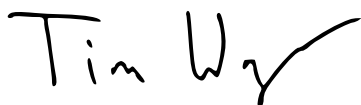


# ***Internationalization of Professional Sports***

Master Thesis – Spring 2020

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Submitted to:	Niels Le Duc
No. of Pages and Characters:	78 pages / 178,486 characters (incl. spaces)
Submission Date:	15.05.2020

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A handwritten signature in black ink, appearing to read 'Tim W.' followed by a stylized flourish.

## Table of Contents

LIST OF ABBREVIATIONS .....	III
LIST OF TABLES AND FIGURES .....	IV
ABSTRACT .....	1
1. INTRODUCTION.....	2
1.1. PROBLEM DEFINITION .....	2
1.2. OBJECTIVE OF THE THESIS.....	4
1.3. COURSE OF INVESTIGATION .....	5
2. THEORETICAL BACKGROUND.....	6
2.1. WHAT DOES INTERNATIONALIZATION MEAN? .....	6
2.2. THE MODEL OF INCREMENTAL INTERNATIONALIZATION.....	9
2.3. PSYCHIC DISTANCE .....	15
2.4. MARKET ENTRY METHODS .....	21
2.4.1. <i>Equity Modes</i> .....	21
2.4.2. <i>Non-equity modes</i> .....	24
2.5. STRUCTURES OF PROFESSIONAL SPORTS.....	26
2.5.1. <i>European Model</i> .....	26
2.5.1.1. League Regulations. ....	27
2.5.1.2. Players & Talent Development.....	28
2.5.2. <i>North American Model</i> .....	29
2.5.2.1. League Regulations. ....	30
2.5.2.2. Players & Talent Development.....	32
3. METHODOLOGY .....	33
3.1. COMPANY HISTORY AND SITUATION ANALYSIS .....	33
3.2. METHODOLOGY OF THE UPPSALA MODEL .....	34
3.3. METHODOLOGY OF PSYCHIC DISTANCE MEASUREMENT .....	35
4. SITUATION ANALYSIS.....	38
4.1. COMPANY 1: INTERNATIONAL EXPANSION OF A FOOTBALL CLUB.....	38
4.1.1. <i>The History of Manchester City FC</i> .....	38
4.1.2. <i>The History of Economics of Football in England</i> .....	39
4.1.3. <i>Challenges for the Owners</i> .....	41
4.1.4. <i>History of Football in the American Market</i> .....	43
4.1.5. <i>New York City FC</i> .....	43
4.2. COMPANY 2: THE NBA IN THE CENTRAL STATE.....	44
4.2.1. <i>The History of Professional Basketball in North America</i> .....	44
4.2.2. <i>International Growth of the League and the Sport</i> .....	46
4.2.3. <i>History of Basketball in the Central State</i> .....	47
4.2.4. <i>The NBA in China</i> .....	48
5. ANALYSIS .....	48
5.1. UPPSALA MODEL ANALYSIS .....	49
5.1.1. <i>Uppsala Model in the Case of Manchester City FC</i> .....	49
5.1.2. <i>Uppsala Model in the Case of the NBA</i> .....	51
5.2. PSYCHIC DISTANCE ANALYSIS.....	53
5.2.1. <i>Analysis of the United Kingdom and the United States</i> .....	54
5.2.2. <i>Analysis of the United States and the People's Republic of China</i> .....	56
5.3. DISCUSSION.....	58
6. CONCLUSION .....	60
6.1. MANAGERIAL IMPLICATIONS .....	60
6.2. FUTURE RESEARCH OPPORTUNITIES .....	62
6.3. CRITICAL REFLECTION .....	62
REFERENCES.....	65
APPENDIX .....	81

## List of Abbreviations

ABA	American Basketball Association
ADUG	Abu Dhabi United Group
BAA	Basketball Association of America
CBA	Chinese Basketball Association
CBAL	Chinese Basketball Association League
CCTV	China Central Television
CFG	City Football Group
CIA	Central Intelligence Agency
FDI	Foreign Direct Investment
FIBA	Fédération Internationale de Basketball
FIFA	Fédération Internationale de Football Association
MLS	Major League Soccer
MNE	Multinational Enterprise
NBA	National Basketball Association
NYC FC	New York City FC
SME	Small and Medium-sized Enterprises
UEFA	Union of European Football Associations
UN	United Nations

## List of Tables and Figures

Figure 1: The Basic Mechanism of Internationalization - State and Change Aspects.....	10
Figure 2: Stage Model of Internationalization .....	13
Figure 3: Proposed Model of Psychic Distance .....	19
Figure 4: Broadcasting Contract in Great Britain .....	40
Figure 5: The Organization of Sport in Europe: The Pyramid Model .....	81
Figure 6: Uppsala Model of Manchester City FC .....	82
Figure 7: Uppsala Model of the NBA .....	82
Table 1: Relevant Situations for Different Research Strategies .....	83
Table 2: Psychic Distance Variable Factor Loadings and Cronbach Alpha .....	83
Table 3: Classification Scheme: Language .....	84
Table 4: Classification Scheme: Religion .....	90
Table 5: Psychic Distance Results .....	91

## **Abstract**

Internationalization is nothing new for businesses in general. Therefore, internationalization is a well-researched theme in business research. Professional sports only recently started to grow into a business. During their growth, the major sports leagues realized that there was international demand for their product. The motivation for the internationalization is obvious. It generates additional revenue for the league. Simultaneously, international popularity protects strengthens their position both on a national and global level. Nevertheless, there are no models that try to explain their process. As a result, there is a lack of specific structure that the teams and leagues can follow. This fact is starting to become more relevant due to the large amount of income the highest-grossing leagues and teams generate.

Since sports became similar to businesses, it would be sensible to compare their process to the process of established companies. As businesses, their constraints are the same. Therefore, the paper chooses to investigate the research question "how the Uppsala Model and psychic distance influence the internationalization in professional sports?" The Uppsala Model and psychic distance are among the most used concept in academic research. Using these concepts allows the researcher to understand the decision making of a company. This explanatory power of the concepts stretches from market selection to operating decisions within a market. These factors are among the essential determinates for the success of a venture. Since previous studies have proven the concepts, this study aims to understand whether it works for professional sports. To study the concepts, the thesis chooses two cases and analyses their decision making. In order to gain a holistic understanding, the study analyzes out of quantitative and qualitative data. The result show that the assumptions of the model apply. In both cases, risk aversion influences the actions taken by the parties. However, as the parties started to internationalize, differences started to emerge. These are likely due to the difference in the product of professional sports. It faces different constraints that impact its commercial viability in the international marketplace.

## **1. Introduction**

### **1.1. Problem Definition**

Globalization and internationalization are concepts that are very present. That is no surprise, given the fact that international trade had been taking place for a very long time. However, the early periods of international trade were more a side product of other missions. During the time of colonization, international trade did take place. However, it was mostly the military power and wealthy countries that dominated. Once introduced, the demand leads to more transactions. However, these transactions did not take place in the same manner as it would today. Throughout, that time the international movement of goods can be considered more as exploitation than trade. This exploitation slowly decreased and developed into more equitable relationships. However, it still was not structured or economically optimized.

The next meaningful development towards a more global economy came after the Second World War. By establishing of global organizations such as the United Nations, countries got closer together. Furthermore, these organizations were founded to bring them closer together (United Nations, 2019). Similarly, it took quite a long time for literature and researchers to study the themes behind internationalization. The lack of data partially caused this. However, industries also became much more dynamic both in their actions and in the development. For instance, constant innovations in the technological sphere made operating a business easier. However, the new markets generate challenges such as increased competition and lack of market knowledge.

These developments on a global scale generated interest from the academic community. Researchers were aiming to create models that support the understanding of internationalization. Mainly, the unfamiliar environment played a large role. Even though the world had moved closer together, going abroad did still include a significant factor of uncertainty. One of the most widely used models to understand all the circumstances is the Uppsala model. Johanson and Vahlne, two Swedish researchers, created the model (1977). Based on their findings, Johanson and Wiedersheim-Paul created the stage model (1975). A study of Swedish firms and their decision-making supplied the foundation for the model. The findings showed that most companies followed an incremental process. Another critical part of the model were the two variables which educated the decision making of companies in the process. They were market knowledge and commitment. Market knowledge is an indispensable factor for enterprises because it influences their decision making. Customers are different and have different needs and demands for product functionalities. Simultaneously, market

knowledge informs the potential of a market. Based on these factors, a company will decide the size of its market commitment.

The knowledge variable received significant attention during the conception of the model. Firstly, because it informs the decision making of the company. Even more important was to gain an understanding of how knowledge can be acquired. While studying this issue, Johanson and Vahlne realized that they have to account for another very crucial concept (1977). Psychic distance is said concept, and it measures the differences between two countries based on a few variables.

Together, the Uppsala model and psychic distance build the foundation for the internationalization of enterprises. Companies choose to enter the global marketplace incrementally (Johanson & Vahlne, 1977). Moreover, their starting point is a country which is very similar to their own. If companies follow this plan, they can minimize the risk of entering the unknown. A small initial commitment allows the company to test the waters. Should it prove to be unviable or unsuccessful, they can leave without negatively impacting their business. Furthermore, using a country that is similar to their own as a starting point, decrease the effect of knowledge. The company can transfer a large share of their current practices, and they adapted the finer details to succeed.

In general, these concepts are universally relevant and suitable because they applied to most of the industries. However, some industries have not even fully understood or captured the potential of the international markets. One of them is the professional sports industry. At first glance, one would not even consider the sports industry. Most people have physical exercise on top of their mind when they think of sports. However, at the highest level of competition, sports underwent a professionalization. At first, it was only compensatory payments from the teams to the players. These were necessary since players all had regular jobs, which they had to skip out on to play the games.

If one considers the current business environment, it is almost impossible to miss the effects of globalization. Almost all of the top ten holdings in the S&P 500 are operating on a global scale (S&P Dow Jones Indices LLC, 2020). In contrast, sports leagues in major sports are mainly active in their own countries. They broadcast their games globally, but most leagues and teams do not fully capture the audiences abroad. Google or Amazon try to be the leader in their respective service globally. Sports league have yet to achieve this status. The National Basketball Association (NBA), for instance, is considered the best basketball league. Nevertheless, Europe operates a few very successful leagues. Typically, one would expect that the NBA would use this global image to expand into other countries and strengthen their positioning. However, as of now, that has not been the case.

That would indicate that professional sports did not reach the same level as other industries yet. The thesis will study if the path up until now resembles the path of these more mature industries.

To study the internationalization, the thesis studies two cases. One of them is Manchester City FC, and the other one is the NBA. Even though it would appear that they do not have more in common than being in the same industry, that is not true. Their path towards international growth has been relatively similar. Football and basketball are among the two most popular sports in the world. Furthermore, both parties are located in the mother country of the respective sport. That means that the popularity is incredibly strong in that country. However, both encountered challenges in their home markets. The competitors they had to fight were established in the market. That enhanced the difficulty of economic growth. Both were growing continuously, but they simultaneously knew that it would take them a long time to be on top. Due to the global popularity of their respective sports, they had a unique opportunity. By pivoting to attracting a more global audience, they could outgrow their competitors locally. Since the sport was popular globally, they had an easier path towards growth. Due to these similar circumstances, the two are suitable for a study of the internationalization in professional sports.

### **1.2. Objective of the Thesis**

The theme of internationalization was a focus of academic research for a long time. Among the most prevalent theories that emerged out of the research are the Uppsala model and the concept of psychic distance. Their success was in part because the models explained the process and decision-making criteria very well. Furthermore, the models are transferable to different companies and industries. For most of the time, sports were simply recreational activities and entertainment. Professional sports have been existing for over 100 years. However, it was only relatively recently when the business aspect became a more significant factor in their decision making. The foundation for the Uppsala model and psychic distance were enterprises such as steel or paper companies. The nature of their production process and their product is very different. Since the sports industry has not been studied in-depth, it would be interesting if the traditional model applies.

The objective of the thesis is to answer the following research question "how do the Uppsala Model and psychic distance apply to professional sport". The question is fascinating on multiple levels. Firstly, because of the nature of the product of professional sports is very different to manufacturing companies. It is challenging to accustom the games to their customer in different another country. The most straightforward adaptation is to include commentary in as many languages



as possible. However, even that is not necessarily up to the teams to decide. Apart from that, everything else is more complicated. Games have to take place in a physical location. Consequently, only a few people can be there in person due to the capacity and distance. By broadcasting games, teams and leagues can reach a larger audience locally and globally. However, that itself brings along more challenges. The kick-off times of games are adjusted to the local time zone. Due to the different time zones that could negatively impact viewers globally. These are all challenges that are unique to sports. Additionally, the internationalization of professional sports has not matured yet. Hence, the circumstances resemble the environment of the traditional industry at the stage of the development of the model. Therefore, it is of interest to study the models due to their origin. The aim is to determine if they apply to professional sports.

### **1.3. Course of Investigation**

This section presents the structure of the thesis and the investigation. This thesis consists of five chapters. At the beginning is the introduction. It provides a short overview of the goal of the investigation. Further, it presents the structure of the investigation. That section is followed up by the theoretical background. The chapter lays the foundation for the entire paper. Most importantly, the chapter introduces the central frameworks. These are essential to answer the research question in the subsequent chapters. Moreover, the section includes a description of the motivation of companies to internationalize. The chapter following the theoretical background is the methodology. It introduces the specific frameworks and structures used in the succeeding parts. Due to the utilization of multiple models, the section encompasses different parts. Firstly, a part introduces the presentation of the relevant parties. Parts two and three discuss how the analytical chapters are structured. The two companies are at the center of the section. Both parts present the parties of interest. That includes a brief history and a situation analysis. Furthermore, the chapter will provide an assessment of the option they pursued. After presenting all the pertinent information, the analysis section studies the variables of interest. First, a part of the chapter discusses the application of the Uppsala Model in both cases. Then the analysis of the psychic distance is conducted. The methodology chapter discussed all the variables and data used for the analysis. At the end of the analysis section is a preliminary discussion of all findings. The final chapter of the thesis is the conclusion that encompasses three parts. Firstly, a part presents a summary of all findings. The part discusses the implications of the findings in greater detail. Secondly, a section presents future research opportunities. The bases for the suggestions are the findings of the paper. Finally, the terminal chapter

paper is a critical reflection. The part critically deliberates over the thesis, the findings, and its implications.

## **2. Theoretical Background**

The theoretical background presents all relevant literature that is the basis for the thesis going forward. First and foremost, the chapter defines the internationalization process of a company. That part discusses motivations specific to professional sport as well. Moreover, it defines essential concepts. Among are the Uppsala model and psychic distance. These are vital because they are part of the research question. The section defines the concepts based on the literature presented. Furthermore, the part includes a couple of practical studies. These should help to gain a better understanding of the model. Besides, the studies further illustrate how the model can be applied. The section likewise introduces a few market entry modes. They are of relevance because they have an excessive weight on the success of the internationalization. Finally, the chapter concludes with a discussion about professional sports. In particular, the reasons for sports league and different variations.

### **2.1. What does Internationalization Mean?**

Internationalization has been an ever-present concept in the recent past. Companies are always searching for opportunities to reduce their cost and increase their profit margin. One of the most common ways they do that is by exploiting arbitrage opportunities in international markets. The most significant stone in their path towards efficient operation on an international scale has been communication and transportation. However, improvements towards speed, quality, and efficiency have been taking continuously for the past decades. These improvements, in turn, leads to a reduction in transaction cost across long distances for companies (Porter, 1990). As a result, internationalization has become more popular. Therefore, the paper will start with the explanation, what does internationalization stand for? Moreover, it will also explain why firms internationalize?

The definition of internationalization is „the process of increasing involvement in international operation“ (Welch & Luostarinen, 1988, p. 36). At first, this definition appears to be very broad. However, this is mainly because a narrower definition would fail to encompass everything. Internationalization is mainly thought of as outward movement, whether it is companies adapting their product to a foreign market, to increase its attractiveness. Alternatively, whether it is,

enterprises are opening production or entire subsidiaries within that foreign country. However, internationalization also embodies the stream of transactions that is going in the other direction. Inward internationalization has become essential and very connected to outward internationalization. That means the company starts by sourcing products from foreign markets instead of exporting them (Luostarinen & Welch, 1993). The linkage between inward-outward internationalization can be best illustrated by international subcontracting (Welch & Luostarinen, 1988).

As for the second question, research has shown that there are multiple motivations for companies to internationalize (Cavusgil, 1984; Yaprak, 1985). The most common reasons are market saturation and the opportunities in other markets. Sometimes firms start in smaller markets, which they conquer quickly. Furthermore, to increase their profits, they will have to enter a different market. Other times, they realize that they need to move quickly into other markets because waiting will hurt their growth potential. Of course, the decision is often motivated by the opportunity to outsource. Notably, companies in the clothing or hardware business move their production into low-cost countries. However, in order to expand internationally, companies need the necessary means to do that. There are also instances where an enterprise will entertain internationalization because it allows them access to crucial resources. These are not only natural resources but also a highly educated workforce. Moreover, these resources can also be access to technologies, ideas, or business methods. Obtaining the resources, however, is still a challenging task that requires a particular operational capability and scale. One suggestion is to correlate the company size and command of assets with the rate of internationalization (Welch & Luostarinen, 1988). Although this resembles logic, studies have shown that it is more about the attitude of the management (Czinkota & Johnston, 1983). How this issue has changed internationalization historically is going to be elaborated later on. Nevertheless, given the fact that resources are not constant, this restraint can diminish over time.

Another explanatory factor of internationalization is knowledge (Welch & Luostarinen, 1988). Entering a different market requires knowledge about the said market. Acquiring knowledge is often very complex (Johanson & Vahlne, 1977). Moreover, companies will engage in more international transactions if their network is open to such behavior. Sometimes, the network leads to internationalization because it allows proximity to key suppliers or customers. The importance of network cooperation often hinges on the complexity of the transaction or production (IMP Project Group, 1982). Risk and uncertainty are one more set of variables that have explanatory power. There is a correlation between these factors and the previous ones. Upon entering the market, companies face high risks because they are less familiar with their new environment. Therefore, companies will

proceed with caution in their expansion. Theoretical frameworks developed are explained in great detail later on. As knowledge increases, successful companies will often increase the control over their international venture. That development will accelerate if the partner is disappointed by each other (Welch & Luostarinen, 1988). By taking over a more significant share of control, companies likewise increase their commitment. That is the last motivational factor to internationalize or increase the degree of internationalization.

In professional sports, the motivations are fairly similar. As a business, they compete in an environment where everybody wants to maximize their outcome. For sports leagues, that means winning on the field and generating profit to keep their operation alive. The main objective of a sports league is to the producing games and a championship. In order to finance its operations, they need to generate revenue. In general, the four major revenue sources for any league are broadcasting, gate, sponsorship and merchandise. At least three of the four sources are directly related to the amount of attention the league can generate. This correlation indicates that sports leagues and their products belong to the entertainment industry. As a result, the leagues compete not only against the sports leagues in other countries. Rather they have to compete with entertainment products such as movies, television, or theaters. Since the competitors all act on a global level, sports leagues have to follow suit. Not to mention the fact that sports leagues would have to internationalize even without competitive pressure. Just like any other business, they would face the issue of market saturation at some point. Moreover, internationalization would be one of the solutions they would pursue to overcome this challenge. Therefore, the strive for economic growth is one reason for internationalization. Entering new markets means new attention.

Besides, some would suggest that this is a two-way relationship. Wan has conducted a study titled *Multiple Regression Research on Sports and Economical Structure Relationship* (2014). Within which it was determined that an increase in GDP and income of workers "can impel sports industry development to the greatest extent" (Wan, 2014, p. 271). They are thereby suggesting that sports leagues should invest some of their resources into the economic development of other countries. Due to trickle-down economics, the leagues would benefit from the support. Moreover, such behavior generates goodwill with the population and, therefore, positive branding.

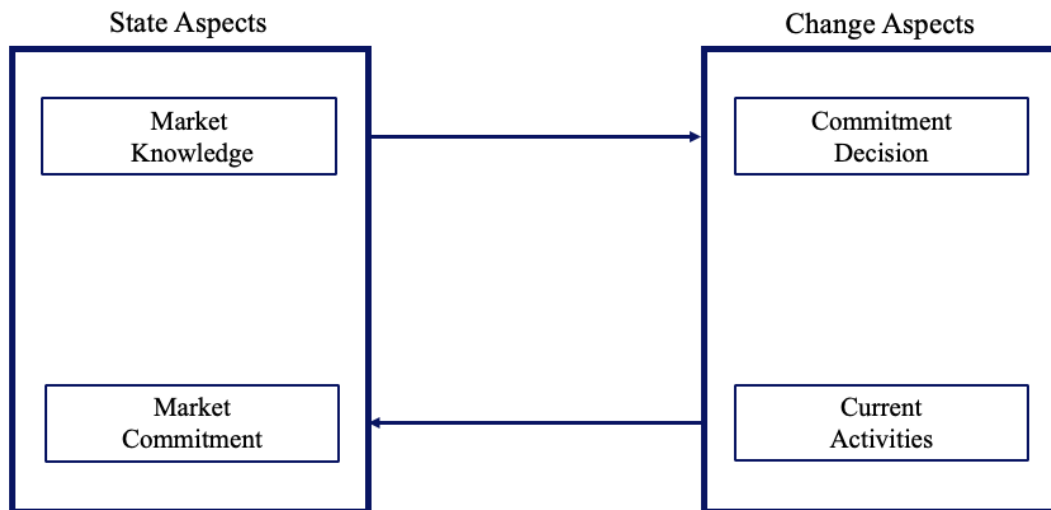
Since it has become incredibly crucial to have the capability of international operation, researchers have developed models to comprehend the development better. One of the most accepted frameworks is the eclectic paradigm or OLI framework. The main aim was to „identify and the significance of the factors influencing both the initial act of foreign production by enterprises and the

growth of such“ (Dunning, 1988, p. 1). Furthermore, Dunning's framework gained widespread acceptance because it is general and, therefore, easily transferable. Studies have proven that the OLI framework delivers very robust results that allow comprehension of international investment and production (Dunning, 2001). The model is composed of three distinct advantages. First of all, there are the so-called ownership advantages. This set can be a result of transactional or structural imperfections in the market (Dunning, 1988; Johanson & Vahlne, 1990). Meaning companies possess this advantage by having premium assets. Alternatively, companies can achieve the state if they have the coordinating capabilities to employ their assets across borders with other assets. By acting in this fashion, companies with this advantage aim to outperform their competitors. The second set of advantages is called internalization advantages. It judges the companies' ability to employ their ownership advantage and generate added value (Dunning, 1988). To specify, companies have to decide whether they can use their assets in foreign markets or if it is more profitable to sell them there. The decision will once again depend on market imperfections. Finally, there are the location advantages (Dunning, 1988). Once again Dunning, separates between the two types, structural and transactional. The former describes advantages gain through factor pricing. Transactional advantages refer to situations of arbitrage or leverage. Excellent managed companies can exploit these situations. However, while the framework does an admirable job explaining the patterns of internationalization, it still has its share of shortcomings. As a result, Johanson and Vahlne together developed a model called the Uppsala Model, which combines the patterns with a predictive side (Johanson & Vahlne, 1990). The ensuing chapter explains their model and how it works in greater detail.

## **2.2. The Model of Incremental Internationalization**

The previous chapter discussed the motivation of companies and the initial research into internationalization. Within that discussion, it became evident that there is a need for a model that can explain the decision making of a company. That is what the 'Uppsala Model' tries to achieve. The first ones to formulate it were Johanson and Vahlne (1977). Other models, such as the behavioral and growth theory of the firm, are the foundation for their analysis (Johanson & Vahlne, 1990). They used data collected by Swedish steel, pulp, and paper companies to understand how they approach the internationalization. Their results showed that companies would follow an incremental path to reach their goal. Based on these outcomes, Johanson and Vahlne build the model (1977).

*Figure 1: The Basic Mechanism of Internationalization - State and Change Aspects*



Source: Own Illustration (From Johanson & Vahlne, 1977)

According to them, companies consider aspects during their internationalization. These are the state and change aspects. They are in a circular relationship with each other. The state aspects express the situation of a company in the market. Specifically, the aspect considers market commitment and market knowledge. The other half of the model is the change aspect. They deal with the changes in the company's operation. The specific factors are commitment decisions and current activities (Johanson & Vahlne, 1977). With the model, these factors are all related. Market commitment consists out of resources already committed and the degree of commitment. In practice, resource commitment considers how difficult it would be to make use of the resources differently. Degree of commitment rises if the firm increases the resources used in order to produce the value. Marketing organizations constructed around a specific product and a specific market are more challenging to move than production resources. Market commitment is a more straightforward concept since it can be measured based on the number of employees or investment into personal development and marketing.

Market knowledge is relevant because it informs commitment decisions made by the firm. The first kind of knowledge that is of importance is knowledge of opportunities and problems. Secondly, there is the knowledge of the market itself, which allows companies to evaluate different opportunities and their potential outcomes. Another critical differentiation of knowledge made by Johanson and Vahlne is the way one obtains the knowledge (1977). According to them, knowledge can either be objective, meaning that everyone can obtain through being taught. The other type is

experiential knowledge, which can only be obtained through experience and is not transmittable. The researchers believe that this type is the critical knowledge firms need in order to survive in a country. In their domestic market, it is not as critical because the employees have a lifelong experience with the matter. However, in the foreign countries, companies do not have that benefit. Instead, they need to work and gain that knowledge gradually. Experiential knowledge allows companies to identify the real business opportunities, while objective knowledge can only provide firms with ideal opportunities.

Additionally, the model differentiates between general knowledge and specific-market knowledge. The former mainly encompasses marketing methods or knowledge about consumers characteristics or to put it more easily how to operate in a foreign market. The latter represents a more in-depth knowledge about the culture and consumer preferences and behavior. General knowledge can be transferred rather quickly and is a necessity that allows companies to set up their operations in different countries. To obtain market knowledge, companies need to perform particular actions in the market.

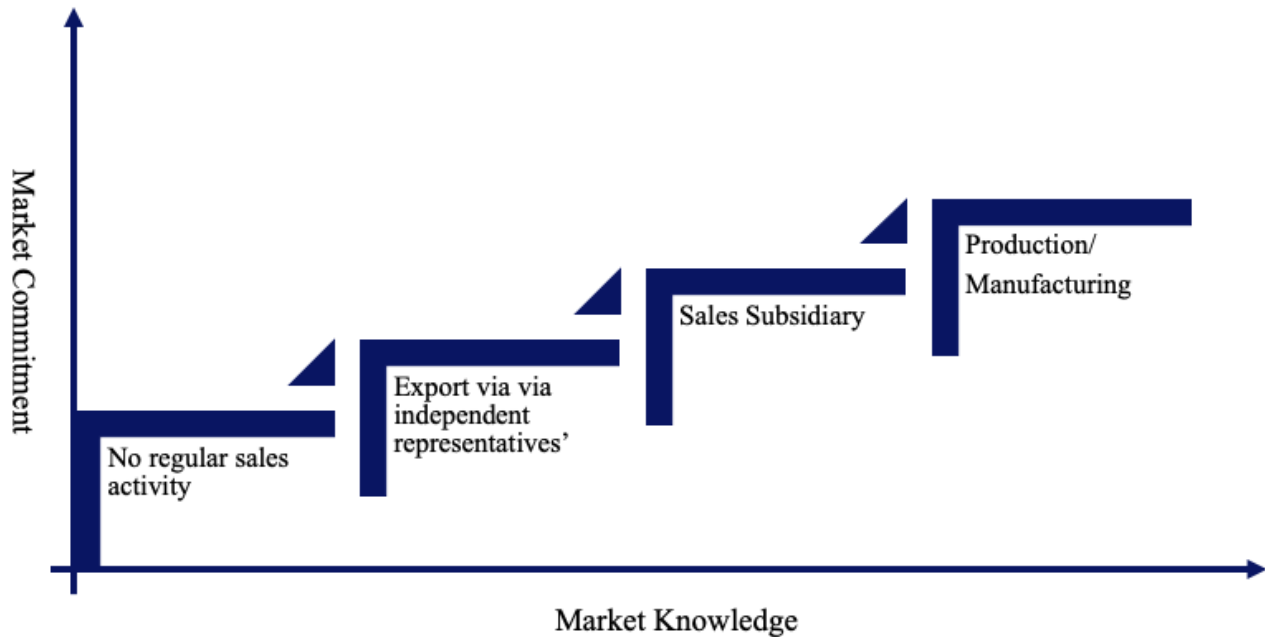
Furthermore, Johanson and Vahlne clarify how change affects current business activity and resource commitment (1977). These are the change aspects of the model, as mentioned earlier. In general, almost no business activity yields immediate impact. A company will have to repeat a particular process time and time again to produce results. As the lag grows, so does the resources they commit in the market. Moreover, more complicated tasks likewise lead to more significant resource commitments. However, performing these activities increases the experience of the company. Some would suggest a point out way to accelerate the process of gaining experience. These include hiring employees or advisors from outside the company. In general, this assumption proves to be correct. Many companies in the manufacturing industry have proven for years that it is reasonably easy to set up a production facility anywhere. Of course, it allows them to take advantage of low-wage countries and thereby improve their operating margin. While it is a proven strategy, there are limitations to it. As the activities move from production to marketing, core activities in this department become too complex to outsource them. These essential activities require in-depth knowledge of the specific market. However, they likewise need to know the inside, as in the company. A great marketing campaign has two characteristics. Firstly, a company needs to adapt the campaign to the market. Moreover, they simultaneously need to take into account the product they want to sell. As a result, companies have to gain the experience in the market in these departments themselves to produce the optimal result.

According to Johanson and Vahlne, the decision on how many resources a firm commits its foreign markets highly depends on two factors. First, the alternative opportunities the firm has and second the decision-making process. The skills of problem and opportunity identification are correlated. Firms with more experience in the market will perform better in these aspects. Therefore, a firm needs a vast experience and knowledge about the respective market. Furthermore, the operations department most often takes on the responsibility of identifying problems and opportunities. They will approach them with their operational way of thinking. The economic effect and uncertainty effect are the two classes of decision-making effect types. An increase in the scale of operations is the most common type of economic effect. The uncertainty effect covers the intangible areas. In general, it includes all things like the knowledge of the employee, or a lack thereof. Further, the effect likewise covers the ability of said employees to predict future outcomes. Once again, experience in the market influences this type of effect.

The conception presented above is fundamental. It provides a theoretical foundation for the four stages model developed by Johanson and Wiedersheim-Paul (1975). They created the model to explain the actions in different market. They expected that companies would use "a stepwise extension of operations" (Johanson & Wiedersheim-Paul, 1975, p. 307). The uses the decision modeling from Johanson and Vahlne and translates them into a graphical model. Methods of operation are important because they encompass all the variables discussed by Johanson and Vahlne. A detailed discussion of entry modes is in a subsequent chapter.



Figure 2: Stage Model of Internationalization



Source: Own Illustration (From Johanson & Wiedersheim-Paul, 1975)

When a company starts its operation, it is only present in its home country. 'No regular export activities' is the first stage of the model (Johanson & Wiedersheim-Paul, 1975). Due to the inactivity in outside markets, the company has a more difficult time collecting market knowledge. When the business chooses to enter a market, they make a commitment decision. Due to the lack of information, a company will choose a more risk-averse entry mode, such as exporting. To support their initial venture, most companies choose indirect exports. Therefore, the second stage is called 'export via independent representatives' (Johanson & Wiedersheim-Paul, 1975). Through market commitment, in the form of exporting, they gain preliminary insights into the market. Companies use the information to inform future commitment decisions. Should the company identify the market as profitable, they will expand their operation to gain greater control. In order to do that, the enterprise establishes a subsidiary. Thereby, they reach the third stage, which is called 'sales subsidiary' (Johanson & Wiedersheim-Paul, 1975). With added control, the enterprise has to commit more resources in the form of labor and capital to the market. However, while the cost of operation increases, they benefit because a company has access to more information about the market. It is likewise the first stage where a company engages directly with its customers abroad. That is very important since customer preferences are a significant factor in purchasing decision making. After employing a subsidiary for some time, the company will have to consider whether they want to commit more resources. If they choose to do that, then they will need to set up a production or

manufacturing facility (Johanson & Wiedersheim-Paul, 1975). Per the concept, the company has reached the final stage of the model. They now own their facility. If the firm identifies a viable market for their product with an excellent opportunity for profitability, they will increase their commitment. As a result, they will have more resources committed, like office space, staff, and marketing expenses. Ultimately, firms will gain full insight into the market and its opportunities. If the situation provides favorable circumstances, the company will exploit them by setting up a manufacturing or production facility. By being very resource-intensive, companies will only make this decision if they have analyzed all the information and knowledge they have collected during their period of operation.

The Uppsala Model provides an initial overview of the internationalization. It exposes the risks that internationalization entails. At the same time, the model identifies opportunities for them. Furthermore, it offers a step-by-step assessment of how companies can path how firms can internationalize. Johanson and Vahlne acknowledge that there is an exception to their model (1990). First of all, resource-rich firms can expand quicker. An excess of resources allows firms to act differently. For instance, if a company with a larger cash reserve can take on more risk. If they expand too fast, they still have enough resources to keep their operation going. Another shortcoming of the model were different market conditions. In this case, they failed to account for the case of a stable and continuous market (Johanson & Vahlne, 2009). More stability ultimately means that companies expose themselves to less risk. However, the entire premise of the model was how a lack of information and uncertainty affects their decision-making. In line with these assumptions is the final exception. Companies that have already entered other markets can leverage that experience. They have already encountered challenges that companies incur when they grow internationally. As a result, they can use these learnings for their future ventures. The effect gains significance if the markets they enter share similarities.

Based on these shortcomings, Johanson and Vahlne revised their model. In their paper, 'The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership', they tried to answer the shortcomings of the previous model (Johanson & Vahlne, 2009). Especially, changes in regulations and firm behavior were the main reasons for the need to adapt. At the center of the changes were relationships and networks of companies. In the original model, the acquisition of knowledge was among the most significant challenges for companies. That was in large parts due to the limited opportunities to acquire the knowledge. As the environment changed, the opportunities to acquire knowledge expanded. According to the model, the business network position started to play a role in the model. Reoccurring business interactions would

eventually lead to a partnership (Blankenburg Holm, Eriksson & Johanson, 2015). These partnerships are „set of two or more connected business relationships, in which each exchange relations is between business firms that are conceptualized as collective actors“ (Anderson, Håkansson & Johanson, 1994, p. 2). The model was constructed based on a fairly developed business environment. However, the sports industry has yet to reach the same stage as the industries. Since they were the foundation for the concept might lead to false results. In large parts, the events analyzed in this paper take place before the publishing of the paper.

Up to this point, the center of the discussion was the decision making of companies. It was shown how and based on which criteria companies expand their operation abroad. Nevertheless, while the mode of operation is important, another factor has an equal effect on the success of an international expansion. That factor is the market selection. In the limitations of the model, Johanson and Vahlne already acknowledged that different environments change the approach of companies. The Uppsala model covers this aspect of the internationalization process as well. During the initial study, Johanson and Vahlne identified a pattern. In general, the companies that they studied chose to enter countries that are most similar to their home market (Johanson & Vahlne, 1977). That finding lines up with the concept of psychic distance. Therefore, the model integrated the assumptions of psychic distance. Due to the significance, there is a need for a more in-depth explanation. The attendant chapter of the thesis provides this explanation.

### **2.3. Psychic Distance**

Psychic distance is a critical concept. There have been several studies that empirically validated that this perception has a significant influence on the internationalization decisions made by the company. Johanson and Vahlne did consider it in their model, during their discussion about knowledge and uncertainty effect. Additionally, they showed that companies start with countries that are psychically closest to their home country. However, other scholars have conducted further research, which shows that psychic distance is a more complex issue. In general, results suggest that it is crucial for the international market selection (Brewer, 2007).

First of all, the paragraph starts with the definition of the concept of psychic distance. This necessity arises because it is often confused with the similar concept of cultural distance. A high proportion of studies uses cultural difference as defined by the Hofstede model as a proxy for psychic distance (Dow and Karunaratna, 2006). Even though Beckerman first introduced it, there is still no universal definition. In its original conception, the concept was a side note result out of a study

concerning economic distances and trade patterns. The focus was on how the differences affect the transaction cost a company incurs when they enter a market. Customary, company that follow the assumptions of the psychic distance theory would start the internationalization process with the countries in closest proximity. That allows them to lower the liability of foreignness (Johanson & Vahlne, 2009).

A couple of decades passed on before the concept was considered again and developed further. Johanson and Wiedersheim-Paul defined psychic distance as „factors preventing or disturbing the flow of information between potential and actual suppliers and customers“ (1975, p. 308). Their conception of psychic distance consists out of several statistical categories. These were characteristics of the target market encompassing the development level of the target market, both economically and politically. Moreover, it included differences in culture, language, and the level of education (Johanson & Wiedersheim-Paul, 1975). The central goal was to find possible practical utilization options for the concept. Therefore, they used the transaction cost approach as a foundation. In the next stage, they expanded that theory by adding the dimension of information. As mentioned previously, information is a highly influential factor in the international market selection. Firms need information and knowledge about a foreign market to identify transaction costs. Only substantial knowledge and information base allows enterprises to identify all transaction costs (Johanson & Wiedersheim-Paul, 1975). However, this slight change of the concept introduced the ambiguity. This uncertainty is responsible for the difficulties in the application of the concept. Additionally, the assumed symmetry in the model creates ambiguity (Ambos & Håkanson, 2010). Because the conceptualization of Johanson and Wiedersheim-Paul (1975) inhabits the differences to the target market, it creates asymmetry. The perception of country A about country B can differ when one looks at the relationship from the other way around. Furthermore, most of the research following Johanson and Wiedersheim-Paul used their conception.

Thereby, these additional researches lead to farther complexity. Primarily, the research by Kogut and Singh has led to more difficulties. Kogut and Singh wanted to understand how national culture effects on the choice of entry mode (1988). However, while they mention physic distance, they then only focus on the cultural distance between countries. Instead, two assumptions are the foundation of the model (Kogut & Singh, 1988). Firstly, a significant gap in cultural distance between investing and foreign countries impacts the entry mode. In this case, they assume that companies will tend to choose a joint venture over a wholly owned subsidy or acquisition. The second assumption was related to the preference of the nation towards uncertainty avoidance. Moreover, again, the

likelihood of choosing a joint venture over the other two modes rose as the uncertainty avoidance increased. Throughout their study, they considered several industries in different countries. Their study proved that both assumptions are strongly positively related to the choice of entry mode. Nevertheless, there is an inherent flaw in this construct. As identified by O'Grady and Lane, the ex-ante perception of a manager can differ from the actual distance (1996). Managers can feel less uncertain about a country if they have spent time there during a holiday. Therefore, their perception would be very different from the general perception of the others in the company and the country. As a result, it is more important to consider the perception rather than the objective distance between countries. However, the assumptions by managers also could be a threat to the concept. Because of their belief that the markets are similar, they will invest less time into market research, compared to more distant markets (Dikova, 2009). As a result, their market knowledge is lower. Thereby, they offset the market similarities by their lack of market knowledge. Even small differences in customers preferences will be a surprise which will result in the worst position.

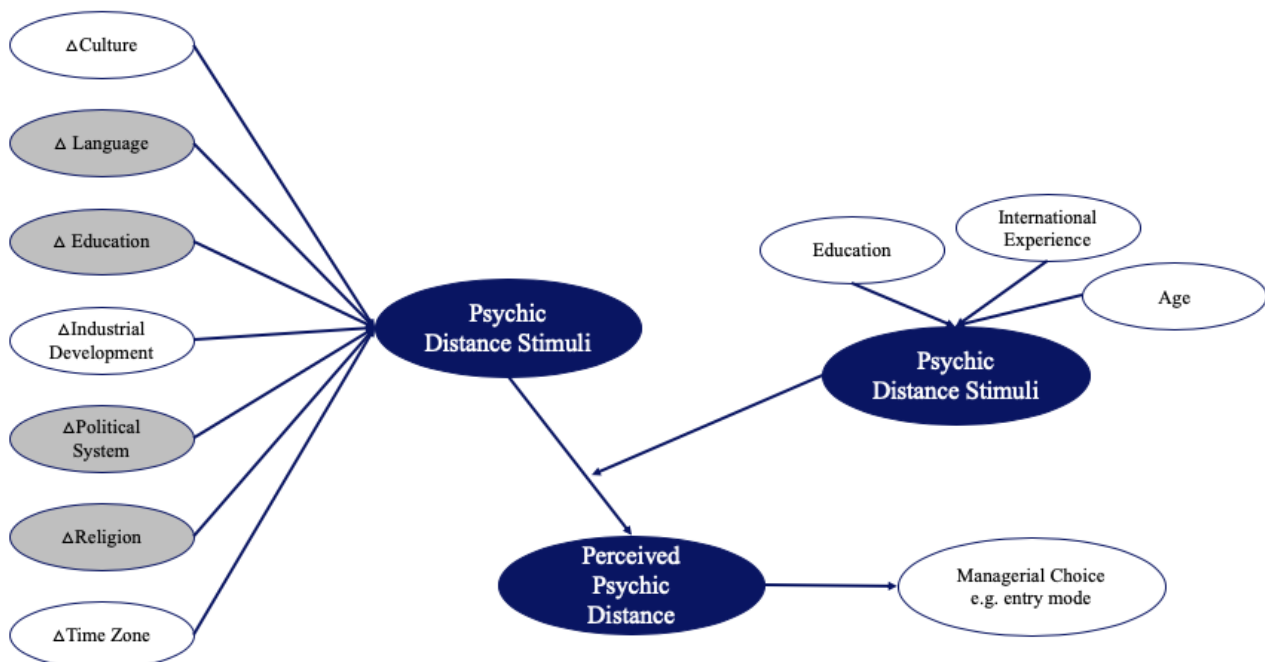
While the perception of the manager might be of high relevance, this might not necessarily be the case. First of all, the perception of something is a very dynamic concept. As such, it changes over time, and these changes can be fairly significant. As a result, the observation can only be valid if the perception of the manager is measured right before the decision is made (Shenkar, 2001). Another reason for focusing on the macro-level measures is the study of other factors. If researchers observe changes in the psychic distance over time, they can control these and identify if they were associated with other phenomena (Dow & Karunaratna, 2006).

Dow and Karunaratna are among the scholars that developed a major advanced version of the concept (2006). In an attempt to improve the comprehensiveness, they introduced three separate concepts. The foundation of their model is the psychic distance stimuli. This factor represents an objective measurement. Within it, the measure encompasses all variables that influence psychic distance between two countries. At the next stage, the model introduces a moderator for the perception of the manager. It is called the decision maker's sensitivity to PD stimuli. The model assumes that the psychic distance stimuli heavily influence the perception of the manager. Since it focuses on international experience, age, and education of the decision-maker, it provides a more stable measure. Furthermore, it allows the researcher to conduct the analysis ex-post. Finally, a combination of the stimuli and the receptiveness end up in the perceived psychic distance. In the paper, *Developing a Multidimensional Instrument to Measure Psychic Distance Stimuli*, Dow and Karunaratna introduce

the differentiation (2006). Additionally, they also conducted a study to identify the psychic distance stimuli.

They identified eight potential, influential factors and assess how impactful they are. Their first assumption was that cultural distance would be negatively associated with the intensity of trade between the two countries. Culture has an outsized impact on a person. That includes behavioral patterns like their communication habits and how they receive them (Carlson, 1974). Therefore, substantial cultural differences correlated with higher transaction costs. While communication technology improved them, these barriers still exist (Evenett & Keller, 2002). The biggest challenge within communication are linguistic barriers. That is why the researchers choose their second hypothesis to be a negative correlation between trade intensity and language difference. The differences, as mentioned earlier, incomprehension of information is not only impacted by culture. Education has an impact on this ability as well. Given this correlation, the third hypothesis is a negative correlation between education levels and trade intensity. Communication and business norms are vital since they improve the ease of doing business with another country. Thereby, it is of great importance which level of industrial development a country has achieved. Hypothesis four captures these assumptions. Regulatory measures usually influence trade between the two countries. If a company is embedded in a stable system, moving to a less stable system is more unlikely. For the analysis, the paper made a separation in the political system measure. Hypothesis five measures difference in democracy and socialism. Differences in political systems often lead to different regulations. Adapting to new regulations is often very challenging. Religion impacts norms and is still a source of conflict between countries (Boyacigiller, 1990; Triandis, 2000). Hypothesis six states a supposed negative impact of differences religion on trade intensity. Technology can be a bridge to connect two physical distance countries. However, technology cannot solve all challenges that result from physical distance. Time zones differences can severely impact the speed of communication. Therefore, hypothesis seven states that a time zone differences has a negative correlation with trade intensity. Finally, hypothesis eight proposes that previous colonial ties could positively influence trade intensity. Since colonial ties have an impact on several of the factors as mentioned above, Dow and Karunaratna treated it separated in their assessment (2006).

Figure 3: Proposed Model of Psychic Distance



Source: Own Illustration (From Dow, n.d.b)

The study was conducted by using 38 countries and determining their psychic distance. In order to analyze the data, the researchers conduct nine multiple regressions. Seven out of the eight hypotheses were proven to be statistically significant. Surprisingly, the outlier in this analysis was the first hypothesis, measured by the Hofstede composite index (Dow & Karunaratna, 2006). All other hypotheses were statistically significant to varying degrees. Firstly, four hypotheses were relevant in all models that were used during the analysis. These were education (H3), degree of democracy (H5), religion (H6), and former colonial ties (H8). However, as noted in the study, colonial ties are a problematical measure to use. It has a high degree of collinearity with other factors such as language. Furthermore, in contrast to the other variables, colonial ties measure past events. Therefore, as recommended by Dow and Karunaratna, the paper will not use the colonial ties measure. The remaining hypotheses difference in language (H2), industrial development (H4), socialism (H5), and time zone differences (H7) received only partial support. Thereby, Dow and Karunaratna showed that psychic distance had been misused for an extended period. Furthermore, the results give researchers four factors that will provide more reliable results than the Hofstede composite index. The three others can be used; however, their significance might vary from case-to-case. For the moderator variable of the model, the study showed that geographical distance is the most relevant factor. These findings have been proven by Leamer and Stopper as well (2001).

The importance of the incremental model of internationalization has been shown in the previous section. Literature would suggest that the concept of psychic distance is equally impactful. Since it is such a vital part of the model, it has to be tested in practice. Child, Ng, and Wong (2002) studied the effect of psychic distance. For the study, they used companies from Hong Kong. These were deemed suitable for the research since Hong Kong has a very high FDI outflow compared to other Asia-Pacific nations (UNCTAD 2019). Furthermore, the ownership structure is very suitable for this type of analysis (Child, Ng, & Wong, 2002). The companies studied were situated in banking, food processing and distribution, garment manufacturing, and public utility. During the research, the authors conducted multiple interviews with employees from different organizational levels. Within the research, the authors utilize the same definition as the one that was presented during the literature review (Child, Ng, & Wong, 2002).

The results of the study were the following. Three out of the five companies started their internationalization process in South and Southeast Asia countries. Incidentally, the psychic distance between Hong Kong and these nations is meager. The other two countries choose to start with Anglo-Saxon locations as their first venture abroad. However, in these cases, there were additional factors that "serve[d] to compress or bridge psychic distance" (Child, Ng, & Wong, 2002, p. 46). Thereby, they were able to prove that psychic distance affects the internationalization process. However, they do point out several factors that could benefit from refinement. Firstly, it appears that an emphasis on local culture does not bear out in the data. Furthermore, today's environment compresses the effects of actual spatial distance on psychic distance. According to the results, modern technology has made communication and travel more manageable, which made working across borders easier. Due to the technological development, regulatory environments have grown more similar (Child, Ng, & Wong, 2002).

These findings seem to prove the assumptions made within the literature. Nevertheless, there are also reasons to believe that managers have to be more careful when they assess markets in neighboring countries. O'Grady and Lane (1996) conducted a study based on the assumption that psychic distance. The paper "*the Psychic Distance Paradox*" studies whether territorial distance is as beneficial as it is proposed within the framework. Therefore, the authors researched which they studied the American and Canadian markets. Specifically, their study focused on market entries of Canadian and US retail companies. The companies used for the study were chosen because they acted according to the psychic distance framework. Their first foreign market entry was in the market that is geographically closest to them. However, while they acted according to the book, the results were



negative. Of the thirty-two Canadian companies which took part in the survey, only seven were successful (O'Grady and Lane, 1996). US companies, on the other hand, were better off on average. Based on these results, the authors defined the concept, which they called the psychic distance paradox. Their findings were later on proven by Brewer's (2007) research of psychic distance, which showed the same asymmetry. According to O'Grady and Lane, „mental maps or preconceived ideas of the United States, and what it would be like to do business there, created barriers to learning about this new market“ (1996, p. 324-325). To solve these issues, the researchers suggest treating new markets as foreign, even if they are geographical close. Managers should likewise test their assumptions to make sure that they are not entirely off. Furthermore, management should not only focus on getting information because that only gets them halfway to the goal. It is equally essential to be able to interpret the information correctly to generate knowledge that can be used further. The final recommendation is to learn. The company must try to learn as much as possible about their target markets to ensure that they are not using false premises during their planning of the entry.

## **2.4. Market Entry Methods**

The previous chapter discussed mainly how companies could prepare themselves for the internationalization process. In the Uppsala model, all stages are named after a market entry mode. A market entry is a decision that has to be made based on two conjoint factors (Buckley & Casson, 1998). These are the location and the entry mode or mode of control. Additionally, the industry and size of the company need to be considered. In general, the market entry modes of firms can be separated into two main groups. These are either equity or non-equity modes (Buckley & Casson, 1998). Equity modes, which are also referred to as foreign direct investment (FDI), are categorized as such because the company invests equity into the market. Non-equity modes, on the other hand, do not require the investment of any equity within the foreign market (Agarwal, Dev, & Erramilli, 2002). The choice of entry mode is mostly determined by the expected return on investment as well as resources and control wanted (Agarwal & Ramaswami, 1992; Stopford & Wells, 1972).

### **2.4.1. Equity Modes**

Equity modes are composed of three different strategies. Wholly owned subsidiaries, Mergers and Acquisitions (M&A), and (International) Joint Ventures are said strategies. Wholly-owned subsidiaries are the riskiest and most resource-intensive version of FDI (Agarwal & Ramaswami, 1992). However, this mode also provides the most considerable amount of control over the foreign

enterprise. It is beneficial for companies that possess high quantities of intangible assets. Further, it is equally beneficial for those who gain their advantage through R&D and branding (Agarwal & Ramaswami, 1992; Anderson & Gatignon, 1986). Complete control over the subsidiary allows the parent to transfer propriety knowledge at a reduced risk level. This is especially valuable in countries with lower or no intellectual property rights protection. Moreover, the complete control over the venture allows companies to preserve a consistent product performance. With a shared ownership model, it might lead to conflicts with the partner because they could have different standards and understandings about the product (Killing, 1983). Entering the market directly likewise supports the company because they overcome market barriers such as import tariffs and transportation costs.

Nevertheless, there are also downsides to the strategy. These downsides can be split into resource and institutional or psychic distance issues. Setting up a wholly-owned subsidiary is a very capital-intensive practice. As a result, the parent company often has higher performance expectations because they invested a sizable amount of money. Furthermore, the international management is feeling the pressure because the venture starts in debt. Meaning they will negative results at first as they have to make up for the investment. What is more, the business does not only have substantial capital investments. Operating their subsidiary also requires them to hire new staff and adapt their training and onboarding. The reason for this is the psychic distance between the two markets. As a result, diversity management within the company becomes more complicated. Furthermore, a language barrier often proves to be the biggest challenge to overcome (Marschan-Piekkari, Welch, & Welch, 1999). The most significant potential conflict regarding language arises due to the strain it puts on communication. This, combined with information sharing, hurts the potential of cross-border teams (Maljers, 1992; Marschan-Piekkari, et al., 1999). Outside of the language barriers, companies encounter quite a few institutional challenges. Most issues relating to institutions arise from a considerable institutional distance between the home and host country. In that case, the parent company will have a very troublesome time to transfer its practices, which will negatively impact the performance (Xu & Shenkar, 2002). The foreign subsidiary will not be able to maximize the assets which they were provided with (Reed & DeFillippi, 1990).

Joint Ventures are another type of FDI firms can pursue. It is generally defined as „any long-term alliance [...], and in which two or more economic entities own a sufficiently large proportion of the equity capital to give each of them some degree of control“ (Dunning & Lundan, 2008, p. 269). Added to that, within the partnership, the companies share risks and profits of the venture accordingly. There are multiple motivating factors for small and medium-sized enterprises (SME) and

multinational enterprises (MNE) to engage in these partnerships (Kirby & Kaiser, 2003). First and foremost, the partnership between the companies means an increase of knowledge for all members. As discussed in the section about psychic distance, market knowledge is both crucial and hard to obtain. However, by collaborating with a firm in that market, focal companies can overcome the liability of foreignness. Moreover, the MNE that create the venture decide to share their resources. Correspondingly, resources can be combined to create a more valuable product. Especially for SMEs, this is very valuable. Since these companies often have little financial resources, they benefit greatly. Joint ventures further support market entry because it helps the foreign firms to gain legitimacy with the buyers (Young, Hamill, Wheeler, & Davies, 1989). Finally, there is also the fact that the companies share the risks. Therefore, a failed venture does not have the same negative impact as a solo venture. Some companies might even be likely to take on more risk due to their lower share.

Although the benefits are tempting, this organizational form has downsides. Firstly, the shared ownership of the venture also means shared control. While it might be useful to gain a different view on an alternative, the decision process will be prolonged. Furthermore, the difference in operational procedures will impact how decisions and operation of the venture is executed. Studies have shown that joint ventures with shared decision-making end up with more frustrated members (Beamish, 1985). Besides, joint ventures with a dominant party in control generally perform better (Killing, 1983). This in turn might lead to a degree of brand dilution because the company has to divert from their standard branding and marketing strategy. Other problems include different demands like lower quality standards in production. Combined with personnel debates, ranging from recruiting, training, and motivation, all the way to productivity (Kirby & Kaiser, 2003). Intellectual property and how much access the company gives its partner might also be an issue, especially in countries with inferior policies and protections.

Finally, companies can use their capital endowments and leverage them during the entry process. In these situations, they will enter the foreign market and either buy or merge with an existing cooperation in the market. Companies can achieve this by consolidating assets of the companies through financial transactions. There are several drivers for the acquirers. The most common motives are gaining market share, eliminate competitors, and overcoming market barriers (Rani, Yadav, & Jain, 2016; Yip, 1982). Gaining market share works hand in hand with the motivation of eliminating competitors. Instead of having to build a subsidiary from the ground up, the acquirer purchases the company which is already present. Therefore, they do not only gain the assets but, maybe even more importantly, the knowledge about the market (Vermeulen & Barkema, 2001). Besides, the acquisition

allows the company access to the network of the acquired company. Thereby, they reduce the liability of outsidership. Not to mention the fact that an acquisition removes one potential competitor from the market. Another stimulating factor for M&As is the speed of market entry. Compared to setting up a wholly-owned subsidiary, M&As are far superior in terms of speed (Dunning & Lundan, 2008). Speed is peculiarly valuable if being present in the market could be of value. Mainly because being first allows a company to benefit from the first-mover advantage.

However, M&A's have downsides disadvantages as well. Firstly, they tend to be overpriced. The acquirer often has an intractable time valuing intangible assets like customer relationships, trademarks, or intellectual property. As a result, the sum paid is higher than the value the company obtains. Moreover, CEOs and the top management, in general, suffer from hubris. They believe that their superior management abilities will allow them to extract more value from the acquired assets than the other firm did (Hayward & Hambrick, 1997). The high price also creates much pressure to create an immediate return on investment.

#### ***2.4.2. Non-equity modes***

The second kind of entry modes are non-equity entry modes. These can be categorized into two classes. Enterprises can choose to enter a market through exporting or through contractual agreements. What that exactly means is discussed in the following.

The concept of exports was already touched upon in the Uppsala model. It is probably, one of the least sophisticated methods for companies to expand their international footprint. Exports can be separated into two classes. These are direct and indirect exports and can be separated by the operators of the operation. In the former case, the enterprise acts as the operator. In most cases, enterprises set up their own sales office inside the country. Indirect exporting, on the other hand, means that the company hires an intermediary firm to take over the operation (Yasar, 2013). These intermediaries are located in the home country of the company. However, they possess a network of contacts which they use to take over the operation in the target market. Companies have to consider their future strategy carefully. Both types provide distinct advantages which they can exploit in their future operation. Direct exporting, for instance, allows firms to gain valuable insights into production, distribution, and management strategies (Krugman, 1979). Furthermore, the company exposes its product to the international market at a lower risk. This allows them to collect feedback from both customers and competitors (Yasar & Morrison Paul, 2007). Participation in the international markets likewise furthers the construction of a network and partnerships. These will support the firm if they

decide to enter the market through a FDI. By employing indirect exporting, on the other hand, the business misses out on the learnings. Although they still benefit from low-risk levels, statistical analysis shows that indirect exporting is less beneficial. Yasar identified that firms that engage in direct exporting are more productive and efficient than indirect exporters (2013).

However, a firm still faces complicating factors when they enter a market by exporting. First and foremost, they encounter a variety of market barriers. Especially, import tariffs and transportation costs can be very costly. Since these costs are added to the regular production cost, they will adversely affect the profitability in the market. Added to that, companies limit their learning activities. Specifically, indirect exporting does not create any direct intersection between the company and the foreign market. Although direct exports do create certain junctions, it does not expose the entire organization to the foreign market. Finally, the company lacks control over the sales process abroad.

Among the contractual entrance modes are licensing and franchising. Licensing offers the licensor the ability to monetize intellectual property and R&D capabilities. Customers and licensee correspondingly benefit from the contractual agreement. Firstly, customers are presented with a product that might not come to exist otherwise (Kotabe, Sahay and Aulakh, 1996). Licensee benefits because they get access to a technology or recipe which they could not otherwise. Licensing allows firms to benefit by „using the "sprinkler model of expansion“ (Gleason, Mathur, & Singh, 2000, p. 434). Meaning that they will enter multiple markets at once rather than having to do it step by step. Moreover, the licensor will incur little cost during the market entry. Nevertheless, licensing is not without risk. The licensor has limited control over the way the licensee uses the product. These might lead to lower quality levels and therefore damage the image of the company. Even more dangerous is the threat of misappropriation of the licenses (Das & Teng, 2001). In less severe cases, the licensee will violate clauses and make changes which the contract prohibited them. However, in the worst-case scenario, the licensee will misuse the license and copy the technology or trademark. As a result, the company not only gave away valuable knowledge but also created another competitor in the market.

The last strategy that will be discussed is franchising. It is defined as a business model that permits a third party the right to operate a business under the brand of the franchiser (Kretinin, Anokhin, & Wincent, 2019). The franchisee has to pay an upfront fee and sales royalties to be authorized to use the brand (Barthélemy, 2008). In the internationalization process, service companies benefit significantly from franchising. Since they cannot directly export a product, this model allows them to establish themselves with limited risk exposure. Furthermore, by handing the operational

capacities to a local operator, the company can forgo the liability of foreignness. The franchisee will only be interested in obtaining the license if they perceive an opportunity. Additionally, building a close connection with the franchisee allows the focal company to gain valuable insights into the market (Elango, 2007).

However, franchising is far a cure-all solution. First of all, while a good franchisee can add much value to the company, finding someone who is capable is extremely difficult. The agency framework supports this notion (Wang & Altinay, 2008). Even if a company finds suitable candidates, monitoring and management are very costly and time-intensive. Moreover, as the geographical footprint grows, so does the challenge. The same holds for the ability of the franchise to keep track of market developments (Kretinin, et al., 2019). The commitment to the franchisee also tends to be longer than a licensing agreement. That makes the model more rigid. Finally, a study conducted by Sorenson and Sørensen showed that transposing the brand to different markets will ultimately lead to lower firm performance (2001). Thereby suggesting that companies find it difficult too continuously improve and adapt the concept.

## **2.5. Structures of Professional Sports**

The annual revenues of professional sports prove that they have become more of a business (Badenhausen, Ozanian, & Settimi, 2020). Due to their origin, the structures that govern and inform their decision making are very different. When the professionalization first started, instant communication was not available. Subsequently, each league developed its own set of rules or used the ones that were prevalent in other sports in their country. Over time two structures proofed to be the most commonly used ones. They developed on each side of the Atlantic Ocean. Furthermore, the system would define the path of the league and their approach to the business of sports. On one side, sports in Europe developed a system that was founded on sports being a recreational activity. On the other side of the scale was the development in North America. Business owners constructed their system. Therefore, sports were intended to generate revenue right from birth.

### **2.5.1. European Model**

The European Model is represented by a pyramid structure consisting of four levels. The model is Figure 5 in the appendix. In the following, the definitions from the Directorate General X of the European Commission are described (n.d.). Clubs/Grassroots Federation lay the groundwork of the pyramid. They have been tasked with the central mission of "promoting the idea of «sport for all»"

(DIRECTORATE-GENERAL X, p. 2). At this stage, unrewarded participation from coaches, trainers, and players is critical to reaching the goal. Furthermore, the prevalent concept of amateur sports is attached to this stage. The next level of the pyramid is the regional federations. These federations mostly consist out of the clubs within a specific region. They are tasked with organizing tournaments and the sport in general. Depending on the size of a country, this stage might not exist. Instead, the next stage will take over these tasks as well. National federations are the next level on the pyramid. As it was the case in the previous stage, the regional federations usually get together and form the national federation. Since there is only one federation per sport, they gain a monopolistic position. The national federation is responsible for regulating the sport in the country. On the other hand, they are the representative of the country in European or International organizations. Added to that, they also organize the national champions. At the peak of the pyramid is the European federation. Once again, this stage is composed of the federations from the stage below. However, the European federation will limit each country to one federation. These federations usually organize tournaments, which have not been recognized by the international federation. That is their method to strengthen their position and maintain relevance.

**2.5.1.1. League Regulations.** League structures follow the role model provided by the European model. In most countries, there is a pyramid of leagues. The bottom is filled with amateur teams whose primary purpose is to provide sports and recreational activities for its members. On the top are the professional teams where players are paid. All the leagues within the European system are generally following the open model. That means no team is a fixed member of one league. Instead, the individual performance determines the league membership (Jasina & Rotthoff, 2012). This system is called promotion and relegation. The league creates an incentive of being good by punishing losing. By obtaining membership, the team also obtains ownership of the league. Since they are a member of the board, teams have the power to vote on rules of the league in the annual meetings (The Football Association Premier League Limited, 2019). There are various techniques for how teams organized themselves. Their original mission was to provide recreational activities for everyone. Therefore, members are the ground for each club. The membership fees paid by their supports ensured their survival (Andreff & Staudohar, 2002). However, today's environment has become very exceedingly professionalized and commercialized. As a result, only the amateur clubs stuck with the original structure. Professional teams, on the other hand, moved on and became mostly limited liability companies (Peeters & Szymanski, 2014). Furthermore, especially in England, for instance, the single

entity ownership model has become very popular (Szymanski, 2015). The leagues in the European model do engage in revenue sharing. However, in the model, it is mostly focusing on league specific sponsorships and television rights. Each team separately handles all other revenue. Thereby, the model creates somewhat conflicting incentives for the teams.

Usually, teams enter or maintain a place within a league, through the promotion and relegation system. However, if an entrepreneur or a collection of investors can get into the game as well. Outside of the promotion and relegation, there are two different methods to enter a league. Either an individual or group of investors gets together and buys a team. They can then spend money on training staff and players to earn a promotion. Alternatively, the investor can also go out and start their team outright. However, that means it has its downside. It will take longer because they would have to start at rock bottom and earn promotion until they reach the top (Noll, 2002).

**2.5.1.2. Players & Talent Development.** The most important asset for a team and, therefore, the league is the players. Moreover, in the professional leagues, they impact various areas of the team. Firstly, outstanding players have a significant impact on winning (Lucifora & Simmons, 2003; Rosen, 1981). Furthermore, they impact the quality of the product, in this case the game. As a result, it is of the essence to have a constant supply of talent. In the European Model, the grassroots clubs are generally responsible for developing the next generation of athletes and competitors (DIRECTORATE-GENERAL X). Due to the importance, professional teams have begun to engage on this level as well. The European Club Association is an organization that inhabits most of the most significant European leagues. In a study conducted among their members, they investigated the perception of youth development. Findings showed that 60 percent of teams consider their expenses towards youth development as a source of income and not an expense (European Club Association, 2012). In their academies, teams combine education and talent development.

There is a blurred line of separation between the amateur level and the professional level. Apart from legally not being to sign a contract, players can become professionals whenever they want. Their talent mainly determines it. Furthermore, since most teenagers are at a disadvantage physically, it takes them a while to receive playing time on the highest level. The freedom is a through-line through the entire labor market. Teams are free to pay a player as much or little as they want. Although they are limited by their economics, since they can at most spend as much money as they make. This system leads to a fairer compensation for the players. At the same time, it can hurt the competitive balance. There is a circular relationship between player quality, fan interest, and



performance of the team. Moreover, the liberty provided by the European system means that, in theory, the wealthiest teams will always win. Their success will then increase their commercial power and income. Furthermore, the study "Deloitte Money League" shows that this development takes place (Deloitte LLP, 2020).

The transition from being a youth/amateur player to professional are fuzzier. Apart from legally not being to sign a contract, players can become professionals whenever they want. It is mainly determined by their talent. And since most teenagers are at a disadvantage physically, it takes them a while to receive playing time on the highest level. The freedom is a through line through the entire labor market. Teams are free to pay a player as much or little as they want. Although, they are limited by their economics, since they can at most spend as much money as they make. This system leads to a fairer compensation of the players. But at the same time, it can hurt the competitive balance. There is a circular relationship between player quality, fan interest, and performance of the team. And the liberty provided by the European system mean that in theory the richest teams will always win. Their success will then increase their commercial power and income. And the study "Deloitte Money League" shows that this development takes place (Deloitte LLP, 2020).

### ***2.5.2. North American Model***

The model originated from baseball and fully formed starting at the end 17th century. In the early days of baseball, teams struggle to maintain control (Helyar, 1994). The league had already professionalized. Players took full advantage of this shift by moving teams frequently and thereby maximizing their income (Dickson, 2009). Team and league officials wanted to put a stop on these developments. As a result, they set out to craft rules which put the control into the team's owners' hands. Furthermore, these rules were set to secure the revenues. The league instated territorial exclusivities for the teams and a central punishment system. Moreover, the league instituted rules restricting player movement and salaries (Helyar, 1994). All other major American sports leagues adopted the same rules and regulations. The North American model is mainly concerned with the structure of the professional league of the specific sport. Later on, regulations were added as the distribution of the product, and the revenues changed. How that impacts structure and governance are going to be discussed in later sections. The same holds for the players and their development. Amateur sports are organized regionally. Given their amateur nature, most of the regulations set out by the North American model do not apply.

However, the model does not disregard the grassroots federation and their mission. However, here it is schools, universities, and specialized academies that take on the mantle of sports for children. The specialized academies provide a lot of ancillary benefits. Therefore, they are fairly costly. Schools and universities take on the main role of promoting sports. Nevertheless, their main purpose remains the promotion of education. Therefore, they are less effective than an organization dedicated solely to sports. Moreover, the target group for schools and university sports is mostly to children/young adults. On the school level, rules are usually instated by their respective leagues. They often copied them from the professional or collegiate level. At the collegiate level, the National Collegiate Athletic Association (NCAA) imposes the rules and regulations. It consists of over 1,000 colleges and universities (NCAA, 2020).

**2.5.2.1. League Regulations.** On the professional level, the North American model works as a single league model. That means there is a single professional league for each sport. To add another degree of restrictiveness, the leagues operate as closed leagues (Jasina & Rotthoff, 2012). Closed league structure means that there is a fixed number of teams. As a direct result of these restrictive policies, different entities have attempted to start rival leagues. A league does not need validation and licensing from the national federation to operate. In this model, leagues operate with a far higher degree of autonomy. For instance, the major leagues in North America have achieved their position due to their ability to overcome other competitors. Economic performance is a far more significant indicator of league survival. Although it is important to remark that there is a correlation between economics and the performance of the league (Szymanski, 2003). Ownership of each league belongs to its members who possess joint control. Most teams are structured as businesses. In North America, they are most often limited liability companies. The ownership of the companies mostly lies with a single entrepreneur or a group of investors. Within the league structure, "teams are independently owned and managed, and collectively create the league as a joint venture for coordinating their league activities" (Noll, 2003, p. 22). The administration handles all the day-to-day operations of the league. At the head of the administration, is the commissioner. This position is the chief operating officer of the organization. However, final decision-making power on all amendments are made by the board of directors. Owners of the teams form the board and therefore retain power over the league (Noll, 2003). It is the responsibility of the administration to propose changes and their viability to the board of directors as well as punish wrongful behavior.

Even though the North American model is characterized by being a single league model, there are sports with multiple leagues. Most often, the professional league directly owns them. However, these do not use promotion and relegation. Instead, they serve the purpose of being the development league for the majors. Teams will send their younger players to these teams to give them playing time. Sometimes leagues use the developmental leagues to test proposed rules changes. Owners of teams do not have to worry about these leagues. The developmental teams are often owned by themselves. Therefore, they can control and make sure that these leagues are not a threat to their main product. It also protects them from other competitors because it limits their labor market.

In addition to jointly owning the league, the owners also decided to engage in revenue sharing (Késenne & Szymanski, 2004). Doing so generates multiple advantages for the leagues. Firstly, it further manifests their monopoly power. As the only professional league in the specific sport, they become the single seller of the product. Nevertheless, there are still several teams in the league who are looking for various services. To further their negotiation power, the leagues engage in joint negotiating for television or sponsor rights. Their partners will have to pay more because it is a take all or nothing situation. However, it simultaneously allows sponsors to sign a partnership with the entire league, which increases their exposure. Secondly, teams are less dependent on their location. There are specific cities and regions which have a larger and more affluent population. As a result, teams of some teams would be at a disadvantage. Less people and lower disposable income directly correlate to lower attendance, a smaller fanbase, and lower earnings. Furthermore, the team would not be able to pay the high salaries. Thereby, the competitive balance in the league would decrease (Késenne & Szymanski, 2004). Some owners realized this issue of location. Historically, North American leagues had been struggling to maintain profitability. During these times, owners often prioritized their interest over the league's well-being. Their solution to the imbalance of revenues was to relocate their teams to larger cities, which often already had a team. This behavior hurt the stability of all teams in the league, as well as its general popularity. Due to the frequency of this behavior, the leagues decided to impose territorial exclusivity (Cain & Haddock, 2005). Thereby, they helped to protect against the movements. Furthermore, revenue sharing ensured that everyone would get a share of their share. Moreover, it set the right incentives for ownership. Through revenue-sharing, owners would always consider their partners because everyone shared parts of the income. Relocation is still possible; however, the owner will have to pay a relocation fee they have to their partners in the league.

**2.5.2.2. Players & Talent Development.** As discussed, players are the most valuable asset of a league. Therefore, leagues need to ensure that the current players keep improving. Developmental leagues are the most common solution and have already been discussed. However, even more critical is the influx of young talented players. Because, like other input variables, players performance depreciates over time just as any other physical capital (Allmen & Leeds, 2013).

In the North American model, the collegiate system mostly takes care. The umbrella organization taking care which takes care of most of the organization is the NCAA. Every sport practiced at a university falls within the umbrella of the NCCA (NCAA, n.d.). Furthermore, they are the hosts of the national champions. Federal and state laws regulate the power of the NCAA. One of the central rules pertains to the status of the students. According to federal law, student-athletes within the collegiate system are considered amateurs (Zimbalist, 1999). Education is highly essential because the route to become a professional athlete is very difficult. According to the NCAA, only 1.6% to 9.5% of all college athletes become professional (NCAA, 2020). Among other factors, the percentage is this low because the leagues control access. They usually impose age limitations when an athlete can move into the professional ranks. Teams and leagues depend on this system because they only engage in player development once players graduate from the system. Therefore, the sport must remain popular. Otherwise, the supply of new players and thereby the quality will decrease.

Once the players have entered the league, they are professionals. However, in the North American system, player compensation is limited to specific measures. As previously discussed, during the earlier periods, players were leveraging teams against each other. This opportunistic behavior allowed players to maximize their earnings. However, there is another motivation why teams did that. For teams, it is essential to have the best players. They will give them a better chance to win. Simultaneously, Rosen (1981) has found that fans will likely pay more money to watch the best player. The gap to the second-best player in this case does not matter. Nevertheless, competitive balance also influences the attention of fans (Humphreys, 2002). Therefore, leagues needed a measure that allowed them to control player movement and salaries. Simultaneously, the measure is aimed at improving competitive balance (Dietl, Franck, Lang, & Rathke, 2010). The resulting measures were a salary cap, a luxury tax, and further limitations on player salaries. For teams, a salary cap effectively sets an upper limit on the amount of money they can distribute to their players (Levine, 1995). The salary cap is usually tied to the income generated by the league. Another measure is a so-called luxury tax. Since some leagues operate under a soft cap, a luxury tax permits them to limit spending (Coon, 2017). Under this circumstance, the league will set an additional line above the soft cap. If teams

exceed the amount, they are required to pay a tax on every dollar they are above the amount. These measures harm players. Owners can limit the earnings potential of the players effectively. Furthermore, some would argue that the players are not paid per the value they create for the league (Krautmann, Allmen, & Berri, 2009). This fact might be in the interest of the league. Apart from the obvious financial benefits, it creates incentives for players, which likewise can help the league. In order for the player to maximize their earnings, they need to find additional sources of income. Since athletes, with the help of social media, are becoming real celebrities, they can benefit from their brand. Moreover, just like companies, the best way is to use endorsement and sponsorship deals. These deals generate awareness and money for themselves. Furthermore, positive attention for themselves also generates interest from the general population. Moreover, leagues or sports can gain popularity in countries without generating cost for the league.

### **3. Methodology**

In the following section the explains the methodology of the thesis. The chapter contains the explanation of the three methodologies for the following chapters. Firstly, a section will explain the reason for and structure of the company analysis. It is crucial since that is the type used to present the two companies which are analyzed. Subsequently, a section explains the two method of analysis. That is relevant because the analysis provides an answer to the research question. That part begins with a discussion about the methodology used for the Uppsala Model. The section concludes with a presentation of the methodology of the psychic distance analysis. Finally, at the end of the section, a short description of the data sources is provided.

#### **3.1. Company History and Situation Analysis**

In order to conduct a structured analysis, the research design and methodology are one of the central elements. Depending on the nature of the study, the researchers can make use of different methods. The catalog of methods includes but is not limited to surveys, experiments, archival analysis, history, and case study. Given the variety studies need a method to determine which mechanism they utilize. Historically, researchers would base their decision on which method they employ based on the hierarchy (Yin, 2003). What that means is that some scholars believe that each method is only applicable to one step of the research process. For instance, historical analysis would only be suitable

for descriptive researches. However, some authors oppose this line of thinking. Subsequently, there have been scholars who strived to develop a more concise mechanism to handle these decisions.

Yin (2003) published one of these models within the work *Case Study Research Design and Methods*. In the book, Yin points to three variables which authors should consider. First of all, the author should start the evaluation with the research question. Depending on the wording of it, the author can already exclude some methods. Further, the research has to consider whether they have control over actual behavior events. Finally, the scholar needs to weight the focus put on contemporary compared to historical events. Table 1, in the appendix, depicts the decision variables.

The question pronoun used allows the author to exclude a few different techniques. For example, research questions starting with "what" would be used when it is an exploratory research. As a result, archival or survey studies would be the appropriate technique. "How" and "why", on the other hand, indicate a more explanatory style. Therefore, the researcher would use case studies, histories, or experiments (Yin, 2003). Due to the overall importance of the research question, it is valid to use it as the primary decision vehicle for the strategy. Moreover, if the strategy and the research question do not align, the study would not arrive at the desired results. However, as the examples indicated, the research question could not directly point towards a specific method. Consequently, there are more decision variables. For the author, the next step would be to consider how much control they have over the behavioral events. How and why research questions demonstrate the usefulness of this distinction. As a result of step one, a researcher would only consider three possible strategies. Experiments give the conductor control over behavior. Influence over behavior is one of the central elements of the strategy. However, this is not the case for the remaining strategies. The historical method, for instance, equips the author with no control at all. By definition, the historical method uses only historical events. They took place in the past and therefore, cannot be changed. Finally, case studies often incorporate situations where influencing the behavior of the subject is not possible. As a result, case studies and the history method use similar techniques. In order to decidedly separate the two, the author should consider the data used for the research. This paper examines a majority of historical data. That data is essential to explain the circumstances of both parties. Moreover, the data provides support for the analysis in the later chapters.

### **3.2. Methodology of the Uppsala Model**

After the two cases were discussed, the paper transitions to the analysis. Since the research question includes two frameworks, the analysis is separated into two sections to study both of them. The

Uppsala model, as used in this paper, uses the phases from Johanson and Wiedersheim-Paul (1975). The change and state aspects developed by Johanson and Vahlne are the basis (Johanson & Wiedersheim-Paul, 1975). These four stages are associated with specific operations modes. To observe the changes, the paper uses qualitative data. The initial study observes stages three and four differently than the paper does. That is due primarily to the difference in the operation of the companies. The companies based on the Uppsala Model were producing physical goods (Johanson & Vahlne, 1977). Prior sections already expressed the different nature of the product generated by professional sports. Therefore, they label their organization slightly differently. Specifically, a sales office is a marketing or business office. These differences are due to the fact objectives of the facilities are different. Along the same lines, a sports league or team would not establish a production or manufacturing facility. Instead, they start a team or league in a foreign country. A league or team is the critical input variable that is needed to produce their product.

### **3.3. Methodology of Psychic Distance Measurement**

The measurements used for the analysis are based on the study *Developing a Multidimensional Instrument to Measure Psychic Distance Stimuli* by Dow and Karunaratna (2006). In that model, they developed a set of hypotheses based on factors that could influence the psychic distance between countries. Their analysis yield four factors which were proven to be statistically significant across all tested model. There were differences in religion, education, political systems, and former colonial ties. The paper discussed the collinearity between former colonial ties and language. Moreover, companies can communicate more effectively communication if they lessen or eliminate language barriers (Harzing & Feely, 2008). Based on these determinants, the thesis will use language instead of former colonial ties. In order to measure each of the variables, Dow and Karunaratna utilized a set of variables (2006). The following paragraphs explain each source and the reasoning for it. Since multiple sources refer to a point in time, the paper has to adjust these measurements. A later part addresses the time frame and the reason for that specific choice.

The differences in language were determined based on the following method. Firstly, a table classifies all languages. Grimes & Grimes produced the table for this analysis (Dow & Karunaratna, 2006). Table 3 in the appendix represents an abbreviated version, focused on all information relevant to the analysis. Languages were classified based on their origins, which represented the language family. In addition to that, the table separated languages into two additional branches. These cause further separation and generate a more precise result. The table and its classification were the basis

for the measure of difference. A classification system scores the differences on a scale from one to five. Should the closest major language in the two countries is the same; it receives the score of one. Should the respective languages not even belong to the same family, then it would be the largest difference and receive a score of five. To compute a more precise difference in languages, the paper uses to additional measures. Using the same scale, Dow and Karunaratna measured how many people of the focal country can speak the two major languages of the foreign country. All these measures were then summarized in a single factor solution. To calculate the value, the paper employs a confirmatory factor analysis. Using this analysis allows to test whether a correlation or covariance in multiple variables is due to a single factor ("A Practical", n.d.). Since this paper tests psychic distance based on the model from Dow and Karunaratna, the analysis uses the factor loadings and Cronbach alpha, they used in the analysis. Otherwise, the results would not be comparable. Table 2 includes the values for all the variables. The remaining three factors use the same foundation but with the factor loadings and the Cronbach alpha that apply the respective single factor.

Differences in religion calculations follow a similar template. A table of religions was constructed based on multiple sources (Dow & Karunaratna, 2006). Table 4 in the appendix includes an abbreviated version with all relevant information. The table separated religions into families, religions, divisions, and denominations. In the next instance, the table helps to determine the major religions. In this case, at least 20 percent of the population had to have an affiliation with the religion. For the divisions and denominations, at least a quarter of the specific religion must have an affiliated with the specific subcategories to appear in the table. The classification of the differences is analog to the of the difference in language. Based on the prior criteria, the two major religions in the countries of interest are determined. Three variables are applied to measure the difference. These three determine the difference in the major religion. Besides, the measures calculate how many people identify with the major religion of the other country. In the end the authors calculate an all-encompassing measure. They are at the single factor through the usage of confirmatory factor analysis.

Education is measured based on three variables (Dow & Karunaratna, 2006). These are the differences in literacy rate, and the share of population in secondary and tertiary education. The difference in the percentage of adult literacy corresponds to the difference between the absolute value of illiterate people in each country. For the study, every individual aged 15 and above is an adult. The next two variables are concerned with the measurement of the number of students enrolled in secondary and tertiary education. Due to differences in population, the measure needs to account for



that. To do that, the metric divides the students by the population below age 15. The value for the foreign country is subtracted from the host country value to determine the difference. A confirmatory factor analysis calculates the educational factor. The analysis will use the absolute value of the education factor because it generated a more significant result in the original study.

The final measure, which proved to be relevant in the study was the difference in political systems (Dow & Karunaratna, 2006). The political systems measure separates their measures into two different categories. Firstly, the degree of democracy is measured. Since democracy is included several aspects of the political system, the paper uses several independent indexes. Among them are the Political Constraints Index (POLCON V) by Heinsz, which uses a scale of zero to one to judge the differences (The University of Pennsylvania, 2020). This measure studies the constraints a single president faces in their policymaking. Another measure is the Bollen's Polity IV. It consists out of multiple components that study specific areas of the government (Marshall, 2019). This measure classifies each country based on a scale ranging from minus ten to plus ten. Finally, the last democracy measures are the Political Rights and Civil Liberties index of the Freedom House. The measure studies the freedom and protection of the population against the government (Freedom House, 2013). Both indexes use the same scale going from the best score of one up to seven. The paper uses a confirmatory factor analysis to calculate the democracy index. That will result in a single factor which is used for the analysis. Using the absolute value of the measure helps to make the results more comprehensive and comparable. The second category of the political systems metric is the social variable. With the measure, the goal is to evaluate the political ideology of the leadership group (Dow & Karunaratna, 2006). In the paper, they only found one measure which quantifies these differences. The Right-Centre-Left scale only takes into account data before 2000 (Beck, Clarke, Groff, Keefer, & Walsh, 2000). However, the time frame of the analysis studies is later. Therefore, the analysis will refrain from using this specific measure. As it does not factor into the measure of democracy, the exclusion does not negatively impact the remaining analysis.

In the study, Dow and Karunaratna calculated the differences for 14,280 country pairs (2006). Among them are the countries of interest for the thesis. As a result, a large data set based on the same methodology already exists. Furthermore, a large sample and the diversity of that sample reduces the biases. Such a base can enhance the current analysis. The averages and standard deviations for each measure already exist. At the end of the analysis, these values will provide a reference value. They help the classification of the current study since the same methodology leads to the results of the thesis.

## 4. Situation Analysis

As discussed in the previous chapter, this part presents the parties that serve as the basis for the analysis. In the following situation analysis discusses the companies of interest. Within each assessment, the structure is the same. Starting with a short history about the league and club. Afterward, their home market is present. Following that, a presentation of motivations for expanding abroad is outlined. The conclusion of the assessment is a description of the foreign market circumstances and the opportunities that present themselves there.

### 4.1. Company 1: International Expansion of a Football Club

England is the motherland of football. Therefore, the country had much purist, which were long trying to hold of the commercialization. However, over time football became a highly demanded entertainment source. As a result, the revenues of the teams and their focus on commercialization started to increase. The following case study will consider the City Football Group (CFG). It was founded by the Abu Dhabi United Group (ADUG), which are the owners of Manchester City FC. The purpose of the subsidy was to take over the management of the business-related activities of the club. The aim is to build and grow an international brand and promote the sport. In the case study, their initial international growth is detailed.

#### 4.1.1. *The History of Manchester City FC*

Manchester City FC was first founded in West Gorton in 1880. Initially, they were called St. Mark's. In 1894, the club officially changed its name to Manchester City FC. The club played its first years in the second division of England. It took them five years to gain a promotion to the First Division. They then went on to claim the first major title in the city of Manchester by winning the FA Cup in 1904 (James, 2006). However, the success did not last a long time. Alleged financial irregularities lead to sanctions and key players transferring. In the following decades, the club spends most of the time in the midfield of the first division or the second division. Although they did occasionally exceed expectations by winning a league or cup title. Their last triumph was a league cup in 1976 (James, 2006).

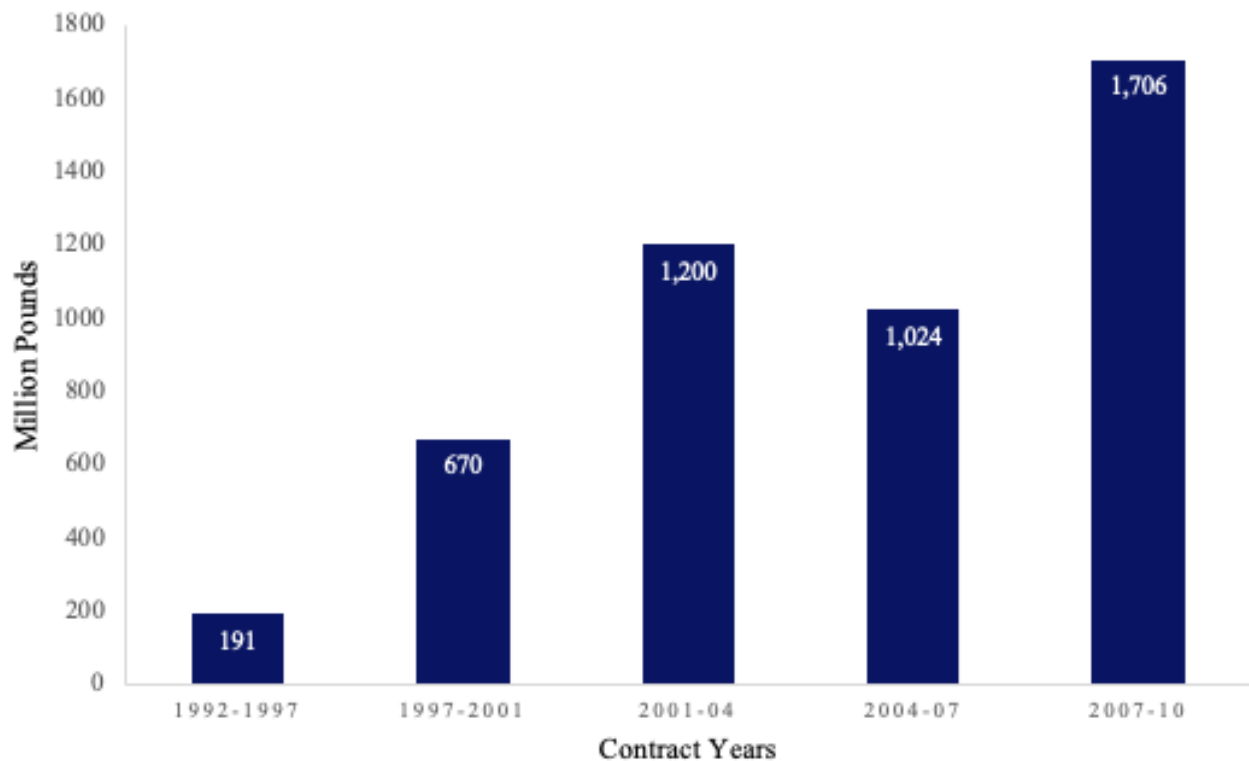
In 1992, a large-scale change took place. Due to the of the league and sports in general, the commercial part was not fully exploited. The league did sell its TV rights and closed other

sponsorship agreements. However, the team's ownership felt that the league did not put in enough effort to maximize the value of these rights deals. In response to that, several of the best teams got together and decided to form the Premier League. That decision was the initiation for large scale commercial growth and revenues for the team. While Manchester City FC was one of the founding members, they did not get to receive the entirety of the benefits. They were demoted in 1996 and fell to the Second Division Football League. Since 2002 they have been a constant member of the Premier League. Financial issues were always present, and this was the reason the owner had to sell the team. In the wake of these difficulties, Sheikh Mansour bin Zayed Al Nahyan purchased Manchester City FC in 2008 (bin Zayed Al Nahyan, 2008). He alleviated the financial issues the team had up to this time. Moreover, the goal was to build a team that is capable of winning consistently. In a letter in which the takeover was announced, he pledged to the fans that he would make sure the team has the "very best people at its disposal, both on and off the field" (bin Zayed Al Nahyan, 2008). Furthermore, he stated that he would not shy away from investing more money into the club to achieve the goals. These statements stand in stark contrast with the origin of football in England.

#### ***4.1.2. The History of Economics of Football in England***

Historically, football in England had been a recreational activity. In the beginning, teams were not paying their players (Dobson & Goddard, 2001). However, in the late 1800s, most players were factory workers. Teams started to compensate the players for the work time they missed during the games. Overtime this development lead to a professionalization (Dobson & Goddard, 2001). Although it opened the door for commercialization, the league did its best to limit the development still. The conservative approach hurt the English teams because they could not assemble the same talent as other clubs in Europe. In Europe, the executive power over the league lies with the national associations. The English Football Association was reluctant to change their approach, especially concerning to the broadcasting rights. In 1992, the FA decided to take a step toward the big clubs with a proposal. The association would create an independent league that could negotiate sponsorship and broadcasting for themselves (Forrest, Simmons, & Szymanski, 2004). It was the birth of the Premier League, as well as the commercial growth of the teams.

Initially, the Premier League and its teams benefited greatly from the new structure. The new broadcasting rights agreement paid 191 million pounds for five years (BBC, 2015). From that point forward, the broadcasting revenues started to grow exponentially. By 2007, the Premier League signed a deal that would pay 1,706 billion pounds over three years (BBC, 2015).

*Figure 4: Broadcasting Contract in Great Britain*

Source: Own Illustration (From BBC, 2015)

Moreover, these values are only for the broadcasting rights in the United Kingdom. This increase clearly shows the increased importance of sports for the broadcasting companies. Live sports are some of the most-watched events in the world. As a result, broadcasters are not afraid to pay much money. Due to the attention, they can recoup their investment by selling advertisements. The commercial growth was not limited to the television broadcasting. The increased popularity of professional sports also paid off for the teams. As discussed before, while television revenues are shared, individual teams can negotiate other sponsorships individually. The incentive to do that is especially significant for the best teams, since they will make more if they act individually. Teams used the money to invest in their infrastructure, such as training facilities and stadiums. However, given the growth of revenue, professional football became a target for investors. An investment into a Premier League team was incredibly valuable, given the structure. New owners could necessarily buy a championship. Having the best players essentially gives them a competitive advantage. Further, the Premier League has no measure which restricts team owners from doing that. Sir Jack Walker provided a proof of concept, when he invested substantially into the Blackburn Rovers and won a

championship. In 2003, Roman Abramovich followed the precedent. He spends around 500 million pounds and achieved success in the Premier League and European competitions. However, this strategy became less viable over time. As the wealthiest teams were dominating the European leagues, the European competition became more important. This importance came with significant additional revenues for the best teams.

#### ***4.1.3. Challenges for the Owners***

The Premier League had accomplished tremendous growth commercially. However, a quarter of the revenue is distributed based on performance. Manchester City FC was not one of the best teams, which meant that they receive a smaller share of the revenues. Nevertheless, when the ADUG took over Manchester City FC, it faced two considerable challenges that negatively impact their growth. These were their lack of competitiveness and the barriers to enter the highest echelons in the Premier League.

When the ownership group took over, Manchester City FC had just finished ninth in the Premier League. They did earn an invitation into the qualifying round for the European tournaments. The lack of on-pitch success hurt the team on multiple levels. Firstly, it hurt their broadcasting share, since the Premier League distributes a quarter of revenues based on performance (Forrest, Simmons, & Szymanski, 2004). Next, it hurts their ability to attract high-value sponsorship. Companies nowadays have to pay significant sums of money to become sponsors for a sports team. In return, these businesses are looking to generate the most return possible (Abratt, Clayton, & Pitt, 1987). Successful teams are shown more because they generate the best and winning product. Winning results in another externality. There is a phenomenon called fair weather or sport fan maximizer. These people want to maximize their satisfaction levels and, as a result, choose to follow the best team (Norris, Wann, & Zapalac, 2015). However, while identified fans stick with their teams, fair-weather fans will disappear as soon as the success starts to dissipate. The lack of financial income in combination with subpar on-field performance is terrible. Principally, the best players will go to the best team. That is because they want to win. The likelihood of winning increases if their teammates are good. Nevertheless, as with any theory, there are expectations. In professional sports, teams can track the talent by paying higher salaries. However, in the case of Manchester City FC, that option was limited by their ability to fund these salaries. However, at this stage, the ADUG was able to follow the exemplar of Abramovich. In the subsequent transfer windows, the team was among the

highest spenders, considering the transfer fees. It took a couple of years, but the team eventually won the Premier League in 2011. However, that strategy was hurt by a separate development.

The European competitions started to significant relevance in the early 2000s. Both in terms of viewership and revenue generation. Fans started to pay more attention to the games. That was because the tournament included only the best team from Europe. More international attention helped teams to grow their brand. Furthermore, the incentive to participate grew along with the monetary reward rose. Consequently, teams increased their spending to qualify for the competition. This system was working because club revenues were continually growing. At some point during that time, the spending reached unsustainable degrees. In 2010, clubs were losing a significant amount of money, and some were even running the risk of defaulting (Union of European Football Associations (UEFA), 2019). As a host of the tournaments, the Union of European Football Associations (UEFA), decided to put an end to that development. To combat the trend, the UEFA implemented limited the spending possibilities for the clubs. The financial fair play rules were initially instituted to protect teams from themselves. What the rules did was to restrict teams by putting an upper limit of transfer fees. After institution transfer fees could only be as high as the revenue generated. Following the implementation, the leagues saw an immediate improvement in the financials of the clubs (UEFA, 2019). In addition to improving the financial health of the sport, it was a tool to enhance competitive balance to a degree.

The other reason that adversely impacted the growth potential of Manchester City FC and its brand was the market. At the time of purchase, the Premier League in total was growing year over year. However, from a competitive point of view, the league was dominated by four teams. As the resource allocation showed, the success enabled these teams to stockpile resources. Thereby, it allowed them to protect their competitive positioning. Nevertheless, the list of teams also showed that an investor could make a big difference. For Manchester City FC, there is an additional challenge to grow their brand. Arguably, the most successful team in the entire league was their cross-town rival. Manchester United had just finished on top of the Premier League for the third straight season. Additionally, the team won the league cup and the European tournament. The continuous success allowed Manchester United to build a strong brand (Richelieu, 2003).

Having such a strong competitor in the home market, made growth and success even more important for Manchester City FC. Under the previous administration, these issues were identified as well. Their answer was to focus on increasing the involvement of the current fanbase (Edensor & Millington, 2008). Establishing a strong fanbase is valuable in sports. Compared to other industries,

a large share of the customers is extremely loyal. To gain a better understanding of the circumstances in the North American market, the next chapter will briefly explain the customer preference and history of the sport.

#### ***4.1.4. History of Football in the American Market***

The Major League Soccer (MLS) has been around since 1996 (Collins, 2007). However, there have been other professional leagues before. They just folded due to a lack of economic success. Although this would suggest a lousy foundation for a league, the situation had changed since the earlier misses. The United States had just hosted the 1994 FIFA World Cup. The event gave the population a close up look at the best players in the world. Their experience helped to spark the interest in the sport. This surge helped the organizers because it gave them an advantageous negotiation position for broadcasting rights. In 2008 around 12 million Americans, age six and older, participated in football (Outdoor Foundation, 2019). Although, the interest from the public was there, the league did not experience much growth. As a result, they were nowhere near being able to compete with the major European league. Of course, that was also highly influenced by the geographical distance. Nevertheless, a considerable influence on the lack of competitiveness was the lack of revenue. The league adopted a lot of the North American structures to remain economically viable.

Furthermore, as a single entity league, they were limiting player salaries through a salary cap. Therefore, they would not be able to afford the best players from Europe. In 2007 the league slightly amended that rule. From that point forward, the league introduced a designated player (Jewell, 2015). The first designated player that signed in the MLS was David Beckham. He was also the one who inspired the rule change. Like him, a lot of the best Europeans follow, although they were all mostly past their prime. Even though these players were not playing as well as they used to, everybody knew them. Moreover, again, due to geography, their move to the MLS enables American fans to see them play live. This novelty effect helped the MLS to increase their attendance.

#### ***4.1.5. New York City FC***

With the purchase, the CFG had secured an incredible valuable investment (MLSsoccer staff, 2013). New York City is the largest metropolitan area in the United States (US Census Bureau, 2019). That gave the CFG access to the most significant potential fanbase. Furthermore, they were the only football team in the city (CFG, 2020). The efforts of displaying a consistent brand image are evident. New York City FC (NYC FC) had the same team colors as Manchester City FC. Moreover, the team

logos have a high degree of resemblance (CFG, n.d.; Manchester City, n.d.). Even though the large market provided an opportunity, it brought challenges as well. Although football was gaining in popularity, the MLS was not the most popular league in the United States. Additionally, the team had to compete against two professional teams from each of the four major sports. Therefore, the CFG decided to form a joint venture with the New York Yankees. It provided New York City with a reliable partner in their home market. Besides, they were able to benefit from the information and endorsement from such a strong brand. Last but not least, the team got to play in Yankee stadium, which is a famous venue and could help to attract fans (CFG, n.d.). The CFG also took advantage of the findings presented above. They helped NYC FC signed famous European players right from the start (CFG, n.d.). At the same time, the CFG made investments in talent development. They build up an academy to develop talented players that could contribute to their teams. The success of the venture is challenging to judge since the team has been active in the league since 2015.

## **4.2. Company 2: The NBA in the Central State**

Basketball was first invented in the United States in 1891. From that point onwards, schools and colleges played basketball. It took until the mid-1940s for a professional league to form. When the league started, it was able to use a lot of the proven structures from the National Football League and Major League Baseball. However, that also meant that it had two strong competitors in the sports market already. Even though the league struggle over time to establish itself nationally. However, the international popularity of the sport gave the NBA a unique opportunity to grow outside of its home market. Given the rapid development, the NBA recognized China as an important market. The following situation analysis discusses the decision and motivations of the NBA.

### ***4.2.1. The History of Professional Basketball in North America***

Even though basketball is a rather old sport, it took some time until the professional league established itself in North America. In 1946, the Basketball Association of America (BAA) established itself. While other leagues did exist before 1946, they mostly operated on a microscopic scale. In the early year, the BAA had to fight against many competitors. In 1949, the BAA merged with one of its competitors to create the NBA. The during its early years, the league was reasonably stable. That was in large parts because other professional league had already established the North American model of sports leagues. Thereby, the association was able to benefit from the learnings and principles from the other leagues. For instance, the league took advantage of the policies which restricted player



movement and compensation. Moreover, like its role models, the NBA was a closed league. That structure leads to more competition.

Player compensation help to keep the league financially stable. Moreover, the initial members were all based in close geographical proximity. That helped to reduce travel, which was a more substantial challenge in these years. However, rival leagues still formed during these years. After periods of competing, the league often ended up absorbing them in a merger. That helped the growth of the league both in terms of the number of teams and attention it received. As the league edged closer to a monopoly position, the product on the court improved. As the only professional league, they were able to employ the best players. Even though the foundation was solid, the league did not perform as well as it should.

In the 1960s, an extended period of difficulty for the league started. Firstly, it had to compete against yet another professional league. Moreover, unlike other competitive leagues, the American Basketball Association (ABA) proved to be a real challenger. The ABA negatively impacted the NBA since it managed to sign good players from the NBA. Furthermore, they likewise achieved to attract talented youth players who suddenly had multiple suitors. However, the competition also negatively impacted both leagues in the long term. Competing against each other for players increased salaries. Simultaneously, neither was able to produce the best product. After a prolonged period of competition, the leagues ended up merging due to financial issues. However, even the merger provided only a marginal degree of stability for the league. To large parts, that degree of instability as a result of the position in its home market. The North American sports market was dominated by baseball and football during these years. NBA players were suffering from racism (Halberstam, 1981). Moreover, given the fact that the majority was African American, it hurt the attention paid to the league. In addition to that, the league was severely impacted by player scandals. These were mostly related to drug-usage. That lead to an overall negative image for the league. Consequently, fewer people watched the games. Therefore, broadcasting companies started to deprioritize the league for other television properties. As time progressed, these developments got worse. At its peak, television stations were tape delaying the games of the NBA Finals, which is the series of games that determines the league champion (Halberstam, 1981). A lack of revenue and attention had repercussions for the league. The league suffered the consequences both on the court and on the business side.

During the 1980s and beyond, the NBA started to recover. That was in large parts due to the influx of very talented players. They focused on basketball as well as growing their brands. At the

center of the development stood the arrival of Michael Jordan. Since the league generally underpays the star players compared to the value they create, it offers an incentive. If players achieve to brand themselves, they keep the revenues and promote the league at the same time. Michael Jordan leveraged this mechanism and became an international star. From that point forward, the league experienced an extended period of growth. The Most Valuable Sports Teams list, which is annually published by Forbes, is proof of the success (Badenhausen et al., 2020). None of the NBA teams were able to secure a position in the top ten dating back to 2010. In the most recent rankings, three of the NBA teams achieved that honor. That strength allowed the NBA to think about going beyond its national borders to grow internationally.

#### ***4.2.2. International Growth of the League and the Sport***

With the foundation of the FIBA in 1932, basketball became a global fixture. Moreover, basketball became a fixed event at the Summer Olympics from 1936 onwards (International Olympic Committee, n.d.). However, during the early years, the international competitions were not competitive. Although professionals were not allowed, which prevented the NBA players from competing, the United States dominated the games. Still, other countries continued to play the game. Notably, Europe developed a robust basketball infrastructure. Following the European model, several national leagues started. The best teams then played against each other in the European championship. Several countries established significant leagues and teams. From 1994 onwards, a European country won the FIBA Basketball World Cup four out of seven times (FIBA.Basketball, n.d.). While successful foreign players would have helped the league to grow, they usually did not move to the NBA. Furthermore, even if they did, it not work out as hoped. Georgi Glouchkov was the best player in Europe. At some point, the Phoenix Suns took a chance on him and broad him to the NBA. However, he disliked the experience and turned his back on the NBA (Eschker, Perez, & Siegler, 2004). There were likewise reasons for international players not to go to the NBA. Until 1989, the FIBA did not allow professionals to compete in the Olympics (Eschker et al., 2004). After the change in the ruling, the NBA made a deliberate decision to use the Olympics for their promotion. The Dream Team of 1992 was a collection of superstar NBA player which dominated the tournament (Huang & Hong, 2015). The positive response showed the NBA that there was a high interest in their product globally. Moreover, the relaxation of the Olympics rules meant that a larger share of the best international players migrated to the NBA. Thereby, the NBA was able to improve its product. By attracting the best players internationally, the league had finally been able to say they are the best

league. In addition to the players, the league actively started to open offices in other countries. Between the Dream Team and 1997, they opened ten offices in five continents (Huang, 2013). Furthermore, the league had again started to expand internationally. In 1993, they approved a franchise in Toronto, Canada (NBA.com, 2015). Shortly after that, the league added another team in Canada to further grow its international footprint (NBA.com, n.d.).

#### ***4.2.3. History of Basketball in the Central State***

While the NBA has not been broadcasted in China for a long time, the Chinese played basketball for a long time. The Chinese population first learned of basketball in 1895 (Huang, 2013). After the founding of the People's Republic of China, the communist party was in control of the country. That resulted in sports becoming a government property. The government wanted to leverage sports to create an international image. During their efforts, they created the Chinese Basketball Association (CBA). It is part of the State General Administration of Sports. The objective was to project strength through superiority in sports competitions. Following the state control, basketball remained popular. The 1970s, lead to another surge in the sport's popularity. The government program lead to the successes of the national teams. By 1995, government surveys showed that basketball was the most popular sport in Chinese playgrounds (Huang, 2013).

In 1994, the CBA established the Jiaji League, which was the first professional basketball league (Luo, Dai, & Huang, 2015). That establishment coincides with the adoption of policies targeted towards free-market economics (Huang & Hong, 2015). That influenced the Jiaji League in multiple factettes. Firstly, it had to compete with the NBA, which was in the early stages of entering China. Furthermore, finally, the CBA wanted the league to be self-sufficient from the start. As a result, the CBA cooperated with marketing agencies to potentially reach that goal. Initially, the external marketing company was able to attract sponsors. However, the league did not receive exposure on the broadcasting side. In some cases, they had to pay for their games to be shown (Luo et al., 2015). As the league continued to lose money, the CBA had to pivot.

In 2003, the CBA rebranded the league as the Chinese Basketball Association League (CBAL). The newly hired president Li Yuanwei made definitive changes to the structure of the league. He adopted the structure of the North American leagues. To gain a better understanding, a delegation even traveled to the US to learn from the NBA. The study was then broadened to 13 league and summarized in the North Star Project. Its primary goal was to "make the CBAL the best professional sports league in Asia and a world-class professional basketball league" (Huang & Hong,

2015, p. 1034). Within the scope of the project, the CBA changed everything from team ownership structures to player development and compensation. Following these changes, the league became moderately successful and grew year-over-year. In 2009 the government abolished the plan and returned the league back under state ownership.

#### ***4.2.4. The NBA in China***

The first-ever game the NBA played in China was in 1979 (Huang, 2013). However, the league had not organized that game. The United States and China worked together to host the game in the context of their diplomatic relationship. In 1987, China started to broadcast the first NBA games (Luo et al., 2015). Due to the Olympic games of 1992, basketball and the NBA experienced a global growth. Besides, the NBA benefited greatly from Michael Jordan. Although China is a very collectivistic nation (Hofstede Insights, 2020). 2002 became an important year for the league because China got its own Michael Jordan. Yao Ming was selected as the first player in the NBA draft. That was an extraordinary moment because he became the first international player to be picked first. He became the face of a development that is referred to as the "China Global" (Wang, 2006, p. 264). Surveys of sports and basketball fans showed that the interest in the NBA increased by 60 percent (Luo et al., 2015). While the growth was beneficial for the NBA, it was not stable. In order to benefit from the increased attention, the league started a regular tradition of hosting preseason games in China. Furthermore, they also made the Chinese New Year into a fixed event on their schedule (Sprung, 2019). Although the NBA did its best, the majority of its Chinese fans watched because of Yao Ming, not the NBA. An absence due to injury in 2009 provided proof as interest from China declined (Luo et al., 2015). Even with a decline in interest, the league still knew the market was essential. They continued their efforts and even founded their corporation in China (Zhou, Wang, Cen, Lei, Zhang, & Meng, 2017). By 2019, the league had around 25 Chinese sponsors (Sprung, 2019). They, along with large broadcasting contracts, generate hundreds of millions of dollars for the league annually (Kaskey-Blomain, 2020).

## **5. Analysis**

The previous chapter has been used to provide background information on the cases which are analyzed. This was the first step towards answering the research question presented previously. In this section, all the necessary data will be collected and assessed to answer that question. Since the

research question wants to answer how the Uppsala model and psychic distance impact sport, the analysis is split into two parts. In the first section, the Uppsala Model is analyzed based on the methodology presented in a previous chapter. That is followed by the analysis of the psychic distance. Finally, the findings are summarized in a discussion section.

### **5.1. Uppsala Model Analysis**

In this first part of the analysis, the focus is on the Uppsala model. Mainly if and how it was applied in the two cases presented previously. In the study of internationalization, the Uppsala Model takes on an important role. It was one of the first models that were developed. Moreover, it is used widely because it is universally applicable. It consists out of the change and state aspects (Johanson & Vahlne, 1977). These two aspects then encompass two variables. For the change aspect, it is commitment decisions and current activities. The state aspect variables are market knowledge and market commitment. Since the variables affect each other, the model develops a dynamic. For instance, market knowledge of a company directly impacts their commitment decisions. These aspects are the foundation for a stage model. The four stages were no regular exports, exports, a sales office, and finally, a wholly-owned subsidiary.

#### ***5.1.1. Uppsala Model in the Case of Manchester City FC***

Given the European heritage of the sport, the league, and its teams, it is not surprising that Manchester City FC spend the majority of its initial existence in the first stage of the Uppsala model. A team's decision making was not motivated by the economics of the business. Instead, teams were focused on organizing the games. For that reason, they did not assess their commercial opportunities in their home market or foreign markets. Nonetheless, the team was active internationally. Although, that activity was also only related to sport through their participation in the European club competitions. That attitude started to change as the demand started to increase. The demand translated into higher rewards, as evidenced by the payouts given to the participants of the European club completions (UEFA, 2018).

After graduating from the initial stage of no international engagement, the team started to export. Their activity was risk-averse, as evidenced by choice of the market entry method. The Premier League exported their games right from the start in 1992 (Gazapo, n.d.). Due to time zone differences, the games were on tape delays for the initial period (Harris, 2009). These were indirect exports since the league did not sell the product directly to the customer. Instead, they auctioned off

the rights to the television distributors in the respective markets. Their partners in these deals were the foreign television networks that bought the rights to distribute the games. International broadcasting is very beneficial for leagues. It generates provides revenues, and they do not incur more costs. The Premier League had the distinct advantage of being from England. Usually, sports leagues and teams are significantly more popular if they have a connection to the local country (Nüesch & Franck, 2009). For the Premier League, the colonial ties of Great Britain were precious. It meant that parts of the British culture have been spread across the entire globe. Chief among them was the spread of football (Hutchinson, 2009). Even though the international broadcasting is very profitable, there are also downsides. The league does not build direct relationships with fans in foreign markets. Therefore, leagues needed a method to lessen the distance between them and their fans.

That was the motive for hosting more international preseason games. The league remained in the exporting stage but switched the methodology they used to engage with the customer. Manchester City FC engaged with these events after the ADUG took over. In 2010, Manchester City FC participated in the Barclays New York Challenge (New York Times, 2010). A year later, they were part of the World Football Challenge. Afterward, Manchester City FC participated in the International Champions Cup three more times (International Champions Cup, n.d.). Through these games, teams and leagues were able to bring the product closer to the fans. Furthermore, the events allowed them to collect more information about the fans in the foreign markets. Simultaneously, it was a promotional event for the sport because fans got to experience the game at its highest level. This information was valuable for teams and league since they informed their decision making. However, Manchester City FC and the CFG were not able to fulfill their other goal through these methods.

As discussed previously, the CFG had the mission to promote the sport and support talent development within their teams. However, they could only achieve this goal if they established a permanent presence in other countries. Such a venture would also pay off because it would help to grow the City brand and increase the revenues. To achieve that, ADUG skipped the third stage and directly went to the final stage of own a subsidiary in a foreign country. In a joint venture with the New York Yankees, the ADUG founded NYC FC in 2013. While Manchester City FC was the controlling owner, the choice of the entry mode showed that it was a significant decision to leave out a stage (Stock, 2013). The New York Yankees were an essential partner for the team. The Yankees have been continuously among the most valuable team in the world (Badenhausen, 2012, 2013). Their large brand in the United States and especially New York, gave the project more credibility. Furthermore, the Yankees had a vast knowledge about the market and the preferences of the customer.

### ***5.1.2. Uppsala Model in the Case of the NBA***

When the league was founded, there was a degree of internationalization. With the Toronto Huskies were among its founding members, the BAA had teams in multiple countries. However, the international experience only survived a single year. The Huskies experienced financial difficulties and were forced to shut down their operation. Afterward, the league was not able to use their resource to enter the international market due to their weak position in the home market (Cobbs, 1980; Goldaper, 1979). Thereby, they were in the stage of no regular export activities, according to the Uppsala model (Johanson & Wiedersheim-Paul, 1975). Due to the limited economic activity outside of the United States, the league did not know much about its international fans. To further complicate the process, China was a closed economy for a long time, which made it difficult to garner information about the market.

Once the league's position in the United States had stabilized, they moved to the second stage of exporting their product. Contrary to other sports leagues, they did not start with the broadcasting of games. Instead, the league initiated its contact with China by playing games in the country. In 1979, the league sent the Washington Bullets to China (Huang, 2013). There the team played two exhibition games against the national team and the Bayi Army team. This direct export was their first entrance into the Chinese market. It is undeniable that the NBA was able to establish contacts and initial visibility in China through these actions. Only these exhibition games were not an initiative driven by the NBA. Instead, the league became a part of a series of diplomacy relationship-building events between the United States and China (Huang, 2013).

In 1984, the NBA set in motion their internationalization projects. David Stern became the league commissioner and started to follow a structured approach. As a first step, the league complete contracts with international companies such as Nike (Luo et al., 2015). Simultaneously, the NBA finalized an agreement with China Central Television (CCTV). From 1987, NBA games would be broadcasted on the state-owned television channel. These decisions lead to an increase in indirect exports. As the theory states, this method allows companies to increase their products on the foreign market. It is likewise the most risk-averse market entry version. Understandably, the league chose that method, given that it had just overcome an economic challenge. However, the NBA did not only concentrate on the commercial opportunity. Right from the start, the NBA always followed the goal to promote basketball as a sport internationally. That is why the NBA invited the Chinese national team to the United States in 1985 (Luo et al., 2015). There the team was able to practice with and

against other NBAs for a month. The Bullets were not the last team to play games outside of the United States. That practice became a fixture in the NBA schedule both for regular season and preseason games. Since 2004, the NBA has an annual series of preseason games in China (Sprung, 2019). Playing games abroad, however, was not enough to collect information about their fans and building a relationship. Therefore, the league started with the establishment of regional offices outside of the United States. In total, they opened ten offices on four continents (Huang, 2013). Of these ten offices, two were located in Hong Kong and Taiwan. Both countries share a board with China or are special administrative regions of China. In addition to Hong Kong and Taiwan, the NBA also opened one of the offices in Tokyo, further emphasizing the importance of Asia (Luo et al., 2015). The objective of these offices was to be closer to broadcasting and marketing partners in these nations. Additionally, the league used these offices to promote the sport of basketball to the youth in these countries. Establishing a physical presence in those countries also supported the league in acquiring more knowledge about the market. Local staff gave them greater insights into the local preferences, which would help them in promoting their product within the Chinese market.

Due to the proximity of the offices to China, the league had an easier time to gather information and knowledge. Surveys from 2005 showed that 83 percent of Chinese males between 15-24 were NBA fans (Huang, 2013). These results emphasized the potential of the Chinese market. Based on the knowledge, the league knew it had to intensify its commitment to China. After having offices in Hong Kong and Taiwan for a couple of years, the league decided they need office in Mainland China. As a result, the NBA established offices in Beijing and Shanghai in 2002 and 2004, respectively (Luo, et al., 2015). Thereby the league had reached the third stage of the Uppsala model. Finally, the league had established a presence in China. The demand for the NBA was growing continuously. Reports in the years after the establishment of the offices showed that 30 million Chinese were watching the games every week (Huang, 2013). Although the league had two offices, it quickly realized that the capacity might not be able to handle the commercial efforts of the league and the promotion of the sport in China.

As a direct consequence, the corporation NBA China was founded in 2008 (Luo et al., 2015). Through the two offices, the league was able to gain major insights into the market. Furthermore, the league needed a larger corporation to coordinate their promotional efforts. When the Group was founded, multiple Chinese enterprises were among the investors into the company (Zhou et al., 2017). The investment by the Chinese companies is further proof of the demand in China. Over time the cooperation grew to 100 employees working among the four offices. China played a large and evident



role in the NBA. Every year the league hosts special Chinese New Year games (Sprung, 2019). Still, the NBA was "just scratching the surface in China" according to an NBA China employee (Luo et al., 2015, p. 1328). The league knew had gathered considerable knowledge and knew that the demand for their product was very high. Their activity likewise informed them about the limitation which would impact their growth. For instance, for the NBA to grow in China, the geographical distance and a lack of Chinese players were central issues (Huang & Hong, 2015). To solve the latter, the league works on promoting the grassroots basketball in China. NBA China CEO Derek Chang said, "One of the areas of focus for us here [...] is basketball development" (Everett, 2018). To improve the positioning of the league in China, the NBA wanted to take the next step and fully enter the Chinese Basketball market. They planned to enter the final stage in the market and make a large investment. An opportunity presented itself when China was searching for a commercial agent for the CBAL. This would have been categorized as its wholly-owned subsidiary. Since the CBAL already existed, it would have been a brownfield investment. Within the same deals, the NBA applied to become the commercial agent for the Chinese national team as well. The bid to take over both entities was rejected (Luo et al., 2015). However, the rejection did not stop the league in their efforts. In 2008, the NBA also handed over their proposal for the NBA China league. Since their expansion efforts did not work, the league decided to stay on their path, promoting the game and the sport in China. By 2018, nearly 640 million Chinese had watched NBA programs during the prior season.

## 5.2. Psychic Distance Analysis

After the first half of the research question has been analyzed in the previous section, this part is centered around the psychic distance. Psychic distance is singled out in this paper due to its importance to the internationalization of companies. While the Uppsala model is tasked with explaining the how, psychic distance focuses more on the where. Psychic distance measures the differences between the two countries concerning different factors. According to the model, companies will enter the market first if they share more similarities with their host country (Dow & Karunaratna, 2006). That is because it is easier for companies to operate in these environments. The analysis deals with the four psychic distance stimuli that were identified in the previous chapters. Since the analysis is case specific, the first half focuses on the difference between the United Kingdom and the United States. Afterward, the analysis of the differences between the United States and China are gauged. The appendix includes a summary of all results.

### ***5.2.1. Analysis of the United Kingdom and the United States***

In this case, data will only be considered from 2008 onwards. That is the time when the ownership of the team change. Especially, data from 2011 will be used because that is the time when most of the data can be collected, and it is two years before the team made the decision. Furthermore, it is the first stage where the team had to make a significant investment into the market.

The language differences between the United Kingdom and the United States are fairly easy to assess. In both countries, the major and primary language is English (Potter-Collins, 2013; Ryan, 2013). Thereby, following the measurement outline above, it will be scored with a one. As a next step, the calculation determines the share of Americans that speak English. According to a 2011 study conducted by the US Census Bureau, 61 million people out of the 292 million US citizens did not speak English at home (Ryan, 2013). That means 20.8 percent of the American citizens did not speak English at home. As a result, the second measure receives a score of two. Finally, the prior assessment is done for citizens of the United Kingdom and their habit of speaking English. Their estimate is also from 2011 and says that 92.3 percent of the population speaks mainly English (Potter-Collins, 2013). Since that surpasses the threshold of 90 percent, the final variable is marked with a one. Now that all values have been computed, the confirmatory factor analysis is done. Plugging the values into the formula, results in a language factor of -3.868. For reference, the values of Dow and Karunaratna resulted in an average of zero with a standard deviation of one. Even without the data, it is pretty obvious that the language barrier between both countries is none existent.

Next up is the evaluation of the differences in religion. In both countries, the major religion belongs to the Mono-Theistic family of religions (Dow, n.d.c). Moreover, around 60 percent of the population is affiliated with Christianity in both countries (Central Intelligence Agency (CIA), 2012). However, there is a difference in the division of the religion between the two nations. In the United Kingdom, the major religion is Christianity – Anglican. In the United States, on the other hand, Christianity – Protestant – Baptism. As a result, the difference between the major religions is classified as a three. The second assessment considers the share of the population in the United States that belong to Christianity – Anglican. For the third assessment, the assessment is turned around. An important note is that the religion and not divisions or denominations are relevant at this stage. The population of the United Kingdom consists of 71.6 percent of Christians, while 75.2 percent of Americans belong to Christianity (CIA, 2012). That means in both countries meet the threshold of 50 percent. Consequently, the second and third religion measures both receive a score of two. Once again, even without the data, it is obvious that the differences are small. Overall, religion is the same,

but there are differences in the details. The total the confirmatory factor analysis confirms that with a total of -0.53. This time the value is slightly below the average of zero and within the standard deviation at one. The data shows that there is a small difference in the religion factor between both nations.

Following religion, the next variable that is considered is differences in education. These differences are measured based on three variables. Firstly, the difference in literate adults is determined. In this case everybody above the age of 15 is counted. The calculation of the value is done by subtracting the percentage of illiterate adults from a hundred to calculate the absolute value of the illiterate population. In both countries, the illiteracy rate is at one percent. Thus, the difference between the two values is zero. In the second instance, the number of students in secondary education is compared between the countries. Since countries have different sizes of population, the number of students is divided by people who are 15 years or younger. According to data from 2011 in the United Kingdom, 5,000,332 and 2,492,284 students were enrolled in secondary and tertiary education, respectively (UN, 2013). The total population aged below 15 in that year was 10,876,420 (CIA, 2012). At the same time, the United States had 24,214,304 and 21,016,126 students in secondary and tertiary education facilities (UN, 2013). During that time, the population aged below 15 was 62,889,723. Now the difference can be determined. For secondary education, the share is larger in the United Kingdom at 46 percent compared to 39 percent. That difference moves in the other direction for tertiary education with 23 percent and 33 percent. Taking all these values into account, the absolute value of the single education factor for this country pair is 0.27. In the data set of Dow and Karunaratna, the minimum and maximum values were zero and 2.34, while the average was 0.79 (2006). This indicates a fairly low distance between the two countries.

The final factor that has to be considered in the analysis is the political system differences. For each index, the paper uses the average for the years from 2008 to 2012. That is done to arrive at a more accurate result. The same will be applied to the other measures of political systems. Firstly, the POLCON V index will be considered. For the outlined timeframe, the United Kingdom received a score of 0.747, while the United States received a score of 0.853 (The University of Pennsylvania, 2020). The Polity IV – Polity measure is the next variable that factors into the assessment. Both countries received a score of plus 10 in the year for all five years (Marshall, 2019). Finally, the study will consider the difference in the Political Rights and Civil Liberties scale of the Freedom House. Both countries receive the best grade of one in both measures during the entire time (Freedom House, 2013). These democracy measures are summarized in the single factor. For this country pair, the

absolute value is 0.059. Since the value is almost zero, it is already an indication that the difference is meager. As a result, the ease of doing business should be fairly high because the systems the Premier League has to operate in is very similar to their own political system.

### ***5.2.2. Analysis of the United States and the People's Republic of China***

The initial entrance of the NBA took place in 1979. However, as explained, it was heavily influenced by political motivations. Efforts initiated by the league to enter the Chinese market started in 1984. This section is structured similarly to the prior one. The NBA established its first offices in China in 2002 (Luo et al., 2015). Simultaneously, it represents the first step of the NBA towards the market that require an investment of resources. Therefore, the timeline for the investigation will start in the year 2000. Hence, the data illustrates the situation during the time the NBA made the decision to enter China.

The section commences the analysis of the United States and China with the differences in language. The categorization of the languages is based on Grimes & Grimes. Table 2 represents a version adapted to the present research. For the United States, the only major language that meets the threshold is English (Shin & Bruno, 2003). The language data for China was not publicly available. Nevertheless, Dow and Karunaratna used data from *Ethnologue: Languages of the World* by Gordon (2006). The data they used is from the time between 1990 and 2000 (Dow, n.d.c). They specifically used the time period since language is a stable metric. Changes in language stretch across generations (Dow, n.d.c). Their data indicates that the major language of China is Mandarin Chinese (Dow, n.d.f). According to Table 3, Mandarin Chinese and English do not belong to the same family. Consequently, the difference will be scored as a five. The second and third variables consider the share of people with the ability to speak the language of the other nation. In census data from 2000, 1,249,213 Americans stated that they mainly speak Chinese in their household (Shin & Bruno, 2003). Since the total population was 230,455,777, that means 0.5 percent of Americans can speak Chinese. Therefore, the third variable is scored as a five. Once again there was no reliable public data available for this variable. The data of Dow shows that less than one percent of the population can speak English (Dow,n.d.c). Hence, the difference is evaluated with a five as well. Overall, that means that the language differences between both countries are as large as possible. In the single factor, the score is 0.526. That is higher than the average of zero observed by the study of Dow and Karunaratna, (2006). This difference would indicate that communication could pose a challenge.

Next up is the religious distance. All religions are classified in a table to classify the differences (Dow & Karunaratna, 2006). It is Table 4 in the appendix. The major religion of the United States is Christianity – Protestant (CIA, 2001). In China, on the other hand, the major religion is Atheism (CIA, 2001). Therefore, neither religion belongs to the same family and is classified with a five. In China, only one percent of the population identified itself as Christians (CIA; 2001). Therefore, the difference was classified with a five. On the other hand, in the United States, ten percent of the people said that they were none religious (CIA, 2001). That means the value is higher than the five percent threshold and therefore classified with a score of three. Taken together in the single factor variable, the score for religion is 1.009. That is above the average and even outside of the standard error of one (Dow & Karunaratna, 2006). That score indicates relatively large differences in religiousness between the country pair.

The next variable of interest is educational differences between the countries. Three variables are calculated and summarized in the single-factor model. At the beginning of the analysis is the literacy rate. In the United States, the illiteracy rate among the population above age 15 was three percent in 2000 (CIA, 2001). At the same time, China had a rate of 18.5 percent (CIA, 2001). In the next two analyses, participation in secondary and tertiary education is evaluated. The United States had 23,196,310, and 15,927,987 students enrolled in the education facilities in 2000 (UN, 2003). Its population below the age of 15 was 58,715,927 (CIA, 2001). China on other hand, had 90,722,795 and 12,143,723 students with an estimated population below age 15 of 318,353,010. At the secondary education, the difference is fairly close with a rate of 40 percent compared to 28. The difference at the tertiary level is wide as the United States has a rate of 27 percent compared to the 3 percent in China. Subsequently, all differences taken together lead to an absolute value of 1.234. The average for educational differences is 0.79, with a standard deviation of 0.61 (Dow & Karunaratna, 2006). Therefore, the data indicates a large difference in the level of education between both countries.

Finally, the assessment is concluded with an analysis of the political system. For each factor, the average in the timeframe from 2000 to 2004 is used. That is done to improve the accuracy of the measurement. Starting off the analysis is the POLCON index. The United States achieved an average 0.853 from 2000 to 2004. China, on the other hand, receives a score of 0 (The University of Pennsylvania, 2020). The next index is the Polity IV measure. Both countries had maintained the same score during the entire time. For China, it was a minus seven, and the United States a plus 10 (Marshall, 2019). The same observation holds true for the Political and Civil Rights measure of the Freedom House. The United States received a score of one in both categories while China receive a

seven and six, respectively (Freedom House, 2005). That resulted in a single factor solution of 1.970. The value is twice as high as the average. Further, it is not within the standard deviation (Dow & Karunaratna, 2006). That means the NBA exposed itself to a very different political environment. Therefore, they might have to change their operational approach to succeed.

### 5.3. Discussion

After presenting the development of the following section will discuss the findings and how they relate to the theory presented earlier. Firstly, the results show that both frameworks can be applied to sports as well. In the case of Manchester City FC, the Uppsala model was applied. Even though they skipped a step at the end. This omission was balance out by a more risk averse market entry method. The NBA has likewise fulfilled the Uppsala model. Compared to Manchester City FC, they have gone through all four stages. In general, these result show that the model applies in both cases. Yet there are also a few differences which need to be address. Firstly, the fact that Manchester City skipped a step in the Uppsala model. That did indeed happen, but that decision was influenced by the ownership change that Manchester City FC underwent. Their new ownership allowed the management to take on more risk in order to grow the club globally. Furthermore, Manchester City FC entered a more open economy and the sports federation was not controlled by the state. The NBA, however, enter China while they were still a relatively closed economy. Thereby, they were limited in the information they could gather. Evidence for that can be found in the speed of the internationalization. Before 1979, the league was not active in China. Afterwards, it still took almost ten years until the first broadcasting agreement was signed. At the same point in time, Manchester City FC and the Premier League were also broadcasting games. However, compared to the NBA they were far less motivated by the economics and therefore put less effort into their activities. Through broadcasting both entities were only able to access a limited amount of data. That was largely a result of not directly interacting with their customer. However, broadcasting was an attractive method because the teams generated free money. The teams will play the games as long as they can pay everyone involved. Showing the games in different countries provides revenue without additional efforts from the teams. In the following years the NBA was focused on their internationalization as evidenced by the opening of the ten offices. Manchester City FC did not engage in extraordinary activities outside of the commercial activities initiated by the Premier League. At the time when the NBA opened their first offices in China, Manchester City FC was still not very international. That was also in large parts due to their lack of on-field success. 2008 changed a lot of for both teams. The

NBA founded their NBA China corporation. The increase in speed by the NBA shows the difference in the amount of information they were able to generate. That is in line with the Uppsala model which suggests that a company can gather more information at each step due to their increased commitment. For Manchester City FC, that year meant a change in ownership. Their new ownership was motivated to grow the success of the team on and off the field. Furthermore, they were willing to invest significant money to meet their expectations. Due to these factors and as well as the motivation of the MLS to expand, Manchester City FC jumped a step in the Uppsala model.

The findings of the psychic distance analysis show that the model can be applied in principle. Based on the results presented above the framework is applied in the case of Manchester City FC. In each stimuli variable, the observed differences are very minor. That provides an indication that the psychic distance between both countries should be very small. To recall the model, psychic distance suggests that enterprises tend to internationalize first in the countries where the difference is small. The stimuli that were used in this paper have been proven to be relevant through studies. Companies choose countries with smaller differences because the uncertainty they will have to deal with is smaller. Manchester City FC chose the United States first in their internationalization path. Based on the analysis, it can be deduced that the model holds true in the first case. The differences in the second case were very substantial. China and the United States had no category where the score was even close. At first that would suggest that the model has not been applied. However, that is not the case taking all the other information into account. Firstly, before the NBA had entered China, the league had already established physical presences in other countries. Among them were London, Paris, and Toronto. According to the calculations of Dow and Karunaratna, all these countries are more similar to the United States than China (2006). Through the offices in the Asian region, the NBA was able to study the preference of the Asian customer. By 1995, the league had established two franchises in Canada. Therefore, they had already entered another country and China was not the first country. Subsequently, the findings are in accordance with the model. Something that has to be discussed are factors which are outside of the scope of the model. The analysis of the psychic distance in this paper utilized a number of factors. These measures do not consider factors such as the motivation of the decision maker or the market opportunity. In the case of the NBA's action, they were motivated by market-seeking behavior. Their home market was already saturated. Yet, due to the global popularity of the sport, the NBA had the opportunity to capture the global market. They would achieve that by becoming the best league internationally. In order to achieve that position, they needed to establish themselves. Therefore, it was important for the league to take advantage of being a first-mover.

## 6. Conclusion

The chapter will summarize the thesis and its findings. In order to accurately present the findings and discuss them, the chapter consists of three chapters. Each of them adds a different layer. Firstly, the findings of the analysis are going to be discussed and summarized. That includes a discussion of the implications the findings have. A later chapter formulates recommendations for further research that focuses on two areas. First and foremost, which steps further research opportunities result from this study. Secondly, the part discusses how the findings of the study can contribute in the future. Finally, a chapter discusses the thesis critically. That includes a discussion about the analytical process and limitations that influenced the study.

### 6.1. Managerial Implications

The preceding chapter summarized the findings of the analysis. At the center of this part is the discussion of the implications of the outcomes. In order to make the section easier to understand, the following sentences will quickly summarize the findings once again. In general, both cases fulfilled the Uppsala Model and psychic distance in no small degree. Manchester City FC did not go through all stages of the Uppsala Model. However, there were factors outside of the scope of the model that contributed to that development. In the case of the NBA, the initial results appeared to indicate that the psychic distance would not apply. However, since it was not the first international expansion of the league, the model holds as well.

These findings show that the original model, in general, does apply to a degree to professional sports. That statement is particularly true during the initial period when the entities did not have any or limited international presence. That is also due to the economic circumstances in both cases. Manchester City FC operated in the European environment that did not prioritize the economic growth and potential of sports. Not to mention their lack of success, which negatively affects the economic potential. The environment in the United States was slightly more open towards the economic development of professional sports. Notwithstanding, the NBA struggled because the market had limited interest in their product. Moreover, some strong competitors established barriers for new entrants. Therefore, neither party had the resources to make large investments. Even if they would have wanted to expand, a lack of activity in international activity contributes to a lack of information. Furthermore, they approach the internationalization very risk-



averse. These steps are per the model. Both started with in-direct exports to establish an initial presence. The choice of the method was oblivious, given the favorable cost-benefit analysis. As the international footprint grew, both parties started to increase the speed with which they operated. The NBA, for instance, did not broadcast games to China for almost 40 years. However, after 15 years after starting to broadcast games, they already established business offices in China. Although factors outside of the scope of the model contributed to the differences. These developments were mainly technological development to enable better broadcasting. Furthermore, the reluctance of China to open its borders for international trade impacted the developments. Psychic distance applies to both cases as well. The NBA started with its neighboring country Canada while Manchester City FC went with the United States as its first significant step. China came at a later point. Further, the league had taken a very conservative approach and gather as much information as possible.

Nevertheless, the cases also illustrate the limitations of both models. In the case of the Uppsala Model, Johanson and Vahlne had already acknowledged that resource-rich entities might not adhere to it. Manchester City FC is a great example. Once the ADUG took over the management, the team had large sums of money they could use. Therefore, the team did not need to act in a risk-averse manner anymore. Instead, the resources enabled them to take on more risk. The study likewise exposed some limitations of psychic distance. The psychic distance stimuli used in this case only study the differences between the two countries. However, that part of the model does not take any market conditions into the equation. For this specific case, the NBA realized that it could grow internationally due to the popularity of basketball. Furthermore, data showed that China would become a market that has high potential. Therefore, the league needed to no longer act by the model.

Overall, these results certain assumptions of the models hold in sports. Furthermore, the model tends to apply to the initial periods of internationalization. However, as the entities progress to later stages, the limitations are exposed. Moreover, some parts are more difficult for the model to take into account. These difficulties originate from the differences in the products of professional sports and the traditional industry. Therefore, these results show that the models need avenues to adapt to different product natures.

## 6.2. Future Research Opportunities

All these findings presented in the antecedent part inform the following discussion. The study assessed the world's most popular sports. Besides, the focus of the analysis was the entrance into arguably the most important markets with the most potential. The introduction discussed the general lack of internationalization in sports leagues and teams. Based on the evidence presented, it appears that there is a need for new models. In general, the assumptions such as risk-aversion did apply. However, changes in the environment, such as communication and broadcasting technology, impacted the speed. The internet made broadcasting games and other content simpler. Thereby, leagues can easier connect with their fans in different countries. Through internationalization, the interest of the global population harmonized. Therefore, the demand for all sports from other countries is growing. Simultaneously league can even promote their products to people they would not have reached previously. Leagues and teams with the best players are in the best position. Casual sports fans are more likely to watch games involving the best players. Therefore, the next step in the research would be to study all the other major sports. Once that a researcher can combine them and developed a revised internationalization model for professional sports. That model could be precious. So far, this research focused on the major sports. Most sports are small and are not mature from a business point of view. They could benefit from a set of best practices which result from the study. Another factor that future research can include is the outside effects. In the theoretical background chapter, a short paragraph discussed the network view. For sports teams, such a network could originate from their relationship with sponsors. If a team recruits a sponsor, they can offer exposure in return to gain the knowledge about the home market of the sponsor. Finally, the majority of sports are not popular in every country. Therefore, not all learnings are directly transferable from the major sports. Accordingly, the model would need additional information. One possible solution would be to study niche industries and their behavior. Incorporating them supports the understanding of how they reach their fans. Success stories might even provide information on how they can make the transition into the mainstream.

## 6.3. Critical Reflection

The preceding parts discussed the findings and their implications. This final part will discuss what avenues of improvement future studies should consider. In the theoretical background chapter presented the concept of psychic distance. Throughout the chapter, the presentation of the concept centered around two factors. The general factors are on one side of the discussion. These objectively

measure the distance between the two countries. On the other side was the perception of the manager. That part was included to add a dynamic degree to the model. Considering just the general factors meant that the difference between the two countries would be the same size for all companies in the countries. Adding the manager into the equation creates a differentiation between every company. Furthermore, the manager has a significant influence on the decision making of the firm. At first, these arguments would appear that not concluding the manager is a considerable omission. However, the chapter presented evidence that disputes that fact. Firstly, it is complicated to measure the manager's perception accurately. The only accurate measurement obtainable is right in the moment. Perception is a dynamic concept; therefore, it changes based on the success or failure of the venture. Moreover, a measure that includes the manager's perception cannot accurately account for all factors. Due to the lack of manager interviews, the thesis chooses explicitly a measure that focused on separates the two aspects. The analysis studied only the psychic distance stimuli. These are the central variables of the model since the assumption is that they drive the perception. The reasons why the psychic distance analysis did not fully apply where specific market opportunities. The manager variable of the model does not cover these. It measures the experience of the manager but fails to account for the environment in the market.

Another factor that needs to be discussed is the choice of models. The model chose the initial version of the Uppsala Model and not the revised version. That decision was a deliberate decision due to multiple factors. Both the Uppsala Model and psychic distance originate from a time of the initial study of internationalization. Besides, the operating environment for companies was very different. Therefore, the model suggests a conservative approach based on the difficulty of acquiring knowledge. Nowadays, it is far easier to bridge the communication gap, and data is more comfortable to acquire. Simultaneously, companies started to realize the mutual benefit of collaboration. These, among other factors, informed the revised model. While they accurately present the operating environment, most of them were recent developments. Hence, the revised model cannot be applied. The majority of events considered in this paper took place before the publishing of the revised version. Consequently, using the model for the initial decision making would not work, neither would the switching the model during the analysis. Further, incorporating the network view would necessitate interviews with all stakeholders. The academic limitations would impact an accurately discuss all stakeholders and their impact on the internationalization. To summarize this part, the analysis and the paper might have benefited from interviews with the relevant stakeholders. Their point of view might

have provided a better understanding of the decision making. However, due to the passage of time, their statements would be influenced by the results of their actions.

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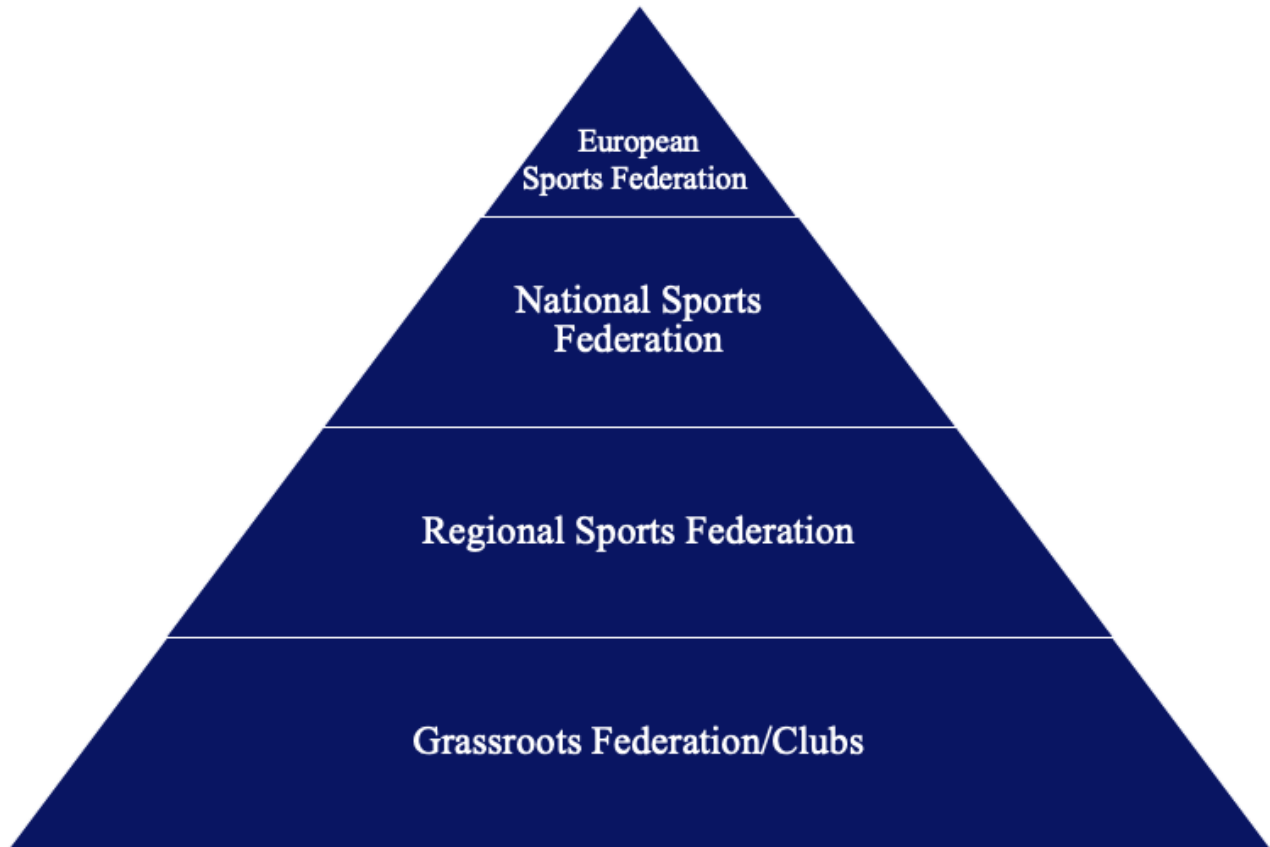
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## Appendix

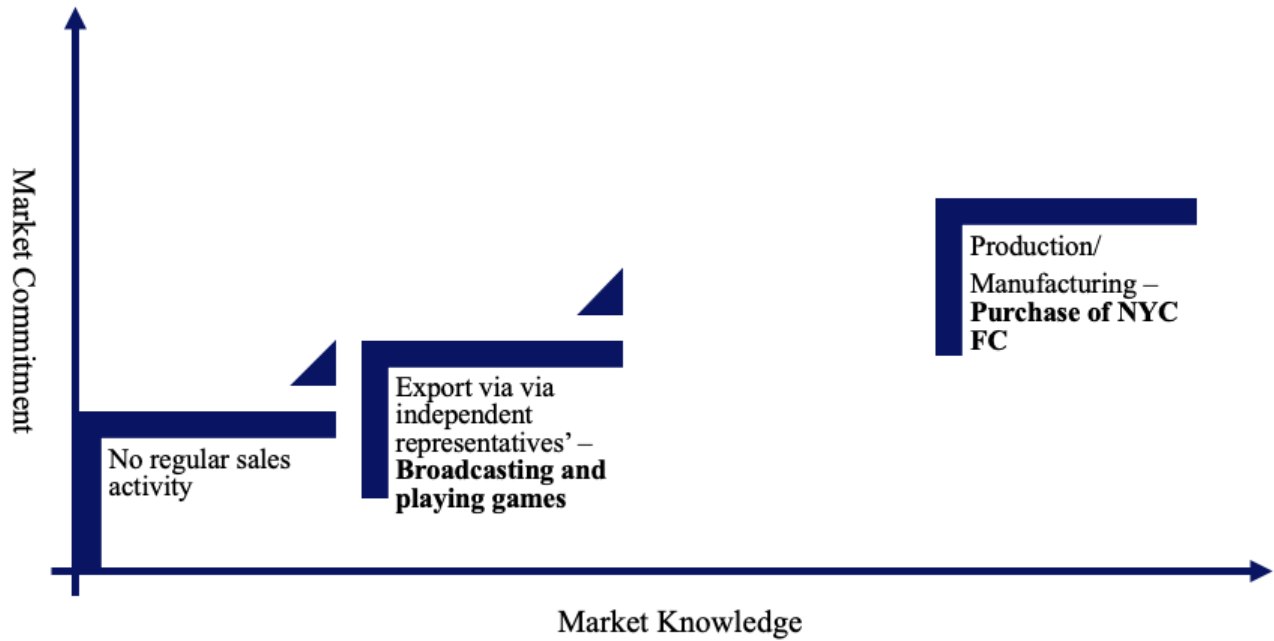
### Appendix 1: Figures

*Figure 5: The Organization of Sport in Europe: The Pyramid Model*



Source: Own Illustration (From DIRECTORATE-GENERAL X. (n.d))

Figure 6: Uppsala Model of Manchester City FC



Source: Own Illustration

Figure 7: Uppsala Model of the NBA



Source: Own Illustration

## Appendix 2: Tables

*Table 1: Relevant Situations for Different Research Strategies*

Strategy	Form of Research Question	Requires Control of Behavioral Events?	Focus on Contemporary Events?
Experiment	how, why?	Yes	Yes
Survey	who, what, where, how many, how much?	No	Yes
Archival Analysis	who, what, where, how many, how much?	No	Yes/No
History	how, why?	No	No
Case Study	how, why?	No	Yes

Source: Own Illustration (From Yin, 2003)

*Table 2: Psychic Distance Variable Factor Loadings and Cronbach Alpha*

Dimensions & Variables	Factor Loadings	Cronbach Alpha
Language Factor	<b>.9087</b>	
Distance Between Major Languages		.857
Incidence of home country's Major Language in foreign market		.951
Incidence of foreign market's Major Language in home country		.951
Education Factor	<b>.8718</b>	
Literacy		.879
Proportion in 2nd Level Education		.909
Proportion in 3rd Level Education		.889
Religion Factor	<b>.8434</b>	
Distance Between Major Religion		.826
Incidence of home country's Major Religion in foreign market		.899
Incidence of foreign market 's Major Religion in home country		.893
Democracy Factor	<b>.9670</b>	
POLCON		.912
POLITY IV		.967
Political Rights		.982
Civil Liberties		.955

Source: Own Illustration (From Dow, n.d.b, n.d.c, n.d.d, n.d.e).

Table 3: Classification Scheme: Language

Family	Branch	1st Level Sub-Branch	2nd Level Sub-Branch	Group	Language
Afro-Asiatic	Chadic	West	A		Hausa
	Cushitic	East	Oromo		Oromo, Borana-Arsi-Guji
					Oromo, Eastern
					Oromo, West-Central
			Somali	Somali	
	Semitic	Central	South		Hebrew
				Arabic	Arabic, Algerian
					Arabic, Algerian Saharan
					Arabic, Baharna
					Arabic, Bedawi
					Arabic, Chadian
					Arabic, Dhofari
					Arabic, Egyptian
					Arabic, Gulf
					Arabic, Hadrami
					Arabic, Hassaniyya
					Arabic, Hijazi
					Arabic, Judeo-Iraqi
					Arabic, Judeo-Moroccan
					Arabic, Judeo-Tripolitanian
					Arabic, Judeo-Tunisian
					Arabic, Judeo-Yemeni
					Arabic, Libyan
					Arabic, Mesopotamian
					Arabic, Moroccan
					Arabic, Najdi
					Arabic, North Levantine
					Arabic, North Mesopotamian
					Arabic, Omani
					Arabic, Sa
					Arabic, Sanaani
					Arabic, South Levantine
					Arabic, Standard
					Arabic, Sudanese
					Arabic, Ta'izzi-Adeni
					Arabic, Tajiki
					Arabic, Tunisian
					Maltese
					South



				<i>Tigre</i>	<i>Tigre</i>
					<i>Tigrigna</i>
<b>Altaic</b>	<i>Mongolian</i>	<i>Eastern</i>	<i>Oirat-Khalkha</i>	<i>Mongolian</i>	<i>Mongolian, Halh</i>
					<i>Mongolian, Peripheral</i>
	<b>Turkic</b>	<b>Eastern</b>			<b>Uzbek, Northern</b>
		<b>Southern</b>	<b>Azerbaijani</b>		<i>Azerbaijani, North</i>
					<b>Azerbaijani, South</b>
			<b>Turkish</b>		<b>Turkish</b>
		<i>Western</i>	<i>Turkmenian</i>		<i>Turkmen</i>
			<i>Aralo-Caspian</i>		<b>Kazakh</b>
					<i>Kirghiz</i>
			<i>Uralian</i>		<i>Tatar</i>
<b>Austro-Asiatic</b>	<b>Mon-Khmer</b>	<i>Eastern Mon-Khmer</i>	<i>Khmer</i>		<i>Khmer, Central</i>
		<b>Viet-Muong</b>	<b>Vietnamese</b>		<b>Vietnamese</b>
<b>Austronesian</b>	<b>Malayo-Polynesian</b>	<i>Barito</i>	<i>East</i>		<b>Malagasy, Plateau</b>
		<b>Central - Eastern</b>	<b>Eastern Malayo-Polynesian</b>		<b>Fijian</b>
					<i>Hano</i>
					<i>Kiribati</i>
				<i>Maori</i>	<i>Maori</i>
					<b>Rarotongan</b>
					<b>Tahitian</b>
					<b>Nauruan</b>
					<b>Samoan</b>
				<i>Tetun</i>	<i>Tetun</i>
					<i>Other related languages</i>
					<i>Tokelauan</i>
				<i>Tongan</i>	<i>Niue</i>
					<i>Tongan</i>
					<i>Tuvaluan</i>
					<b>Wallisian</b>
		<i>Chamorro</i>			<b>Chamorro</b>
		<b>Javanese</b>			<b>Javanese</b>
					<i>Javanese, Caribbean</i>
		<b>Malayic</b>	<b>Malayan</b>	<b>Malay</b>	<i>Banjar</i>
					<i>Brunei</i>
					<b>Indonesian</b>
					<b>Malay</b>
					<i>Malay, Balinese</i>
					<i>Malay, Makassar</i>
					<i>Malay, Pattani</i>
					<i>Other related languages</i>
				<b>Filipino</b>	<b>Filipino</b>

		<b>Meso-Philippine</b>	<b>Central Philippine</b>		<b>Tagalog</b>
<i>Aymarian</i>					<i>Aymara, Central</i>
<b>Creole</b>	<b>English-based</b>	<b>Atlantic</b>	<i>Eastern</i>	<i>Creole</i>	<i>Creole, English Guyanese</i>
					<i>Other related languages</i>
			<b>Suriname</b>		<b>Sranan</b>
		<i>Pacific</i>	<b>Western</b>		<b>Creole, English Jamaican</b>
					<i>Kriol, English Belize</i>
					<b>Bislama</b>
	<i>French-based</i>				<b>Pijin</b>
					<b>Tok Pisin</b>
					<i>Creole, French Haitian</i>
	<i>Kongo-based</i>				<i>Creole, French Guianese</i>
					<i>Morisyen</i>
				<i>Kibuta</i>	<i>Kituba (1)</i>
<i>Dravidian</i>	<i>Southern</i>	<i>Tamil-Kannada</i>	<i>Tamil-Kodagu</i>		<i>Kituba (2)</i>
					<i>Sango</i>
<b>Indo-European</b>	<i>Albanian</i>	<i>Tosk</i>			<i>Tamil</i>
	<i>Armenian</i>				<i>Albanian, Tosk</i>
	<b>Baltic</b>	<b>Eastern</b>			<i>Armenian</i>
					<b>Latvian</b>
	<i>Celtic</i>	<i>Insular</i>	<i>Goidelic</i>		<b>Lithuanian</b>
					<i>Gaelic, Irish</i>
	<b>Germanic</b>	<b>North</b>	<b>East Scandinavian</b>		<b>Danish</b>
					<b>Norwegian, Bokmal</b>
					<b>Swedish</b>
			<b>West Scandinavian</b>		<b>Icelandic</b>
		<b>West</b>	<b>English</b>		<b>English</b>
			<b>High German</b>		<b>Bavarian</b>
					<b>German, Standard</b>
					<b>Luxembourgish</b>
					<b>Schwyzerdeutsch</b>
					<i>Yiddish, Eastern</i>
					<i>Yiddish, Western</i>
			<b>Low Saxon-Low Franconian</b>	<b>Dutch</b>	<i>Afrikaans</i>
					<b>Dutch</b>
	<b>Greek</b>	<b>Attic</b>			<b>Greek</b>
	<b>Indo-Iranian</b>	<b>Indo-Aryan</b>	<b>Central Zone</b>		<i>Panjabi, Eastern</i>
				<b>Hindi</b>	<b>Hindi</b>

					<i>Urdu</i>
			<b>East Central Zone</b>		<b>Hindustani, Fijian</b>
			<b>Eastern Zone</b>		<b>Bengali</b>
					<b>Hindustani, Caribbean</b>
			<b>Northern Zone</b>		<b>Nepali</b>
			<b>Northwestern Zone</b>		<b>Panjabi, Western</b>
					<i>Sindhi</i>
			<b>Sinhalese_Maldivian</b>		<b>Sinhala</b>
		<b>Iranian</b>	<i>Eastern</i>	<i>Pashto</i>	<i>Pashto, Central</i>
					<i>Pashto, Northern</i>
					<i>Pashto, Southern</i>
			<b>Western</b>	<b>Farsi</b>	<b>Farsi, Eastern</b>
					<b>Farsi, Western</b>
					<i>Tajiki</i>
					<i>Other related languages</i>
				<i>Kurdish</i>	<i>Kurdish, Central</i>
					<i>Kurdish, Northern</i>
					<i>Kurdish, Southern</i>
					<i>Laki</i>
	<b>Italic</b>	<b>Roman ce</b>	<b>Eastern</b>		<b>Romanian</b>
			<b>Italo-Western</b>		<b>French</b>
					<b>Portuguese</b>
					<b>Spanish</b>
				<b>Italian</b>	<b>Italian</b>
					<i>Napoletano-Calabrese</i>
					<i>Sicilian</i>
		<b>Slavic</b>	<b>East</b>		<i>Belarusan</i>
					<b>Russian</b>
					<b>Ukrainian</b>
			<b>South</b>	<b>Eastern</b>	<b>Bulgarian</b>
					<i>Macedonian</i>
				<b>Western</b>	<b>Croatian</b>
					<b>Serbian</b>
					<b>Slovenian</b>
			<b>West</b>	<b>Czech-Slovak</b>	<b>Czech</b>
					<b>Slovak</b>
				<b>Lechitic</b>	<b>Polish</b>
<b>Isolate</b>					<b>Korean</b>
<b>Japanese</b>					<b>Japanese</b>
<i>Kartvelian</i>	<i>Georgia n</i>				<i>Georgian</i>
<b>Nilo-Saharan</b>	<i>Central Sudanic</i>	<i>West</i>	<i>Bongo-Bagirmi</i>	<i>Ngambay</i>	<i>Ngambay</i>
					<i>Other related languages</i>

	<b>Eastern Sudanic</b>	<b>Nilotic</b>	<b>Western</b>		<b>Luo</b>
	<i>Songhai</i>	<i>Southern</i>			<i>Zarma</i>
<i>Quechuan</i>	<i>Quechua II</i>	<i>C</i>			<i>Quechua, South Bolivian</i>
<b>Sino-Tibetan</b>	<b>Chinese</b>				<i>Chinese, Hakka</i>
					<b>Chinese, Mandarin</b>
					<b>Chinese, Min Nan</b>
					<i>Chinese, Wu</i>
					<b>Chinese, Yue</b>
	<b>Tibeto-Burman</b>	<i>Himalayish</i>	<i>Tibeto-Kanauri</i>	<i>Sherpa</i>	<i>Dzongkha</i>
					<i>Jirel</i>
					<i>Sherpa</i>
		<b>Lolo-Burmes</b> <b>e</b>	<b>Burmish</b>	<b>Burmese</b>	<i>Arakanese</i>
					<b>Burmese</b>
<b>Tai-Kadai</b>	<b>Kam-Tai</b>	<b>Be-Tai</b>	<b>Tai-Sek</b>		<i>Thai, Southern</i>
				<b>Lao</b>	<b>Lao</b>
					<b>Thai, Northeastern</b>
				<b>Thai</b>	<b>Thai</b>
					<i>Thai, Northern</i>
<i>Trans-New Guinea</i>	<i>Main Section</i>	<i>Central and Western</i>	<i>East New Guinea Highlands</i>		<b>Melpa</b>
<i>Tupi</i>	<i>Tupi-Guarani</i>	<i>Subgroup I</i>			<i>Guarani, Paraguayan</i>
<b>Uralic</b>	<b>Finnic</b>				<b>Estonian</b>
					<b>Finnish</b>
	<b>Finno-Ugric</b>	<b>Ugric</b>	<b>Hungarian</b>		<b>Hungarian</b>
<b>Niger-Congo</b>	<b>Atlantic-Congo</b>	<b>Atlantic</b> <b>c</b>	<i>Northern</i>		<i>Pulaar</i>
				<i>Balanta</i>	<i>Balanta Ganja</i>
					<i>Balanta Kentohe</i>
				<i>Pular</i>	<i>Pular</i>
					<i>Other related languages</i>
				<i>Wolof</i>	<i>Wolof</i>
					<i>Wolof, Gambian</i>
			<b>Southern</b>		<b>Themne</b>
		<b>Volta-Congo</b>	<b>Benue-Congo</b>		<b>Bemba</b>
					<b>Gikuyu</b>
					<b>Igbo</b>
					<b>Luba-Kasai</b>
					<b>Luyia</b>
					<i>Mbundu</i>
					<i>Nyanja</i>

					<i>Sotho, Southern</i>
					<b>Sukuma</b>
					<i>Tonga</i>
					<i>Tswana</i>
					<i>Umbundu</i>
					<b>Yoruba</b>
				<i>Beti</i>	<b>Beti</b>
					<i>Fang</i>
					<i>Other related languages</i>
				<i>Ganda</i>	<b>Ganda</b>
					<i>Other related languages</i>
				<b>Makhuwa</b>	<b>Makhuwa</b>
					<i>Other related languages</i>
				<i>Ndonga</i>	<i>Kwanyama</i>
					<i>Ndonga</i>
					<i>Other related languages</i>
				<i>Punu</i>	<i>Punu</i>
					<i>Other related languages</i>
				<i>Rwanda</i>	<i>Rundi</i>
					<i>Rwanda</i>
					<i>Other related languages</i>
				<i>Shona</i>	<i>Ndau</i>
					<b>Shona</b>
					<i>Other related languages</i>
				<b>Swahili</b>	<b>Swahili</b>
					<b>Swahili, Congo</b>
					<i>Other related languages</i>
				<b>Zulu</b>	<i>Ndebele</i>
					<i>Swati</i>
					<i>Xhosa</i>
					<b>Zulu</b>
			<i>Kru</i>		<i>Bassa</i>
			<b>Kwa</b>		<b>Akan</b>
				<b>Baoule</b>	<b>Baoule</b>
					<i>Other related languages</i>
				<i>Ewe</i>	<i>Ewe</i>
					<i>Other related languages</i>
				<i>Fon</i>	<i>Fon</i>
					<i>Gbe, Maxi</i>
			<i>North</i>	<i>Kabiye</i>	<i>Kabiye</i>
					<i>Other related languages</i>
				<i>Moore</i>	<i>Moore</i>
					<i>Other related languages</i>
	<b>Mande</b>	<b>Western</b>	<b>Central-Southwestern</b>		<b>Mende</b>
					<i>Bamanankan</i>

				<i>Bamanankan</i>	<i>Jula</i>
				<i>Kpelle</i>	<i>Kpelle, Liberia</i>
					<i>Other related languages</i>
				<i>Mandinka</i>	<i>Mandinka</i>
					<i>Other related languages</i>
				<i>Maninkakan</i>	<i>Maninkakan, Eastern</i>
					<i>Other related languages</i>

Source: Own Illustration (From Grimes & Grimes, 1996)

Table 4: Classification Scheme: Religion

Families	Religions	Divisions/Rites	Denominations/Sects
<b>Mono-Theistic, of a Common Middle-Eastern Origin</b>	<b>Judaism</b>	<b>Orthodox</b>	-
		<i>Conservative</i>	
		<i>Reform</i>	
	<b>Christianity</b>	<b>Orthodox</b>	<i>Numerous national forms</i>
		<b>Roman Catholic</b>	-
		<b>Anglican</b>	-
		<b>Protestant</b>	<b>Baptist</b>
			<b>Lutheran</b>
			<b>Methodist</b>
			<b>Presbyterian</b>
			<b>Reformed</b>
			<b>United</b>
	<b>Islam</b>	<b>Sunni</b>	<b>Hanafi</b>
			<b>Hanbali</b>
			<b>Maliki</b>
			<b>Shafi'i</b>
		<b>Shi'a</b>	<b>Ithna'Ashari</b> ( <i>the Twelvers</i> )
			<b>Isma'ili</b> ( <i>the Seveners</i> )
			<b>Zaidi</b> ( <i>the Fivers</i> )
		<b>Kharijite</b>	<b>Ibadhi</b>
		<i>Ahmadi</i>	<i>Qadiani</i>
			<i>Lahorite</i>
<b>Cyclical / Reincarnation- Based Religions Originating</b>	<i>Sikhism</i>	-	-
	<b>Buddhism</b>	<b>Mahayana</b>	<i>Vajrayana</i> ( <i>Tibetan</i> )
			<b>East Asian</b> ( <i>Chinese / Japanese</i> )
		<b>Theravada</b>	<b>Laos</b>
			<b>Mohanikay</b>

<b>in the Indian Sub-Continent</b>			<b>Siam</b>
			<b>Thommayutt</b>
			<b>Thudhamma</b>
	<b>Hinduism</b>	<b>Sanatan</b>	<b>Vaishnavite</b>
			<i>Shaivite</i>
			<i>Saktite</i>
		<i>Arya Samaj</i>	-
		<i>Neo-Hindu</i>	<i>Devine Light Mission</i>
			<i>Path of Bliss</i>
<b>Other Religions</b> <i>(Considered unrelated for these analyses)</i>	<b>Chinese-folk</b>		
	<b>New religionism</b>		
	<b>Local tribalism</b>		
	<i>Shamanism</i>		
	<i>Shintoism</i>		

Source: Own Illustration (From Dow, n.d.g).

Table 5: Psychic Distance Results

Variables	UK/US	US/China
Language Factor	<b>-3.868</b>	<b>0.526</b>
Distance Between Major Languages	1	5
Incidence of home country's Major Language in foreign market	2	5
Incidence of foreign market's Major Language in home country	1	5
Education Factor (Absolute Value)	<b>0.271</b>	<b>1.234</b>
Literacy	0	15.5
Proportion in 2nd Level Education	7.471	11.008
Proportion in 3rd Level Education	-10.502	23.313
Religion Factor	<b>-0.531</b>	<b>1.009</b>
Distance Between Major Religion	3	5
Incidence of home country's Major Religion in foreign market	2	5
Incidence of foreign market 's Major Religion in home country	2	3
Democracy Factor (Absolute Value)	<b>0.059</b>	<b>1.970</b>
POLCON	-0.106	0.853
POLITY IV	0	17
Political Rights	0	6
Civil Liberties	0	5

Source: Own Illustration