JÖNKÖPING UNIVERSITY
Jönköping International Business School

Business Model Approach to Foreign Market Entry Mode

A case study on a Swedish gear manufacturing firm

BACHELOR THESIS WITHIN: *Business Administration*
NUMBER OF CREDITS: *15*
PROGRAMME OF STUDY: *International Management*
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JÖNKÖPING *May 2019*

Bachelor Thesis in Business Administration

Title: Business Model Approach to Foreign Market Entry Mode
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Date: 2019-05-17

Key terms: Business Model, Foreign Market Entry Mode, Internationalization, Value Creation

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Abstract

Background: The increasing presence of globalization in our everyday life makes it apparent that internationalization is no longer a topic relevant only for a few multinational companies, but for essentially every company that wishes to expand or even survive in their domestic market as well as in foreign markets. In light of this, research on how firm chooses FMEM has surged, and it is evident that it is an important topic. Numerous theories and factors have been examined in order to explain what motivates the choice of FMEM, but there is notable absence in connecting the business model to the FMEM. Despite the increasing attention and prominence of the business model, to date, there is little research that looks at FMEM decisions through a business model perspective.

Purpose: The purpose of this study is to answer the calls for new aspects and theories on the FMEM research field by exploring the role that the business model has on the choice of FMEM. This study will be executed through mapping a company's business model and FMEM choice by collecting qualitative data through interviews to find links between the business model and the entry mode.

Method: This research is conducted through a qualitative single case study, using in-depth interviews for primary data collection.

Conclusion: The results of the analysis that was based on the empirical findings derived from the data collection, led to several conclusions being drawn. Firstly, the business model of the case company has had a great impact on the choice of FMEM of that company. Secondly, apart from influencing the choice of FMEM, the company's business model has also contributed to the company further committing to their existing FMEM. Thirdly, as long as the case company intends to operate the same business model, with the same value drivers, it is likely to continue its commitment towards its existing FMEM.

Acknowledgments

We would firstly like to thank Swepart AB for the interviews and their participation in our thesis.

We would also like to extend our gratitude towards Andrea Kuiken, our thesis tutor, for her invaluable feedback and guidance. We would also like to thank our seminar group for their dedicated feedback.

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1. Introduction

This chapter begins with an introduction on the background of internationalization and the business model. Thereafter, a presentation of the problem definition followed by the purpose and key definitions.

1.1 Background

The changes that are shaping today's world economy mostly come from global companies that have experienced spectacular growth (Jaworek & Kuzel, 2015). Firms have expanded their operations to foreign markets as a response to the forces of globalization that have prevailed in the last decades (Brouthers & Hennart, 2007; Puthusserry, Khan & Rodgers, 2018). These expansions are visible as the signs of internationalization are present everywhere in our everyday life. As we walk through the streets, we see commercials for South Korean KIA cars. In the evenings, we eat Swiss Nestlé chocolate as we watch our American Netflix on our Japanese Sony television. Internationalization is no longer a topic relevant only for a few multinational companies, but for essentially every company that wishes to expand or even survive in their domestic market as well as in foreign markets. Besides giving people the benefit of an increased variety of sweets to choose from, internationalization is a driving force of growth for smaller firms. Because of this, it becomes very important to firms who are going abroad to make as few mistakes as possible since those can become very costly.

The question of how a firm chooses to enter a foreign market is not only important to the firm itself due to its strategic impact, its impact on profitability and long term success (Laufs & Schwens, 2014; Lai, Chen & Chang, 2012; Mukundhan & Nandakumar, 2016; Ahi, Baronchelli, Kuivalainen & Piantoni, 2017; Bruneel & De Cock, 2016; Schellenberg, Harker & Jafari, 2018), but it also stands as a key question in international business research (Wulff, 2016). The strategy and profitability concerns are not solely excluded to the foreign market entry mode (FMEM) decision, but is at large a matter concerning the business model of a firm, as it represents the rationale behind the firm (Osterwalder & Pigneur, 2010). The business model serves as the epicenter for value creation (Amit & Zott, 2001), and because of this, becomes an influential factor when choosing the entry mode.

In the attempts to explain why firms choose a specific entry mode over another, researchers have tried to connect various underlying factors to the decision. These factors can be divided into internal and external factors of the firm. External factors are those that are considered to be out of control for the firm such as foreign market attractiveness (size and growth), cultural distance, host country risk (uncertainty), and legal restrictions (Morschett, Schramm-Klein & Swoboda, 2010; Erramilli, 1992). Internal factors are those that are endogenous of the firm, meaning that the firm can assert control over them. Internal factors can be specific resources such as firm-specific capabilities, organizational culture, specialized assets, size, reputation and experience (Ekeledo & Sivakumar, 2003). Moreover, corporate policy as well as the desire to become rapidly established in foreign markets are also considered to be internal factors (Erramilli, 1992). Marinescu (2016) takes on three different aspects - firm specific, industry specific and country specific; ranging from micro to macro levels, when considering the firm's choice of FMEM. Other researchers have connected various internal factors to FMEM decisions such as commitment, risk, control (Laufs & Schwens, 2014), the board of directors (Lai, Chen & Chang, 2012), stakeholders (Mukundhan & Nandakumar, 2016), male- or female leadership (Pergelova, Angulo-Ruiz & Yordana, 2018), CEO succession characteristics, compensation (Datta & Herrman, 2002; Musteen, Datta & Herrmann, 2008), and firm productivity (Hsu, 2016; Raff, Ryan & Stähler, 2017; Tomiura, 2007). For instance, a firm will have to take into consideration how much risk (financial, intellectual property theft, technology spillovers etc.) is connected with establishing a subsidiary of its own in a foreign country, compared to entering into a joint venture or exports (Laufs & Schwens, 2014). The FMEM decision can also be considered to facilitate the penetration of other markets connected to the one the firm is entering, further proving the strategic importance of choosing an appropriate entry mode (Javalgi, Deligonul, Ghosh, Lambert & Cavusgil, 2010).

Ojala & Tyrväinen (2006) delves deeper into the micro level factors behind the choices of FMEM, with a particular focus on the business model. The business model can be seen as how the different pieces of the business fit together, and thus represents an internal perspective of the firm. This is what separates the business model from e.g. business strategy, which includes external perspectives such as competitors (Osterwalder & Pigneur, 2005). For firms that want to experience growth in foreign markets, it is vital to define their value creation and value capturing activities before entering those markets. This becomes important because the value creation depends not merely on achieving a specific relationship with a foreign market or customer, but hinges more on the rationale of the firm (McQuillan & Sharkey Scott, 2015). Despite increasing attention and the recognition that business models are important for internationalization decisions (Ojala & Tyrväinen, 2006; McQuillan & Sharkey Scott, 2015; Hennart, 2014) to date, little research exists on this topic.

1.2 Problem Definition

The literature is differentiated in its efforts to describe why firms choose a FMEM over another, and the call for further research to deepen the understanding of a firm's FMEM is widespread (Ojala & Tyrväinen, 2006; Surdu & Mellahi, 2016; Schellenberg, Harker & Jafari, 2017; Bruneel & De Cock, 2016). However, there seems to be a limited scope of literature that connects the FMEM with the business model of a firm. Schellenberg et al. (2017) calls for the incorporation of new theories while trying to explain the internationalization of firms to better understand the phenomena. Furthermore, Bruneel & DeCock (2016) also joins the call for more research on internationalization, but focuses on small, medium enterprises (SMEs), as most studies are covering multinational enterprises (MNEs) and thus are missing an important aspect of the contemporary business environment. Ojala & Tyrväinenen (2006) explicitly calls for further research which involves the business model and internationalization.

The FMEM choice has been described above as one of the most important strategic decision a firm can make in its internationalization process due to its consequences to the firm's performance. The business model is described as an important strategic part of the business and its main concerns are how the firm captures and creates value (Osterwalder & Pigneur, 2010). The business model includes a more complete spectrum of internal factors, in contrast to prior research which has looked at single factors in isolation. Moreover, according to Amit, Massa & Zott (2011) the business model has become a new unit of analysis that gives a more holistic analysis compared to the traditional units of analysis such as the firm and/or the network of a firm. Incorporating the business model when looking at a firms FMEM will thus allow for a more complete analysis of what is influencing a firm's FMEM decision, from an internal perspective. Considering the important role the business model plays to the success of a company (Chesbrough, 2010), it becomes an appropriate choice when exploring new aspects within the FMEM research field.

1.3 Purpose

The purpose of this study is to answer the calls for new aspects and theories on the FMEM research field by exploring the role that the business model has on the choice of FMEM. This study will be executed through mapping a company's business model and FMEM choice by collecting qualitative data through interviews to find links between the business model and the entry mode. We aim therefore to answer the following research question:

RQ: How does the business model affect the FMEM of a SME manufacturing company?

To answer this research question, we conduct a qualitative study, adopting a single case study approach. We will map the business model of the case company and explore how the business model affects the FMEM. This paper will be structured as follows. First, the introduction will present the topic and problem formulation along with key definitions. Second, the body of knowledge will be introduced to show the relevant academic knowledge related to the topic. Third, the methodology will describe how this study was executed. Fourth, the empirical findings will be presented. Fifth, an analysis connecting the relevant academic literature to the findings will be done ending with a conclusion. Sixth, a discussion will go deeper into the findings. Last, conclusions and recommendations for further studies will be presented.

1.4 Key definitions and concepts

Internationalization: the process of increasing the presence of a firm in international markets and being able to adapt its products or services towards those markets (Reddy, 2014)

Foreign market entry mode (FMEM): Institutional arrangement that enables the firm's products, technology, human skills, management, or other resources into a foreign market (Root, 1987)

Business Model: The rationale behind how a firm operates, creates and captures value (Osterwalder & Pigneur, 2010)

Business Model Canvas: Template for holistic analysis of a firm (Osterwalder & Pigneur, 2010)

Equity entry mode: Foreign market entry mode which requires the firm to commit assets. (Hollender, Zapkau & Schwens, 2017)

Non-Equity entry mode: Foreign market entry mode which does not require the firm to commit assets. (Hollender, Zapkau & Schwens, 2017)

Small and medium-sized enterprise (SME): A small company has 50 or less employees, with a turnover of less than 10 million euros. A medium company has a range of 50-250 employees, with a turnover of up to 10-50 million euros ("What is an SME? - Internal Market, Industry, Entrepreneurship and SMEs - European Commission", 2019).

2. Literature Review

This chapter provides an overview of the existing literature that is related to our topic. Firstly, the literature search strategy is introduced, then literature on foreign market entry mode and business models is examined, and finally, a literature review conclusion.

2.1 Literature Search Strategy

In order to gather sufficient and relevant data for the literature review, a three-step process was followed. First, databases such as Google Scholar, Emerald Insight, Proquest and Business Source Premier were used to generate articles that would provide a starting point from which an overview of the literature on our topics could be achieved. For the business model topic, Proquest, Emerald Insight and Business Source Premier was mainly used. Using the keywords "Business model literature review" and simply "Business model" and applying filters for the years 2005-2019 and peer-reviewed articles only. For FMEM, the keywords "internationalization" and "mode of entry", along with a data range from 2005-2019, were searched on Google Scholar. The second step in this process was identifying relevant literature and influential authors in both topics. The relevance of the literature was determined by factors such as whether the journal was peer-reviewed or not, how recent the article was and to what degree it would add to the knowledge of the literature review. Influential authors in both topics were identified by the number of citations. The third and last step was to find further influential articles by identifying relevant references in already gathered literature, which allowed for identification of additional articles. Through this process, an overview of the different themes, influential authors and important articles was generated.

2.2 Foreign Entry Mode

2.2.1 Internationalization

Internationalization refers to the process of increasing the presence of a firm in international markets and being able to adapt its products or services towards those markets (Reddy, 2014). Research has shown that companies pursuing internationalization should have a solid organizational structure of their foreign activities and operations, combined with having an understanding of the many advantages and disadvantages that come with different entry modes into foreign markets (Laufs & Schwens, 2014; Pinho, 2007). Pinho (2007) suggests three ways in which internationalization benefits a firm, including, improving their managerial skills and competences, using company resources more wisely, and allowing for more adaptability when endeavoring in various business risks. There are also other advantages that come when operating in both international and domestic markets. On the international side, expanding a firm's presence in foreign markets provides benefits for the firm through international competition, thus also strengthening its position in the domestic market. This ties into the domestic market, as Pinho (2007, p.715) states "internationalization promotes socio-economic development, generates foreign exchange, increases employment opportunities and reduces the national deficit.", which further highlights the incentive for companies to go international.

When an SME or any other firm wants to enter a new market, the mode of entry a firm decides to use is crucial in determining if they will be successful or not. These entry modes are channels that a firm uses to assist them in entering their products, technology, and other resources, into a foreign market. However, due to an SMEs inadequate skill and experience when first entering foreign markets, they need to carefully decide which road to take (Reddy, 2014; Pinho, 2007). The foreign entry mode that the firm or organization chooses to utilize will affect the impact of what organizational structure they will use in that specific market (Hollender, Zapkau & Schwens, 2017). The research concerning the performance of different foreign market entry modes is diverse, mostly due to each firm's prerequisites and characteristics being different, with studies showing that one entry mode may outperform another, thus, generating ambiguous conclusions (Hollender et al., 2017).

2.2.2 Types of entry modes and entry mode combinations

Table 1. Main differences in types of entry modes

Choice of Entry Mode	Level of Resource Commitment	Levels of Control	Levels of Knowledge Base and Competencies
Equity Modes			
Joint Ventures	High	Moderate/High (Shared)	High
Wholly Owned Subsidiaries	High	High	High
Non-Equity Modes			
Exporting	Low	Low	Low
Licensing	Low	Moderate/Low (Shared)	Low

Foreign market entry modes can be classified into categories of investment (equity) vs. non-investment (non-equity) (Reddy, 2014; Hollender et al., 2017; Pinho, 2007), low vs. high control, shared vs. full control (Ahsan & Musteen, 2011; Herrmann & Datta, 2002; Erramilli & Rao, 1993; Blomstero, Sharma & Sallis, 2006), and risk vs. return (Argarwal & Ramaswami, 1992; Hollender et al., 2017). Within these categories there are many types of entry modes, these include – franchising, wholly owned subsidiaries (WOS), greenfield and brownfield investments, and acquisitions (Petersen & Welch, 2002; Laufs & Schwens, 2014; Hollender et al., 2017; Pinho, 2017; Ahsan & Musteen, 2011), with the most common ones being exporting, licensing, joint venture (JVs), and sole venture (Agarwal & Ramaswami, 1992).

Hollender et al. (2017) classify joint ventures and wholly owned subsidiaries as equity modes, while non-equity modes include licensing and exporting. The advantages and disadvantages of this classification of entry mode can be looked at through resource commitment, levels of control and risk, and knowledge base and competencies. The equity entry mode requires a high level of resources committed by the firm when setting up operations abroad but give them a "greater closeness to host country market and customers." (Hollender et al., 2017, p.251). Whereas, non-equity modes provide the opposite, using lower amounts of resources but are further away from the foreign market. In addition, Herrmann & Datta (2002) state that there are varying levels of risk exposure when it comes to full control and shared control entry modes, with the FMEM choice deciding what degree of risk a firm will experience. Laufs & Schwens (2014) declare that the more resources a firm use, the greater the risk of losing them if entry into the foreign market doesn't work out, and therefore can have a more damaging impact on the firm.

Blomstermo et al. (2006) identify control as vital since it attributes to the achievement of the firm's purpose, and decides the performance, risks and returns of the investment that was made abroad. With high control entry modes, there is a need for more resource commitment abroad, whereas low control modes require limited resource commitment. Higher control modes are also used since the firm may want to adapt to the foreign market and build personal relationships when abroad. Through gaining experience and confidence, firms will have a better understanding and assessment of the risks and opportunities that high control entry modes can provide for them (Blomstermo et al., 2006). When focusing on the levels of control, defined by Pinho (2007, p.716) as "the level of authority a firm may exercise over systems, methods and decisions in the foreign affiliate", both he and Ahsan & Musteen (2011) declare that the equity modes (JVs and WOS) require high levels of control, while non-equity modes (exporting and licensing) demand less (Hollender et al., 2017; Pinho, 2007; Ahsan & Musteen, 2011). Similarly, Erramilli & Rao (1993) declare firms usually choose acquisitions or greenfield investments when they desire higher amounts of control and ownership. Furthermore, firms can select joint ventures or licensing for shared control, which entails lower amounts of ownership (Herrmann & Datta, 2002; Gatignon & Anderson, 1988).

There are also differences in knowledge base and competencies for full control and shared control entry modes. For firms to function effectively and successfully in foreign markets, full control demands firms to expand their own knowledge pool and capabilities. While firms opting for shared control entry modes already have access to information on competitors, markets, and governmental policies provided by their local partner (Herrmann & Datta, 2002).

The studies have also found that some companies use multiple modes, or mode combinations to enter foreign markets (Petersen & Welch, 2002; Benito, Petersen & Welch, 2011). Petersen & Welch (2002) identify four types of multiple modes in their study – unrelated, segmented, complementary, and competing modes. The unrelated mode is defined as an occurrence of when a firm applies multiple entry modes when entering the foreign market, but do not have a connection with each other in that market. The segmented mode refers to multiple modes being used in the same market to serve different segments. The complementary mode is different to the segmented mode as it serves only one market and is used to complement each other to reach the firm's objectives. Finally, the competing mode refers to multiple modes being put up against each other to compete, and as Petersen & Welch (2002, p.160) state, they "target the same segment(s) and perform the same business activities, but the ownership (in-house vs. outsourcing) and location (home country vs. host country location) differ".

Furthermore, Benito et al. (2011) argue that these entry mode combinations can develop over time. A firm may start with one entry mode, and as that operation unfolds, they may combine their current mode with another due to changing circumstances. The authors provide a few perspectives on why mode combinations are used, with their main suggestion being the decision-making process of the firm and how it can indicate the need for multiple modes. Other reasons for using multiple modes include wanting to achieve specific goals, generating more revenue, or as quoted by Benito et al. (2001, p.808), "adding modes that are deemed to deliver control in managerial, marketing, financial and/or technological senses". However, as Petersen & Welch (2002) and Benito et al. (2011) have pointed out in their studies, there is limited research that focuses on this phenomenon due to the multiple modes being classified as anomalies by some researchers.

2.2.3 Factors influencing the decisions of which entry mode to use

The previous section identified a variety of different entry modes. When deciding on which entry to use, there are a multitude of factors and reasons for why firms decide on these entry modes, which will be discussed below.

2.2.3.1 Broader theories: Eclectic theory & Transaction Cost Theory

The Dunning framework, also known as the eclectic theory, is illustrated in the articles written by Agarwal & Ramaswami (1992) and Pinho (2007) which uses the factors of ownership advantages of a firm, location advantages of a market, and internalization advantages, to see how they affect the entry mode choice. Ojala & Tyrväinen (2007) state in their paper that researchers have found that the advantages in this theory do influence the FMEM. The main determinants that influence ownership advantages are mainly centered around asset power and the skills that firms possess. A firm that understands how to use and capitalize on these competitive advantages will be able to face the challenges of contending with host country firms. Asset power is defined by size, multinational experience, and the skills used to create diversified products (Agarwal & Ramaswami, 1992; Javalgi et al., 2010). Agarwal & Ramaswami (1992, p.3) describe the size of the firm as being expected to be "positively correlated with its propensity to enter foreign markets in general", which is why firms tend to select sole or joint ventures as their foreign entry market choice. Congruently, Pinho (2007) states that larger firms are able to assimilate with the high risks and costs of foreign markets, while also being in strategic positions in these markets to make smart investments due to having a surplus of resources. The other component of asset power is the multinational experience of a firm. The firms that don't have experience in foreign markets usually tend to use non-investment entry modes as they encounter problems through overstating potential risk, while understating potential returns when working within the market. In contrast, experienced firms will tend to use investment entry modes (Agarwal & Ramaswami, 1992; Pinho, 2007).

Firms looking to enter attractive foreign markets should look at the aspects of market potential (size and growth) and investment risk when selecting their market entry strategy, as the returns on investment will be much higher (Agarwal & Ramaswami, 1992). However, Pinho (2007, p.719) argues that not every firm can "maximize its return in an equal way".

These factors of the location specific advantages suggest that within countries with high market potential, equity modes are preferred to non-equity modes because of the differences in long-term profitability. The final factor of the eclectic theory looks at internalization advantages within a firm, and is based on the relationship between the risks of sharing assets and skills with the host country, compared with integrating them within the firm. As defined by Wulff (2016), it also decides whether firms should internalize based on cost efficiency, or, if they should utilize contractual agreements with local firms.

Transaction cost analysis is another theory (TCT) that can be used to explain the factors that influence entry mode decisions. In the paper by Ojala & Tyrväinen (2007), they provide a study carried out by researchers that concludes how SMEs prefer equity modes of entry when they have greater asset-specific investments, while on the contrary, less asset-specific investments are tied to non-equity modes. Javalgi et al. (2010) define this theory as the role of control each entry mode type grants a firm. Wulff (2016, p.944) provides another explanation, stating that firms "should internalize its foreign transaction if the costs of internalization are less than those of entering through the market". Among the other theories in FMEM, they assert that this transaction cost theory is most commonly applied.

2.2.3.2 External factors: Risk and Resources & Networks

There are various factors that can influence the decision of which FMEM a firm will use. Argarwal & Ramaswami (1992, p.3) describe the tradeoffs between risk and return to be the determinant for choice of FMEM through the normative decision theory, suggesting that "a firm is expected to choose the entry mode that offers the highest risk-adjusted return on investment.". While, Pinho (2007) and Ahsan & Musteen (2011) both state that with each entry mode there comes varying levels of "resource requirements, organizational control, expected future returns and risk exposure", as quoted by Ahsan & Musteen (2011, p377) (Argarwal & Ramaswami, 1992; Pinho, 2007; Ahsan & Musteen, 2011). Therefore, it is important to consider these factors when choosing which mode to use, as it can affect the performance of the firm.

There is a strong relationship between networks and a firm's export performance and are also vital to their internationalization process (Stoian, Rialp & Dimitratos, 2016). Babakus, Yavas & Haahti (2006) and Belso-Martínez (2006) have suggested that both local and foreign networks, as well as knowledge, have had a clear and direct impact on the exporting activities a firm carries out. Networks with competitors and customers also help the export performance through influencing export intensity and satisfaction (Belso-Martínez, 2006). Research has demonstrated that the size of the firm, usually in SMEs, can sometimes be a liability due to the struggle of getting access to resources in the form of human and financial capital, thus hindering the advancement of the firm’s exporting (Zhou, Wu & Luo, 2007). However, Stoian et al. (2016) indicate that networks are crucial in the international expansion of SMEs and can in turn overcome the liability of smallness.

Lo, Chiao & Yu (2016) emphasize how using local networks or forming strategic alliances in host countries can make the transition of entering into the foreign market much smoother. Sharma & Blomstermo (2003) also acknowledge the benefits of networks as they state that the internationalization process of a firm is motivated by the knowledge a firm possesses, which they use to establish these network ties in domestic markets. The network ties can be broken down into three dimensions, with the first being the accessibility of information for a firm, and how the firm can use it to their advantage in the market. The second dimension is the timing of when information arrives at the firm for them to use at their disposal. The third dimension relates to referrals, which Sharma & Blomstermo (2003, p.744) describe as involving the firm’s interests being “represented in a positive light, at the right time, and in the right place”. Even though these dimensions can positively affect the internationalization process, they are not the same for all firms, and can produce different outcomes when used (Sharma & Blomstermo, 2003).

Johanson & Vahlne (2009) state that firms gain a better understanding of internationalization through the knowledge supplied by inter-organizational networks. Furthermore, Colombo, Laursen, Magnusson & Rossi-Lamastra (2012) state that this is particularly relevant for SMEs due to the fact that they face higher resource constraints than larger firms. Colombo et al. (2012, p.182) also express that “SMEs are able to supplement their limited internal R&D base and gain access to new markets and innovation sources”. This is supported by Ripolles Meliá, Blesa Pérez & Roig Dobón (2010) who claim innovation can point SMEs in the direction of high control FMEMs and to undertake more international activities. Along with knowledge, inter-organizational networks also provide access to external resources in financial, human, and technological forms. These are available through the connection and relationship between a firm and their business partners (Stoian et al., 2016; Johanson &

Vahlne, 2009). Coviello & Munro (1995) have argued that these relationships affect the FMEM of a firm and can provide new knowledge associated with the host country and market selection.

2.2.3.3 Internal factors: OC Perspective vs. TC/Internalization Perspective

Madhok (1997) states that both the organizational capability (OC) perspective of a firm and the transaction cost and internalization perspectives can affect the FMEM. The internalization perspective focuses on transaction costs and market failure, exploiting a firm's advantage, and minimizing costs when doing business with a partner. The FMEMs which enable higher control is preferred when the firm's competitive advantage is based on embedded resources which are not easily imitable. The organizational capabilities perspective draws attention away from the transactions and delves more into the capabilities a firm possesses. It focuses on the boundaries of a firm's capabilities, further development of a firm's competitive advantage, and the benefits of minimizing costs (Madhok, 1997). Valiyan, Jahromi, & Boudlayee (2016) suggest that organizational capabilities derive from a firm's ability to cultivate both tangible and intangible resources, for help in performing tasks or activities that will positively affect performance and help achieve set goals. Sungyuan & Ussahawanitchakit (2015, p.55) characterize organizational capabilities as "a firm's ability to perform and repeat a productive task which relates either directly or indirectly to a firm capacity for creating value through affecting the transformation of input into output". Hussain, Sreckovic, & Windsperger (2018) suggest the OC perspective views the firm through using their resources and organizational capabilities to gain a competitive advantage through exploring and exploiting new knowledge. Madhok (1997) argues that from a logical standpoint, organizational capabilities are less restrictive than the transaction cost perspective, and that the OC argument is concentrated on bounded rationality, whereas the TC argument is motivated by opportunism. The findings he gathered was that even though the TC perspective suggests some credible concerns, the OC perspective is more suited to explain the decision-making process of firms when entering a foreign market (Madhok, 1997).

2.2.4 FMEM Conclusion

The literature on entry modes into foreign markets is quite vast and has been well researched. It demonstrates selecting a foreign market entry mode has become increasingly strategic and is critical for making the transition abroad for a firm as smooth as possible. There are different modes of entry a firm could choose from, and there are a number of varying factors that can influence the entry mode decision. These factors can be divided into sections on broader theories, external factors, and internal factors on FMEM. Broader theories include the eclectic theory and transaction cost theory. The external factors focus on risk and resources, as well as how networks can impact the firm. The internal factors range from organizational capabilities, to experience, and to resources. These are a part of how a company creates and captures value, as what the business model is entails. Firms may want to opt to be in full control of their decisions and select to pursue a joint venture or make an acquisition. Or they may want to limit their resource commitment and choose a shared control entry mode such as joint ventures. Hence, the FMEM is one of the most strategic decisions an internationalizing firm will have to make. Similarly, the business model deals with strategic decision making within the firm as it represents the rationale behind the business and will be discussed further in the next section.

2.3 Business Model Literature

2.3.1 Business Model History and Origins

The business model is a term that was first mentioned in an academic article by Bellman, Clark, Malcolm, Craft, & Riccardi (1957), where the authors used what they called business models to create and design a business game for executive training purposes. Though it was already mentioned in the 1950s, the term did not rise to renown until late 1990s, when academic research on the concept was starting to appear with some of the earliest contributors being Timmers (1998), who wrote about business models in relation to the rising electronic commerce (e-commerce). The business model’s ascent to prominence occurred around the same time as the digital economy was being introduced to the world, (Osterwalder, Pigneur & Tucci, 2005; Fielt 2013), which could help explaining why the greatest amount of research has come from e-commerce and that the early work focused on revenue streams for web-based firms (Morris, Schindehutte & Allen, 2005). According to Morris, et al. (2005), the business model concept is based on central ideas in business strategy, where it draws on several different theories such as resource-based theory, strategic network theory and cooperative strategies. However, it is mainly built on the value chain concept along with notions of value systems and strategic positioning.

2.3.2 Business Model Literature

Although the academic research on the business model concept started appearing in the late 1990s, there is still no generally accepted definition (Morris, et al. 2005; D'Souza, Wortmann, Huitema, & Velthuijsen, 2015). With many authors proposing their own definition of the business model, with their own key components, depending on the purpose of the article, it is no wonder that no consensus regarding the nature of the concept is achieved. Among the first to try to conceptualize and define the business model is Amit & Zott (2001). In their work, the business model is presented as a unit of analysis that unites five existing theoretical frameworks, that is, value chain analysis, Schumpeterian innovation, resource-based view, strategic network theory, and transaction cost economics. By incorporating parts of each of the aforementioned theories, the business model allows the analysis of the four sources of value creation in e-business (Efficiency, Complementarities, Lock-in, and Novelty). The definition of Amit & Zott (2001, p. 511) "A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities", is consistent with the previously mentioned theoretical frameworks, and reflect the value creation focus of the authors.

Amit & Zott's understanding of the business model and its definition can be seen in contrast to contemporary authors such as Winter & Szulanski (2001, p.731), who defines the business model as "Business model is typically a complex set of interdependent routines that is discovered, adjusted, and fine-tuned by "doing"". Winter & Szulanski's (2001) use and purpose of the business model could be viewed as less conceptualized and vaguer compared to Amit & Zott (2001), due to the lack of explanation of what the author refer to when using the term business model. Winter & Szulanski (2001) also stress the importance of the business model being dynamic and able to change and evolve, something that Amit & Zott (2001) do not bring up. Tikkanen, Lamberg, Parvinen, & Kallunki (2005), do not agree with previous authors, and criticize them for reducing the concept of the business model to a limited number of components. Tikkanen et al. (2005), claims this is oversimplifying the concept and instead tries to extend, enrich and redefine the business model concept. The authors describe the business model as a cognitive phenomenon that is also built on the material aspects of the firm. By emphasizing the business model from a cognition viewpoint, Tikkanen et al. (2005) do manage to extend the concept and take on a completely different view compared to previous authors.

Morris et al. (2005) note that there is a lack of consensus not only regarding how to define the business model concept, but also what the key components of the model are. In response to this disarray, Morris et al. (2005), attempt to bring order by creating a framework that is based on commonalities in previous literature. The framework consists of six components that can be derived through answering six questions (See Appendix 1). Each of these components can then be evaluated at three levels - Foundational, Proprietary and Rules. The *Foundational level* defines the model in terms of a standardized set of questions. At the *Proprietary level*, the model becomes strategy specific for a certain company, and thereby harder to replicate. The final level, *Rules*, sets guidelines and rules that ensures the foundational and proprietary levels are reflected in the ongoing strategic actions. The components of this framework are, similarly to Amit & Zott (2001), rooted in previous theoretical works such as Schumpeterian innovation, resource-based view, strategic network theory and transaction cost economics.

Osterwalder & Pigneur (2005), agree with Morris et al. (2005) about the fragmented state of the literature, and suggests that the reason for this stems from the fact that different authors writes about business models when they do not necessarily mean the same thing. Osterwalder & Pigneur (2005) also, similarly to Morris et al. (2005), attempts to structure the different views on the business model, although through a different approach. By dividing the different concepts and definitions into three categories (levels): Overarching Business Model Concept, Taxonomies, and instance level, an overview of the different conceptualizations of business models emerges. Osterwalder & Pigneur (2005) uses a similar approach to Morris et al. (2005) in order to derive the components of their business model, which is comparing the most common components of the most commonly mentioned models. From this, they derived nine components: value proposition, target customer, distribution channel, relationship, value configuration, core competency, partner network, cost structure and revenue model. Osterwalder & Pigneur (2005) perception of the business model differs from Amit & Zott

(2001), since they include revenue model which describes value caption, while Amit & Zott (2001) explicitly states that value caption is not a part of the business model.

Osterwalder & Pigneur (2005) also explicitly states that business models are different from both business strategy and business process models, as these two are often used interchangeably with the business model concept. Business process models are concerned with how a business case is implemented in processes, and business strategy includes competition, which business models do not, as it is mainly centering around how the different pieces of the business fit together. The business model can instead be seen as the conceptual link between strategy, business organization and systems.

In 2010, Osterwalder & Pigneur published *Business Model Generation: a handbook for visionaries, game changers, and challenges*, which further develops and describes the components suggested in their previous work. Some of the previous components, for example cost structure and value proposition, where kept as they were, while some changed names and were refined, such as value configuration and core competencies, which were merged and changed into key resources and key activities. However, the changes to components were minor, and the essence of their concept of business model were kept the same. What is significant with this book is the proposed framework, the Business Model Canvas (BMC) (see Appendix 2), which provides a holistic view of the company's business logic. Osterwalder & Pigneur (2010, p.14) also provides a definition that captures these nine interrelated components: "A business model describes the rationale of how an organization creates, delivers, and captures value". Since it was published, the BMC has grown to become popular and widely used among businesses. It has been especially recognised for its usefulness when it comes to illustrating, analysing and understanding a company's business model (Sort & Nielsen, 2018; Joyce & Paquin, 2016; Abraham, 2013), but is also criticized for being "profit first"-oriented and that it de-emphasises the environmental and social aspects of the business model (Joyce and Paquin, 2016). In response to this, Joyce & Paquin (2016) have launched the Triple Bottom Line Business Model Canvas (TLBMC), that builds on the original BMC, but also takes into account the environmental and social aspects of operating a business.

Amit & Zott has, just as Osterwalder & Pigneur, published later work that furthers their previous research. Building on previously mentioned sources of value drivers, Amit & Zott

(2007) identifies two critical themes of business model design – novelty centered, and efficiency centered (though there are others value-creation themes such as lock-in and complementarities). Novelty centered business models focus on business model innovation, while efficiency centered business models focus on doing things in a more efficient way. The findings of their study show that there is a positive association between novelty centered business models and a firm's performance. However, there is no clear positive association between efficiency centered business models and a firm's performance. (Amit & Zott, 2007). In 2010, Amit & Zott revised their previous definition of the business model claiming that it can be conceptualized as either a set of transactions (according to their 2001 definition), or as an activity system. An activity system being defined as "a set of interdependent organizational activities centered on a focal firm, including those conducted by the focal firm, its partners, vendors or customers, etc." (Amit & Zott, 2010, p.216). The activity system perspective of the firm can be useful for firms that is trying to innovate their existing business models. By changing one of the design elements, that is content, structure and governance, business model innovation is allowed (Amit & Zott, 2012).

2.3.3 Business Model Literature and FMEM

There has been research on the individual elements of the business model, though research on the business model as a whole has not been extensively studied in relation to the choice of FMEM. Because the business model is a wide model that seeks to explain the value creation and value capture of a company based on the logic of that company, it incorporates several different internal aspects of a firm, meaning that several of these aspects have already been researched in FMEM literature. An example of one aspect of a firm's business model that has been studied in relation to a firm's FMEM is resources (Madhok, 1997). According to Osterwalder & Pigneur (2010), a firm's key resources plays a major part in the firm being able to deliver its value offering and is therefore a component in the business model canvas. A company's resources affect its organizational capabilities, and thus is a major factor in influencing the firm's choice of FMEM (Madhok, 1997).

Another aspect of the business model that has already been studied in the FMEM literature is efficiency. In Amit & Zott's activity system perspective on the business model, efficiency, which is centered around reducing transaction cost, is a source of value creation. This is studied in relation to FMEM through the transaction cost theory. Transaction cost is a major determinant according to the internalization theory on FMEM, as it states that a firm should choose to internalize its foreign transactions if it is the most cost-effective decision (Gatignon & Anderson, 1988; Wulff, 2016).

2.3.4 Business Model Conclusion

The business model literature has developed in “silos”, meaning that the different views of the nature of the business model has proceeded to evolve in isolation. Furthermore, within each silo, there has arisen a fauna of business model conceptualizations, leading to even more fraction and confusion of what a business model is. This continuing of research developing in isolation from each other has contributed to prevent and hinder cumulative research advancement within the field. This can be explained through researchers using the same term to explain different concepts. Amit & Zott (2011) suggests that in order to enhance clarity in the field, researchers should adopt more exact concepts and terminology. By using more precise and clear concepts to indicate the researcher’s focus, there would be less confusion as to what role that researcher gives the business model. However, despite the differences among researchers, there are some commonalities that can be found among them which can be seen as emerging themes in the business model literature. These themes are (1) business model is seen as a new unit of analysis; (2) the business model is a holistic approach that explains how firms “do business”; (3) the activities of the focal firm influence the conceptualizations of the business model; (4) business models seek to explain both value creation and value capture (Amit & Zott, 2011).

2.4 Literature Conclusion

The FMEM literature attempts to explain the decision-making process behind how firms enter a foreign market. They have used external and internal factors, as well as overarching general theories to understand the rationale behind the specific entry modes. The business model research has been focused on presenting the reasoning of a business in how it creates and captures value. However, despite the research on FMEM that takes on an internal perspective exists, there is a notable absence of research that takes a more complete and holistic view - a business model view. Even though these two streams of research have been concerned with the performance and strategic matters of the firm, they generally have not been fully researched together in the academic literature.

3. Methodology

In this chapter, first the methodology concerning the research philosophy, approach and design, is presented. This is followed by the method part which deals with the case study approach, sampling, data collection and analysis and ending with the ethical issues.

3.1 Research Philosophy

The research philosophy of this study is interpretivism because the researchers' intention is to create new, richer understandings through thoughts and reflections (Saunders, Lewis & Thornhill, 2016). Interpretivism argues that humans and their social world cannot be studied with the rigid outlines of a positivist philosophy, which goal is to discover universal "laws" that apply to everybody (Saunders et al., 2016). Interpretivism adheres to the complexity, richness and multiple interpretations of the subject in matter, and allows the researchers to make meaning in their research (Saunders et al., 2016). This is relevant for the study as it aims to explore how the business model, and its components, influence the foreign market entry mode of a firm. An interpretivist philosophy would then enable the researchers to obtain a more accurate idea of what is really contributing to the business model as it is a complex phenomenon, supported by various activities. As a result, adopting a positivistic stance could put constraints on the result of the study because of the highly structured design, and therefore may disregard other relevant findings (Collis & Hussey, 2014). Putting numerical values on complex phenomenon can be misleading and fail to show a complete picture of what is being studied.

3.2 Research Approach

The aim of this paper is to explore a phenomenon which is not well researched, therefore an inductive approach is suitable (Saunders et al., 2016). The researchers will collect data and develop theoretical connections as the data are collected and analyzed; theory will follow data. Considering the exploratory nature of this paper, an inductive approach allows the researcher to consider a variety of factors which are important when answering the research question. Moreover, it is also suitable when the researchers are going from specific observations to broader generalizations and theories which are relevant for this this research. An inductive strategy is also typically associated with a qualitative research approach (Bryman & Bell, 2015), therefore a qualitative research approach will also be utilized. A qualitative approach will allow the study to dive deeper into the research question and obtain rich and in-depth data (Marshall & Rossman, 2016). The data will thus be collected from in depth interviews and subsequently connected to relevant theory in the analysis.

3.3 Research Design

According to Marshall & Rossman (2016) it is very important to match the research question to the purpose of the study which will help clarify the intent of the study. Saunders et al. (2016) states that there are five different purposes of studies in business research: (1) exploratory, (2) descriptive, (3) explanatory, (4) evaluative, and (5) a combination of purposes. Exploratory studies aim to discover what is happening and how patterns are linked together (Saunders et al., 2016; Marshall & Rossman, 2016). Descriptive studies aim to describe and document the phenomenon of interest, where the aim of explanatory studies is to find causal relationships between the variables that are being researched (Saunders et al., 2016; Marshall & Rossman, 2016). Evaluative studies aim is to find out how well something functions (Saunders et al., 2016). An exploratory study is suitable where there is limited prior research, the topic of interest is poorly understood, and where one wants to clarify the nature of the issue or problem. Moreover, an exploratory study gives the researchers flexibility in the sense that they can adapt to change and also change the direction of the research. An exploratory study is also well suited for qualitative research as it typically focuses on content and is emergent and evolving. The pairing of qualitative research with an exploratory design is therefore well aligned with the intent of this paper.

3.4 Method

3.4.1 Single case study method

A case study is applicable when trying to explain specific existent circumstances and is well suited for exploratory research (Yin, 2014). The research requires in depth data gathering to understand a complex social phenomenon, which is one of the prerequisites of a qualitative study (Marshall & Rossman, 2016). Case studies are also appropriate when the connections between the studied phenomenon and the context is not apparent (Saunders et al,. 2016; Yin, 2014; Marshall & Rossman, 2016). Furthermore, Yin (2014) states that the case study method is largely chosen due to the type of research question the study puts forward; “How” and “Why” questions are those that merit this specific method. Case studies also have the advantage of being more flexible when it comes to incorporating different perspectives, data collection tools, and interpretive strategies (Marshall & Rossman, 2016). Thus, the nature of this paper’s research question and topic, is well aligned with the prerequisites of a case study and is valued as the method which will give this study the most appropriate data to analyze. Furthermore, this paper will adopt a holistic design which means that there will be a single unit of analysis as this paper will look into the business model of a firm and how it influences the FMEM (Yin, 2014). Yin (2014) further states that there are five major rationales for a single-case design: critical, unusual, common, revelatory, and longitudinal. This paper follows the common case rationale, as the case will focus on a manufacturing SME to gain insights to make further contributions to the field of internationalization (Yin, 2014).

3.4.2 Sampling

In the search for a suitable firm, one important criterion was set: the firm had to be engaged in some form of international activity as described in the literature review. Furthermore, to be able to gather data that is pertinent to the study, the firm should have at least entered a foreign market in the last ten years. The second criteria were that the firm should be considered a SME, preferably a medium sized company. The rationale behind this was that more things are happening in medium sized enterprises in comparison to small companies that only comprise of a few individuals. A medium sized enterprise would thus give the paper a more diversified phenomena to research. In contrast, a large sized enterprise would have many different activities going on simultaneously, making it difficult to get a holistic understanding of the firm. The third criteria were that the company in question had to be an established company. This entails that the company has done business for an extended period of time, accumulated knowledge of its industry, and has developed its way of conduct and how it creates value.

As the research data will not be statistically analyzed with the aim to generalize from the sample, a random sample was not needed (Collin & Hussey, 2014). Therefore, an initial search was conducted using the personal network of the researchers of this paper. After having identified two possible candidates, initial probing interviews were held in order to confirm if the criteria of internationalization were met. Both candidates met the criteria, however, one was ruled out due to restricted access. The firm that was chosen and examined was Swepart Transmission AB. Snowball sampling was an important factor for this paper as the initial contact person aided in the pursuit of other participants. After the initial contact with the firm, several shorter communications were held to ensure access to participants and that they were suitable, i.e. that they have good knowledge and understanding of the business and its rationale as well as internationalization.

The participants came from different departments of the firm such as production/R&D-, logistics- and the customer department. Moreover, a participant with lengthy experience within the company and who occupies a senior position was also important to include, as they will have a more in-depth perspective of the firm and its business as a whole. The characteristics of the participants can be seen in the table below.

Table 2. Characteristics of participants

	Interviewee A	Interviewee B	Interviewee C	Interviewee D
Position	Product engineer	Logistics manager	Key Account manager	Financial Account manager
Interview Duration (min)	135	75	60	47
Age	26	26	48	34
Years in firm	4	2	24	12
Education	BSc Mechanical Engineering	BSc Industrial Economics	No higher education	1 year Business administration

3.4.3 Data Collection

Primary Data

The primary data for this study, which is new information that has been collected for the purpose of this research, will consist of information collected through individual interviews. A total of four interviews were conducted with a duration ranging from one hour to the longest interview which lasted almost three hours.

Interviews as a method allows the researchers to gather in depth knowledge from the participants regarding their research question(s) (Marshall & Rossman, 2016). Interviews are suitable for this study because they aid in the quest to develop an understanding of the participant's surroundings or when the logic of a certain situation is not clear (Collin & Hussey, 2014). The interview guides that were utilized (see Appendix 3) was derived from the literature review; it was constructed with the business model in mind (using the business model canvas for inspiration), while connecting it to the FMEM literature as well. This study will use semi-structured interviews which are scripted interviews asking specific questions which will let the interviewees talk about the intended topic and which enables the researchers to develop and pose questions during the interviews (Collin & Hussey, 2014). This means that the questions were tweaked and changed in relation to how the interview progressed and allowed for other areas to be discerned. This also resulted in some questions being excluded from the interview because the respondent had given answers that had made other questions irrelevant. Furthermore, the primary data was recorded by using handwritten notes and by an audio device to enable a deeper analysis of the content in a later stage of the research. In contrast to an unstructured interview, where no questions are prepared in advance, the semi-structured interview helped guide the data collection toward the research question and make the data more in-depth. However, one of the semi-structured interviews also transformed into a mobile interview (interviewing while walking) which was conducted during a guided tour of the facilities of the firm. This part of the interview was not prepared for by the researchers and can therefore be considered as more of an unstructured interview. Three types of questions were used during the interviews: open-, closed- and probing questions (Collin & Hussey, 2014). Open questions were posed in order to get longer answers where the respondent needed to develop his/her responses. More closed questions were posed when the respondent would not supply a precise answer to an open-ended question. Furthermore, probing questions were asked in response to what the interviewees said, to gain a better understanding of the issue which is being studied. Examples of probes are responses such as “Why?”, “Can you explain that in more detail” and, “What do you think is most important” (Collin & Hussey, 2014).

Secondary Data

Secondary data was collected through Swepart’s website. The database Retriever Business was used to collect information concerning financial reports and to go through recent press releases and news articles. The database was accessed through Jönköping University online library. Informational posters that were observed during a guided tour at Swepart in Liatorp also contributed to the data collection. The secondary data complemented the primary data in increasing the understanding of the company, and it was also used to confirm data that was collected through the interviews.

Procedure

The interviews were held at Sweparts headquarters in Liatorp. To conduct the interviews in private, access to one of their conference rooms in a secluded part of their building was granted. The interviews were split up so that only two separate interviews per occasion were conducted. There were two interview occasions in total, and they were six days apart. Moreover, the interview structure contained 4 sections. The first section included introductory questions concerning general information about the company and the participant role in the company. The second section included questions concerning the business model and internationalization, specifically the FMEM. The last section included more holistic questions, based on the previous answers from the participant, with the goal to get more differentiated answers as well as allowing the participant to speak freely about our questions and the answers. Lastly, the participants were sent an email where their individual responses were summarized and were asked to expand on some of the findings as well as corroborate the findings.

3.4.4 Data Analysis

Thematic analysis was used to analyze the collected data. Firstly, an examination of the transcriptions from the interviews was carried out. Secondly, coding was utilized to discern prominent factors that were of importance. Codes emerged from going over the transcripts when the interviewee for instance talked about why Swepart have been so successful. For instance, the codes "SHARED VALUE CREATION" and "PARTNERS" were linked to sections where the interviews talked about their customers and the characteristics of their customer relationships. "PRODUCT CORRECTNESS" derived from sections regarding their production and "CONTROL/INTERNAL CONTROL" became evident while analyzing the descriptions of their value creation. "SELF-SUFFICIENCY" and "ADAPTATION" emerged while analyzing the parts concerning the ability to create a product on their own. This data was then arranged accordingly. Thirdly, the codes and the supplied data were examined to find underlying themes and links to the research question. Product correctness and control was later linked to the underlying theme of "Quality" as they both serve to achieve quality. Partners and shared creation are linked to "Networks" as they represent relationships which Swepart are engaged in. Self-sufficiency and adaptation are linked to "Research and development" as these are closely linked to the ability to operate on their own. Fourthly, further examination of the themes and links was carried out to find connections between them. These refined themes were posed against each other and connections such as "Product correctness" and "Research & Development" emerged. Fifthly, these themes and links were grouped together to further strengthen the analysis. Lastly, a deeper analysis of the themes and links was done to give further insights and context as well as connect them to relevant academic literature.

3.4.5 Data Quality

To ensure that this paper has high research quality, the various criteria with which qualitative research is measured against have been taken into consideration. Lincoln and Guba (1989) delves deeper into the criterions for qualitative research and presents a construct to capture the concerns of trustworthiness: dependability, credibility, confirmability and transferability. This research will adhere to Lincoln and Guba's construct as it aligns with the approach of this paper.

To achieve dependability, the researchers coded the interviews separately and discussed the coding before coming to a final conclusion on how to code. In effect, this has worked as a type of external audit for the individual member, carried out by the other members. To further strengthen the dependability of the paper, the common pitfalls of researcher and participant error and bias were taken into account. A discussion was held between the researcher to highlight different factors that could influence the way the data were being interpreted. Other things within the grasp of the researcher such as conducting the interviews during a suitable time (i.e. not just before the end of a work day or on lunch time) and in a secluded area, being well prepared and able to conduct the interviews in a purposeful manner (i.e. no hunger or fatigue) were taken into account. Credibility is closely linked to dependability. It emphasizes that the representations of the researchers' socially constructed realities match what the participants intended. Data triangulation, member checks which includes letting the respondents go over the collected data and peer reviews within the group as well as with individuals outside the group were used for the purpose of achieving credibility (Guba & Lincoln, 1985; Saunders et al, 2016). To achieve confirmability, the process and findings of this study will be presented in such a manner so that the conclusions and inferences can be thought of as a logic end point to the study; the reader should see that the "bottom line" adds up (Guba & Lincoln, 1989). Lastly, transferability is achieved by giving a full description of the research questions, design, context, findings and interpretations in order to give the reader full insight in what have been done and how. This will allow the reader to judge the transferability of the paper by him/herself (Guba & Lincoln, 1989).

3.4.6 Ethical Issues

The various ethical issues that might surface during the research such as harm to participants, lack of informed consent, invasion of privacy and if deception is involved were taken into consideration (Bryman & Bell, 2003). The participants of this study were informed of the purpose, how their information would be used, and gave their consent to use their answers. Anonymity and confidentiality were offered to all participants to ensure the protection of individuals and data. Furthermore, the data we collected will be used in aggregate which further ensures the participants' protection. As the research is not connected to any controversial characteristics and the participants did not express any issues, the privacy of the participants was not considered as a major factor during the interviews. Moreover, issues related to misrepresentation have been carefully considered, such as falsely reporting research findings, fabrication and alternation of data.

4. Empirical Findings

This chapter will present the empirical findings. Firstly, an overview of the company will be given, followed by the presentation of the findings on each topic derived from the interviews.

4.1 Company Description

The participant firm for this study is Swepart Transmission AB. Swepart is one of Sweden's leading transmission and gear manufacturers, operating in the niched gear manufacturing industry. The company was founded in 1945 and has approximately 250 employees in their two locations, with a turnover which recently passed 500 million Swedish kronor. It has a profit margin goal of 10%, which is an ambitious goal in the metal industry. It still has some way to go, since it now reaches a profit margin of about 7.11 % ("SwePart Transmission AB - Företagsinformation", 2019). The company has two modernly equipped factories in southern Sweden located 50 kilometers apart. One is located in the region of Småland, in a small town called Liatorp, and the other manufacturing facility in the region of Skåne, Sibbhult. The Liatorp location, with its 180 employees, can be seen as the firm headquarters where all the functions of the firm are located, e.g research and development, IT and finance.

Swepart offers its customers a complete solution; from thought to finished product, meaning that it is capable of both developing a product as well as producing it. Swepart has a range of customers that include Husqvarna, Komatsu, Voith, Knorr Bremse, Mack, Atlas Copco. With Scania, Volvo, and ABB Robotics being their three main customers. The main foreign markets that Swepart is in includes Brazil, United States, China, and Germany. The company primarily works with producing gearboxes, precision-grounded gearwheels and other transmission parts for the heavy vehicle industry - with each product developed being tailored to the customer's needs.

4.2 Foreign Market Entry Mode

Swepart's foreign market entry mode is exporting. Though they are stationed in Sweden, their products can be found in various countries around the world. Swepart began exporting indirectly, as they sold their products to their customers who then shipped them to their facilities in foreign markets. Later on, Swepart began exporting more directly, by sending their products straight to the customers in foreign markets. As one of the interviewees described their internationalization process:

"We had domestic customers, mainly Volvo and Scania, and naturally, they asked if, instead of sending the gears to Gothenburg, we could simply send them directly to their factories in Brazil. It started with simply changing the address on the packages, but as their factories, who are companies in their own right, became more autonomous, they started placing their own orders."

Even though customers have asked Swepart to expand abroad, in the form of setting up foreign production subsidiaries, they have not done so on the grounds of quality assurance and cost-effectiveness.

"Now we have expanded our facilities with 5000m2 here in Liatorp. We could have built 5000m2 in Russia, next to Volvo, but to what end? [...] It's a form of quality assurance"

Though Swepart only exports tangible products, it also shares its knowledge, competence and "know-how" with its customers/partners abroad. Swepart also has international collaborations with The Laboratory for Machine Tools and Production Engineering (WZL) at RWTH Aachen University in Germany for research and development purposes.

4.3 Customers & Customer relationship

Swepart's customer base is made up from their three biggest customers, Scania, Volvo, and ABB Robotics. They are not only customers but are also direct competitors and partners. The customers act as competitors when they decide to manufacture and develop products for their needs in-house, instead of outsourcing it to Swepart. When customers instead act as partners, they co-develop products and help each other. Because of this, the bigger customers play an integral role in their process of delivering value. As described by a product engineer in the process of developing a new product in collaboration with a customer:

“It’s important to help, it is in everyone's interest that it will be good. Especially in the technical part, there we have a dialogue that is very good”

Swepart’s customer relationships are characterized by a long-term perspective. Most often, in the beginning of a relationship, they get asked to develop prototypes to see if they are able to deliver according to the customers’ specifications. This will most often set the stage for an ongoing relationship where both partners seek to collaborate to improve their products and relationship in the long-term.

4.4 Product Offering

Swepart’s product offering consists of various subparts such as gears and transmissions primarily to the heavy vehicle industry. Each product is developed and tailored according to the customer’s needs. Sometimes existing product designs can be used more than once, but if that is the case, it generally requires adjustment for the specific purpose of that product. The R&D department at Swepart is highly regarded. The company not only develops the product design, but also manufacture it themselves. The purpose of developing the product themselves is to get the contract to batch produce it in the next stage. Developing the product gives approximately a 3-year contract, while production could give up to 15 years of continuous orders.

In order to fulfill requirements and standards set both by the industry and its customers, Swepart’s products have to maintain high quality. By adding value through the quality of its products, delivery precision, competence, and human capital, Swepart manages to not only meet industry requirements, but also exceed them, making them a leader within their field of expertise. This is illustrated by the quotes below (See Appendix 4 for more quotes):

“[...] we deliver what we say we are going to deliver on time. [...] Good at high precision gears and low tolerance. Specifically the high quality.”

Customers have high demands when it comes to distribution of the products. When delivering to the United States for example, it is of high importance that everything is delivered on time. Being able to hold high quality and high reliability is a prerequisite for exporting.

4.5 Resources and Activities

"We do not offer cheap or expensive products, the price is what it is, because of the machines we have"

As mentioned in the quote above, the machines are among the most important physical assets Swepart has along with the production facility. However, the most important assets overall are not physical assets, but rather intangible ones in the form of human capital and certificates. Swepart follow industry certificates, such as the IATF, which is prerequisite for the industry. Customers also have their own quality requirements, which are often stricter, and are followed up by regular customer audits on Swepart. When posed with a question about whether they would still be able to sell to their international clients without their industry certificates, Swepart's key account manager answered:

"No, absolutely not, we would barely be able to sell to small companies in Sweden, since it is so well recognized."

The R&D has attributed to Swepart's overall product quality, which has been a main factor as to why customers decide to work with Swepart and keep returning to them. When asked to put the R&D function in perspective, the interviewees responded (See Appendix 4 for more quotes):

"There are many customer who like that we have an R&D department. [...] Our prototype department makes us strong. [...] That the customer can come here with a thought and we solve the rest, it makes us strong"

5. Analysis

In this chapter, the empirical findings will be analyzed. First, an overview of Swepart's export characteristics will be given. Then, the parts relating to the business model will be analyzed, ending with the business model logic as a whole.

5.1 Export Characteristics

The data derived from the empirical findings showed that Swepart is international through their exporting of products to foreign markets. Exporting is one of the most common foreign market entry modes (Agarwal & Rashamaswani, 1992), and is connected to low resource commitment and non-equity entry modes (Hollender et al., 2017; Laufs & Schwens, 2014). The levels of control a company has in foreign markets is defined by Pinho (2007, p.716) as "the level of authority a firm may exercise over systems, methods and decisions in the foreign affiliate". Both Pinho (2007) and Ahsan & Musteen (2011), claim that non-equity entry modes, such as exporting, which is the case of Swepart, is associated to low levels of control. That exporting leads to lower levels of control is natural when control is defined as the authority a firm exercise over different aspects in a foreign affiliate. In contrast, the empirical findings of this case study showed that exporting as an entry mode instead leads to higher control, but of the firm's internal operations. By keeping all operations central and in close proximity to each other, it becomes easier for Swepart to control and ensure quality throughout the different stages of their sale process, from product development to manufacturing and the shipping their products. This adds to the overall control of the value creation of Swepart. Because of this, it can be argued that exporting leads to high control of internal operations, as the empirical findings has shown, but little-to-no control in foreign markets, as proposed by Pinho (2007) and confirmed by the empirical findings.

When looking at the research question of this case study in reverse, that is, how does the FMEM affect Swepart's business model, we can conclude that exports allow Swepart to continue creating value using their current business rationale. This entails that exports do not change the firm's operations in any major way, allowing the firm to continue to operate the same way it always has. Many researchers state the FMEM choice is one of the most important strategic decision an internationalization firm will make (Laufs & Schwens, 2014; Lai et al., 2012; Mukundhan & Nandakumar, 2016; Ahi et al., 2017), it can therefore be argued that choosing other entry modes, such as brownfields or joint-ventures, can have major implications on the firm's value creation as those entry modes will, at a greater length, affect how the firm operates. For instance, partnering up with another company can shift various activities towards the new partner, which will change its business model, and when acquiring a foreign firm, the parent-firm will more likely be faced with adjusting to a different value creating process to its own.

5.2 Customer Relationship

Swepart have a network of customers stationed all around the globe, with many of them being Swedish companies that have expanded abroad. Networks are external factors that can potentially influence the FMEM decision and have a positive impact on a firm’s export performance through administering innovative behavior and providing market knowledge for the firm (Babakus, Yavas & Haahti, 2006; Belso-Martínez, 2006). However, there has been limited evidence in this area of knowledge and needs to be further investigated (Stoian, Rialp & Dimitratos, 2016). Lo, Chiao & Yu (2016) have indicated that by using local networks or forming strategic alliances in host countries it can make it easier for the firm to transition into that foreign market.

To keep the IATF industry-certificate is Swepart’s main priority and is key in maintaining the high requirements set by customers when it comes to the quality of products and delivery precision. Though the certificate is of great importance, the empirical findings show that the customers’ own requirements are even stricter and that their high standards are reason for Swepart committing their business operations domestically, rather than going abroad. Additionally, the interviewees state that most high-quality gear manufacturers are located in Northern Europe, thus explaining Swepart’s reluctance to open a facility abroad, despite the many requests from its customers. When asked to set up a facility in China to expand their operations abroad, Swepart declined, stating that their most important value - quality, might diminish due to various factors such as differences in human capital, culture, and general quality standards. As described by an interviewee, “They don’t have the Swedish mentality”.

Furthermore, it would take at least 15 years for that facility to generate profit, adding to the reason why Swepart prefer to abstain from expanding their production facilities abroad.

Sharma & Blomstermo (2003) and Johanson & Vahlne (2009) both acknowledge that a firm's understanding of the internationalization process is expanded through the knowledge supplied by inter-organizational networks. The empirical findings have shown that Swepart not only exports tangible products, but also shares its knowledge and competence with its customers abroad. The findings show that customers have different roles, through acting as both competitors and partners. When acting as partners, they work together to develop products through sharing competence, "know-how", and product knowledge with one another. Herrmann et al. (2002) describe the differences in knowledge base between full control (greenfield investments or cross-border acquisitions) and shared control (licensing or joint ventures) modes of entry, stating that firms that decide to go for shared modes of entry already have access to vital information that is supplied by their local partners. Though exports are not considered to be among the shared control entry modes, in Swepart's case, taking their extensive collaboration with their customers into account, their exports exhibit characteristics of shared control. Thus, arguments could be made for their exports to be somewhat of shared control through a joint venture approach.

Colombo et al. (2012) and Ripolles Meliá et al. (2010) state that the R&D department of a firm and its innovation can assist the firm in finding new markets and engage in more international activities. However, they also claim that SMEs are limited in their internal R&D base and that they are directed towards high control FMEMs, which is contrasted in the empirical findings of this case study. Swepart pride themselves on being able to customize their products exactly to the customer's demands, which is achievable due to the the R&D division. The R&D department is highly regarded and is a trait of their overall product quality and their whole value offering. In the empirical findings, when describing their customer relationships, an interviewee stated that Swepart and their customers often work together when developing products. For example, Swepart works with Scania, a major manufacturer of commercial vehicles, who often have their technicians working with technicians of Swepart in order to develop and supervise the work in their own interest, ensuring that the product quality is up to their standards and that they will deliver on time. These collaborations could be seen as some form of alliance or partnership, but they are instead embedded in the customer relationships, as no formal agreements concerning alliances or partnerships exists.

5.3 Research & Development Capability

Swepart use their R&D department, often jointly with its customers, to adjust and develop its products to its customers' needs. This allows Swepart to adapt its products according to different markets and can in the long run validate their specific market entry mode, that is exports. In contrast, Blomstermo et al. (2006) state that higher control modes are used when the firm want to adapt to foreign markets, suggesting that firms should utilize modes such as acquisitions or wholly owned subsidiaries over exports when adapting to the market. As Swepart's products are pragmatic and more generic by nature, their products are less sensitive to specific country trends. Moreover, the R&D function of the company, alongside with the nature of the product, can make the choice of higher control modes (e.g. wholly owned subsidiaries), less attractive, when it comes to the concern of product adaptation. By having their own department that can develop and design (new) products, the need for specific entry modes which facilitates adaptation becomes less necessary. Furthermore, as there are few other competitors who operate their own R&D function, this strengthens the competitive advantage that Sweparts has and contributes to the value creation and capture process of the firm by attracting and retaining customers.

According to the organizational capabilities-perspective, the value of a resource is based on its contribution to the competitive advantage of the firm (Madhok, 1997). The R&D function can thus be seen as very valuable to Swepart as it is a major contributor to quality, which is a major competitive advantage of Swepart. By entering a foreign market, a company needs to transfer its resources or capabilities to that market in some way. In addition, a company should do so in a manner which does not erode their competitive advantage (Erramilli, Agarwal & Dev, 2002; Madhok 1997). As Swepart does not have any wholly owned subsidiaries or licensing agreements, the transfer of capabilities and resources is done mainly through their finished products via exports. Congruently with the thoughts of Madhok (1997), Swepart has opted to maintain a higher control over their capabilities through exports, when faced with different options of collaborations or setting up operations abroad.

One important factor regarding the characteristics of the capabilities which contributes to the export entry mode is that Swepart's capabilities can be thought of as being embedded in the organization, meaning that they are comprised of matters that are intangible such as experience, knowledge and routines which comes together in their value creation. This makes them imperfectly imitable (Erramili et al., 2002) and cannot therefore easily be transferred. As noted from the interviews, Swepart have been approached by other firms wanting to join them or produce for them, as well as debating themselves whether the firm (Swepart) should start up a factory abroad. Swepart have come to the conclusion that, if they would expand abroad, it would erode their competitive advantage because their capabilities will decrease, meaning that they will not be able to ensure the same quality in production or delivery. For instance, choosing a licensing or acquisition entry mode for Swepart, when the firm's capabilities are embedded, would not enable the value creation of the firm to be intact.

5.4 Value Drivers

Swepart's business model can be viewed from an activity system perspective as presented by Amit & Zott (2010). This framework is based on four sources of value creation, later known as business model design themes; Novelty, Lock-in, Complementarities, and Efficiency (NICE). Applying Swepart's business model to this activity system perspective allows us to analyse its sources of value creation.

Swepart's business model is mainly complementarities- and efficiency-centered, meaning that the greatest sources of value stem from these activities. As explained by Amit & Zott (2010), complementarities exist when the bundling of activities within a single system creates more value than performing each activity separately. In Swepart's case, the bundling of activities refers to Swepart offering not only to manufacture the product for the customer, but also to develop it. This leads to greater value since Swepart can design the product after their own machines and standards directly, compared to if the customer would develop the product themselves, only to have Swepart adjusting the design to fit their prerequisites. This process means lower costs for the customers, as well as Swepart gaining a bigger part of the total revenue generated by each customer project.

Efficiency-centered business models aim to enhance efficiency within the organization by lowering transaction costs (Amit & Zott, 2010). Swepart's efficiency focus ties into its complementarities, since designing the product at the same location as it is being produced, dramatically reduces transaction costs, compared to if the customer were to design it themselves. This is aligned with Amit & Zott (2011), claiming that the the different value drivers enhance the effectiveness of the others, which in this case refers to the complementarities enhancing the efficiency value driver. The horizontal integration of the Sibbhult manufacturing facility is another demonstration of efficiency gains, since the close location of Sibbhult to Liatorp allows the sharing of functions such as R&D, finance etc., as well as knowledge exchange and even the possibility of the two factories lending out personnel to each other when there is a need for it. Keeping all vital functions of the firm centralized, from product design to manufacturing, lowers transactions costs, and therefore enhances efficiency, while at the same time helping to ensure that the high-quality standards are maintained.

When considering Swepart's value drivers as described above, it can be argued that these would not be possible if Swepart were to choose an equity entry mode, since a prerequisite for these value drivers is the pooling of their different functions. The different functions support each other, and their cooperation is greatly enhanced because of the proximity between them. The only FMEM that allows Swepart to maintain this symbiosis is exporting. In contrast, it might be argued that Swepart still can offer product design in Sweden, while having manufacturing in a foreign country where it might be cheaper, but that would affect their quality assurance according to Swepart themselves, which, by extension, would affect their value offering and ultimately, their business model, which is the foundation that they compete upon.

5.5 Business Model Logic

As described in the literature review, the business model is defined in this paper as: "A business model describes the rationale of how an organization creates, delivers, and captures value" (Osterwalder & Pigneur, 2010, p.14). Adhering to this definition, Swepart's business model concept can be explained as follows: Swepart offers their customers high quality products at a competitive price. This is their value offering. This high quality is enabled much thanks to a highly competent and highly regarded R&D function that can assist Swepart's customer in their product development, as well as giving input and suggestions for cost cutting. The product developing process is often done jointly with the R&D function of its customers through knowledge exchange and support from both sides, as it is in Swepart's, as well as the customer's interest that the product becomes as good as possible. The R&D is not the only function contributing to the high quality, but competent machine operators, along with modern machines and facilities, are also contributors to achieving high quality. Having a supreme quality is something that allows Swepart to differentiate themselves in the market, but also comes with another advantage: without strict rules and routines when manufacturing their products, Swepart would not be able to keep industry and customer certificates. Without these certificates, Swepart would, as mentioned in the empirical findings, lose most of their customers, both international and domestic. To summarize, Swepart's business concept is built around the high quality of their products. This quality is supported by key resources and activities (previously mentioned R&D function, competence, machines and facilities). The high quality is also what enables Swepart to sell their products to their customers, and what makes them competitive in their market. This is confirmed further by Swepart themselves as they describe their business concept as "Swepart Transmission AB shall by means of high competence and cost efficiency be a leading supplier of transmission products [...]". ("Company | Swepart", 2019)

6. Conclusion

In this chapter, a conclusion that summarizes the focal points of analysis will be presented.

We set out to explore how a firm's business model influences the foreign market entry mode choice of said firm. Using a single case study, we have found that the business model of a niched manufacturing firm does in fact influence the foreign market entry mode.

Swepart have been shipping their products world-wide for a long period of time, more than 20 years, and have established a good understanding of the different foreign markets they interact with. Still they remain engaged with exports. According to Agarwal & Ramaswani (1992), multinational experience is considered to be a determinant of the FMEM choice a firm makes, and firms with experience usually tend to go with investment modes (e.g. acquisition) over non-investment modes (e.g. exports). This path of internationalization is not followed by Swepart, who have continually shown a stronger commitment to their specific entry mode by choosing to expand their own production capability in Sweden rather than building manufacturing plants abroad. The rationale behind this decision is that quality is the decisive factor. Swepart is, in fact, able to move their production to foreign countries where it is cheaper to produce. However, according to the empirical data, they will not be able to deliver the same quality, which is one of their competitive advantages. This is one reason why Swepart is chooses exporting over other entry modes.

It is evident that quality has a great influence over the FMEM of Swepart. Though quality itself is not Swepart's business model, it is enabled through the logic of its business model. The different parts of the business model, e.g. key activities in the form of R&D, key resources in the form of high-quality machines and facilities, and customers as partners and co-developers, all work together to support the high quality of Swepart. In this way, Swepart's business model has directly enabled and supported the further commitment to their current FMEM. However, the business model has not only affected Swepart's FMEM by enabling their high-quality product offering, but other aspects of their business model, such as their value drivers, which are also heavily influential in their choice and commitment to exporting. As discussed in the analysis, a prerequisite for Swepart's sources of value creation, which are according to this paper's definition a major part of the business model, is the pooling of their different functions. This pooling is only possible with an exporting mode of entry, and so, the conclusion can be drawn that as long as Swepart intends to operate the same business model, with the same value drivers, it is likely to continue its commitment towards exporting. By having a business model which emphasizes quality, Swepart is being steered towards entry modes which maintains this competitive advantage. In the case of Swepart, this results in exports and a strengthened engagement towards this specific entry mode. In the next chapter, we will discuss other perspectives who are found relevant to this case study, as well as the implications of the conclusions drawn in this chapter.

7. Discussion

This chapter will discuss insights and contributions to the topic of business models and FMEM, as well as go over limitations of the paper. Implications and suggestions for further research will be presented at the end.

7.1 Insights and contributions

7.1.1 Business model

The original idea of this paper was to use the business model canvas by Osterwalder & Pigneur (2010) in order to map Swepart's business model, and then from that draw conclusions on how their business model had affected the choice of entry mode. However, when writing the interview guide, and when writing the empirical findings that was derived from the interviews, it became evident that the business model canvas is not a "one-size-fits-all" solution. Not all of the nine components of the business model canvas were relevant, or even applicable to Swepart's business model, and even less relevant when it came to their effect on Swepart's FMEM. Because of this, the activity system of Amit & Zott (2010) was used as well as the business model canvas. This added value to the paper as it allowed for analyzing Swepart's sources of value creation, which was key in explaining the rationale of their business model. The conclusion that can be drawn here is that a single model or framework is not enough to fully understand a company's business model, rather a mixture of models and frameworks should be used to better understand a firm's business model.

The findings, together with the analysis clearly show that the different aspects of Swepart's business model, such as resources and partners, played a major role in determining their choice of FMEM. Even though we found evidence supporting the different theories in the entry mode literature, it is evident that it is not these factors alone that determine the FMEM, but rather the interactions between them. Therefore, this paper contributes to the entry mode literature by demonstrating the importance of taking a holistic view that allows for these interactions to be recognized.

In addition, we contribute to the business model literature. Whereas a large variety of models exist, our study gives some insights in the relevance of different models in this context. We set out to use the business model canvas, but during the analysis it appeared that it did not allow us to analyse all the important aspects of Swepart's business model, hence a mixture of models was needed.

7.1.2 Control

In our literature review, Blomstermo et al. (2016) describe control to be important in determining and affecting a firm's performance and purpose. While levels of control in entry modes differ, Pinho (2007) and Ahsan & Musteen (2011) link high levels of control to joint ventures and wholly owned subsidiaries, whereas exporting and licensing are associated with lower levels of control. Through our findings and analysis, we noticed exporting, being the main entry mode of Swepart, to have low levels of control when in the foreign market, which is confirmed by the literature. However, we have derived that Swepart's export activities exhibit high levels of control, given through the firm's internal operations. The desire for internal control might be influenced by the fact that the firm operates in a niched manufacturing industry. As their competitive advantage is based on quality, the firm will therefore strive to maintain this kind of control as the link between control and quality became evident in our findings. This type of control, internal control, is found lacking in the existing literature on FMEM, as the modes of entry are solely discussed in terms of control in the external market. This is of high relevance as our findings showed that internal control played a major part in determining Swepart's FMEM. Considering that it played a major role for Swepart, it is likely that it also can be a determining factor for other, similar companies, and is therefore worth exploring further.

7.2 Limitations

When analyzing Swepart's internationalization and their FMEM, the more conventional way of internationalization has been considered: the downstream route to internationalization. This route is concerned with the expansion into foreign markets via exports, licensing, contracts and foreign direct investments (Kuada & Sørensen, 1999). By only having this perspective, the upstream route of internalization which relates to a firm's engagement in international transactions or relationships to improve its efficiency and knowledge as well as managerial and technological capabilities for the purpose of strengthening its competitive position in the domestic and/or foreign market(s) (Kuada & Sørensen, 1999), is left unexplored. By also incorporating the upstream route, more factors could have been included into the analysis which could have yielded more differentiated findings. Moreover, as the home market for gears is relatively small, it forces firms to expand into foreign markets to reach growth targets. This could have influenced the findings, making them less applicable to firms in other, larger markets. Furthermore, the niched characteristics of the gear and transmission market could also have influenced the findings. Choosing a firm operating in a niche market for this case study had the advantage of allowing us to more easily get a complete understanding of the competitors, the partners and the logic of the market, compared to if we would have chosen a firm operating in a bigger market, as that environment would be more complex and harder to get an overview of. However, if we would have instead chosen a firm in a wider market, our results would be applicable to a greater number of firms, but the findings might be less accurate and complete.

The number of respondents can also be argued as few, for a medium sized company. Efforts could have been made to interview more specific country/region managers to get more in-depth insights into the operations. However, the participants that were chosen were selected based on their key positions within the firm and because they know the firm well. The fact that the participants all came from different departments of the firm was a consciously made choice to achieve data triangulation.

By choosing a single case study, our aim was to get a deeper understanding of how this particular firm operated in order to correctly assess its business model and how it affected its FMEM. By prioritizing deeper understanding of a single firm, the results of this case study become relevant to a much narrower audience. If we instead would have chosen a multiple case study, the results of this paper would have become more generalizable but provided a less accurate answer to our research question.

7.3 Implications and suggestions for further research

7.3.1 Managerial implications

The findings of this study show that the business model is of high relevance when it comes to the FMEM of a firm. When a firm is faced with the choice of expanding into a foreign market, it becomes beneficial for the firm to take their business model into consideration (McQuillan & Sharkey Scott, 2015). By doing this, it enables the firm to include all the internal factors which serve as the basis for their competitive advantage (Amit & Zott, 2010) and choose the FMEM which maintains or even strengthens them. Furthermore, the findings of this case study show that it might also prove useful for firms who are already committed to a specific FMEM to examine it and evaluate how well it is aligned with the business model. This could provide a new perspective for the firm to evaluate their current international strategy and build up a more cohesive value creation.

7.3.2 Suggestions for further research

As this paper has dealt with the business model in relation to FMEM, multiple new research directions have opened up. Firstly, a new direction for the business model research would be to take a business model approach to the upstream route to internationalization as it is not explored in this paper. Looking at how the business model influences the internationalization of a firm’s value chain could give further insights into how firms expand into foreign markets. Secondly, as this paper is focused on a firm in a relatively small home market, a future research direction is to do the same research as this paper, but in a different home country context. By looking at a firm with a relatively large home market, other valuable insights might be reached which can further contribute to the academic field of business models and internationalization. Thirdly, looking at another type of market, a less niched market, could yield insights which could further extend the findings of this research paper. Lastly, a new direction for business model research relates to control. This study found that control was an important factor when considering different foreign market entry modes. Therefore, a new direction for research could be to investigate how the internal control affects the foreign market entry mode. Moreover, what level of internal control the different entry modes give could also be a valid subject to examine.

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Appendix

Appendix 1.

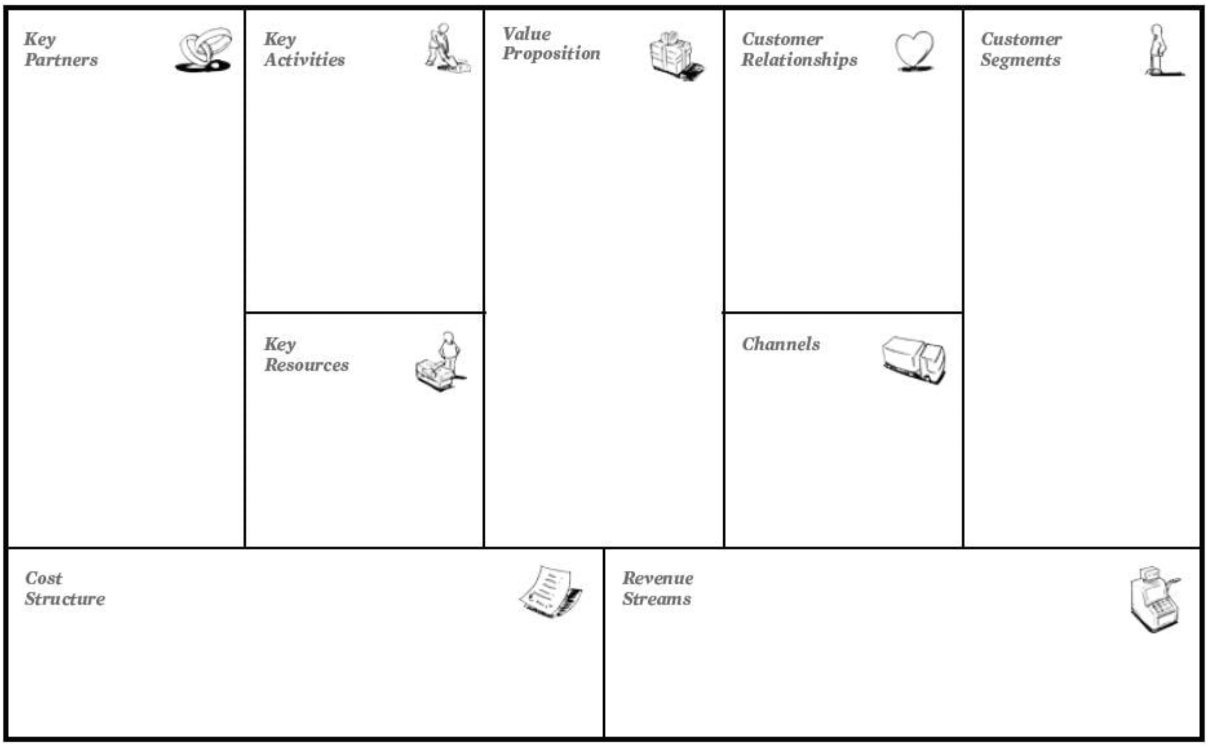
Morris et al. (2005) Framework

Characterizing the business model of Southwest Airlines

	Foundation level	Proprietary level	Rules
Component 1: Factors related to offering	Sell services only Standardized offering Narrow breadth Shallow lines Sell the service by itself Internal service delivery Direct distribution	Short haul, low-fare, high-frequency, point-to-point service Deliver fun Serve only drinks/snacks Assign no seats/no first class Do not use travel agents/intermediaries Fully refundable fares, no advance purchase requirement	Maximum one-way fare should not exceed US$___ Maximum food cost per person should be less than US$___
Component 2: Market factors	B2C and B2B (sell to individual travelers and corporate travel departments) National Retail Broad market Transactional	Managed evolution from regional airline to servicing to 59 airports in 30 states Careful selection of cities based on fit with underlying operating model	Specific guidelines for selecting cities to be serviced 85% penetration of local markets
Component 3: Internal capability factors	Production/operating systems	Highly selective hiring of employees that fit profile; intense focus on frontline employees Do not operate a hub and-spoke route system. Fly into uncongested airports of small cities, less congested airports of large cities Innovative ground operations approach Independent baggage handling system Use of Boeing 737 aircraft No code sharing with other airlines	At least 20 departures per day from airport Maximum flight distance should be less than ___ miles Maximum flight time should be less than ___ minutes Turnaround of flights should be 20 minutes or fewer
Component 4: Competitive strategy factors	Image of operational excellence/ consistency/dependability	Differentiation is achieved by stressing on-time arrival, low fares, passengers having a good time (spirit of fun) Airline that love built	Achieve best on-time record in industry
Component 5: Economic factors	Fixed revenue source High operating leverage High volumes Low margins	Short-haul routes and high frequency of flights combined with consistently low prices and internal efficiencies result in annual profitability regardless of industry trends	Maintain cost per passenger mile below US$___
Component 6: Growth/exit factors	Growth model	Emphasis on growth opportunities that are consistent with business model	Managed rate of growth

Appendix 2.

Business Model Canvas



Appendix 3.

Interview Guidelines

Our interview will be conducted with at least 4 representatives from the Company which will be able to answer questions concerning the different components to their business model (components according to BMC), and FMEM.

We will pose different kinds of questions, open and closed. We will begin with more open ended questions and then continue with probing questions to get more detailed information. Closed questions will be posed when the interviewee strive to far from our intended/original question and probing questions will then be posed to extract more information. The questions are thus intended to guide the collection and make it possible for us to deepen our understanding of the prevailing conditions of their business. As Swedish is the native language for the interviewees, the interviews will be conducted in Swedish because we believe it will come as most natural for the interviewees and will thus allow for a richer information exchange.

We will begin every interview session by informing them of our purpose and ask them if they are doing this voluntarily. Anonymity will be offered to the company and the interviewees if they wish it. We will also inform that we will have an objective viewpoint on the matters that the interviewee brings up and will not be condemning any personal opinions. Furthermore, a confidentiality agreement will be presented to the interviewee to make sure that we, as researchers, will not pass on any information that we collect from the interviewee to a third party, without his/her written agreement.

After the interviews, when we have transcribed the information, we will send a copy back to the interviewees and give them an opportunity to go over what we have collected to make changes if they feel that something is wrongly expressed or that something needs to be taken out from the content.

Introduction Questions

Q: Hur länge har du jobbat i företaget?
How long have you worked for this company?

Q: Vad har du gjort under tiden du jobbat där?
What have been your positions at this company throughout the years you have worked here?

Q: Vad är din roll i företaget idag?
What is your role in the company today?

Q: Beskriv affärsverksamheten i stora drag.
Describe, in general, the business operations of the company.

Q: Kan du berätta på vilket sätt företaget är internationellt.
Describe in which way you think that the company is international.

Q: Kan du beskriva företagets internationaliseringsprocess? (Motivation, drivande faktorer, FMEM)
Can you describe the company's internationalization process? (Motivation, driving factors, FMEM)

Q: Vilka delar av er affärsmodell har påverkat/driver mest ert val av FMEM?
What parts of your business model has affected your choice of FMEM?

Q: Beskriv er strategi kring FMEM.
Describe your FMEM strategy.

Q: Vad är er plan för att växa/expandera inom nuvarande form?
What are you plans for expanding your operations?

Q: Hur resonerar ni kring samgrupperingen av era funktioner? (Hur har detta påverkat er internationalisering?)
What is the reasoning behind the pooling of your different functions? (How has this affected your internationalization?)

Attention: If the respondent states a specific mode of internationalization, this mode will affect the following questions.
In the following questions, which concerns internationalization or Foreign Market Entry Mode (FMEM), the FMEM which were revealed in the introductory questions will be referred to when we pose questions containing the words 'internationalization', or 'FMEM' etc.

<u>Customers</u>

Q: Kan du beskriva era kunder? (d.v.s hur ser kundkaraktärerna ut, nätverk etc.) Vilka är era största kunder? Kan du berätta lite om era internationella kunder? Hur skiljer sig de åt?
Can you describe Sweparts customers. (E.g. What are the characteristics of your customers? Networks...etc.) Can you tell us about your biggest customers and your international customers? How do they differentiate?

Q: Hur ser ert kundsegment ut?
What does your customer segment look like?

Q: Kan du berätta lite om ert värdeerbjudande? Har ni samma värdeerbjudande till alla kunder?
Can you describe Sweparts value proposition? Do you have the same value proposition to all customers?

Q: Hur har era kunder påverkat er och er internationalisering? (Relationer, kommunikation, kundens marknad, etc?)
Can you tell us about how the customers have affected the firm? How have they affected Swepart's internationalization? (Relationship, communication, customer's market?)

Q: Hur påverkar era största kunder er affärsverksamhet? Hur påverkar dem er internationalisering?
Can you tell us about how has your biggest customers affected your business operations? How do they affect your internationalization?

Q: Kan du berätta om hur era kundrelationer ser ut? (Anpassar ni er mycket efter kunder, är det återkommande kunder, skiljer sig relationerna mellan internationella och svenska kunder?) Hur har det påverkat er FMEM?
Can you tell us about Swepart's customer relationships and how they look like? (Do you adjust a lot to your customers, are they recurring customers? Do the relationship between the Swedish and the international customers differ?) And how has this affected your FMEM?

Q: Vad gör ni för att hålla kvar era kunder?
Can you tell us why customers keep on conducting business with Swepart and what Swepart do in order to retain customers?

Q: Beskriv hur ni säljer/leverar era produkter till kunden. Har det drivit er mot en specifik väg mot internationalisering?
Can you describe how you sell and deliver your products. How has it affected the company, related to internationalization?

Product offering

Q: Kan du berätta om hur Swepart skapar värde för kunden? Hur skapar ni värde genom ert FMEM?
Can you tell us about how Swepart creates value for their customers? How do Swepart create value through the FMEM?

Q: Var placerar ni er i marknaden? (D.v.s, är ni en lågprisaktör, är ni bäst, erbjuder ni bäst service/underhåll). Hur har det påverkat er internationalisering?
Where are you placed in the market? (E.g. Are you the cheapest?, Are you the best? Do you provide the best service?) How has this affected your internationalization?

Q: Vilka krav ställer era kunder på er? Har dessa krav påverkat er internationalisering (t.ex. behöva upprätta en lagerlokal i något land etc.?)
What demands does your customers have? Have these demands affected your internationalisation? (E.g. by having started a warehouse somewhere?

Q: Hur har erat värdeerbjudande påverkat er internationalisering?
Can you tell us about Swepart's value offering and your internationalization? How has your value offering affected your internationalization?

<u>Value Chain</u>

Q: Kan du berätta lite om företagets tillgångar? (Fysiska, humankapital, intellektuella)
Can you talk a little about the company resources/assets?

Q: Vilka tillgångar/resurser har varit viktigast för er FMEM? Kan du säga lite om hur era tillgångar har påverkat er FMEM?
Which assets/resources have been the most important in regard to your FMEM? Can you tell us how they have affected your FMEM?

Q: Vilka kompetenser är avgörande för att ni ska kunna leverera ert värdeerbjudande? Vilka har bidragit mest till er FMEM?
What competencies are important for Swepart to deliver their value offerings? Can you tell us about the competences and put them in relation to your FMEM?

Q: Vilka är de aktiviteter gör ni i företaget som krävs för att kunna operera? Har dessa påverkat er FMEM?
What are the activities you do in order to operate?

Q: Vilka är era viktigaste partners/leverantörer? Hur har de påverkat er FMEM?
Who are your most important partners/suppliers? How have they affected your FMEM?

<u>Revenue/Cost</u>

Q: Vilka är era huvudsakliga inkomstkällor? (D.v.s design, produktutveckling, produktion etc.)
What are the company's main sources of income? (E.g. design, product development, production)

Q: Kan du beskriva er inkomstmodell?
Can you describe your revenue model?

Q: Kan du berätta lite om er prissättning av era produkter, och kopplat till det, hur har det påverkat er FMEM?
How do you price your services/products? How has it affected your FMEM?

Q: Har någon av dessa frågor påverkat er FMEM?
Has any of these two questions affected your FMEM?

Q: Vilka områden kostar mest pengar? Kan du säga nått om era kostnader och er internationalisering? (Vilka resurser kostar mest, vilka aktiviteter kostar mest)
Which sections of the company cost the most money to operate? Can you tell us something about the costs and your internationalization? (Which resources cost the most? Which activities cost the most?)

Q: Kan du berätta lite om hur ni tänkte angående kostnader och ert val av FMEM? Påverkade det vilket FMEM?
Can you tell us about the costs and the FMEM you have? Was cost an important factor?

Appendix 4.

Quotes from interviews:

"We have the experience, we have the knowledge, we deliver good products"

"When delivering products to Mack in the USA, we can't tell them we will be one week late. [...] We deliver power take-offs to them and have not missed a single delivery since 2004."

"It has absolutely contributed. We've been involved with the product development of 60% of our total sales to Volvo."

"We are quite unique by having a R&D department."

"If they [the customers] want to test an idea, yes, then they will ask our R&D department"

"We are doing a project directly towards the USA and I believe that with Trump that they want to keep everything in USA. They were doing that for quite a long time before they contacted our R&D department. The production still ended up in Liatorp"