

# **Internationalizatio Inversa**

**- Modernising Internationalization theory**

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## Foreword

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At last, we have finalized our dissertation. This period has been, by far, the most inspiring and educational throughout our years at Kristianstad University. It has taught us to reflect upon the knowledge that we have gathered, and then apply this to something which we have created ourselves. As with all projects of this size, it has demanded both time and effort. However, we have always felt as if we are working for a common goal and, therefore, the number of set-backs has been held to a minimum. It has been an amazing journey to see our little seed of an idea, hatched in February, come into full blossom 9 months later. It is with great pride that we present this dissertation and we hope that it will inspire others to follow in its footsteps.

A number of people deserve our acknowledgements and utter respect. First of all, we want to thank our tutor Håkan Pihl, who has assisted by pointing us in the right directions. Secondly, a big thank you to Annika Fjelkner who has patiently read through everything that we have written and given us ideas on how to refine our use of the English language. Third, a big thank you to Rikke Ammentorp and Pierre Carbonnier for their help with practical matters. Finally, we want to thank our families and friends for all their love and support throughout these months.

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**Internationalize**, /,ɪn.tə'næʃ.ən.laɪz/ us /-tʃə-/  
; to make something become international

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## Prologue

Imagine yourself walking down a street in the central parts of Beijing, China. The scents succeed one another. This is an open marketplace of new impressions and feelings, a mixture of wellbeing and curiosity of what might reveal itself around the next corner. You can hear the sound of fresh vegetables sputter against the hot steel of the characteristic wok pans. You hear the sound of live birds in cages, and the mumbling of thousands of people around you. Suddenly an oasis is revealing itself, and you are not sure of what it is. As you come closer you realize that what you see is more familiar than you could ever imagine. But what does it do here? The sound of the loudspeakers near its entrance plays Swedish music. The blue and yellow flag reveals what you thought did not exist this far from home. Closer to the entrance you see through the big windows that they have got it quite right. How do they know what a stereotypical Swedish environment looks like? It appears to be a restaurant, and most customers are Chinese. But what on earth's name does it do in the middle of China, and who has decided to place it here?

# **1. Introduction**

*In the following chapter we will go through the background of our dissertation. We want to build a foundation for understanding what we wish to study.*

## **1.1 Background**

Internationalization theory is a closely monitored subject within economics today. As a result of globalization, the market-place of today is shrinking, and as a manager you need to be able to distinguish the possibilities of taking your firm to other nations. This calls for a good knowledge-base concerning the many different internationalization theories that exist today. As a research team, we believe to have found a gap in the existing theories; an alternative way of launching your company on a foreign market in order to reach higher revenue at a faster pace.

In order to make your company grow even further and beyond the borders of your native market you have to start viewing the possibilities of becoming international. In addition to this growing trend, the amount of theories/models designed to help managers internationalize the firm is growing by the minute. Some of these models are based on years of research, while others have been created recently as a result of newer phenomena's. Ultimately, companies that are entering the global market must understand the possibilities, threats and processes involved in the phase of becoming international.

Our interest in this subject was developed throughout the course "Environment of International Business", held by Håkan Pihl during the spring of 2006 at the University of Kristianstad. A component of this course was to discuss the matter of internationalization theory and how some of the better known theories can be applied to the firm. One of these theories was the Uppsala theory. A theory which has been developed and transformed for more than three decades at the University of Uppsala, Sweden.



In short, the theory states that; in order to become successful when internationalizing your firm you must first turn your attention towards markets similar to your own (in regards of tastes, preferences and culture) and do this on a low scale at first. The point is to create knowledge, avoid taking risks and shrink the so-called Psychic Distance (Johanson, Blomstermo & Pahlberg, 2002).

Our reflections when learning of this model was that, since the actual creation of the first Uppsala model plenty of changes in the global market climate has derived. With globalization and the Internet, the world market is no longer divided into national markets but rather one homogenous market-place. With the global market climate changing, the need for newer and updated internationalization strategies must be vast. New conditions require new strategies.

The idea of the dissertation began with the assumption that there has to be a faster and alternative way of becoming international. There are, of course, theories that suggest a faster pace, but none that combine the concept of Uppsala's measurement "the Psychic Distance" and a high-speed internationalization process. In order to simplify this, the following example is presented: You are the CEO of a company and you have a product that you wish to present on a foreign market. Is it necessary to, as the first step, internationalize to a country with similar cultural patterns? In this dissertation it is assumed that if you create a strictly native concept and launched immediately on a market with extremely high Psychic Distance (different traditional patterns, tastes and preferences) and by this even reach a higher level of success than if launching on the neighboring market. The idea states that if this will be the case, then this could be the result of the product and the concept being viewed as something exotic on the far-off market, while it is just viewed as something uninteresting on the close-by market.

Based on this idea, the dissertation will focus on trying to distinguish the components of this alternative way to internationalize the firm. Furthermore, where does such a hypothetical model fit within the already existing literature? Thereafter, a research will be conducted.

## **1.2 Problem**

The problem which is addressed is the existing theoretical gap in internationalization theory due to the effects of globalization. Today, there are a number of different theories on the subject: Some of them say “go slow” and some of them say “go fast”. However, none of them actually elaborates the possibility of using high Cultural (Psychic) Distance as an advantage, and thereby move to a psychologically distanced market immediately. Recently, many researchers have addressed this possibility, but only by looking at one parameter at a time. Theories such as Leap-Frogging, Born Globals and Country of Origin-marketing all challenge the traditional ways of internationalization and international marketing, but none of them have identified the possible benefits of being an exotic alternative on a distant market.

## **1.3 Purpose**

The purpose of the dissertation is to create an alternative way for companies to expand to foreign markets. Therefore, the existing theories will be examined with the purpose of clarifying whether these can be useful when creating a model. Finally, an attempt will be made to create a brand new internationalization model based on the gathered facts and assumptions.

## **1.4 Research Questions**

- Is the assumption regarding the benefits of a high Cultural Distance, when internationalizing the firm, valid?
- If this assumption is proven right, what would the accompanying model look like?
- What components would such a model consist of?

## **1.5 Limitations**

Due to time-constraint, only the most relevant literature has been reviewed. Another limitation is that the research is not conducted on Chinese citizens that are situated in China. Instead, focus was put on Chinese citizens residing in Sweden for one or two semesters. This may have tampered with the outcome of the dissertation since the ambition was to include Chinese citizens with no previous knowledge of Sweden and its culture. Furthermore, more than two sample populations would have been preferred.

## **1.6 Outline**

The dissertation has the following outline.

Chapter 2: The chosen methodology is discussed. The research strategy is presented and the way in which the survey is to be conducted.

Chapter 3: The theoretical framework is presented. Relevant literature is reviewed and critical reflections are presented.

Chapter 4: The model is created. By taking important parts from the previously reviewed literature and adding gained knowledge the Internationalizatio Inversa (Internationalization reversed) model is presented.

Chapter 5: The research tool is presented. The reasons for using such a tool and how it was used are discussed. At the end of the chapter the questionnaire is analyzed.

Chapter 6: The most significant findings are presented and analyzed. These are backed up by statistical material such as box-plots. At the end of the chapter the significance of the findings is presented.

Chapter 7: The Empirical Methodology is presented. Reliability, validity and generalisability is reflected upon.

Chapter 8: The inference of the dissertation is presented. Practical Implications, Theoretical Implications and suggestions to further research is discussed.

## **2 Method**

*In this following part we will discuss our chosen methodology. We will go through the subjects of both primary and secondary data collection and give a description of the scientific approach.*

### **2.1 Choice of Methodology**

The aim with this dissertation is to try and identify a brand new way of internationalizing the firm. Is it possible for a company to immediately enter a market with a high Cultural Distance and become more successful than if entering a market with a low Cultural Distance. In order to clarify this, large amounts of already existing theories on the subjects of internationalization theory and global marketing will be reviewed. The purpose is to visualize that there are a lot of different theories stating similar conclusions, but none of them view internationalization strategy from our perspective. An attempt will be made to create a brand new internationalization-model and test this on one Chinese and one Danish sample population. The Danish respondents represent a nation with strong similarities to Sweden, while the Chinese respondents represent a nation with very little similarities to Sweden ([www.geert-hofstede.com](http://www.geert-hofstede.com)). See appendix 9 for details. To minimize the risk of tampering with the result, a research-tool will be created to retain spontaneous answers without making the questionnaire difficult for the respondents. Instead of asking both audiences difficult questions regarding internationalization processes, a fictional business concept will be created along with an accompanying questionnaire. By explaining the concept for the respondents, and having them react to this, potential customers with different levels of Cultural Distance can be analyzed.

The purpose of the dissertation is to create an alternative way for companies to expand to foreign markets. This purpose and the way in which the whole dissertation is structured means that the chosen research approach is deductive. Deductive research approach is when: *“You develop a theory and hypothesis (or hypotheses) and design a research strategy to test the hypothesis”* (Saunders, Lewis, Thornhill, 2007, p. 117).

## **2.2 Data Collection**

### ***2.2.1 Secondary Data***

The interest in conducting a research on the subject of internationalization theory was raised during a lecture on the subject. In this lecture, the Uppsala Model was discussed and a theoretical gap distinguished. During this first phase, the idea was merely to conduct a research in the field of internationalization theory, and to distinguish whether there could be alternative ways of internationalizing the firm. Such an alternative internationalization strategy would have to take the effects of globalization into consideration. Therefore, the process began with going through already existing data in order to see what was written within this theoretical field. This led to the creation of the model.

The literature review will begin from where the whole idea of the dissertation has its starting point – The Uppsala Model. When reading and reflecting upon this model, other relevant literature will be gathered. Those theories and models that have little relevance to the dissertation will be put aside. The sum of the critique concerning important theories mixed with own ideas will result in a new hypothetical internationalization model.

### ***2.2.2 Primary Data***

A survey will be conducted by using a questionnaire that is developed on the basis of the assumptions and the model. The questionnaire will be created to retain spontaneous and truthful answers. In order to retain this, a business-concept that is strictly linked to Swedish tradition and culture will be created. In this way, we put ourselves in the shoes of a small/medium-sized company with the ambition of becoming international. The questions within the questionnaire will be developed to distinguish differences in preferences between Chinese and Danish inhabitants. The preferred result would be more positive answers from the Chinese than from the Danish sample population. The questionnaires will be handed out personally during lectures for Chinese and Danish students. By having the students react spontaneously to a simple business-concept the aim is to get answers that are fairly accurate. What will be received through this way of conducting the survey are honest and spontaneous answers to a subject which everyone can grasp. After this, advanced conclusions can be made from the findings.

## **2.3 Scientific Approach**

The research takes its scientific approach from the principles of positivism. What defines the positivistic research approach is the usage of existing data to develop a model and then test this. After testing, the model can either be confirmed or rejected. Another important component of the positivistic approach is that the research must be undertaken and carried out in a value-free way. This means that as a researcher, you have to be as neutral as possible when carrying out the study (Saunders et. al, 2007). By approaching the target audiences with a simple questionnaire concerning a business-concept, the aim is to retain truthful answers that will provide extensive analytical material.

A research can either be quantitative or qualitative. A quantitative research is studies where the collected material can be expressed in numbers and

interpreted through analyzing quantity. A qualitative research is studies where data is collected and analyzed. However, this can not be put into a quantitative context. Based on this, the research is quantitative since a questionnaire is distributed and quantity is analyzed. Furthermore, the dissertation is cross-sectional as opposed to longitudinal. A cross-sectional study can be seen as a snapshot: a certain phenomenon at a certain time. If cross-sectional studies are likened to a snapshot, then longitudinal studies can be seen as a diary (Saunders, et.al, 2007).

The final part of the research approach deals with whether the purpose is exploratory, descriptive or explanatory. **Exploratory studies** sheds new light on a phenomenon, **descriptive studies** describes in detail a profile of a person, an event or a situation and **explanatory studies** looks into a situation with the purpose of explaining the relationships between variables. Based on these three explanations this study has an exploratory purpose since it seeks to look into something new and thereby shed new light on a phenomenon (Saunders, et.al, 2007).



### **3 Theoretical Framework**

*During the first part of this chapter we will go through the theories which we believe are relevant when viewing our problem and creating our model. After every presented theory we will shortly give our personal reflections. There will be no critical reflections' concerning Vernon's Product Life Cycle since this theory is only included because of its impact on latter Internationalization theories.*

#### **3.1 PLC – The Product Life Cycle**

One of the earliest models which tried to explain the internationalization process of a product and, in the long run also the firm, is Raymond Vernon's Product Life Cycle Theory. Even though the PLC-model (as it will be called from now on) is not entirely an internationalization-model, it is vital to bring it up since it lays the foundation for many of the newer theories.

##### **3.1.1 Background to the Model**

Vernon's theory, presented in the 1960's, is based on the observation that a large number of the world's new products were actually constructed and distributed from the US. As a first step, they were developed and sold in the US. According to Vernon this fact depended on the prosperity and the size of the US market, which gave the companies incentives to develop new products. However, there were also savings to be made: labour costs. To get ahead of their competition, US companies started to produce at locations with low labour-costs and then exported the products back to the US (Hill, 2005).

##### **3.1.2 The Stages of the Product Life Cycle**

Vernon argues that at the beginning stage of the product life cycle, most new products were produced in America. This meant that the pioneering firms would keep its production facilities on the home-market and focus its attention on building a strong foundation there. As time progresses and the demand for the product grows on the home market, the company will begin to export its goods on a low scale to other well-developed markets (i.e. West

Germany, Great Britain). Because of the attraction-value of this new and limited good, consumers will at this stage value other attributes than price. At this point, the demand for the product is limited to the high-income groups of the import-nation. This means that the exporting firm could charge a relatively high price in the beginning while the product still was innovative (Hill, 2005).

As time progresses, and demand starts to take off in the former import-countries, native producers will start their own production facilities. In addition to this, American companies will tend to set up their own production-facilities in these markets, since demand is now at a point where it is defendable to become international. The final result of this step in the cycle is that the export-potential for American firms, concerning this particular product, is now limited (Hill, 2005).

The third stage of the cycle is often called the maturation-stage, and in this stage, standardization and price become the most important tools for competing. During this period competition is fierce. As a result, the producer with the lowest cost will be the most successful. At this stage, other advanced nations with low labour costs (i.e. Italy and Spain) might take up production of the product, resulting in these countries exporting the product back to the United States (Hill, 2005).

The fourth and final step of the cycle takes place when competition on the new market becomes very intense. The result of this will be that producers in developing countries will begin to produce and export the product, and through this process these countries will begin to acquire a production advantage over other developed nations (Hill, 2005).

### **3.1.3 Vernon's Conclusions**

What Vernon distinguishes as the conclusion to the model is that America has, through this process, gone from being an exporter on a low scale to becoming an importer on a high-scale. This PLC proves two things:

- Demand will shift over time resulting in a relocation of production and buying power.
- As an extension to this theory, this global relocation can be seen as the mother of globalization theory and at the same time the basic idea concerning the internationalization of the firm (Hill, 2005).

## **3.2 The Uppsala Model**

This part presents the so-called Uppsala Model. This model in particular is known as one of the most influential internationalization-models. In this part we will present the development of the Uppsala Model and the most radical developments over the course of the years.

### **3.2.1 The Background of the Model**

For several years, the University of Uppsala had been studying the internationalization of the firm and at the starting point of what was going to become the so-called Uppsala Model, the researchers were faced with two given stepping stones:

1. Companies in general will turn international when they are still rather small.
2. These companies international development had strong linkages to their growth on foreign markets (Johanson, Blomstermo & Pahlberg, 2002).

The theoretical base of the Uppsala model consists of two earlier research projects: First, Edith Penrose's "The Growth of the firm", and secondly Cyert and March's "A behavioral theory of the firm". Penrose's theory directs its attention towards viewing the company's success as a result of its ability to use, combine and develop its resources. Penrose's theory can today be seen as the mother of all knowledge development within

companies since it does not focus on the resources as such, but rather on the company's knowledge about its resources (Penrose, 1959). The second theory which was critical for the creation of the Uppsala Model was Cyert and March's. This theory very much leans towards behavioral theory and it seeks to describe that a company's decision making is plagued by a lack of knowledge (Cyert & March, 1963). Much of the company's time and money will, therefore, be spent on gaining such knowledge and develop these knowledge-skills until perfection in one area is achieved (Johanson et al., 2002).

### **3.2.2 The Starting Point**

The first real breakthrough in the history of the Uppsala Model came in 1973 when an index called the psychic distance was created, and the researchers claimed that this might be the factor which explains where companies chooses to establish themselves. When examining the establishment of Swedish firms abroad, the pattern showed that this process was taking place in accordance to the Psychic Distance factor (Johanson et al., 2002).

To understand the whole philosophy of the Uppsala Model, one must understand what the researchers mean by the Psychic Distance. In Johanson's and Forsgren's book "Internationell Företagsekonomi" published 1975, the authors state that the Psychic Distance consists of three main areas:

1. A lacking knowledge of the foreign language among the staff.
2. Cultural differences between the home-market and the export-market.
3. A lack of knowledge concerning relevant data on the export-market.

These three parameters all add up to the amount of psychic distance between two countries. The higher the Psychic Distance is, the less accessible the country is and, therefore, it should not be the market of choice when the internationalization process is at an early stage (Johanson & Forsgren, 1975). Based on this description of the Psychic Distance, the

researchers found a pattern which showed that companies will at first turn their attention to markets with a low Psychic Distance (i.e. countries with a similar behavioral patterns) and thereafter move further away (Hörnell, Vahlne & Wiedersheim-Paul, 1973).

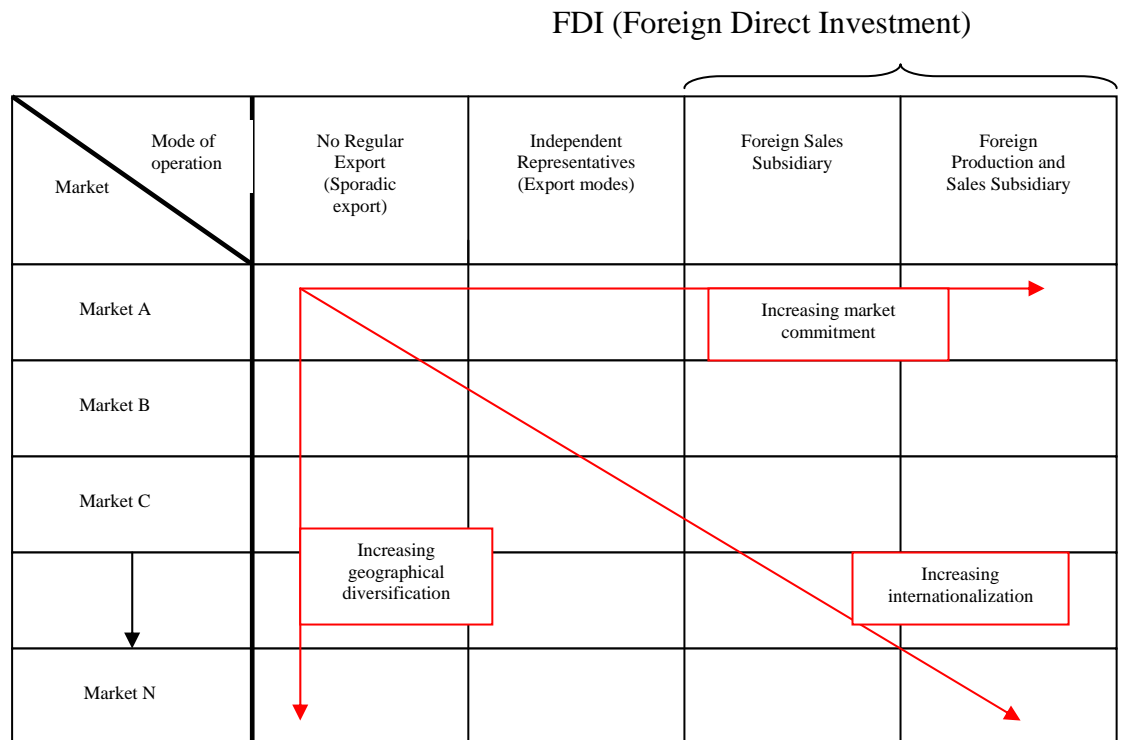
### **3.2.3 The Chain of Establishment (Stages Model)**

In 1975, Johanson and Wiedersheim-Paul further developed this way of viewing the process of internationalization by creating the so-called chain of establishment, which is also known as the stages model. The model shows how a company will establish itself on a foreign market by going through four incremental steps in order to gain the necessary knowledge. Each step is taken carefully in order to erase all doubts and uncertainties concerning the new market. In other words: The more knowledge the company creates, the higher its commitment on the foreign market will get.

The stages of the model are:

- Stage 1: Sporadic export
- Stage 2: Export through independent representatives (agents)
- Stage 3: Establishing a foreign sales subsidiary
- Stage 4: Foreign production/manufacturing units (Hollensen, 2004).

Figure 3.1 shows the Uppsala Stages Model



(Source: Adapted from Hollensen, Sven. 2004. “Global marketing – a decision oriented approach”, FT Prentice Hall, p. 53.)

Figure 3.1 shows how a company will take incremental steps in its internationalization in order to avoid uncertainty. At an early stage the company will turn its attention to markets with low Psychic Distance (market A) and do this on a low scale (no regular export). As time progresses and knowledge is gained, the company will increase its commitments and move on to new markets where Psychic Distance is a bit higher. The ultimate goal is to reach all markets, but all steps have to be taken before getting there.

### 3.2.4 The IP – Model

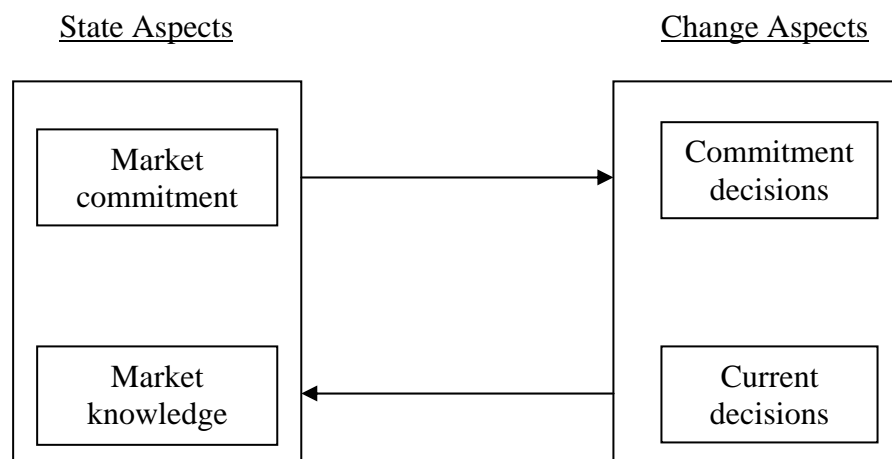
In 1977, Johanson along with Vahlne put forth a new extension of the Uppsala theory which was presented as the IP- Model (Internationalization Process Model). The fundamental thought of the model was to divide the company’s internationalization into processes which are interlinked with one another. The difficult matter for companies is to coordinate its

knowledge development and its increasing foreign market commitment. The internationalization process has four basic terms:

- Market Commitment
- Market Knowledge
- Commitment Decisions
- Current Activities

Two of these terms (Commitment Decisions and Current Activities) seek to explain changes in and the creation of the company's internationalization. The other two terms (Market Knowledge and Market Commitment) seek to explain what degree of internationalization that the company has reached.

Figure 3.2 shows the IP-Model:



(Source: Adapted from Johanson, Blomstermo & Pahlberg, 2002, "Företagets internationaliseringsprocess", Studentlitteratur, p. 51)

The basic idea of the IP-model is that the incremental steps that the company has to take when going international, no matter the size, are affected by the level of internationalization within the company and the steps within the international development then affect the extent of the internationalization within the company (Johanson et al., 2002).

The final conclusion of the IP-model is that a company's international development can be seen as a process which is driven forward by one fundamental mechanism: Knowledge and in particular the creation of knowledge. This continuing process of knowledge creation on the new market enables you to, in a better way, evaluate new business opportunities. Thereby the company can seal new deals which in turn lead to the evaluation of new business opportunities and so forth (Johanson & Vahlne, 1977; Johanson et al., 2002).

### **3.2.5 The Network Model**

The next big development in the history of the Uppsala school of Internationalization came in 1988 when, Johanson along with Mattsson presented the Network Model. As with the other models, this one also draws its theoretic foundation from the first Uppsala Model and, as with the other models, this foundation is knowledge. The Network Model can be seen as a specification of the IP-model. The IP-model argues that a company gathers knowledge concerning the market; the Network Model states that it is more a situation of gathering knowledge concerning specific customers and cooperators in order to use their contacts and relations on the market. These types of relationships are only visible for those who choose to interact. This fact forces other actors into taking action, because only when the company is a part of this process, it is able to see all linkages on the market (Johanson & Mattsson, 1988; Johanson et al., 2002).

Both the IP-model and the Network model discuss the importance of having equal sets of knowledge along with your specific counterparts. However, the Network Model also points out that it is not only a matter of engaging in a certain market, but also the way in which you engage in your counterparts. This process has to be mutual between the network participants, and only when this mutuality becomes reality actual internationalization is reached (Johanson et al., 2002).



### **3.2.6 Updating the Psychic Distance**

The Psychic Distance is still seen as one of the main components of the Uppsala School of Internationalization, and the reason for this being that when the Uppsala Model discusses knowledge it mainly discusses the Psychic Distance. Since the model is created for explaining the internationalization of the firm, the knowledge taken into consideration is mainly the knowledge about the foreign market and its preferences, hence the Psychic Distance. Recently, several aspects of the Uppsala Model have been criticized, for example the validity of the expression Psychic Distance.

In 1991, Nordström (another Swedish internationalization researcher) decided to go through the old Uppsala research in order to find out whether the Psychic Distance was still valid. Nordström built his thesis on the premises that the world is “shrinking” and that the global market has become more homogenous. Several observations supported this argument, for example:

- Since the world is “shrinking”, people do not feel as alienated from other nations as before. This results in little differences between doing business at home or abroad.
- The world is more or less converging in the sense that all countries are becoming more and more alike when speaking of cultural and institutional relations.
- These observations are a natural outcome of what is known as globalization.

Nordström copied the original Uppsala research by conducting his research on 264 Swedish companies that had become international in 1948 or later. The aim of the study, as with the first Uppsala study, was to distinguish countries with low respectively high Psychic Distance in comparison to Sweden. The findings of the study show that the company’s internationalization more or less followed the same patterns as the original study had shown (Nordström, 1991).

Figure 3.3 shows the comparison between the study from 1973 and the one from 1991:

Psychic Distance 1973	Psychic Distance 1991
1. Denmark	1. Norway
2. Norway	2. Denmark
3. West Germany	3. Finland
4. Finland	4. Great Britain
5. Great Britain	5. West Germany
6. USA	6. Switzerland
7. France	7. Austria
8. Japan	8. Netherlands
9. Netherlands	9. USA
10. Switzerland	10. Canada
11. Spain	11. Belgium
12. Belgium	12. France
13. Austria	13. Spain
14. Italy	14. Australia
15. Canada	15. Italy
16. Brazil	16. Portugal
17. Portugal	17. Japan
18. South Africa	18. Turkey
19. Argentina	19. Brazil
20. Australia	20. Mexico

(Source: Adapted from Johanson, Blomstermo, Pahlberg, 2002, , "Företagets internationaliseringsprocess", Studentlitteratur, p. 62)

Figure 3.3 shows the original study, conducted in 1973, and the more recent study by Nordström. The country which is number 1 on the chart is the one which has the lowest Psychic Distance in relation to Sweden. The Psychic Distance between Sweden and other countries is rather unchanged, and the Swedish companies' internationalization patterns reflect these distances. The outcome and conclusion of this study is that, as before, internationalization is about gaining knowledge about foreign markets. Thus, knowledge and Psychic Distance is still a fundamental problem in a company's internationalization-process (Johanson et al., 2002).

### **3.2.7 Reflections concerning the Uppsala Model**

The first critical reflection concerning the Uppsala Model is the way in which the term Psychic Distance is distinguished. According to the theory, Psychic Distance is a combination of cultural differences, a lack of language-skills and a lack of information concerning the foreign market (Johanson & Forsgren, 1975). According to us, only one of these factors is still valid to the Psychic Distance, and that is cultural differences. Both language skills and relevant data regarding the export-market can be obtained rather easily through acquisitions. Cultural differences are, however, the one part which cannot be acquired easily since a culture cannot be adapted to over night. Therefore, this dissertation will continue with the assumption that the main factor affecting the Psychic Distance is cultural differences.

Despite these critical remarks regarding the Psychic Distance, the term as such can not be dismissed as important. What is suggested is an elaboration regarding the meaning and content of the term, and also the ways in which one can distinguish alternative possibilities for the firm when it comes to the Psychic Distance.

Another reflection concerning the Psychic Distance is the way in which the Uppsala Theory views a high Psychic Distance as a limitation and a barrier to trade. Would it not be possible to have a high Psychic Distance and use this as one of your company's main competitive advantages? There would definitely be risks involved in taking a company immediately to a country with a high Psychic Distance, but this can also be viewed in the following way: By having a high Psychic Distance the concept will most definitely bring something new and "far-off" to the export market. Thereby, it will draw the attention of the consumers due to the curiosity which such a concept will spur.

A company definitely needs knowledge in order to expand to other nations. However, this knowledge should mainly consist of formal matters and practical issues which are necessary to establish the company from a legal perspective. The Psychic Distance (which is now narrowed down to cultural differences) can be seen as a business-opportunity rather than a barrier, and the reason would be the following: As long as the company expand to a nation with existing consumer patterns, a high Psychic Distance can launch its products and concept as something exotic and new within the existing company-fauna.

The hypothetical re-arrangement of the Psychic Distance would mean that the Psychic Distance would be divided into two parts:

- 1.** Formal Distance – Knowledge which needs to be obtained regarding legal matters and establishing processes on the foreign market.
- 2.** Cultural Distance – Cultural differences that can be used as an advantage when moving to new markets. The higher the cultural difference is, the more exotic your concept becomes.

### **3.3 Leap-Frogging**

Leap-Frogging was observed by Kjell A Nordström as a constructive criticism against the Uppsala Stages Model. According to Nordström, the company does not need to go through all the stages of internationalization to become a successful international.

When the Uppsala internationalization model was constructed it was assumed that knowledge decreased and apparent uncertainty increased in proportion to Psychic Distance. However, does this reflect the world today? The concept of Psychic Distance in itself implies that countries are different and that the world is heterogeneous. The other extreme is called neoclassicism where the psychic distance is zero between all countries. In this case there is no need for learning by doing. There is also no need to choose which market that should be entered. Nordström claims that through these assumptions, the very foundation of the Uppsala school is undermined. With the forces of globalization and the fact that the world is becoming smaller and markets are becoming more homogeneous. If the world becomes more and more homogeneous this leads to shorter and lower levels of Psychic Distances and this means that the Uppsala model shows a distorted image of internationalization (Nordström, 1990).

The fact that firms go to more distant markets at a very early stage in the internationalization process does not mean that managers of today are better at taking risks, or dare to take greater risks. It is because they are better informed than managers were 70 years ago and, because of this, they are acting in a world that is less heterogeneous than before. They have the luxury to leap-frog stages in the traditional model of internationalization which is based around the concept of learning-by-doing. In almost every industry one can buy the information needed concerning legal and financial standards from international accounting-firms and investment-banks. The company can buy information about competitors, market potential, distribution channels, local buying standards, possible entry modes, etc. It is also easier for firms to access knowledge about going abroad. Thereby, it is

not necessary to gain knowledge by trial and error within the company but rather by buying the knowledge needed or hiring the people required. This development emphasizes that it is possible for a company to buy the means needed to enter any market simply by Leap-Frogging (Hollensen, 2004).

### **3.3.1 Reflections concerning Leap-Frogging**

Leap-Frogging arose as a critique to the Uppsala stages model, and the main idea was to skip different stages along the way when you internationalize. The Stages Model states that there are incremental stages that need to be fulfilled in order to become a successful international. The Leap-Frogging theory suggests the bold move of skipping stages in order to take short-cuts in the internationalization process and, thereby, out-run competitors. In the highly competitive business environment of today, managers are forced to take risky decisions. Nordström's (1991) suggestion is to leap-frog and, mainly through acquisitions, invest in order to reach success. This means that the buying company receive the staff, culture and experience from the acquired company. However, when launching a new product that does not have an equivalent on the new market, the advantages of buying an existing company seem rather small.

The interesting part in the Leap-Frogging theory is that it allows the company to skip stages which Uppsala argues that a company must take. The theory states that the firm should skip right into markets that are of particular interest. This means that the company can get an advantage on its competitor, which strengthens the dominant position. In the literature this is an interesting point of view: But why stop there? The Leap Frogging theory argues that one can skip a couple of stages in the Uppsala model but it still states that the company should internationalize through necessary steps and within a certain geographical area. Is it not possible to take even bigger steps and reach a far-off market immediately?

### **3.4 Born Globals**

One of the more recent and revolutionizing theories within the field of internationalization is the so-called Born Globals-theory.

#### **3.4.1 Background**

Born Globals has become something of the latest trend within the field of non-traditional ways of internationalizing the firm. The term itself and the meaning of it refers to firms who already from an early stage are set for a rapid internationalization-process by implementing a global strategy (Autio, Lummaa, Arenius, 2002)

The majority of the existing internationalization-theories begin their studies with the assumption that a company will start its internationalization-process on its own “home soil”, and then gradually become international. The first step will be to approach countries nearby, in the sense of culture and Psychic Distance, and then move to more and more distant nations and markets. What makes the studies concerning Born Globals so different from these assumptions is the way in which the researchers view the time aspect. A lot of companies going international today are doing this in a very rapid pace and some of them even go international the same year as they are founded. Some authors merely see this as an effect of globalization, while others state that this is something brand new which requires thorough studying (Johanson, Blomstermo & Pahlberg, 2002).

However, what most authors seem to agree upon is what distinguishes the Born Global firm from other “regular” internationals. The main feature of the Born Global is that it is often managed by “*entrepreneurial visionaries who view the world as a single, borderless marketplace from the time of the firms founding*” (Hollensen, 2004, p. 68). Another distinction concerning the Born Global is that it is often a small or medium-sized firm with a specialization in the field of technology (Hollensen, 2004).

### **3.4.2 The 3D PLC Framework**

One of the more recent findings in the field of Born Globals comes from our neighbouring country Finland, where the authors Autio, Lummaa and Arenius have tried to categorize and make distinctions between the different types of Born Globals. The problem, according to the authors, is the lack of qualitative findings. No-one really seems to be able to distinguish the different components of the Born Global. The authors have therefore created the so-called 3D PLC Framework where they have conducted a study with the goal of being able to see differences in patterns and strategies of Born Global firms. The findings were divided in three different types of strategies. These strategies were distinguished through the three dimensions Depth, Distance and Diversity which will be explained further down the page. The three strategies are shown below:

1. Global Conqueror – These types of companies internationalize in a very fast pace to a large number of different countries, but with only a low number of different value-chain activities on the foreign markets.
2. Market Conqueror – These types of companies internationalize themselves fast on one single market, and quickly create a stand-alone office on this market.
3. The Global Growth Seeker – These types of companies are the most passive ones. The aim is to create a presence on different markets in order to increasingly gain control, strengthen sales and improve its production location.



Table 3.1 shows the theoretical categorization

	SPEED	DEPTH	DIVERSITY
Global Conqueror	High	Low	High
Market Conqueror	High	High	Low
Global Growth Seeker	High	Low	Low

(Source: Adapted from Autio, Lummaa & Arenius, 2002, “Emergent “Born Globals”:  
Crafting Early and rapid Internationalization strategies in technology-based firms,  
Scientific Article at 22<sup>nd</sup> annual International Conference of the Strategic  
Management Society”, p. 7)

To understand table 3.1 one must understand the three dimensions Distance, Depth and Diversity. The outcome of these three dimensions will then affect the dimension Speed.

- Distance – This dimension refers to psychic and geographic distance.
- Depth – This dimension refers to the number of steps in the value chain which are taken by the company when entering a new market.
- Diversity – This dimension refers to the number of entry modes which are used by the rapidly growing firm.

As mentioned above, these three dimensions then add up to with what speed the firm will internationalize (Autio et al., 2002).

### 3.4.3 Reflections concerning Born Globals

Concerning Born Globals, there are a number of both interesting and worrying facts to react upon. The whole idea of becoming an international within the birth-period of the company, and the study of the parameter time in comparison to internationalization raises our interest. The thought of a company with the ability of becoming a global firm within the first year of its existence sounds very intriguing. To view the world as one single open market-place is something which should be done on a broader scale in order to visualize all opportunities for the company.

The first real problem with the theory is the lack of “hands-on” facts. A lot of studies have distinguished Born Globals as an existing phenomenon, but rather few have attempted at giving any real constructive advice on how to actually achieve Born Global success. What we have today within the field of Born Globals-theory is a lot of studies telling the reader “what” a Born Global is, but very few saying “how” this process is supposed to be done.

The second problem is the actual validity of the so-called phenomenon Born Globals. As Nordström said in 1991, the world is becoming more homogenous as borders are continuously being erased, and consumer preferences are becoming more alike. Could it be that Born Globals are merely a result of the growth of the Internet and the ever growing amount of global thinking? According to Hollensen (2004), the Born Global firm is often a small or medium-sized technological firm. It is commonly known that technological products are fairly homogenous goods (no particular features distinguishing different parts of the world). Therefore, selling your Swedish-produced remote control (for example) in China makes more sense than selling it in Sweden since the market potential is bigger in China. Before, this was not a possibility due to trade-barriers and a lack of communication channels, but today with internet access and ever demising barriers to trade it is now possible to take your product to the market best suited for it.

In sum, we are very intrigued by the process of becoming international at a fast pace. However, since the Born Globals phenomenon is still so young and unexplored it may be that the Born Global is merely a product of the global market-place.

### **3.5 Country of Origin Marketing**

Country of Origin marketing is a fairly new concept in the field of marketing and internationalization. The theory is based on the assumption that a company, which is about to internationalize, should use the strength of the nation's name as a marketing-tool. By using Country of Origin as a marketing-tool, the company uses people's perception of that country to sell its goods on a foreign market.

#### **3.5.1 Background**

There are multiple ways to approach the problem of differentiating your product from the competitors. One of them is Country of Origin marketing. Studies have shown that people have a relative preference toward products from their own country and tend to have another relative preference towards products from other countries. If a specified buyer prefers a product made in his or her own country, this behaviour is called ethnocentrism. It is also specified that a potential buyer of a product may have preferences and prefers to buy the product if it comes from a certain country (Niss, 1996).

#### **3.5.2 The Theory**

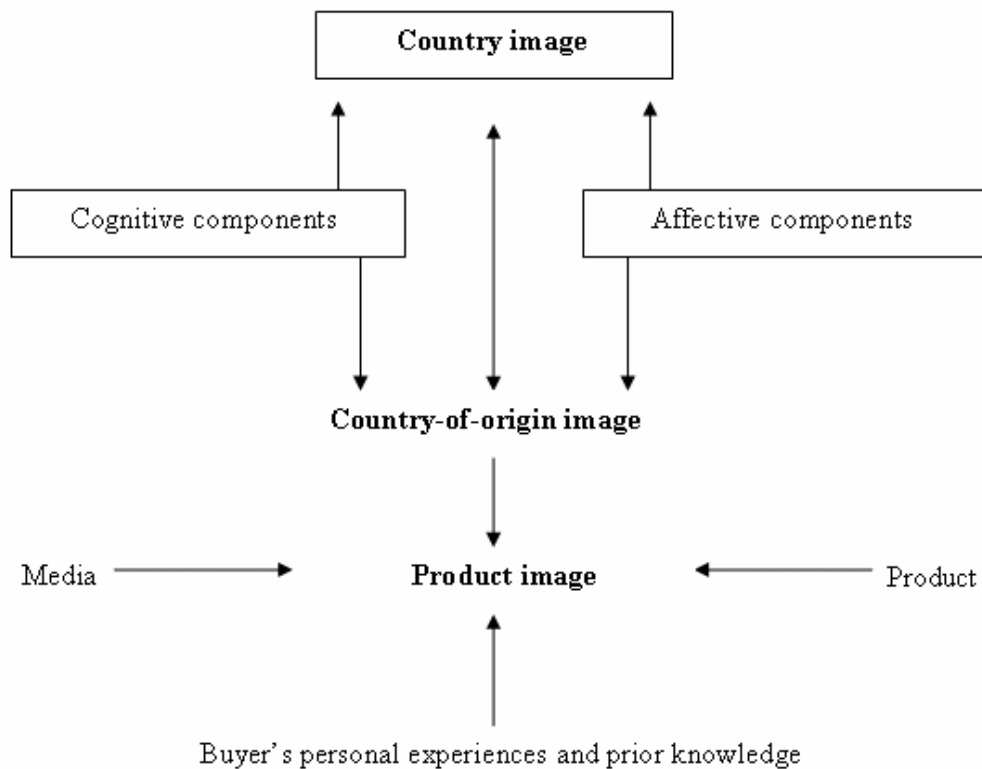
The development of Country of Origin Marketing has come as a natural effect of Globalization and as a result of the fact that the world is shrinking, both in terms of physical distances and possibilities to transport goods and people around the world. This combined with the progresses in communication, i.e. telecommunication, the Internet, has lead to a tightening of areas and an erasing of boundaries. The first studies conducted on the subject of country of origin made by Bannister and Saunders, 1972; Kaynak and Cavusgil, 1983; and Lillis and Narayana, 1974 showed clear signs of prejudice towards certain countries. This was especially evident in developed countries where domestic-made products were favoured before foreign-made products (Morello, 1984). Opposed to this, in developing countries foreign-made products were favoured before domestic-made products (Lumpkin and Crawford, 1985). An explanation to this phenomenon is described by Han & Terpstra (1988) as "consumer

patriotism”. Consumers not only prefer to buy products made in their own country but also consider the products and services made domestically better than products made elsewhere (Han & Terpstra, 1988).

Naturally the effect of consumer patriotism is different on different types of products, and not all products from other countries are considered poorer in terms of quality. In many types of consumer electronics, its maintenance and service, the term consumer patriotism is almost absent. In contrast, other types of products are closely linked to consumer patriotism, for example agricultural products such as meat, milk, eggs etc.(Han, 1989). Systematic changes (changes that transform everything; for example, bird flu) in the agricultural market is very influential when it comes to consumer-patriotism, but with systematic changes set aside, consumers still favour .i.e. meat, milk and eggs from their home country.

Morello, 1984 and Wang, 1978 state that there is a very important difference between a country’s general image and its product-image; It is very likely that a person who has a negative picture of a country also adapt this image to the products originating from it. This adaptation ultimately influences the view of the people originating from this country. Studies by Khana, 1986 and Obimiller and Spangenberg, 1989 indicate that consumers use the country of origin reminder symbolically and stereotype products from different countries by linking the product to the country of origin; wine from Italy, Cars from Germany, and design from Denmark etc, which is in economic terminology referred to as generic products. Ultimately this can result in positive marketing towards a specific generic product, and this can change the way in which foreign consumer view an entire country.

Figure 3.4 shows Country of Origin linkage



(Source: Adapted from: Niss, Hanne. 1996. "Country of origin marketing over the product life cycle – A Danish case study" *European Journal of Marketing*, Vol. 30, No. 3, p. 9.)

Figure 3.4 shows that a country's image consist of both cognitive and image affective components. The originators of the model, Kaynak and Kucukemiroglu (1992), specify cognitive components as how one person recognize a country in an intellectual way, for example political and social circumstances within the country. The affective components refer to the person's direct feelings towards the country, developed through experience of the country and the contact the individual has had with the country or its inhabitants. The model specifies how media and products can affect the image of a country and thereby the country of origin image which finally concludes the total image of a country (Niss, 1996).

### **3.5.3 Reflections concerning Country of Origin Marketing**

The whole thought of using the native country's image as a marketing-tool when entering new markets is an exciting idea. What many existing theories forget is that through a country's international image one actually has got a free-of-charge marketing message. This is all depending on the global perception of a country and the products connected to the region in particular. Naturally, this whole idea concerning a country's perception raises a few doubts.

If a company is about to market a brand or product in a specific country, Country of Origin marketing might be hard to use if the country is in a "bad light" with the inhabitants of the target country. For example: Media has the ability to create a distort image of a country. This became apparent recently when a Danish newspaper published ridiculing pictures of the prophet Muhammad. This controversy made Denmark look very bad in the eyes of people originating from Muslim countries. The ultimate result of this was that the consumer-attraction of Danish brands diminished in Islamic countries.

Another troublesome fact is that people might not be susceptible to certain products originating from some countries, i.e. agricultural products from certain countries. It might be hard to sell pork to Swedish inhabitants if it comes from countries that Swedish people view as non compatible with what is considered as healthy.

Country of Origin is a direct effect of globalization and, thereby, the negative aspects of globalization come with it; homogeneity makes it harder to differentiate the company, so when differentiating one has to go to the extremes. Things that were exotic a while ago may not be exotic today. The pace of implementing something exotic or trendy is much higher than it historically has been. A hundred years ago the upper class went to Africa to hunt exotic animals just because they could afford to do so and it was unthinkable for someone from the middle-class to experience this. Today, such extravagant experiences are much more accessible for everyone. The

main mean is capital and it is potentially possible for a middle class person to save the amount of money needed if he/she wishes to do so. Systematic changes in the market might make it impossible to market products from a certain country, I.e. beef from Belgium during mad-cow disease “times” and imported poultry from certain countries during the bird-flu scare.

## **4 Internationalizatio Inversa - Creating our Model**

*We will now create our model. We will pick out the important components from existing theories and use these as building-blocks when creating our model.*

### **4.1 Important Components**

**4.1.1 The Uppsala Model** – As was mentioned in the critical reflection concerning the Uppsala Model, it is a possibility that the perception of the Psychic Distance can be changed from being a barrier to trade to a positive component. A high Psychic Distance (wide cultural gap) can have the effect that the company gains a unique position on the foreign market as the only, or one of few, companies of its kind. The effect of having a high Cultural Distance to the foreign market will be that the company gains a position as an exotic alternative, rather than as a distanced outsider with nothing or little to offer.

**4.1.2 Leap-Frogging** - When looking at the Leap-Frogging, there was one part that caught our attention: to skip stages and internationalize at a faster pace than other theories recommend. Other models argue that knowledge must be developed in-house, but the Leap Frogging theory claims that it is possible to buy some of the information which is needed.

**4.1.3 Born Globals** – The fascinating part in the Born Global theory is that a company can become an international fast, with few geographical or psychological barriers. Viewed as a model, the Born Global phenomenon could be seen as merely a bi-product of globalization. As the name states, Born Globals are companies turning global immediately and this is what can be seen as a natural reaction to a more homogenous world. The interesting way to view it is to look closer at the possibility for a company, which has had the time to mature on its own home market, to move to a far-off market as its first stage of internationalization.

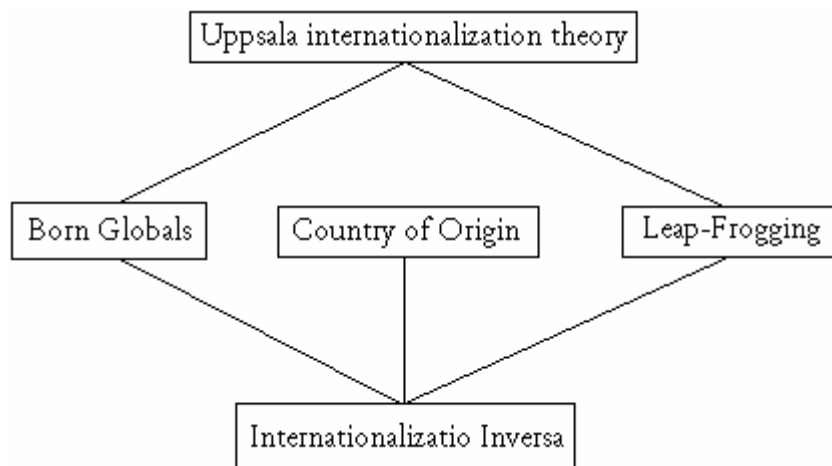


**4.1.4 Country of Origin marketing** - The part of Country of Origin that was chosen to use when creating the model is the very foundation of the theory as such: A country's cultural strength and the global view of a country affect the demand for products originating from it. By using people's perception of a specific country and applying this to the product or service in question. This is done in order to attract customers with a specially designed stereotypical image of that country.

## 4.2 The Model

The complete model is a hybrid of the “cherries” that were picked from other theories and our own assumptions concerning internationalization theory. In creating this model, an alternative way of internationalizing the firm is presented.

Figure 4.1 shows the relationship between already existing models, and the new Internationalizatio Inversa model.



**Internationalizatio Inversa<sup>1</sup> (Internationalization reversed)** - A firm can, as a first step in its internationalization process, turn its attention immediately to the market which has the highest Cultural Distance and do this in a more successful way than if it focuses on markets with a low Cultural Distance. This is possible because of the attraction and mysticism

<sup>1</sup> Translated from English to Latin by Birger Bergh, Klassiska och Samitiska institutionen, Lunds Universitet

which this distanced concept brings to this new market. By taking the time-factor of Born Globals (move far away immediately), the marketing of Country of Origin (launching the products with a domestic-market concept), the new way of viewing the Psychic Distance of the Uppsala model (Cultural Differences are good because of its exotic attraction) and to diminish Formal Distance through Leap-Frogging (buying formal knowledge and thereby skip stages) a whole new internationalization model has been constructed.

To view this in a practical way and to show how this could help an existing company which is about to internationalize itself, an example of this internationalization process is presented below:

Picture yourself a company with a desire to become international. The firm has been profitable on its domestic market for some time and, therefore, its products are strongly linked to home-market preferences. In order to grow beyond the native borders the company decides to look into internationalizing itself. If it follows Internationalization Inversa, this process will be done in the following order: The company immediately seeks to enter a market with high Cultural Distance (given the fact that this market has consumer patterns). The Formal Distance gap (knowledge concerning language, legal matters etc.) has to, in accordance with the Leap-Frogging theory, be narrowed through knowledge-purchases. The key to success on this new market is to promote the company with a strong cultural concept (pushing your Country of Origin) in order to gain all advantages of being an exotic alternative on a far-off market. This way of internationalizing the firm could be even more successful than moving to countries with low Cultural Distance. The explanation to this is that on markets with low Cultural Distance the company has got no or very little exotic value and this means that the demand for the products is limited. Without the cultural concept backing up the products one will merely become a retailer of “misplaced” goods. When selling products on this Culturally Distanced market along with a Country of Origin concept the company does not only sell merchandise – it sells a whole culture.

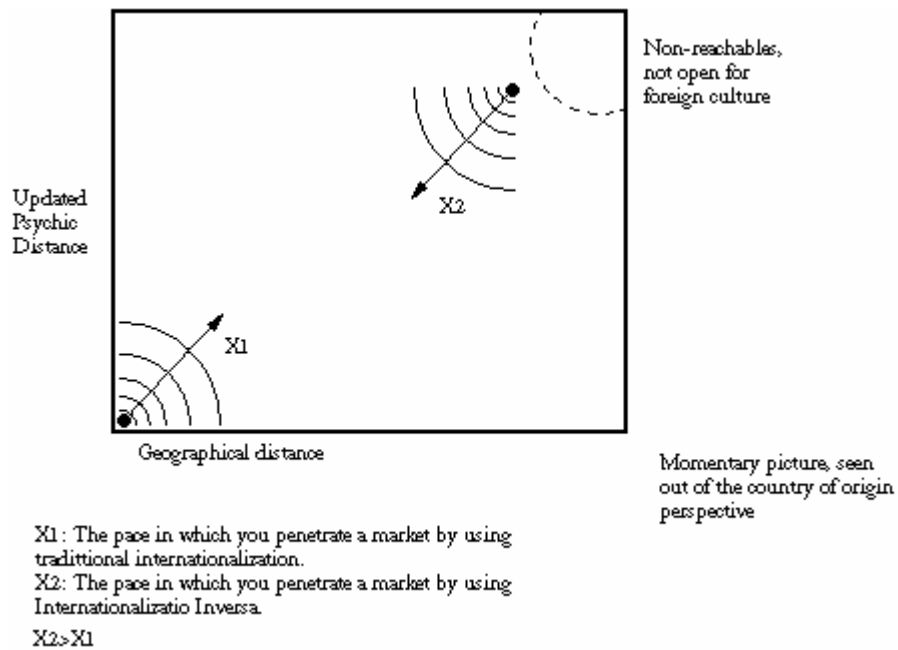
This can be correlated to the assumptions made regarding the effects of globalization, which are used in this dissertation. Globalization results in a homogenous global market and homogeneity mainly raise two major concerns for a company:

- It will become more difficult to differentiate the company from its competitors.
- People will become more accustomed to foreign brands on their home markets.

By using Internationalizatio Inversa as the strategic internationalization tool, the company will move to a market were it is not perceived as “normal” and thereby differentiate itself. Secondly, since people/customers are becoming more accustomed to foreign cultures and brands, the company will not be seen as something strange but rather exotic and interesting.

The name Internationalizatio Inversa (Internationalization in reverse), reflects the reversed internationalization pattern which this model presents. Instead of starting at point A and then go to point B, the company starts at point A and goes immediately to point Z and then expands in a backward motion.

Figure 4.1 shows the Internationalizatio Inversa-model



The model, presented in figure 4.1, is to be viewed from the perspective of the domestic market of the internationalizing company. If the company supposedly would enter a close-by country, it would penetrate that market with the speed of X1. The foundation of this assumption is that the pace of X2 is higher than X1. This means that, by immediately moving to a remote location when expanding the company you will ultimately move towards the home market. This can be seen as a reversed internationalization-pattern. In addition, this is done at a higher speed than if the company would expand from the domestic market to a “neighboring” market.

The reason for this is that when expanding to a far-off market, the concept will be greeted as something remote, exotic and tempting. Studies made by Niss (1996) posited that the Country of Origin principle enables a company to penetrate a market faster than by using traditional brand marketing. Ultimately, by entering the distant market and using Country of Origin as the marketing-tool, the company will penetrate at a faster pace. When expanding to a “neighboring” market it is more difficult to use Country of Origin-marketing, since the Cultural Distance is low, and this will result in a slower penetration. In sum: by applying this strategy the company will penetrate a market faster than by using traditional internationalization. There are a couple of limitations to the model: The company cannot move to

the so-called Non-Reachable area. The Non-Reachable area consists of poor developing nations. Examples of such countries would be the most underdeveloped African nations. Since there is no real infrastructure or existing consumer patterns in these nations, there is little demand for any product here. Further limitations are that the target group of companies using such a strategy would be Business to Consumer companies. The assumption is that such a strategy would reap the highest level of benefits when consumers are approached with goods that are consumed in this conceptual environment.

## **5 The Research Tool**

*As we have mentioned on several occasions, we created a research-tool to help us interpret the outcome of our survey in an easier way. This tool is presented in the following chapter.*

Approaching the sample populations with a questionnaire that deals with internationalization theory can be troublesome for more than one reason. If the respondents do not have extensive knowledge in the field of internationalization theory the necessary terms will not be understood (ex. Cultural and Formal Distance). This means that the choice would be to either approach people with vast knowledge within the field of internationalization, or host a mini-lecture before handing out the questionnaires. In both of these scenarios it was feared that there are factors that may tamper with the result. If the people approached would have extensive knowledge on the topic of internationalization theory the answers may not be spontaneous and genuine, but rather constructed and “politically correct”. On the other hand, if a miniature lecture is to be hosted before handing out the questionnaire there is an obvious risk that confusion and boredom will occur. Both of these factors are very likely to tamper with the results.

All of these worries meant that we had to think in a new way. How can spontaneous answers be retained from people with theoretical backgrounds that vary? The answer to this was to create a fictional scenario or a research-tool. This is something which was done in order for the population to answer spontaneously, and for us to still be able to draw the right conclusions. In this case, the “tool” is in the shape of a restaurant-concept. By putting ourselves in the position of managers with an ambition to bring a concept to another country we have made it easier to conduct the survey. The restaurant-chain is called “Absolutely Swedish” and in this fictional scenario it is a successful chain of restaurants on its domestic market. At this point, the chain has got the ambition of expanding to either Denmark or China.

“Absolutely Swedish” is a chain of restaurants with a very simple and clear concept. Well-prepared traditional Swedish food will be served in restaurants decorated only with Swedish design. The waiters are all wearing Swedish traditional costumes and all pieces of culture represented (the art on the walls and the music in the “in-store” stereo-system) are Swedish. Simply put, it is an all-Swedish concept.

By having the respondents react to this concept in the following questions, the aim was to get truthful and honest answers that can be subject to extensive analysis.

### **5.1 Possible Outcomes**

The possible extreme outcomes would either favor the Traditional Internationalization models or Internationalization Inversa. If the outcome follows the fundamental thoughts of the Uppsala Model, the Danish sample population would be the most receptive audience since the Psychic Distance between Denmark and Sweden is low. The Danish sample population would feel accustomed to Swedish food and traditions and, therefore, prefer such a concept. If the outcome follows Internationalization Inversa, the result would show that the Chinese population is more receptive, and that the Danish population is rather negative. This comes as a result of the Chinese respondents viewing a concept such as Absolutely Swedish as something exotic and new, while the Danish population would merely see it as something boring and far too similar to its own traditions. If this would be the case, the conclusion can be made that a concept will rise in value and attraction the further away it goes from its domestic market. In the long run, this means that it could be more effective for a company to internationalize to markets with a high Cultural Distance, as long as it does this in accordance with Internationalization Inversa and push for its Country of Origin.

## 5.2 The Questionnaire

Below, the questions and explanations as to what each question is supposed to answer are presented. An even rating-scale (1-6) has been chosen. The purpose of this is to not receive any “middle-answers”. The respondent has to choose whether to be on the positive or negative side of the scale.

### 1. Nationality

**Danish**

**Chinese**

Purpose: To distinguish the different nationalities. This is crucial to know when analyzing the findings.

### 2. Age

**-20**

**21-30**

**31-40**

**41-50**

**51-60**

**60-**

Purpose: If the age-differences in the groups is wide, it could be interesting to view whether preferences change in the different age groups.

### 3. Would you consider dining at “Absolutely Swedish”?

**Negative 1**

**2**

**3**

**4**

**5**

**6**

**Positive**

Purpose: This is the first possibility to distinguish preferences within the two sample populations. It is assumed that differences between the Chinese and the Danish population will occur. It is assumed that the Danish will be more negative in general.

### 4. What are your views concerning the following objectives:

#### A. Swedish Food?

**Negative 1**

**2**

**3**

**4**

**5**

**6**

**Positive**

#### B. The Overall Concept?

**Negative 1**

**2**

**3**

**4**

**5**

**6**

**Positive**

Purpose: As the questionnaire continues, the wish is to further separate the two responding groups. By first asking about the Swedish food, the aim is to find out if the Chinese are actually interested in Swedish cuisine or not. It is our belief that this is of little interest, and that the concept is what is really



attractive. In the case of the Danish respondents, the opposite is expected. They are familiar with Swedish food and, therefore, have no problem enjoying it. However, when it comes to the concept, they are much more sceptical since they are not interested in something so similar to their own tradition and customs. This scenario would prove that the product (food) as such is of little interest and that it is the whole concept (the experience) which makes it attractive.

**5. Would you rather visit “Absolutely Swedish” than going to a Japanese restaurant?**

**Yes**

**No**

Purpose: This question is the crucial point since it will provide the final verdict. The reason for choosing a Japanese restaurant in the questionnaire is that according to Chinese students at Kristianstads University, Japan is the country which has the lowest Cultural Distance to China. This question will finally answer whether the respondents prefer a high Cultural Distance option or a low Cultural Distance option. In the case of the Danish respondents, it is believed that the majority will answer “No” to this question. Even though a Japanese concept is something very far removed from them, cultural wise, this option will attract them more. On the other hand, it is believed that the majority of the Chinese respondents will answer “Yes” to this question. In that case this would mean that the conclusion can be made that even though the Cultural Distance between China and Japan is low, the Chinese respondents still prefer the high Cultural Distance option.

### **5.3 Purpose of the Questionnaire**

The main purpose of the questionnaire is to test the model. A firm can as a first step in its internationalization process turn its attention immediately to the market which has the highest Cultural Distance and do this in a more successful way than if it focuses on markets with a low Cultural Distance. This is possible because of the attraction and mysticism which your distanced concept brings to this new market. This is aligned with the assumptions regarding the effects of having one homogenous market as a result of globalization. A company must go to new extremes to differentiate itself. This is done by moving to a high Cultural Distance market. At the same point, consumers are more accustomed to foreign cultures and brands so consumers on the far-off market will not be passive towards the concept but rather view it as something exotic and intriguing.

By creating a company which is at its first step of internationalization and examine its possible outcome on one market with a high Cultural Distance, and one market with a low Cultural Distance we wish to be able to test the validity of the model.

Whether the outcome of the Chinese answers is extremely positive or just slightly more positive than the Danish answers is of little importance. The crucial matter is that they are more receptive to the concept in general. It is not important whether the Chinese like or dislike Swedish food, the fundamental finding will be whether such a traditionally rooted concept will be more successful in China than in Denmark. If this is proved, it can be said that it is possible for a company to become more fruitful by immediately turning its attention to a country with a very high level of Cultural Distance. In fact, this can be even more effective than moving to a closely related country since the Danish audience will, at the same time, prove to be more negative.

## **5.4 Operationalization**

As mentioned in the method chapter, a deductive approach is used. According to Saunders, et.al (2007), operationalization is needed in order to be able to measure data quantitatively. One way of doing this is to conduct a survey with the help of a questionnaire. There are three types of data that can be collected when using a questionnaire; attribute, opinion and behaviour. Attribute variables measure qualities of the respondents. The opinion variable measure what the participants think and of the subject. Finally the behaviour variables measures how the respondents will act in a certain situation. Questions 1 and 2 are of the Attribute-type, questions 3 and 5 are Behaviour-questions and, finally, questions 4a and 4b are of the opinion type (Saunders, et.al, 2007). The questionnaire, both in English and Danish, is presented as appendices to the dissertation.

## **6 Analysis of the Survey**

*In the following chapter, we will examine and try to explain our findings. We will go through the most notable findings and give statistical examples of these.*

The results of the survey provided four notable findings. Some of them exceeded the initial expectations, showing even greater differences between the two populations than what was anticipated.

### **6.1 Finding 1: Desire to visit “Absolutely Swedish”**

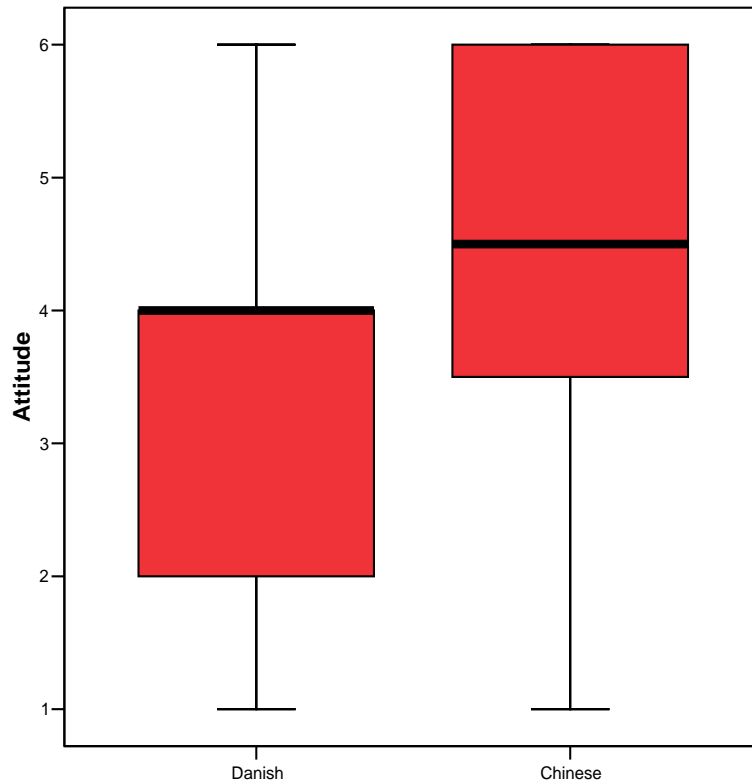
One of the questions dealt with the respondents’ desire to actually visit a restaurant such as “Absolutely Swedish”. The initial expectation of the results to this question was that the two responding groups would come rather close to each other, with the Chinese being a bit more positive. If this would be the outcome, the results of the survey would at an early stage show that a concept with a high Cultural Distance could prove attractive in the eyes of the Chinese respondents. Furthermore, it was assumed that the Danish respondents would trail just slightly in their responses, since the concept is something they easily could relate to. Therefore, it was believed that they could see themselves visiting such a restaurant, but not being overly excited by the concept.

The result shows, that the Chinese respondents are much more positive to this concept than the Danish respondents. This proves, in an even clearer way than expected, that a concept with strong linkages to your native country could be easier to market to people with a high Cultural Distance. This could be a reflection of the Internationalization Inversa-model. The Chinese are more receptive to a concept such as “Absolutely Swedish”, since this would be something unique and exotic on their market. At the same time, the Danes are not nearly as receptive, since the concept is far too similar to already existing patterns on their market. The similarities between Swedish and Danish tradition result in the Danish respondents merely viewing “Absolutely Swedish” as something too similar to their own

traditional restaurants. When facing the choice of either visiting a domestic concept, or a concept with a low Cultural Distance a person will rather pick the alternative that relates to his or her own culture. A Danish native would rather visit a Danish restaurant in Denmark, than visit a Swedish restaurant in Denmark. The discussed result is presented on the following page.

**Figure 6.1**

**Would you consider dining at "Absolutely Swedish"?**



Nationality	Mean	N	Std. Deviation
Danish	3,61	57	1,411
Chinese	4,42	60	1,319
Total	4,03	117	1,417

Figure 6.1 shows the outcome of the question “Would you consider dining at Absolutely Swedish?” The scale, which was used in the questionnaire, runs from 1-6 where 1 is negative and 6 is positive. The box-plots visualize that, in general, the Chinese respondents are much more positive than the Danish.

## **6.2 Finding 2: The Food**

The next finding that is of great importance was the respondents' actual attitude towards Swedish food. There were several initial expectations of the outcome to this question. Firstly, it was assumed that the Danish respondents would be more positive than the Chinese when it came to Swedish traditional food. This was something which was expected since Swedish and Danish cuisines are very much alike. Secondly, it was expected that the Chinese would be more negative since Swedish traditional food, or at least the Chinese respondents' perception of Swedish food, would be less positive. This would be the result of too many differences in tastes and preferences. Finally, it was believed that the outcome of the questionnaire in total would be that the Chinese would find "Absolutely Swedish" more interesting than the Danes. This would be because, even though the Chinese dislike Swedish food, they value the concept in a much more positive way than the Danish respondents.

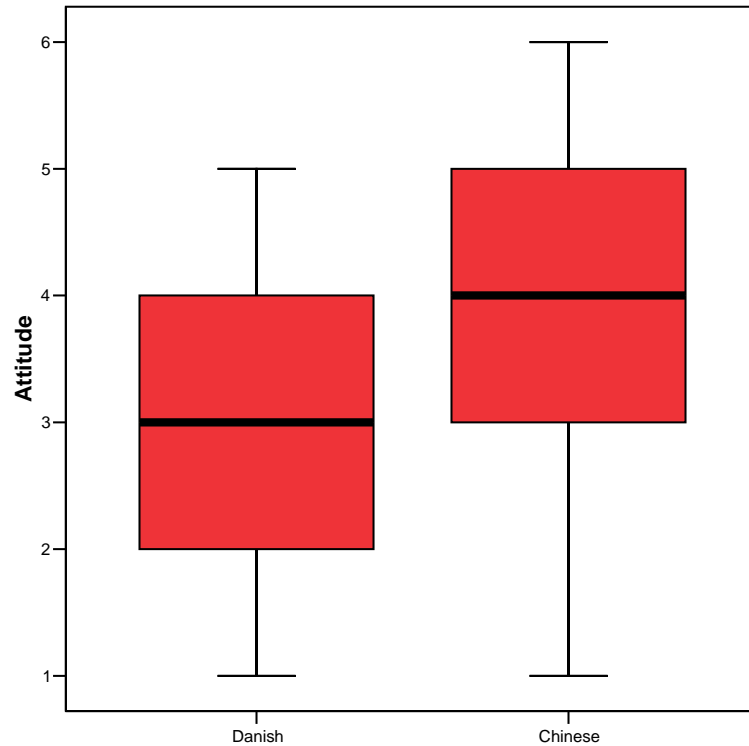
However, the result shows that the Chinese population is much more positive to Swedish food, than the Danish population. This was a surprising result, since the Danish respondents should be more aware of what Swedish traditional food actually is. Even though some of the Chinese respondents may have tried Swedish food, we believe that they can not fully grasp all components and traditions of Swedish cuisine. Based on these assumptions, the Chinese find it easier to embrace Swedish cuisine, even though their knowledge concerning Swedish food is much more limited. This could be the result of the Chinese respondents' perception of Sweden as a country. This perception leads them into making conclusions on products originating from Sweden, even if they can not fully grasp all components of these products. This corresponds with Country of Origin marketing: Peoples' perception of a country will affect their perception of products originating from it. In this case, the product is food. At the same time, the Danish respondents have a less positive picture of Swedish cuisine. Even if the similarities between Swedish and Danish food are many, they do not feel tempted by Swedish food.

This can be the result of the Danish respondents not viewing Swedish cuisine as something exotic or exiting. Since they know the similarities, and recognize these in their own cuisine, Swedish food does not raise any interest. The discussed result is presented on the following page.



**Figure 6.2**

**What is your views concernering Swedish food?**



Nationionality	Mean	N	Std. Deviation
Danish	3,14	57	1,060
Chinese	4,12	60	1,195
Total	3,64	117	1,228

In figure 6.2 the differences between the two responding groups is presented. In general, the most negative Danes are much more negative than the most negative Chinese. The result is the same when you turn it the other way around. The most positive Chinese are much more positive than the most positive Danes.

### **6.3 Finding 3: The Concept**

The finding concerns the respondents' reaction towards the concept of "Absolutely Swedish". This result is very important when providing evidence to the Internationalization Inversa-model. The assumption is that the Chinese respondents will embrace this concept in a more positive way, than the Danish respondents. The reason for this would be that this is something so new and unusual on the Chinese market, that it will gain the consumers' attention through its exotic value. In the same way, this is something far too similar to Danish traditional patterns and, therefore, the Danish will not be interested.

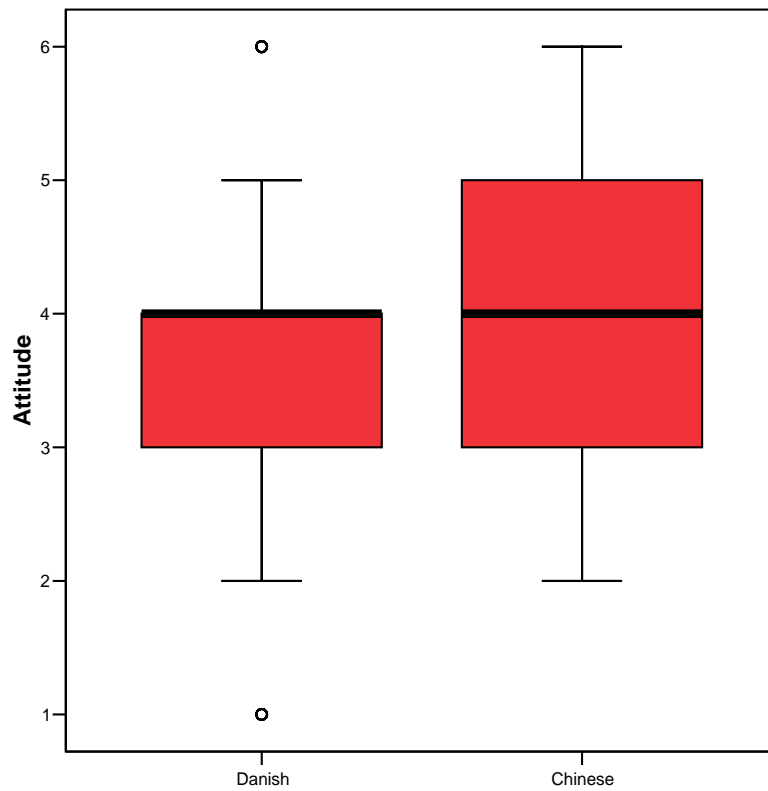
Even though the Danish population was not as negative as expected, the Chinese population proved to be even more positive than expected. The positive responses from the Chinese participants are probably the outcome of two factors.

1. Since a concept such as "Absolutely Swedish" would be very rare on the Chinese market, this would make it interesting and exiting.
2. This excitement combined with the Chinese stereotypical perception of what Swedish culture and tradition is, creates a positive attitude towards the concept.

In the same way, the Danish negativity comes as a result of their knowledge of Swedish tradition and culture. Since the Danish respondents would have more knowledge of what Swedish traditional patterns are, and recognize these in their own culture, they do not get the same excited reaction towards the concept as the Chinese. The result discussed is presented on the following page.

**Figure 6.3**

**"What are your views concerning the overall concept?"**



Nationality	Mean	N	Std. Deviation
Danish	3,56	57	1,350
Chinese	4,25	60	1,159
Total	3,91	117	1,297

Figure 6.3 shows the Chinese and Danish attitude towards the concept of “Absolutely Swedish”. Once again, it can be seen that the Chinese respondents are, in general, more positive.

#### **6.4 Finding 4: Exotic or close-by?**

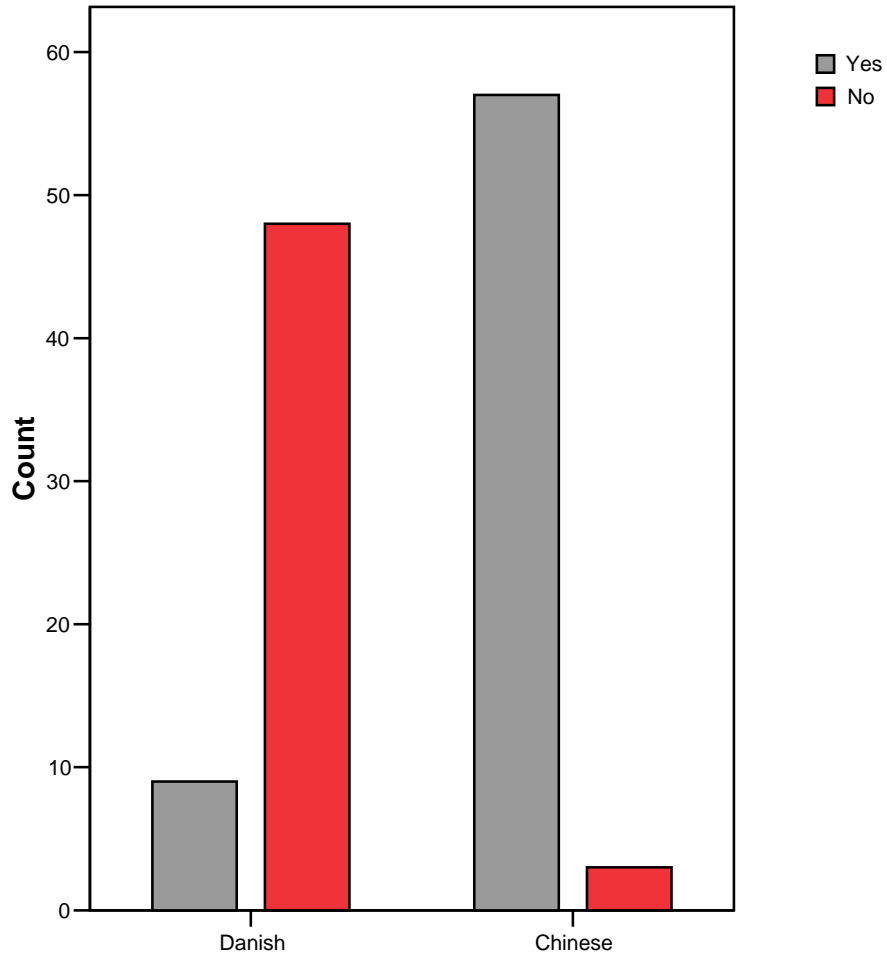
The last question of the questionnaire is meant to be the crucial point of the survey. As mentioned before, there were some doubts as to whether the answers of the other questions could separate the two groups. There was a possibility that some Danish respondents might have a positive attitude towards the “Absolutely Swedish” concept. However, when having to choose between an exotic option and a recognisable option, they would pick the exotic option. Conversely, when the Chinese respondent is faced with one recognisable option (Japanese restaurant) and one exotic option (Swedish restaurant) they will pick the most exiting one. In other words, they pick the option with the highest Cultural Distance in comparison to their own culture. If this is true, real evidence as to whether the Internationalizatio Inversa-model is valid or not starts to emerge. Another positive aspect of this question is that it will help erasing some doubts. In the limitations-part, doubts were raised concerning the Chinese students currently living in Sweden. This could possibly have an effect on their answers. However, the Danish respondents in the survey are Danish citizens currently living in Denmark. It can, therefore, be said that they are not affected by any outer circumstances. By viewing the Danes preferred choice (high or low Cultural Distance), it will be possible to put the answers of both groups alongside each other and match them. By doing this, the differences and similarities can be visualized.

Both groups stated that they preferred the high Cultural Distance option. In relation to the survey this means that the Chinese prefers “Absolutely Swedish”, while the Danish respondents prefer a Japanese restaurant. There are some important conclusions to be made from this. Firstly, the Chinese participants should be able to easier relate to a Japanese concept than to a Swedish concept. Conversely, the Danish respondents should be able to relate easier to a Swedish concept than to a Japanese concept. Despite this, both groups pick, with a few exceptions, the exotic option in front of the recognisable option. The groups probably pick the option with high Cultural Distance because of a couple of factors: The concept has an exotic

competitive edge due to its uniqueness on the market. The high Cultural Distance translates into the concept gaining a competitive advantage over recognisable alternatives. Another factor is the stereotypical image of the country from which the concept originates. By pushing the Country of Origin as a part of a concept, it will attract people into wanting to purchase something exotic and mystical. When visiting “Absolutely Swedish” one does not only buy the physical product. You buy a constructed experience of what Sweden is.

**Figure 6.4**

**Would you rather visit “Absolutely Swedish” than going to a Japanese restaurant?**



As shown in figure 6.4, the respondents rather visit a restaurant from a distanced culture than one originating from a similar culture.

## 6.5 Statistical Significance

In order to test the statistical significance of the responses, several tests were performed with the computer-programme SPSS. When viewing the diagrams and box-plots of the answers one can discern the difference between the two groups with the bare eye. Despite this, it was decided that an independent t-test and a binominal test were to be performed in order to be confident about the results.

The probability-value (P-value) is a measurement of how significant the findings are, viewed from a statistical perspective. To guarantee a high validity of the results, it is important to have a P-value that is lower than 5% (Andersson, Jorner & Ågren, 1994). To test question 3, 4A and 4B an independent sample T-tests was performed on each question. This is done in order to visualize whether the answers are significant. As shown in the table below, the P-values are very low. The parameter age proved not to be significant. This can be seen in appendices 5 and 6.

**Table 6.1: Independent sample t-test**

Question	P-value	Mean
3. Would you consider...?	0,002	3,61 (Danish) 4,42 (Chinese)
4 A. Swedish food?	0,000	3,14 (Danish) 4,12 (Chinese)
4 B. The overall concept?	0,004	3,56 (Danish) 4,25 (Chinese)

To test the last question, which also was the most important question, a Binominal test was performed.

**Table 6.2: Binominal Test: Would you rather visit “Absolutely Swedish” than going to a Japanese Restaurant?**

Nationality	Category	No. of Answers	% of Sample	P-value
Danish	Yes	9	16%	0,000
	No	48	84%	0,000
Chinese	Yes	57	95%	0,000
	No	3	5%	0,000

All statistical data can be found in the appendices.



## **7 Empirical Method**

*At this point, we have conducted our survey and will, in the coming chapters, analyze our findings. Firstly, we will explain our empirical methodology in depth.*

### **7.1 Research Strategy**

The aim of this dissertation was to try and find out the possibilities of an alternative internationalization-model. One Chinese and one Danish population was needed in order to distinguish the differences in consumer preferences. The Danish group represent a country with a low Cultural Distance in comparison to Sweden and the other group, the Chinese, represent a country with a high Cultural Distance in comparison to Sweden. The aim was to distinguish whether a concept with strong ties to Swedish tradition and culture would be mostly appreciated by possible Danish consumers, or possible Chinese consumers. The preferred outcome was that the Chinese would be more positive when reacting upon this concept. In order to retain the answers that would help either confirming or dismissing the model, a questionnaire was created. This questionnaire is presented, in its entity, as an appendix of the dissertation. The best way to distribute this questionnaire would be the self-administered way (Saunders, et.al, 2007). The questionnaires were handed out personally, when visiting classes with either Chinese or Danish students. The students were instructed that the survey was anonymous, individual and that we would exit the room during the filling in of the questionnaires. This way of handing out a questionnaire will result in a high response rate since it is very unlikely that people will refuse to answer when being approached personally. There are also threats to this way of conducting a survey. There is a possibility that the respondents will discuss their answers with each other and this may tamper with the results (Saunders, et.al, 2007).

## **7.2 Sample**

As mentioned above, the questionnaires were handed out during lectures for Chinese and Danish students. By handing out the questionnaires personally and also gathering them at the same point of time, a high response rate was retained. In total, 120 respondents were approached. They are divided into 60 Danish respondents and 60 Chinese respondents. Out of 120 answers, 3 were dismissed as invalid. This means that the dissertation has got a response-rate of 97.5%.

## **7.3 Limitations**

The research has its limitations. First of all, the selected populations consist of 60 and 57 respondents from each group respectively, which resulted in 117 valid answers. The main reason for this low participant-rate is due to the limited financial situation, and this resulted in a rather small study. Furthermore, the number of Chinese citizens in the area of Kristianstad is limited. The optimal way of conducting this part of the research would have been to go to China and ask Chinese citizens in their home-country. This was, as a result of financial limitations, not doable. The problem with the Chinese respondents is that it would have been preferred if they knew nothing or very little about Sweden and its culture. Due to the fact that the Chinese respondents are currently studying in Sweden, the risk is great that they already have a positive view of Sweden and Swedish traditions. Another remark concerning the Chinese respondents is that, since they have made the active choice of studying in Sweden, they have proven themselves to be “open” to other nations. There is a possibility that it is not common for Chinese inhabitants in general to visit other cultures. This would mean that the Chinese respondents in the survey are more “global-minded” than the average Chinese. The number of Danish respondents is limited to the amount of people that the questionnaires could be distributed to, under controlled circumstances. Another remark concerning both groups is that the survey was conducted only on students. There is a possibility that students are more receptive to distant cultures since they study theories from all over the globe. Furthermore, China is a very big country with varying

preferences throughout all provinces. Therefore, there is a possibility that the outcome of this survey is merely the truth when it comes to a very small sample of segmented parts of China.

Due to time-constraint there was not enough time to study every piece of literature written on the subject of internationalization-theory. Therefore, the dissertation is limited to well-known theories and models.

#### **7.4 Reliability**

The reliability shows how reliable our collected data would be if the test was to be conducted again on other occasions, and by other observers (Saunders, et.al, 2007).

The threats to reliability consist of four components. The first threat is **participant error**. This problem appears if you conduct a research at a point when the respondents' mood could intervene with the answers to the questions. The questionnaires were handed out on a Tuesday and a Thursday, which are neutral days of the week. On the other hand, the time of the day could have an effect on the answers. Considering that the questionnaire deals with the subject of food it is possible that the hunger of the respondent, affect the answers. The second threat is **participant bias**, which means that the respondents want to appear in a certain light or in a certain way. It could be possible that, considering the history of China as a controlled communism-regime, the respondents base their answers on what they think is expected from them. The attempt was to minimize this problem by leaving the classroom while the respondents were answering and assuring them total anonymity. The final two threats to the reliability are **observer errors and observer bias**, which means that the observer could interpret answers in a wrong way. However, none of these two are likely to appear among the collected data since a standardized questionnaire was used (Saunders, et.al, 2007).

## **7.5 Validity**

The validity of the research distinguishes whether the results show an actual relation between the examined variables, or if it is a casual relationship (Saunders, et.al, 2007).

Since questions on the subject of internationalization-theory were asked and that these were later translated into questions about the “Absolutely Swedish” concept, there is a risk that answers could be interpreted the wrong way. Another threat to the validity is that the Chinese respondents have become familiar to the Swedish culture and thereby may have answered in a misleading way. However, in order to get a high validity it was of great importance that the right questions were asked. We believe that the research is valid, mainly because of two reasons. Firstly, even though the Chinese respondents may have been affected by their stay in Sweden, the Danish respondents are citizens of Denmark, and have therefore not been affected by any outer circumstances. With this taken into account, the Danish respondents answered almost in the opposite way of the Chinese, which could prove the point, considering the Danish participants. Secondly, even though some participants may have been affected by wanting to answer in a politically correct way, the answers in general were so unanimous for each group. This means that even if some answers may have been too positive or too negative, there is no doubt as to what each group in our sample prefers.

## **7.6 Generalisability**

The term generalisability seeks to explain whether the results can be applied on a larger population than the investigated sample (Saunders, et.al, 2007). The aim was not to create a dissertation that could be generalized for all sorts of products, but rather point out the possibility of an alternative way of internationalizing the firm. The main reason as to why it is not possible to generalize is because the Chinese respondents may not be representative for the whole Chinese population. Secondly, the selection is rather small when considering how many inhabitants China has got. Another reason why the study is difficult to generalize is because the model may not include all types of products. There is a possibility that certain products will not be successful when launched this way.

## **8 Inference of Internationalizatio Inversa**

*In the coming chapter the actual core of our dissertation is presented. We will first summarize our findings, and then move into parts where we interpret the findings of our survey. We will also look at the findings from a practical point of view, and try to apply the model to real life situations.*

### **8.1 Summary of the Dissertation**

The subject of Internationalization theory seeks to explain different ways for companies to optimize their success when entering the international market. The matter of globalization results in a world that is becoming more homogenous, and trade-barriers are diminishing by the hour. This results in a number of opportunities, but also some threats. Becoming a global player is not an easy task. One has to know what to do, and where to do it. This is where Internationalization theory enters the playing field. It is supposed to be the guideline for the company when entering the global market. Every company has to tailor-make its own internationalization-process. However, by mixing your own desires with the proposals of an effective Internationalization theory, you will increase your chances to reach global success. The fundamental assumption is that many of these existing theories lack the ability to assist the company in such a way. When considering the effects of globalization, mentioned above, many of the major Internationalization theories still assume a society filled with trade-barriers and cultural differences. However, these obstacles could be turned into advantages. There is a need for a new Internationalization model that, under some circumstances, is adaptable to the global market. Since trade-barriers are diminishing (example: opening of the Chinese Market), and people are becoming more accustomed to other cultures there must be a need for an Internationalization theory which can take these globalization-advantages into account.

In order to distinguish how to actually fill such a theoretical gap, we had to go through many of the major Internationalization theories. After narrowing down the number of relevant models to four (The Uppsala Model, Leap-Frogging, Born Globals and Country of Origin marketing), both strengths and weaknesses in the models were distinguished. The findings, from viewing these theories were inferred into the model: Internationalization Inversa. This model is based on several assumptions connected to the effects of globalization. Firstly, people are much more adaptable to foreign cultures. In fact, people will be more attracted by a far-off business concept, than a familiar concept. This is the result of the far-off concept being exotic and special in a world that is becoming more homogenous. Secondly, the distances of the world are shrinking and, therefore, it would not be a difficult task to move to a distant nation as a first step in the internationalization process. When combining these two assumptions you get an internationalization model that states the following: An alternative way of becoming successful on the new global market is for the company to move to a culturally distant market early in its internationalization process, and launch a concept that has strong ties to the company's native culture. With this strategy the company could become an exotic alternative on a market which lacks companies of this kind. Since customers around the globe are becoming more accustomed to other cultures, they will probably not dismiss the concept as unattractive. However, the company will have the advantage of being a lonely player with such a concept on this distant market. Thereby, it will be able to gain important first mover advantages before facing serious competition.

When deciding upon how to conduct the study, it was decided that the best way would be to conduct a survey on possible consumers. At the end of the day, it is the consumers that decide whether the company will become a success or a failure. Thereby, this strategy will only be applicable to Business to Consumer companies. The business-concept "Absolutely Swedish" was created. The concept is in the shape of a restaurant-chain with strict connections to Swedish tradition and culture. The aim was to test the attraction of such a concept on two different populations. One population

from a country that is perceived as closely related to Sweden, and one from a country that is perceived as traditionally distanced from Sweden. The choices fell upon one Danish and one Chinese sample population. By asking two such culturally separated groups about their attitudes concerning a Swedish business concept the aim was to test the following assumptions: Firstly, the Danish population is not attracted by such a concept. The reason for this is that the concept seems too familiar and, therefore, it is neither exotic nor interesting. Secondly, the Chinese respondents will be very attracted by the concept, since this is something which is not represented on their domestic market. Finally, when the two groups are faced with either a business-option with a high Cultural Distance or a business-option with a low Cultural Distance they will pick the most exotic one. By doing this, the aim was to test whether a Culturally Distanced concept can be an effective way of launching a company on a foreign market.

The Chinese respondents proved to be very open to the concept, and this could be the result of the exotic value that such a concept would bring to the Chinese market. At the same time, the Danish respondents showed very little interest in the concept. This is interpreted as the result of the Danish population being too accustomed to the Swedish traditions and, therefore, not being intrigued by this concept. In the following parts, the interpretations of the findings will be further discussed.



## **8.2 Practical implication of Internationalizatio Inversa**

A Business to Consumer company that manufactures a product domestically or is providing a service that is closely connected to the Country of Origin can differentiate itself with the help of Internationalizatio Inversa. If the company chooses to apply such a strategy, it could reap higher benefits than if using traditional internationalization strategies. With the circumstances given above and by using Internationalizatio Inversa as the main guiding light, the company could experience the most success when internationalizing.

The model can be applicable to small or medium sized Business to Consumer firms on the verge of going international. The model works in all directions and should be viewed from the domestic market of the company, regardless if it is a Chinese or Swedish company. In order for a company to optimize the possible outcomes of Internationalizatio Inversa, the company has to both reach a country with a high Cultural Distance and do this at an early stage of the internationalization process. This may sound as if this model will be successful in all scenarios regardless of which market the company enters, just as long as this market has a high Cultural Distance. This is, of course, not true. If, for example, a Danish company wishes to expand to an Asian country it still has to consider which nation to penetrate. Perhaps the Chinese customers will have a bigger craving for Danish products than the Japanese consumers. The important factor is that the company uses Internationalizatio Inversa as its strategic tool, when having decided which nation to enter. This results in the following schedule of proceedings when applying the Internationalizatio Inversa model:

- Decide upon possible nations to enter. These will all have a high Cultural Distance compared to the native country.
- Investigate which country to enter, depending on where customers are most attracted by the products.
- Enter this market with a Country of Origin concept.

### **8.3 Theoretical Implication of Internationalizatio Inversa**

It is now time to assess whether this model can be theoretically applied in a real business situation, or if it is just a product of this dissertation. The model has been studied with different types of glasses, and the conclusion is that it will be reliable. Throughout this dissertation, more than one limitation to the model has been mentioned. However, when weighing the logical argument of the model alongside the actual outcome of the survey this internationalization strategy may actually make a difference in some companies internationalization processes. In a world that is becoming more homogenous, companies have to go to new extremes in order to differentiate themselves from other alternatives. There are several effects of having one homogenous market-place. On one hand it is good that the world is becoming more homogenous since this has meant that people's openness towards other cultures has increased. On the other hand, it has the effect that it is becoming more difficult for companies to differentiate themselves since customers are getting used to products and companies from other nations.

Internationalizatio Inversa suggests that you, as a company, immediately move to a country with a high Cultural Distance, and that this would be more successful than moving to a country with a low Cultural Distance. This fundamental thesis results in an internationalization process which takes both, above mentioned, globalization-factors into account. Firstly, the company exploit the fact that people are becoming more accustomed to companies from other cultures. Secondly, by being a Culturally Distant option on the new market the company differentiates itself. When blending these two assumptions the following result is achieved: Customers on the foreign market will not dismiss the company since they have become more adaptable to foreign concepts, and at the same time the firm will differentiate itself by being the only, or one of few, companies of its kind. This can ultimately result in a valuable first-mover advantage. By being the first mover, with such a concept on this distant market, the company could gain control over valuable resources and grow a reputation which followers will have difficulties to match (Hill, 2005).

Internationalizatio Inversa is a modern internationalization-model which takes the effects of globalization into consideration and seeks to exploit these.

#### **8.4 Methodological Criticism**

The most serious concern is the Chinese respondents residing in Sweden, and the possible source of error that this can bring to the model. However, this was the only way to collect the information in such a short period of time. Other possibilities were to either e-mailing or post questionnaires to China, but this would bring even more uncertainty to the outcome. The most truthful answers would be gained by approaching the respondents personally.

Another issue deals with the survey. It was chosen to hand out a questionnaire that could provide analytical material. The outcome of this survey was satisfying, but this way of conducting the research holds one flaw. By not interviewing the respondents, no further reactions or comments to the questions were obtained. There are, of course, problems concerning interviewing the participants too. However, this would have enabled us to elaborate the discussion further concerning customer preferences and exotic options.

The third and final critique to the method concerns the “Absolutely Swedish” concept. This was an invented research-tool and there is a possibility that the questions do not reflect the purpose.

## **8.5 Further research**

This dissertation has laid ground for what is believed to be extensive future research. The goal of creating an alternative internationalization model has been fulfilled, and the survey showed that the assumptions were correct. This leads to the following question: What next? Since the research material is not extensive enough, the first step when conducting future research would be to firstly prove whether Internationalization Inversa is valid. This could be done by examining Chinese and Danish citizens in their homeland. Both populations would be bigger and more diversified than in this dissertation.

The next step would be to examine what kind of companies, and also what kind of products, an internationalization strategy such as this could be effective for. These variables have not been examined in this dissertation.

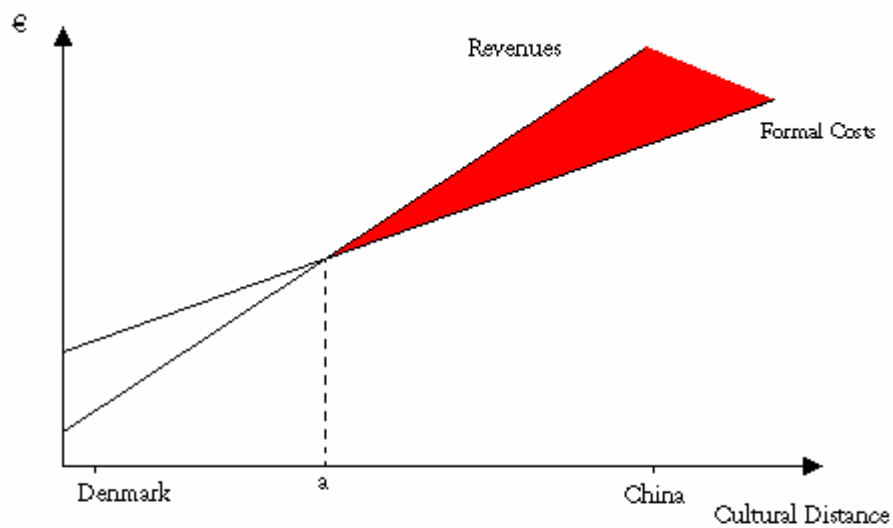
Another topic of further research would be to test the assumptions regarding the Psychic Distance. Is it so that, due to the global market, the Psychic Distance can be divided into two parts? One that is Formal Distance - this would be legal thresholds that need to be overcome. In this way, the original two components language difficulties and data concerning the export market has become one factor. The other part would be Cultural Distance. This part can be seen as an advantage on this new global market. By being a culturally distanced option, the company will succeed in differentiating itself.

If such a research will prove valid, this will lay ground for even more in depth reasoning. Formal costs will probably rise in amount depending on how distant the new market is in comparison to the domestic market. For example, the formal costs for a Swedish company to enter the Danish market will be less than the formal costs of entering the Chinese market. This is a result of the Formal Distance between the countries. At the same time, by entering a market with a high Cultural Distance the company will gain higher revenues than if entering a market with a low Cultural Distance.

This is the result of the company being an exotic alternative on the market with a high Cultural Distance, and merely a too common alternative on the market with a low Cultural Distance. This leads to the next future research subject. Is there a possibility that revenues exceed formal cost at some point, and where is that line geographically speaking? Below, the hypothetical Cultural Distance revenue model is presented.

Figure 8.1 shows the Cultural Distance/Revenue model

Seen out of a Swedish home-market perspective



■ The further the company moves from its home market the more profitable it becomes

a: From this point it is becoming profitable to establish operations

Figure 8.1 shows the possible correlation between Cultural Distance and Formal Costs. The figure is an outcome of Internationalizatio Inversa and the assumptions that at some point the revenues, due to high Cultural Distance, will exceed the Formal Costs. This figure seeks to explain a couple of things. The Formal Costs will rise the further away the company expands. At the same time and at a higher pace, the revenues will increase because of the growing Cultural Distance. At one point, the two lines will cross each other and at this point the revenues will exceed the costs. The question is: where does this line go? More importantly, which nations, in comparison to your Country of Origin, are on the side where the revenues exceed the Formal Costs? The aim of Internationalizatio Inversa is to find the strategic location where the revenues are maximized in comparison to Formal Costs. This can be illustrated by placing your company as far away on the X axis of the model as possible.

## Epilogue

After your spontaneous visit to the restaurant, you understand why this kind of concept is successful on such a remote location. Familiar scents and tastes do not feel very exotic to you, but you can imagine how a domestic inhabitant of this country would be attracted to it. For them, this is different, exotic and sometimes even strange, but still very attractive. Some of them cannot keep themselves from experiencing it. It was a very smart move by the owner of the restaurant to expand to a very distant location, but how and why did he do this? When you spoke to the owner of the restaurant he told you this: “When some standard thresholds were overcome the restaurant was an immediate success. By applying Internationalization Inversa on Absolutely Swedish, I have created a unique business concept with a superior position on the market”.

**Internationalize**, /,ɪn.təˈnæʃ.ən.laɪz/ US /-t̩ə-/  
; to make something become international

**Re·verse**, /rɪˈvɜrs - [rɪ-vɜrs]  
; Opposite or contrary in position, direction, order, or  
character: in reverse sequence.



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## Appendix 1

### Group Statistics

	Nationionality	N	Mean	Std. Deviation	Std. Error Mean
Would you	Danish	57	3,61	1,411	,187
	Chinese	60	4,42	1,319	,170

### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Would you	Equal variances assumed	,112	,739	-3,180	115	,002	-,803	,252	-1,303	-,303
	Equal variances not assumed			-3,175	113,386	,002	-,803	,253	-1,303	-,302

## Appendix 2

### Group Statistics

	Nationionality	N	Mean	Std. Deviation	Std. Error Mean
Food	Danish	57	3,14	1,060	,140
	Chinese	60	4,12	1,195	,154

### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Food	Equal variances assumed	,152	,697	-4,668	115	,000	-,976	,209	-1,391	-,562
	Equal variances not assumed			-4,682	114,473	,000	-,976	,209	-1,389	-,563

### Appendix 3

#### Group Statistics

	Nationionality	N	Mean	Std. Deviation	Std. Error Mean
Concept	Danish	57	3,56	1,350	,179
	Chinese	60	4,25	1,159	,150

#### Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Concept	Equal variances assumed	1,172	,281	-2,965	115	,004	-,689	,232	-1,149	-,229
	Equal variances not assumed			-2,954	110,475	,004	-,689	,233	-1,151	-,227

## Appendix 4

### NPar Tests Danish Binomial Test

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Japanese	Group 1	No	48	,84	,50	,000(a)
	Group 2	Yes	9	,16		
	Total		57	1,00		

a Based on Z Approximation.

### NPar Tests Chinese Binomial Test

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Japanese	Group 1	Yes	57	,95	,50	,000(a)
	Group 2	No	3	,05		
	Total		60	1,00		

a Based on Z Approximation.

Appendix 5

NPar Tests Chinese  
Kruskal-Wallis Test

	Age	N	Mean Rank
Would you	-20	8	34,25
	21-30	29	25,88
	31-40	23	35,02
	Total	60	

	Would you
Chi-Square	4,157
df	2
<b>Asymp. Sig.</b>	<b>,125</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Food	-20	8	26,69
	21-30	29	31,02
	31-40	23	31,17
	Total	60	

	Food
Chi-Square	,473
df	2
<b>Asymp. Sig.</b>	<b>,789</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Concept	-20	8	29,81
	21-30	29	32,81
	31-40	23	27,83
	Total	60	

	Concept
Chi-Square	1,137
df	2
<b>Asymp. Sig.</b>	<b>,567</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Japanese	-20	8	29,00
	21-30	29	32,10
	31-40	23	29,00
	Total	60	

	Japanese
Chi-Square	3,319
df	2
<b>Asymp. Sig.</b>	<b>,190</b>

a Kruskal Wallis Test  
b Grouping Variable: Age



Appendix 6

NPar Tests Danish  
Kruskal-Wallis Test

	Age	N	Mean Rank
Would you	21-30	49	29,57
	31-40	8	25,50
	Total	57	

	Would you
Chi-Square	,439
df	1
<b>Asymp. Sig.</b>	<b>,508</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Food	21-30	49	28,87
	31-40	8	29,81
	Total	57	

	Food
Chi-Square	,024
df	1
<b>Asymp. Sig.</b>	<b>,877</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Concept	21-30	49	30,81
	31-40	8	17,94
	Total	57	

	Concept
Chi-Square	4,351
df	1
<b>Asymp. Sig.</b>	<b>,037</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

	Age	N	Mean Rank
Japanes e	21-30	49	28,85
	31-40	8	29,94
	Total	57	

	Japanese
Chi-Square	,074
df	1
<b>Asymp. Sig.</b>	<b>,785</b>

a Kruskal Wallis Test  
b Grouping Variable: Age

Appendix 7

Questionnaire

**Background:**

“Absolutely Swedish” is a chain of restaurants with a very simple and clear concept:

They serve well-prepared Swedish traditional food in restaurants decorated only with Swedish design. The waiters are all wearing Swedish traditional costume and all pieces of culture represented (arts on the walls, music in the “in-store” stereo-system) is Swedish. Simply put: It is an all-Swedish concept. We are now interested in getting to know your opinion about this idea.

Please make a circle around the answer which fits you.

---

---

1. Nationality:

Danish

Chinese

0

1

---

2. Age:

- 20

21-30

31-40

41-50

51-60

60-

0

1

2

3

4

5

---

3. Would you consider dining at “Absolutely Swedish”?

Negative 1

2

3

4

5

6

Positive

---

4. What are your views of the following objectives concerning:

A. Swedish food?

Negative 1

2

3

4

5

6

Positive

B. The Overall Concept?

Negative 1

2

3

4

5

6

Positive

---

5. Would you rather visit “Absolutely Swedish” than go to a Japanese Restaurant?

YES

0

NO

1

## Appendix 8

### Spørgeskema

#### Baggrund:

”Absolutely Swedish” er en restaurantkæde med et meget enkelt koncept: De serverer veltillavet svensk traditionel mad i et svenkdesignet restaurantmiljø. Alle tjenere er klædt i folkedragt og alle kulturelle indslag (kunst på væggene, musik i restaurantens stereoanlæg) er svenske. Rent ud sagt: Det er et helsvenskt koncept. Vi vil nu finde ud af din opfattelse af denne idé.

Vær venlig at markere det svar du finder passende.

---

#### 1. Nationalitet:

Dansk	Kinesisk
0	1

---

#### 2. Alder:

- 20	21-30	31-40	41-50	51-60	60-
0	1	2	3	4	5

---

#### 3. Ville du kunne tænke dig at spise på en ”Absolutely Swedish” reastarant?

Negative	1	2	3	4	5	6	Positiv
----------	---	---	---	---	---	---	---------

---

#### 4. Vad er din opfattelse af følgende?

##### A. Svensk mad?

Negative	1	2	3	4	5	6	Positiv
----------	---	---	---	---	---	---	---------

##### B. ”Absolutely Swedish´s” koncept?

Negative	1	2	3	4	5	6	Positiv
----------	---	---	---	---	---	---	---------

---

#### 5. Besøger du heller ”Absolutely Swedish” end en japansk restaurant?

JA	NEJ
0	1

## Appendix 9

