resources committed and control over the operation. Based on these facts, it can be argued that financial resources play an important role in the DOI of a firm, as a company might not be able or does not want to commit investments.

Moreover, commitment is a term that can be related to both the Uppsala model and the network perspective. In the Uppsala model, commitment concerns the amount of resources affected and their irreversibility. Furthermore, commitment can easily be defined in terms of quantity or as the result of the size of an investment, such as in organization, marketing, personnel and other resources. However, whether commitment is tangible or intangible, it can involve large financial investments (Johanson & Vahlne, 1977; Figueira-de-Lemos et al., 2011). Johanson and Vahlne (2006) note in their paper that the incremental process mainly focuses on learning and commitment building, which they determine as important components in the business process. If increasing knowledge and commitment evolve successfully, the next stage is characterized by greater investments, which also includes more risk and control. In terms of the network perspective, this can also be related to relationship commitment, as a firm might be willing to invest a lot of resources in order to establish and maintain the relationship. The critical issues found by the authors are the aspects of cost, time and uncertainty involved. This leads to the definition of relationships being an asset resulting from investments (Johanson & Vahlne, 2006). Therefore, a critical aspect in the internationalization process is the necessary resource commitment in terms of investments.

However, within many studies it is found that a majority of smaller firms struggle with a lack of resources, which is identified as a constraint to internationalization. The larger the firm, the more able is it to commit resources to international operations and to increase its international sales (Karadeniz & Göcer, 2007). Both Wincent (2005) and Sandberg (2012) also refer in their papers to the disadvantageous size of small firms. Wincent (2005) furthermore defines the firm size to be a natural disadvantage. Therefore, any strategic investments undertaken by a small firm is a high risk commitment. To conclude, the commitment to a foreign market by a firm can be defined as an investment, which is especially challenging for smaller firms due to resource constraints. This is then reflected in the firms' decisions regarding the internationalization strategy.

The international strategy undertaken by a firm will include the scale, scope and speed of its internationalization. The DOI, the degree to which firms are involved in international activities, consists of two main dimensions, the scale of internationalization and the scope of internationalization. The scale of firm internationalization is the extent to which the company relies on foreign sales (Bartlett & Ghoshal, 1998). This indicates the decreasing dependency the firm has on its home market in favour of its international markets. Therefore, the scale of internationalization shows the extent to which a firm's sales have been developed outside of their home market. This is a good indicator of a firm's increased dependency on their foreign activities (Hilmersson, 2013). The second DOI is the scope of internationalization. This refers to the number of markets that SMEs choose to enter, it denotes the international geographic reach of a firm's business (Hashai, 2011; Lu & Beamish, 2001). By operating in many different markets, firms can learn from diverse circumstances and environments, and leverage this experience in new markets to aid international performance (Hilmersson, 2013). The speed of internationalization refers to the rapidity at which firms spread their international activities between different country markets. It assesses the dynamic aspect of the growth strategy. Most literature on the subject focuses on the time it takes from the inception of the firm to the start of internationalization, where a short time is treated the same as a high speed of internationalization. This 'born global' literature also only focuses on the start phase, how quickly firms enter more than one market and how quickly they spread their operations is neglected. Hilmersson (2013) however, provides a measure to analyse the speed of internationalization, by dividing the distance covered (markets entered) by the time it takes to cover this distance provides us with firms speed of internationalization.

To conclude, internationalization strategy is based on several decisions made, depending on resource commitment. So the internationalization strategy and any strategic investment undertaken by a firm is influenced by the ownership type (George et al., 2005). Therefore, the type of ownership will dictate how much resources a firm can commit to its internationalization strategy. As commitment is viewed as an investment, it means the ownership type is key to any internationalization investments made.

1.4 Ownership types

The role of the owner varies a lot depending on different companies, regardless of ownership type, however some common features seems to be evident among certain types of firms. How internal ownership and external ownership influence the business does vary a lot depending on how the corporate governance of the firm and the autonomy of managers working there.

Then examining firm ownership type, a company can either have internal ownership, external ownership or a combination of the two, called a corporate blockholder. Internal ownership refers to owner/manager firms or family owned firms. External ownership refers to institutional investment, such as those by pension funds and/or investment banks, and external investment by venture capitalists. A corporate blockholder is a small firm sharing ownership with another firm (Fernandez & Nieto, 2006).

Two types of internal owners are commonly identified among small firms, the owner/manager and the family owned firm (James, 1999). Any firm owned and run by one family, or by a small number of families, is defined as a family firm (Stern, 1986). Family firms dominate most developed economies (Gomez-Mejia et al., 2001), about 85 percent of all the firms in the EU and USA are family owned (IFERA, 2003) and an even a greater proportion in the developing countries are family-owned (Kontinen & Ojala, 2012). Having a family firm provides certain advantages, such as long term orientation, flexibility, speedy decision making and a family culture which provides a sense of pride and commitment to the company (Zahra, 2003). However, many authors have identified several drawbacks to this ownership structure. Family firms have blurred divisions between business and personal objectives. They make counterproductive staffing decisions, often hiring family members over qualified alternatives, resulting in a low level of qualified staff (Gallo & García Pont, 1996). A high proportion of the owner's wealth, or their families, are invested in the business. This makes the family firm risk averse (Demsetz & Lehn, 1985) and generally results in weaker growth (Harris et al., 1994). There is a constant conflict to preserve family harmony (Davis & Tagiuri, 1991), poor control, lines of authority and information systems (Daily & Dollinger, 1993). The

other form of internal ownership is the owner/manager, where the main shareholding is by the firm's CEO and the top management team (TMT) (George et al., 2005). However, many authors fail to make a clear definition between internal owners, resulting in a blurred understanding.

Additional to family or owner/manager controlled companies that are dominant amongst enterprises in most continental European countries are different kinds of financial and nonfinancial firms having ownership control in companies (Fernandez & Nieto, 2006). This ownership is different from family owned or owner/manager controlled companies as these firms are owned externally, but are controlled by the company itself.

External ownership refers to ownership that comes from external parties, often with an interest in the firm that might conflict with the internal owners of the company. Venture capitalists (VCs) and different kinds of institutional investors such as banks, holding companies, pension funds and investments companies are examples of external owners. These external owners often play a vital role in the strategic decisions taken by firms and as small firms often obtain financial resources from external sources, these owners also contribute to important funding (George et al., 2005). External owners contribute to surveillance of management decisions through various governance systems (Zahra et al., 2000) and influence strategic behaviour of firms through public influence or persuasion (Tihanyi et al., 2003) and can therefore contribute to better decision making of strategic decisions taken by firms (George et al., 2005). Both venture capitalist and institutional investors provides capital that is needed for international expansion among small firms. However, with a somewhat different approach to risk, time and profit targets.

VCs provides funding in an early stage when other actors consider investments to be too risky, and therefore the expected payback period is usually shorter with a higher expected rate of return. VC is defined by the European Private Equity and Venture Capital Association as a type of private equity that is focused on start-up companies, often backing entrepreneurs with just a seed of a business idea (EVCA, 2013). VC is argued to generate jobs, increase intellectual property and contribute to increasing

international activates and regional development (Cristofidis & Debande, 2001). VCs also provide non financial support through advice and governance which leads to better performance than companies without VC funding (Harding, 2002).

Institutional investors usually function as a secondary provider of funds after VC, investing in less risky business with a longer payback period and a lower expected rate of return (George et al., 2005). As institutional investors are likely to have a portfolio of investments, they are more willing to accept higher risks in each individual investment than the firm management would typically be (George & Prabhu, 2003).

An increasing number of small firms share capital with another company, combining the two types of ownership previously mentioned, that is, firms with internal ownership with another corporation as shareholder. This ownership type is a combination of internal and corporate, known as blockholding (Fernández & Nieto, 2006). This ownership type will be referred to as a corporate blockholder, in line with other authors. Corporate blockholders are defined as shareholders who own at least 5% of a company's common shares (Thomsen et al., 2006). Corporate blockholding is very common in Europe, with major economies such as Germany, Austria and Italy having a median voting stake in listed companies over 50%. This suggests that significant influence by large corporate blockholders is the rule rather than the exception (Becht & Röell, 1999).

Family firms with a corporate blockholder have several advantages over their solely family owned counterparts. They are in a better position to develop their own resources and gain access to their corporate blockholders resources. The corporate blockholder can provide financial resources or capital. This has the dual effect of also indicating to financial markets that the firm has sufficient control and financial support in the event of difficulties. In theory this should reduce the cost of capital (Fernández & Nieto, 2006). Additionally, the corporate blockholder can provide technological, commercial and organizational knowledge (Allen & Phillips, 2000). By sharing the firm's capital with another company, the corporate blockholder, it allows the family owners to maintain direct control and supervision whilst gaining strategic resources (Fernández & Nieto, 2006).

Small firms have three main ownership types, internal ownership, external ownership, or a combination of the two, called a corporate blockholder (Fernández & Nieto, 2006). The equity held by the owners influences how risk averse they are (Zajac & Westphal, 1994), which has a direct impact upon their strategic decisions.

1.5 Problem discussion

Previous quantitative studies have indicated ownership type plays an active role in firms' internationalization strategy. For internally owned firms, the main contributions have come from George et al. (2005), who conducted a survey among Swedish SMEs, and found that as CEO and TMT ownership increased, the scale and scope of internationalization decreases. Zahra (2003) and Kontinen and Ojala (2012), have given a good understanding of how family owned firms undertake their internationalization. A strong stewardship attitude leads to an incremental approach to internationalization, whereas a weak stewardship attitude leads to more radical internationalization. George et al. (2005) found that institutional investment has a positive effect on the scale of a firm's internationalization. However, it was found that the scope of internationalization is unaffected by institutional involvement. Again, the main research conducted on the impact of VC involvement with a firm has been conducted by George et al. (2005). It was found that firms with VC investment operate in a few markets, with the VC involvement lowering the CEOs risk aversion. However, the authors could only offer 'plausible explanations' for the drivers on this strategy of internationalization. Fernandez and Nieto (2006) found a positive correlation between corporate blockholders and their internationalization strategy.

However, previously conducted research has not managed to provide an overall understanding of the effects of ownership type in firms' internationalization strategy. Whilst George et al. (2005) aids our understanding on ownership types influence on the scale and scope of internationalization, there are several aspects that needs further development and research. First of all, due to the quantitative nature of the research, the authors can only offer plausible explanations for the drivers of firm internationalization.

Without a qualitative study, the authors were unable to provide a deeper understanding and were left with assumptions. Secondly, the authors do not make a distinction between internal owners, and completely neglect family owned firms. Finally, the effects of speed on internationalization were not examined. While the Zahra (2003) article provides an understanding of family owned internationalization which George et al. (2005) neglected, it was narrow and only focused on the effects on family owned firms, failing to provide comparable data. This article was also quantitative, again forcing the author to make plausible explanations. Fernandez and Nieto (2006) also use a quantitative nature, and fail to differentiate between family owned and owner/manager as well as between VC and institutional investment. It is still not known how ownership type affects internationalization.

It is evident from the previous research in the field of international business that there is a research gap on ownership type influencing internationalization. Firstly, there is still a lack of a qualitative research concerning how ownership types effects internationalization strategies of firms. A qualitative case study could help contribute to a better understanding of how ownership type influence internationalization of firms and therefore help fill the gap in existing research. Moreover, the aspect of speed has not been examined. Therefore, this study will include this in order to provide an overall picture. Further, how VC and other external ownerships influence internationalization of firms needs additional research, especially in concerns of firms in different industries (George et al., 2005). This will also answer the call for further research by George et al. (2005) on VC and other ownership types influence on internationalization. Therefore, the authors need to gain a better understanding of how and why ownership type influences internationalization.

1.6 Research question

Based on the previous discussion the authors derived the following research question:

How and why does ownership type influence firms' internationalization strategy?

1.7 Contributions

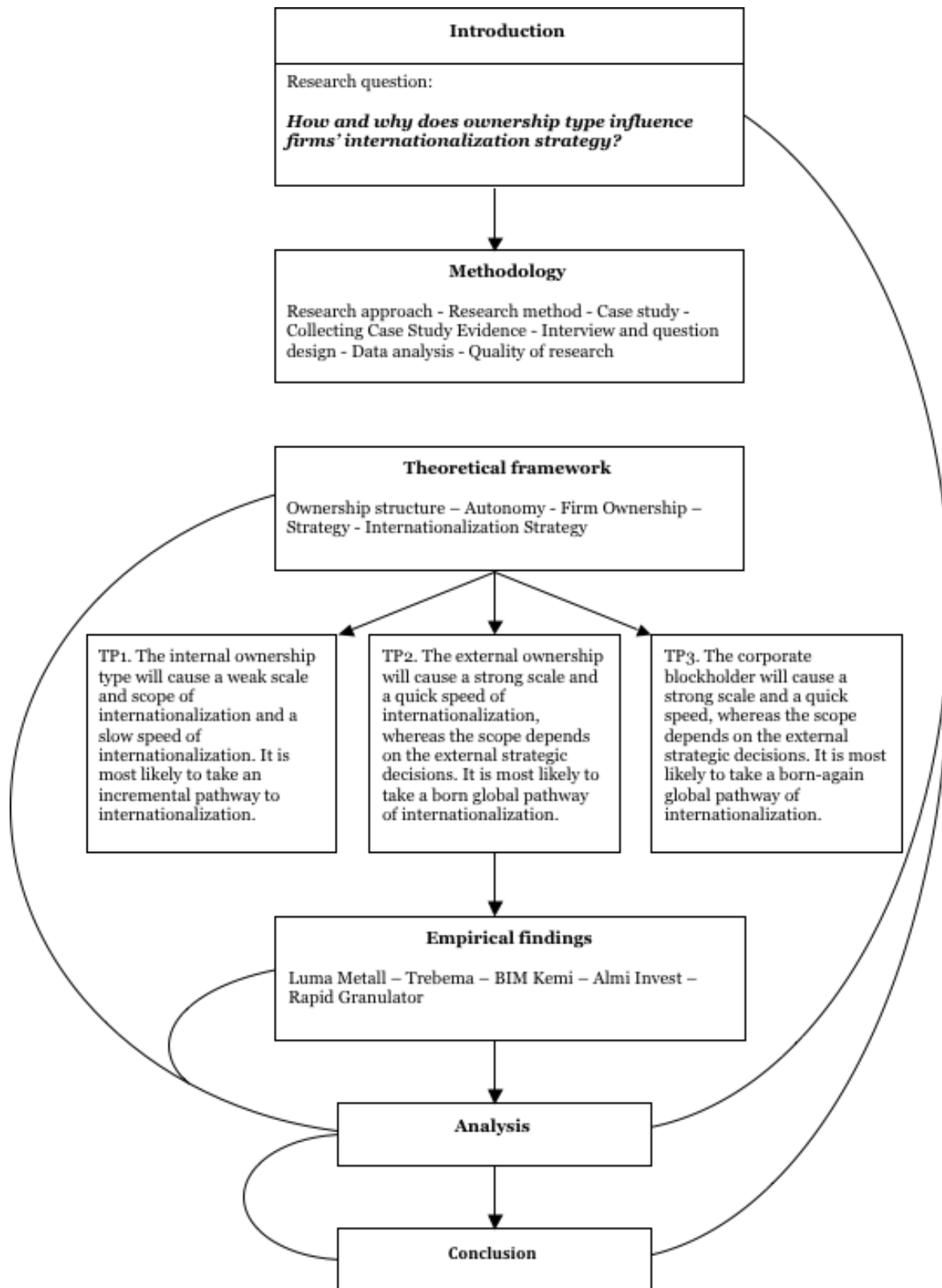
The paper seeks to make several contributions to practitioners and academics. By looking at the effects that ownership type has on internationalization, the authors want to reveal the internal influences upon international expansion. This is interesting for firms and practitioners because it will reveal how different ownership types impact upon the internationalization performance. The authors view commitment as an investment, influenced by ownership type and therefore this shall provide a new insight of how ownership influence investment decisions undertaken by firms. For instance, if found that VC ownership leads to speedier internationalization and hence better performance this will allow firms to better understand how their ownership type will affect their international growth strategy, and the investments they make. For academics, it shall establish a different angle to existing theories of internationalization. An empirical study will be conducted to analyze the link between firms' ownership types and the impact this has on its internationalization strategy. Whereas previous research on why different ownership types take different internationalization strategies has been quantitatively studied, this study seeks to go beyond plausible explanations and conduct a qualitative study to reveal specific differences between the strategies. This shall allow us to provide a clearer insight to how and why different ownership types influences firm's internationalization.

1.8 Purpose of the study

The purpose of this study is to gain a deeper understanding of the role of ownership in concerns to internationalization of firms. The authors do this by firstly describing the relationship between ownership type and internationalization strategy. Secondly, by analyzing how and why ownership types influences firms' internationalization strategies by investigating how internal, external and corporate blockholder ownership influences internationalization in terms of scale, scope and speed. In our conclusions the authors will facilitate an understanding of why and how firm ownership influences internationalization strategy, and therefore contribute to filling the gap in the theoretical discussion.

1.9 Outline of the thesis

This study consists of seven chapters, which also includes the reference list. In addition, there is an appendix with all necessary documents. The graph 1.1 illustrates the thesis outline of the most important parts.



Graph 1. Thesis outline. Developed by the authors.

2. Methodology

Deductive research approach

Qualitative research method

Case study

Selecting case companies

Collecting Case Study Evidence

Interview and question design

Data analysis

Quality of research

The second chapter describes the research approach and the research method used. Furthermore, the authors present and describe how the authors obtained our empirical data and how the authors used it. Lastly, the authors discussed the research quality and how the authors dealt with the validity and reliability.

2.1 Deductive research approach

There are three approaches to developing and interpreting theory in a study: induction, deduction and abduction. The inductive approach starts with exploring data and developing theories from them, whereas the deductive approach uses literature to identify theories that will be tested with empirical data (Saunders et al, 2009). Abduction is characterized by both induction and deduction (Alvesson & Sköldberg, 2007), where there is a continuous movement between different research activities, empirical studies and analysis (Dubois & Gadde, 2002).

This study is grounded on a deductive approach as it allows understanding of causal relationships between variables. This is suitable as the authors seek to understand how and why variation between different ownership types affects the internationalization of firms. By reviewing existing theory and frameworks regarding internationalization strategy and ownership type, the authors began to develop our constructs and questions, and linked our empirical findings with the identified theory.

The deductive approach denotes that researchers should progress from general literature, incorporating theories, to more specific observations. From the literature, a theoretical framework can be developed, from which the researchers can derive one or several hypothesis. From the observations, general research logic presumes that the hypothesis can be tested, which will then be able to confirm, revise or disregard the existing theory (Merriam, 2009). As this approach is more often used in quantitative studies with the ambition to test theoretical concepts, the authors in this study tried to move away from testing and instead, based on the theory provided, derive several

theoretical propositions (TPs) that could be used to analyse. These theoretical propositions were used as a tool for analysing and gaining a deeper understanding of the empirical data collected. From the analysis, it was possible to draw conclusions relevant to our research question.

Yin (2009) states that in order to have a deductive approach, the research must be founded on existing theories. Therefore, the theoretical framework will function as a form of guidance which will determine which data is required and how to examine it. Different ownership types were described in theory and could therefore serve as a guidance tool for determining what data to collect in order to conduct this study. Further, the scale, scope and speed mentioned in theory were used when analysing the internationalization strategy of a firm and to support the formulation of the research question posed. Therefore, the theoretical conceptualization had significant importance for this study.

One of the main weaknesses of the deductive approach is neglecting underlying factors. Alvesson and Sköldbberg (2008) find that the approach is good at determining outcomes rather than explaining the underlying reasons. The authors argue that this is usually due to the quantitative studies using ‘what’ questions in order to understand relationships, however a deductive approach can still provide a thorough comprehension, as well as understanding the relationship between variables when using how and why questions. A challenge with the deductive approach is that it is too one-sided and unrealistic to remain within a deductive framework (Alvesson and Sköldbberg, 2009). Therefore, to overcome this challenge, the authors focused on remaining within our key constructs and theoretically derived propositions.

2.2 Qualitative research method

Two broad types of research methods can be distinguished when designing and conducting research studies; the qualitative and quantitative (Merriam, 2009). The quantitative research is more experimental, based on hard facts using measurements

such as statistics and surveys with a focus on large scale trends while qualitative studies are more exploratory, focusing on “soft” data from interviews to conduct a more substantial analysis. The quantitative method is often used when answering questions concerning how much, while qualitative methods answers questions of why and how (Bryman & Bell, 2005).

A qualitative research method has been undertaken in this study, as it best serves the purpose of this study. A qualitative case study could help contribute to a better understanding of how ownership type influence internationalization of firms and a deeper analysis can be conducted. The explanatory nature of this study and the research question posed serve as a guideline for the method chosen. A qualitative method is appropriate to answer the how and why questions asked in this study and the authors believe that a qualitative method is more suitable to give a profound and more thorough understanding of how ownership influences the internationalization strategy of firms. This is also confirmed in theory, stating that in a quantitative study, certain measurements and values are used to prove the results while a qualitative study enlightens a broader understanding of the phenomenon and a deeper reflection (Bryman & Bell, 2005). A qualitative approach is also highly suitable when there is a lack of theory or when theory cannot adequately explain a phenomenon (Merriam, 2009). Since the authors detected several drawbacks in existing literature, a qualitative approach is very suitable for this study. A weakness of using a qualitative, case study approach is that it can be difficult to generalize the findings. However, Yin (2012) argues that provided the study is conducted in a good manner, it is possible to generalize our findings to other similar situations through analytic generalization.

2.3 Case study

A case study is defined as “*a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence*” (Robson, 2002, p. 178). The case itself is an empirical entity that serves as a basis of a case study, which is evaluated and that scientific and practical interests are linked to (Scholz & Tietje, 2002). Through profound

analysis and description, a case study provides a wider understanding of a research phenomenon in its real life context (Merriam, 2009). The case study as a research strategy can be used in different situations in order to contribute to knowledge about social, organizational and political occurrences. It allows researchers to preserve meaningful characteristics of real life events occurring in international relations, maturation of industries, organization and managerial behavior (Yin, 2009).

Yin (2012) accounts for five different research strategies that are frequently used; experiment, survey, archival analysis, history and case study. The research strategy can be determined by the circumstances of the study (Marschan-Piekkari & Welch, 2004) as well as by the research question that the study aims to address (Yin, 2012). The research question provides the foundation for choice of research strategy. The reason for using a case study in this study is therefore based on those parameters. Three different parameters in concern of the research question influence the choice of research strategy; the type of research question posed, the degree of control over behavioral events and the time perspective, i.e. contemporary or historical events examined.

Due to the explanatory nature of the research questions asked in this study, a case study has been chosen. A case study research strategy is suitable to answer explanatory questions with the ambition to describe contemporary real life phenomena (Yin, 2012). Explanatory studies are very valuable to find out *“what is happening; to seek insights; to ask questions and to assess phenomena in a new light”* (Robson, 2002, p. 59). Conducting interviews, as mentioned in the research methods, are a way to meet the explanatory approach. A case study is an appropriate method for answering *“how”* and *“what”* as well as *“why”* research questions. Hence, a case study is of particular interest if the aim is to gain a rich understanding of the research context and when the boundaries between phenomenon and context are not clearly evident. Therefore, this research strategy is suitable for providing a better comprehension for both academics and practitioners as it covers both empirical tested data, which later on is linked with theory and real life aspects. Furthermore, this study focused on a contemporary event rather than historical, describing firm ownership types influence on internationalization at this very moment. Moreover, being a contemporary event makes a case study even

more appropriate, as the relevant behaviours cannot be manipulated (Yin, 2009). The primary threat to case study research is the lack of rigor within the research. Studies have been accused of being sloppy, not following systematic procedures or allowing biased views to influence findings (Yin, 2009). When using a case study the triangulation of data is important to ensure that the data tells you what you think it tells you (Saunders et al., 2009). By having conducted multiple one-to-one semi-structured interviews the authors were able to triangulate our data. This has ensured a level of rigor which is applicable for the study, and avoids the pitfall of other failed case studies by following systematic procedures.

Yin (2009) states that there are some situations where case studies have a distinct advantage; when a how or why question is being asked that concerns a contemporary set of events where the investigator has little or no control. Those situations are in accordance with this study and therefore, a case study is the most appropriate choice of research strategy.

2.3.1 Type of case study

There are four case study strategies, which are based upon two dimensions:

- Single and multiple case
- Holistic and embedded case.

A single case or a multiple case involves collecting and analyzing information from either one or several cases, which can have a holistic or embedded design (Saunders et al., 2009; Yin, 2009). A case study is holistic when it is characterized through a qualitative approach that relies on phenomenological and narrative descriptions. Embedded case studies are usually not limited in qualitative analysis only, and involves more than one object or unit, which is analyzed (Yin, 2009).

The advantage of using a multiple case study is the ability to detect if findings occur frequently and consequently generalize the findings. A single case is only appropriate if

it is unique or extreme, or if well formulated theories shall be tested (Saunders et al., 2009). Furthermore, a multiple case study is described to be more robust when investigating a phenomenon, which lacks good descriptions in previous research (Yin, 2009). In addition, using several cases strengthens the stability, validity and precision of the findings and provides stronger interpretations (Merriam, 2009).

Based on the discussion above, a multiple case study with combined embedded and holistic design has been used in this study. Several cases are needed in order to conduct a comparative study, with the ambition to find out how and why the different ownership types influence internationalization. The advantage with this approach is that the authors were able to analyze and compare the differences and similarities between the firms and draw valuable conclusions for our research questions (Yin, 2009). The embedded design was used to the extent possible and needed in order for this study to best answer the research question. The aim was to get a two sided picture both from the owners and managers and thereby get a balanced view that ensured clarity of the ownership types influence on the internationalization of firms. However, due to the owners also functioned as managers at one of the family owned case companies, multiple interviews could not be conducted in that case. This is what is meant by “to the extent needed”. Further, it was not possible to get a response with the owners’ perspective in the other cases where only one interview was conducted, this is what is meant by “to the extent possible”. Despite this, the authors believes that they got a clear picture of the ownership types influence in those cases where only one interview was conducted, even though they can be considered as somewhat less reliable in terms of validity.

2.4 Selecting case companies

To ensure that relevant empirical data was collected, the researchers needed to reflect on where, when and whom they interviewed and observed. When doing so, for qualitative studies, researchers should focus on finding cases that are rich on information so that they can contribute to the deeper understanding of what they aim to achieve (Merriam, 2009). Selecting cases with the aim to enrich the understanding of

the phenomena studied, is called *purposeful sampling* which is the most common form of *non-probability sampling*. Non-probability sampling is preferred in qualitative studies where the researchers aim to examine what occurs, why it occurs and relationships between different occurrences. This is the opposite of probability sampling, which is regarded as more suitable for quantitative studies (Merriam, 2009).

A purposeful sampling has been used in this study when selecting case companies. This is due to that the authors desired cases that could provide as much information as possible, and needed to gain a deeper understanding of why ownership influences internationalization strategy. Since the authors also had an ambition to see how the different ownership types influenced the internationalization strategy, distinct cases were selected to cover the range of ownership types. The selected cases in this study also had to be involved in some kind of international activities in order to be relevant for answering the research question. Merriam (2009) states that when cases are chosen for their obvious relevance to the research problem, a theoretical sampling is used. The cases in this study were also selected to some extent on the bases of convenience which is another form of purposeful sampling. As understood by the name, convenience sampling means selecting cases based on convenience concerning, for example, availability of interviews. The cases used in this study were available for interviews during the time that the authors had allocated.

In the following is a short description of the case companies used in this study.

2.4.1 Internal ownership

2.4.1.1 Luma Metall - Owner manager

Luma Metall is a manufacturing company that produce fine wire products in tungsten and molybdenum. Luma Metall product range also consists of fine wire and super-fine wire plating in various material. It was founded in 1935 and has its headquarters and production plant in Kalmar. Luma Metall is a privately owned company that is owned 100 percent by Ronald Selwood, who acquired the company in 2002. Two different

interviews was conducted with Luma Metall at their headquarters in Kalmar. The first interview was with Ronald Selwood, who is the Owner, CEO and chairman of the board. Another interview was conducted with Thomas Adolfsson, who is the marketing manager and application engineer for Luma Metall.

2.4.1.2 Trebema - Family owned

Trebema is a family owned company located in Kalmar, Sweden and was founded in 1974. Their product range concerns water and heating equipment. There is currently eight people employed and two external employees that may be used during busy periods. Trebema is presently conducting business in approximately 15-16 countries around the globe. Our interview was conducted with Björn Långberg, who is the owner and export managers in Trebema.

2.4.1.3 BIM Kemi-Family owned

BIM Kemi is a family owned company that develop, manufacture, apply and supply specialty chemical-based concepts, technologies and service for the pulp and paper industry. Their products are used by customers in the areas of printing and writing, newspapers and magazines, pulp, sanitary and household goods, and within packaging. The company was founded in 1973 by Peter Wållberg and the company is headquartered in Stenkullen, Sweden. BIM Kemi became a family run enterprise in 1988 and the company has approximately 200 employees worldwide. The interview was conducted with Mikael Perdin who is the sales and technology director at BIM Kemi.

2.4.2 External ownership

2.4.2.1 Almi Invest - Venture capitalist

Almi invest is a venture capital company which invest in Swedish companies with various business models. Almi Invest was founded by Almi företagspartner and regional investors in 2009. Almi Invest is divided into seven different regional funds with local offices and experienced managers. Almi Invest manage about 1 billion SEK in total. The interview was conducted with Tarja zu dem Berge, who is the Fund Manager for the

Småland region and the Swedish Islands. Approximately 80-90 percent of the companies that Berge work with presently are involved in some kind of international activities.

2.4.2.2 Rapid granulators - Corporate blockholder

Rapid Granulator is a Swedish company dedicated to designing, manufacturing and selling an extensive range of granulators for in-plant recycling of plastic waste. It was founded in Bredaryd, Sweden, in 1942 where it is still headquartered. Rapid also owns corporations in USA, Germany, French, Italy, Singapore, China and in the middle east. Rapid is owned by a corporate blockholder called IPEG Inc which is situated in America. The interview was conducted with Bengt Rimark, who is the director of sales and marketing for the whole Rapid Group.

2.5 Collecting Case Study Evidence

There are six possible sources of evidence for case studies: interviews, archival records, direct observation, documents, participant-observation, and physical artefacts. The main objective is the data collection concerning actual human events and behaviour. Three principles are relevant to the six source of evidence that maximize the construct validity and reliability of the case study: multiple sources of evidence, case study database and chain of evidence (Yin, 2009), these were used in this study and described in detail.

The source of evidence chosen was the interview, which is also considered to be an essential source of information for case studies. However, it is important to ensure that this source is used properly (Yin, 2009). How interviews were used in this study will be developed in the section below.

2.5.1 Interview and question design

There are different kinds of interviews, including structured interviews, unstructured or in-depth interviews and semi-structured interviews. These can further be differentiated into standardised and non-standardised interviews. Lastly, interviews can be classified

into different typologies such as respondent (participant) and informant interviews (Saunders et al., 2009).

The authors chose to use one-to-one semi-structured interviews, which are non-standardised and often are referred to qualitative research, which seeks to understand the “*what*”, “*how*” and especially the “*why*”. Therefore, this is a good approach for conducting this explanatory research. Semi-structured means that the researcher has a list of themes and questions, which vary from interview to interview. This may include questions which are left out during the interview, that the order changes due to the conversation or because additional questions are needed to further explore the topic. Due to the nature of this questions, data needs to be recorded by audio-recording and note taking. The interviews are “respondent interviews”, as the questioners directed the process and all the respondents answered the questions posed (Saunders et al., 2009).

It is found that managers prefer to be interviewed instead of filling out questionnaires, as interviews provide the possibility to reflect on events by speaking instead of writing. Furthermore, the interviewee has more trust in how the information is used by the interviewer. In addition, if the questions posed are too complex or open-ended or the order or logic of the questions needs to be changed a semi-structured interview is highly suitable. Open questions encourage the interviewed person to answer extensively. As the authors conducted our open-question-interviews between different types of ownerships and two different working positions the authors had to adapt the questions to a certain extent, but at the same time keep the ability to compare the answers of the question. Face-to-face interviews should ensure that the interviewees could explain and build on their responses in order to obtain a rich understanding of the circumstances within the firm (Saunders et al., 2009).

Recording the data was necessary to produce reliable data for the analysis, which the authors decided to do. This also gives the interviewer the chance to listen more actively to the interviewee and give more attention to specific non-verbal communication. Advantages of recording data includes that the interview can be re-listened, direct

quotes are possible, other people can listen to the recording, and unbiased and accurate records are provided (Saunders et al., 2009).

2.5.2 Firm interviews

In order to get a two sided picture of how and why ownership influences internationalization strategy, data was collected to the extent possible and needed with both owners and managers of the different case companies. All interviews have been conducted with people who had similar positions within their company, either as owners or as managers involved in decisions concerning international activities of the company. This was needed as they acquired the knowledge that was relevant to the field that was studied. All interviews were conducted in English.

Below are the dates of the interviews conducted, position of the people interviewed and how the interviews were conducted.

Luma Metall (2013-05-08) Thomas Adolfsson - Marketing manager and application engineer - Face to face Ronald Selwood - Owner, chairman of the board and CEO - Face to face
Trebema (2013-05-07) Björn Långberg - Owner and export manager - Face to face
BIM Kemi (2013-05-17) Mikael Perdin - Sales and technology director - Skype
Almi Invest (2013-05-10) Tarja zu dem Berge - Fund Manager - Skype
Rapid Granulator (2013-05-06) Bengt Rimark - Director of sales and marketing - Skype

Table 1. Case companies.

2.6 Data analysis

The analytical process of case studies appears differently than the statistical one, as there are less stated formulas and recipes to consider. The researchers prosperity is instead based on the chosen way of substantial empirical thinking, the presentation of evidence and the awareness of alternative solutions. The data analysis includes examining, testing or combining evidence in order to answer the research question stated (Yin, 2009). Yin (2009) accounts for three different strategies to analyze evidence; by using theoretical propositions, focusing on rival explanations or by generating case descriptions.

Analytical strategies that are based on theoretical propositions, as in this study, are according to Yin (2009) the most preferred ones when analysing qualitative data. A deductive approach with theoretically derived propositions has been used for the analysis in this study. The theoretically derived propositions served as the foundation for the objectives and design of this case study. As this study has its offset in theory, this has influenced the choice of research question and the decision of which data to collect and furthermore shaped the analytical process of this study as the focus has been directed towards certain data.

Yin (2009) accounts for five given techniques when analyzing case studies: pattern matching, explanation building, time series analysis, logic models and cross case synthesis. The pattern matching technique had a central role in the analysis for this study.

Certain patterns could be revealed from the key constructs that were derived from theory, which were then compared with the empirical findings in this study. The predicted patterns grounded on theory could be compared to those from the empirical findings and thereby potential matching could be conducted. Theoretically derived propositions concerning the scale, scope and speed of internationalization, including the expected pathway of internationalization were developed and then compared to the empirical findings from the case companies in this study. Yin (2009) states that the

validity of a case study can be strengthened if the predicted patterns cohere with the results of the study. Cross case synthesis were also made between the various ownership types in order to analyse how they influenced the internationalization strategy differently.

2.7 Quality of research

The main aim of the research design is to support the initial research question and ensure that the evidence matches. Hence, the design deals with logical problems. By stating our theory on what the authors are studying and what is to be learned, it helped to make the case study design more explicit. The research design represents a logical set of statements. Therefore, the quality of research can be tested by logical tests. Various tactics are available, which occur in different stages of the study, such as data collection or data analysis (Yin, 2009). In the following sections, four tests relevant to case studies will be described, namely construct validity, internal validity, external validity and reliability.

2.7.1 Construct validity

The construct validity is challenging in a case study research and concerns the phase of data collection and composition. The aim is to identify the correct operational measure for any concepts that are studied. Subjectivity in the study must be avoided. The investigator has to cover two steps in order to meet the construct validity. Firstly, the case must be defined in terms of specific concepts, which then are related to the original objectives of the study. Secondly, optimal measures must be identified that match the concepts. There are three tactics to increase construct validity:

- Using multiple sources of evidence
- Establishment of a chain of evidence
- Having a draft case study report reviewed by key informants

All three tactics were considered during the whole study process to maximize the construct validity. Firstly, more than two sources were used to the extent possible, as our study is based on an embedded multiple-case study, which involved both owners and managers. Secondly, regarding the chain of evidence, the authors ensured that the link between the questions, the data and the conclusions were strong by having continuous meetings with our supervisor, who monitored our progress. Furthermore, by having three authors the authors were continually questioning and debating our findings to ensure that there were no biased outcomes. Clear cross-referencing between the questions, case study database and conclusions was also ensured. Lastly, the authors conducted the interviews with knowledgeable persons with similar positions in the companies, who as key informants were able to provide us with valuable data. Unfortunately due to time constraints the authors were not able to send any draft case study report to our key informants. However, during the interview process the authors ensured that our key informants gave us an overview of the company type and culture to allow us to have a fair representation of each firm.

2.7.2 Internal Validity

Internal validity is an important aspect within a research process. It can briefly be described as to how the conclusions and results match with reality and it is in the hands of the researcher to extract the relevant information. The interpretation of the information is conducted through numbers and words which are abstract, subjective and strongly linked to symbolism. Therefore, validity is always relative and should rather be viewed as a purpose (Merriam, 2009). Internal validity is mostly of concern for explanatory case studies, when the aim is to explain how and why certain events lead to another event. The problem which can occur in such a study, is that the investigator assumes that a particular event caused the final event without knowing or considering that another factor was the cause of the final event (Yin, 2009).

This study has actively aimed to ensure internal validity through analyzing a broad range of theoretical frameworks such as printed books and peer-reviewed articles relating to our topic. The interview guideline the authors constructed were reviewed by

our supervisor, who possesses great knowledge within this topic, to ensure a relevance to the study. Furthermore, this study was conducted by three authors, which increases validity, as more ideas, aspects and opinions can contribute to a greater objectivity than a thesis with just one author.

2.7.3 External Validity

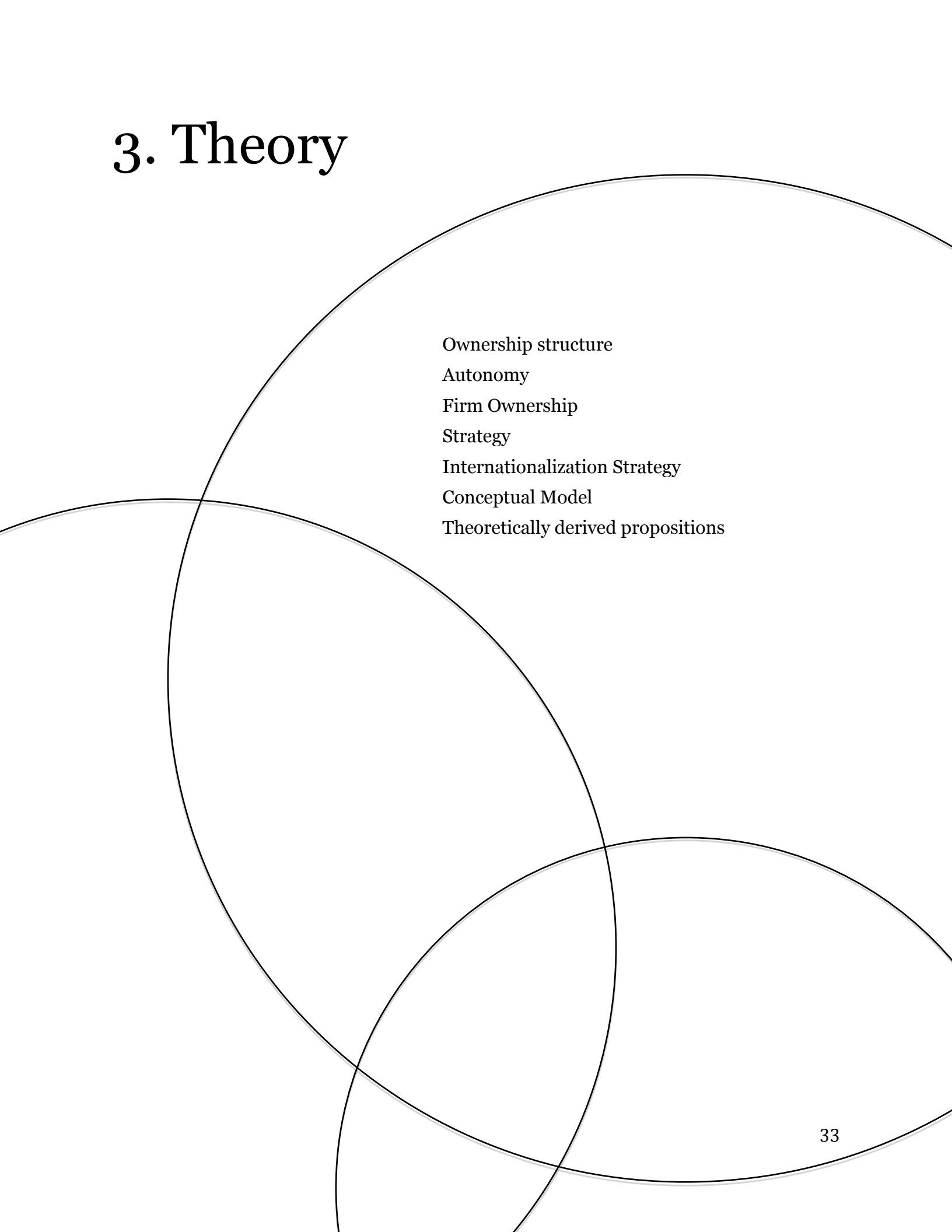
External validity concerns to what extent the results can be applied on other cases or to what extent they can be generalized (Merriam, 2009). As the authors use a multiple case study, the authors consider it to be easier to generalize our results in this study and to prevent external validity from being a barrier for our case study. However, the generalization of results is not automatic. It might be necessary to test theory by replicating the findings in a second or third case in order to provide support for the theory. This is referred to replication logic (Yin, 2009). The authors are aware of the fact that the external validity could have been increased if the authors had interviewed more firms. Therefore, the authors consider this to be highly important to have in mind when formulating the analysis and conclusions of the thesis. However, Yin (2012) argues that if the study is implemented in a proper manner, it is possible to generalize findings to other similar firms in the same situations through analytic generalization. Therefore, the authors believe in the possibilities to generalize findings from this study with firms in a similar context.

2.7.4 Reliability

Reliability can be described to what extent certain results can be achieved again by conducting the same procedures in another case (Merriam, 2009; Yin, 2009). The purpose of the reliability is to decrease errors and biases in a study (Yin, 2009). The problem arising in this study is that this qualitative approach is conducted within a human context and human behaviour is never static. In order to repeat a study in the exact same way, the conditions need to be documented. One major way of ensuring reliability is to use a case study database or a case study protocol. The former concerns creating an assembly of evidence which is different from the final case study report and the latter concerns dealing with detailed documentation problems (Merriam, 2009; Yin,

2009). In order to increase the reliability of this study, the authors kept our interview questions comparable in order to be able to generalize our findings if possible, and recorded the interviews in order to be able to reanalyze the conversation. During the process, the authors had continuous peer examination. This included meetings with our supervisor to check and monitor our findings. The authors also undertook thesis seminars with authors not involved with our work to provide impartial views on our research findings. Additionally, the triangulation of our data ensured that our findings were corroborated within the study. This was very important for the enhancement of the reliability of the results. Lastly, the authors created our own case study database through organizing and documenting the data collected, which increases the reliability. This the authors did by taking case study notes, handwritten, typed and audio taped during all interviews. Further, notes in other electronic forms, such as word-processing were undertaken during the study. All notes were stored adequately in order to be able to retrieve them at a later date. In addition, case study documents were collected and organized to have them readily retrievable for later use (Yin, 2009).

3. Theory



Ownership structure

Autonomy

Firm Ownership

Strategy

Internationalization Strategy

Conceptual Model

Theoretically derived propositions

This third chapter reviews the existing literature regarding ownership types, the role of ownership, autonomy, strategy and internationalization strategy. From this, the authors develop key constructs and theoretically derived propositions, which are needed as a tool for the study.

3.1 Ownership structure

How ownership influence the firms' performance has been studied from various angles over the years. It has been argued that the firms' distribution of share ownership among the managers and others will influence the firms performance. This discussion is often derived from Berle and Means (1932). Jensen and Meckling (1976) further investigated and showed how allocation of shares to outsiders and insiders can affect the value of firms. How ownership among managers relates to firms performance has been evolved both theoretically and empirically by several authors (McConnell & Servaes, 1990). The relationship between ownership and management is stated by Berle and Means (1932) to be rooted in corporate governance.

“Corporate governance is concerned with the structures and system of control by which managers are held accountable to those who have a legitimate stake in the organization” (Johnson et al., 2011, p.123).

The concept of corporate governance was first introduced in the 1960s by Richard Eells in his book called “The government of corporations”. The field of corporate governance has been widely studied since then, and is now a recognized and established concept. Corporate governance refers to control of corporations and various systems of accountability for those in control (Farrar, 2008). The field has been given growing attention from organizations due to three different reasons. Firstly, the separation of ownership and management control has become a norm in most firms except those that are really small and firms have arranged structures for governance usually in a hierarchical manner where it is clear how the different parties influence the organization. Secondly, there have been several failures and scandals of major firms that

have spurred a debate of how the different parties in an organization should influence and cooperate with each other. This concerns for instance the relationship between different shareholders and the board of the business. Finally, it has been argued that firms need to have a wider stakeholder interest that not only concerns the management and the owners, but also a wider social interest (Johnson et al., 2011).

The role and relationship of the different groups involved in governance of a firm are often illustrated in a governance chain. The governance chain can therefore function as a guideline for how the different groups involved in the governance of an organization interact with each other. The governance chain can differ widely depending on the size of the firm. While family owned firms usually have a few family members that are present as managers and shareholders, a major company might have a more complex chain of governance that involves several different layers of groups which influence and cooperate within the organization (Johnson et al., 2011).

The different relationships in governance chains are often understood by the principal-agent theory. Since principals pay agents to act on their behalf they are interested in getting good return on their investments however there are several complications making the relationship imperfect. (Johnson et al., 2011) The agency theory addresses the struggle between agents and principles. Agents, who can be the owner and the TMT in a firm, may not act in the interest of the principal, such as stockholders. If the two parties have asymmetric information, which means the agent possesses more information, the principal cannot be sure that the agent will act in their best interest and may fear to be exploited. This is especially inconvenient if costs are involved. Hence moral hazard arises. The deviation from the principal's interest by the agent is called agency costs. To be more specific, issues can arise in the agency theory, such as differences in risk preference, as stakeholders are less risk averse than agents and an 'incongruence' of goals between principals and agents affects strategic decisions (Jensen & Meckling, 1976; George et al., 2005; Fernandez & Nieto, 2006).

The corporate governance also influences decisions concerning the organizational design of a firm. Organizational design concerns implementing structures, systems and

management styles that in turn affect the implementation of a firm's strategic goals. The process of designing business organizations are connected with two fundamental challenges. Firstly, a cooperation problem occurs when there is aligning interest of individuals that have divergent goals. Secondly, there is a coordination problem that concerns how organizational members integrate their efforts (Grant, 2010).

Cooperation problem is usually discussed as an issue that arises from the agency problem discussed above. However, there are several mechanisms that can be used to ensure goal alignment within an organization. Firstly, various control mechanisms can be established. The control mechanism is usually enforced through positive or negative incentives by managers in various positions in a hierarchical order. Secondly, it is possible to use performance incentives where reward is linked to output and thereby encourage employees to increase their performance. Lastly, it is important to create shared values among the people in the organization. The presence of shared values appears to influence the success of companies in a positive way. The coordination problem derives from the desire to integrate efforts of members in an organization. There are also several mechanisms for coordination within an organization. Rules and directives function as a basic feature for coordinating activities in the firm. For instance, with contracts stating what duties that the employers expect of its employees. Routines in an organization are also a part of coordinating activities. Predictable and regular actions performed by certain individuals enhance the coordination in a firm. Lastly, there is also a need for mutual adjustments among people that are engaged in related tasks in an organization. Those mutual adjustments usually occur in leaderless teams without any authority relationship between them (Grant, 2010).

There are two fundamental governance structures; the shareholder model and the stakeholder model. The board of directors primary goal is to ensure that the organization fulfil the goals of the stakeholders. However, who these stakeholders should be may vary in different organizations. A shareholder model focuses on the shareholder as owners of the company with the primary goal to maximise shareholders value rather than other stakeholders in the organization. Although it has been argued that maximising shareholder value also benefits other stakeholders of the company

there is also a stakeholder model of governance. The stakeholder model has a broader view on how the wealth of the company should be distributed among a variety of stakeholders, who in different ways have an interest in the organization (Johnson et al., 2011).

3.1.1 Autonomy

The role of the board of directors and the top management team in the company is a central governance issue. The board of directors can chose, in two different ways, to structure their involvement and control of the strategic decisions taken in the company. Either they chose to delegate the strategic decisions to the management and take a stewardship role where they approve plans and take the overall decisions. Or the board engage in the strategic management process. This can however be problematic due to the limited operational understanding that is often possessed by non-executive directors of the company. Several guidelines have been issued by governments and commentators concerning the role of the board. Boards should work independently from the management of the company, the board must be skilled enough to review the managers activities, directors in the board can only have limited amount of directorships and the behaviour of the members in the board should show a collective responsibility, built on trust and respects that enhance the boards performance (Johnson et al., 2011).

3.2 Firm Ownership

3.2.1 Internal ownership

Internal ownership refers to firms, which are owned and managed by the same people. The two types are either owner/manager firms or family owned firms.

3.2.1.1 Owner/manager firms

In many firms, CEOs are also the founders and owners of the company. Agency theory highlights the role this form of ownership has in creating incentives to make risky decisions, such as international expansion (Jensen & Meckling, 1976). However, two

problems arise with typical agency relationships. Firstly, there is a difference in risk preference. Agents, being the owner and TMT, have their employment and compensation based on the performance of their firm. Principles, such as stockholders, can diversify their investments, so are less risk averse. By tying the owner and TMT's personal wealth and professional reputation to the firms' performance, it will make them more risk averse, as their future prosperity is tied to the company. The second problem is the 'incongruence' of goals between principals and agents (Eisenhardt, 1989). For example, internationalization for a firm may create value for its shareholders. However, the CEO, who owns a large proportion of the firm, might deem internationalization as too risky for their personal income stream (George et al., 2005). Studies have been undertaken to ascertain how increases of CEO and TMT ownership leads to decreased risk taking by their firm (Beatty & Zajac, 1994; Denis et al., 1999; Zajac & Westphal, 1994). However, this does not show the effect on firms internationalization decisions. CEOs may view internationalization as a way to build a legacy, or to access profitable gains from a strong international presence. George et al. (2005) found that owner/managers view foreign expansion as an activity which has high costs and risks. The potential failure could therefore undermine their prosperity, reputation and future employment prospects. Therefore, increased ownership by owner/managers leads to risk aversion, which was first proposed by Beatty and Zajac (1994). This indicates a conflict of interest between the owner/managers long term interests and the interests of their firm. This is likely to cause a conservative approach to exploiting opportunities abroad (George et al., 2005). Therefore, the main findings from a survey among Swedish SMEs by George et al. (2005) is that as CEO and TMT ownership increased, the scale and scope of internationalization decreases. Bell et al. (2004) carried out a survey on British 'traditional' SMEs and found incremental and gradual internationalization.

3.2.1.2 Family owned firms

Family firms dominate most developed economies (Gomez-Mejia et al., 2001), about 85 percent of all the firms in the EU and USA are family owned (IFERA, 2003) and an even

a greater proportion in developing countries are family owned (Kontinen and Ojala, 2012). Having a family owned firm determines the degree of the scale and scope of internationalization, as a family firm's behaviour supports altruism rather than the agency perspective. Family owned firms will be more likely to proceed with internationalization if it improves their family's employment, even if this means a short term fall in profits whilst resources are allocated to internationalization. When family members are in the TMT or on the board, they approach internationalization with caution. The family firms seek to maximise revenue from a few foreign markets, rather than aggressively pursue internationalization. This has a negative effect on the number of countries entered. This trend is further emphasised with increased family members on the board. Family firms also seek internationalization to capitalize on their owners' knowledge and skills to enhance the firm's long-term performance (Zahra, 2003).

Kontinen and Ojala (2012) show how the ownership type of family owned firms plays a central role in their internationalization. It was found that the founder-manager pattern of ownership implied an incremental pathway of internationalization. When the succession process takes place, if the company is divided between several family members and/or outside shareholders, the company maintains an incremental approach. However, if passed on in its entirety to the next manager, the internationalization faces radical changes and becomes much more intense, taking a born global or born again global approach. A strong stewardship attitude leads to an incremental approach to internationalization, whereas a weak stewardship attitude leads to more radical internationalization. This shows that a strong sense of duty towards family members means a more cautious internationalization process. The authors have contributed to the understanding of how different ownership types and forms of succession influence family owned firms internationalization.

Fernandez and Nieto (2006) have discovered a negative relationship between family ownership and internationalization. The disadvantages of being a family owned firm makes it harder to build a portfolio of strategic resources, which impacts upon their success in foreign markets. Just as the owner/manager firms suffer from agency problems (George et al., 2005), family owned firms also have their own agency problems

(Schulze et al., 2003). By having family and business interests, conflicts of interest arise which are detrimental to the firm. The consequences of these conflicts are centralised structures, absence of control and under-qualified staff. It also makes family firms more conservative and risk-averse. This makes it difficult to obtain financial resources (Fernandez and Nieto, 2006). All of this hinders internationalization.

3.2.2 External ownership

Firms often obtain financial resources from external sources, in exchange for equity in the firm. The external owners can be venture capitalists or other forms of institutional investment, such as investment banks and pension funds (George et al., 2005). An external owner can also take the form of a larger company holding a share of a firm, called a corporate blockholder (Fernandez and Nieto, 2006).

3.2.2.1 Institutional investment

These institutional investors, such as investment banks and pension funds, typically invest in more established, less risky businesses, usually at the second or third funding round. They have longer payback periods and lower expected returns than VCs. Institutional investors have different risk preferences, time horizons, and profit goals to VCs (George et al., 2005). They can influence firms' internationalization and strategic behavior through persuasion and private or public activism (Tihanyi et al., 2003). As institutional investors are likely to have a portfolio of investments, they are more willing to accept higher risks in each individual investment than the firm management would typically be (George & Prabhu, 2003). Therefore, institutional investment has a positive effect on the scale of firm internationalization. However, it was found that the scope of internationalization is unaffected by institutional involvement (George et al., 2005). The considerable capital outlays, investments in learning, building multiple distribution channels etc. that entering multiple markets require (Bartlett & Ghoshal, 1998) may neutralize the perceived opportunities (George et al., 2005).

3.2.2.2 Venture capital investment

VCS often provide small firms with their first source of funding, targeting firms with high potential, who have as yet unproven technologies or business models. Some of the firms compete with radically new products in new industries. This makes them extremely risky investments. It is common for VCs to have short payback periods, and they expect a high rate of return for their investments. VCs can have a large influence on firms' internationalization. The influence includes frequent communication with management about their views on future strategies, serving on the firm's boards and closely reviewing all investment decisions. The influence can be so high that a VC might decide to remove a firm's founder if it performs poorly or there is a serious difference of opinion concerning the firm's strategic future. However, as VCs often specialize in the types of firms they fund, they have a high degree of legitimacy when it comes to firms' internationalization. VCs understand that small firms have limited resources, and greater gains could be made by leveraging these resources in a few markets (George et al., 2005). VC involvement can accentuate influence on firm internationalization (George & Prabhu, 2003), and lower a CEO's risk aversion. Therefore, VC investment has a positive effect on the scale of firm internationalization, but a neutral effect on the scope of internationalization (George et al., 2005).

3.2.2.3 Corporate Blockholders

For companies, which have a shareholding owned by a bigger company, the corporate blockholder has an influential capacity with the smaller firm. This influential capacity has a positive effect on the firms' internationalization. The corporate blockholder helps the firm develop a competitive advantage by giving access to technologies, distribution channels and even financial resources. This has a positive correlation with firms' decision to internationalize. In exchange for this help, the corporate blockholder will expect the firm to implement measures to eradicate all conflicts of interest. Formal control systems, qualified management, effective structures and management systems will all be demanded by the corporate blockholder. This should all favour internationalization (Fernandez and Nieto, 2006).

3.3 Strategy

Strategy is an important term as strategic decisions are influenced by ownership structure (George et al., 2005). Strategy has been defined in different ways in literature. For instance, strategy is described as a plan with the purpose of creating shareholder value (Grant, 2010) or as the integration of activities of diverse functional departments within a firm, such as marketing, finance, production, research and development etc., which need a set of goals (Porter, 1991). A more extensive definition of strategy is provided by Johnson et al. (2009, p.3): *“Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.”* However, Mintzberg (1978, 2007) seeks to define this term appropriately as he felt that the provided definitions were incomplete and inconsistent for organizations and researchers. He states that strategy is commonly described as being explicit, purposefully and consciously developed and created in advance. So it can be described as a “plan” or an intended strategy as it occurs before actions are taken. However, for his research purpose he defines strategy as a pattern in a stream of decisions and therefore explains it to be a realized strategy. With these two identified strategies, Mintzberg (1978, 2007) goes further and combines those in three new ways. Firstly, intended strategies that are realized in actions and therefore become deliberate strategies. Secondly, not realized intended strategies, due to unrealistic expectations or certain changes, become unrealized strategies. Lastly, there are never intended realized strategies, which become emergent strategies.

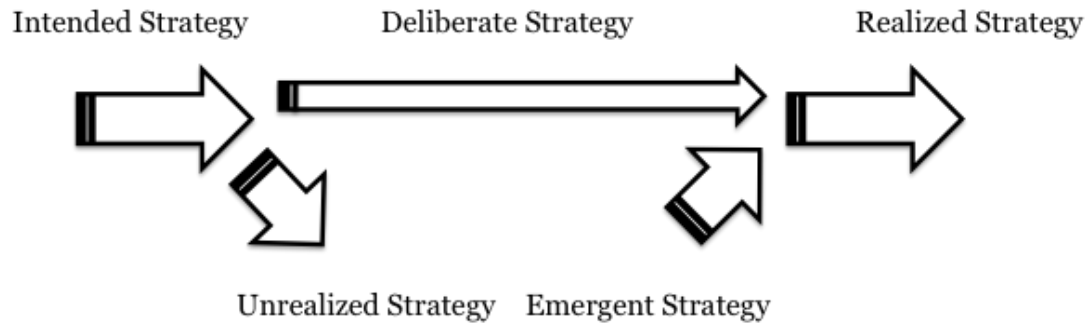


Figure 1. Types of strategy. Based on Mintzberg (1977)

These different strategies can be linked to internationalization and therefore to internationalization strategy. Owners are in charge of the strategic decisions taken by a firm. Based on this, internationalization strategies can be referred to as intended strategies before they are implemented. However, when owners implement internationalization it becomes a deliberate strategy. For a firm's internationalization strategy, the stream of decisions concerns their scale, scope and speed of internationalization.

3.3.1 Internationalization strategy

Traditionally for small firms, internationalization was seen as a risky strategy, where a firm goes forth into an unknown market environment (Figueira-de-Lemos et al., 2011). However, recent research has suggested that in today's globalised economy, it is more risky for a small firm not to internationalize their operations (George et al., 2005, Hilmersson, 2013). Internationalization can be viewed as a growth strategy that a firm undertakes to improve its performance (Khavul et al., 2010). This process can be identified into three main dimensions; scale, scope and speed.

Degree of internationalization

The DOI, the degree to which firms are involved in international activities, consists of two main dimensions, the scale of internationalization and the scope of internationalization (Kuivalainen et al., 2012; Hilmersson, 2013).

3.3.1.1 Scale of internationalization

The scale of internationalization is the extent to which the firm relies on foreign sales (Bartlett & Ghoshal, 1998). This indicates the extent to which a firm's activities depend on foreign markets (George et al., 2005) or the decreasing dependency a firm has on its home market. Therefore, the scale of internationalization shows the extent to which a firm's sales have been developed outside of their home market (Hilmersson, 2013). The scale of internationalization relates to the share of sales, whereas the extent relates to the share of the value chain which has been internationalized, such as marketing, manufacturing, and research and development. By having a large scale of internationalization, a firm can leverage their domestic skills in different countries, quickly acquiring market share (Bartlett & Ghoshal, 1998). This contributes to firms' growth and economies of scale, the benefits of which are even more significant to SMEs than MNCs (Loth & Parks, 2002). Still, building a large scale is challenging for smaller companies due to the high costs and diverse skill set needed (Hill et al., 1990). These factors heighten the perception of risk towards internationalization.

3.3.1.2 Scope of internationalization

The second DOI is the scope of internationalization. This refers to the number of markets that firms choose to enter; it denotes the international geographic reach of a firm's business (Hashai, 2011; Lu & Beamish, 2001). When a firm internationalizes, it will be exposed to a number of new markets and institutional environments, this contributes to the firm's general experience base (Johanson & Vahlne, 1977). This experience base can be absorbed and transferred into experiential knowledge (Hilmersson, 2013). This experiential knowledge is an inimitable resource which aids the competitive advantage of internationalizing firms (Hilmersson, 2013; Oviatt & McDougall, 2005; Autio et al., 2000). It reduces uncertainty, reduces perceived costs and contributes to competitiveness of firms regarding international operations (Hilmersson, 2013). A broad scope enables a firm to gain greater returns, achieve market power and diversify risks (Tallman & Li, 1996). It encourages a firm to invest in building competencies, to learn from distant markets and to use this knowledge to innovate and leverage in different markets (Hitt et al., 1997).

3.3.1.3 Speed of internationalization

The speed of internationalization refers to the rapidity at which firms spread their international activities between different country markets. It assesses the dynamic aspect of the growth strategy. Previously, literature on this subject focused on the time it takes from the inception of the firm to the start of internationalization, where a short time is treated the same as a high speed of internationalization (Kuivalainen et al., 2012). Kuivalainen et al. (2007) first raised the problems with the time it takes from inception being different to the speed of internationalization with the question “what is the proper speed of internationalization for a born-global firm” (p.266). The quandary is ‘born global’ literature only focuses on the start phase, how quickly firms enter more than one market and how quickly they spread their operations is neglected.

Hilmersson (2013) discusses a measure to analyse the speed of internationalization. Dividing the distance covered (markets entered) by the time it takes to cover this distance provides us with firms’ speed of internationalization. By undertaking a high speed of internationalization, firms are likely to gain a first mover advantage, provided it is the first significant occupant to enter (Grant, 2010). This allows them access to resources that late arrivals cannot, and allows an opportunity for firms to gain a head start over their late rivals. This should lead to positive economic profits and a stronger performance. With the increased number of markets and customers to be exploited, rapid firms can quickly capture economies of scale, providing a cost based advantage, which contributes to their competitiveness. Therefore, the higher the speed of internationalization, the greater the performance of the company (Hilmersson, 2013).

3.3.2.1 Internationalization pathways

A firm’s internationalization strategy can also be reflected in the chosen pathway of a firm. It has been proposed that when firms internationalize, three distinct patterns emerge (Bell et al., 2003). Firstly, the incremental approach which was proposed by the Uppsala model, the radical internationalization approach which past research has dubbed born globals and finally, the late, radical internationalization of firms which has been evidenced by the so-called born-again global firms (Olejnik and Swoboda, 2012).

The pathways can be examined with three dimensions. These are time, which refers to the pace of internationalization, scale, which is the percentage of foreign sales and scope, which is the number of foreign countries a firm operates in (Kuivalainen et al., 2012).

3.3.2.2 Incremental internationalization pathway

Several authors describe internationalization as a gradual, incremental process. Firms first internationalize in countries which are nearby, then move to more distant ones. The most cited example of this is the Uppsala model, which was developed by Johanson and Vahlne (1977) to describe the internationalization of MNCs from Sweden. The model proposes that firms start to export to nearby countries with a similar language, culture and business development. When the firm obtains market knowledge and uncertainty is reduced, the firm can start to move along the establishment chain and create sales subsidiaries. This gives them the confidence to move to markets with a greater psychic distance. The internationalization is incremental and achieved on an ad hoc basis, often starting via unsolicited orders and enquiries from overseas (Kontinen and Ojala, 2012). Although the model has been heavily criticised by certain authors (Andersen, 1993), empirical evidence suggests that many firms have internationalized gradually (Bell et al., 2003).

3.4.2.3 Born global pathway

One of the main criticisms of the Uppsala model and incremental internationalization is that it fails to account for the internationalization of SMEs, especially in high technology or web-based sectors. The pathway of born globals seeks to achieve this explanation. Born globals internationalize to several foreign markets simultaneously and rapidly from their birth, they may even enter domestic and foreign markets concurrently (Bell et al., 2003). These firms are not influenced by a markets psychic distance (Kontinen and Ojala, 2012), rather, they perceive the world as one marketplace. Products are designed from inception for an international market, with firms striving to achieve first mover advantage in niche markets (Bell et al., 2003). Born globals use a non-incremental,

radical and committed internationalization pattern (Kontinen and Ojala, 2012). The field of born global research has been largely fragmented (Olejnik and Swoboda, 2012). The variation in born global dimensions proves this. The timeframes provided vary, some researchers use a two year time limit (Moen and Servais, 2002), three year limit (e.g. Knight and Cavusgil, 2004), or even a five year limit from inception for the pace of internationalization (e.g. Acedo and Jones, 2007). Generally, born globals should have at least 25 percent of their income from foreign sources, and operate in at least five countries (Kuivalainen et al., 2012).

3.4.2.4 Born-again global pathway

Another pathway to internationalization for firms is described by Bell et al. (2003) as born-again globals. These are firms which had previously focused on their domestic market but suddenly embrace internationalization. The firms previously had no interest in foreign operations until a critical event occurred, such as a change of ownership or client followership. Limited guidance is given on the time period before internationalization happens, although Sheppard and McNaughton (2012) used a 28-year domestic period.

3.4 Conceptual model

A conceptual model has been developed from the key constructs, from which theoretically derived propositions (TP) have been developed.

3.4.1 Key Constructs and theoretically derived propositions

Based on the previous discussion, the key constructs have been placed into the table below. The ownership type is shown, and its theoretical impact on the scale, scope and speed of the firm types internationalization. The theoretical findings show that internal ownership has a weak scale and scope of internationalization. The speed of internationalization is unknown, as previous studies have not examined it. External ownership has a strong scale of internationalization, however the scope is unaffected by this ownership type. Again, for the institutional investment, speed is unknown. The VC investment is likely to lead to rapid internationalization, as VCs often have short

payback periods. Corporate blockholders have not been studied in terms of scale, scope and speed. However, previous research has suggested that corporate blockholders have a strong scale, neutral scope and quick speed of internationalization. However, it has not been empirically tested, hence the stars in the table. The most important aspect of the table is the ‘why’ column, which is of course what this study is seeking to identify. Question marks have been placed in the table, as previous studies have only tested quantitatively and have not been conclusive as to why firms internationalize the way they do.

Structure	Type	Scale	Scope	Speed	Why
Internal	Owner/ manager firm	Weak	Weak	?	?
	Family owned firm	Weak	Weak	?	?
External	Institutional investment	Strong	Neutral	?	?
	Venture capital investment	Strong	Neutral	Quick	?
Combination	Corporate blockholder	Strong*	Neutral*	Quick*	?

Figure 2. Key Constructs. Developed by the authors.

Using the key constructs, a conceptual model has been developed showing the expected relationships that ownership types have on firms’ internationalization strategy and why. From this, theoretically derived propositions have been developed.

Internal owners, being owner/manager and family owned firms, often view internationalization as being both risky and costly. The potential failure of foreign activities could damage their future wealth and career opportunities (George et al., 2005). The risks usually outweigh the rewards. This causes internal owners to become risk averse (Beatty & Zajac, 1994). The risk aversion is also caused by a stewardship attitude. Family owned firms often have a strong stewardship attitude, which leads to an incremental approach to internationalization (Kontinen & Ojala, 2012). This will cause family firms to maximise revenue from a few foreign markets, it will not pursue an aggressive internationalization strategy (Zahra, 2003). Family firms have a strong sense of duty to their family members. This not only causes a more cautious internationalization process (Kontinen and Ojala, 2012), but creates a conflicts of interest between family and business interests, which is detrimental to internationalization (Fernandez and Nieto, 2006).

TP1. The internal ownership type will cause a weak scale and scope of internationalization and a slow speed of internationalization. It is most likely to take an incremental pathway to internationalization.

External owners, being institutional investors and VCs both influence internationalization similarly (Tihanyi et al., 2003; George et al., 2005). Institutional investors usually invest in businesses that are less risky (George et al., 2005). Moreover, these investors are able to influence not only the internationalization of the firm, but also the strategic behaviour (Tihanyi et al., 2003) and are more willing to face high risk in their investments (George & Prabhu, 2003). This leads to a positive effect on the scale of internationalization. The scope however, seems to not be affected (George et al., 2005). This may be due to the various investments and capital requirements (Bartlett & Ghoshal, 1998) that may neutralize the perceived opportunities (George et al., 2005). VCs, which provide firms with funding, take high risks with their investments. The payback periods are shorter than with the institutional investors and VCs expect high rate of returns. Close communication with the management about future strategies, reviews regarding investment decisions and board support lead the firm into the VCs desired direction. As smaller firms often lack resources, VCs understand that greater

gains can be achieved through a smaller scope of the firm (George et al., 2005). At the same time VC involvement has a positive effect on the scale due to the larger influence on internationalization (George & Prabhu, 2003) and decreases CEO risk aversion (George et al., 2005). It is assumed that the speed of internationalization is quick as external owners provide firms with financial and managerial support and because the payback periods are limited in time.

TP2. The external ownership will cause a strong scale and a quick speed of internationalization, whereas the scope depends on the external strategic decisions. It is most likely to take a born global pathway of internationalization.

Corporate blockholders have a positive effect on internationalization. The larger holding company is likely to spur quick internationalization, by providing resources, access to distribution channels and financial help (Fernandez & Nieto, 2006). It most likely will also be able to provide valuable market knowledge for the firm. This will also likely lead to a strong scale of internationalization. However, the scope of internationalization is most likely to be decided by the corporate blockholder. The authors assume that there will be a variation between firms, depending on the ambition of the corporate blockholder, much like the VC deciding on the direction of their firm.

TP3. The corporate blockholder will cause a strong scale and a quick speed of internationalization, whereas the scope depends on the external strategic decisions. It is most likely to take a born-again global pathway of internationalization.

The theoretically derived propositions have developed the expected relationships that ownership type has on firms' internationalization. However, why these relationships occur is currently based on assumptions derived from quantitative studies. This study seeks to understand how and why ownership type influences firms' internationalization.

4. Empirical Findings

Luma Metall

Trebema

BIM Kemi

Almi Invest

Rapid Granulator

In the empirical findings chapter, the data collected will be presented from each case company used in this study. The data has been collected through face-to-face interviews or Skype interviews. The empirical data is presented one company at a time, divided by different ownership types. The headlines are derived from the conceptual theoretical model accounted for in the theoretical section.

4.1 Luma Metall

Luma Metall is a manufacturing company with 80 years experience of producing fine wire products in tungsten and molybdenum, and 50 years experience from gold plating tungsten and molybdenum wire. Luma Metall's product range also consists of fine wire and super-fine wire plating in various materials. It was founded in 1935 and has its headquarter and production plant in Kalmar. Luma Metall is a privately owned company.

Two different interviews were conducted with Luma Metall at their headquarters in Kalmar. The first interview was with Ronald Selwood, who is the Owner, CEO and chairman of the board. Another interview was conducted with Thomas Adolfsson, who is the marketing manager and application engineer for Luma Metall.

4.1.1 Role of Owners - the owner's perspective

Ronald Selwood is the sole owner of Luma Metall. Prior to Selwood acquiring the company in 2002, it had several different owners. It used to be a part of what was called Lumalampan, who produced light bulbs. Later on Luma Metall was spun off and acquired by the British 3I, one of the world's largest equity companies. The company was almost in bankruptcy prior to Selwood's involvement and the company needed investments that the private equity company was not willing to make. Selwood bought Luma Metall in 2002, and now owns 100 percent of the company. Selwood is the chairman of the board and a few months ago he also took over as CEO of Luma Metall. This decision was based on several reasons, however Selwood stated that the business

was coming to a point where they felt that they needed someone with more experience of growing a business, so he was appointed to the position. Selwood's role as owner, CEO and chairman of the board is explained as a traditional role of CEO or managing director. He coordinates the management teams and has the veto power over major decisions. However, Selwood mentions that the management teams are fairly autonomous, so his job is more to supervise everybody. The role also involves setting the overall goals and choosing the direction of the company.

“I try to keep the direction going towards the goals that we have set up.”

Selwood is not particularly involved in the day-to-day business as it would not be possible since during his time at Luma Metall he was also the owner of three other businesses which demanded his attention. Two of those are now sold or in the process of being sold which has led to Selwood now focusing more on the operations of Luma Metall. Selwood further states that the management is good at what they do, so the day to day routines does not usually demand his attention. He has veto power concerning major decisions in the company, however tries to create a consensus regarding most decisions, rather than utilizing his veto power. When asked of his own view of his role in the company as both owner and CEO, Selwood states that:

“It is more as a CEO or manager in the day-to-day business that just happens to be the owner.”

The continuous growth and increasing value of the company is however mentioned as a major reason to Selwood's increasing involvement in the business. Selwood also emphasises that he owes it to the people and the employees concerned with the business.

As the owner of Luma Metall, Selwood provides knowledge of markets in general and knowledge about people in his network that he has established in his previous work. He mentions allies in several companies that also has been important for Luma Metall's business and facilitates success in that area. Further, his experience in running small

technology businesses and his understanding of the role of technology also gives confidence to the managers that are working in Luma Metall. Selwood's background and experience concerning precious metals is also something that he has put in to the business of Luma Metall. The major advantages of being a privately owned company is, according to Selwood, the ability to be long term in the decisions concerning the business.

“Due to the control of the company it is possible to take long term goals and have a better chance to lay it out for the long term which is very important for the success of the business.”

Luma Metall can now have a ten-year plan for the business, which is a great advantage. There are however no particular benefits towards internationalization, but with the sole ownership, Selwood also states that they have some benefits of his knowledge and background from other small exporting and importing companies.

Resource constraints are stated as the major disadvantage of the ownership according to Selwood. The size of the company and its access to capital can sometimes be problematic. This is mentioned to be especially hard in Sweden since it is hard to get access to capital from banks when you are a small business.

“They always tend to lend you money when you do not need it.”

Selwood also mentions that they may not always have a broad enough view due to the ownership type. However, they try to always take consideration of all the aspects from the people in the board but it could perhaps sometimes be a little bit of a one side view. Selwood states that the managers have almost complete authority to conduct their own decisions.

“It depends on the individual to consult with me if they need help with any specific aspects such as financing, strategy etc. There are some limitations on how much

money anyone, including me, can spend without authority, but besides from that, they have almost complete authority.”

The managers can conduct international activities without the owner's consent. The process almost always starts in the marketing department and they are encouraged to travel around to meet customers. This is very important for a small company like Luma Metall. The managers can also solve their problems fairly autonomously but there are some meetings and committees concerning problem solving, however Selwood states that as a owner he is almost never involved in those decisions.

4.1.2 Internationalization

The company was already fairly international when Selwood took over in 2002. At least with business in Europe and Japan, and with some other international activities. There were significant sales in Europe at that time and now it is more outside the European countries. The percentage of sales from abroad was still significant but with much more of a focus on Europe. Selwood does, however, state that the selection of markets to enter has changed since his involvement in the business due to the confidence and knowledge he possesses. The reasons for entering certain markets was almost always that they had a particular industry that Luma Metall was not involved in at that time and that they had a specific product that now could be applied towards that industry.

In Selwoods earlier role as the owner of different businesses he found that the international activities could at times be driven by his curiosity to see new countries. Although this has changed over time and now it is a little bit different, as the curiosity has been catered from travelling to different countries in his previous work. Now he is mostly driven by expanding to new markets and growing the company so internationalization more or less comes down to money in the end.

4.1.3 Internationalization strategy

The driving force behind the internationalization strategy of Luma Metall is the application field of the products. Due to the exclusivity of their high technology

products, Luma Metall tries to target suitable customers where their products can be applied. The geographical manner of the country is of less importance, since the company almost always use airfreight and can reach customers around the globe within two days. As long as the customers meet the criteria of Luma Metall, the geographical position of the company is of less importance. Selwood states that Luma Metall tries to target customers where they can gain significant margin for their products and they stay away from customers where they have had bad experiences from previous business. According to Selwood, its more of a tactical matter of how to find customers and how to make Luma Metall known on the market, especially since not many people know about Kalmar, the location of the company. Therefore, Luma Metall tries to make their name in the industry and become more recognized. The strategic choice is mostly concerned with looking for businesses with a suitable application field for Luma Metall's products. They then try to target the most important customers and slowly work towards reaching that goal. Selwood mention that this has changed over time and that there was a time where they were less knowledgeable and tried to have a specific strategy for each particular application.

“But since there is really no limitations on a geographical point of view today, as long as the customer meets the demands and requires a high end product. Then you don't need a specific strategy but you need a specific tactic to recognize the opportunity.”

It is mostly the marketing people at Luma Metall that are involved in the decision process concerning targeting the different customers. Selwood mention that they also sometimes use outside consultants like the Swedish trade council to find customers in markets where they lack knowledge. Selwood's own role in this process is more of getting an overview and monitoring the process. He is involved in setting goals and objectives for the company but states that this is not particularly important for the internationalization activities. Selwood does however try to utilize his network and contacts when needed.

4.1.4 Owners attitude to internationalization

Selwood has an overall positive attitude towards internationalization and explains that the need for international activities was quite evident from the beginning with Luma Metall.

“It was more or less a no brainer, we had to identify the markets regardless of where they were.”

Selwood continues by explaining that it might have been possible to find enough customers to survive in a big market, but if you really want to maximize your opportunities then you need to internationalize. Selwood states that his positive attitude towards international activities may have, to some degree, formed the philosophy of the company which in turn may influence the managers and the professional people working for the company. It is not really due to how he demonstrate this but rather in the company culture and philosophy.

“Most of the people here have been in the company for a long time, so they also influence each other. It does not really need any specific efforts from my part.”

Selwood further explains that he tries to influence the management to find customers wherever they may be, and his people have knowledge and are aware of where they will most likely find them abroad. This has to some degree directed the internationalization strategy of the firm from the start.

4.1.5 Role of Owners - the management's perspective

The owner, Selwood, comes to Sweden for two weeks each month. This has recently changed from four to five visits per year, owing to Selwood's switch to CEO of Luma Metall. According to Adolfsson, this has had a major change in the owner's involvement, with Selwood now becoming more involved.

“Currently, the role of the owner concerns reorganising the company in his design to ensure efficiency.”

However, Adolfsson expects this to change as Selwood becomes more familiar with the company in the coming months, with the owner then taking more of a day to day CEO role, rather than reorganising the company. However, Selwood will always be very involved with the strategic decisions that Luma Metall will take. The owner will influence the decisions of the long term direction of the company, such as investments in plant equipment or intensive prospecting in new markets. Management at Luma Metall view Selwood as their owner, rather than a manager. Adolfsson cites one disadvantage of having a owner/manager is that on any decision, Selwood has the power to veto, with the ultimate decision in his hands. This is a worry for Adolfsson, as no discussion would take place. However, it is stressed by Adolfsson that this has never happened, but potentially it could. Of course, the benefit of having an owner/manager is the quick decisions that are made. Adolfsson states that:

“If a decision needs to be made, it can be done in a short time frame. This provides an advantage of time for the company, on strategic and day to day decisions. It allows Luma Metall to act quickly.”

Adolfsson says that the support that Selwood has provided to the company includes financial resources, advice and experience on internationalizing small companies, access to his vast international network and an ability to obtain customers from the USA.

The level of autonomy that Adolfsson views management having is *“quite independent”*. The day to day activities of the firm are not influenced by the owner.

“The marketing department is free to seek new customers in new markets. However, management is always aware that major decisions needs to be consulted with the owner.”

Investments and expensive marketing projects are examples of decisions which require authorisation. When it comes to problem solving, the owner is always there. However, Adolfsson states that is because Selwood is always ‘around’.

4.1.6 Internationalization

Adolfsson states that the company was founded in 1935, and almost immediately started internationalizing. This occurred in an incremental fashion, starting in Europe and spreading outwards. Today, Luma Metall operates in 35 countries, and their main markets are Costa Rica, China, USA, Germany and France. International sales are extremely important to Luma Metall, with all but a couple of small customers being international.

4.1.7 Internationalization strategy

The company’s internationalization strategy is based upon the locations in which their customers or prospective customers operate. Luma Metall operates in an extremely niche market with a limited number of potential customers. The fact that the product they sell is very light and can be air freighted anywhere in the world within two days allows the company to follow their customers anywhere. For example, one customer moved from Chicago, USA to Costa Rica and Luma Metall followed the customer. Therefore, finding the right customers dictates their internationalization strategy to a certain extent. Adolfsson states:

“The owner has a lot of influence over the firms internationalization strategy, making the final decision on where to operate.”

In one example provided by Adolfsson, management made a presentation to the owner on the merits of expanding operations in the USA. Selwood found the strategy acceptable and approved the decision. Management had to convince the owner of the benefits of their strategy, as Selwood has the ultimate decision.

The owner is very active in passing on his previous knowledge of internationalizing small firms, as well as providing his contacts from previous dealings to create new customers. Selwood also takes an active role in recommending new companies as potential customers. This, according to Adolfsson, ensures that the owner has a huge role in shaping Luma Metall's internationalization strategy. As it is a small company, the company has limited resources and has to fund new internationalization out of their profits.

4.1.8 Owners attitude to internationalization

Adolfsson thinks that the owner has no problems with the risk, time and cost of internationalization. This is most likely due to the fact that nearly all of Luma Metall's customers are outside of Sweden, and the owner understands that to be successful and prosper, the company has to internationalize. Adolfsson's view is that provided that the company has the resources available, the owner is more than willing to invest them. Adolfsson also thinks that the owner is "*definitely not*" risk averse. Selwood gives off the attitude of being "*very positive*" towards internationalization, and demonstrates it by constantly seeking to find the company new international customers. This does not result in heavy pressure for management to internationalize, however according to Adolfsson, Luma Metall management definitely understand that there is no option but to internationalize to survive. This has a major influence on the company's internationalization strategy.

4.2 Trebema

Trebema is a family owned company located in Kalmar, Sweden and was founded in 1974. Their product range concerns water and heating equipment, such as heating boiler Calmar pannan, the Handy shower system and the Aqua lime dissolvers. Currently, eight people are employed and two external employees may be used during busy

periods. All in all, the firm has been operating in approximately 25 different countries through mainly exports.

Our interview was conducted with Björn Långberg, who is the export manager and one of the three owners at Trebema.

4.2.1 Role of Owners

Trebema is a family owned company. The firm is run by three owners. One of them is Långberg, who the authors interviewed. The other two owners are his brother and sister. Each sibling handles one particular area in the business and a fourth part is shared between them. The ownership of the firm is equally split into 33% each. There are no separate managers and therefore the three owners function as managers at the same time. This has according to Långberg worked well for Trebema.

“I think that we have found a very good balance to work within our cooperation”.

Trebema also use two external people from time to time in the business, working with questions concerning special products, entering certain markets and efficient production.

The main advantages of being a family owned firm is stated by Långberg to be the fast and flexible decision-making and the quicker communication between employees while the disadvantages are seen in the close relationship between family members and the frequent meeting of the family members both at work and in private. Avoiding mixing family and business issues is mentioned by Långberg to be especially important, even though it can be difficult, it is necessary to prevent.

“It is not always easy, since we have a relation and when we leave the office we are relatives and have to take care of these things also.”

Långberg does however state that they have managed to set up certain rules they follow and that this works well for them.

The strategic decision-making between the three owners is quite independent. Långberg takes the first decision for his own area and so does every manager in the company. However, for greater decisions the board is involved. This procedure is the same for the internationalization activities conducted in the business. In addition, regarding strategic questions, an external consultant is used for support. The managers are free to engage in international activities on their own, however major decisions needs to be discussed in the board.

4.2.2 Internationalization

Trebema first step into internationalization was via export, which started in 1995. Trebema had a solution to solve lime layers in boilers with their lime dissolver and noticed that foreign customers had the same problem as well. Foreign customers started to ask if they could only buy the lime dissolver as a separate part and that was how Trebema's exports started. The firm's first trade countries were Finland and Denmark, which nowadays are seen as home markets of the firm.

“Today we see Scandinavia as our home market, while it previously was just Sweden or maybe even south Sweden.”

Later on in that year, the firm participated in a fair in 1995 in Germany. This was a successful participation as the firm thereafter started to export to customers in Greece, Hungary and Holland, who they had met at this event. An overseas trade with Mexico was also established. Trade with Switzerland was arranged through good networking in the year of 1996/97. The choice of going abroad was based on the fact that Trebema had a solution to a problem the customers had.

“It was the first time that we had a product that we could sell outside Sweden, and when we look at it today it was not that good of a presentation but it was our first step.”

Internationalization was not planned, it rather happened. Therefore, the choice of countries was firstly based on demand for lime dissolvers. When Trebema discovered the great opportunities, their initial attempt was to internationalize widely. The firm discovered though that a wide internationalization was not very favourable for them. They also discovered over time that working with bigger companies was very difficult, as they tended to change their suppliers. Therefore, the company changed its internationalization strategy in 2001 and focused on smaller firms and to be closer to the customer. Family owned firms were also favoured as they are seen to have another way of financial thinking.

The many opportunities led to Trebema operated in six countries in its first year of internationalization. Currently, the firm operates in approximately 15 to 16 countries, but all in all, the firm has been operating with approximately 25 different countries. Trebema has both agents and resellers, which support the internationalization process. One underlying factor that drives internationalization is gaining revenue and market share, however there is some limitations when being a family owned company.

“The problem that a small family owned company might have is that we do not always have enough money, so we have to find where the customers are and then we have to identify the right ones since we can not spend money on all potential customers. A bigger company might have that possibility due to better financial stability.”

The percentage of sales generated from abroad is between 15-25%, depending on demand.

4.2.3 Internationalization strategy

There has been a change in Trebema’s internationalization strategy during the recent years, where they try to get closer to customers in big markets not so far from Kalmar, while moving away from customers in more distant areas in the south of Europe. The advantage of a family owned firm in internationalization is, according to Långberg, quicker analysis of the situation abroad and at home. However, the financial possibility

also influences the internationalization strategy, as they only can use the money they previously have earned. In addition, the competitors' strategy in specific countries also plays an important role, as they can influence the firm's success in the foreign country. The customers' network is important as it is used to obtain more contacts, which are necessary for continuing the internationalization process.

“It works very well if the customers are satisfied, then they nearly always recommend the solution to others and then you get in to the customers network automatically.”

However, the internationalization of the firm is seen to be slow and stepwise rather than rushed.

4.2.4 Owners attitude to internationalization

The attitude of the owners towards internationalization can be described as overall good. However, the time and cost of internationalization is considered to be very important for all three owners. Therefore, calculations are made before the firm decides to go abroad. If the expansion process has been conducted additional calculations are made a year after the internationalization in order to have a view over the actual money spent.

“It is a big concern, and we have to make calculations and look at how much we will have to spend. We also make calculations after, to see if it has been as we think it would be, and on that question it is almost always no because you think it will go faster than it actually does.”

In terms of time, the owners need to set priorities. This is due to the fact that if new projects abroad are accepted the old ones must not be neglected. Still, the newer projects may require more work as internationalization processes require a lot of effort, which costs a lot of time.

Långberg states that the owners are somewhat risk averse, but this was more of a problem before and it is much easier now. This was expressed by business practices such as cash before delivery and six months of payment for all customers. In addition, before the next order can be ordered, the first payment has to be paid. This has been especially necessary for firms located in countries like Spain and Italy in which other payment behaviour is present. These procedures secured the future liquidity existence of the firm. The attitude to internationalization by the owners is generally positive. Långberg states that he expects growth in sales from foreign markets to increase from about 15 to 25 percent to 40 percent in future. He does not feel pressured to internationalize. He rather feels the importance for the future to conduct internationalization, as the Scandinavian market, which is described to be their “*home market*” is quite small and offers little business opportunities. In order to increase sales of the firm, there is a need of going abroad.

4.3 BIM Kemi

BIM Kemi is a family owned company that develop, manufacture, apply and supply specialty chemical-based concepts, technologies and services for the pulp and paper industry. The company was founded in 1973 by Peter Wållberg and the company is headquartered in Stenkullen, Sweden. BIM Kemi became a family run enterprise in 1988 and the company has local operations in Sweden, Norway, Finland, England, Germany, Belgium, Czech Republic, Portugal, France and South Africa. BIM Kemi also has distributors in Italy, Poland, Chile and Asia. BIM Kemi has approximately 200 employees worldwide. The interview was conducted with Mikael Perdin, who is the sales and technology director at BIM Kemi.

4.3.1 Role of owners

BIM Kemi is a family owned company where Peter Wållberg possesses the majority of the shares in the company. Wållbergs daughter also possesses some ownership of the

company and together with Wållberg she also has a place on the board of directors. There are also two external people present in the board, one of which is the chairman.

The role of the owner in the company is described by Perdin as a role free from an operative perspective, where the owner can act as a soundboard for the research and development function and for other operations in the organization such as networking and sales. Perdin states that since Wållberg is an entrepreneur with a lot of knowledge and ideas he can provide valuable input in many different aspects.

“We really need this soundboard function, to bounce ideas, and for him to generate ideas and try to place them where they can grow.”

Perdin mention that Wållberg often describes his position in the company by saying that he has “*several hats*” and continues by saying that he is very much involved and engaged in the things that happen, not only within the firm but also within the whole industry. The support provided from the owners is mainly that of being active in the soundboard and generating ideas and giving support in aspects where it is needed.

When asked of the major advantages of being a family owned firm, Perdin replied that there is a patience in implementation of strategies and the business development.

“We are not controlled by any stock market and do not have to submit to any demands in that aspect and therefore there are more possibilities to explore business opportunities and to create a long term trust in different aspects.”

A disadvantage mentioned by Perdin is the problem of separating business from family. This is however, something that Peter and the family have been very good at.

“It is a different case if you have a passive family member that is involved in operative decisions, in this case the family members are all very much engaged in the company.”

The managers working at BIM Kemi are not very dependent on the owners to make decisions. Perdin explains that the roles are quite distinguished but the managers listen and take feedback from the owners in their work. Perdin does however mention that it can sometimes be tough to take decisions when you know that the owner has a different opinion. Perdin continues by saying that it is important that the employees have courage and can speak their mind when it is needed.

The managers are free to engage in international activities without the owners approval as long as they follow the strategic decisions that has been decided by the board. Major decisions like acquisitions, designing business concepts, divestments and strategic directions are examples of issues that require the boards involvement while smaller international activities that requires less resources and engagement can be handled by the managers themselves.

4.3.2 Internationalization

BIM Kemi started their first international activities in the early eighties. Perdin explains that the foreign sales were very small in the beginning, and that it has increased in an incremental manner since then. BIM Kemi has currently about 90 percent of their sales outside Sweden. The main reason for the international expansion in the beginning was that the company was very strong in a niche area and there was an obvious need for their products in other markets as well. BIM Kemi's international expansion started out in the Nordic countries at first, and then continued into Germany, the UK and some markets in Asia almost simultaneously or in parallel with each other. Perdin describes the expansion as somewhat unplanned.

“It was a little bit ad hoc, where the problems occurred.”

BIM Kemi sells their products to approximately 50 different countries today but there has been a change in strategy since 2008, where the company tries to focus more on

closer markets in Europe where there is a strong paper and pulp industry. The reason for this strategic change is explained by Perdin:

“The reason was mainly that we had to make a stronger strategic choice, because at that time we tried to follow too many value disciplines. We tried to be operative excellence, we tried to be in product leadership and at the same time customer intimate and these three are contradicting of course when you set up an organization.”

BIM Kemi has chosen to focus on customer intimacy as their main value discipline or strategy, as this is where they have their strong capabilities. With this value strategy, BIM Kemi had to change their geographical scope and focus their resources on a limited geographical area. Due to this reason, BIM Kemi has also closed down operations in North America and taken a more conscious approach in certain markets. Perdin mentions reasons for internationalization besides the purely commercial one.

“I would say that we have also travelled with our customers, the big Swedish-Finnish group have more or less invited us into other markets as well, so you could say it has been for a reason to support our bigger customers.”

Perdin also believes that it has been important for the owner’s family to make a strong foundation for the generations to come and also for the employees in the company.

4.3.3 Internationalization strategy

Perdin explains that he is responsible for designing the internationalization strategy used, but the approval of the strategy is done within the management team and by the CEO. The information is also provided to the board during this process.

“The owners have an advisory role when formulating the strategy but they are not much involved other than that. The strategic decisions and so on is taken within the

management. The CEO takes the formal decision to activate the strategy while i am responsible for implementing it.”

Perdin explains that the owner can provide a lot about historical perspectives that the management tries to listen in to and they also possess great knowledge about the competitive situation, so in that way they also “*secure some cornerstones*” for the strategy stipulated. The owners network is also open “*to a great extent*” for the management team to use. Perdin gives examples of contacts from the customer side and the technical advisory board that Wällberg runs and has opened up for the organization.

4.3.4 Owners attitude to internationalization

Perdin believe that the owners are generally positive and optimistic towards internationalization, maybe even more than the management team that at times can be a little bit more reluctant in certain ways.

“He has got a very optimistic approach for how we can internationalize, thats for sure.”

This has according to Perdin had a major influence on the internationalization activities in the past as the owners provide many relevant questions and inputs in terms of, for example resource allocation, costs and different ways of expanding.

“He always takes the customer need approach and is good at reflecting on geographic areas, and identify possible trends in the industry...”

“Even though he can have very strong opinions it is more about asking the right questions.”

4.4 Almi Invest

Almi invest is a VC company which invests in Swedish companies with various business models and motivated entrepreneurs. Almi Invest was founded by Almi företagspartner

and regional investors in 2009. Almi Invest is divided into seven different regional funds with local offices and experienced managers. Almi Invest manage about 1 billion SEK, where 50 percent of the money comes from the European structural funds and the other 50 percent from regional investors and Almi företagspartner. The initial investment would usually be 2-4 million SEK but can sum up to 10 million SEK during the lifetime of the investment. The investments are always syndicated with another investment partner, venture capitalist or angel investor from Sweden. Almi Invest always takes a place on the board with the ambition to be the minority owner, usually with 15 to 25 percent ownership in the company, however in certain occasions investment with 50 percent ownership can be obtained. The exit period for investments are seven years but Almi usually try to exit within five years. The yield generated from investments are reinvested into new businesses.

The interview was conducted with Tarja zu dem Berge who is the Fund Manager for the Småland region and the Swedish Islands.

4.4.1 Role of Owners

Almi Invest is usually not involved in the day-to-day business of the companies they invest in. On the question concerning Almi Invests day-to-day role as an owner, Berge states

“If everything goes according to plan, then there is little involvement needed. However, if problems occur then there is of course more involvement but we mostly have a monitoring role.”

The strategic decisions however are something that Almi Invest is involved in. In the initial state or before the investment is conducted Almi Invest are usually involved and concerned about the creation of a business plan for the company. When the investments have been conducted, any major decisions of the company needs to be negotiated at

board meetings, but Almi Invest trust that the business plan will be conducted as planned when the initial investment were made.

Almi Invest's role as an owner varies a lot depending on the company, but there is however certain aspects where they can provide support to the different companies. Finance issues are usually of great concern and therefore Almi Invest are always involved in the discussion with banks. Almi Invest also provide a network of other investors or board members with certain competences that can be of use in the different businesses. By doing this, Almi Invest opens doors for the companies that they work with.

Berge mentions the access to capital as an important advantage for the companies who use venture capital funding, especially when companies need to enter a market quickly.

“It is not always possible for the companies to have an incremental approach in all sectors and therefore it is important to have equity.”

A disadvantage of venture capital investments is the short term timeframe, since the venture capital companies needs to exit the investments after a few years. This is especially problematic in family owned businesses. Another disadvantage is the loose ownership when things are not going as planned, and there is a need for diluting the ownership further to gain access to capital.

The business plan is set in the investment stage for the companies that Almi Invest invests in. Apart from that, Berge states that the entrepreneurs know their company best, so they act in a fairly autonomous way. This must however be done according to the budget that has been set up. Almi Invest are not involved in the day-to-day decisions, however they will become involved if problems occur. Strategic decisions concerning, for instance, internationalization are however conducted on a board level. The companies that Almi Invest works with are free to conduct international activities that is of low risk, such as orders from abroad. The involvement needed from Almi Invest in solving problems depends to a great extent on the stage of development; in the

seed stage there is usually more involvement while there is less involvement in the more developed stages of the business.

4.4.2 Internationalization

About 80 or 90 percent of the 20 businesses that Berge works with are involved in some kind of international activities, but the Swedish market still serves as a good test market due to the homogeneity and curiosity among the customers. The speed of internationalization of the companies that Almi Invest works with varies a lot. Some are already exporting when the initial investment is made. Berge does however state most of the companies start some kind of international activities within one or two years.

“There is usually a focus on the Nordic countries to begin with, but again if there is only exporting or an agent that takes orders then international activities can also be conducted in earlier stages since there is little commitment needed.”

When much commitment is needed in the beginning, Almi Invest usually suggest a focus on fewer markets, since more markets demands more attention and resources from the company. The international activities conducted by the companies that Almi Invest works with are normally derived from purely economical interest since small companies have a lack of resources. However, when the companies grow and mature they may seek international activities for other reasons than the economic interest.

4.4.3 Internationalization Strategy

Every company has their own plan for how to conduct their business. This plan is usually for five years, but not so detailed. The companies have to plan since Sweden is a small market. The board in each company is involved in the decisions concerning internationalization and if there is a need for more capital it may also be an issue that concerns the shareholders of the company. The entrepreneurs conduct their plans and then they need to get it approved by the board in the company. Almi Invest is not

particularly involved in the internationalization strategy of the firm, but the entrepreneur needs to get it approved by the board which Almi Invest is present in, and then they take decisions from that point. Almi Invest use their internationalization experience in the companies that they work with by participating in meetings and decisions, utilizing connections both with government organization such as the Swedish trade council and also by looking for synergies among similar companies in their portfolios. Berge does however state that they could be better at using their contacts by “*sharing their network within Almi Invest*”. Some investments made by Almi Invest are just for internationalization activities conducted by the firm that they work with.

4.4.4 Owners attitude to internationalization

Almi Invest is usually very interested in the aspects that concern cost and time of internationalization.

“The internationalization usually takes more time than expected and more competences is required as well. There is a need for improving sales when going abroad, but this can sometimes be hard when companies meet intense competition.”

Almi Invest look at the potential for international activities in the initial investment stage, and they usually demonstrate this early in the process. It is important that the company have a goal or vision of internationalizing and that Almi Invest share that vision, otherwise they will not invest. Berge mention that she is generally positive towards internationalization and that it is a necessity for most firms to internationalize, but as it requires resources, it is usually a step wise process. It is better if they focus on increasing sales rather than just entering new markets. It is also a little bit different for the web based companies that Berge work with. Almi Invest does not pressure the companies to internationalize, it is more important that they follow the plan that they have set up. However, if the company does not follow the plan, Almi Invest will pressure them in the agreed upon direction.

4.5 Rapid Granulator

Rapid Granulator (Rapid) is a Swedish company dedicated to designing, manufacturing and selling an extensive range of granulators for in-plant recycling of plastic waste. It was founded in Bredaryd, Sweden, in 1942. Today, Rapid is still headquartered in Bredaryd, Sweden, which is also the home of the main manufacturing plant. Other plants operate in the USA, Germany, France, Italy, Singapore, China and Middle East. Rapid employs about 300 workers worldwide and operates in the business to business market. Rapid has a corporate blockholder called IPEG Inc. 'IPEG is a family of world-leading brands serving the global plastics and recycling markets. IPEG is also a corporate entity which provides best in class manufacturing and business support services to its brands' (IPEG homepage , 2013).

Our interview was conducted with Bengt Rimark, who is the director of sales and marketing for the whole Rapid Group.

4.5.1 Role of Owners

IPEG owns four groups, one of which being the Rapid Group. The management of both groups are interconnected, for instance the CEO of IPEG is also the chairman of the board of the Rapid Group. Rapid's parent company IPEG is not involved with the day to day running of the firm. IPEG's limited involvement focuses on the strategic level, not the operational level. The strategic decisions in which the owner is involved with are boardroom based decisions concerning long term issues.

“The board is involved in long term major decisions like, for instance, questions concerning investments, marketing and product development.”

Currently, as performance at Rapid is satisfactory, the owners role is mainly one of monitoring. IPEG will follow up on sales figures, and if performance is good then their role will remain as a form of supervisor. However, if performance is suffering and

revenues are down then the owners will become highly involved, as demonstrated in the past. The owners come to Sweden four times a year to conduct boardroom meetings to discuss strategic decisions for Rapid. Apart from this, Rapid has a high level of autonomy. Rapid run the firm independently as much as possible. Problem solving is decentralised for the most part, with only the toughest problems being dealt with by the owners. Rimark states that:

“...it does of course depend on the level of the problem, but usually it can be solved within Rapid.”

International marketing is also decided by Rapid for the most part, with managers being authorised to approach potential customers at trade fairs and market in new countries.

Rapid receives different forms of support from their owners. Financial support is always available, during the financial crisis Rapid required financial aid from the owners in 2009. However, the company is now financially self sustainable. Therefore, the financial support is now directed to international growth. Four companies have recently been acquired to allow for international expansion as well as to add different products to Rapid’s product portfolio. IPEG also passes its knowledge and expertise, allowing best practice to be passed to Rapid so that they can utilize the experience of their parent company. The main advantages of having a corporate blockholder according to Rimark has been the financial help to grow, not only into new countries, but also into new segments and markets. The owners have provided not only financial resources to allow this, but required competences and new product lines:

“...the financial help to grow and to find new segments is one of the major advantages, also when you need certain competences to extend the product line.”

Rimark cites the recent acquisition of four companies as why having corporate blockholders is advantageous for internationalization. Other advantages include discussions and brainstorming with knowledgeable persons, both on product and market knowledge. The owners are also adept at providing information on what Rapid’s

competitors are doing. Finally, the network of the owner has provided fruitful connections for Rapid, allowing the company to access and utilize IPEG's network.

“Brainstorming and networking is important, especially as they have good connections.”

The main disadvantages of having a corporate blockholder in internationalization is that Rapid becomes one company in a group of companies. One of Rapid's sister companies (inside the IPEG group) is one of Rapid's main customers. The sister company buys and then sells Rapid's products around the world. According to Rimark, not only does this create competition for Rapid, it also damages the relationship with the distributor. Another disadvantage of having a corporate blockholder for Rapid is the difference in business culture and philosophy between Sweden and American. Rapid has difficulty in explaining exactly what they need and how to work together with different cultures. Sometimes, Rapid has to filter the advice they receive from IPEG into what is suitable for the company and disregard the rest.

4.5.2 Internationalization

Rapid operated exclusively in their home market of Sweden for over twenty years before starting their internationalization in 1965. The company had achieved great success in Sweden with their granulators, and were the leading pioneer in their field. The process they offered to customers was effective and had a large demand in Sweden. Rapid realised that they had a good opportunity to achieve success in foreign markets and gain first mover advantage, hence their decision to internationalize. Rapid's internationalization continued in an incremental manner, exporting to Scandinavian countries and moving beyond. In 1977, Rapid established their first subsidiary in the USA. The USA market was a market with huge potential for Rapid, and more importantly, Rapid had the opportunity to work with a Swede who was already established in the USA. Language is often an important issue in internationalization for Rapid. English speaking countries are fine, hence the US being the first subsidiary. However, in other markets Rapid has issues with language barriers. Today, Rapid has

subsidiaries in six countries, and exports to over seventy countries. The choice of markets to enter is nearly always based on market and revenue potential. However, Rapid has a strategy of operating in North America, Asia and Europe to cover the time zones for their customers. This allows Rapid a window to provide a good service to every customer during their countries working hours. Another reason that Rapid has established itself in certain countries is to act as a hub for other markets. For example, Rapid entered Singapore to act as a hub for the huge market of China. The scale of internationalization for Rapid is extremely strong. Sales outside of Sweden are now accounting for 97% of all sales, and this is expected to rise to 98% next year. When Rapid first started its internationalization, foreign sales were relatively marginal. The importance has increased in an incremental manner, via continuously exported to new markets, acquiring foreign markets and building their customer base in existing markets. The selection strategy for internationalization is constantly changing and Rapid creates an annual strategy for international activities. This is however very fluid and dynamic, and is projected on what Rapid think will happen in the market, demand and the presence of their competition.

“Plans are reviewed every year, based on the projections of what we think will happen. We create long term plans on markets which we target and are looking to intensify in. However, this is very dynamic and can change depending on the market.”

4.5.3 Internationalization Strategy

The internationalization strategy is decided at a strategic board meeting which is held twice a year. In the meeting, proposals are made and a discussion takes place to analysis the merits of the strategy. Decisions are based on the capabilities that Rapid currently has and the level of resources that can be dedicated to the internationalization process. Depending on the decision, Rapid will decide to enter a new market, wait another year or enter the market via an agent. The strategic board meeting include Rapid’s CEO, managing director, CFO, external board member and the CEO of IPEG who is also Rapid’s chairman of the board. The internationalization decisions are taken by Rapid, however in practice the owners have more influence than one might suspect. The CEO of

IPEG shares a corridor with the owner of IPEG, and internationalization decisions are always discussed prior to the strategic board meetings. Therefore, as suggested by Rimark, it could be the case that the owners have a major influence on the decisions, and push the decision in the direction they desire. The owners actually provide very little advice on markets and internationalization strategy. The advice is limited to IPEG's home market of the USA, of which they only really have good knowledge. In actual fact, IPEG more often come too Rapid for advice on foreign markets. This is due to the fact that Rapid has extensive knowledge and experience of internationalization. Therefore, Rapid only really uses the owners network for the USA, of which they do provide extensive advice.

Internationalization is mainly financed from Rapid's profits, however IPEG did acquire four companies recently for Rapid. The major concern for Rapid when undertaking internationalization is the financial resources required. For a new market entry to be justified it has to be a safe scenario or the market must have a huge potential. The internationalization must be profitable in the short to medium term to avoid it becoming a burden on the company. For this reason, new entry tends to start out as a small activity and grow in stature. Rapid achieve this by either acquiring a small company and growing it, or via greenfield investment.

4.5.4 Owners attitude to internationalization

The owners are generally very positive for Rapid to undertake internationalization, provided that it is methodically planned and undertaken in the most appropriate manner.

“...I would say that they are positive if it is done in the right way.”

The owners are very concerned about the costs involved with internationalization. IPEG understand that financial resources are required to grow, and that internationalization will cost a lot. Therefore, it is not the amount of money that is of concern, rather the utilization of the costs involved. The owners would rather spend more to ensure it is

done right rather than limit the financial expenditure and risk failure. However, Rimark does feel that the owners are risk averse.

Rapid have never been pressured or forced to internationalize into any market. Rapid is always involved in the decisions. The recent acquisition of the companies for Rapid by IPEG provides an example of this. Rapid were consulted and involved in the decision making process from the outset, helping to identify the correct firms and being involved in the buying process.

5. Analysis



How firm ownership influences internationalization strategy

Why firm ownership influences internationalization strategy

The fifth chapter analyzes the empirical findings by using the theory and theoretically derived propositions of the third chapter. This chapter is divided into two main parts. The first section focuses on the ‘how’ part of the research question. This part shows how the ownership type influences internationalization strategy, demonstrating their scale, scope and speed. Once the how is established, this allows the ‘why’ part of the research question to be answered. Therefore, the second section concerns the ‘why’ part of the research question. Both sections end with key analyzations, which emphasize the findings and allow conclusions to be drawn.

5.1 How firm ownership influences internationalization strategy

The “how” section of the analysis will use the theoretically derived propositions to compare with our empirical findings and explicitly show how ownership types influence internationalization strategy.

5.1.1 Firm and Scale of internationalization

The scale of internationalization concerns the importance of foreign sales to a firm (Bartlett & Ghoshal, 1998). It indicates the decreasing dependency the firm has on it's home market in favour of it's international markets (Hilmersson, 2013). For owner/manager firms, theory states that the risk averse nature (Beatty & Zajac, 1994) and potential damage to future prosperity will cause a weak scale of internationalization. When ownership increases, the scale of internationalization decreases (George et al., 2005). The owner/manager in our case study is Luma Metall. Before the current owner/manager, sales came mostly from within the European open market. However, when Selwood took over control of Luma Metall, this changed to a more global perspective. Today, Luma Metall's sales abroad are extremely important to the company. Sales outside of Sweden make up the vast majority of Luma Metall's business, with the owner quoting a figure of 99 percent of sales being foreign. This indicates a strong scale of internationalization for owner/manager firms.

The other type of internal ownership is the family owned firm. Theory suggests that family owned firms will have a weak scale of internationalization, due to risk aversion caused by a strong stewardship attitude (Kontinen & Ojala, 2012). It will not pursue an aggressive internationalization strategy (Zahra, 2003). The family owned firm of Trebema confirms this theory. The scale of Trebema's internationalization is relatively weak. The importance of foreign sales fluctuates, however the percentage of sales generated abroad ranges between 15-25%, depending on the demand. However, another theory suggests that family owned firms are risk averse, and will therefore seek to maximise revenue in a limited number of markets, thereby reducing their risk (Zahra, 2003). This is the case for BIM Kemi, where foreign sales are tremendously important to the firm. Sales outside of Sweden account for 90 percent of total sales. This indicates a strong scale of internationalization.

For companies with VC investment, theory states that the VC involvement decreases CEO risk aversion (George et al., 2005). This influence has a positive effect on the scale of a firm's internationalization (George & Prabhu, 2003). However, within the case study of Almi Invest, the scale of internationalization varies a lot. This depends on the maturity of the firm and the product sold. In general, overseas markets are seen as important, while Sweden remains an important market for testing products and concepts. From the case study's empirical findings, the existing theory cannot be confirmed. However, nothing has been found to contradict the accuracy of established theory.

For corporate blockholders, theory states that the access to resources, distribution channels and financial help provided by the parent company will lead to a strong scale of internationalization (Fernandez & Nieto, 2006). In our study, Rapid is the company with a corporate blockholder. Rapid has a tremendously strong scale of internationalization. Sales outside of Sweden account for 97% of all sales, and Rimark (2013) expects this to rise to 98% next year. The importance of foreign sales to Rapid has been on a continuous upward curve since initially internationalizing. It has

increased in an incremental manner, via increased exports and foreign acquisitions. This confirms existing theory.

Both owner/manager and corporate blockholder firms have a strong scale of internationalization according to our case study. While it was not possible to confirm that VC firms have a strong scale of internationalization, the authors found nothing to suggest that this was not the case. Therefore, owner/manager, corporate blockholder and VC firms all have a strong scale of internationalization. The family owned firm Trebema was the only type of firm which has a weak scale of internationalization. Our findings confirmed existing theory, apart from the owner/manager type. Theory suggested that this type of firm should have a weak scale of internationalization. However, it was found that the owner/manager firm in our case study has a strong scale of internationalization, contradicting existing theory.

5.1.2 Firm and Scope of internationalization

The scope of internationalization denotes the international geographic reach of a firm's business, how many countries it has entered (Hashai, 2011). As stated in the theoretically derived propositions, internal ownership, being owner/manager and family owned firms, will have a weak scope. Internal owners often view internationalization as being costly and risky. A failure of the foreign operations could have a damaging effect on both their future wealth and career opportunities (George et al., 2005). Therefore, internal owners often become risk averse (Beatty & Zajac, 1994). Luma Metall operates in 35 countries including Costa Rica, China, USA, Germany and France. The drivers for choosing these specific markets were grounded on the application of their specific product and for economical reasons. The geographical aspect was and is less important for the internationalization strategy. The strategic choice concerns finding suitable businesses and using the business contacts the owner brought into the firm. To a certain extent, finding the right customer dictates Luma Metall's internationalization strategy. Based on the amount of countries Luma Metall is operating in, it can be said that the firm's scope is strong.

Theory states that the scope of internationalization of family owned firms will be weak. Family owned firms, such as Trebema, often view internationalization as being risky and costly and potentially wealth and career damaging (George et al., 2005). Therefore, internal owners become risk averse (Beatty & Zajac, 1994). There is also a negative relationship between family ownership and internationalization, which makes it harder to build a portfolio of strategic resources (Fernandez & Nieto, 2006). Family owned firms suffer from agency problems (Schulze et al., 2003), by having conflicts of interest arise, which are detrimental to the firm. This leads amongst others to risk aversion and being conservative. The firm will not pursue an aggressive internationalization strategy (Zahra, 2003). A lack of resources will, in addition, be a difficult factor towards internationalization (George et al., 2005).

The choice of countries for Trebema was mostly based on the fact that the firm had a solution to a problem, it was not previously planned. Later on, the driving force to internationalize was not demand only, but also gaining revenue and market share. However, the financial resources also influence the internationalization strategy, as Trebema only can use the money previously earned. The relationship between the family members has not influenced the firm yet. However, Trebema is aware of the risks, resources and time involved and therefore expands stepwise into new markets. Today, Trebema operates in 15 to 16 countries but has previously conducted business with up to 25 countries. Hence, Trebema has a medium scope of internationalization.

For BIM Kemi, another family owned company, the scale is identical to Trebema. BIM Kemi sells to 15 countries. Previously, the company operated in more countries, selling to Asia and North America. However, during the financial crisis, the company changed the overall strategy to become customer intimate. This requires a more geographic approach to market selection, as they have to be close to their customers to participate in servicing and mutual research and development. BIM Kemi therefore had to withdraw from certain markets. The scale of internationalization for both family owned companies can be characterised as medium.

The theoretically derived proposition state that the scope of external ownership is depending on the external strategic decisions and thus is neutral. The willingness to face risk does not affect the scope of internationalization (George et al., 2005). Additionally, VC involvement can accentuate influence on small firm internationalization (George & Prabhu, 2003), and lower a CEOs risk aversion, which has a neutral effect on the scope of internationalization (George et al., 2005). VCs understand that smaller firms have limited resources, and it is more favourable for the firm if these resources are leveraged into a few markets (George et al., 2005). Resources are an important factor for internationalization for Almi Invest. Depending on how much commitment the internationalization process requires, Almi Invest is involved in different ways in the process. If much commitment is needed, Almi Invest suggest the internationalizing firm to focus on fewer markets, since more markets demands more attention and resources and hence are more risky. Fierce competition in the foreign market also plays an important role. In general, Almi Invest suggest focusing on the Nordic countries in the beginning. This is the reason why the scope of internationalization generally is weak. By focusing mostly on the domestic market and the near surroundings, the scope of the firms stays small, despite VC involvement.

The theoretically derived propositions state that the scope of corporate blockholder ownership depends on the external strategic decisions, and thus is neutral. Rapid has a corporate blockholder ownership. The firm has subsidiaries in six countries, and exports to over seventy countries (Rimark, 2013). According to Rapid's website, the company supplies about 150 countries worldwide. The market selection is based upon economic rationale decisions, such as market and revenue potential, to serve customers better or to act as a hub for other markets. The strategy is constantly changing due to competition and demand and the owner has little influence on the scope of internationalization. Based on this, the scope of internationalization is strong.

It is found that the scope of internationalization for owner/manger firms is strong, due to business contacts and customer orders. In comparison, family owned firms have a medium scope, which is mainly due to risk aversion and resource constraints. The external and corporate blockholder on the other side shows an interesting pattern. Due

to different strategic decisions, the scope is weak for the former and strong for the latter firm. All examples indicate the importance of the strategic decision maker within a firm. Furthermore, it is also found that the scope of internationalization is not completely in line with theory. First of all, the owner/manger firm is strong instead of weak and the family owned firm also shows a stronger tendency than theory suggests.

5.1.3 Firm and Speed of internationalization

The speed of internationalization refers to the rapidity at which firms spread their international activities between different country markets. Theory states that the speed of a firm's internationalization is calculated by dividing the number of markets entered by the time it takes to enter them (Hilmersson, 2013).

Theory states that internal ownership will cause a slow speed of internationalization. This is due to the owners being risk averse (Beatty & Zajac, 1994), causing a cautious internationalization process (Kontinen and Ojala, 2012). Luma Metall was founded in 1935 and almost immediately started internationalizing. Therefore, the speed of internationalization from their inception can be regarded as being quick. However, due to the historical nature of Luma Metall's internationalization, the current owner and senior manager were unaware of where the company internationalized in their early years. However, the authors do know that the company internationalized in an incremental manner, so the speed once Luma Metall started to internationalize can be characterised as slow. Prior to the current owner/manager, Luma Metall's incremental internationalization took them to Europe and Japan. Luma Metalls pathway of internationalization was incremental. All in all, the speed from inception can be viewed as being quick, but the speed of internationalization rather slow and incremental.

Another internal firm is Trebema, which also indicates a slow speed of internationalization. Viewing internationalization as being costly and risky makes family owned firms risk averse (Beatty & Zajac, 1994; George et al., 2005). Additionally, stewardship attitude also contributes to risk aversion, leading to an incremental

approach to internationalization (Kontinen & Ojala, 2012). Trebema, which was founded in 1974, was not involved in international trade until 1995, after a trade fair which started with exporting. After its first years of internationalization, the firm operated in five different countries. However, resource constraints, especially financial, forces Trebema to internationalize step-wise and not rushed. In sum, the speed of internationalization from inception is slow, whereas the speed from internationalization is quick, and therefore suggests a born-again-global pathway.

BIM Kemi is another internally owned family company. Therefore, theory again dictates a slow speed of internationalization. The company was founded in 1973, and started its internationalization in the early 1980s. Due to the historic nature of the required information, the BIM Kemi manager was unaware of the exact date. Internationalization started in Scandinavian countries, and then progressed to other European countries, such as Germany and Great Britain in an incremental manner. Therefore, the speed of internationalization was slow from inception and slow once internationalization had begun. BIM Kemi's internationalization pathway is incremental, exporting to geographically close, similarly cultural countries.

External ownership will cause a quick speed, which is found in theory. External owners provide firms with necessary resources needed for international expansion (George et al., 2005). The payback time for VCs is rather short (George et al., 2005), leading to the assumption that the internationalization process will be quick. Most firms Almi Invest works with are involved in international activities, but often the internationalization starts before Almi Invest is involved with the company. The speed of internationalization varies a lot between Almi Invests' firms. However, most firms start international activities within two years. Resources are important to Almi Invest and the VC is aware of the risks involved. Therefore, the strategic decisions taken vary from firm to firm. A tendency towards a quick speed from both inception and internationalization can be seen, depending on the strategic decisions taken, as well as a tendency towards a born global pathway.

The theoretically derived propositions states that corporate blockholder ownership will cause a quick speed. Corporate blockholders have a positive effect on internationalization. The larger holding company is likely to spur quick internationalization, by providing resources, access to distribution channels and financial help (Fernandez & Nieto, 2006). Rapid started their internationalization in 1965, 23 years after their establishment. Therefore, their speed of internationalization from inception is slow. Due to the historical nature of Rapid's internationalization, the senior manager was unaware of the exact details of their early internationalization. Although, it was stated that Rapid's internationalization started in Scandinavia, in an incremental process. This also indicates a slow speed of internationalization.

A discussion on Rapid's internationalization pathway can also be made. The company has aspects of a born-again global pathway. Rapid was founded in 1942, but did not start any international operations until 1965, a gap of 23 years. Born-again global companies solely focus on their domestic market but suddenly embrace internationalization (Bell et al., 2003). This was the case for Rapid. However, the company's approach to internationalization was very much within the Uppsala model of incremental internationalization. Rapid started exporting to Scandinavian countries and then moved further afield. Once knowledge was gained, Rapid felt comfortable to establish a subsidiary in the USA. This suggests an incremental internationalization pathway. To sum up, it can be stated that the speed from both inception and internationalization is slow and incremental.

When comparing the ownership types' speed from inception, it was found that both owner/manager and VC's have a quick speed. Whereas family owned firms and corporate blockholders have a slow speed. However, this changes once the speed of internationalization is measured. This time, owner/manager and corporate blockholders have a slow speed of internationalization, whereas family owned and VCs have a quick speed. In terms of internationalization pathways, the internal ownership, being owner/manager and family owned, took a born-again-global or incremental pathway. The VC generally took a born global, whilst the corporate blockholder took an incremental process of internationalization.

5.1.4 Returning to propositions

Previously, theoretically derived propositions were developed to aid our analysis, to show what theory stated, and how this relates to the empirical findings. Having conducted the analysis on how firm ownership influences internationalization strategy, the authors have reason to revise the theoretically derived propositions. The authors firstly state the theoretically derived propositions, then how the findings have revised them.

TP1. The internal ownership type will cause a weak scale and scope of internationalization and a slow speed of internationalization. It is most likely to take an incremental pathway to internationalization.

For TP1. our findings have indicated that owner/manager firms actually have a strong scale of internationalization. The findings from family owned firms both confirm and deny the previous propositions, with results varying between both companies. In regards to the scope, our findings are again different from the previous propositions, with family owned have a medium scope, and the owner/manager have a strong scope. The speed varies between the internally owned firms, with speed from inception both slow and quick, and the same was also found with speed of internationalization.

TP2. The external ownership will cause a strong scale and a quick speed of internationalization, whereas the scope depends on the external strategic decisions. It is most likely to take a born global pathway of internationalization

The findings in regards to VC investment mostly confirm TP2. The scale of VC firms is strong, and the speed of internationalization is quick. The theoretically derived proposition stated that the scope depends on external strategic decisions, and was likely to be neutral. It was found that VC firms have a weak scope of internationalization.

TP3. The corporate blockholder will cause a strong scale and a quick speed of internationalization, whereas the scope depends on the external strategic

decisions. It is most likely to take a born-again global pathway of internationalization.

The findings confirm that corporate blockholders will have a strong scope. Again, the scope depends on the external strategic decisions. In this case, the scope of internationalization was strong. The theoretically derived proposition stated a quick speed of internationalization, however it was found to have a slow speed.

Structure	Type	Scale	Scope	Speed from inception	Speed from internationalization
Internal	Owner/ manager firm	Strong	Strong	Quick	Slow
	Family owned firm	Weak/ Strong	Medium	Slow	Quick/Slow
External	Venture capital investment	Strong	Weak	Quick	Quick
Combination	Corporate blockholder	Strong	Strong	Slow	Slow

Figure 3. Revised Key Constructs. Developed by the authors.

The slash in family owned firms represents the different findings from both case companies. Trebema is written first, and BIM Kemi is written last. The previous key constructs left the majority of the speed blank, as previous studies have not revealed much in this aspect. Now, both speed from inception and internationalization have been filled in.

5.2 Why firm ownership influences internationalization strategy

Now that the authors have established how internationalization strategy is influenced the following sections seek to understand why firm ownership influences internationalisation strategy.

5.2.1 Corporate governance influence on internationalization

Luma Metall has a very traditional owner/manager governance system. The owner is also the chairman of the board and CEO. This gives the owner massive influence over the direction of the company, and veto power over decisions taken by management. This makes the corporate governance of Luma Metall rather weak, with the owner having a huge influence on strategic decisions. Whilst the management team has a high level of autonomy, this limited governance system can override their decisions. This allows a clear and long term focus to prevail throughout the company, allowing the owner to direct the internationalization strategy with his positivity. By having one final decision maker, Luma Metall has an extremely positive internationalization strategy. However, this can obviously alter from owner/manager to owner/manager, depending on their attitude to internationalization. Luma Metall is influenced by their owner having a positive attitude to internationalization.

The two family owned firms of our case study have slightly different levels of corporate governance. Separating ownership from management has become the norm in most firms, except those that are really small (Johnson et al., 2011). This is the case for Trebema. The company has eight employees, with three making up the family owners and management team. The three owners also make up the company's board. Therefore, Trebema's owners, managers and board members are responsible for internationalization decisions. Having such a weak system of corporate governance means that decision-making and communication within the company is extremely quick. This quick decision-making could explain how Trebema undertook such a rapid pace of internationalization once the decision to move abroad was made. If an

opportunity was identified, the company was quickly able to take advantage, without having to arrange board meetings or have in depth and timely discussions.

Many family owned firms have a few family member that are present as managers (Johnson et al., 2011). This is the case for BIM Kemi and Trebema, the difference lies in BIM Kemi having non family members playing an important role within the company as well. This is perfectly illustrated by the founder and majority owner now operating in a role which requires him to answer to a non family member in his company. This means that the company has a clear organizational design, with non-family members having an influence in decisions.

The board of BIM Kemi is comprised of two family members and two external members. As certain decisions need board approval, the decisions are heavily influenced by non family members. Internationalization decisions of the company are influenced by employees who do not share the risk averse nature and stewardship attitude which comes with being a family owned firm. However, despite having non family members involved with decisions, BIM Kemi's internationalization is characterised by traits synonymous with family owned firms. According to theory, family owned firms seek to maximise revenue in a limited number of foreign firms, leaning on the cautious side of internationalization (Zahra, 2003). Despite having non family members involved in internationalization decisions, the corporate governance of BIM Kemi is still influenced by family members, leading to a cautious internationalization strategy.

VCs provide non-financial support through advices and governance, leading to better performance than firms without VC funding (Harding, 2002). As Almi Invest is a VC, which invest in Swedish firms, Almi Invest always take a place on the board with the ambition to be the minority owner, which is usually between 15 to 25 percent of ownership within the firm.

The distributed ownershare influences firms' performance (Berle and Means, 1932). The fact that Almi Invest has a place on the board and possesses ownership, leads to a

certain influence on the decisions taken within the firm, as demonstrated in the role of ownership.

Theory states that when a small firm gives equity to a larger firm, the corporate blockholder will expect a change in the firms' corporate governance. All conflicts of interest will have to be eradicated. Formal control systems will have to be implemented. Qualified staff will have to be employed and effective structures and management systems will need to be put in place. The corporate blockholder will implement a more complex chain of governance as well. This should all favour internationalization (Fernandez and Nieto, 2006). This level of corporate governance is found within Rapid. Management systems are in place, as is a chain of governance, which connects the senior management of Rapid to IPEG. For instance, the CEO of IPEG is the chairman of the board for Rapid. Formal control systems have also been put in place. Currently, Rapid's owner is more of a supervisor, monitoring performance. In practice, this allows Rapid a certain level of freedom within the day-to-day running of the firm. As performance is satisfactory, the owner is willing to sit back and monitor sales and profits. However, the control systems put in place mean that IPEG will become highly involved within Rapid if performance is suffering. Therefore, the impact this corporate governance has on internationalization is actually rather significant. IPEG do not get involved within the day-to-day activities of Rapid, but are highly involved with strategy, including internationalization strategy. The management system put in place means that long-term issues are decided at boardroom level. Rapid's owner sits on their board. Therefore, decisions including investments made, marketing decisions, product development and internationalization are all influenced by the owner.

The formal control and management systems put in place at Rapid are likely to influence internationalization. By having a clear chain of governance involving IPEG, the risk averse nature of the owner is likely to influence internationalization decisions. From this, it can be assumed that the methodological planning of internationalization and the incremental approach which is a consequence is partly caused by the corporate governance put in place.

The impact of corporate governance on internationalization varies a lot between the different ownership types. For the owner/manager firm, the corporate governance was weak, the owner has the final decision on internationalization. This allows Luma Metall to be heavily influenced by their owner. For this company, this results in a positive outcome on their internationalization strategy, causing a strong scale and scope of internationalization. However, it should be stressed that this will not be the case in every owner/manager company. It happens that the owner of Luma Metall is generally very positive to internationalization. However, if the owner was not positive to internationalization, the weak governance system would allow the owner to influence the strategy in a negative way. In regards to the family owned firms, the firms either have a very weak level of corporate governance, or still allow the stewardship and risk averse nature to influence their decisions. For Trebema, having a board comprised of the owners allows for quick decisions. This has caused a quick speed of internationalization, once the decision was made to enter foreign markets. However, the typical family owned caution to internationalization is still found at Trebema, with a weak scale and medium scope of internationalization. For BIM Kemi, despite efforts to diversify the management and board with non-family members, the internationalization is still cautious. Moving on to VC backed firms, the corporate governance is expected to be good. Almi Invest always take a place on the board of the companies they invest in. This allows them to provide advice and influence decisions on internationalization, usually in a positive manner. Therefore, the corporate governance of VC backed firms means that major decisions have to be taken with board approval, allowing Almi Invest to influence the internationalization decisions, usually positively. Finally, the corporate blockholder firm has a strong degree of corporate governance. The chain of governance allows the owner to influence the internationalization strategy. As the owner is risk averse, it results in a cautious approach to internationalization for Rapid, with an incremental manner due to the excess planning required by the parent company.

5.2.2 Role of ownership in internationalization

In owner/manager firms, two problems typically arise, as stated in agency theory. Firstly, agents, being the owner, are concerned about their future career, which is based on the

well being of the firm. This causes risk aversion. Secondly, an ‘incongruence’ of goals appears (Eisenhardt, 1989). Owners often view internationalization to be too risky and costly (George et al., 2005). However, within the case of Luma Metall, the findings are not in line with theory. The owner and CEO is less risk averse than theory suggests. As he is very positive towards internationalization, he tries to enhance the operations by providing knowledge of markets in general and knowledge about people in his network that he has established in his previous work. Moreover, allies in several companies are available, which have been important for Luma Metall’s business, facilitating the success in that area. Risk, time and cost of internationalization are less problematic for the owner, which is seen as a necessity in internationalization. Risk aversion is not present.

Selwood’s tasks within the firm concerns coordinating the management teams, and as the management teams are fairly autonomous, his job is more to supervise everybody within the firm. This also involves setting the overall goals and choosing the direction of the firm. So he is not involved in the day-to-day business, but he has veto power concerning major decisions. Therefore, Selwood has a major influence on the internationalization strategy.

It is shown that if the CEO’s ownership in the firm increases, the tendency towards taking risks decreases (Beatty & Zajac, 1994; Denis et al., 1999; Zajac & Westphal, 1994), causing a conservative approach to exploiting opportunities abroad. Therefore, it is found that as CEO and TMT ownership increased, the scale and scope of internationalization decreases (George et al., 2005). The internationalization process is rather incremental (Bell et al., 2004). CEOs may view internationalization as a possibility to build a legacy or to access profitable gains from a strong international presence. Certainly, continuous growth and increasing value of the firm is a major reason of Selwood’s increasing involvement in the business. This has however not influenced the internationalization of the firm. Despite Selwood’s increased involvement within the firm, the internationalization has not been affected negatively. Due to his positivity and overall input into the firm, Luma Metall has a strong scale and scope of internationalization.

Resource constraints, which often are present in smaller firms, make operations more difficult for firms (Johanson & Vahlne, 2006). Indeed, a lack of resources and the small size of the firm are stated as major disadvantages. Restricted access to capital is also sometimes problematic. However, there is a clear willingness to invest the resources available in order to expand further.

Family owned firms are run by family members of one family or several families (Stern, 1986). Trebema is run by three siblings, with each sibling handling one particular area in the business. A fourth area is shared between them. The ownership of the firm is equally split into 33 percent each and there are no separate managers. Therefore, the three owners function as managers at the same time.

A strong sense of duty to their family members is very common in family owned firms, which causes a more cautious internationalization process (Kontinen and Ojala, 2012). However, this also creates conflicts of interest between family and business, which has a negative effect on internationalization (Fernandez and Nieto, 2006). Yet, conflicts between the siblings have not been an issue. Trebema distinguishes the several areas of business and therefore the strategic decision-making between the three owners is quite independent. Every member is responsible for their area. However, greater decisions are handled by the board. Strategic questions involve an external consultant for support. However, the siblings are free to engage in international activities on their own as long as it is not involving major decisions. So the internationalization is highly directed by the decisions taken in the board, which is solely made up by the owners.

BIM Kemi's owner is also the founder of the firm. He possesses the majority share and is a member of the board. His day-to-day role is a rather free role from an operative perspective. He acts as a soundboard for the research and development and for other functions in the organization such as the network and sales. Since the owner is an entrepreneur with much knowledge and creativity, he can provide valuable input in many different aspects for the firm. Especially the soundboard, which the owner established as an excellent tool for generating and bouncing ideas.

The owner is very much involved in the business, however the main task is being active in the soundboard, giving advice for internationalization decisions taken by the management team and the CEO and fulfilling his work on the board. This means that he is not involved in the execution of all strategies, but rather discusses them. Despite the high autonomy of the management, the owner has a high influence on the strategy through his position on the board. The fact that his daughter has a seat on the board and there are some more family members involved in the business has not created any conflicts yet.

External owners often play an important role in strategic decisions. Future strategies are closely communicated with the management and also reviews regarding investment decisions and board support lead the firm into the VCs desired direction (George et al., 2005). Moreover, VC involvement can enhance the influence on internationalization (George & Prabhu, 2003). Strategic decisions require Almi Invest's involvement. This happens through the creation of a business plan and negotiations on board meetings. The Swedish market size also impacts Almi Invest's decisions towards internationalization. The entrepreneurs' conduct their plans, which first need to get approval by the board. Therefore, Almi Invest has great influence on their firms' internationalization strategy and controls the direction of scale, scope and speed.

The influential capacity by the corporate blockholder has a positive effect on firms' internationalization (Fernandez and Nieto, 2006). Benefits should include access to technological, commercial and organizational knowledge (Allen & Phillips, 2000). Within Rapid, this influential capacity is executed at strategic board meetings. Although the decisions are made by Rapid, Rimark (2013) thinks that the owner has more influence than one might suspect. The owner and CEO of IPEG are very close and potentially discuss international strategy before the board meetings. In practice, this means that an influential member of Rapid's board is potentially pushing the decisions in line with what the owner wants. However, when it comes to developing the strategy, the owner provides very little advice. Rapid actually have more experience of internationalizing, and better knowledge of most markets. Therefore, one theoretical benefit of having a corporate blockholder is not realised by Rapid. In practice this means

that Rapid is responsible for designing the strategy, but the owner will give final approval. This is in line with other strategic decisions and investment decisions. The influence that the owner has then is on the finances required to enter the market, rather than where to go. The internationalization must be profitable in the short to medium term to avoid it becoming a financial worry in the future. Therefore, internationalization into a new market tends to start out as a small activity, either by acquiring a small company and growing it, or via greenfield investment. Therefore, the major influence that the owner has on Rapid is its risk averse nature to internationalization.

In terms of internationalization selection strategy, Rapid is always selecting markets based upon purely economic rationale decisions. This is either market and revenue potential, to act as a hub for other markets or to serve customers better. The strategy that Rapid has is constantly changing based on the market, demand and the presence of their competition. The owner has very little influence in this aspect of Rapid's internationalization strategy.

It is common amongst corporate blockholders to provide financial resources or capital (Fernández & Nieto, 2006). Rapid receives financial support from their owner. This can come in the form of aid if the company has made a loss, which happened in 2009, or as capital to aid internationalization. IPEG bought four foreign companies for Rapid, to assist internationalization and to add to Rapid's product portfolio. The technological and organizational knowledge which the owner possesses is also passed to Rapid. This comes in the form of best practice in both manufacturing and business support services. Knowledge is also passed via discussions and brainstorming with IPEG staff. Commercial knowledge is passed, with the owner being very adept at providing information on competitor behaviour. IPEG's network is also accessed by Rapid, providing opportunities for possible customers and market knowledge. Although this is only really utilized in the USA. However, some things provided by the owner are not so welcomed by Rapid. The difference in business culture between the Swedish Rapid and American IPEG makes some advice unsuitable, and Rapid has difficulty in explaining exactly what they want from IPEG. This can cause problems with IPEG deciding on

strategy with Rapid. Being part of IPEG's network can also cause Rapid problems, by having competition within the IPEG group.

The financial resources provided by the owner are likely to cause a strong scale and scope of internationalization. By acquiring companies and providing extra finance, Rapid is able to enter new markets and increase the number of customers and sales, which therefore increases the importance of each market. Having access to the owners network is likely to positively affect internationalization, although in the case of Rapid, this is only really beneficial in the USA. The technological and organizational knowledge passed to Rapid could also aid in competitive advantage, allowing Rapid to gain new customers. This could also have an affect on internationalization. However, one negative aspect which could influence internationalization is the difference in business culture. By having difficulties in explaining goals and objectives, this could slow internationalization down, and cause unnecessary planning for Rapid. This might serve to explain the incremental internationalization which Rapid has undertaken in the past.

It is found that the ownership of a firm is highly influencing and directing the internationalization strategy, which is common for all interviewed firms. For Luma Metall this mainly concerns the coordination of the management teams, supervision and choosing the direction of the firm. The owner is not involved in the day-to-day business, but for major decisions he has veto power. Therefore, he has a major influence on the the internationalization strategy. Going on to the family owned firms where two differing examples were found. Trebemas three owners function at the same time as managers and are in charge of their own part of the business. Strategic decisions require the involvement of the board. The board, however, is solely made up by the owners, which indicates that they are the major influence on the internationalization strategy. BIM Kemi, the other family owned firm, has distinct managers from the owner. His role is described to be more advisory and being active in the soundboard. As strategic decisions are taken by the management team and the CEO, he is not involved in the execution of all strategies. However, due to his seat on the board, he is giving the approval to strategies and therefore has a large influence on the internationalization strategy. VC investors also have a high influence on the internationalization strategy.

This is due to the fact that future strategies are closely communicated with the management and as VC investors have a seat on the board, the firm is led in the VC's desired direction. In addition, the creation of a business plan and negotiations on board meetings support the VC's set goals for the firm. Corporate blockholders such as Rapid follow the strategic decisions given by the owner. The board pushes the firm in line with what the owner wants. The owner's role is to give approvals for strategies, such as the internationalization strategy.

5.2.3 Influence of autonomy on internationalization

Theory states that a company can take two approaches in regards to autonomy, either delegate strategic decisions to management or the owner and/or board can fully engage with the management process (Johnson et al., 2011). Within Luma Metall, the level of autonomy is more in line with delegation, with the caveat that major strategic decisions need to be approved by the owner. The day-to-day running of the firm, international marketing and travel can all be done autonomously. However, investments and expensive marketing projects are examples of decisions which require authorisation. Therefore, the owner actually has a lot of influence over internationalization decisions within Luma Metall. This allows the owners positive attitude towards internationalization to come to bear on the company.

Trebemas three owners function as managers at the same time. In theory, family owned firms have certain advantages, such as flexibility, long term orientation, speedy decision making and a family culture, providing a sense of pride and commitment to the firm (Zahra, 2003). However, sometimes family firms have blurred separation between business and personal objectives. There is a constant conflict to keep harmony within the family (Davis & Tagiuri, 1991). However, this seems not to be the case for Trebema. Certainly, for Trebema it might sometimes be hard to distinguish personal issues from business issues, but each sibling has their own area and owns 33 percent of the firm and can work independently, issues can at least be kept in the business. Each business area can be run without the siblings involved, which also includes smaller decision in

internationalization. The board is responsible for major decisions, which indicates that such decisions are taken in agreement.

BIM Kemi, which also is a family owned firm, is different to Trebema as there are managers distinct from the owner. This means that the execution of strategic decisions is conducted by management. The managers are not very dependant on the owner of the firm. International activities can be started independently. However, the board gives the instructions on how to do it and the managers get constant feedback from the owner in order to receive consent on their actions. Strategic decisions, such as acquisitions, divestments, major issues or changes in strategic directions, business concepts design and actions with significant impact on for instance equity must be permitted by the board. Strategy approvals are done by the management team and the CEO. The owner only has an advisory influence in this case, but as he is a member of the board, he is still able to influence the business according to his preferences.

For VCs, management decisions are surveilled by governance systems (Zahra et al., 2000). Also, external owners have an influence on the strategic behaviour of firms through public influence or persuasion (Tihanyi et al., 2003). This leads to better decision-making by firms (George et al., 2005). So according to theory the firms are quite controlled by the VC investor. A bit contrary to the empirical data in this study, Almi Invest is less involved than supposed. The VC is not involved much in the day-to-day role, if everything goes according to plan. Even if problems arise the VC has more of a monitoring role within the firm. The firms can conduct low risk international activities, such as exports, freely. So the managers are fairly autonomous. Communication is then the key to a good relationship, which ensures that the firm conduct business in Almi Invests' desired way.

Regarding corporate blockholders, theory states that when a firm shares its capital with a larger firm, it should receive the benefits of strategic resources whilst maintaining direct control and supervision (Fernández & Nieto, 2006). In practice, this is only partially correct. Rapid has a high level of autonomy. The firm is run independently as much as possible, with problem solving mostly decentralised. International marketing is

also decided by Rapid for the most part. However, all major strategic decisions are decided at the boardroom, with the owner being able to influence proceedings.

Although Rapid does have a significant level of autonomy in their day to day proceedings, internationalization is still very much influenced by the corporate blockholder. This allows their attitude to internationalization to affect decisions, such as being risk averse.

There are some differences in the level of autonomy between the case companies in this study, which to a great extent can be explained by the ownership type of the different firms. Most of the differences can be explained by the nature of how work has to be divided if the company has internal or external owners. It is easier for internal owners who are involved in the day to day business of the firm and available at the workplace to engage in the management process by consulting and discussing with other owners or with the managers in the company. This may at certain times decrease the level of autonomy among managers in the family owned and owner/manager firms. The degree of autonomy among managers in firms with internal ownership does not have to be as clear as with external owners.

Companies with external ownership have to have a clearer structure concerning the autonomy of the managers in the company as the owners can not, nor desire to, always be involved in all decisions taken in the company. Instead, external owners often delimit their involvement to decisions that may threaten their investment or change the strategic direction of the company in a major way. Therefore, corporate blockholders and venture capital ownership requires a clearer structure concerning decision-making and the level of autonomy among managers.

Some overall similarities concerning decision making in the organizations seem to be evident among all the case companies in this study, regardless of ownership type. Any major decisions that requires much resources or engagements that require a great deal of time from the companies needs to be decided on at board level, even if the owners play an active role in the actual operation of the firm. Also, changes that will affect the

strategic direction of the companies are a matter for the members in the board for all the companies. The managers in all the companies are allowed to engage in international activities without the owner's consent as long as it does not require a great deal of resources.

5.2.4 Owners' attitudes influence on internationalization

The majority owner may view internationalization as too risky for their future personal income stream, where as an investor with a diversified investment portfolio may view internationalization as value creating (George et al., 2005). Other studies have shown that as the CEO's ownership in the firm increases, their propensity to take risks decreases (Beatty & Zajac, 1994; Denis et al., 1999; Zajac & Westphal, 1994). This risk aversion is likely to cause a conservative approach to exploiting opportunities abroad, as owner/managers view foreign expansion as an activity which has high costs and risks (George et al., 2005). However, with the case of Luma Metall, the findings are not in line with established theory. The owner states that he is positive towards internationalization, whilst a senior manager at the firm states that the owner is "very positive" towards internationalization. The same manager affirms that the owner is "definitely not" risk averse. For Luma Metall, having a positive attitude to internationalization is vital for success. The company operates completely outside of their home market, for the simple reason that there are very little customers in Sweden. If Luma Metall were risk averse, they would be severely limiting their market. This is something that the owner completely understands, and tries to instill into all his staff. Therefore, having a owner who understands the need to move abroad has a massive influence on Luma Metall's internationalization strategy. It has changed the company culture to one that is confident to internationalize, knowing they have to go abroad if the company is to not only prosper, but also survive.

The owner of Luma Metall has created a company culture which is continuously seeking to internationalize. Adolfsson, a senior manager at Luma Metall, thinks that the owner has no problem with the time or costs involved in internationalizing. Having a senior manager state this really shows that this company culture exists. Provided that the

resources are available, Selwood will always push for internationalization. However, being positive towards internationalization does not result in pressure by the owner to move into new countries. Senior management understand that there is no option but to internationalize if they are to survive.

The positive attitude, which is expressed throughout the whole firm, has a positive effect on the internationalization strategy of Luma Metall. Having a sole owner, who is passionate about internationalization and has a low level of risk aversion, has led to a strong scale and scope of internationalization. Resources are made available from company profits for international operations. The marketing department, as tasked by Selwood, is continuously on the lookout for international customers. The company culture instilled by Selwood has also aided the scale and scope of Luma Metall's internationalization.

Family owned firms, also often view the international expansion as being risky, costly and future wealth, as well as future career opportunity, can be threatened (George et al., 2005). This causes risk aversion (Beatty & Zajac, 1994). A strong stewardship attitude present in family owned firms also contributes to risk aversion and leads to an incremental approach to internationalization (Kontinen & Ojala, 2012), a weak scope of internationalization and a non—aggressive strategy (Zahra, 2003). One driver of internationalization is gaining revenue and market share, but Trebema internationalizes in a stepwise manner. The financial possibility influences the internationalization strategy as they can only use the money they previously have earned. So the expansion is mostly due to the resource and especially financial constraints of the firm. According to theory, a high proportion of the owner's wealth is invested in the firm, making the firm risk averse (Demsetz & Lehn, 1985) and this generally results in weaker growth (Harris et al., 1994). Indeed, the scale of internationalization is weak. Even if Trebema is positive to internationalization and sees the need to internationalize, the owners are aware of the risks involved, such as competitors and potential money losses. To ensure a safer internationalization, Trebema incrementally uses its resources for the expansion and makes calculations before and after the internationalization. In addition, Trebema

expresses its risk aversion through business practises such as cash before delivery and the next order can only be delivered if the first one has been paid.

Another family owned firm is BIM Kemi. As opposed to theory, the firm or rather the owner is not so risk averse, but rather opportunistic and open to explore. The overall attitude can be described as positive, which is reflected in their customer intimacy approach and their search for possible trends. Therefore, the scope of internationalization is rather medium than weak, as the customers build the foundation of the internationalization strategy. The speed is slower than Trebemas, which may be due to the more complex chain of governance, which requires approvals for strategies. Trebema's owners function as managers at the same time, which increases the flexibility and the speed of decision taking.

The BIM Kemi owner is aware of the risk and costs and time involved in internationalization. Limited and lacking resources is apparently not as big an issue for BIM Kemi as it is for Trebema, which may be because of the owners entrepreneurial spirit and the bigger size of the firm. Karadeniz & Göcer (2007) describe in their paper that the larger a firm, the more able is it to commit to international operations as there are more resources available. So BIM Kem's owners attitude to internationalization is very positive, however this is not particularly reflected in the internationalization strategy, as the speed and scope are still slow and medium, but the scale strong. This indicates that there are other factors, which are more influential for BIM Kemi, such as the choice of value disciplines.

VC involvement can lower a CEO's risk aversion (George et al., 2005). Almi Invest has no risk aversion. Internationalization is regarded to be a necessity, but as it takes a lot of resources, it has to be conducted in several small steps. In addition, before this process is conducted there is a need of a goal or vision of internationalizing, which needs to be approved by the VC. Otherwise the VC will not invest in the firm. Following the plan is also very important to ensure that the firm goes in the desired direction.

Firms with VC investment get financial and managerial support (George et al., 2005). So the biggest advantage is the availability of finances and other resources, which help the firms to grow. As VCs invest a lot of resources, finance is a major concern of Almi Invest. Finance concerns the time and cost of internationalization. Therefore, Almi Invest looks at the potential for international activities already in the initial investment stage, as the Swedish market is small. Even if the payback time is short, the concerns about the invested resources often lead to a stepwise internationalization as Almi Invest is aware of the risks involved.

Almi Invest is generally positive towards internationalization and they try to support the firms as much as possible, as it is regarded to be important. However, because of the risks and resources involved, which are the main influences in the decision making, the VC monitors and prepares the internationalization process carefully. Almi Invest is aware of the risks involved in internationalization, and therefore, each firm is handled individually. For instance, if the competition in the foreign country would be fierce for one firm but not for the other, the strategic decisions will differ. This means that the process including scale, scope and speed is influenced by the decisions of the ownership so that it is in accordance with Almi Invest's risk preferences.

Corporate blockholders are shareholders in smaller firms. IPEG is a shareholder of Rapid. In agency theory, this makes the corporate blockholder a principle. The corporate blockholder does not have their employment tied to the firm, and are able to diversify their investments. Therefore, the corporate blockholder, the owner of Rapid, is less risk averse, according to theory (Eisenhardt, 1989). However, this is contradicted by Rapid. Rimark (2013) thinks that the owners are risk averse. This could be because IPEG only owns four companies, meaning that Rapid plays a vital part in their portfolio. Any damage to Rapid's profits will have a significant impact on the owners' profits. IPEG are 'extremely' concerned with the costs of internationalization. However, it is not the amount of money invested, but rather how it is invested. The owner would much rather spend more to ensure a successful internationalization process. However, it has to be methodically planned and undertaken in the most appropriate manner.

Corporate blockholders, according to theory, can provide the smaller firm with financial resources or capital (Fernández & Nieto, 2006). This has been the case with Rapid. The owner is generally 'very positive' towards internationalization. This is emphasised by the owner using their own financial resources to aid Rapid's internationalization, by acquiring international companies on their behalf. However, Rapid has never been pressured or forced to internationalize in anyway. Any decision taken always has Rapid involved and consulted throughout the process.

The corporate blockholders attitude to internationalization has influenced it in a number of ways. The positive attitude to internationalization and injection of finance has resulted in a large scale and scope. Rapid has the resources to enter numerous markets and increase the importance of each market to the company. By not pressuring Rapid to enter markets, the owner has ensured that it is done in a correct and sustainable manner. However, the risk averse nature of the owner has most likely led to Rapid's incremental speed of internationalization. By requiring Rapid to utilize the cost of internationalization to its fullest, and ensuring that it is methodically planned, this has most likely led to an incremental approach to internationalization.

The owners' attitude towards internationalization has a huge bearing on each company's strategy. Of course this was to be expected, however the important aspect is the variation between the different ownership types. The owner/manager is extremely positive to internationalization, which has been successfully installed throughout Luma Metall. This positive culture has ensured that the staff is very proactive in the internationalization of the company, constantly seeking new customers abroad. This has led to Luma Metall having a strong scale and scope of internationalization. The findings from the family owned firm Trebema are more in line with established theory. The owner is risk averse, demonstrated by demanding payment before delivery for example. This has led to a cautious internationalization strategy. Trebema's scale is weak, while their scope is of a medium strength. This could be explained by the fact that Trebema uses an agent, which connotes a low risk. Another family owned firm is BIM Kemi. In this firm, the owner is more positive towards internationalization. Compared to Trebema the concerns about time and costs can be overcome more easily, which may be

due to the bigger size of the firm. The scope of the firm is the same as Trebema, whereas the speed is slower and the scale is strong. Even though the internationalization is very positive, this seems not to be particularly reflected in the internationalization strategy. This indicates that there are other factors, which are more influential for BIM Kemi, such as the choice of value disciplines. Almi Invest is very positive towards internationalization and does not feel risk aversion. However, the firm is very concerned about the resources and risks involved, which influences the internationalization strategy, so that it is in line with Almi Invest's risk preferences. The corporate blockholder is very positive to internationalization, demonstrating this to Rapid by acquiring them international companies. This positive attitude has resulted in a strong scale and scope of internationalization. However, despite being positive, the owner is also concerned about the costs involved. Therefore, the owner requires meticulous planning when internationalizing, resulting in a slow speed.

5.3 Key analyzations

In the following, our key analyzations derived from the previous analysis are presented. The table below summarizes shortly the main findings of why ownership influences internationalization of firms and then they are further described afterwards in the small sections.

Structure	Type	Why firm ownership influences internationalization strategy
Internal	Owner/ manager firm	Owner/manager's high level of influence and attitude strongly affects scale and scope of internationalization
	Family owned firm	Corporate governance can influence the speed of internationalization, whereas risk aversion and limited resources do not enhance scale and scope of internationalization
External	Venture capital investment	Managerial support, networks and clear corporate governance influences scale of internationalization. Short payback time affects speed whereas worries about investments made, dictates scope of internationalization
Combination	Corporate blockholder	Attitude and access to resources affects scale and scope, whereas the speed of internationalization is affected by the level of the risk aversion
General conclusion		Level of corporate governance, access to resources and attitude of ownership directs internationalization strategy

Figure 4. Key analyzations. Developed by the authors.

5.3.1 Owner manager

The owner/manager has a huge influence within the design and execution of the internationalization strategy, having the final approval over major decision. By being positive about internationalization, an internationalization culture has been created within the firm. This positivity has led to a strong scale and scope of internationalization. The corporate governance structure and autonomy of managers has little significance in this type of ownership as the owner/manager heavily influence overall decisions taken.

5.3.2 Family owned

Family owned firms are heavily influenced by the family members as owners, especially if the owners are very much involved in the day to day business of the company. The corporate governance of the family owned firms causes different effects. For one, it allows for quick decision making, causing a quick speed of internationalization. For another, it allows the owner to indulge on their curiosity, allowing the firm to enter far flung markets. The awareness of risks and limited resources affects the scope of internationalization within family firms.

5.3.3 Venture capital

The VC provides firms with managerial support, access to their network and ensures clear corporate governance. This all leads to a strong scale of internationalization. However, the concern over the investment made into the firm dictates a weak scope of internationalization, as the VC is worried about leveraging resources over too many countries. The short term payback period enhances the speed of internationalization.

5.3.4 Corporate blockholders

The corporate blockholder is positive towards internationalization, providing the firm with different types of resources to aid their internationalization. This leads to a strong scale and scope of internationalization. However, the risk averse nature of the parent company requires in depth planning, causing the speed of internationalization to slow down.

6. Conclusion

Conclusion

Future research

Implications

In this chapter, the authors conclude and present the answers to the research question posed. Firstly, the authors present our conclusions regarding the how aspect of the research questions, followed by the why aspect and from these the authors draw general conclusions. Secondly, the limitations of the study are presented. Thirdly, suggestions for future research are posed. Finally, implications for practitioners and academics are described.

The purpose of this study was to gain a deeper understanding of the ownership type related to internationalization of firms. This was necessary in order to fill the gap in the theoretical discussion. So the research question posed was: How and why does ownership type influence firms' internationalization strategy? In order to do this, firstly, the authors described the relationship between ownership type and internationalization strategy. From theory the authors derived three propositions, which the authors used as a tool for the analysis. Secondly, the authors analyzed first how ownership types influences internationalization strategies by investigating how internal, external and corporate blockholder ownership influences internationalization in terms of scale, scope and speed. Then the authors analyzed why ownership types influences internationalization strategies by investigating the firms' corporate governance, the role of ownership, autonomy and attitude.

To answer *how* ownership type influences internationalization strategy, the authors have separated the firms into their ownership types, being owner/manager, family owned, VC owned and corporate blockholders. From this the authors have identified the firms scale, scope and speed of internationalization. Conclusions have been developed from the analysis to show how internationalization is influenced by the firms' type.

- The owner/manager type causes a strong scale and scope of internationalization and a quick speed from inception but a slow speed of internationalization. It has taken an incremental pathway to internationalization.

- The family owned type of firm has both a strong and weak scale and a medium scope of internationalization. The speed from inception is slow, and the internationalization can generally be characterised as incremental.
- The VC owned type has a strong scale and a weak scope of internationalization. It has a quick speed of internationalization. The VC owned firm has taken a born global pathway to internationalization.
- The corporate blockholder type has a strong scale and scope of internationalization and a slow speed of internationalization. It has taken an incremental pathway to internationalization.

To answer *why* the internationalization strategy of firms is influenced by the ownership type, the authors made the same separation of the ownership as above. From this, the authors identified the corporate governance, the role of owners, the autonomy and the attitude within the firms. Our main conclusions are listed below.

- Owners attitude towards internationalizations is of great importance for the internationalization strategy, especially firms with internal ownership.
- Owner/managers tend to be of great importance in regards of internationalization strategy of firms due to their high involvement in the day-to-day business.
- Family owned firms are heavily influenced by the family owners as there is often not a clear corporate governance structure in the company. The risk awareness and resource constraints may at times restrain the international activities of family owned firms.
- Firms with VC involvement tend to have a clear corporate governance structure. The support of VC companies often spur the scale of internationalization of firms

and tend to enhance the speed of internationalization of firms, due to short payback periods.

- Corporate blockholder ownership may ensure increased resources for international activities of the firm which spur the scale and scope of internationalization. Corporate blockholder ownership may require in depth planning and reporting due to risk aversion which lowers the speed of internationalization.

From this, the authors can make some more general conclusions. It appears that the level of corporate governance plays an important role on the internationalization of firms. If the corporate governance is underdeveloped within a firm, it allows the owner to instill their attitude uncontested. This was demonstrated within the owner/manager firm and one of the two family owned firms, where the owners could influence the firms internationalization strategy without undertaking complex planning and justifications. The opposite was demonstrated within the second family owned firm. The owner was very positive towards internationalization, but the chain of governance created stopped his international ambitions from being completely fulfilled. Therefore, the different levels of corporate governance allows the owners attitude to influence the internationalization strategy. An underdeveloped corporate governance gives the owner significant influence, whereas a stronger level of corporate governance reduces the owners importance. Therefore, the underdeveloped corporate governance which is common among internally owned firms allows the owners attitude to influence internationalization strategy more, whether it is positive or negative.

6.1 Limitations

A limitation of the study is due to the weak external validity. This is due to the *limited number of companies* used in this case study. By only having one company of each firm type, apart from family owned, the ability to generalize the findings across all companies is limited. The companies used within the case study could potentially be special cases,

the factors influencing internationalization might be different in another company. This makes generalizing challenging.

The *size of the firms* in the study is also a limitation. The authors had a sample of family owned firms which ranged from 8 employees to over 200. The size difference obviously creates a difference in terms of available resources which can be committed to internationalization. Firms with limited resources could be limited in the scale of internationalization they can conduct. This could lead to a more conservative approach to internationalization by certain companies within the case study.

This study also had *regional limitations*. The study was limited to southern Sweden. Owners risk preferences may have cultural roots, having a sample from a single country limits the generalizability of the findings (George et al., 2005).

The *historical aspect* of certain companies internationalization was also a limitation. The case study included companies internationalizing in the 1930s and 1960s, which obviously caused problems identifying their internationalization history.

Another limitation with this study was that it was not possible to get two interviews with both *owner and manager perspective* from all companies. This would have ensured a more complete and complementary picture and increased the reliability and validity of the study.

The *types of companies* within the case study also showed limitations. The aim of the study was to conduct an analysis of external companies, including VC investment and institutional investors. However, due to time and financial constraints, the authors were unable to locate an institutional investor to interview. Moreover, the VC company used to generate our analysis was an investor, rather than a company with VC investment. Having both a VC investor and firm with VC investment would have allowed for a more balanced analysis.

6.2 Future research

For future research, the authors suggest a case study research in a number of different countries. This would overcome the limitation of regional risk preferences. Including a larger number of firms within the case study will allow for wider generalizations, whilst selecting companies within a closer range of employees will exclude resource advantages within the case study. Choosing younger companies would also allow for more accurate detection of internationalization pathways and strategy. Of course, having a full range of the types of firms is also necessary for future research, including both institutional and VC investment.

There are several other different angles future researchers could undertake. What is the relationship between a firm's scale, scope and speed of internationalization in terms of firm performance? How does a strong scale, scope and speed impact upon growth and profitability? How does scale, scope and speed of internationalization influence access to networks and reduce the liability of outsidership and foreignness? What are the effects of reputation and access to distribution chains?

6.3 Implications

This study has shown that there are strong differences between how different ownership types internationalize, and why that is the case. This has important implications for academics within internationalization research. Previous research mainly focuses on the different internationalization strategies between big and little firms, SME versus MNC being common, or the different strategies between emerging market firms and mature market firms. The implications from this study are that future research into internationalization must take into account the ownership type, as their internationalization strategies vary depending on their type. One implication for owners and practitioners is that corporate governance and autonomy within the firm will dictate how much influence their attitude has on internationalization. When an owner has a positive attitude towards internationalization, a way to implement a positive internationalization strategy is to have a weak level of corporate governance and high

autonomy, thereby instilling the positivity throughout the company. On the other hand, if an owner is risk averse, a strong level of corporate governance will ensure a cautious attitude will prevail, slowing down internationalization into a series of calculated decisions.

7. References

Literature
Interviews

Literature

Acedo, F. J. & Jones, M. V. 2007. Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms. *Journal of World Business* Vol. 42, No. 3, pp. 236–252.

Allen, J. & Phillips, G. M. 2000. Corporate equity ownership, strategic alliances and product market relationships. *Journal of Finance* Vol. 55 No. 6, pp. 2791-2815.

Alvesson, M., Sköldberg, K. 2007. *Tolkning och reflektion*. Vetenskapsfilosofi och kvalitativ metod. Lund: Studentlitteratur.

Alvesson M., Sköldeberg K. 2009. Reflexive Methodology – New vistas for qualitative research, 2:1, Wiltshire: SAGE Publications Ltd.

Andersen, O. 1993. On the internationalization process of firms: a critical analysis, *Journal of International Business Studies* Vol. 24 No. 2, pp. 209-31.

Autio, E., Sapienza, H. J. & Almeida, J. G. 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal* Vol. 43 No. 5, pp. 909-924.

Bartlett, C. A. & Ghoshal, S. 1998. Managing across borders. Boston: HBS Press.

Beatty, R. & Zajac, E. 1994. Managerial incentives, monitoring, and risk bearing: A study of executive compensation, ownership, and board structure in initial public offerings. *Administrative Science Quarterly* Vol. 39 No. 2, pp. 313-335.

Becht, M. & Röell, A. 1999. Blockholdings in Europe: an international comparison. *European Economic Review* Vol. 43 No. 4–6, pp. 1049-1056.

Bell, J., McNaughton, R., Young, S. & Crick, D. 2003. Towards an integrative model of

small firm internationalisation. *Journal of International Entrepreneurship* Vol. 1 No. 4, pp. 339-62.

Bell, J., Crick, D. & Young, S. 2004. Small Firm Internationalization and Business Strategy: An Exploratory Study of 'Knowledge-Intensive' and 'Traditional' Manufacturing Firms in the UK. *International Small Business Journal* Vol. 22 No. 1, pp. 23-56.

Berle, A. A. Jr. & Gardner, C. M. 1932, The modern corporation and private property. New York: Macmillan.

Bryman, A. & Bell, E. 2005. Företagsekonomiska forskningsmetoder. Ljubljana: Liber AB.

Calof, J. & Beamish, P.W. 1995. Adapting to foreign markets: explaining internationalization. *International Business Review* Vol. 4 No. 2, pp. 115-31.

Cavusgil, S.T. 1980. On the internationalization process of firms. *European Research* Vol. 8 No. 6, pp. 273-281.

Christofidis, C. & Debande, O. 2001. Financing innovative firms through venture capital, European Investment Bank [Online]. Available at: <http://www.eib.org/attachments/pj/vencap.pdf> [Accessed on: 01 May 2013].

Coase, R. H. 1937. The nature of the firm. *Economica* Vol. 4, pp. 386-405.

Daily, C. M. & Dollinger, M. J. 1993. Alternative methodologies for identifying family-versus nonfamily-managed businesses. *Journal of Small Business Management* Vol. 31 No. 2, pp. 79-90.

Dana, L., Welp, I. M. & Ratten, V. 2008. *Handbook of Research in European Business and Entrepreneurship: Towards a Theory of Internationalization*. Cheltenham: Edward Elgar Publishing Limited.

Davis, J. A. & Tagiuri, R. 1991. Bivalent Attributes of the Family Firm, in C.E. Aronoff and J.L. Ward (eds.) *Family Business Sourcebook*. Michigan: Omnigraphics.

Demsetz, H. & Lehn, K. 1985. The structure of corporate ownership: causes and consequences. *Journal of Political Economy* Vol. 93 No. 6, pp. 1155-1171.

Denis, D., Denis, D. & Sarin, A. 1999. Agency problems, equity ownership, and corporate diversification. *Journal of Finance* Vol. 52 No. 1, pp. 135-160.

Dubois, A. & Gadde, L. E. 2002. Systematic combining: an abductive approach to case research, *Journal of Business Research*, Vol. 55, No. 7, pp. 553-560.

Dunning, J.H. 1988. *Explaining International Production*. London: Unwin.

Eisenhardt, K. M. 1989. Agency theory: An assessment and review. *Academy of Management Review* Vol. 14 No. 1, pp. 57-74.

European Private Equity and Venture Capital Association. N.D. What is private equity [Online]. Available at: <http://evca.eu/what-is-private-equity/> [Accessed, 10 April, 2013].

Farrar, J. 2008. *Corporate Governance: Theories, Principles and Practice*. Third Edition. Melbourne: Oxford.

Fernández, Z. & Nieto, M. J. 2006. Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies* Vol. 37, pp. 340-351.

Figueira-de-Lemos, F., Johanson, J. & Vahlne, J. 2011. Risk management in the internationalization process of the firm: A note on the Uppsala model. *Journal of World Business* Vol. 46 No. 2, pp. 143-153.

Gallo, M. A. & García Pont, C. 1996. Important factors in family business internationalization. *Family Business Review* Vol. 9 No. 1, pp. 45-59.

George, G. & Prabhu, G. 2003. Developmental financial institutions as technology policy instruments: Implications for innovation and entrepreneurship in emerging economies. *Research Policy* Vol. 32 No. 1, pp. 89-108.

George, G., Wiklund, J. & Zahra, S. A. 2005. Ownership and the Internationalization of Small Firms. *Journal of Management* Vol. 31 No. 2, pp. 210-233.

Gomez-Mejia, L., Nunez-Nickel, M. & Gutierrez, I. 2001. The role of family ties in agency contracts. *Academy of Management* Vol. 44 No. 1, pp. 81-95.

Grant, R. M. 2010. *Contemporary Business Strategy*, 7th ed. Chichester: John Wiley & Sons.

Harding, R. 2002. Plugging the Knowledge Gap: An International Comparison of the Role for Policy in the Venture Capital Market. *Venture Capital* Vol. 4 No. 1, pp. 59-76.

Harris, D., Martinez, J.I. & Ward, J.L. 1994. Is strategy different for the family-owned business? *Family Business Review* Vol. 7 No. 2, pp. 159-174.

Hashai, N. 2011. Sequencing the expansion of geographic scope and foreign operations by “born global” firms. *Journal of International Business Studies* Vol. 42 No. 1, pp. 995-1015.

Hill, C., Hwang, P. & Kim, W. C. 1990. An eclectic theory of the choice of international entry mode. *Strategic Management Journal* Vol. 11, pp. 117-128.

Hilmersson, M. 2013. SME Internationalisation Strategy and Performance in Times of Market Turbulence. Forthcoming in *International Small Business Journal*.

Hitt, M. A., Hoskisson, R. E. & Kim, H. 1997. International diversification: Effects on innovation and firm performance in product-diversified firms. *Academy of Management Journal* Vol. 40, pp. 767-798.

IFERA. 2003. Family businesses dominate. *Family Business Review* Vol. 16 No. 4, pp. 235-40.

IPEG homepage [Online]. 2013. Available at: <http://www.ipeg.net/> [Accessed on 27 May 2013].

James, H. S. 1999. Owner as Manager, Extended Horizons and the Family Firm. *International Journal of the Economics of Business* Vol. 6 No. 1, pp. 41-55.

Jensen, M. & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics* Vol. 3 No. 4, pp. 305-360.

Johanson, J. & Mattsson, L. G. 1988. Interorganizational relations in industrial systems: a network approach. In: Hood, H. & Vahlne, J. E. (Eds). *Strategies in global competition*, pp. 287-314. New York: Croom Helm.

Johanson, J. & Vahlne, J. 1977. The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies* Vol. 8 No. 1, pp. 23-32.

Johanson, J. & Vahlne, J. 2006. Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review* Vol. 46, No. 2, pp. 165-178.

Johanson, J. & Wiedersheim-Paul, F. 1975. The internationalization of the firm – four Swedish cases. *Journal of Management Studies* Vol. 12 No. 3, pp. 305-322.

Johnson, G., Scholes, K. & Whittington, R. 2009. *Fundamentals of Strategy*. Harlow: Parson Education Limited

Johnson, G., Scholes, K. & Whittington, R. 2011. *Exploring Strategy*, 9th ed, Harlow: Pearson Education Limited.

Karadeniz, E.E. & Göcer, K. 2007. Internationalization of small firms: A case study of Turkish small- and medium-sized enterprises. *European Business Review* Vol. 19 No. 5, pp. 387-403.

Khavul, S., Perez-Nordtvedt, L. & Wood, E. 2010. Organizational entrainment and international new ventures from emerging markets. *Journal of Business Venturing* Vol. 25 No. 1, pp. 104-119.

Khemakhem, R. 2010. Explaining the entry mode choice among Tunisian exporting firms: Development and test of an integrated model. *European Journal of Marketing* Vol. 44 No. 1/2, pp. 223-244.

Knight, G.A. & Cavusgil, S.T. 2004. Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies* Vol. 35 No. 2, pp. 124-41.

Koch, A. J. 2001. Factors influencing market and entry mode selection: developing the MEMS model. *Marketing Intelligence & Planning* Vol. 19 No. 5, pp. 351-361.

Kontinen, T. & Ojala, A. 2012. Internationalization pathways among family-owned SMEs. *International Marketing Review* Vol. 29 No. 5, pp. 496-518.

Kuivalainen, O., Sundqvist, S. & Servais, P. 2007. Firms' degree of born-globalness, international entrepreneurial orientation and export performance. *Journal of World*

Business Vol. 42 No. 3, pp. 253-267.

Kuivalainen, O., Saarenketo, S. & Puumalainen, K. 2012. Start-up patterns of internationalization: a framework and its application in the context of knowledge intensive SMEs. *European Management Journal* Vol. 30 No. 4, pp. 372-85.

Kuivalainen, O., Sundqvist, S. & Saarenketo, S. 2012. Internationalization patterns of small and medium-sized enterprises. *International Marketing Review* Vol. 29 No. 5, pp. 448-465.

Loth, F. & Parks, T. 2002. The impact of foreign operations on organizational performance. *International Journal of Management* Vol. 19 No. 3, pp. 418-428.

Lu, J., & Beamish, P. 2001. The internationalization and performance of SMEs. *Strategic Management Journal* Vol. 22 pp. 565-586.

Marschan-Piekkari, R. & Welch, C. 2004. *Handbook of qualitative research methods for international business*. Cheltenham: Edward Elgar Publishing.

McConnell, J.J. & Servaes, H. 1990. Additional evidence on equity ownership and corporate value Vol. 27, No. 2, pp. 595–612.

McDougall, P. & Oviatt, B. 2000. International entrepreneurship: An intersection of two research paths. *Academy of Management Journal* Vol. 43, pp. 902-906.

Merriam, S. B. 2009. *Qualitative research – A guide to design and implementation*. San Francisco: Bass.

Mintzberg, H. 1978. Patterns in strategy formation. *Management Science* Vol. 24 No. 9, pp. 934-948.

Mintzberg, H. 2007. *Tracking Strategies: Toward a General Theory*, New York: Oxford University Press.

Moen, O. & Servais, P. 2002. Born global or gradual global? Examining the export behavior of small and medium-sized enterprises. *Journal of International Marketing* Vol. 10 No. 3, pp. 49-72.

Oesterle, M. J., Richta, H. & Fish, J. 2013. The influence of ownership structure on internationalization. *International Business Review* Vol. 22, pp. 187–201.

Oljenik, E. & Swoboda, B. 2012. SMEs' internationalisation patterns: descriptives, dynamics and determinants. *International Marketing Review* Vol. 29 No. 5, pp. 466-495.

Oviatt, B. M. & McDougall, P. 1994. Toward a theory of international new ventures. *Journal of International Business studies* Vol. 25, pp. 45-64.

Oviatt, B. M. & McDougall, P. P. 2005. Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice* Vol. 29 No. 5, pp. 537-554.

Porter, M. E. 1991. Towards a dynamic theory of strategy. *Strategic Management Journal* Vol. 12, pp. 95-117.

Robson, C. 2002. *Real World Research* 2nd edition. Oxford: Blackwell.

Sandberg, S. 2012. *Internationalization Processes of Small and Medium-Sized Enterprises – Entering and taking off from emerging markets*. Linnaeus University Press.

Saunders, M. & Carpenter, M. A. 1998. Internationalization and Firm Governance: The Roles of CEO Compensation, Top Team Composition, and Board Structure. *Academy of Management Journal* Vol. 41 No. 2, pp. 158-178.

Saunders, M., Lewis, P. & Thornhill, A. 2009. *Research methods for business students*, 5th edn, Harlow: Pearson education limited.

Scholz, R. W. & Tietje, O. 2002. *Embedded case study methods: integrating quantitative and qualitative knowledge*. California: Thousand Oaks.

Schulze, W. S., Lubatkinb, M. H. & Dinob, R. N. 2003. Toward a theory of agency and altruism in family firms. *Journal of Business Venturing* Vol. 18 No. 4, pp. 473–490.

Sheppard, M. and McNaughton, R. 2012. *Born global and born-again global firms: a comparison of internationalization patterns*, in Gabrielsson, M. and Kirpalani, M.V.H. (Eds), *Handbook of Research on Born Globals*, Edward Elgar Publishing, Cheltenham and Northampton, MA, pp. 46-56.

Stern, M.H. 1986. *Inside the Family-Held Business*, New York: Harcourt Brace Jovanovich.

Tallman, S. & Li, J. 1996. Effects of international diversity and product diversity on the performance of multinational firms. *Academy of Management Journal* Vol. 39 No. 1, pp. 179-196.

Thomsen, S. & Pedersen, T. 2000. Ownership structure and economic performance in the largest european companies, *Strategic Management Journal* Vol. 21, No. 6, pp. 689–705.

Thomsen, S., Pedersen, T. & Kvist, H. K. 2006. Blockholder ownership: Effects on firm value in market and control based governance systems. *Journal of Corporate Finance* Vol. 12, pp. 246-269.

- Tihanyi, L., Johnson, R. A., Hoskisson, R. E. & Hitt, M. A. 2003. Institution ownership differences and international diversification: The effects of boards of directors and technological opportunity. *Academy of Management Journal* Vol. 46 No. 2 pp. 195-211.
- Welch, L. S., Luostarinen, R. 1988. Internationalization: Evolution of a concept. *Journal of General Management* Vol. 14 No. 2, pp. 34–55.
- Williamson, O.E. 1975. *Market and Hierarchies: Analysis and Antitrust Implications*. New York: The Free Press.
- Wincent, J. 2005. Does size matter?: A study of firm behaviour and outcomes in strategic SME networks. *Journal of Small Business and Enterprise Development* Vol. 12 No. 3, pp. 437-453.
- Wolff, J. A. & Pett, T. L. 2000. Internationalization of small firms: an examination of export competitive patterns, firm size, and export performance. *Journal of small business management* Vol. 38 No. 2, pp. 34-47.
- Yin, R.K. 2009. *Case study research: design and methods*. 4th ed., London: Sage.
- Yin, R.K. 2012. *Applications of case study research*. 3rd ed., London: Sage.
- Zahra, S. A. 2003. International expansion of U.S. manufacturing family businesses: the effect of ownership and involvement. *Journal of Business Venturing* Vol. 18 No. 4, pp. 495–512.
- Zahra, S., Ireland, D. & Hitt, M. 2000. International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal* Vol. 43, pp. 925-950.

Zajac, E. & Westphal, J. 1994. The costs and benefits of managerial incentives and monitoring in large U.S. corporations: When is more not better? *Strategic Management Journal* Vol. 15 No. 1, pp. 121-143.

Interviews

Adolfsson, T. Marketing manager and application engineer at Luma Metall via face to face interview on 2013-05-08.

Långberg, B. Owner and export manager at Trebema via face to face interview on 2013-05-07.

Perdin, M. Sales and technology director at BIM Kemi via Skype on 2013-05-17.

Rimark, B. Director of sales and marketing at Rapid Granulator via Skype on 2013-05-06.

Selwood, R. Owner, chairman of the board and CEO at Luma Metall via face to face interview on 2013-05-08.

Zu dem Berge, T. Fund Manager at Almi Invest via Skype on 2013-05-10.

Appendix

Questionnaire

Questionnaire

SPEED

How old is the company?

How long did the company operate before starting international operations?

Why did you choose that time to go abroad?

How long did it take for the firm to operate in five markets?

SCOPE

How many countries did the company enter in its first year of internationalization?

Why did you enter those countries?

How many countries did the company enter by its third year of internationalization?

Why did you enter those countries?

Did your selection strategy change?

How many countries does the firm now operate in?

Where any other objectives of operating abroad, besides market share and revenue?

Do you feel that internationalization was undertaken for any other reason besides revenue, such as to enhance the owners' legacy and/or to create employment opportunities abroad?

SCALE

What percentages of domestic sales are generated now?

In the first year of internationalization, what percentages of sales were generated from abroad?

ROLE OF OWNERS

What is your ownership type?

What is the day-to-day role of the owners?

How involved are the owners in strategic decisions?

What role do you think the owners view themselves having, i.e. owner, manager, strategist?

What support does the firm receive from the owners/investors?

What do you believe are the advantages/disadvantages of your ownership type in terms of internationalization?

AUTONOMY

How dependent are managers on the owners in terms of decision-making?

To what extent can managers start international activities with the owners consent?

To what extent can managers market to new international customers without prior approval?

To what extent can managers develop international relationships, such as at a trade fair, without approval?

Can managers solve problems in a decentralized way?

INTERNATIONALIZATION STRATEGY

Why did you choose to internationalize?

How did you decide on the internationalization strategy?

Who was involved in the decision process to internationalize?

How much influence does the owner have on internationalization strategy?

How much are the owners involved with decisions on international strategy?

Does the owner give advice or knowledge on the internationalization strategy? Can you utilise the owners network in foreign markets?

How was the internationalization financed?

What were the major concerns regarding financial resources relating to the internationalization process?

ATTITUDE OF OWNERS TO INTERNATIONALIZATION

How concerned are the owners about the time and cost of internationalization?

Do you feel that the owners are risk averse?

If so, has this caused a cautious internationalization strategy?

Is the attitude to internationalization by the owners generally positive or negative?

How do they demonstrate this?

Do you ever feel pressured to internationalize the firms operations by the owners?

If so, did this pressure influence the internationalization strategy?



Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.

Lnu.se

Linnaeus University
SE-391 82 Kalmar/SE-351 95 Växjö
Telephone +46 772-28 80 00