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The Internationalization Process of a Manufacturing International New Venture

- From the Perspective of Value Creation Through Business Models

Master's Thesis

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EXECUTIVE SUMMARY

Only recently have academics sought to integrate the concept of business models into international entrepreneurship. The purpose of this thesis is to analyze the internationalization process of a manufacturing international new venture from the perspective of value creation through business models. Given that the literature on international new ventures mainly focuses on new ventures operating in knowledge-intensive and high technology industries, this study furthermore seeks to broaden the field of international entrepreneurship by studying the case of a manufacturing international new venture.

Existing literature on business models and firm internationalization is reviewed in order to develop a theoretical framework utilized for investigating the topic of this thesis. The chapter studying business model literature consists of defining the concept, utilizing business models as a unit of analysis as well as investigating the relationship between business models and strategy and innovation respectively. Given that a manufacturing international new venture is studied, both the literature on international entrepreneurship and the traditional perspective on firm internationalization are considered. Furthermore, a set of propositions is developed in order to test and discuss the theoretical framework.

A single-case study design has been chosen to answer the research question, where Alpha, a manufacturing international new venture operating in the spectacles industry, is the chosen case company. Alpha employs its two founders, and it is thus their reflections and perceptions concerning the configuration of the company's business model activities, which lay the foundation for answering the research question.

The findings suggest that Alpha's value creation logic determines the development and configuration of its business model and thereby also its internationalization process. Furthermore, it appears that Alpha's existing network influenced the company's internationalization process. However, the findings also suggest that factors such as psychic distance and the liability of foreignness influenced Alpha's internationalization process, thus pointing to the fact that it seems that Alpha follows the traditional perspective of firm internationalization.

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The final full stop has been put in this thesis. It has truly been an experience, which is best explained as a long and big roller coaster ride with large ups and downs. I would never have managed to do this on my own, so therefore, I would like to express my gratitude to the people who have supported me through the past months.

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1.0 INTRODUCTION

The internationalization of firms has drawn the attention of researchers for decades. The reasons for companies to internationalize are numerous including a small home market, seeking to obtain economies of scale and maximizing profits. As such, firm internationalization is not a new phenomenon. The research on internationalization strategies have emerged significantly the past three decades, and many researchers have presented frameworks on how to gain and sustain a competitive advantage (Casadesus-Masanell and Ricart, 2010). One approach to develop and sustain a competitive advantage is through the development of unique knowledge and dynamic capabilities (Teece et al., 1997). However, the international business environment is continuously changing amongst others due to globalization and technological change (Casadesus-Masanell and Ricart, 2010). As a result, it is argued that companies need to seek new ways to obtain and sustain their competitive advantage, and that a good and well-thought business model is necessary in order to compete in the world of today (Magretta, 2002; Teece, 2010). According to Teece (2010), a business model describes the architecture of a company's value creation. It is thus the creation and capturing of value, which can create a competitive advantage. Hence, the value creation process is essential for companies to succeed.

Business models are not a new phenomenon; however, it is only recently that the concept has caught researchers' attention. The changing nature of the international business environment in the late 1980s and throughout the 1990s impacted the value chain organization, where especially the advances in information and communications technology presented new possibilities to the value chain configuration (Teece, 2010). These new business model configurations attracted academic interest and led to the rise of literature within this field (Osterwalder et al., 2005; Teece, 2010; Lambert and Davidson, 2012; Zott et al., 2011). The literature on business models is still a young research field, and several authors have pointed to the need of coherence (Osterwalder et al., 2005; Pateli and Gialis, 2004; Sainio et al., 2011). Yet, there seems to be a consensus that business models are a source of value creation. As such, "*The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit*" (Teece, 2010:172). Furthermore, the research field has often been studied in the light of strategy and innovation (e.g. Teece, 2010; Amit and Zott, 2001; Chesbrough, 2010). It has

been argued that “... *a company has at least as much value to gain from developing an innovative, new business model as from developing an innovative new technology*” (Chesbrough, 2010:356). As such, the focus on innovation in current business model literature is in line with the innovative approach that characterizes international entrepreneurs. However, until recently the concept of business models has not been considered in international entrepreneurship (IE) literature. In their article, Sainio et al. seek to integrate the phenomenon into IE literature. They argue that the notion of value creation is rooted in IE literature in the sense that it “... *has seen successful internationalization to be based on controlling, and not necessarily owning, value creating assets and knowledge located in different parts of the globe*” (2011:557). As a result, the authors explored how INVs exploit international opportunities through the value creation process of their value chain. Thus, it seems that there is reason for exploring value creation through business models through the perspective of IE.

The changes in the international business environment as mentioned above presented new opportunities for companies to compete globally (Oviatt and McDougall). This resulted in the emergence of a new field of research, where researchers sought to understand and explain the recent phenomenon of small and young companies internationalizing rapidly, which were named *international new ventures* (INV) or *born globals* (Oviatt and McDougal, 1994, Zahra, 2005, Knight and Cavusgil, 2004; Chetty and Campell-Hunt, 2003). It was found that these young companies often lack tangible and financial resources, which in the existing literature on firm internationalization were perceived to be essential for firms to internationalize (Johanson and Vahlne, 1977). However, it was found that INVs make up for the lack of resources through their hybrid organizational structures and alternative governance methods (Oviatt and McDougall, 1994).

Although the IE literature has developed substantially the past three decades, more research is still relevant within the field. IE literature was the result of the emergence of a new phenomenon, where small companies internationalized rapidly. Furthermore, IE researchers argue that due to INVs possessing different characteristics than large, well-established MNEs, the traditional perspective on firm internationalization could not accurately explain the phenomenon of INVs. Instead, it was argued that INVs’ opportunities to internationalize emerge from their relationships and networks (Coviello and Munro, 1995). However, the majority of INVs studied operate in high technology and knowledge-intensive industries, and it was found that these INVs possess unique knowledge, which also played a role in explaining

their competitive advantage. Little attention has been given to INVs operating in low technology and manufacturing industries. Given that these industries are not perceived to be knowledge-intensive, it would be interesting to study whether the INV literature applies to the case of manufacturing INVs.

As mentioned above, the existing literature on business models still lacks coherence. Although the field has been studied in the light of strategy and innovation, integrating the concept of value creation through business models into firm's internationalization processes has still been a widely neglected area of research. As a result, the purpose of this thesis is to seek to combine these two fields of literature. Given IE's focus on knowledge-intensive INVs operating in high technology industries, the thesis furthermore seeks to broaden the perspective of IE literature by focusing on manufacturing INVs, i.e. INVs operating in low technology industries.

1.1 RESEARCH QUESTION

The focus of the research question is to understand firm internationalization from the perspective of value creation. As such, it seeks to integrate the concept of business models into the IE literature. In addition, the thesis focuses on manufacturing INVs, which have not been considered in the IE literature. The research question is as follows:

How does a manufacturing INV internationalize from the perspective of value creation through business models?

This thesis seeks to introduce a new perspective to the literature on firm internationalization. Furthermore, it seeks to integrate two fields of research by analyzing the internationalization process from a business model perspective. The beginning of this chapter introduced the two different fields of research broadly; yet, it is argued that in order to combine the two, it is necessary to review the existing literature in more detail. As a result, the research question presented above is rather broad. Therefore, a set of propositions is developed on the basis of the findings of the literature review. The aim of these is to guide and shape the boundaries of this thesis. In addition, they lay the foundation for the theoretical framework developed to test the assumed connection between value creation through business models and firm internationalization. Furthermore, a case study is utilized to analyze the theoretical framework.

Due to confidentiality agreements, the real name of the case company is not revealed. Instead, it is referred to as Alpha.

1.2 STRUCTURE

The following chapter explains the methodology utilized in this thesis. Thereafter follows two theoretical chapters, where chapter 3 reviews the existing literature on value creation through business models and firm internationalization. Chapter 4 integrates the findings of the literature reviews and develops a set of propositions, which serve as guidance for the research of this study. Furthermore, the chapter develops the theoretical framework utilized in this thesis. Chapter 5 presents the case company. In chapter 6, the analysis is carried out, where the theoretical framework is tested utilizing Alpha as the case company. The following chapter discusses the findings of the analysis in the light of existing literature on business models and firm internationalization reviewed in chapter 3. Finally, chapter 8 presents the key findings of this study as well as answers the research question presented in this chapter. Furthermore, the chapter discusses the limitations of this study as well as proposes ideas for future research.

2.0 METHODOLOGY

This chapter presents the methodological approach of this thesis. It includes describing how this thesis is carried out as well as why the different choices have been made. The aim is to develop a red thread and transparency throughout the study. The chapter consists of research philosophy, research strategy, research design, data collection and data analysis, validity and reliability, and delimitations.

2.1 RESEARCH PHILOSOPHY

Research philosophy defines the research background as well as the development and nature of knowledge. Moreover, it deals with assumptions about how the researcher perceives the world and how knowledge is constructed (Saunders et al., 2007). Research philosophy influences one's research and the choices made (e.g. Justesen and Mik-Meyer, 2010), which is evident throughout this chapter. It consists of ontology and epistemology, which are explored below.

Ontology is concerned with the nature of reality, which “... *raises questions of the assumptions researchers have about the way the world operates and the commitment held to particular views*” (Saunders et al., 2007:108). Furthermore, it deals with whether the researcher believes that a world exists independently of social processes and specific contexts. If one believes that the world exists independently of human influence, it is said to be objective; whereas if it is believed that the world is constructed from social processes and specific contexts, it is said to be subjective (Justesen and Mik-Meyer, 2010). This thesis centers on a case study, which is believed to be influenced by the context in which it operates and exists, i.e. its cultural, social and historical context. This entails that reality continuously changes, and as a result, reality is never objective, but instead subjective and instable (Justesen and Mik-Meyer, 2010). Hence, ontology is subjective in this study.

Whereas ontology is about the nature of reality, epistemology deals with “... *hvordan vi kan erkende denne virkelighed*”¹ (Darmer et al., 2010:45). Thus, epistemology is concerned with what acceptable knowledge is, which assumptions are made about obtaining knowledge and how this knowledge is valid and reliable. Moreover, epistemology raises criteria for the choice

¹ Freely translated: “... how this reality can be perceived”

of methodology in a given study (Darmer et al., 2010; Justesen and Mik-Meyer, 2010). This study has a moderate constructivist epistemological perspective. Whereas realists argue that reality exists independently of social phenomena and the aim is to discover the objective truth, constructivists argue that reality is constructed. In line with the ontological perspective of this study, in a moderate constructivist perspective, knowledge is not objective since the observed is constructed through meanings and interpretations (Justesen and Mik-Meyer, 2010; Darmer et al., 2010). Consequently, in a constructivist view, knowledge is often derived from the researcher applying meaning to and interpreting a given situation or phenomenon. The researcher's interpretation is influenced by the world in which he or she lives, as well as the meanings of others are constructed by the world they live in (Justesen and Mik-Meyer, 2010; Darmer et al., 2010). Moderate constructivism was perceived to be the most appropriate perspective for this study due to the fact that this thesis analyzes and interprets a situation with the aim of applying meaning to the context, i.e. explaining the internationalization process of a given case from the perspective of value creation through business models utilizing existing literature as the foundation for developing the analytical framework.

The research approach describes the method utilized to generate knowledge and thereby to answer the research question. It, too, is influenced by the chosen research philosophy (Darmer et al., 2010). In line with the moderate constructivist perspective, this study is primarily deductive in nature seen by the fact that it combines two fields of existing literature, tests the propositions utilizing a case study, where the findings of the analysis are linked back to the existing literature.

2.2 RESEARCH STRATEGY: CASE STUDY

This section presents the strategy adopted for conducting this thesis and why it has been chosen. *"Quite simply, it [a research strategy] is where you describe how you intend implementing your own research study, i.e. the strategy that you intend adopting to complete your empirical study"* (Biggam, 2011:117). Several different research strategies exist, and Yin (1994) argues that three conditions should be evaluated when deciding upon the research strategy: 1) the type of research question, 2) whether the investigator possesses control over behavioral events, and 3) whether the focus is on contemporary or historical events.

Utilizing the three conditions described above as the basis for choosing the research strategy, the case study was found to be the best suitable. Case studies are the preferred research strategy, when 1) the research question relies on ‘how’ or ‘why’ questions; 2) the investigator does not possess control over behavioral events; and 3) when the problem formulation focuses on a contemporary event (Yin, 1994). Research questions relying on ‘how’ or ‘why’ questions can refer to a condition of seeking to explore a situation or phenomenon (Yin, 1994), which is the purpose of this thesis. Furthermore, the case study method allows me to investigate a problem formulation between existing literature and a contemporary phenomenon, where I, as the investigator, have no control over and cannot manipulate the context in which the case company exists. Finally, the research field of business models is relatively young resulting in a lack of literature between value creation through business models and internationalization processes. Based on that it is argued that a case study better enables me to test how current literature can explain the value creation of company’s value chain activities during its internationalization process.

According to Yin (1994), case studies can be descriptive, explanatory or exploratory in their objectives. The overall nature of the research question is exploratory, however, it also contains descriptive elements. Descriptive elements are present in the analysis carried out in chapter 6. This is due to the fact that the aim of that chapter is “...to portray an accurate profile of ... situations [here: a situation]” (Robson, 2002, in Saunders et al., 2007:134). The analysis is carried out in the light of the theoretical framework developed in chapter 4, which combines the existing literature on value creation through business models and firms’ internationalization processes. The aim of the analysis is to understand how the case company’s business model is structured through the reflections of the owners. Furthermore, the chapter seeks to understand why the owners chose to configure the company’s business model in the given way, and therefore, the analysis is mainly descriptive. However, the study also contains exploratory elements in the sense that it tests the assumed connection between the two fields of literature and thereby studies a firm’s internationalization process from a hitherto unexplored perspective.

2.3 RESEARCH DESIGN

The purpose of this section is to explain how the case study strategy is carried out. According to Yin (1994), four strategies of case studies exist, and they are built on two dimensions:

Single-case vs. multi-case designs, and holistic vs. embedded case studies. The author states that single-case studies are appropriate under three circumstances: When the case presents a critical case, an extreme or unique case or when it is revelatory. In this study, Alpha represents a unique case for the following two reasons. Firstly, the literature concerning INVs and internationalization processes focus either on high technological new ventures or on large well-established companies. Therefore, it is interesting to test whether the current literature in the above-mentioned research fields would also suit entrepreneurial manufacturing companies. Alpha is a good case in this context, since it is an entrepreneurial manufacturing company operating in the spectacles industry and it only sells online. Moreover, part of its business model activities are internationalized, and they have from inception had the vision of operating outside of Denmark's borders.

Secondly, in Denmark, relatively large chains characterize the traditional eyewear industry, where customers are served from physical stores. Initiating this study I was researching for companies similar to Alpha, but as far as I could ascertain, there were no similar stores in Denmark. Hence, Alpha seemed to have introduced a new perspective to the industry by only selling online and by only offering its own designs, which are argued to be of high quality. As a result, it is argued that Alpha represents a unique and interesting case for testing and investigating existing literature on business models, INVs and firms' internationalization processes.

The single-case study strategy has been criticized in case study literature (e.g. Yin, 1994) for being a vague point of reference for generalizations due to the fact that one case cannot lay the foundation for development of a reliable theory. However, the findings of this thesis should not be perceived as an attempt to develop a new theory. In accordance with the moderate constructivist perspective, it is argued that the findings are not generalizable. Instead, the aim is to test whether a connection exists between the current literature on value creation through business model and firm internationalization. As a result, this thesis makes an analytical generalization (Yin, 1994:31) testing existing research with the aim of explaining how the value creation of a manufacturing INV's business model activities influences its internationalization process. Therefore, the findings should be interpreted within the context of this thesis, thus emphasizing the moderate constructivist perspective.

The second dimension, embedded vs. holistic approach, refers to the unit of analysis, which defines the actual ‘case’ and its boundaries. Whereas a holistic case study takes into consideration the whole nature of the phenomenon being studied (e.g. an organization), an embedded case study only considers subunit(s). The nature of this study’s research question evolves around the value creation of Alpha’s business model activities. The analytical framework utilized for the analysis combines existing research fields (cf. chapter 4) with the point of departure in Stabell’s and Fjeldstad’s value chain model (1998). Examining Alpha’s business model activities gives me a holistic view of the company, where all aspects of the company are investigated. Thus, this study is a holistic single case study.

2.4 DATA COLLECTION AND ANALYSIS

Case studies can be based both on quantitative and qualitative data (Yin, 1994). Due to the objectives and nature of the problem formulation, which focuses on obtaining a deeper understanding of a phenomenon by testing current literature in order to explore the role of value creation on a manufacturing INV’s internationalization process, this study is based on qualitative data. This is in line with Cooper’s and Schindler’s view, who argue that “... *exploration relies more heavily on qualitative techniques*” (2003:152). They furthermore argue that qualitative data deals with meaning and understandings, which is in line with the moderate constructivist perspective of this thesis.

Data can be divided into primary and secondary data, which are two data types discussed below. Furthermore, besides the issue of data collection, the sections below also discuss how data have been analyzed and utilized in this study. In accordance with my supervisor, all primary data is available upon request.

2.4.1 PRIMARY DATA

The primary data consist of three interviews with Alpha’s owners as well as an observation of a team meeting in Alpha, where the two owners participated. The primary data was collected with the aim of obtaining knowledge about Alpha’s business model activities and the owners’ reflections concerning the development of the company’s business model, which is furthermore a topic, where no secondary data exists. The advantages of primary data are that they are obtained for the specific purpose of clarifying objects in this study. Moreover, given that this study aims at investigating Alpha’s owners’ reflections with regards to the

development of the company's business model, only primary data is helpful in understanding this issue (Ghauri and Grønhaug, 2005). The weaknesses of primary data are the risk of bias as well as the fact that primary data are subjective (Yin, 1994). However, given the philosophical perspective of this study and given the way in which the research question is studied, subjectivism is a part of this study. The primary data lays the foundation for the analysis carried out in chapter 6.

2.4.1.1 INTERVIEWS

Three interviews with Alpha's owners were conducted for this study. Two interviews have been carried out with Owner 2 and one with Owner 1. The owners were chosen as interviewees given that they founded Alpha and thereby were the ones who had made the decisions about the development and configuration of the company's business model activities. Furthermore, since Alpha solely employs its two owners, it was not perceived as relevant to interview other people for the understanding of Alpha's business model configuration. In order to analyze the interviews, they were all recorded and transcribed.

The first interview was in nature a structured interview, where the questions were sent to Owner 2 in advance. However, unlike the majority of structured interviews (Justesen and Mik-Meyer, 2010), the questions were mostly open-ended and not closed-ended or survey-like. Furthermore, as the interview went on, it developed into being a more or less semi-structured interview, where the interviewee was given room to answer widely and sometimes answer more than one of the prepared questions at the time, and I, as the interviewer, also asked follow-up questions, which were not planned. The reason for the interview being structured was due to the fact that the interview was perceived to be an introduction to Alpha as an organization, how the company is structured, its internationalization ambitions as well as the owner's ambition with the company. Since the topic of this thesis was only broadly defined, I found it important to make sure that all areas and concerns would be answered. As a result, the interview questions were driven by the previous research I had done on business models and internationalization processes, yet, the literature review of this study was not finalized, and therefore, neither was the theoretical framework.

The second and third interviews were with Owner 2 and 1 respectively, and they were conducted later in the research process. As a result, the literature review had been carried out

together with the theoretical framework, and the questions asked during the interview were theory-driven. The activities of Alpha's value chain were the main topic of the interview, where Stabell's and Fjeldstad's value chain model (1998) was the point of departure in developing the questions. Furthermore, the interviews were semi-structured where both owners were informed about the main topic of the interview i.e. Alpha's business model activities, and I had prepared the topics of concern as well as main questions beforehand. Semi-structured interviews are appropriate when "*... man både ønsker en eksplorativ tilgang, der stimulerer ny viden, og samtidig har en række på forhånd udvalgte temaer, man ønsker sine interviewpersoners refleksioner om*"² (Justesen and Mik-Meyer, 2010:55-56), which was the exact aim of those interviews.

2.4.1.2 DATA ANALYSIS: INTERVIEWS

In order to utilize the conducted interviews in the analysis of this thesis, it was necessary to analyze the data. This study is based on the assumption that a connection between the literature on value creation through business models and firm internationalization exists, and the theoretical framework (cf. chapter 4) develops a set of propositions which lay the foundation for answering the assumption and thereby the research question. As a result, the data analysis was driven by the theoretical framework.

After the transcription, the process of data reduction was used, which "*... refers to the process of selecting, focusing, simplifying, abstracting and transforming the data that appear in writing up field notes or transcriptions*" (Ghauri and Grønhaug, 2005:206). It entails generating categories and identifying patterns in the data collected, which helps the researcher in understanding the topic he or she is studying (Ghauri and Grønhaug, 2005). Given that the theoretical framework developed in chapter 4 takes point of departure in value creation through business model activities utilizing Stabell's and Fjeldstad's value chain model (1998), the data was firstly reduced according to the activities of the value chain model. As expected, the data reduction facilitated the identification of themes and patterns related to the theoretical framework. The process of uncovering and understanding these patterns was fourfold. The underlying assumption of chapter 4 is that the four categories, which form the theoretical framework, influence each other and are interrelated. Therefore, the first stage in the process of

² Freely translated: "... one seeks an exploratory approach, which both stimulates new knowledge and at the same time have some beforehand chosen themes, that you wish to hear the interviewees' reflections upon."

understanding the patterns consisted of making a list of themes related to any of the three categories. The subtopics were identified on the basis of existing literature studied in chapter 3 and 4. The second stage involved highlighting the sentences in the transcriptions, which were related to the themes identified in the first stage. The number of occurrences of some themes was counted. Thirdly, it was analyzed whether topics not included in the list made in stage 1 emerged as possible explanations for the owners' reflections. This resulted in the inclusion of three additional themes. Finally, the last stage involved analyzing the themes in relation to each other in order to discover whether any of the subtopics were related.

2.4.1.3 OBSERVATION

Primary data can also take the form of observations. "*Observational evidence is often useful in providing additional information about the topic being studied*" (Yin, 1994:87). An observation entails making a field visit thereby listening and watching peoples' behavior. The advantage of observations is that they give the possibility of collecting primary data in a natural setting; however, the disadvantage is that it is difficult to translate the behavior into scientific information (Ghauri and Grønhaug, 2005). Observations can take the form of direct observations, where formal protocols are developed as a part of the study, or they can involve less formal settings, for example "... *including those occasions during which other evidence, such as that from interviews, is being collected*" (Yin, 1994:87). In this study, a direct observation was made, and furthermore, my impressions and perceptions were written down after the observation. The primary data in form of a direct observation was chosen with the aim of obtaining an additional perspective to the functioning of Alpha, which was not influenced by me asking the questions. In line with the moderate constructivist perspective, this thesis acknowledges that my presence during the observations may influence the interaction of the participants (Darmer et al., 2010). Furthermore, this thesis acknowledges that I as a student seek for patterns, which are relevant to my study. Moreover, this entails that my educational background influences my perceptions. However, utilizing an observation in this study was perceived as giving the possibility of gaining a different insight in the functioning of Alpha, which could not be gained through e.g. interviews or documentation.

2.4.1.4 DATA ANALYSIS: OBSERVATION

Before the observation, the owners of Alpha requested that the observation was not recorded, since they did not feel comfortable. In order to make the setting as natural as possible, their

wish was respected, and notes were taken. I sought to take as detailed notes as possible, however, given that the owners talked rather quickly, they were not as detailed as one could wish. Therefore, additional personal impressions and perceptions about the observation were written down shortly after. This resulted in a journal of observational information, which is used to corroborate the interviews conducted for this study as well as broaden the perspective through which data were collected.

Given that the journal of observational information consists of my words and to some extent my perceptions, it was not perceived as useful to analyze the data in detail, as was the case of the interviews, since the words are not the direct words of Alpha's owners. However, in order to make the information useful, some data analysis was carried out. This entailed writing up my notes and keywords from the observation on a computer. No words were changed nor were any additional information included when writing the handwritten notes into a Word document. Thereafter, the notes were printed and the themes appearing relevant to this study were highlighted. This was done with the same point of reference as the interviews. Thus, the highlighted themes included the themes found in the interviews. The same was done for my personal thoughts and perceptions from the journal, however, here, the focus was on highlighting behavior or the perceived ambiances, which are related to the topic of this thesis. In addition, the owners' behavior was observed and serves as support for the findings of the interviews.

2.4.2 SECONDARY DATA

Secondary data are conducted by others and include amongst others books, articles and online data sources (Ghauri and Grønhaug, 2005). According to the same authors, the advantages of secondary data are that they are easily accessible and less time consuming than collecting primary data. However, the disadvantages are that the data most likely have been collected for different purposes than the one studied, and furthermore, due to the vast amount of literature, they can be very time consuming to gather and difficult to classify. The utilization of secondary data in this study can be divided into two categories: external secondary data utilized for the development of the literature review, and data in the form of documentation provided by the case company. The following two sections explain the use of these two types of secondary data.

External secondary data were utilized as the foundation for this study, i.e. in the literature review, where existing literature on business models and firm internationalization was reviewed, cf. chapter 3. Furthermore, an attempt was made to combine the two fields of literature, which resulted in the development of a set of propositions, cf. chapter 4. The data were collected from the EbscoHost databases, which is a search engine that offers the possibility of searching across multiple databases.

According to Yin (1994), secondary data can be very useful in case studies: *“For case studies, the most important use of documents is to corroborate and augment evidence from other sources”* (1994:81). Moreover, documentation has the advantage that it is unobtrusive, i.e. it is *“... not created as a result of the case study”* (Yin, 1994:80). As a result, secondary data in the form of documentation were obtained from the case company to support the primary literature. However, the documentation also gives a additional perspective in the process of understanding the owners’ reflections and choices made throughout the development of the company’s business model activities. The documentation consists of an order placed to Alpha’s lenses factory as well as an e-mail correspondence between Alpha and a new supplier for the production of frames. The documentation is available upon request. In addition, secondary data from the company’s webpage were utilized to support the primary data sources.

2.4.3 METHODOLOGICAL COMBINATION

As evident throughout the subsections of section 2.4, methodological combination is utilized in this thesis. Instead of solely utilizing the multiple methods as a means to support data (e.g. through data triangulation), methodological combination is a means to increase the variety of data collection. In accordance with the philosophical perspective of this thesis, the aim of methodological combination is to seek to elucidate the phenomenon studied by investigating it through a variety of methods thereby increasing the understanding of the phenomenon (Darmer et al., 2010; Justesen and Mik-Meyer, 2010). As described above, methodological combination in this thesis consists of interviews, documentation from the case company and an observation. The thesis relies primarily on the data collected through the interviews, however, additional perspectives have been gained through the documentation and the observation.

2.5 VALIDITY AND RELIABILITY

The aim of conducting science within a moderate constructivist perspective is not to obtain objective knowledge as in the realist perspective. In fact, it is not relevant to consider truth as objective or subjective from a moderate constructivist philosophical perspective due to the fact that knowledge is constructed and data are generated in the interaction between the researcher and the participants (Darmer et al., 2010). Neither is it relevant to perceive methodology as ‘evidence’ given that seeking the truth is related to the realist perspective (Darmer et al., 2010). Instead, when conducting research in a moderate constructivist perspective, the aim is to ensure high quality of the study. Quality can be obtained through reflexivity, consistency and transparency (Darmer et al., 2010; Justesen and Mik-Meyer, 2010). Reflexivity deals with the researcher reflecting about his or her position in the study. In addition, it is connected to transparency, where the researcher should convey how and why choices were made. This entails explicitly substantiating and reflecting upon the choices made throughout the study with the aim of making it possible for the reader to evaluate the legitimacy of the choices made (Justesen and Mik-Meyer, 2010). These choices included for example research design and analytical approach. This study has sought to increase the quality of this study through transparency and consistency. To increase the transparency of this study, this chapter has been rather exhaustive explaining how the thesis is carried out and why the chosen way seemed more appropriate in the light of the research question. Concerning consistency, the three interviews were all analyzed utilizing the same set of methods. In addition, in accordance with Justesen’s and Mik-Meyer’s (2010) advice, an emphasis has been put on explicitly arguing and explaining for the theoretical choices and methods utilized both in this chapter and throughout the remainder of this thesis (2010:151).

2.6 DELIMITATIONS AND RESERVATIONS

There are some delimitations in relation to this thesis, which need to be noted. Firstly, I know one of Alpha’s owners personally, and therefore I may be biased. However, naturally I have sought not to let my relationship with Owner 2 influence the research.

Due to the fact that this thesis seeks to understand the owners’ perceptions and reflections in the configuration and development of their company’s business model activities, some factors are not considered in the study. It is perceived to be outside the scope of this thesis to consider financials. Therefore, how much the owners pay their suppliers is for example not included.

Instead, the analysis in chapter 6 and thereby also the discussion in chapter 7 solely rely on the statements and reflections of the owners entailing that if they argue something is cheaper, this study accepts their notion. This is also the case of the quality of Alpha's products. Consequently, concerning the value proposition in the analysis and discussion in chapter 6 and 7 respectively, only the owners' perspective is considered. This furthermore entails that the external environment is solely perceived from the point of view of Alpha's owners. Thus, the focus of this thesis is to understand the context through the perspective of the owners, and therefore, the external environment is not included.

Thirdly, The thesis acknowledges that some manufacturing INVs may operate in high technology or knowledge-intensive industries. However, these are not considered when referring to 'manufacturing INVs' in this study. Instead, the term includes INVs operating in 'traditional' industries characterized by low technology products.

Finally, e-business literature is not considered in this thesis. Given that the focus of the study is to analyze the influences of value creation through business models on manufacturing INVs, it is perceived to be outside the scope of this thesis to integrate e-business literature. Developments in Alpha's business model activities, which have been initiated due to the fact that the company only has online presence, are included in this study. However, it is without the scope of this study to evaluate the initiatives, and therefore, it is argued that it is not relevant to include e-business literature.

3.0 LITERATURE REVIEW

As mentioned in the introduction, there is a vast amount of literature on firm internationalization, international new ventures, and business models as a source of value creation; however, there seems to be a lack of connection both within and across the various areas of research. Due to the fact that small companies continuously seek to internationalize from or close to inception, and since both researchers and managers increasingly focus on the importance of business models, investigating the internationalization process of a manufacturing INVs from a business model is an interesting and relevant topic. Sainio et al. (2011) explored how INVs create value through their value chain to exploit international opportunities through a multiple case study approach utilizing case companies from the software industry. However, so far researchers have not investigated the internationalization process of INVs from the perspective of value creation through business models in more traditional industries such as the manufacturing industry. As a result, this study aims at investigating the topic from that perspective.

As mentioned in the introduction, a set of propositions is developed on the basis of this chapter, which will serve as the foundation for answering the research question. As a result, the propositions shape the borders of which the research question is investigated. Therefore, it is important to explore the existing literature of the different research fields, which is the aim of this section. This is done by firstly investigating the existing research on business models. The focus is on understanding the concept as well as highlighting the elements in the literature related to value creation. Secondly, traditional literature on the internationalization of firms i.e. the Uppsala Model is presented, and critique of the Uppsala Model is considered. This is followed by an investigation of the phenomenon of INVs, their characteristics, their internationalization process as well as the organizational factors driving their internationalization process. Finally, the chapter ends with a section, which combines the findings from business model literature with the literature on firm internationalization.

3.1 BUSINESS MODELS

In this section, the literature on business models is explored. It commences with introducing the development of business model literature. Thereafter, it goes more into detail by studying the concept of business models as well as discussing the different perspectives of business

model elements from the perspective of value creation. This includes definitions of business models, why business models are not business strategy, business models as a unit of analysis, and innovation through business models.

3.1.1 THE DEVELOPMENT OF BUSINESS MODEL LITERATURE

Since the late 1990s, the literature on business models as an explicit concept has increased significantly (e.g. Lambert and Davidson, 2012; Osterwalder et al., 2005). It is noticeable, however, that the development of business model articles has been significantly larger in non-academic journals than in academic journals (Zott et al., 2011). In the past two decades, several new business model configurations have occurred. A driving factor behind this phenomenon is the rise and improvements of information and communications technology (ICT), with especially the Internet gaining ground. This led to an increase in e-commerce, the outsourcing of business activities, and the emerging knowledge economy (Teece, 2010; Osterwalder et al., 2005). As a result, especially the information, media and telecommunications industry has been the focus in business model literature. In their study of business model literature from 1996-2010, Lambert and Davidson (2012) found that 44% of the studied articles focused on that industry. Moreover, the changes in the business environment have not only led to new possibilities of business model configuration; it has also forced some companies operating in certain industries to change their business models. This is for example seen with the music industry, which has witnessed a shift from the use of CD's to customers purchasing music online due to the rise of the Internet (Teece, 2010).

Several authors point to the fact that business models as a research field are still a recent phenomenon, and some argue that the field lacks coherence and that researchers approach it with different interests. This is emphasized by the numerous different perspectives, definitions, scopes, purposes and frameworks in the business model research, thus accentuating the need for further academic development (e.g. Lambert and Davidson, 2012; Osterwalder et al., 2005; Pateli and Giaglis, 2004; and Saino et al., 2011). Given that authors tend to approach the field with different interests, the following section investigates what a business model is and what the concept of a business model contains.

3.1.2 BUSINESS MODELS: HOW A COMPANY DOES BUSINESS AND CREATES VALUE

In their study of academic literature on business models, Zott et al. (2011) found that 37% of the articles studied did not define a business model. In addition, it was evident that the existing definitions lack cohesion “... *giving rise to a multitude of possible interpretations*” (Zott et al., 2011:4). Table 1 presents some of the existing definitions.

Authors	Business Model Definition
Amit and Zott, 2001	“A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (2001:511).
Dubosson-Torbay et al., 2002	“A business model is nothing else than the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams” (2002:7)
Teece, 2010	“... a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits” (2010:173).
Weill and Vitale, 2001	“A description of the roles and relationships among a firm’s consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants” (2001:34).
Porter, 2001	“The definition of a business model is murky at best. Most often, it seems to refer to a loose conception of how a company does business and generates revenue” (2001:73).

Table 1: Selected definitions of business models

These definitions support Zott et al.’s (2011) findings of existing definitions tending to overlap only partially. It is evident that the above-cited authors argue that business models describe how a company does business; yet, they differ in what they include in the definition. Some are rather nonconcrete (e.g. Porter, 2001), either by not providing any details or by presenting a rather abstract definition, whereas other authors (e.g. Dubosson-Torbay et al., 2002) include every imaginable aspect of a company into their business model definition. Morris et al. (2005) have analyzed keywords in 30 definitions of business models and found three categories emerging in the definitions: economic, operational and strategic. The former category is concerned with a company’s economic model and profit generation. The operational category perceives a business model as an architectural configuration. It emphasizes how a firm creates value through its operational activities. Finally, the strategic category focuses on the

company's market position, organizational boundaries and growth opportunities. Since the focus of this study is to analyze a manufacturing INV's internationalization process from a perspective of value creation through business models, the business model is perceived as an architectural configuration, and thus, the second category, operational, is the one reviewed in this chapter and the perspective utilized throughout the whole thesis. As a result, Amit's and Zott's (2001) definition of a business model outlined in table 1 is the adopted definition in this study.

All the definitions in table 1 with the exception of Porter (2001) seem to agree that the concept of business models is not limited to the boundaries of the individual company, but instead it considers the whole value chain of a company including the value creation between the focal company and its suppliers, partners, economic exchanges and customers. Moreover, due to the inclusion of activities performed outside a company's boundary, the concept allows the focal firm to rely on the resources and capabilities of third parties (Zott and Amit, 2010), thus stressing the importance of a cross theoretical perspective (Morris et al., 2005). This argument is highly relevant to the IE literature, which is reviewed later in this chapter. The argument furthermore entails that the value creation should not only be considered between the focal firm and its customers, since value creation also takes place between the focal firm and its partners in its value chain; thus, placing great emphasis on relationships and networks (Zott and Amit, 2010).

Given the driving factors mentioned above customers now have access to a larger variety of products all over the world, and they can easily obtain product information as well as compare prices and features of different products. As a result, companies are therefore forced to reconsider their value propositions (Teece, 2010). There seems to be consensus on business models being a source of value creation (e.g. Stabell and Fjeldstad, 1998; Amit and Zott, 2001; Osterwalder et al., 2005; Porter, 1985; and Dubosson-Torbay et al., 2002). It is exactly this source of value creation that is interesting for companies in the world of today, since value creation is essential for gaining a competitive advantage over competitors. As a result, business models “... *implicitly or explicitly address the internal competencies that underlie a firm's competitive advantage*” (Morris et al., 2005:729). However, a well-developed business model does not make a company successful; the right strategy and management's execution are essential for a firm to succeed (Magretta, 2002).

3.1.3 BUSINESS MODELS AND STRATEGY

The concept of business models spans widely; yet, several authors have drawn attention to the importance of separating the literature on business strategy and business models (e.g. Magretta, 2002; Currie, 2004 and Osterwalder et al., 2005), a point investigated in the section below.

Strategy deals with strategic positioning, competition, competitive advantage, performance and implementation (Magretta, 2002, Currie, 2004 and Osterwalder et al., 2005; Zott et al., 2011). According to Porter (1996), strategy is about being different from one's competitors either by performing different activities or by performing the same activities but in a different way. Concretely, this entails delivering greater value to customers than one's competitors or delivering the same value as competitors at a lower cost. Thus, Porter incorporates operational efficiency into the strategy concept arguing that a company should structure its activities in order "*to deliver a unique mix of value*" (Porter, 1996:64).

Business models shape the boundaries of an enterprise. As such, business models can be perceived as the architecture of a company, which lays the foundation for the intended strategy of a company as well as shows other strategic opportunities available to the company within its given business model configuration (Teece, 2010). In their article, Casadesus-Masanell and Ricart (2010) seek to distinguish the two terms and state that a business model "*refers to the logic of the firm, the way it operates and how it creates value for its stakeholders*" (2010:196), while strategy "*refers to the choice of business model through which the firm will compete in the market place*" (2010:196). According to Zott et al. (2011), "*the business model concept seems to focus more on cooperation, partnership, and joint value creation*" (2011:13). Teece (2010) also seeks to distinguish the two stated concepts, but fails in clearly defining the differences between them. He argues that a business model shows the foundation of the company, how a business creates and delivers value, as well as reveals how a firm will capture the value in terms of profit. Moreover, he argues that the core question of a business model is "*... how does one build a sustainable competitive advantage and turn a super normal profit?*" (2010:173). However, as he states, it can be argued that this question is also the fundamental question in dealing with business strategy.

Magretta (2002) argues that business models are stories that explain how companies function. Furthermore, she argues that a good business model answers the 'good old' questions such as

“Who is the customer?” and “What does the customer value?” (2002:87). However, it may be argued that these questions are also relevant when considering company strategy. Yet, even though the two concepts have factors in common, they differ in the sense that business models do not take competition into consideration. That is strategy’s job. Both Magretta (2002) and Teece (2010) argue that several companies can have similar business models, but what makes them unique is their strategy and how they differentiate themselves from competitors, i.e. their strategic positioning.

Thus, even though several authors have made an attempt to distinguish business models from strategy, this section has shown that they have several elements in common. Furthermore, it is unclear whether the business model exists on the basis of strategy or the other way around. Yet, if one is to distinguish the two terms, it can be argued that business models are more abstract representing a larger picture of a company and its activities (e.g. Zott et al., 2011), whereas strategy goes more into detail focusing on market position, competition, competitive advantage and implementation (e.g. Magretta, 2002; Teece, 2010).

3.1.4 BUSINESS MODELS AS A UNIT OF ANALYSIS

Several authors have pointed to the possible utilization of business models as a new unit for analyzing a company (e.g. Osterwalder, 2004, Osterwalder et al., 2005; Stabell and Fjeldstad, 1998 and Zott et al., 2011). Zott et al. (2011) argue “... *that the business model is a new unit of analysis that is distinct from the product, firm, industry, or network; it is centered on a focal firm, but its boundaries are wider than those of the firm*” (Zott et al., 2011:2). Furthermore, Currie (2004) emphasizes the importance of business models as a unit of analysis “... *since it enables a deeper understanding of firm performance ... particularly at the organizational, rather than industry level*” (2004:4).

Zott et al. (2011) emphasize the importance of not only analyzing what a firm does, but also how it does so. In this view, business models as a unit of analysis gives a clear overview of how value is created by providing a more holistic and systemic approach since all activities performed both by the company, its suppliers and its partners are included in the analysis. Analyzing a business model reveals how the elements in a company’s value chain fit together, which is why a “... *business model’s great strength as a planning tool is that it focuses attention on how all elements of the system fit into a working whole*” (Magretta, 2002:90).

According to Morris et al. (2005), business model analysis explicitly reveals a company's core competences. Furthermore, "... *the locus of value creation, and thus the appropriate unit of analysis for scholars interested in value creation, spans firms' and industries' boundaries. The authors conclude that prior frameworks used in isolation cannot sufficiently address questions about total value creation*" (Zott et al., 2011:11). Thus, conceptualizing and analyzing business models reduces their complexity, which makes it possible to identify the elements of value creation and relationships in the value chain (Osterwalder et. al, 2005).

Several authors have presented their view on how to perceive business models as a unit of analysis. As with the definitions of the concept presented in the beginning of this chapter, some authors present rather exhaustive frameworks tending to include 'everything' into it, whereas others have proposed more simple frameworks, which give the overall picture of a company's business model activities. Osterwalder (2004), for example, developed a rather exhaustive business model ontology in his dissertation aiming at describing what elements a business model consists of. This ontology consists of four areas including product, customer interface, infrastructure management and financial aspects. These are broken down to nine building blocks of a business model comprising of value proposition, target customer, distribution channel, relationship value configuration, capability, partnership, cost structure, and revenue model. The framework, however, is beyond the scope of this study. With all its decompositions, it increases the level of depth in analyzing a business model; however, it also increases the complexity (Zott et al., 2011). Zott and Amit (2010) have developed a framework for analyzing the value creation of a business model, which they have named an activity system. The framework consists of design elements and design themes. Design elements are comprised of content, structure, and governance, and deals with what activities are performed, how they are performed, and who perform them. Design themes are perceived as being the activity system's dominant value drivers, and they are comprised of novelty, lock-in, complementarities, and efficiency. Stabell and Fjeldstad (1998) developed a framework for analyzing value creation of a company's business model by analyzing the flows and stream of its value chain. Their work is a further development of Porter's value chain framework (1985). Due to the difficulty of applying Porter's value chain framework in non-manufacturing industries, Stabell and Fjeldstad proposed a transformation of the value chain analysis to the value configuration analysis which "... *is defined as an approach to the analysis of firm-level competitive advantage based on a theory of three value creation technologies and logics*" (Stabell and Fjeldstad, 1998:415). The framework has much in common with Zott and Amit's

activity system framework (2010) in the sense that it analyzes the activities in a company's value chain, who performs them, and who controls the flows and streams. However, it was developed on the basis of manufacturing companies, where Zott's and Amit's activity system framework was developed for e-business models.

3.1.5 INNOVATION THROUGH BUSINESS MODELS

“There is an increasing consensus that business model innovation is key to firm performance” (Zott et. al., 2011:15). Several authors have touched upon the topic of value creation stemming from innovations (e.g. Chesbrough, 2010; Teece, 2010; Zott et al., 2011). Zott et al. (2011) argue that there are two different types of perspectives within this topic: Some researchers focus on improving existing business models by commercializing a technological innovation in order to increase the level of a company's competitiveness (which is further developed in Chesbrough, 2010 and Teece, 2010). The other perspective is on business models as innovations themselves in the sense that they differ from traditional business models in an industry in terms of e.g. value chain configuration, cooperation and collaboration (Zott et al., 2011).

In a recent article, Amit and Zott (2012) further develop the latter view of business model innovation presented above. They state that their focus is on established companies, however, that their ideas also apply to entrepreneurs and completely new business models. Moreover, they state that resource scarcity should not stop companies from innovating, because by engaging partners in the value creation, *“Business model innovation can allow managers to resolve the apparent trade-offs between innovation costs and benefits ...”* (Amit and Zott, 2012:42). The authors argue that the creation of innovative business models is based on either new market conditions or new opportunities in existing markets. They furthermore argue that business model innovation occur in a number of ways, which is in the content, structure or governance of the business models. Innovation stemming from the content refers to adding new activities either through forward or backward integration. Innovation as a new activity system structure refers to linking activities in novel ways, thus changing the structure of the activities in the business model. Lastly, governance refers to changing the parties that perform the activities within a company's value chain (Amit and Zott, 2012). In addition, the authors have identified four design themes, which are perceived as being drivers of business model innovation. These include novelty, lock-in, complementarities and efficiency (Zott and Amit,

2010), and they lay the foundation for an innovative business model, which constitutes a different and better way to do business than currently seen in the market (Magretta, 2002). A novelty-centered business model design refers to a company having an innovative business model activity i.e. “... *by connecting previously unconnected parties, by linking transaction participants in new ways, or by designing new transaction mechanisms*” (Zott and Amit, 2007:182). Lock-in-centered business models seek to retain participants in the value chain i.e. its stakeholders (Zott and Amit, 2007), e.g. by the means of “... *switching costs, or as network externalities that derive from the structure, content and/or governance of the activity system*” (Zott and Amit, 2010:221). Complementarities-centered business model designs refer to generating more value by bundling design elements than if they were offered separately (Zott and Amit, 2010). Finally, efficiency-centered business model designs refer to reducing transaction costs through the business model design, i.e. reducing transaction costs for all parties involved in the transaction (Zott and Amit, 2007).

In his article, Chesbrough (2010) studies barriers to business model innovation. He argues that business model innovations often conflict with the traditional firm configurations, where rigid structures can prevent the experimentation of innovative ideas. In addition, management goals may prevent innovation. Instead of perceiving possible innovations as a new or additional competitive advantage, managers may be reluctant to experiments, since they may not prove to work and therefore may affect sales negatively.

3.1.6 DISCUSSION OF THE FINDINGS OF BUSINESS MODEL LITERATURE

Through the above it is evident that the literature on business models is still under development. However, since the late 1990s there has been an increase in articles on the concept, and even though the field of research lacks coherence, it is argued that companies developing their business models as a source of value creation can gain a competitive advantage. Yet, competitive advantage is also linked to business strategy, and this review has shown that the line between a business model and business strategy is blurred. As mentioned in the previous sections, several authors have sought to highlight the differences, however, the conclusion drawn in this review is that the two concepts are deeply interlinked, and both business model and business strategy have elements in common.

A business model is not limited to the perspective of one single company. The concept includes the context in which the company operates by extending the boundaries of research to include suppliers, partners, customers etc. Through the whole value chain, enterprises can create a new source of value for all partners involved thereby increasing their competitive advantage. It is also evident that innovation is essential for companies in creating value through their business models. Innovation can appear either through technological innovations or through designing business models in new ways, which either open up new markets or give new opportunities in existing markets.

Finally, this part has shown that utilizing the business model as a unit of analysis highlights the sources of value creation. The analysis differs from e.g. industry analysis due to the fact that it spans the individual company's boundaries by including all partners in the value chain. As a result, business model analysis gives a holistic picture of a company and the activities in its value configuration.

3.2 INTERNATIONALIZATION LITERATURE

The aim of the following sections is to explore the existing literature on companies' internationalization processes. Given that Alpha is an entrepreneurial start-up, which was international from inception, IE literature and new venture internationalization are explored in this section. However, the majority of authors contributing to this field of literature until now have mainly focused on high-tech companies, thereby making it difficult to generalize their findings to low technology or traditional industries (Zahra and George, 2002). Therefore, it is argued that reviewing traditional internationalization literature, i.e. the Uppsala Model and the critique of it, is necessary. Thus, this section firstly reviews the traditional perspective on internationalization processes of firms as well as the critique it has received. Thereafter, IE literature is reviewed, where characteristics of INVs, their internationalization process as well as the drivers of new venture internationalization are included. Finally, the last section summarizes the findings of the literature review on companies' internationalization process as well as pinpoints areas of the literature important to value creation.

3.2.1 THE UPPSALA MODEL

The Uppsala model presented by Johanson and Vahlne in 1977 describes the internationalization process of the firm. The model was developed on the basis of empirical

research where the authors investigated the internationalization process of Swedish manufacturing firms. With the model, the authors argue that experiential knowledge forms the basis of internationalization leading to an evolutionary internationalization process.

The internationalization process, which only starts after a company is well established in its home market, occurs in incremental stages directed by the level of knowledge obtained. Therefore, a lack of knowledge constrains international operations. When a company only possesses a limited amount of knowledge about a foreign market, it is perceived to be of high risk to enter that market. Furthermore, it is assumed that firms tend to be risk-averse while wishing to increase long-term profits. In addition, it is argued that knowledge is experiential i.e. knowledge can only be gained through own experiences, which is obtained through international expansion. Thus, the internationalization process is perceived to be cyclical with the knowledge obtained in one step unlocking the next step in the process. As companies gain more knowledge about the market, it is perceived less risky, and the firm typically proceeds to using agents. Only after obtaining a sufficient level of knowledge, a company will increase its commitment in foreign markets by for example establishing subsidiaries or a production site, which is what the authors refer to as the establishment chain.

The concept of psychic distance also plays a role in the internationalization process of the firm. The concept is defined as “... *the sum of factors preventing the flow of information from and to the market*” (Johanson and Vahlne, 1977:24) with examples of psychic distance being differences in languages, cultures, business practices and education. Thus, it is argued that companies firstly tend to internationalize to neighboring countries since these possess similar traits of the home country (and therefore psychic distance is smaller). As a result, they are perceived as being less risky due to a smaller need of market knowledge.

Based on the above it is evident that the internationalization process occurs on the basis of experiential knowledge obtained; the higher level of knowledge obtained, the lower is the perceived psychic distance. Furthermore, the authors argue that the internationalization process of a firm is explained by two aspects: state and change aspects, each consisting of two factors: market knowledge and market commitment, and current activities and new commitment decisions respectively. Thus, when market knowledge increases, commitment decisions will increase. This in turn changes the state of current activities in a foreign market, which changes the market commitment in that market.

3.2.1.1 CRITIQUE OF THE UPPSALA MODEL

The authors have received recognition for their work, and through the past three decades the Uppsala Model has been the foundation for literature on internationalization of firms. However, the model has also been criticized widely.

In his critical review, Forsgren (2001) discusses the conceptualization of learning in the Uppsala model and found that Johanson and Vahlne (1977) only consider one part of learning, namely experiential learning, and do not take into consideration the numerous other ways a company can accumulate learning. This has implications for the prediction of firms' behavior in the internationalization process. Furthermore, learning obtained from current activities abroad is not necessarily easily transferred to the decision-makers of a company and may not be interpreted in the same way across an organization. This argument is further emphasized by the fact that personnel is not stable over time, and often, the loss of personnel also entails losing (market-specific) knowledge, which in turn increases risk and uncertainty. As a result, Forsgren argues for a wider perspective on learning in the model, which would reveal new views and explanations for the internationalization process of firms.

The Uppsala model has also been criticized for being deterministic (e.g. Bell, 1995) and for the fact that failure is not considered (Forsgren, 2001). Moreover, the establishment chain has been criticized widely with several authors arguing that companies and especially INVs tend to skip stages (e.g. Chetty and Campbell-Hunt, 2004). In addition, it has been criticized for only applying to large MNEs, which are characterized by having a large amount of resources and therefore invest heavily when internationalizing. The model, it has been argued, is not suitable for SMEs and INVs with few resources and often under-developed organizational capabilities (e.g. Oviatt and McDougall, 1994; Bell et al., 2003; Knight and Cavusgil, 2004). Furthermore, several authors (e.g. Forsgren, 2001, Oviatt and McDougall, 1994, Zahra, 2005) have also argued that due to the changing business environment seen by improvements in ICT and logistics systems, the concept of psychic distance is of less relevance in the business world of today.

3.2.1.2 THE BUSINESS NETWORK MODEL OF INTERNATIONALIZATION

Due to the vast amount of critique, the changing business practices as well as the theoretical advancement in international business literature since 1977, Johanson and Vahlne presented an updated version of the Uppsala Model in 2009: ‘the business network model of internationalization’. During the past decades, business networks have proven to influence the international business environment leading the authors to incorporate the concept in the existing model. Knowledge continues to play an essential role in the framework; however, it is now argued that companies can obtain this knowledge through their business networks. This entails developing a relationship with all kinds of stakeholders; thus, trust building is essential to accumulate new knowledge. In addition, “...relationships develop through a process of experiential learning whereby firms learn about the resources and capabilities of their counterparts, and gradually increase their commitments” (Johanson and Vahlne, 2009). It is hereby evident that the authors, while continuing their emphasis on experiential learning, draw upon the capabilities perspectives (e.g. Teece et al., 1997) as an important factor in the internationalization process. This is a shift in a different direction from the original Uppsala model where market conditions played a major role in the accumulation of knowledge to the perspective that firm capabilities both from the firm itself and from its business network create value usable for internationalization. However, the authors continue their view on the importance of knowledge acquirement through one’s networks, because “... opportunities are likely to emerge as a consequence of the privileged knowledge that the two partners develop during their interaction” (Johanson and Vahlne, 2009:1419).

Due to the critique of the Uppsala Model and since Alpha is an entrepreneurial start-up the next section aims at exploring the perspectives in the existing literature on internationalization processes of INVs.

3.2.2 INTERNATIONAL ENTREPRENEURSHIP

Given that several researchers (e.g. Oviatt and McDougall, 1994; Chetty and Campbell-Hunt, 2004) have argued that the literature on the internationalization process of large, well-established companies (e.g. the Uppsala Model) does not apply to new ventures, the aim of this section is to explore how the internationalization process of new ventures is different from the one of large, well-established MNEs, and what the drivers behind the internationalization process are. The section commences by describing what characterizes entrepreneurs. It

continues by introducing the development of IE in the literature, and finally the section discusses how new ventures internationalize differently than MNEs as well as what drives these firms internationalization process.

3.2.2.1 INTERNATIONAL NEW VENTURES

Before investigating the IE perspective on internationalization processes in detail, it is necessary to explore what characterizes entrepreneurial companies, since the behavior of firms is influenced by their characteristics. Entrepreneurship deals with individuals discovering opportunities hitherto unexploited in the market, and these individuals then seek to take advantage of the opportunities (Oviatt and McDougall, 2005). Entrepreneurial companies are often small of size and possess limited resources. To compensate for the limited amount of resources, the firms tend to employ hybrid organizational structures and alternative governance methods (Oviatt and McDougall, 1994). As a result, entrepreneurial firms “... *are defined by their actions, not by the types of resources they have or control. These entrepreneurial actions lie at the core of new venture's ability to develop ways to create value beyond the established and presumably rich competitors*” (Zahra, 2005:21). Thus, entrepreneurs identify and exploit hitherto untouched opportunities in the market by creating the resources necessary (Ireland et al., 2001) or utilizing alternative structures and governance methods to overcome the lack of resources when competing in the market (Oviatt and McDougall, 1994; Bell et al., 2003).

The changes in the business environment across the globe during the late 1980s and the 1990s seen by the increased globalization, changing market conditions, increasing homogeneous markets, liberalization of trade (e.g. the EU) as well as advances in ICT presented attractive possibilities for new ventures to compete in international markets (e.g. Oviatt and McDougall, 1994 and 2005; Zahra, 2005; Chetty and Campbell-Hunt, 2004; Knight and Cavusgil, 2004). However, since prior internationalization literature had mostly focused on large, well-established companies, several authors argued that the traditional perspectives on the internationalization processes of firms did not apply to new ventures (e.g. Oviatt and McDougall, 1994). As a result, the term ‘international entrepreneurship’ was developed, which is a term combining the international business literature with the one of entrepreneurship (Zahra and George, 2002). The term was introduced to highlight “...*recent technological advances and cultural awareness that appeared to open previously untapped foreign markets to new ventures* (Oviatt and McDougall, 2005:537). Thus, international entrepreneurship then

incorporates the international dimension into the entrepreneurship concept, leading Oviatt and McDougall to introduce the following definition: “*International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services*” (2005:540). This definition entails that not only entrepreneurs selling or operating internationally are considered, so are entrepreneurs who have developed their supply chain internationally (Fan and Phan, 2007). This point is supported by Oviatt and McDougall (1994). In their award-winning article, the authors found that INVs are not alike; instead, they can vary in the way in which they incorporate internationalization into their business. As a result, the authors divided INVs into four categories using two variables (cf. figure 1): The number of value activities performed in different countries, and the number of countries entered. The categories include Export/Import Startups, Multinational Traders, Geographically Focused Start-ups, and Global Start-ups. The four categories of INVs are, according to the authors, extremes, and several varieties can exist and mixtures of the four categorizations can exist as well as INVs can (and most likely will) change categories over time.

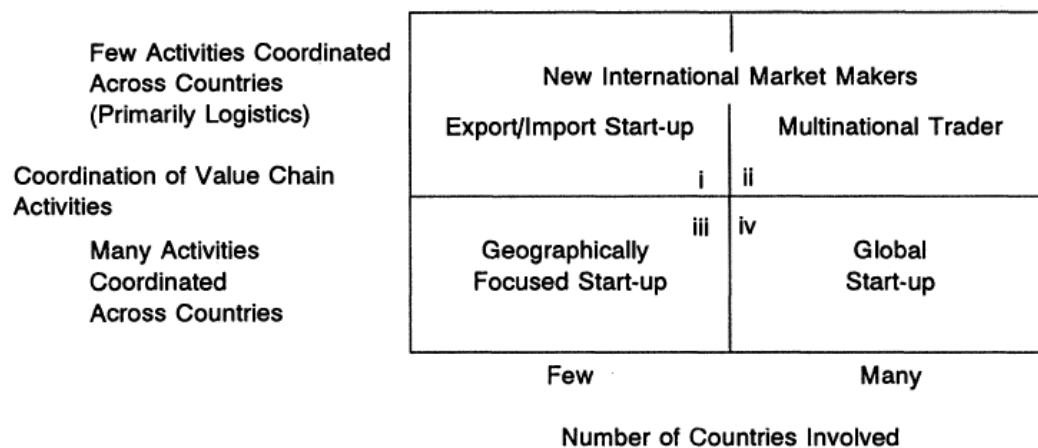


Figure 1: Types of International New Ventures (Oviatt and McDougall, 1994:59)

Export/Import Startups have few value chain activities internationalized, which are primarily inbound and outbound logistics. They operate in few countries, which are familiar to the entrepreneur. Geographically Focused Start-ups have several value chain activities internationalized and differ from Export/Import Start-ups only in the sense that their competitive advantage stems from having multiple value chain activities relying extensively on foreign resources. They operate in few countries, often a particular region of the world, to serve a specialized need. Multinational Traders possess the same characteristics as

Export/Import Start-ups concerning value chain activities, however, they operate in multiple countries. They differ from Export/Import Start-ups in the sense that they continuously scan for new market opportunities either through their networks or easily accessible markets. Finally, Global Start-ups have multiple value chain activities internationalized in several countries as well as operate in a multiple number of countries (Oviatt and McDougall, 1994).

3.2.2.2 THE INTERNATIONALIZATION PROCESS OF INVS

INVs are characterized by seeking to internationalize from or close after their inception, often within three years or less (Knight and Cavusgil, 2004), which is a contradiction to the Uppsala Model. As a result, the psychic distance emphasized both in the Uppsala Model (Johanson and Vahlne, 1977) and the business network model on internationalization (Johanson and Vahlne, 2009), does not seem to play a large role for INVs, and the home market plays a limited importance to INVs (Oviatt and McDougall, 1994; Chetty and Campbell-Hunt, 2004). Furthermore, it is argued that home markets are not of high relevance to INVs since their managers perceive the world as one market. Consequently, INVs do not perceive international markets as being risky and uncertain. Instead they perceived as presenting several opportunities for the INV (Chetty and Campbell-Hunt, 2004). Furthermore, INVs are normally of small size and possess a limited amount of resources. In order to make up for their limited amount of resources, they most often seek to internationalize using alternative governance structures compared to well-established MNEs with large resources (e.g. Oviatt and McDougall, 1994 and Coviello and Munro, 1997). In addition, INVs tend to focus on niche markets. This is both due to their innovative approaches to products as well as an attempt to avoid large and well-established competitors (Knight and Cavusgil, 2004). As a result of their market focus some INVs are forced to internationalize rapidly and close after inception, since the domestic market in which they operate is too small for the company's potential. Furthermore, it is also a question of cost reduction, where INVs can obtain economies of scale by operating internationally; thus, increasing their customer base (Fan and Phan, 2007).

3.2.2.3 ORGANIZATIONAL FACTORS DRIVING THE INTERNATIONALIZATION PROCESS OF INVS

By definition, INVs have little or no experience in any market (Oviatt and McDougall, 1994), and since the traditional internationalization literature relies on the incremental learning process of firm internationalization several IE researchers have sought to explain the

organizational drivers of INVs as well as the factors crucial to the success of the internationalization of INVs (e.g. Coviello and Munro, 1995 and 1997; Coviello, 2005; Knight and Cavusgil, 2004; Fan and Phan, 2007; Zahra and George, 2002). Zahra and George (2002) have reviewed the existing literature on the drivers behind the internationalization of IE and found that several researchers have argued that especially three areas play an important and positive role in the successful internationalization of INVs.

Firstly, it was found that certain characteristics of INV's top management have shown to play a positive role for the successful internationalization of INVs. Present day managers are argued to be better educated than they were in 1977 (e.g. Chetty and Campbell-Hunt, 2004; Knight and Cavusgil, 2004). Numerous studies have shown that INV managers with international work experience, foreign education, and prior knowledge of some international markets have been more successful in their internationalization than INVs with managers not possessing the mentioned characteristics (Knight and Cavusgil, 2004 and Zahra and George, 2002; Chetty and Campbell-Hunt, 2004). As a result, INVs *"... begin with a global view of their markets, and develop the capabilities needed to achieve their international goals at or near the firm's founding"* (Knight and Cavusgil, 2004:125). Thus, it can be argued that with an internationally experienced top management, the traditional perspective of incremental learning process during firm internationalization does not apply to the internationalization of new ventures.

Secondly, internal firm capabilities were found to play an essential role in the early and successful internationalization of INVs (Ireland et al., 2001; Knight and Cavusgil, 2004). In their article, Teece et al. (1997) developed the dynamic capabilities approach, which analyzes the wealth creation of a firm and thereby its competitive advantage. The term refers to the capacity of responding to changes in the business environment in a rapid and flexible manner, together with the capability of management to reorganize the firm's competences accordingly. It is argued that managerial and organizational processes, which are shaped by the asset positions of the firm and the evolution paths, explain dynamic capabilities and competitive advantage. Managerial and organizational capabilities describe the routines of the firm; positions refer to a firm's technology as well as its customer base and relations with suppliers; and finally, paths deal with the strategic options available to a firm (Teece et al., 1997). Managerial and organizational capabilities consist of three factors: coordination/integration, learning, and reconfiguration and transformation. Hence, this framework argues that coordinating and integrating internal firm activities, continuously obtaining new knowledge

through learning as well as possessing the capabilities to reconfigure or transform one's activities is the foundation for a company's competitive advantage. The ongoing reconfiguration and transformation of the company's activities can also be perceived as innovation (Knight and Cavusgil 2004). Innovation can occur either by exploiting an invention and thereby offering new products or by producing existing products in a new way, thereby introducing a new method for doing business (Knight and Cavusgil, 2004). Thus, continuously developing organizational capabilities and being innovative is essential for INVs' successful internationalization in order to make up for their limited amount of tangible resources.

Finally, it has been argued that relationships and networks affect the internationalization process of INVs (Bell, 1995, Coviello and Munro, 1995, 1997, Coviello, 2006). Firstly, it has been suggested that internationalization opportunities emerge from relationships and networks (Coviello and Munro, 1995). In their multiple-case study research, Coviello and Munro (1995) argue, in line with several other authors on INVs, that internationalization of the four companies studied occurred rapidly in a wide number of international markets. They found that this “... *appears to have resulted from the firms' participation in international networks, with major network partners providing the initial trigger to foreign market selection as well as the entry mode*” (Coviello and Munro, 1995:53). Thus, international opportunities emerge from engaging in networks. Moreover, by engaging in networks, INVs can obtain resources, skills, reputation, knowledge about other firms' operations, customers, competition, and market-specific knowledge, and experiences they currently lack by relying on their network partners (Bell, 1995; Callaway, 2004; Zahra et al., 2000). This entails that “...*the new venture can leverage network relationships for international market advantage*” (Coviello, 2006:724). As a result, network relationships can be perceived as resources INVs lack, but do not have the capability of developing (Ireland et al., 2001; Coviello, 2006). In her article, Coviello (2006) analyzed the network structures of INVs over time and found that networks developed pre-internationalization and even pre-commercialization were essential to the internationalization process of the INVs. In addition, she argues that both intentionally managed networks as well as third party referrals were common for INVs, thus supporting the view that network relationships present (internationalization) opportunities for INVs.

The disadvantages of relationship networks, however, are also present. Coviello and Munro (1995) found that the risk of total dependence is indeed a great risk to INVs. Due to the fact that INVs are small and lack resources, it can be argued that they are normally less powerful

than their network partners, entailing that the latter can dominate the relationship entirely. This reliance on network partners can be referred to as path dependency. In this view, INVs' actions are based on the stronger player in the network, and their future is thus dependent on the strategy of its network (Coviello and Munro, 1997). Furthermore, it was found that some INVs did not feel that third parties were enough committed in the relationship or that they were pursuing their own interests. Yet, one way to overcome the dependency and power of large network partners is to create value to them (Sainio et al., 2011). By not only focusing on creating value to customers but also to one's value chain partners, these partners will have an incentive to engage in the network, since the INV is offering value to the partner that the partner does not obtain without working with the INV.

3.2.2.4 SUMMARIZING THE FINDINGS OF INTERNATIONAL ENTREPRENEURSHIP LITERATURE

Throughout this section, it has been evident that several authors argue that traditional internationalization literature (e.g. the traditional Uppsala Model) is not applicable to the internationalization of new ventures. This is amongst others due to the fact that INVs are characterized by being small of size; seeking to internationalize from or close after inception; and of possessing a limited amount of resources. As a result, INVs tend to utilize alternative governance structures and innovation in order to compete internationally. Given their limited amount of resources, INVs focus on their core capabilities knowledge and rely on foreign resources within the areas they lack resources or competences, e.g. in production and/or logistics. Moreover, in order to make up for their limited amount of resources, INVs make great use of networks in their value chain activities as well as for identifying international opportunities. Thus, researchers in the IE literature argue that the drivers of new ventures' internationalization process are to be found in management's existing experience, in the alternative governance structure of INVs and the companies' ability to continuously reorganize or transform activities as well as in their network relationships. It is evident that all these drivers, with the exception of management experience, deal with value chain activities. However, of all the authors reviewed in this chapter, only Sainio et al. (2011) have explicitly connected the internationalization of new ventures to business model theory. They argue that analyzing an INV's business model will reveal how opportunities are exploited through value creation (Sainio et al., 2011).

3.2.3 COMPARISON OF TRADITIONAL AND INTERNATIONAL NEW VENTURE LITERATURE

This review on internationalization literature has demonstrated that MNEs are characterized by being large, well-established companies with a large amount of both organizational and financial resources, and according to the traditional Uppsala Model, these companies tend to internationalize incrementally. INVs, on the other hand, are characterized by seeking to internationalize from or close to inception, by being small of size and by lacking resources. As a result, they have hybrid organizational and governance structures. Due to different firm characteristics, the IE literature presented a different perspective to internationalization process of new ventures compared to the Uppsala Model.

With the business network model of internationalization, Johanson and Vahlne (2009) argue that experiential learning is an essential source of knowledge creation. This is in accordance with the perspective of several authors in IE literature, who argue that networks are essential in order for INVs to succeed, especially in the internationalization process. Being a part of a strong network makes up for their scarcity in resources. In this sense, networks become a way of obtaining crucial knowledge from network partners who possess a higher level of knowledge and experience and who (most likely) have a larger amount of financial resources.

With the emphasis on knowledge creation and learning from the perspective of dynamic capabilities in the business network model of internationalization, it is argued that this model can also be linked to business model literature. Teece et al.'s dynamic capabilities approach (1997) focuses on continuously integrating activities, obtaining more knowledge and then reintegrating or transforming activities. These activities are a part of a company's value chain, and from the business model perspective, it is hereby argued that value creation through business model activities can also be linked to the literature on internationalization processes of MNEs.

3.3 IE AND VALUE CRATION THROUGH BUSINESS MODELS

This section attempts to combine the literature on IE with the one of business models. It does so by discussing the relationship of value creation of international new ventures building upon the literature reviewed in this chapter.

Teece (2010) argues that in the world of today, value creation through one's business model is essential in protecting and sustaining one's competitive advantage. He proposes two extreme business models, which innovators (and entrepreneurs) can make use of to generate value. The first one is an integrated business model, where the company possesses responsibility of the entire value chain; the second extreme model is an outsourced business model approach. In between the two extreme cases is a hybrid business model approach, which is a mixture, where some parts of the value chain is outsourced and others owned.

Throughout the subsections of section 3.2.2, it has been evident that IE researchers have not explicitly paid attention to the value creation in INVs business models. Yet, it is hereby argued that the value creation through business models is implicitly rooted in the IE literature. This is seen by the fact that the literature review of this study showed that due to the lack of resources, INVs “... *tend to internalize, or own, a smaller percentage of the resources essential to their survival than do mature organizations*” (Oviatt and McDougall, 1994:54). Moreover, INVs tend to utilize alternative governance structures and the organization of INVs is often characterized by being hybrid. Said differently, INVs have developed their business models according to their limited amount or lack of resources thereby generating value through a hybrid business model approach.

As discussed in the subsections of section 3.2.2, INVs' competences and capabilities are at heart of its competitive advantage, yet, it can also be linked to the hybrid business model approach and thereby value creation. Since the business model lays the foundation for the different possibilities of strategic options, and since a business model should protect one's competitive advantage (Teece, 2010), one must consider a wide range of components and possible business model designs when developing it (e.g. Morris et al., 2005). According to Teece (2010), a business model that is differentiated and hard to imitate as well as effective and efficient is essential for establishing a competitive advantage. However, at the same time, he argues that basically the majority of business models are easy to imitate; the competitive advantage lies in the ability to continuously develop dynamic capabilities and on the basis of that continuously changing and further developing one's business model to meet the changes in the environment. In this sense, business model process innovations are essential for companies to succeed. Combining this perspective with INVs hybrid business models, it can be argued that INVs create value through exploiting their core competences and dynamic

capabilities while outsourcing the functions of their value chain, of which they lack competences and resources.

The outsourcing of some components of one's value chain is closely linked to relationship networks emphasized in section 3.2.2.3, where it was found that INVs make great use of relationship networks in order to identify and exploit international opportunities. Thus, given that some value chain activities of INVs often rely on relationship networks, value is also created between INVs and their networks. Zott and Amit (2010) emphasize the importance of value creation being a two-way stream. The network creates value to the INV by delivering something, which else would have been out of the INVs' reach. However, INVs should seek to create value for their network partners as well; value besides monetary compensation, thus engaging in joint value creation. It would furthermore minimize the risk of the disadvantages discussed in section 3.2.2.3 of the INV being dominated by its larger and more powerful network partner or the risk that the network partner is not as engaged in the relationship as the INV wishes. This is due to the fact that if network partners received value, which they do not receive elsewhere, they would also be dependent on the relationship with the INV, and as a result, the partner would most likely not seek to take advantage of or dominate the less powerful INV (Sainio et al., 2011).

4.0 THEORETICAL FRAMEWORK

This chapter develops the theoretical framework utilized for answering the research question outlined in chapter 1. The framework is based on the literature review in chapter 3 with the discussion from section 3.3, in which the existing literature on firm internationalization and value creation through business models were combined, being the focus. A set of propositions about the likely characteristics of manufacturing INVs' business models as well as their internationalization processes are derived. They lay the foundation for answering the research question and thus shape the boundaries of the perspective from which the research question is answered. The theoretical framework takes point of departure in value creation through business models.

Given that the nature of this study's research question centers on a manufacturing company, Stabell's and Fjeldstad's (1998) value configuration framework is perceived to be most appropriate as point of departure for the development of the theoretical framework, since the value chain model is concerned with manufacturing companies. The value chain model refers to the value creation logic of long-linked technologies, where value creation occurs when inputs are transformed into products; the products thus resemble the transferring of value between the company and its customer. In this sense, the value offered to customers (i.e. the product) must presumably be closely linked to the company's value proposition. The framework has two levels of value creation activities consisting of primary activities and support activities. The primary activities consist of five categories: inbound logistics, operations, outbound logistics, marketing and sales, and services. The support activities consist of four categories: procurement, technology development, human resource management, and firm infrastructure. The former three categories in primary activities (inbound logistics, operations and outbound logistics) are the main drivers of value creation; however, marketing and sales and service are also important in value creation, since they inform customers about products and support customers both before and after sales. The support activities facilitate and improve the primary activities (Stabell and Fjeldstad, 1998).

According to the framework as well as the definition of a business model adopted in this study (cf. chapter 3), the activities of a business model are the building blocks for a firm's value creation. Taking a closer look at these activities, Stabell and Fjeldstad (1998) argue that a

business model of a manufacturing company will mainly consist of activities, which are sequentially interdependent where each link in the value chain performs an output necessary for the next link in the process resembling an assembly line. This is in opposition to the existing INV literature, which argues that INVs are characterized by their hybrid structures (e.g. Oviatt and McDougall, 1994). In addition, it is argued that all kinds of business model configurations will have some elements of pooled interdependence between activities in the sense that each unit performs different and separate functions, which all contribute individually to the final product (Stabell and Fjeldstad, 1998). As the result, the first proposition is as follows:

Proposition 1: A manufacturing INV is expected to have a value chain configuration resembling an assembly line with sequential interdependence between activities.

As evident in chapter 3, INVs differ from large, well-established companies. They are amongst others characterized by being small of size, by utilizing alternative governance structures and by having a hybrid business model structure. As a result, it is expected that the value configuration framework needs modification in order to conform to the structure of a INVs business model. Due to the hybrid business model structure of INVs, the primary activities outlined in Stabell's and Fjeldstad's value chain model (1998) may not correspond to the structure of a manufacturing INV's business model. In addition, given that INVs are small of size it is expected that the support activities such as human resource management and firm infrastructure do not play a major role to the value creation process. Moreover and in line with the discussion in chapter 3 concerning the lack of research for manufacturing INVs, the support activity 'technology development' is expected not to influence the value creation process within the boundaries of this study, i.e. manufacturing INVs offering low technology products. As a result, the second proposition is as follows:

Proposition 2: In creating value to customers, manufacturing INVs are expected to be concerned primarily with the configuration and development of primary activities and place little or no attention to support activities.

The value chain model only takes into consideration the activities of a company's value chain activities. Yet, throughout chapter 3, it has been evident that a firm's core competences and capabilities play a significant role in a company's competitive advantage as well as business

model configuration. Several INV researchers (e.g. Bell et al., 2003; Knight and Cavusgil, 2004) have found that INVs have unique and innovative resources, which form the basis of their competitive advantage. However, at the same time, it has been argued that INVs tend to possess a limited amount of resources, and as result, they tend to rely on foreign resources and capabilities. Below follows proposition 3, which was originally derived in the discussion of value creation in IE in section 3.3:

Proposition 3: Manufacturing INVs create value through exploiting their core competences and dynamic capabilities while outsourcing the functions of their value chain, in which they lack competences and resources.

Proposition 3 concerning outsourcing of some business model activities is as outlined in chapter 3 connected to the topic of network relationships and internationalization. Existing literature argues that INVs make great use of their network relationships to identify and exploit international opportunities. These international opportunities include both backward and forward internationalization. In addition, outsourcing of some activities may not only be due to the lack of core resources and competences, since outsourcing of some activities can also lead to cost efficiency for the outsourcing company, thus increasing a company's competitive position. By accepting these arguments, it seems as if INVs do not only internationalize in order to make up for their limited amount or lack of resources, but that the internationalization serves as a means for increasing the value creation. As a result, the final two propositions are as follows:

Proposition 4: It is expected that the internationalization process of a manufacturing INV is influenced and shaped by its network relationships.

Proposition 5: It is expected that the internationalization of a manufacturing INV supports the value proposition.

In an attempt to combine the literature on value creation through business models with the ones concerning the internationalization processes and IE literature, five propositions have been developed in this chapter. Due to the fact that this thesis seeks to introduce a new and hitherto unexplored topic by combining the three fields of literature, the propositions serve as guidance for answering the overall research question. As seen both in chapter 3 and throughout

this chapter, value creation is linked to the internationalization process of manufacturing INVs just as the internationalization process is linked back to the value creation. In accepting this perspective, value creation through business models and IE cannot be separated as such, since they influence each other.

Taking a closer look on the development of this chapter and the derivation of the propositions, it is evident that four categories have evolved, namely value creation from the perspective of a company's value proposition; business model activities and their design themes; firm competences and capabilities; and internationalization process of manufacturing INVs. As a result and given the argument that value creation through business models and firms' internationalization process influence each other, the way in which the research question and the propositions are analyzed is through the above-mentioned four categories. In order to emphasize how the categories influence each other, the analytical framework is visualized as a cyclical process as seen in figure 2.

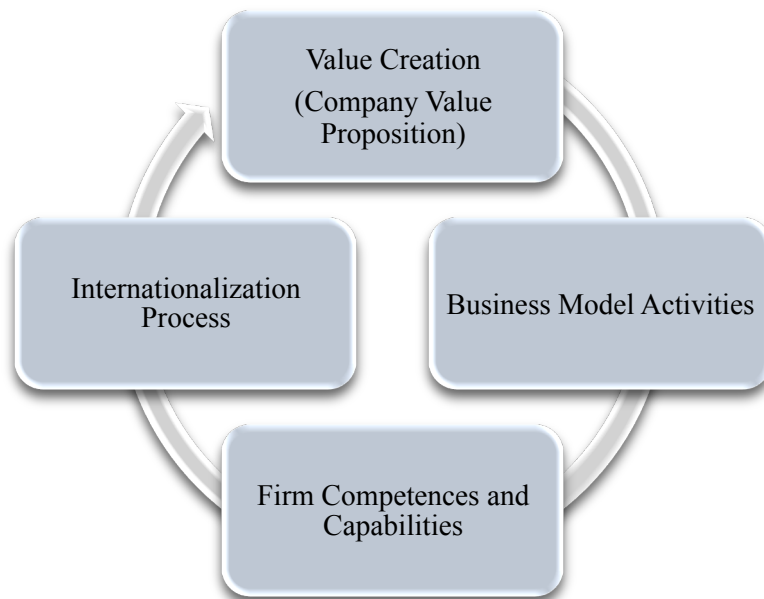


Figure 2: The Theoretical Framework

Due to the nature of this study's research question, the analytical process departs with value creation in terms of the case company's value proposition. On the basis of that, it is anticipated that the company then seeks to develop and structure its business in order to offer this value to customer in the best-perceived way. Thus, proposition 1 and 2 are partly related to 'Company Value Proposition' and partly related to 'Business Model Activities'. Proposition 3 is

concerned with ‘Firm Competences and Capabilities’. Moreover, proposition 4 is connected to ‘Internationalization Process’ whereas proposition 5 deals both with ‘Internationalization Process’ and ‘Value Proposition’, thus making it an iterative process. Finally, as noted earlier, it should be emphasized that value creation through business models and IE seem to influence and affect each other, thus, none of the propositions are perceived independent in either of the four categorizations in figure 2.

5.0 CASE PRESENTATION

The chapter introduces Alpha, the case company for this study. The information is obtained during the interviews and from the company's webpage.

Alpha is a Danish online specs shop, which was founded on November 9th 2011, but the company's webpage was only launched in August 2012. The company employs its two owners, who are referred to as Owner 1 and Owner 2. Both owners are optometrists and have been working in the Danish spectacles industry, where Owner 1 has 25 years experience, and Owner 2 has 9 years experience. Owner 1 owned a spectacles store, which was a part of a Danish optician store chain, for 25 years before founding Alpha. Prior to this, she worked five years in Greenland as an optician, and in 2008, she went to Kenya to adjust glasses on children in one of the world's largest slum districts. In 2007, Owner 1 sold her store to an investment fund, but as a part of the contract, she continued working there until 2012.

While studying to become an optometrist, Owner 2 was apprenticed and later on contracted in Owner 1's store for nine years. Owner 2 has always had the wish to become self-employed one day, and having worked together for nine years, the two women got the idea of doing business together. The idea of Alpha was based on a newspaper article the owners read about four Americans who had started an online specs shop in the United States of America, which turned into being a huge success. Furthermore, from their time in Owner 1's store, several customers had expressed their desire to be able to own more than one pair of spectacles enabling them to change between models; however, the price of spectacles in Denmark is so high that most consumers perceive it too expensive to own more than one pair at a time. On the basis of this and given the owners' interests in the glasses industry and their desire to design themselves, Alpha was founded with the mission of offering high quality spectacles designed by the owners only at lower price than currently demanded on the Danish market.

6.0 ANALYSIS: TESTING THE THEORETICAL FRAMEWORK

The purpose of this chapter is to analyze whether, and if so how, value creation through business model relates to the internationalization processes of manufacturing INVs. The chapter evolves around the theoretical discussion and framework developed in chapter 4, which lays the foundation for answering the five propositions derived in the same chapter. The analysis is based on the findings from the interviews and from the observation as well as the documentation provided by Alpha, cf. section 2.4.

As outlined earlier, the theoretical framework takes point of departure in value creation in terms of the case company's value proposition. It then analyzes how it influences the three topics presented in the theoretical framework, i.e. business model activities, core competences and capabilities, and the case company's internationalization process. However, there is more than one side to value creation and value proposition. The company develops and communicates its value proposition; however, the other side belongs to the customer, where the company cannot be assured that customers perceive a given company's value proposition in the same way. It should therefore be noted that the value proposition and value creation referred to in this study are from the point of view of Alpha's owners.

Due to the fact that only five per cent of the company's total sales have been to international customers (and the majority has consisted of opportunistic sales), the focus is on the internationalization of Alpha's business model activities, i.e. backward internationalization. As a result, forward internationalization is disregarded in the analysis.

Given that the four categories in the theoretical framework are related, it is expected that the section on Alpha's value chain activities will also include elements of the company's core competences and capabilities as well as internationalization process. In order to avoid reiterations, the business model activities concerned with the latter two categories are only slightly touched upon in the analysis of the value chain activities. Therefore, they are examined in-depth in the respective sections of the categories.

The chapter is structured as follows. The first section examines the value creation logic of Alpha. The concept is then used throughout the remainder of this chapter when investigating

the other parts of the theoretical framework. The second section examines Alpha's business model activities. The section following looks at the company's core competences and capabilities, and finally, the chapter ends with an analysis of Alpha's internationalization process.

6.1 ALPHA'S VALUE PROPOSITION

During the interviews with the owners of Alpha, it became apparent that the idea of Alpha originated from copying the business idea of an American company selling its own design of high quality spectacles online at a lower price than the one offered at physical stores in the USA. Furthermore, through their many years in the spectacles industry, the owners of Alpha had continuously been told by customers, that they wish glasses would be cheaper so that one could afford to own more than one pair of glasses at a time. Based on that, the owners of Alpha decided to introduce a new perspective to the Danish spectacles industry by offering high quality glasses designed in-house and sold online only, at a lower price compared to the prices of physical spectacles stores on the Danish market. Looking at Alpha's value proposition, which is visualized in figure 3, it is evident that value creation takes the form of transforming

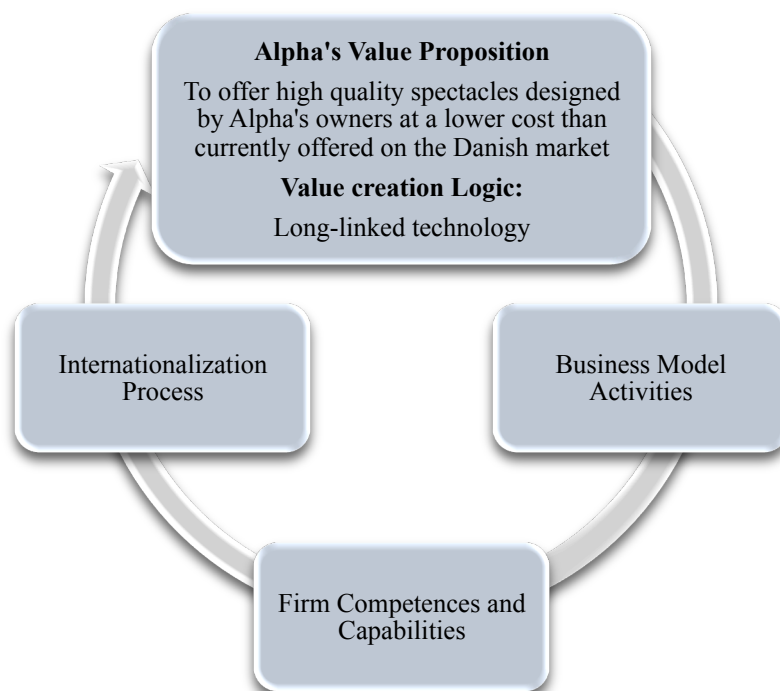


Figure 3: Alpha's value proposition and value creation logic

raw materials into a product. The product itself is the means of transferring value from the company to the customers, and the value creation logic of Alpha thus resembles the one of a long-linked technology. Based on this value creation logic, the following section examines how Alpha's founders developed and structured the company's business model to meet this value proposition.

6.2 ALPHA'S BUSINESS MODEL ACTIVITIES

This section examines how the owners of Alpha developed and configured the company's business model activities from the perspective of Stabell's and Fjeldstad's value chain model (1998). The authors differentiate between three different value creation logics consisting of long-linked, intensive, and mediating technologies. The value creation logic long-linked technology refers to transforming inputs into products. This kind of value creation logic is called value chains. In intensive technologies, the value creation logic refers to solving customer problems, and these business models are called value shops. Finally, the value creation logic of linking customers is a mediating technology, which the authors have named value networks (Stabell and Fjeldstad, 1998). In addition, the section investigates why the owners decided to structure the company's business model as they did, thereby revealing their reflections about the company's value creation logic. The section lays the foundation for answering proposition 1 and 2.

As outlined in the subsections of section 2.4.1, the data was analyzed utilizing data reduction. Through the data collection process, it became apparent that Alpha's primary business model activities consist of design of spectacles, production, logistics, marketing, and customer service. Furthermore, it was found that Alpha does not perform all of the support activities set forth in the model. Therefore, no separate section is given to support activities. Instead, they are outlined in the respective subsections of the primary activities. Since the 'operations' activities outlined in Stabell's and Fjeldstad's value chain model (1998) are performed in two independent stages, and since some of the activities mentioned above are interdependent, the analysis of the Alpha's business model activities is divided into the following categories: Design and production of frames, installment of lenses, and marketing and customer service.

After having separated the data into the three categories, I sought to find patterns in the owners' reflections. Given the theoretical framework of this thesis, these patterns included value proposition, core competences and internationalization process.

6.2.1 DESIGN AND PRODUCTION OF FRAMES

This section outlines the activities taking place from designing a frame until Alpha receives the ready frame. The activities can also be characterized as inbound logistics and the first stage in the 'operations' activities from the perspective of Stabell's and Fjeldstad's value chain model (1998). Furthermore, the section examines why the owners of Alpha decided to structure these activities in the given way.

Alpha only offers spectacles designed by the two owners. A new design starts with an idea, which is turned into a sketch. Thereafter, Alpha sends the sketch to a Danish intermediary, which handles the contact with the production site in China. After receiving the sketch, the Chinese manufacturing plant creates a 3D sketch and sends it back to Alpha through the Danish intermediary. If the owners are satisfied with the 3D sketch, they have a prototype made. If satisfied with that, they order the production of minimum 300 frames of that model. Concerning inbound logistics activities outlined in Stabell's and Fjeldstad's value chain model (1998), Alpha does not participate in the procurement of raw materials. The owners solely order the frames in three different colors, and thereafter it is the responsibility of the manufacturing factory to meet the color requests and purchase the raw materials needed for the production. After producing the frames, the manufactory plant in China sends the frames to the Danish intermediary, who checks if the order is as it should be. If that is the case, the middleman sends the frames to Alpha. If it is not the case, the frames are sent back to the production factory, which corrects the mistake. When receiving the frames, Alpha's owners control every frame separately ensuring that they meet their quality requirements. They keep some of the frames in stock at their headquarter and send the rest to the next link in the operations process, which is the lenses factory situated in Germany, cf. section 6.2.2.

Concerning the design of frames, the owners never explicitly state that they perform these activities for some specific reason. However, the interviews revealed that they have great interest in designing frames, which for example is highlighted in the following quote by Owner 2: *“Der, hvor vi ikke har problemer, det er med at designe vores briller. Vi er så enige om det,*

og vi synes, det er så sjovt. Og vi elsker det. Hvis det stod til os, så ville vi have en ny model hver dag.”³ Furthermore, given their education as optometrists as well as their many years in the spectacles industry, Owner 2 emphasized her and Owner 1’s knowledge about important factors concerning the fit and shape of frames, which serves as a facilitator in the design process. This point was supported during the observation, where I observed the owners evaluating the prototypes they had received from the Chinese manufacturer. The owners seemed very confident in their evaluation and discussed a range of small details in every frame including the breadth of the frame around the nose and the type of sidebar.

It is evident that Alpha has outsourced and internationalized the production of frames. When founding Alpha, the owners decided to see if they could establish a production agreement through their existing network. Both owners emphasized Owner 1’s many years in the spectacles industry and thereby her large network as a large facilitator, through which they managed to create a production contract with a Danish company, which also designs glasses. The owners also contacted other production sites and intermediaries from their network; however, they demanded prices that were not compatible with what the owners were able or willing to pay when having to ensure customers low prices. Since the existing network relationships of Alpha’s owners led to the establishment of a production agreement, the owners never examined other options outside of their network.

Summarizing these findings, it is evident that several themes have emerged as drivers for the development of the production of frames. Firstly, the value chain organization occurred as a theme, where it is apparent that the owners of Alpha keep the design of frames in-house, since it is perceived to be their competence. In addition, the owners do not have knowledge of producing frames, and therefore, this activity is outsourced. Secondly, and related to outsourcing, internationalization emerges as a theme. It is evident that Alpha has internationalized the production of frames and that it occurred through its network. Thirdly, the company’s value proposition emerged as a driver in the development of the company’s business model activities seen by the fact that the company contracted its current intermediary given that it was the cheapest offer.

³ Freely translated: “Designing our glasses is a thing where we do not have problems. We agree, and we think it is fun. And we love it. If we could decide, we would have a new model every day.”

6.2.2 INSTALLMENT OF LENSES

This section firstly studies the activities occurring in Alpha's business model from when a customer places an order on the webpage until that customer receives the products ordered. Combining them to Stabell's and Fjeldstad's value chain model (1998), the activities can be categorized as the second part of operations and outbound logistics.

When a customer places an order on the webpage, the order is sent to Alpha. After receiving the order, one of the two owners controls if it appears to be correct, i.e. checking if the visual power seems right and ensures that the customer has remembered to state the pupil distance. If something appears to be wrong, Alpha contacts the customer to clarify whether a mistake has been made during the ordering process. If everything seems to be correct, the order is sent to a lenses factory situated in Germany, which installs the lenses into the frames. When the lenses have been installed, the spectacles are being packed, and the factory sends it directly to the customer.

According to the owners, the decision of outsourcing the installment of lenses was twofold. Firstly, if keeping the activities in-house, the company would have to invest in equipment for polishing lenses, which, according to the owners, is very expensive. Furthermore, the owners perceived the outsourcing of those activities as necessary in the future, stating that if Alpha grew into becoming a large company, the owners would be assured that by paying suppliers to do the job, they would be able to focus on designing new frames as well as focus on what they perceive as the most important things namely designing frames and ensuring a high level of customer service.

Similar to the findings of section 6.2.1, the findings of the data analysis show that internationalization and the company's network emerged as the main driver for the development of activities related to the installment of lenses. Due to the owners' experience in the Danish spectacle industry, Alpha's owners were familiar with several lenses' factories that would meet Alpha's quality requirements, which they contacted for the purpose of contracting. However, according to the owners, they encountered the disadvantage of being a small online company as evident in Owner 2's statement: "*...nogle af de store glasfirmaer vil ikke have med internetvirksomheder at gøre. ... Fordi man er en lille smule det sorte får, fordi man underbyder en lille smule priserne på markedet, ikke? Så derfor er det svært for os at komme ind til nogle af de store. Og nogle af de store ville gerne stadigvæk, men det er til priser, hvor*

*vi slet ikke kunne være med, fordi de store kæder har så store ordrer, så deres priser ryger langt i bund.”*⁴ This quote furthermore emphasizes the focus on keeping costs low, although the theme only appeared once during the data analysis.

Alpha furthermore experienced that some of the lenses factories the owners contacted were not willing to do business with Alpha due to conflicts of interest, which is explained by Owner 1’s statement: *“Der var mange glasfabrikker, der ikke ville have noget med os at gøre, fordi de havde allerede aftaler med de store kæder. Så hvis vi pludselig kom ind, og de leverede det samme produkt som til de store kæder fik leveret, så var de bange for, at der blev nogle interessekonflikter, som gjorde, at de store kæder skippede dem, og der var vi jo bare en lillebitte i forhold til, ikke?”*⁵

Alpha ended up contracting a German lenses factory, which they were familiar with from working in the specs shop. The company could have purchased the lenses from China, which would have been more cost efficient, however, that would entail prolonging the delivery time to customers from the current delivery time of two to five days to a delivery time of three weeks. The quick delivery time Alpha currently offers is perceived to increase customer satisfaction, which is essential to the owners. Thus, the owners decided to contract the German assembly factory to ensure its current delivery times even though it was more expensive.

Summarizing this section it is evident that the same three themes as found in 6.2.1 emerged. Even though Alpha’s owners know how to install lenses into spectacles frames, it was apparent that they perceived their competences to be better exploited on other activities, and therefore, these activities were outsourced. Furthermore, as with section 6.2.1, the company internationalized through the owners’ existing network. Finally, it was apparent that the company’s value proposition played a role in the development of the assembly activities, where some suppliers were perceived to be too expensive.

⁴ Freely translated: “... some of the large lenses factories did not want to have anything to do with online companies. ... Because you are kind of the black ship [of the industry], because you undercut the market prices a bit, right? That is why it is difficult for us to get to contract the large ones [lenses factories]. Yet, some of the large [lenses factories] would, but they demanded prices, which were not compatible to us at all, because the large chains have so large orders leading the price to decrease.”

⁵ Freely translated: “There were many lenses factories, which would not have anything to do with us, because they already had agreements with the large chains. So if we suddenly came and had delivered the same products as the large chains, the factory was afraid that there would be conflicts of interests, which would result in the large chains cutting them off, and we were just really small compared to them, right?”

6.2.3 MARKETING AND CUSTOMER SERVICE

The data analysis reveals that the company's value proposition was the main driver of the development of the company's marketing activities. The owners continuously emphasized that the company's marketing budget is limited, since Alpha is relying on the two founders for financial investments. As a result, it was determined to keep the company's marketing activities in-house, since these were perceived as activities the company's owners could manage to perform. However, during the observation, the owners discussed whether it would facilitate the branding of the company as well as increase sales if the company were to invest in outsourcing marketing activities. Yet, the financial investment needed for hiring a branding company is currently perceived to be too costly for the owners, and the activities are therefore internalized. Furthermore, the importance of the company's existing network was also highlighted during the observation. This was seen by the fact that Owner 1 had been in contact with a person from her network, who is an expert on social media, the digital world and sale, who agreed to analyze Alpha's webpage as well as see how she could help in spreading the word of Alpha. Keeping marketing activities at a low cost has entailed that the majority of the budget is spent on search engine optimization, and therefore, the company relies heavily on social media, bloggers, and fashion fairs for spreading the name of Alpha.

Just as with marketing activities, Alpha's founders are in charge of customer service. It entails answering e-mails and phone calls from customers covering all doubts and questions they may have. In addition, Alpha has implemented a Home Try-On service, where customers can order five pairs of frames to try on at home for free, where the owners are in charge of handling and sending these orders to the customers. Furthermore, the company has installed a chat function on its webpage so that customers can chat with the owners directly when visiting the webpage without having to call customer service during opening hours. There are no fixed opening hours of the chat, but the owners seek to answer day and night. As mentioned briefly throughout the previous sections, it was determined to keep customer activities in-house, since the owners perceive these activities as fundamental to their business in satisfying customers. In order to ensure high customer service, it was important to the owners that they deal with all contacts to customers. Moreover, being optometrists, the owners have knowledge necessary for the proper guidance to customers. In addition, from working in (and owning) a specs shop for several years, the owners have obtained a high level experience within these activities. As a result, during the data collection process it was perceived as being a natural choice for the owners to perform customer service activities.

Summarizing this section shows that repeating themes emerged. The value chain organization also appeared as a theme in the analysis of marketing activities and customer service. It was evident that the owners did not possess knowledge of marketing activities, and that they considered outsourcing these activities. Concerning the customer service, the owners perceived them as their competence and they were performed in-house. The second repeating theme is the value proposition. The findings of this section reveal that the company's profits are delayed to keep its value proposition intact. The focus on low cost has led to the lack of marketing, which impacts sales negatively.

6.2.4 SUMMARY

Section 6.2 analyzed Alpha's business model activities according to Stabell's and Fjeldstad's value chain model (1998). Throughout the analysis, the emergence of three themes was repeated: Value chain organization, internationalization and value proposition. It was evident that the owners had outsourced (or considered outsourcing) the activities of which they did not possess knowledge or competences, which resulted in the outsourcing of the company's

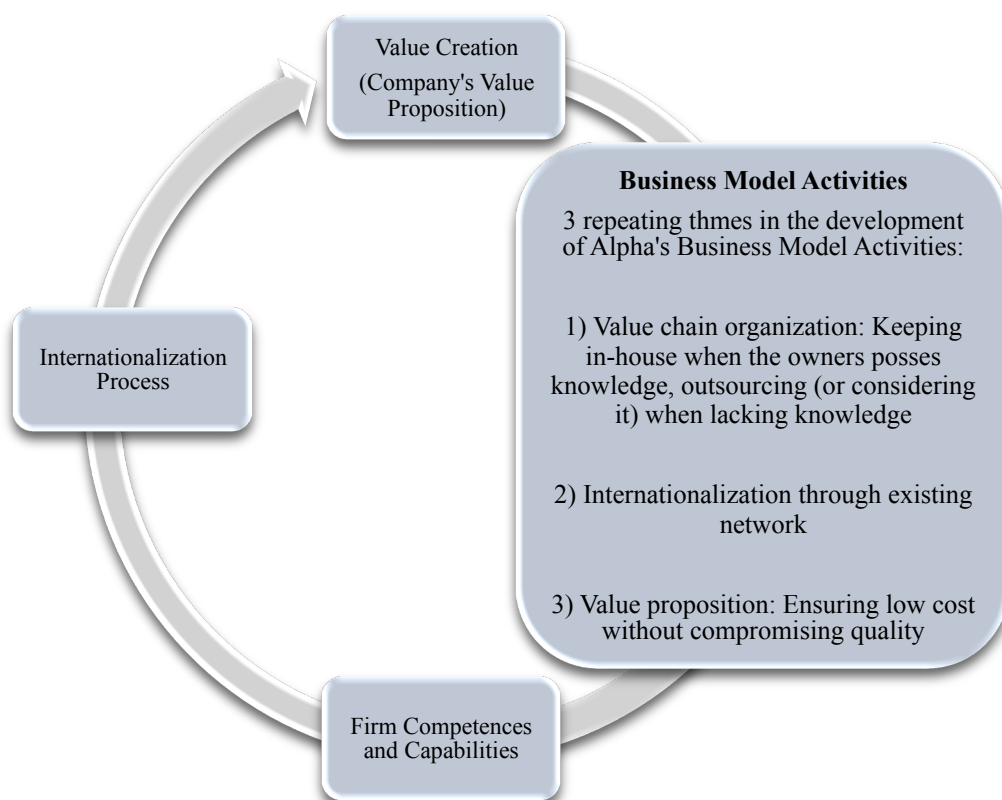


Figure 4: Key findings of Alpha's business model activities

production activities. The analysis furthermore showed that these activities had been internationalized through the company's existing network. Concerning value proposition, it was evident that it played a role in the development of the company's business model activities, where Alpha's owners has focused on keeping costs low and delivery fast while not compromising quality of the final product offered to customers. The main findings are visualized in figure 4.

6.3 COMPETENCES AND DYNAMIC CAPABILITIES

The purpose of this section is to analyze Alpha's competences and capabilities as well as connecting them to the company's value proposition and business model activities. The findings from this section lay the foundation for answering proposition 3. Given that Teece's et al.'s dynamic capabilities approach (1997) was intended for companies operating in high technology industries, the specific assets set forth in the framework do not apply to the case of Alpha. Instead, the section analyzes how the owners of Alpha reflect upon their skills and competences, and whether these perceptions are reflected in the development of the company's value chain activities. The section is structured as follows. Firstly, section 6.3.1 examines Alpha's firm-specific assets and competences from the owners' perspective. Secondly, section 6.3.2 analyzes the owners' development of dynamic capabilities. Finally, the findings of this section are summarized in 6.3.3.

6.3.1 ALPHA'S COMPETENCES FROM THE PERSPECTIVE OF THE OWNERS

When analyzing the data for this section, I searched for patterns in the owners' reflections concerning their competences. Two themes became apparent, i.e. their educational background and their experience in working in the specs shop. Furthermore, the owners emphasized their educational background, which entails that they possess 'professional optometrists knowledge' e.g. in terms polishing and installing lenses into spectacles frames.

Due to their work experience, both owners have gained experience in running a specs shop, in customer service, and in the procurement of spectacles and lenses. Moreover, having dealt with customers for respectively 30 and 9 years, the owners implicitly expressed that they know customers' wants and needs, for example stressed by the fact that the owners founded the company on the basis of customer wants, explained by Owner 1's statement: "*Og vi har jo hørt*

det gentagende gange ude i forretningen: 'Hvorfor skal briller være så dyre?' Det har ... Vi har altid fået det at vide, hver eneste dag. Og 'hvis bare de ikke var så dyre, så var det jo tilladt at købe flere par', ikke? Det er det, vi siger, er konceptet, vi går efter nu. De skal ikke være så dyre. Det er tilladt at købe flere par.”⁶

Given their experience in the Danish spectacles industry, the owners expressed great familiarity with the design of spectacles. This entails being aware of important factors concerning the design of frames, for example how wide frames should be, how long the side bars of frames should be etc. Furthermore, as explained in section 6.2.1, the observation supported these findings. In addition, having been in charge of purchasing the frames sold at Owner 1's specs store, they both have experience in spotting the upcoming fashion trends within the Danish spectacles industry.

Their experience in the spectacles industry has also let the owners to obtain knowledge not only about how to run a specs store, but also about how the whole industry functions. Furthermore, this entails that they are familiar with several production factories and know several lenses factories; the latter more in-depth, since they have been doing business with lenses factories for the delivery of lenses to the specs store.

6.3.2 DYNAMIC CAPABILITIES

When analyzing the data for dynamic capabilities, the processes of Alpha's business model activities were analyzed in the light of the findings from section 6.3.1. This resulted in three processes, which can be related to the concept of dynamic capabilities (Teece et al., 1997). The first one is related to Alpha's value proposition. The second and third processes are related to initiatives taken by Alpha to make up for the fact that the company is internet-based.

It is evident that founding Alpha was an attempt to meet the wishes of customers by offering high quality spectacles at a lower price than currently offered on the Danish market. In order to meet this idea, introducing a new perspective to the sales process entailing only selling online was necessary. Thus, Alpha was the result of an attempt to reconfigure the traditional business

⁶ Freely translated: “And we have heard it over and over again in the store: ‘Why do glasses have to be so expensive?’ It has ... We have always been asked, every single day. And ‘if just they weren’t so expensive, then it would be allowed to buy more pairs’. That is the concept we’re following now. They shouldn’t been so expensive. It is allowed to buy more pairs.

model, which could be perceived as a dynamic capability according to Teece et al.,’s dynamic capabilities approach (1997).

During the observation, Alpha’s owners were discussing how to increase sales. As mentioned in 6.2.3 they discussed amongst others whether they should outsource marketing activities. Furthermore, they discussed the idea of opening a showroom in order to have a place to display their collection. The idea was discussed, since customers continuously contact Alpha to hear whether there is a location, where they can see the whole collection at once. Although not having opened a showroom yet, this conversation shows that Alpha’s owners learn from their customers and seek to reconfigure their business model according to changing demand. Thus, this could be perceived as the start of another dynamic capability.

Alpha’s customer service is also interesting in this discussion. The owners are aware of the fact that most customers need guidance when buying glasses, and therefore, the chat function was installed to make up for the lack of offering ‘real life’ customer service given that the company is internet-based. Furthermore, the owners introduced the Home Try-On service in order to make up for the lack of a physical store. Thus, the process of utilizing knowledge and experience to reconfigure the traditional perspective on customer service appears to be a dynamic capability.

6.3.3 SUMMARY

Summarizing this section, it is evident that Alpha’s owners rely on their educational background and experience for their competences and that these are not unique or inimitable. Furthermore, the section has shown that the owners utilize their knowledge in an innovative way, which has led to the reconfiguration of a traditional specs shop’s business model as well as integrating technologies seen by the installment of a chat function on the company’s webpage. Thus, the owners have utilized their knowledge to meet the shifting demand, which can be perceived as dynamic capabilities. The findings are visualized in figure 5 below.

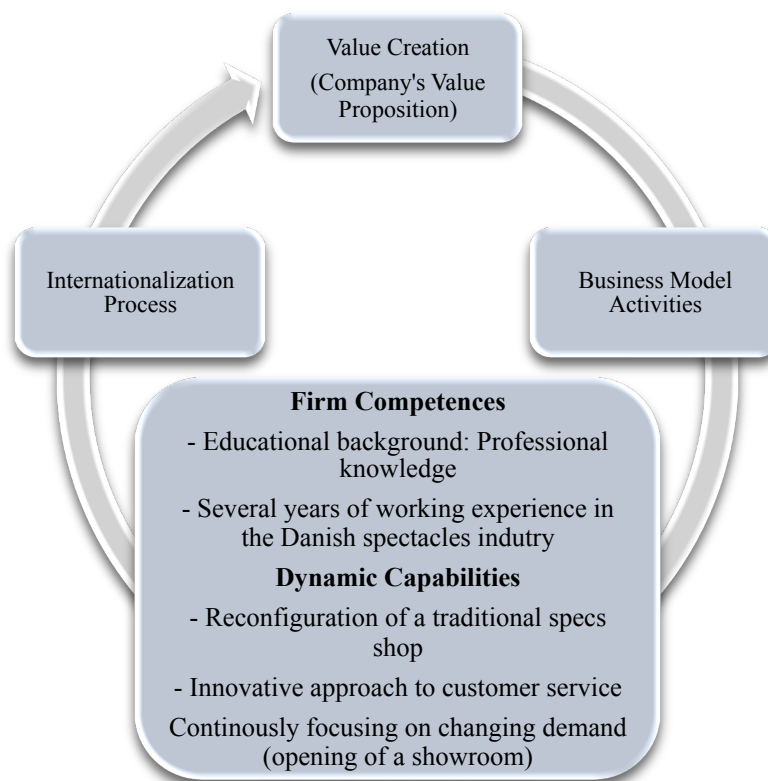


Figure 5: Alpha's Competences and Capabilities

6.4 THE INTERNATIONALIZATION PROCESS

The purpose of this section is to analyze Alpha's internationalization process. As stated in the introduction of this chapter, only backward internationalization is investigated. Given that the subsections of section 6.2 revealed that Alpha's operations activities are internationalized, this section consists of two subsections, i.e. the internationalization of the production of frames, and the internationalization of the installment of lenses. The findings from this section in combination with the findings from section 6.2 lay the foundation for answering proposition 4 and 5.

As with the previous sections of this chapter, the process of data reduction was utilized to analyze the data. Given that section 6.2 had separated the interviews into three categories of business model activities, the two categories concerning the operations activities, i.e. design and production of frames and installment of lenses, were utilized for this chapter. In searching for patterns, I searched for themes related to the company's value proposition and to internationalization as set forth in chapter 3. Based on section 3.2.2.1 and 3.2.2.3, these

included network, trust, managers' experience and core competences. However, given that the findings of the analysis so far have showed that activities were internationalized when the owners lacked knowledge, core competences were omitted. Furthermore, the findings revealed that the owners continuously referred to other themes than the ones mentioned. This resulted in the identification of eight themes explaining the internationalization of Alpha as shown in table 2. Two of the themes are related to the company's value proposition, and six are related to the internationalization process. Moreover, it should be noted that the theme 'liability of being small' was not mentioned in the data concerning the production of frames. In addition, dependency was not mentioned in the data concerning the installment of lenses. Finally, it should be noted that the company's network was always referred to when any of the other themes related to internationalization were mentioned.

Value proposition		Related to Internationalization						
	Price of production too high	Willingness to pay extra (Quality)	Network	Trust in existing network	Mistrust to suppliers outside of network	Dependency	Communication	The liability of being small
Design & Production of Frames								
	2	3	12	1	1	2	1	0
	0	0	3	1	1	0	0	0
	0	0	4	1	1	0	0	0
	2	3	19	3	3	2	1	0
Installment of Lenses								
Interview 1 with Owner	0	2	4	1	2	0	2	2
Interview 1 with Owner	0	0	2	1	0	0	1	0
Interview 2 with Owner	1	0	2	0	0	0	2	1
Total	1	2	8	2	2	0	5	3
Total	3	5	27	5	5	2	6	3

Table 2: Number of occurrences of themes during the interview

6.4.1 THE INTERNATIONALIZATION OF THE PRODUCTION OF FRAMES

Section 6.2.1 revealed that Alpha has outsourced its production of frames and that the company relies on its network for the internationalization of these activities. Table 2 reveals that the owners continuously made references to their network as a driver of internationalization of the frame production. Furthermore, when asked explicitly, Alpha's owners expressed that they did not choose China as such for a specific country-related reason, but due to the fact that the Danish intermediary they contracted for handling the production of Alpha's frames already had agreements with a Chinese manufacturer. Furthermore, table 2 shows that Owner 1 expressed willingness to pay extra for having an intermediary instead of establishing direct contact to a production site. She explained that this was due to the lack of trust in Chinese producers; a theme, which was mentioned three times by the owners. Furthermore, it was emphasized by Owner 2 in one of the interviews: "*Til gengæld er det enormt svært bare at kontakte en stelfabrik, fordi for det første er der en hel del korruption dernede. Og for det andet så siger kineserne aldrig nej. Så selvom du tror måske, du har bestilt et eller andet, og de siger 'ja', så er det ikke sikkert.*"⁷ The lack of trust both in Chinese manufacturer and in the quality they deliver was supported during the observation. The owners had been in contact with a possible new supplier, which had sent them some sunglasses as an example of their production. When evaluating the frames, they expressed great dissatisfaction and stressed that the quality was very bad. Furthermore, the level of trust between the owners and their intermediary became apparent as an important factor for the decision to contract.

As evident in table 2, trust in the company's current intermediary was also expressed three times. Since the owners have known their intermediary for several years, it seemed as if they trust her completely, stressed by Owner 1: "*Der kan man sige, at der har det været fint med vores mellemlid i Danmark, fordi jeg har kunnet kommunikere på dansk til hende, og så er det hende, der ligesom har skullet sende det videre. Og der er det klart, at er der misforståelser forbundet med det, så er det jo faktisk hende, der sidder lidt med problemet.*"⁸ Thus, their relationship and high level of trust seem to be the reasons for Alpha's owners' willingness to

⁷ Freely translated: "On the other side, it is just really hard to contact a frames factory, since there first of all is a good deal of corruption down there [China]. Second of all, the Chinese never say 'no'. So even though you think that you have ordered something, and they confirm it, you never know."

⁸ Freely translated: "It has been nice with our intermediary in Denmark, because I have been able to communicate with her in Danish, and then she was the one in charge of passing it on. And it is obvious that if there are any misunderstandings, she is actually the one with the problem."

pay extra for having an intermediary than if having established a contact directly with a production site. In the owners opinion, it gives Alpha a level of security in terms of ensuring the quality of the frames produced as well as receiving the orders on time.

Even though Alpha is willing to pay extra for the security the Danish intermediary gives them, the company is currently searching for new agreements with production sites, since they feel vulnerable when depending solely on one supplier, if the supplier were to stop their agreement. According to Owner 1, their current supplier has not done anything so far pointing in that direction; however, the owners do not wish to find themselves in such a vulnerable position where, if the agreement stops, Alpha would not be able to meet the orders of their customers. Alpha has amongst others contacted an Italian manufacturer of spectacles frames, which they are familiar with from their relationship with their German lenses supplier, and according to the owners, the prices demanded were the double of what they pay their current supplier. Moreover, they have attended a suppliers' fair in Italy in order to find a second supplier for the production of frames. This led them in contact with a Chinese supplier with whom they have placed an order as an attempt to test the level of quality the company offers. In addition, the e-mail correspondence between Alpha and the possible new supplier can increase the owners' lack of trust. The correspondence reveals that the Chinese supplier has not met the promised delivering deadline, and furthermore, the supplier has postponed the delivery of the order twice.

6.4.2 INTERNATIONALIZATION OF THE INSTALLMENT OF LENSES

Section 6.2.2 showed that the company had chosen to outsource the installment of lenses partly due to keeping costs down. Furthermore table 2 reveals that the main driver of the internationalization process regarding the installment of lenses was the company's network, which was a topic occurring eight times. As with the case of the production of frames, Germany as the chosen outsourcing country was not a choice made of the owners due to a country-specific advantage.

Table 2 shows that the owners mentioned communication five times. Communication refers to the owners expressing the advantage of being able to communicate with the staff at the German assembly factory in Danish. It seemed that the owners felt more secure when being able to communicate in Danish, which is for example seen by the following quote by Owner 1: *“Og vi kan spare så meget på at få glassene derude [Kina] også, men det er for usikkert for os.*

*På nuværende tidspunkt er det for usikkert for os. Fordi vi kan kommunikere med og ringe til Tyskland, og der er næsten dansktalende personale dernede ... Altså, den der kommunikation er utrolig vigtig for at få et godt produkt ud i sidste ende. Så derfor har vi valgt at sige igen, at vi vil hellere betale noget mere for at det er et super godt produkt forbrugeren får, fordi det er afgørende for os, at det er ... der skal være god service.”*⁹ The quote shows that Owner 1 expresses uncertainty as an issue if receiving the lenses from China, and thereafter, she emphasizes the importance of being able to communicate in Danish in order to get a good product. Thus, it seems that the ability to communicate in Danish gives the owners a sense of security in terms of ensuring the quality of their product. Furthermore, it should be noted that the two times the owners expressed mistrust in suppliers outside of their network (cf. table 2), it was in relation to receiving the lenses from China.

6.4.3 SUMMARY

Summarizing these findings it is evident that three themes emerged. Firstly, it is evident that

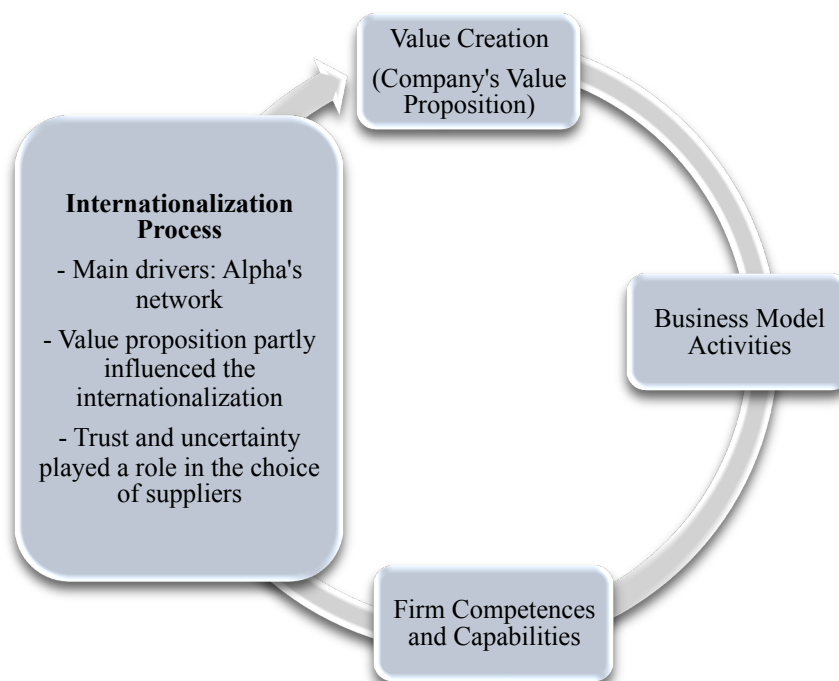


Figure 6: Key findings of Alpha's internationalization process

the company's existing network appears to be the main driver of its internationalization process. Secondly, the findings revealed that trust was a theme, which occurred continuously

⁹ Freely translated: "And we can save a lot by getting the glasses from out there [China] too, but it is too risky for us. For the time being it is too risky for us. Because we can communicate with Germany, and almost all of the staff speaks Danish down there. That communication is incredibly important to us in order to ultimately get a good product. That is why we again have chosen to say that we will rather pay more so that the customer gets a really good product, because it is central to us that it is ... that the service is good."

and that the owners expressed willingness to pay extra for a supplier they trusted. In relation to that, the ability to communicate in Danish with the German assembly factory was perceived as giving the owners a sense of security. Finally, the company's value proposition played a role in the internationalization of Alpha where the owners did turn some suppliers down because of too high prices; however, in order to ensure quality or decrease the level of uncertainty, the owners were willing to pay more. The findings of this section are visualized in figure 6.

6.5 SUMMARY

This chapter analyzed Alpha's value proposition, its business model activities, its core competences as well as its internationalization process in the light of the theoretical framework developed in chapter 4. The key findings of the chapter are highlighted in figure 7.

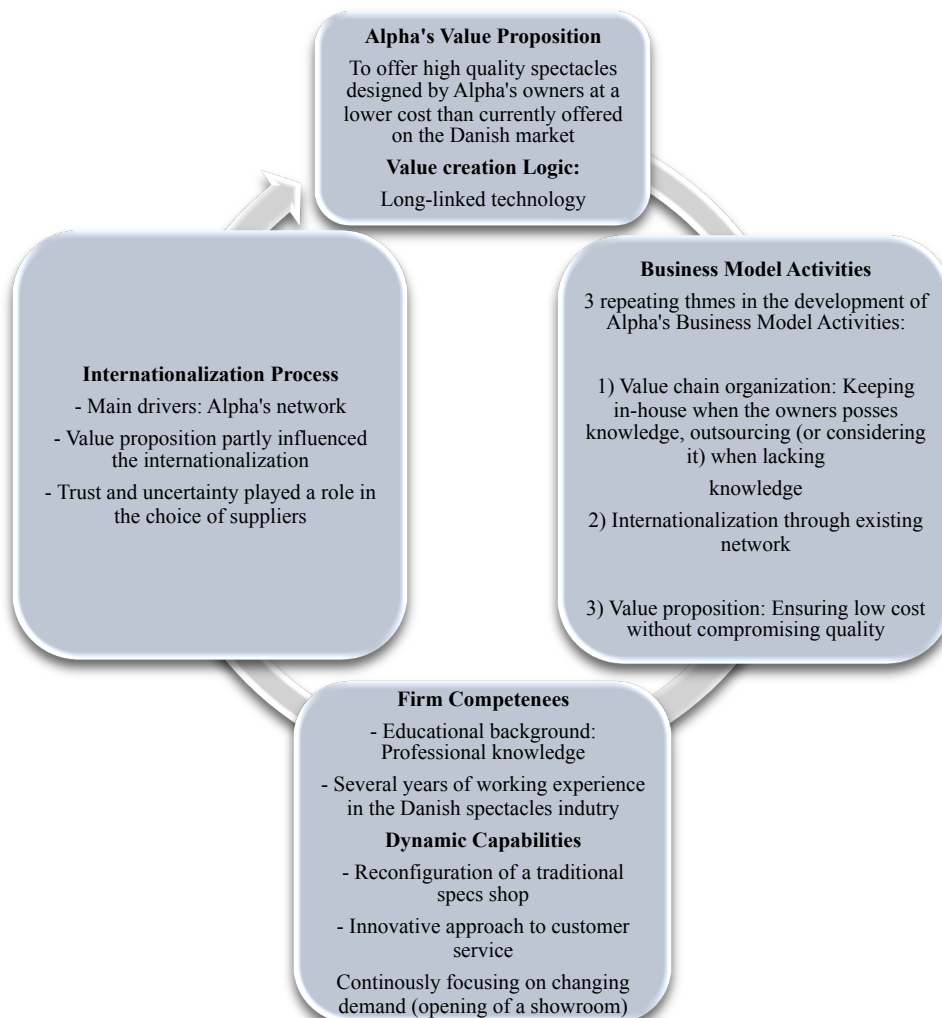


Figure 7: Key Findings of the Analysis

7.0 DISCUSSION

The aim of this chapter is to discuss the assumed connection between the literature on value creation through business models and on firm internationalization. This is achieved by discussing the findings from the analysis in chapter 6 in the light of existing literature presented in the literature review in chapter 3. The chapter is structured as follows. Firstly, the findings from the analysis of Alpha's value chain configuration in the subsections of section 6.2 are discussed. Furthermore, the discussion answers proposition 1 and 2. Secondly, the findings from the subsections of section 6.3 concerning core competences and capabilities are discussed, which includes answering proposition 3. Thirdly, the analysis of Alpha's internationalization process is discussed, and thereby, proposition 4 and 5 are answered. Finally, the last section discusses the role of value creation in this framework, which leads to a discussion of the assumed connection between the literature on value creation through business models and firm internationalization.

7.1 BUSINESS MODEL ANALYSIS

The subsections of section 6.2 analyzed the activities occurring in Alpha's value chain utilizing Stabell's and Fjeldstad's value chain model (1998). Throughout the analysis three repeating themes emerged: value chain organization, internationalization and value proposition. Furthermore, the analysis revealed that although the value creation logic of the company's business model resembles the one of a traditional manufacturing company, i.e. long-linked technologies. Moreover, the findings support Stabell's and Fjeldstad's (1998) findings of the value chain model resembling an assembly line with pooled and sequential interdependencies between value chain activities. It was evident that the value chain model needed some modification in order to fit the activities performed in Alpha's value chain. This entails that the model explains the overall picture of Alpha's business model, but does not go into details. According to these findings, it appears as if Alpha holds the traits of a 'traditional' manufacturing company. Hence, the findings of the analysis support proposition 1:

'A manufacturing INV is expected to have a value chain configuration resembling an assembly line with sequential interdependence between activities'.

In their article, Stabell and Fjeldstad (1998) argue that the three former primary activities set forth in the value chain model (i.e. inbound logistics, operations, and outbound logistics) are influencing the value creation of a company's business model directly, however, they also argue that the other primary activities (marketing, sales and service) play a great role in the value creation process. This supports the findings from the analysis in section 6.2, which showed that Alpha's owners had focused on ensuring the quality of the final product by outsourcing the operations activities. Furthermore, even though the owners do not possess knowledge or experience concerning marketing activities, these activities are performed in-house. In addition, section 6.2.3 revealed that the decision to internalize marketing activities was solely based on cost with the aim of ensuring the company's value proposition. Regarding customer service, however, the owners placed great emphasis on these activities. Given their knowledge from working in the specs shops, the owners are aware of the importance of guidance when purchasing glasses, and therefore, the owners had introduced several initiatives related to customer service in order to satisfy customers. Hence, it is be presumed that the owners implicitly perceived activities directly influencing the final product delivered to customers (i.e. operations and customer service) as most important when founding the company.

Although not explicitly regarded in the analysis in section 6.2, the findings reveal that the owners do pay attention to some of the support activities. The findings show that the owners pay attention to support technologies in the sense that they have integrated technologies in terms of installing a chat function to their webpage to improve the customer service. Furthermore, the findings reveal that the owners seek to ensure quality of their products both when contracting suppliers and intermediaries and in the sense that they check the frames themselves when receiving them from the Danish intermediary before sending them to the German assembly factory. These findings support the characteristics of INVs as studied in chapter 3, where it was found that INVs have hybrid organizational structures and alternative governance methods. In addition, it supports INV research stressing the innovative approach of INVs as set forth in section 3.2.2. Thus, the findings from chapter 6 do not support proposition 2:

'In creating value to customers, manufacturing INVs are expected to be concerned primarily with the configuration and development of primary activities and place little or no attention to support activities'.

Summarizing these findings, it appears that Alpha's value creation logic resembles the one of a traditional manufacturing company. However, the discussion also found that Alpha possesses the traits, which characterizes INVs as set forth in the existing literature including an innovative approach, a hybrid organizational structure and the utilization of alternative governance method. Thus, the findings of this study show that the characteristics of Alpha's value chain configuration both support the value chain model (Stabell and Fjeldstad, 1998) as well as the INV literature.

7.2 CORE COMPETENCES AND CAPABILITIES

Section 6.3 analyzed Alpha's competences and dynamic capabilities. Given that Teece et al.'s dynamic capabilities approach (1997) is intended for high-tech companies, section 6.3 argued that the specific assets proposed in the framework do not apply to the case of Alpha. Instead, Alpha's owners' reflections concerning their skills and competences were analyzed. It was apparent that the owners rely on their educational background as optometrists as well as their experience within the Danish spectacles industry. Furthermore, the value chain organization was a repeating theme in the analysis in section 6.2. In this section, it was evident that Alpha's owners had outsourced (or considered outsourcing) the activities of which they did not possess knowledge or experience.

Concerning these competences, it was apparent that the owners of Alpha possess what is referred to as standard knowledge and abilities. These findings do not support the existing INV literature, where several INV researchers (e.g. Bell et al., 2003; Ireland et al., 2001; Knight and Cavusgil, 2004) argue that INVs have sophisticated knowledge or unique resources. Furthermore, Bell et al. (2003) continue by arguing that the sophisticated knowledge itself lays the foundation for the competitive advantage of INVs. However, this could be explained by the fact that, as mentioned in chapter 3, the existing INV literature has largely disregarded manufacturing INVs and instead focused on companies operating in high-tech industries.

Concerning dynamic capabilities, it was evident that the owners utilized their existing knowledge and experience in an innovative way resulting in the development of dynamic capabilities with regards to the internalized activities. This was for example seen by Alpha

itself, which is the result of reconfiguring the business model of a traditional specs shop due to changing demand. This is in line with the current INV literature, which argues that INVs continuously develop dynamic capabilities in order to maintain their competitive advantage as well as to make up for the lack of financial resources (e.g. Knight and Cavusgil, 2004). Furthermore, given that Alpha does not possess sophisticated or unique knowledge, these findings support the view that an entrepreneurial spirit combined with knowledge and a hybrid organization structure are essential drivers in the development of dynamic capabilities (e.g. Knight and Cavusgil, 2004; Chetty and Campell-Hunt, 2004;). Thus, it appears that proposition 3 is supported:

Manufacturing INVs create value through exploiting their core competences and dynamic capabilities while outsourcing the functions of their value chain, in which they lack competences and resources.

The findings of this section can be linked to innovation through business models studied in 3.1.5. It appears that Alpha is the result of what Magretta refers to as a process innovation, which is “... a better way of making or selling or distributing an already proven product or service” (2002:88). Furthermore, Alpha’s dynamic capabilities analyzed in 6.3.2 can also be perceived as process innovations. Integrating technologies as mentioned above, for example, is a process innovation, in which Alpha’s owners have introduced a new way of communicating with customers given their lack of having a physical store. Linking this discussion to Zott’s and Amit’s design themes (2007, 2010; Amit and Zott, 2001, 2012) it appears that Alpha’s design theme seems to be novelty-centered. This finding is interesting in the light of existing INV literature, which explains INVs’ innovative approach through their unique knowledge. However, the findings in this thesis suggest that dynamic capabilities and the innovative approach were the result of ‘standard’ knowledge being combined with an entrepreneurial spirit.

7.3 INTERNATIONALIZATION PROCESS

The analysis of Alpha’s internationalization process studied briefly in section 6.2 and in-depth in section 6.4 showed that the company has outsourced its production activities. Furthermore, the analysis revealed that Alpha had internationalized through its existing network. As a result, the company relied solely on its network when contracting suppliers both for the production of

the frames and the installment of lenses. Furthermore, the analysis revealed that the internationalization process including its specific geographical location was fully influenced and shaped by the company's existing network. Thus, the findings support proposition 4:

It is expected that the internationalization process of a manufacturing INV is influenced and shaped by its network relationships.

Section 6.2 and 7.3 found that Alpha had outsourced (or considered outsourcing) the activities in which the owners' lack knowledge. Furthermore, it was found that the activities that were outsourced were also the ones the company had internationalized. Moreover, section 6.2 and 6.4 show that the company's value proposition had influenced both the decision to outsource these activities and the decision of which suppliers to contract. As a result, this thesis supports proposition 5:

It is expected that the internationalization of a manufacturing INV supports the value proposition.

Discussing the internationalization of Alpha's value chain activities in the light of existing literature, it is evident that the findings of this section support the existing INV literature, which argues that INVs' internationalization opportunities stem from their existing network relationships. In addition, the findings support Coviello's findings (2006), which argue that networks developed prior to the commercialization of INVs are essential to the internationalization process of INVs. However, as argued in section 3.2.3, the business network model of internationalization (Johanson and Vahlne, 2009) presents the same view to the drivers of internationalization as the INV literature; yet, with the business network model of internationalization emphasizing the role of trust building as an essential part of developing one's network relationships.

Throughout section 6.4, it was evident that Alpha's owners placed great emphasis on trusting their existing network. The findings revealed that the owners preferred paying a supplier more, since the owners were confident and trusted their network in terms of the quality delivered by them or that the promised delivery time would be met. Thus, cheaper suppliers outside of Alpha's network were given lower priority. Furthermore, the lack of trust in suppliers outside of Alpha's network was a repeating theme in section 6.4. However, whether the chosen

suppliers actually do offer a better quality than the cheaper suppliers, or whether the owners' lack of trust in suppliers outside of their network played the bigger role in developing Alpha's business model activities is questionable.

Throughout section 6.2 and section 6.3 it was also evident that the discussion of trust in existing network and lack of trust in suppliers outside of Alpha's network was more apparent concerning the production of frames and that communication as a theme was more apparent concerning the installment of lenses. This could be related to psychic distance and the liability of foreignness set forth in the business network model of internationalization and emphasized in the following quote: "*A lack of institutional market knowledge - that is, lack of knowledge about language, laws, and rules - has to do with factors related to psychic distance, and to the liability of foreignness*" (Johanson and Valhne, 2009:1416). This is in conflict to the INV literature, which argues that INVs perceive the world as one market and that psychic distance is not relevant to the case of INVs. However, this could be due to the fact that the owners do not have significant international experience, which is perceived to be an essential driver of INVs internationalization process (cf. section 3.2.2).

Concerning the speed of internationalization, Alpha's internationalization process supports the INV literature arguing that INVs tend to skip the stages mentioned in the Uppsala model (Johanson and Valhne, 1977). However, in the revised Uppsala model (Johanson and Valhne, 2009), the authors support the INV literature by arguing that having an existing network increases the facility of internationalization, which thereby increases the speed of the process. In areas or markets where the focal company does not have an existing network, however, the internationalization process is slower due to the fact that it takes time to develop mutual trust and relationships with possible partners. The findings of this study support this view seen by the fact that Alpha is currently searching for new suppliers for the production of frames. However, given that the company is searching outside of its existing network, the owners have expressed lack of trust and confidence in especially Chinese manufacturers. The same level of mistrust from the owners was not found concerning Italian manufacturers, which presumably can be explained from the perspective of psychic distance. Italy, although considerably different from Denmark, is closer situated to Denmark than China, and the Italian culture is also considerably closer to the Danish than is the Chinese.

Summarizing this discussion, it is evident that Alpha's internationalization process was highly influenced by its network, which thus supports both the INV literature and the business network model of internationalization (Johanson and Vahlne, 2009). However, concerning the remainder of the discussion presented in this section, it appears that the case of Alpha supports the business network model of internationalization (Johanson and Vahlne, 2009). This entails that psychic distance and the liability of foreignness seem to be present in Alpha's search for suppliers outside of its network.

7.4 VALUE CREATION: THE LINK BETWEEN BUSINESS MODELS AND FIRM INTERNATIONALIZATION

Section 6.1 found that the value creation logic of Alpha's value chain is to transform inputs into products. Given that this value creation logic is in line with the one of value chain model (Stabell and Fjeldstad, 1998), this framework was utilized for the analysis of Alpha's business model activities. According to the framework, *"The basic assumption underlying the disaggregation is that activities are the building blocks by which a firm creates a product that is valuable to its customers"* (1998:416). Furthermore, it is argued that value is a product of Buyer Purchasing Criteria, and that customer value this is defined as cost reduction or product differentiation (ibid). By combining the quote above with the Buyer Purchasing Criteria, it is thus argued that every activity in the value chain can create value through differentiation, and as a result they can be perceived as sources of value creation. Thus, the value creation logic of the value chain model, which is to transform inputs into products, cannot solely explain the configuration of a company's value chain. In order to analyze the value creation, it is necessary to include the value proposition of a company. Section 6.1 analyzed Alpha's value proposition from the perspective of the company's owners. It was evident that the company was founded on the basis of an idea, which presents a new perspective to the Danish spectacles industry, i.e. offering high quality spectacles designed by Alpha's owners at a lower price than currently demanded on the Danish market. Combining Alpha's value proposition with its value creation logic, it must then be expected that the focus of the company's business model activities is to ensure low cost while not compromising the quality of the product.

The findings of chapter 6 as well as the discussion in this chapter reveal that Alpha's value proposition was a repeating theme in the explanation of the development of the company's value chain configuration and internationalization process. Furthermore, the findings support

the expectation presented above that the owners focused on low cost when configuring the company's value chain activities while not compromising the quality of the final product. As a result, the owners expressed willingness to pay extra for their current intermediary, since they perceived the intermediary as a means to ensure quality. Although delaying sales, the internalization of marketing activities was a means to ensure low costs without compromising the quality of the products offered to customers. These examples in combination with the discussion in the previous three sections of this chapter point to the fact that Alpha's business model activities were influenced by the company's value creation logic and value proposition. Hence, the findings of this thesis indicate that the value creation logic influenced the configuration of Alpha's business model activities and how competences (or the lack of) were exploited. Furthermore, the findings indicate that Alpha's internationalization from the business model perspective served as a means to increase the value created, i.e. affect the value creation of the company's business model activities positively in the sense that it corresponds to its value proposition. In line with the findings of Sainio et al. (2011), however, it is noticeable that the owners mainly consider what they need from their suppliers and barely reflect upon how Alpha can create value to them. Yet, there appears to be a connection between the value creation logic of a company and its internationalization process in the sense that the value creation logic appears to determine the development of a company's business model and thereby its internationalization process.

8.0 CONCLUSION

The purpose of this thesis was to study the internationalization process of a manufacturing INV from the perspective of value creation through business models. The focus of this study was to combine and thereafter test the assumed connection between the existing literature on value creation through business models and firm internationalization. This thesis' contribution to the academic field is twofold. Firstly, it introduces a new perspective to the analysis of firm internationalization, i.e. from a perspective of value creation through business models. Secondly, it contributes to the INV literature, which is characterized by focusing on high technology and knowledge-intensive industries, by investigating a manufacturing INV operating in a low technology industry.

The first chapter of this thesis introduced the topics broadly and outlined the problem formulation. The second chapter discussed the methodological considerations of the study. The following two chapters were concerned with theory, where the former studied the existing literature within the two fields and the latter one combined these findings, which resulted in the development of the thesis' theoretical framework as well as a set of propositions. Thereafter followed a chapter introducing the case company. Chapter 6 analyzed the case company utilizing the theoretical framework, and the seventh chapter discussed the findings in the light of existing literature. Finally, the aim of this chapter is firstly to summarize the key findings of this thesis and thereby answering the research question. Secondly, this chapter discusses the limitations of this study as well as suggestions for future research within the studied field.

8.1 KEY FINDINGS

Given that this thesis examined a hitherto unexploited area of existing literature, the theoretical framework of the study sought to combine the current literature on value creation through business models and firm internationalization in order to answer the research question. This entailed developing a set of propositions, which were discussed in chapter 7. It is thus the findings of these, which lay the foundation for answering the research question of this thesis, which is done in this section. As presented in section 1.1, the research question was:

How does a manufacturing INV internationalize from the perspective of value creation through business models?

The findings of this thesis indicate that a company's value creation logic determine the development and configuration of its business model and thereby its internationalization process. This was seen by the fact that when developing and structuring the case company's business model activities, the owners focused on keeping costs down while not compromising the level of the quality offered to customers, i.e. the owners sought to ensure the company's value proposition. Given that the activities of the value chain model are the main building blocks of value creation (Stabell and Fjeldstad, 1998), activities where the owners did not possess knowledge had been outsourced or were considered outsourced. Furthermore, and somewhat predictably, due to the lack of resources that characterizes INVs, it appears from the findings that the case company relied on its existing network for the outsourcing of these activities, and this led to the internationalization of them. Thus, the findings indicate that Alpha's internationalization served as a means to increase the value creation of the company's operations activities in the sense that it supports the company's value proposition.

Concerning the internationalization process, the findings indicate that the choice of geographical location was fully influenced by the existing network. Furthermore, it was found that the company was able to internationalize quickly due to its network relationships. In this sense, the findings of the thesis support both the traditional and the INV literature on firm internationalization. However, the findings also point to the fact that regarding the areas or locations in which the case company did not have an already established network, the internationalization process was slower. This finding supports the business network model of internationalization (Johanson and Vahlne, 2009), which represents the traditional perspective of firm internationalization. Furthermore, it was found that trust and language seem to play a role in the internationalization of the case company. Hence, it appears that psychic distance and the liability of foreignness were factors influencing the internationalization process of the case study. Thus, the findings seem to support the traditional perspective of firm internationalization, which argues that firms internationalize utilizing their existing network. It furthermore argues that whenever a company has not yet developed network relationships, the concepts of psychic distance and the liability of foreignness influence the internationalization process of the firm.

The findings of this thesis largely support the existing INV literature with regards to the characteristics of traits of INVs. These include hybrid organizational structures, alternative

governance methods as well as the lack of financial resources. However, the findings do not support the characteristic of INVs having unique and knowledge-intensive resources. Instead, the findings indicate that the case company possessed rather standard level of knowledge and abilities. Nevertheless, it appears that the owners continuously sought to develop dynamic capabilities by utilizing existing knowledge in new ways, which had led to process innovations. Given that the majority of the current INV literature has focused on companies operating in high technology industries, these findings are very interesting, since it appears that the characteristics highly illustrate the case company of this study, which is a manufacturing INV operating in a low technology industry.

The fact that this study seems to support the traditional perspective of firm internationalization is an interesting notion when combined with the characteristics of this thesis' case company. The underlying assumption of INV literature is that the traditional literature on firm internationalization does not apply to INVs, since the characteristics of these are different from large, well-established MNEs. However, the findings of this study seem to support the characteristics of INVs as set forth in the existing literature, and at the same time, it appears that the case company of this thesis follows the traditional perspective of firm internationalization, i.e. the business network model of internationalization (Johanson and Valhne, 2009).

8.2 LIMITATIONS AND FUTURE RESEARCH

As explained in chapter 2, a single-case research design was found most appropriate for this study, since Alpha represents a unique case. As a result, this study should be perceived as a first step in combining the literature on value creation through business models and firm internationalization. Furthermore, it should be perceived as a first step in broadening the perspective of INV literature, which has focused on software companies or companies operating in high technology industries characterized by their knowledge-intensity. However, the single-case research design entails that no generalizations about the internationalization process of manufacturing INVs can be made. Therefore, similar research within this topic is necessary. Furthermore, it would be interesting to repeat the study in other low technology industries to see if similarities exist.

Given that Alpha did not have significant international sales, only backward internationalization, i.e. the internationalization of the company's value chain activities, was considered. However, during the interviews, one of the owners explicitly stated that the company would firstly focus on the neighboring countries of Denmark when internationalizing. She explained her statement with the fact that these countries possess similar traits and therefore, she presumed that the style of Alpha's spectacles would fit the customers' demands. These statements highly characterize the basic assumptions of the traditional literature on firm internationalization. Furthermore, given that the findings of this study appear to support the traditional internationalization literature, it could be interesting to analyze the forward internationalization process of Alpha to see if the findings would support the INV perspective or the traditional perspective on internationalization processes, and in addition, how value creation affects forward internationalization.

Concerning the data utilized in this study, they highly consisted of interviews, since these were essential in understanding the owners' reflections about the development and configuration of the company's value chain. This entails that the study is a snapshot of the value creation logic influencing the configuration of the company's value chain and internationalization process at a given point in time. As a result, it would be interesting to conduct a longitudinal study thereby being able to study and observe the influence of the value creation logic on the internationalization process over time.

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