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**Global Hidden Champions:
The Internationalisation Paths, Entry
Modes and Underlying Competitive
Advantages of Germany's and Britain's
Global 'Top Three' Niche Players**



THE UNIVERSITY
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Abstract

Current theoretical insights into firm internationalisation have mainly focused on large American multinationals or on smaller early internationalising firms. Global niche players, often competing alongside or even complementary, have been less researched. They, like larger players, often strive to go global and dominate their market segments simply to survive and endure processes of global consolidation and often it is necessary to achieve top global positions. One such successful global niche strategy variant is ‘Global Hidden Champions’ (GHCs), which are low profile, global top three under US\$ 5 billion firms, mainly found in Germany (Simon, 2012). The question becomes pressing: how do GHCs reach world market leadership?

This study seeks to identify through which internationalisation paths and associated market entry modes 30 GHCs investigated from Germany and Britain reached global dominance and the specific competitive advantages without which such strategies would not have succeeded. This thesis takes an evolutionary historic perspective by distinguishing enduring with less-enduring GHCs, established at various points in time between 1838 and 2007.

A qualitative multiple case study approach is used based on 30 cases, 15 from each country. The abductive stance facilitates deductions of existing theoretical frameworks, whilst also allowing exploratory new themes to emerge. Structured and semi-structured interviews, combined with documentation, allow triangulation of findings and help minimise bias. Guided by the conceptual framework, data has been thematically coded, analysed and systematically explored, allowing several new themes to emerge.

Not one single GHC was found pursuing the traditional Uppsala Model internationalisation path. Instead 43% were identified as Born Globals (BGs); 20% as Born-Again Globals (BAGs); but no less than 37% emerged as quite different hybrid internationalisers, which because of their quite distinctive traits, were denoted ‘Re-Born-Again Globals’ (Re-BAGs). The analysis involved innovative methodological analysis, which further clarified some partial overlap of BGs, BAGs, and re-BAGs with Uppsala Model features, yet decided differences in terms of tempo and direction.

All three alternative paths led to top three global market leadership positions, depending on the GHCs context and historical circumstances. Nevertheless, recently established GHCs pursued BG paths, whereas more enduring GHCs almost all followed BAG and re-BAG paths. Younger British GHCs frequently embarked on early proactive paths, whilst their more enduring German equivalents pursued more belated internationalisation routes.

History emerged as pivotal. BAGs and re-BAGs were both distinguished by critical incidents which, in all 17 cases, shifted strategies on to much more proactive internationalisation paths. German GHCs, though, shifted primarily in response to technology advances, whereas British GHCs typically responded to specific management appointments.

Literature on accelerated internationalisation paths, such as in relation to BGs, remains unclear on commitments beyond trade. Yet, 90% of GHCs deployed substantial foreign direct investment (FDI), in addition to mere trade activity. Initially, German GHCs grew organically focusing on neighbouring markets. In contrast, British GHCs often used acquisitions and targeted more global, in particular, Commonwealth markets. FDI thus emerged as a crucial addition to export activity in all three alternative paths followed by BGs, BAGs and re-BAGs enabling them to sustain leading global market positions.

Yet, such paths were in turn contingent upon competitive advantages. GHCs from both countries complied remarkably closely with 6 out of 8 of Simon's (2009) identified theoretical HC Model traits: being 'leadership with ambitious goals'; 'innovation'; 'high-performance employees'; 'closeness to customer'; 'globalisation', and 'focus'. More in depth, albeit exploratory, analysis further uncovered the critical role played by 'visions and values' and 'brand', leading to a new tentative theoretical GHC Model. This new Model, moreover, recognises a virtuous cycle of market leadership advantages from which more enduring GHCs particularly benefitted. It also integrates comfortably with Teece's (2014) model of dynamic capabilities, extending his framework by including market leadership approaches and more precise competitive advantages of the GHC Model, alongside more specific concepts relating to entrepreneurial orientation.

In summary, this study contributes to the knowledge of how both long-standing and newer German and British GHCs conquer global markets by unveiling their specific and successful internationalisation paths, market entry mode choices and their underlying competitive advantages.

Declaration of originality

I herewith declare that the thesis has been composed entirely by myself and embodies the results of my own work. To the best of my knowledge and belief it contains no material previously published or written by another person(s) except where due reference has been made. Preliminary results of this research were presented at international conferences and workshops. The thesis contains no material that has been accepted for the award of another degree at a university or any other educational institution.

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Alessa Witt

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Abbreviations

B2B	Business to Business
B2C	Business to Consumer
BAGs	Born-Again Globals
BGs	Born Globals
EO	Entrepreneurial Orientation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFS	Greenfield Site
GHCs	Global Hidden Champions
GHCns	Newly-established Global Hidden Champions (1971-2007)
GHCms	Medium-lived Global Hidden Champions (1931-1970)
GHCls	Long-lived Global Hidden Champions (1830-1930)
HCs	Hidden Champions
Hybrids	A hybrid internationalisation path later called ‘Re-Born-Again-Globals’
MNEs	Multinational Enterprises
R&D	Research and Development
RBV	Resource Based View
Re-BAGs	Re-Born-Again Globals
SMEs	Small and Medium-Sized Enterprises
TRADs	Traditional Internationalisers
UK	United Kingdom

Table of Contents

Declaration of originality	i
Acknowledgements	v
Abstract	vii
Abbreviations	viii
Table of Contents	ix
List of Tables.....	xiv
List of Figures	xvi
List of Appendices	xvii
Chapter One Introduction	1
1.1 Global Hidden Champions (GHCs)	1
1.2 Germany's Mittelstand and Hidden Champions	2
1.3 The selection of Germany and Britain.....	5
1.4 Research motivations	7
1.5 Research objective.....	8
1.6 Overview of the research process.....	9
1.7 Thesis structure.....	9
Chapter Two Theoretical foundations	13
2.1 Introduction	13
2.2 Literature review of global niche strategy variants	14
2.2.1 Brief history of specialisation and niche strategy	14
2.2.2 Global consolidation and the emergence of global niche strategies.....	18
2.2.3 Review of dominant global niche strategy variants	22
2.2.3.1 'Deep niche' firms.....	23
2.2.3.2 'Hidden Champions' (HCs).....	23
2.2.3.3 'Invisible Champions'	24
2.3 Literature review of Hidden Champions (HCs)	27
2.3.1 Evolution of the HCs definition	28
2.3.2 Review of pertinent studies on HCs	32
2.4 Literature review of internationalisation theory	39
2.4.1 Brief history of internationalisation	40
2.4.2 Uppsala Model	41
2.4.3 Born Globals (BGs).....	44
2.4.4 Born-Again Globals (BAGs).....	50
2.4.5 Definitions used in this study	53
2.4.6 HCs internationalisation path	54
2.4.7 The role of Foreign Direct Investment (FDI).....	56
2.4.7.1 Market entry mode choices of traditional internationalisers	56
2.4.7.2 Market entry mode choices of BGs	57
2.4.7.3 Market entry mode choices of BAGs	58
2.4.7.4 Market entry mode choices of HCs	58
2.4.8 Internationalisation theories and HCs compared.....	59
2.5 The underlying competitive advantages of GHCs.....	62
2.5.1 The HC Model.....	63
2.5.2 Linkage with broader schools of strategic thought.....	67

2.6	Research gaps and questions	73
2.7	Initial conceptual framework.....	76
2.8	Chapter summary.....	77
Chapter Three Research methodology.....		79
3.1	Introduction	79
3.2	Purpose of research.....	80
3.3	Research philosophy and approach	80
3.3.1	On philosophical paradigms	81
3.3.2	Critical realism	82
3.3.3	A qualitative approach.....	83
3.3.4	An abductive approach	85
3.4	Research design	86
3.4.1	The case study method	86
3.4.2	The unit of analysis.....	90
3.4.3	Sample size in a multiple case study research	91
3.4.3.1	Case selection	91
3.4.3.2	Selection of German cases.....	94
3.4.3.3	Selection of British cases.....	95
3.4.4	Sample contacted and response rate	96
3.4.5	Main characteristics of all cases from Germany and Britain.....	97
3.5	Data collection tools	102
3.5.1	Interviews	102
3.5.1.1	Cross-cultural interviewing	104
3.5.2	Supporting documents	105
3.5.3	Data triangulation	106
3.5.4	The role of the researcher	107
3.6	Data analysis.....	110
3.6.1	Data analysis procedure.....	110
3.6.2	Data collection stream	111
3.6.3	Data reduction stream.....	113
3.6.4	Data presentation, analysis and discussion.....	114
3.6.4.1	Division of cases for systematic analysis	115
3.6.4.1.1	Newly established GHCs (GHCns)	115
3.6.4.1.2	Medium-lived GHCs (GHCms).....	116
3.6.4.1.3	Long-lived GHCs (GHCls).....	117
3.6.4.2	Data presentation	119
3.6.4.2.1	Analysis of the internationalisation paths.....	121
3.6.4.2.2	Analysis of the HC Model	124
3.6.5	Data display stream	125
3.6.6	Conclusion drawing and verification.....	125
3.7	Research credibility	126
3.8	Ethical issues	127
3.9	Research limitations	128
3.10	The pilot case study	128
3.10.1	Data analysis: Internationalisation path of PilotGer.....	129
3.10.2	Data analysis: HC Model and competitive advantages pf PilotGer	132
3.11	Alterations to the interview guide	134

3.12 Chapter summary	135
<i>Chapter Four Findings on the internationalisation paths of GHCs</i>	137
4.1 Internationalisation paths of GHCns	138
4.2 Internationalisation paths of GHCms	141
4.2.1 GHCms classified as BGs	142
4.2.2 GHCms classified as BAGs	144
4.2.3 GHCms classified as Hybrids.....	146
4.2.4 Summary of the internationalisation paths of GHCms	148
4.3 Internationalisation paths of GHClS	148
4.3.1 GHClS classified as BAGs	150
4.3.2 GHClS classified as Hybrids.....	152
4.3.3 Summary of the internationalisation paths of GHClS	155
4.4 Overall summary of the internationalisation paths of GHCs	156
4.5 Market entry mode choices of BGs, BAGs and Hybrids	159
4.5.1 Market entry mode choices of BGs.....	159
4.5.2 Market entry mode choices of BAGs	164
4.5.3 Market entry mode choices of Hybrids	168
4.5.4 Summary of the market entry mode choices of GHCs.....	173
4.6 Target markets of BGs, BAGs and Hybrids.....	174
4.6.1 BGs target markets	177
4.6.2 BAGs target markets	178
4.6.3 Hybrids target markets	180
4.6.4 Summary of the markets targeted by GHCs.....	181
4.7 Brief overall summary of findings	182
4.8 Chapter summary	185
<i>Chapter Five Findings on the underlying competitive advantages of GHCs</i>	187
5.1 BGs, BAG, and ‘Hybrid’ compliance with the HC Model	188
5.2 Deviance of BGs from the HC Model.....	191
5.3 Deviance score of BAGs from the HC Model	195
5.4 Deviance score of Hybrids from HC Model.....	200
5.5 Summary of the HC Model compliance with GHCs.....	205
5.6 Additional traits of competitive advantage.....	208
5.6.1 The missing ‘visions and values’ trait.....	208
5.6.1.1 Sub-analysis: Published ‘vision and value statements’ of GHCs.....	211
5.6.1.2 Sub-analysis: Content of ‘vision and value statements’ of GHCs	212
5.6.2 The missing ‘brand’ trait	214
5.6.3 Summary of the additional traits of competitive advantage.....	216
5.7 Brief overall summary of findings	217
5.8 Chapter summary	218
<i>Chapter Six Discussion of the internationalisation paths and underlying competitive advantages of GHCs</i>	221
6.1 Choice of studying GHCs.....	221
6.2 Discussion on the internationalisation paths of GHCs	223
6.2.1 Similarities between GHCs and the Uppsala Model	223
6.2.2 Alternative paths of internationalisation pursued by GHCs.....	224
6.2.3 Similarities between GHCs and BGs	225

6.2.3.1	BGs contradictory to the Uppsala Model?	226
6.2.3.2	Differences in BGs from Germany and Britain	228
6.2.3.3	Other pertinent findings on BGs	229
6.2.3.3.1	BGs performance measure	230
6.2.3.3.2	BGs presence across different industry sectors	230
6.2.3.3.3	Globalisation as a trigger for BGs?	231
6.2.3.3.4	Spin-off based BGs	231
6.2.4	Similarities between GHCs and BAGs	232
6.2.4.1	BAGs internationalisation paths	233
6.2.4.2	Differences in BAGs from Germany and Britain	234
6.2.5	Similarities between GHCs and Hybrids	234
6.2.5.1	‘Hybrid’ internationalisation paths	235
6.2.5.2	Differences in Hybrids from Germany and Britain	236
6.2.5.3	Emergence of the ‘Re-Born-Again Global’ (Re-BAG) path	237
6.2.6	The Uppsala Model as a framework to explain the alternative paths of BG, BAG and re-BAG	238
6.2.7	An evolutionary perspective of GHCs internationalisation paths	238
6.3	Market entry mode and FDI choices of GHCs	242
6.3.1	Differences in the market entry mode and FDI choices of GHCs from Germany and Britain	242
6.3.2	Market entry mode and FDI choices of BGs	244
6.3.3	Market entry mode and FDI choices of BAGs	247
6.3.4	Market entry mode and FDI choices of re-BAGs	248
6.4	Overview of German and British GHCs target markets	249
6.4.1	BGs target markets	250
6.4.2	BAGs target markets	251
6.4.3	Re-BAGs target markets	252
6.5	Internationalisation paths of GHCs from Germany and Britain	253
6.6	Underlying competitive advantages of GHCs in Germany and Britain	254
6.6.1	Discussion on the HC Model analysis	255
6.6.2	Emergence of the ‘GHC Model’	257
6.6.2.1	The ‘core goals and core values’ trait	257
6.6.2.2	The ‘proactive internationalisation’ trait	259
6.6.2.3	The ‘innovation’ trait	260
6.6.2.4	The ‘closeness to customer’ trait	261
6.6.2.5	The ‘skilled and committed employees’ trait	261
6.6.2.6	The ‘competence based value chain’ trait	262
6.6.2.7	The ‘focus’ trait	263
6.6.2.8	The ‘brand’ trait	264
6.6.2.9	The exclusion of the ‘decentralisation’ trait	265
6.6.2.10	The GHC Model	266
6.7	Integration of discussion and the new conceptual framework	267
6.7.1	The GHCs entrepreneur and competitive advantages	273
6.8	Chapter summary	281
	Chapter Seven Conclusion	285
7.1	Internationalisation paths of GHCs	285
7.2	Underlying competitive advantages of GHCs	289

7.3	Integrating internationalisation paths and competitive advantages.....	291
7.4	Implications for management, government policy and education	292
7.4.1	Implications for management.....	292
7.4.2	Implications for government policy	292
7.4.3	Implications for education.....	294
7.5	The need for new innovative and methodologies.....	295
7.6	Future research	295
	References	299
	Appendices.....	333

List of Tables

Table 1 Literature review of dominant global niche strategy variants.....	23
Table 2 Evolution of Simon’s HC definition	29
Table 3 Review of pertinent studies on HCs.....	34
Table 4 HCs identified worldwide	37
Table 5 Environmental changes which induce the emergence of BGs	46
Table 6 BGs internationalisation speed defined in literature	48
Table 7 Critical incidents of BAGs	51
Table 8 Definitions used in this study	53
Table 9 Review of studies on the internationalisation paths of HCs	54
Table 10 Comparison of traditional internationalisers, BGs, BAGs and HCs.....	60
Table 11 Comparison of Simon’s 1996 and 2009 HC Model.....	65
Table 12 Main characteristics of all cases from Germany and Britain (2013)	100
Table 13 Sample of interview question on internationalisation paths	103
Table 14 Research questions and associated data collection techniques	112
Table 15 GHCNs from Germany and Britain	116
Table 16 GHCms from Germany and Britain	117
Table 17 GHCl from Germany and Britain	118
Table 18 Data presentation in this study	120
Table 19 Internationalisation criteria used in the analysis	122
Table 20 Ensuring credibility of the research design.....	127
Table 21 Internationalisation analysis of PilotGer.....	131
Table 22 Deviance of PilotGer from the HC Model traits	132
Table 23 Interview guide changes.....	134
Table 24 Summary of research methods used in this study	135
Table 25 Internationalisation analysis of GHCNs	139
Table 26 Additional quotes by GHCn executives on BG paths.....	141
Table 27 Internationalisation analysis of GHCms	141
Table 28 Internationalisation analysis of GHCms identified as BGs.....	143
Table 29 Additional quotes by GHCm executives on BG paths.....	144
Table 30 Internationalisation analysis of GHCms identified as BAGs.....	145
Table 31 Internationalisation analysis of GHCms identified as Hybrids.....	146
Table 32 Internationalisation analysis of GHCl	149
Table 33 Internationalisation analysis of GHCl identified as BAGs.....	150
Table 34 Internationalisation analysis of GHCl identified as Hybrids.....	152
Table 35 Additional quotes by GHCl executives on ‘Hybrid’ paths	155
Table 36 Summary of the internationalisation paths of GHCs	157
Table 37 The evolution of the internationalisation paths of GHCs.....	158
Table 38 Market entry modes of BGs	160
Table 39 Additional quotes by BG executives on market entry mode choices.....	164
Table 40 Market entry modes of BAGs	165
Table 41 Additional quotes by BAG executives on market entry mode choices.....	168
Table 42 Market entry modes of Hybrids	170
Table 43 Additional quotes by ‘Hybrid’ executives on market entry mode choices.....	173
Table 44 Regional and global markets targeted by GHCs	175
Table 45 Regional markets targeted by GHCs.....	176
Table 46 Global markets targeted by GHCs	176

Table 47 Regional markets targeted by BGs	177
Table 48 Global markets targeted by BGs	178
Table 49 Regional markets targeted by BAGs.....	179
Table 50 Global markets targeted by BAGs	179
Table 51 Regional markets targeted by Hybrids.....	180
Table 52 Global markets targeted by Hybrids	181
Table 53 Summary of the internationalisation paths, market entry modes, and markets targeted by all GHCs.....	183
Table 54 Deviance scores of BGs, BAGs, and Hybrids from the HC Model.....	188
Table 55 Additional quotes on the HC Model by BAG and ‘Hybrid’ executives ...	189
Table 56 Deviance of BGs from the HC Model traits	192
Table 57 HC Model traits most complaint with BGs.....	195
Table 58 Deviance of BAGs from the HC Model traits.....	196
Table 59 HC Model traits most complaint with BAGs.....	199
Table 60 Deviance of Hybrids from the HC Model traits.....	201
Table 61 HC Model traits most complaint with Hybrids.....	205
Table 62 Additional competitive advantages	208
Table 63 The ‘visions and values’ trait mentioned by BG, BAG and Hybrid executives	209
Table 64 Published ‘vision and value statements’ by BGs, BAGs and Hybrids	212
‘Table 65 Keywords found in ‘vision and value statements’ of GHCs	213
Table 66 The ‘brand’ trait mentioned by BG, BAG and Hybrid executives	214
Table 67 Summary of GHCs competitive advantages	256
Table 68 Origin of GHC Model traits	257
Table 69 Comparing of the GHC Model with Mittelstand characteristics	267
Table 70 Exploratory evidence of entrepreneurial orientation in GHCs from Germany and Britain.....	276

List of Figures

Figure 1 The HC Model 64

Figure 2 The dynamic capabilities paradigm (Teece, 2014) 71

Figure 3 Initial conceptual framework 76

Figure 4 Overview of research methodology 79

Figure 5 Data analysis procedure 111

Figure 6 Section overview of the internationalisation paths 138

Figure 7 Section overview of the HC Model analysis 188

Figure 8 Deviance of BGs, BAGs and Hybrids from the overall HC Model 190

Figure 9 Deviance of BGs, BAGs and Hybrids from the HC Model traits..... 207

Figure 10 Evolution of GHCs internationalisation paths 240

Figure 11 Establishment dates predicting internationalisation path..... 241

Figure 12 The GHC Model 266

Figure 13 New conceptual framework of GHCs..... 270

Figure 14 New conceptual framework positioned in the wider schools of strategic thought..... 280

List of Appendices

Appendix 1 Comparing of the HC Model with Mittelstand characteristics.....	333
Appendix 2 Term ‘Hidden Champions’ revealed by a systematic journal research	333
Appendix 3 Comparing the HC Model with HC Model equivalents found in Canada and Greece.....	334
Appendix 4 Sample of the structured and semi-structured research questions.....	335
Appendix 5 Interview details of cases	337
Appendix 6 Details on the calculation of the internationalisation analysis	338
Appendix 7 Internationalisation analysis of GHCns.....	340
Appendix 8 Internationalisation analysis of GHCms.....	342
Appendix 9 Internationalisation analysis of GHClS.....	344
Appendix 10 Summary of findings on the internationalisation paths of GHCs	348
Appendix 11 Market entry mode choices of GHCns	350
Appendix 12 Market entry mode choices of GHCms.....	351
Appendix 13 Market entry mode choices of GHClS.....	352
Appendix 14 Market selection of BGs.....	354
Appendix 15 Market selection of BAGs.....	355
Appendix 16 Market selection of Hybrids	356
Appendix 17 Deviance scores of BGs from the HC Model.....	357
Appendix 18 Deviance scores of German BGs from the HC Model.....	358
Appendix 19 Deviance scores of British BGs from the HC Model.....	359
Appendix 20 BAGs deviance scores from the HC Model	360
Appendix 21 Deviance scores of German BAGs from the HC Model	360
Appendix 22 Deviance scores of British BAGs from the HC Model.....	361
Appendix 23 Deviance scores of Hybrids from the HC Model	362
Appendix 24 Deviance scores of German Hybrids from the HC Model	363
Appendix 25 Deviance scores of British Hybrids from the HC Model	363
Appendix 26 GHCns deviance scores from the HC Model	364
Appendix 27 GHCms deviance scores from the HC Model	364
Appendix 28 GHClS deviance scores from the HC Model	365
Appendix 29 The ‘visions and values’ trait mentioned by GHCns, GHCms, and GHClS	365
Appendix 30 Published ‘vision and value statements’ of GHCns, GHCms, and GHClS	366
Appendix 31 Key words in ‘vision and value statements’ of GHCns, GHCms, and GHClS.....	366
Appendix 32 Full list of key words identified in ‘vision and value statements’	367
Appendix 33 Content of ‘vision and value statements’ of GHCns and GHCms	368
Appendix 34 Content of ‘vision and value statements’ of GHClS.....	369
Appendix 35 The ‘brand’ trait mentioned by GHCns, GHCms, and GHClS.....	370
Appendix 36 Evidence on product pre-business formation	370

Chapter One

Introduction

“Like Germany, the UK needs to celebrate the ‘Hidden Champions’ of the mid-market, and their vital contribution to national economic success.”

(Roper, 2014, p. 25)

1.1 Global Hidden Champions (GHCs)

Simon (2012) was the first to identify ‘Hidden Champions’ (HCs) in Germany, which are extremely successful, low profile, niche players positioned either as regional leaders or global top three market leaders. Simon (2012) describes two types of strategies which HCs can pursue, however, one of which is a regional; and the other is a global, niche strategy. This thesis focuses solely on ‘Global Hidden Champions’ (GHCs) and specifically excludes regional ones, hence the term GHCs will be used throughout. The rationale for focusing only on GHCs, as opposed to regional HCs, is that the former are more likely to survive the global consolidation process, due to their favourable and sometimes even monopolistic market positions, as noted by other researchers in this field (Kroeger et al., 2008; Noy, 2010). Global consolidation spurs a ‘battle for survival’, which affects niche players in particular and should be of major concern (Kearney, 2013), yet critical studies in the area of global niche market players and GHCs are scarce.

By setting the focus on GHCs only, the aim is to understand how these successful global niche players reach market leadership. This thesis aims to explore their exact internationalisation paths and associated market entry modes leading to such favourable top three global market positions. Secondly, their underlying competitive advantages, without which such successful internationalisation paths would not be feasible, will be studied. Instead of focusing only on German GHCs, this research also identifies equivalents in Britain and compares the major similarities and differences in the GHCs found in two of Europe’s largest economies. This thesis goes even further by studying GHCs established between 1838 and 2007, acknowledging that internationalisation paths and competitive advantages may differ for enduring and non-enduring GHCs from both countries.

Global strategy research is dominated by studies on successful large multinationals, overshadowing more limited yet valuable contributions made by firms pursuing more niched focused global strategies. This thesis pays attention to the unique breed of successful GHCs, but is probably the first study to extend its focus to include equally successful British GHCs and it would seem that no known study, not even Simon's, has hitherto explored the internationalisation paths of GHCs in both Germany and Britain. While it is generally accepted that successful internationalisation requires certain competitive advantages, and although Simon (2009) identifies these in his HC Model, previous studies have not solely focused on GHCs and nor have they extended their analysis to British equivalents.

1.2 Germany's Mittelstand and Hidden Champions

A lot has changed since 1887, when England labelled cheap steel goods from Germany with '*Made in Germany*', as today it stands for superior quality and excellent engineering (Ploetner, 2012). Doubtless, German firms benefit from this reputation, which in return contributes to their international success and competitiveness in the global arena (Ploetner, 2012). Until 2009, Germany was the most successful exporting country in the world in absolute terms, but was surpassed by China (Fear, 2013), and in 2013, also by the USA (World Bank, 2015). As an export economy, Germany ranks third in the world but such international achievements are even more remarkable, taking into account its smaller economy and population when compared to China and the USA.

Many imagine Germany's success is due to large multinationals, such as Mercedes and Siemens. Alongside such 'well-known' company brands, however, Germany's international success is supported by an almost unique cadre of far lesser known '*Mittelstand*' companies contributing some 40% of all exports (Venohr and Meyer, 2009).

The term *Mittelstand* loosely translates to mid-cap companies, which many take to be small to medium-sized businesses (Linnemann, 2007; IHK, 2011)¹. However, no less

¹ The International Chamber of Commerce estimated that there were roughly 3.5 million *Mittelstand* companies in Germany (IHK, 2011)

than 99% of German companies consider themselves as part of the Mittelstand in terms of their own perception (BMW, 2012), specifically including companies as large as Bosch with over EUR 60 billion revenues (Schäfer, 2011). Therefore, it is incorrect to refer to the Mittelstand as only being for Germany's smaller mid-cap companies.

What does define the Mittelstand, is a much broader set of values and more 'elastic' definitions (Fear, 2012, 2013). Berghoff (2006) defines six characteristics for Mittelstand firms; family firms, focus on long-term strategy, emotional attachment, generational continuity, patriarchal culture and informality, and independence. Fear (2013) further finds that Mittelstand firms have a strong corporate culture and are deeply embedded in their regional community, whilst being very loyal to their workforce. Generally, they also aim for long-term profits rather than short-term value maximisation, as "debt is bad; prudence a higher virtue than profit" (Ewing, 2014, p. 79). Therefore, the notion of the Mittelstand proves difficult to translate because it appears to be a mentality and philosophy of deep-seated German tradition, rather than something quantifiable based on arbitrary size criteria.

The success of Germany's Mittelstand is envied by many other countries (Venohr and Meyer, 2009), as it is considered to form the backbone of the German economy (Schuman, 2011). "The Mittelstand has become an ambition" (Economist, 2012) and numerous neighbouring countries are trying to encourage a Mittelstand equivalent. However, foreign countries are primarily keen to grow their mid-cap sector, which constitutes only a small fraction of the whole Mittelstand as it is found in Germany, without understanding that it embodies a deeply embedded German way of doing business.

Nevertheless, Britain is one prime example in favour of the Mittelstand, as George Osborne, Chancellor of the Exchequer, is persuaded - "we should all learn the lessons from the successful Mittelstand model" (Bryant, 2012). Essentially, George Osborne highlights Britain's short-termism, with respect to capital, managerial style, innovation but also aspects of policy² (Carr, 2005; Financial Times, 2012), which are

² John Cridland, Director-General of the Confederation of British Industry, argues that Britain need to develop support strategies for companies with revenues below £10 million (Financial Times, 2012).

contradictory to any Mittelstand mentality. This proves especially counterproductive when trying to nurture Britain's manufacturing businesses, which are considered to be the 'forgotten army' (Financial Times, 2012). It is now widely recognised that Britain must focus on internationalising their mid-cap manufacturing sector to boost exports and regain global competitiveness (Dolphin, 2014), typified by the prowess and success of many German Mittelstand manufacturing firms.

Despite the wider interest in Mittelstand firms, it is important to recognise that the vast majority operate more domestically. Therefore, the ones that Britain needs to learn from are the internationally orientated Mittelstand firms. Yet, the most successful breed of vigorous internationalisers identified are Simon's (2012) HCs, accounting for 1,300 firms and clearly form an 'elite' sub-group of the Mittelstand, as these are either regional or global market leaders. HCs and Mittelstand firms share remarkably similar traits but differ primarily in their strong outward orientation and dominating market positions (see Witt and Carr's (2013) comparison in Appendix 1). On average, HCs export 66% of their goods contributing an estimated quarter of Germany's exports (Simon, 2009). Roper (2014, p. 25) correctly states that "Like Germany, the UK needs to celebrate the 'Hidden Champions' of the mid-market, and their vital contribution to national economic success." Therefore, despite of the German Mittelstand's strength, it is vital to understand that the greater lessons for success are learnt from the minority of international leading Mittelstand firms, the HCs. Although, this study goes further by focusing only on global top three HCs hence, GHCs as these reach remarkable global positions and are likely to sustain over time.

A new phenomenon was born through Simon's (1996a) well-received book on HCs, which has had a huge impact in Germany. Since the first foundations laid by Simon, there has been an increasing interest in follow-up studies (Adenäuer, 2007; Simon and Lippert 2007; Simon and Zatta, 2008; Jungwirth, 2010) but also public interest, particularly after the financial crisis, as HCs appeared to be somewhat recession proof (Hofer and Markert, 2009; Tödtmann, 2009; Fear, 2013). In Germany there are now HC conferences (i.e. CEEMAN), HC awards (i.e. news channel N-TV), and even weekly special issues in Germany's daily newspapers (i.e. Süddeutsche Zeitung). This increasing interest caused many world market leading firms to advertise and hope to

be associated with the HCs phenomenon to attract young personnel (i.e. through websites such as <http://www.yourfirm.de>).

The HCs phenomenon is well recognised beyond Germany as ‘the successful mighty middle’ (i.e. The Financial Times, The Economist), yet the amount of attention devoted to this field has not been great. Simon (2012) as well as some academics focused on HCs equivalents in other countries, such as Greece and Canada (Voudouris et al., 2000; Blackburn et al. 2001). However, critical comparison studies have not yet appeared. Even though Simon (2012) identified over 60 HC equivalents in Great Britain, he has not compared how these are similar to or different from those found in Germany.

1.3 The selection of Germany and Britain

This current empirical study focuses on two major economies in Europe measured by their Gross Domestic Product (GDP), which are Germany (US\$ 3.730 trillion) and Britain (US\$ 2.678 trillion) (World Bank, 2015). The relevance and value of this comparison sheds light on the international competitiveness of both European economies in the global arena. According to the World Bank (2015), Germany was considerably more successful in exporting goods and services in respect to their GDP than Britain (46% versus 30% of GDP in 2013). As a result, Germany ranks third among the most successful exporting countries in the world, whereas Britain ranks eighth (Workman, 2015). Therefore, Germany appears to possess more exporting companies including GHCs when compared to Britain.

In respect to manufacturing, Germany’s national output is over twice as high when compared to Britain (24 % versus 10% of GDP, UNCTAD, 2014). As a result, Germany ranks fourth of the most successful manufacturing output economies and constitutes 7% of the world’s manufacturing, whilst the British rank seventh contributing only 3% (UNCTAD, 2014). In the past 15 years, Britain’s manufacturing drastically fell by 6% compared to Germany (9% versus 3%, UNCTAD, 2014). Germany has been exceptionally strong and far stronger than Britain in maintaining manufacturing businesses (Porter, 1990; ISR, 2003), particularly between 1950 and 1979 (Broadberry, 2005).

Instead, Britain has focused heavily on services, in which it is exporting more than Germany. Britain's economic output of intangible commodities is higher than that of Germany (68% versus 79%, see World Bank, 2015). As such, Britain positioned itself as a much stronger economy in exporting services than Germany.

Due to this substantial difference, the industry clusters in Germany and Britain are very different. Porter (1990, p. 379-380) highlights "Germany has had unusual advantages in all the determinants of national competitive advantage, covering a range of industries that draw in technological ability in chemistry, mechanical engineering and physics. [...] What is particularly notable about Germany is the ability to sustain positions in these fields over a long period of time." In comparison, Britain lags behind in many industries (i.e. machinery) when compared to Germany (Porter, 1990), mainly due to their stronger focus on services after the 1970s.

Germany has dozens of industry clusters, some of which are considered to be more traditional (e.g. pencils in Nueremberg), as well as clusters reaching maturity (e.g. measurement valley in Göttingen), and emerging clusters (i.e. carbon fibre in Munich) (Simon 2012). The unique advantages of Germany (i.e. increasing quality of human and technical resources) have led the country to sustain existing clusters but also extend these into a wide range of related industries (Porter, 1990; Voss and Blackmon, 1996; Lane, 2006). Arguably, German niche firms benefit from their extensive and well-established industry clusters.

In contrast, many of Britain's successful clusters have been eroding (i.e. textile industry), however, Britain remains profitable in other sectors. Britain is considered to be very strong in the oil and gas industry (i.e. Aberdeen); financial services and insurance (i.e. London) (ISR, 2003); the life sciences (i.e. Manchester); semiconductor (i.e. Bristol) and the high-performance automotive cluster (i.e. the Midlands) (Dolphin, 2014). Nevertheless, Britain remains fairly weak when compared to Germany in terms of absolute exports.

However, more recently Britain's policy makers contributed to the emergence of high-tech clusters. For example Cambridge's 'Silicon Fen' emerged as the world's leading high-technology cluster consisting of internationally competitive software, electronics, and biotechnology companies (Storey and Tether, 1996; Delbridge and

Lowe, 1998; Kudina et al., 2008; Mongkhonvanit, 2010). Britain's young high-tech firms are, however, challenged by many of Germany's GHCs, of which Simon (2009) finds many competing primarily through high-technology products. Hence, there is a greater convergence between highly specialised British and German firms including GHCs.

It is acknowledged that a firm's competitiveness is strongly influenced by its national context, however, this goes well beyond the scope of this study. Germany's and Britain's business systems have been extensively compared and found to be highly contrasting (Lane, 1992, 1995, 1997, 2006). Differences in Germany's and Britain's business systems are almost certainly likely to affect resources available, competitive advantages and internationalisation paths. However, these might further differ for GHCs established more recently and those longer lived. Therefore, this research might also help to explain factors affecting national competitiveness and such outward successful orientations and strategies of GHCs from both economies, and established in different time periods (1838-2007).

1.4 Research motivations

There are several reasons for undertaking this research, including theoretical, practical and personal factors. The researcher has been interested in HCs since 2008 and devoted an entire undergraduate thesis to studying German HCs internationalisation paths in Germany, as these are outstanding contributors to the German economy and have endured over time (also see Witt, 2010).

Simon's (2009, 2012) findings as a practitioner clearly identified these firms as a unique phenomenon, which needed to be further explored. Despite the evidence that HCs are exceptional firms, the researcher was struck by the lack of attention given to these type of successful German companies in academic literature, particularly outside of Germany.

Yet, studies on HCs internationalisation paths have not focused on GHCs and there is limited knowledge on how global niche players internationalise and reach market leadership. Furthermore, literature has largely omitted to study internationalisation in relation to a firm's underlying competitive advantages. Current literature debates on

competitive advantage are not paying enough attention to market leadership, as well as the role of internationalisation of successful global niche players.

Furthermore, the researcher was interested in comparing British and German GHCs to explore whether there are differences between the two countries and, like British policy makers, to identify the exact differences between German and British mid-cap champions. As such, aiming to contribute to the knowledge on how Britain can regain competitiveness particularly in the manufacturing sector, exemplified by their enduring equivalents in Germany.

The qualitative approach of this study allowed the researcher to not only identify but furthermore observe differences between headquarters and factories in both countries. The researcher was particularly interested in visiting these companies personally, which are 'hidden' remotely throughout Germany and Britain to observe their regional embeddedness. This approach was mainly adopted, as it made it possible to meet the senior management and as Ploetner (2012, p. 140) emphasises, "It is the individual characteristics of an entrepreneur and/or family that owns the company that shape the culture."

Finally, this doctoral study of 30 GHCs has provided a unique opportunity to uncover the lessons from the most successful global niche companies in Germany and Britain and study their similarities and differences. The following sections detail the research objective of this study.

1.5 Research objective

As previously outlined this thesis aims to understand the internationalisation paths and associated market entry modes of GHCs, and study the differences between Germany and Britain. Furthermore, the research objective is to determine the exact competitive advantages of German and British GHCs based on Simon's (2009) theoretical HC Model. In summary, the overarching topics, addressed in this thesis are as follows:

- Explore the exact internationalisation paths which Global Hidden Champions from Germany and Britain pursue.
- Explore the underlying competitive advantages of Global Hidden Champions from Germany and Britain according to Simon's HC Model.

The exact research questions are presented at the end of the literature review (see 2.6) and are reinstated in the methodology (see section 3.2) To address these questions, this thesis draws on a total of 30 GHCs cases, 15 from Germany and 15 from Britain, focusing on GHCs from three different time periods, in order to address differences between newly emergent and more enduring GHCs in regard to internationalisation paths and competitive advantages.

1.6 Overview of the research process

The research process undertaken for this study started with a comprehensive literature review on global niche strategy literature. The initial stage involved combing existing literature on niche strategies and the emergence of global niche strategies and identifying the importance of market leadership for survival in the process of global consolidation. The review then focused on GHCs due to their remarkable international success in global markets. Once this was accomplished, the lack of knowledge about their successful internationalisation was identified as the main research area. Therefore, the literature review then covered the mainstream internationalisation theories, identifying key authors and perspectives. Given the success of GHCs, this study then examined pertinent literature on competitive advantages, which may contribute to their leading market position and their successful internationalisation paths pursued.

This investigation started with a deductive research process, which involved organising and categorising the mainstream theories in this context. This then enabled the formation of a conceptual framework, which set the frame for the research undertaken here. Following an inductive approach the research subject within the boundaries of the conceptual framework were explored. Findings and observations inductively emerged within the aspects of this framework and were then tied back to theory to draw out conclusions.

1.7 Thesis structure

The thesis is divided into seven main chapters, and after this introduction (chapter one), the thesis is structured as follows.

Chapter Two: Theoretical foundations

This chapter reviews international business literature, which was considered most relevant to the subject area. It commences with a review on global niche strategies before covering the pertinent literature of HCs. The mainstream and relevant theories of internationalisation are then reviewed and it continues by covering those in the area of competitive advantages and market leadership. The chapter concludes with an initial conceptual framework, which emerged from these perspectives.

Chapter Three: Research methodology

After examining related literature, the methodology adopted for this research is presented. This research adopts a critical realist approach using the process of abduction. The research design sets the context and background of the study and utilises a multi-case study design of 30 GHCs, drawing on the data collection tools of interviews and documentation. Further describing the process of data triangulation and the role of the researcher, the chapter then details the process of data analysis and introduces the novel tool to investigate the internationalisation paths of GHCs and the data analysis used for the competitive advantages analysis. A brief profile of all GHCs is presented providing general data, such as revenues and export ratios, before addressing research credibility, ethical issues and limitations. Finally, concluding with one German pilot study.

Chapter Four: Findings and data presentation on the internationalisation paths and market entry mode choices

This chapter presents the findings of the research undertaken with respect to the conceptual framework. First presenting data of the internationalisation analysis, which is supported by key quotes, tables and figures. Findings on all 30 GHCs were systematically categorised by grouping cases in accordance with their establishment dates, which is highlighted in the methodology. The analysis then continues with the GHCs first three FDI entries and markets targeted, which are systematically uncovered in accordance with the specific internationalisation path pursued and not in accordance to their establishment dates.

Chapter Five: Findings and data presentation on competitive advantages

As with the findings on internationalisation, those on competitive advantages are systematically analysed and supported by tables, figures and key quotes. However, the findings are presented in accordance with the GHCs previously identified internationalisation paths and not in accordance with their establishment dates.

Chapter Six: Discussion

This chapter discusses the findings in relation to the aims and objectives set for this study. First, it addresses the findings on the internationalisation paths and market entry mode choices, which are related back to previously revised literature and theory, and required an extension of existing theory. The chapter then discusses the findings on competitive advantages, which were also related back to the literature and theory, although it was necessary to search for theories and perspectives from other disciplines and ‘borrowed’ theories from entrepreneurship. This section concludes with a new conceptual framework based on the findings in this study.

Chapter Seven: Conclusion

The final chapter of the thesis concludes the research project and presents the main contributions to literature. The chapter covers the theoretical contributions in the field of internationalisation and competitive advantages. Furthermore, the chapter addresses the contributions to management, government policy, and education, as well as providing future research perspectives.

Appendices

As listed earlier, this thesis refers to 36 appendices, which are referred to where appropriate. The analysis in the appendices particularly focus on the comparison between GHCs established in different time periods.

Chapter Two

Theoretical foundations

2.1 Introduction

The main aim of this chapter is to focus on the relevant literature and previous research on the internationalisation paths and competitive advantages of one particular strategy variant - the '*Hidden Champions*' (HCs) (Simon, 2009). As such, the literature is divided into three main sections covering global niche strategy literature, internationalisation paths, and the role of foreign direct investment (FDI) and market entry modes, as well as relevant literature in relation to competitive advantages. This chapter commences by providing a brief history on niche strategies and the emergence of global niche strategies based on the increasing consolidation of markets. Next, all global niche strategy variants associated with performance are reviewed, as these emerged to withstand global consolidation. This then leads to the reason for studying one sub-group of HCs, which are global market leading and referred to as '*Global Hidden Champions*' (GHCs). Given this particular strategy variant focus, the existing literature of HCs is systematically reviewed, highlighting key independent studies and interrelated aspects.

Secondly, the main focus of the study is addressed, which is to identify the exact internationalisation paths pursued by GHCs which lead to market leadership. The history of internationalisation is briefly covered, before pertinent internationalisation theories, including the Uppsala Model, Born Globals (BGs) and Born-Again Globals (BAGs) are reviewed. Then after highlighting the role of FDI in these three mainstream internationalisation theories, as well as its role in the existing knowledge of HCs entry mode choices, this section ends by comparing the reviewed theories of internationalisation to the findings on the internationalisation paths pursued by HCs.

Thirdly, a review of the competitive advantages, which are needed for GHCs to achieve global niche market leadership is undertaken. Then the HC Model framework is introduced, as its associated competitive advantages lead to the HCs market leadership position. Finally, the review attempts to situate the HC Model in the context of wider strategic schools of thought and covers relevant literature in relation to

competitive advantages, such as the resource-based view, dynamic capabilities and market leadership approaches.

2.2 Literature review of global niche strategy variants

“Darwin is probably a better guide to business competition than economists are.”
(Henderson, 1989, p. 143)

This section reviews pertinent arguments from specialisation and niche strategies in the context of global consolidation, which arguably spurred firms to pursue a more focused global niche strategy. These arguments lead to a review of global niche strategy variants with some sort of market performance and leadership position, particularly emphasising the strategies of ‘*Hidden Champions*’ (HCs). The literature then covers pertinent studies on HCs as it is a much studied variant, albeit controversial global niche strategy variant.

2.2.1 Brief history of specialisation and niche strategy

The emergence of niche strategies has a long history, as arguments for specialisation based on scale economies date back to Adam Smith’s (1776) rationale on the division of labour, exemplified by the pin industry. Ricardo’s (1817) perspective suggests specialisation playing to a nation’s relative competitive advantage (as measurable through sector trade ratios). The concept of market segmentation theory was pioneered by Smith’s (1956) arguments of a collection of smaller homogeneous markets, although highlighting that this was a short-term strategy, which is very demand-side orientated. In this context, Claycamp and Massy (1968) observed that market segmentation has a strong relation to profit maximisation. More recently, Porter’s (1990) ‘*Diamond*’ highlights broader aspects of national competitive advantage including experienced customers, competitive clusters and vigorous national rivalry, in addition to more traditional economic factors, such as relative costs.

This specialisation and a more general requirement for some form of focusing is well established in the literature (for example, Abell and Hammond, 1979; Buzzell and Gale, 1987). Parrish (2003, p. 23) concludes that a classical way to implement a “focus strategy is through niche markets.” Thereby, a firm should target a specific customer group, product, technology or market segment (Claycamp and Massy, 1968; Kotler, 1994). This concept of a more focused competitive strategy and market segmentation

was essentially pioneered by Porter's (1980) 'generic focus strategy' and is recognised as an approach aimed at sustaining supernormal profits and growth (also see Zook, 2001, 2004, 2007). This 'generic focus strategy' is also widely applicable to smaller players (Noy, 2010).

A niche strategy is best pursued in a segment or interstices separated out from a market (Kotler, 2003). However, not all market segments are niches but market segmentation allows the detection of markets, which are poorly covered (Popescu, 2013). The majority of scholars define a niche market based on either product, customer, or technology (Abell and Hammond, 1979; Buzzell and Gale, 1987). This is in line with Simon's (2009, p. 90) definition of a niche, which is "based on application, technology, target group or other criteria", and is virtually identical with Porter's (1980) definition based on specific customer groups, product and geographic location.

A niche strategy, as opposed to a general strategy, can offer a wide range of opportunities. Firstly, smaller firms especially can avoid head on competition with large-scale leaders with whom they are unlikely to compete successfully (Buchele, 1967; Katz, 1970; Hackett, 1977; Broom and Longenecker, 1979; Mascarenhas, 1986; Carroll, 1985; Noy, 2010). Hence, niche firms choose their battles carefully and focus on areas where economies of scale are less critical (Mascarenhas, 1986; Gomes-Casseres, 1997). They also explore opportunities that are unattractive for large-scale firms (Porter, 1980; McDougall and Robinson, 1990), and focus on niches which are often knowingly bypassed by larger multinationals, which tend to aim for higher volumes (Penrose, 1959; Hackett, 1977). For smaller firms, a niche strategy may well generate above-average profits (Claycamp and Massy, 1968; Kotler, 1994), as larger competitors are unlikely to invade (Porter, 1980; Kotler, 1994; Noy, 2010).

Niche strategy firms differ from large multinationals not only in terms of the strategy they pursue but also in terms of their actual business size (Shama, 1993; Pearce and Michael, 1997). Niche players are commonly described as low profile, resource-constrained companies, which often benefit from concessions by host governments (Sweeny, 1970). Some researchers have suggested that a niche strategy proves especially appropriate for firms too small to attempt global strategies (Channon, 1999). Additionally, niche players may benefit from the provision of above average customer

service and loyalty, and product customisation (Hosmer, 1957; Gross, 1967; Cohn and Lindberg, 1972). Unlike many larger firms, niche players often focus on differentiation and specialisation (Parrish, 2003; Kotler, 2003) and exploit opportunities to focus on unique product features, which are hard to imitate or substitute (Noy, 2010; Usley et al., 2010), and this is clearly in line with resource-based theories (Barney, 1991; Eisenhardt and Martin, 2000). Generally, smaller niche firms possess unique competitive advantages, as these tend to be closer to their customers and the market (Young and Sheppard, 2005).

Nonetheless, Noy (2010, p. 82) concludes that “A ‘generic competitive advantage’ niche is a relatively short-range strategy.” Indeed, a niche strategy can be a very risky arena for smaller players to compete in. The competitive advantage of a niche can be weakened by declining demand, which affects a firm’s growth potential within their niche (Kotler, 1994; Noy, 2010). A further danger is that niche markets can become more attractive for broad-line generalists or may get attacked by new entrants (Kotler, 1994). On the one hand, this can weaken a niche or in extreme cases cause them to erode (Kotler and Keller, 2006) but, on the other hand, this can also encourage the emergence of new niche segments (Grant, 2010). Niche market challenges can be overcome also by the flexibility of a firm’s market portfolio, which may include targeting multiple niche markets (Hamlin et al., 2012). An ideal niche market needs to be of sufficient size and offer enough purchasing power for a firm to be able to grow and be profitable, whilst also being mainly overlooked by larger competitors (Popescu, 2013).

In many industries, the distribution of firms with different sizes is “highly skewed” (Usley et al., 2010, p. 21). Hannan and Freeman (1977, p. 947) argue that a niche is “the area in constraint space in which the population out-competes all other populations.” As such, there are always a few larger dominating firms and many smaller firms holding a small percentage of the market. This logic has also been argued by the ‘Boston Consulting Group’s Rule’, which highlights that there are never more than three significant successful players in a marketplace with market shares approximately distributed in the ratio of 4:2:1 (BCG, 1976; Henderson, 1979). Therefore, “The success of generalist firms creates the conditions for the success of

niche firms”, as these position themselves in smaller niche segments (Noy, 2010, p. 80).

This rationale is similarly argued by Carroll’s (1985) ‘ecological partitioning theory’, which suggests that generalists and specialist (essentially niche firms) can evolve successfully in the same market environment. Niche firms concentrate their existing resources in a market space far away from the generalists, enabling them to avoid direct competition and evolve side-by-side with larger players (Carroll, 1985). Clifford and Cavanagh’s (1985) study on US mid-size companies verifies this logic and identifies the existence of 25 profitable mid-size niche companies alongside larger multinationals.

Carroll’s (1985) theory of market distribution is further explained using Sheth and Sisodia’s (2002) ‘Rule of Three’, although their rationale is more outcome orientated than process orientated (Uslay et al., 2010). Sheth and Sisodia (2002, p. 2) argue that “market structures evolve by an analogous selection process that favours the strongest, most efficient companies.” Their study of US firms suggests that there are usually three major ‘full-line generalists’ commanding the majority of the market and are heavily competing with one another (combined market share of 70% to 90%). Co-existing ‘product/market specialists’ are essentially niche players, typically holding 1% to 5% of the market and can also sustain high profitability ratios. The danger for firms is of being caught in a ‘ditch’ between powerful generalists on the one hand, and product/market specialists on the other (market shares between 5% to 10%), as these are left with limited options for survival and are likely to exit the market. However, excessive competition drives many firms to move up to become ‘supernichers’, typically reaching monopolistic niche positions commanding between 80% and 90% of the market. These ‘supernichers’ are then likely to endure in their favourable market position, far away from the ditch, big players and the smaller market specialists.

This rationale is further extended to global industries through the ‘Global Rule of Three’, which emerged from observations of the aviation, tire and home appliance industry (Sheth et al., 2008). This study highlights that “these three industry cases clearly indicate a convergence from a national rule of three (i.e. three/four generalists in each of the triads, North America, Europe, and the Far East) toward a global rule of

three” (ibid, p. 11). This suggests that ‘global supernichers’ achieve 70% to 90% market shares in their tightly defined global niche segments and live harmoniously alongside full-line generalists. The position of ‘global supernichers’ is therefore the ideal competitive market position for smaller focused players in a global competitive marketplace, which enables them to outperform in global industries and achieve supernormal profits.

The national and global ‘Rule of Three’, correctly identifies how markets can become more concentrated moving inexorably to a rule of three. Indeed, in a global context, Kearney’s (2013) theory of ‘The Merger Endgame’ highlights that approximately 600,000 niche players are affected and threatened by global consolidation. Within this ‘global hyper competitive marketplace’ (Ilinitch et al., 1998; Harvey et al., 2003), firms are forced to adapt rapidly to changes, mainly caused by globalisation trends (i.e. technology advances). However, Hamel and Prahalad (1985, p. 142) caution that “many companies have failed to develop a well-targeted response to the new global competition.” Through globalisation, the social and cultural links are more intertwined (Orozco, 2002; Nanda, 2009) requiring a more global strategic approach to meet the demands for goods and services (Harvey et al., 2003).

More specifically, Hubbard (2013) argues that the global business landscape has experienced a dramatic seismic shift. Firms, which were once successful therefore need to adjust and adapt their strategies or otherwise they will find themselves in serious danger of not surviving. This ‘battle for survival’ is particularly likely to affect smaller players in the market (Kroeger et al., 2008; Ploetner, 2012). As a result, niches can only be effectively served on a global basis (Levitt, 1983; Yip, 1989) and provide an attractive marketplace for smaller firms opting for a global niche strategy.

2.2.2 Global consolidation and the emergence of global niche strategies

The previous section highlighted how global niche strategies can emerge through the consolidation of markets, although this strategy can also be a firm’s initial option. Given the more recent debates on global market concentration (Kearney, 2013), a global niche strategy appears to be a successful alternative strategy option for smaller firms to increase their chance of survival in a global competitive landscape (Kroeger et al., 2008).

However, the history of global consolidation suggests that this is not a recent phenomenon. Marx's (1867) theory posits that scale economies (illustrated by Smith's (1776) pin industry) ultimately leads to global consolidation, albeit destroying Smith's presumption of perfect and non-monopolistic competition. Vernon's (1966) 'product life cycle theory' likewise reinforces this dynamic of consolidation. Schumpeter (1939) adopts a similar evolutionary view but notes that consolidation is often disrupted by the emergence of new technology paradigms. Such Schumpeterian evolutionary thinking would apply to specialisation combined with some form of innovation (Schumpeter, 1934). Discontinuous new technology paradigms will form and new players will enter the market, though eventually less successful players are expected to exit (Alcouffe and Kuhn, 2004).

The effects of market concentration is comprehensively explained using Schwittay's (1999) 'Global Winner's Model', which begins with identifying pre-conditions for globalisation³ at the sector level. Using evidence from the worldwide spirits industry, the 'Global Winner's Model' argues that triggers for globalisation are typically strategic moves and counter-moves by major players. As global concentration, measured by the cumulative global market shares of the top four players in an industry, begins to move towards 40% such moves are spurred by essentially oligopolistic behaviour. Schwittay (1999) then posits four likely outcomes. First, the emergence of the 'Global Winners', which are very large global players often formed by conglomerates. Secondly, 'alliances' which are formed by other combining forces and hedging bets. Thirdly, there are radical retrenchments and exits. Finally, there is an emergence of 'focused global niche strategies'. Essentially, only two of these four outcomes are likely to survive independently – 'Global Winners' and 'focused global niche strategies'.

A 'Global Winner' position is occupied by dominant generalists (similar to the Rule of Three's full-line generalists). This position has been widely covered by many Harvard Business School scholars, who stress the significance of dominant market

³ Essential drivers of globalisation include Yip's (1989) market-, cost-, competitive- and governmental drivers and Bartlett and Ghoshal's (1989) forces such as economics and consumer tastes.

positions for multinationals (for example, Porter, 1980; Prahalad and Hamel, 1990; Reeves and Deimler, 2011). At General Electric, Jack Welch insisted that his businesses should achieve a top three global market share position, though with a couple of exceptions, notably financial services and sectors becoming rapidly commoditised (Welch, 2002). Mercer Management Consulting takes this even further and argues for the ‘winner takes it all’ extreme (Wysocki, 1999). Reeves and Deimler (2011) show that multinationals, which have fallen out of the top three rankings worldwide, have declined by 12% since the 1960s. Hence, multinationals are advised to attain dominant market positions to outperform in consolidating industries (ibid).

Arguably, the same rationale also applies to Schwittay’s (1999) ‘focused global niche strategies’. Kroeger et al. (2008, p. 3) predict that “the worldwide industrial consolidation (Endgame) continues and threatens all companies that are not among the three global industry leaders, including all niche players.” Their publication suggests that even the smallest niche player should opt for a global strategy and strive for market leadership to survive industrial consolidation. This is likewise argued by Noy (2010) who suggests that for smaller players it is essential to secure monopolistic niche positions. This even applies to emerging market niche strategists who “need to be fiercely determined to be the best within their industry” (Van Agtmael, 2008, p. 35). Essentially, a niche player will only survive in the same competitive environment alongside large multinationals if these target global niche markets and aim for a top three industry position.

In summary, previous research highlights that global niche players who achieve one of the top three global niche market positions are likely to withstand global consolidation and endure over time. As a result, the performance measure most suitable in the context of global consolidation is global market share⁴, which is a

⁴ The researcher is aware that the ‘magic’ of market share is questionable (Minter, 2002; Farris and Moore, 2003). Market share may have modest or no effect on profitability (Boulding and Staelin, 1990; Wensley, 1997), whilst others argue that there is a U-shaped relationship between market share and profitability (Porter, 1980; Sheth and Sisodia, 2002). However, studies on market leadership agree that this dominant position allows a firm to survive global consolidation (Kroeger et al., 2008; Reeves and Deimler, 2011).

widely used determinant of business profitability and strategic success (Buzzell et al., 1975; BCG, 1976; Buzzell and Gale, 1987; Collis, 1991; Buzzell, 2004).

However, Leontiades (1986) correctly states that few firms have the necessary resources to attain a significant global market share. This rule of thumb was pioneered by Chandler's (1990a, 1990b) study on industrial capitalism, which argues that a firm must be big in order to compete globally. Niche firms are often resource constrained and a niche strategy is known to cause resource challenges (Hamlin et al., 2012).

This view has been largely constrained by studies focusing on the internationalisation of young and considerably smaller businesses. For instance, studies on proactive Born Global (BG) firms found them often dominating global niche segments (for example, Knight and Cavusgil, 1996; Luostarinen and Gabrielsson, 2004; Knight and Cavusgil, 2004; Knight et al., 2004; Sheppard and McNaughton, 2012). However, these studies do not focus on global niche firms per se, but rather identify them as a by-product in the context of internationalisation. These studies also provide no further insight into other related characteristics, such as the exact performance measure, but identify global niche players as early and rapid internationalisers. Nonetheless, findings on dominating BG firms support arguments by Leontiades (1986) who stresses that in order for a firm to compete successfully it should extensively internationalise, and even rapidly enter multiple markets (Jensen et al., 2014).

A global niche strategy has been largely excluded from global strategy literature. Peng and Pleggenkuhle-Miles' (2009) comprehensive review stresses that global strategy research needs to move on to take greater account of newly emerging institutional contexts, but yet still essentially drew on multinational perspectives. Peng and Meyer (2011, p. 440) caution that "International business is often presented as primarily a matter of big MNEs competitive markets, especially in American textbooks."⁵ Hence, the authors stress the need for a wider inclusion of various business sizes in global strategy, essentially highlighting more global niche strategy variants, such as '*Hidden Champions*' (HCs). More specifically, Simon (2009) highlights that the extensive studies on successful multinational literature overshadows the lessons which can be

⁵ MNEs: Multinational Enterprises

learnt from smaller market dominating players and also suggests the strategy variant of HCs. Consequently, the predominant focus on larger multinationals discourages focusing on smaller global niche players successfully competing (and surviving) in exactly the same environment. Smaller global niche strategy variants (and global niche market leaders) should therefore be studied as distinctive entities.

More specifically, research directed at internationalisation and global strategy tends to neglect to focus on global niche strategy, although this strategy variant is pertinent for smaller firms and should therefore be of major interest. Kearney (2013) stresses that the battle for survival in global consolidation should be of major concern in future studies. Therefore, this review stresses the importance of exploring the global niche strategy option, which is relevant for smaller firms.

Based on these findings, a global niche player is most likely to be successful in the context of global consolidation when it reaches one of the top three global market positions. Therefore, the following section reviews all pertinent global niche strategy variants with some sort of performance measure either market leadership or specific global market share.

2.2.3 Review of dominant global niche strategy variants

Global concentration and the emergence of global niche strategies therefore warrants a comprehensive review of global niche strategy variants, which are market leaders (see Table 1). Excluded from this review are the observations made by Sheth et al. (2008) and Schwittay (1999) as there is no indication as to what extent their strategies perform commercially, although these are significant observations providing insight on how global niche strategies emerge.

Table 1 Literature review of dominant global niche strategy variants

Market dominating global niche strategy variants	Characteristics	Studies
Deep-niche firms	Market leaders (regional and global) with a depth in expertise and technological leadership and very proactive in emerging sectors.	Gomes-Casseres and Kohn, 1997; Gomes-Casseres, 1997; Kohn 1997
Hidden Champions	Many enduring world market (top three) or regional niche market champions, mainly identified in the Germanic area, with a low public profile.	Simon, 1996a; 2009; 2012
Invisible Champions	World market leaders from emerging markets (top three), which are fairly unknown. These benefit from emerging market advantages, such as cheap labour and natural resources.	Van Agtmael, 2008

(Source: Author)

2.2.3.1 ‘Deep niche’ firms

Gomes-Casseres and Kohn (1997) identify US firms in global niche segments, which are market dominating ‘deep niche’ firms (Gomes-Casseres, 1997; Kohn, 1997). These ‘deep niche’ firms focus on very narrowly defined niche markets, whilst exhibiting depth in terms of specialist skills and superior focus on innovation. Two companies, for example held 30% market shares in the USA and a further three held 40% global market share. ‘Deep niche’ firms have proved proactive in internationally emerging sectors, aiming for first mover advantages defined by their market dominance. These ‘deep niche’ firms outperform through their focus on technological leadership, high investments in research and development, accumulated experience, and international networks (Gomes-Casseres and Kohn, 1997).

This study, however, provides both national ‘deep niche’ firms and some global niche strategists but provides limited evidence on how these firms are defined in terms of market leadership and whether these sustain over time.

2.2.3.2 ‘Hidden Champions’ (HCs)

One variant of ‘deep niche’ firms and ‘global supernichers’ are HCs (Simon, 2009), which are highlighted particular by Peng and Meyer (2011) as a successful global niche strategy variant. HCs are low profile firms characterised by either holding a position among the top three globally or the European (regional) number one and are often focused and proactive in specialised sectors, while their revenues remain below

US\$5 billion (Simon, 2012). This strategy is particularly pertinent for smaller specialised players focusing on market leadership and it emerged mainly from the German speaking area (Simon, 2009). HCs aim for market leadership and view the entire world as their market (Kroeger et al., 2008; Simon, 2009). These firms are exceptionally successful players in their respective field and can even reach ‘quasi-monopolistic’ positions with global market shares sometimes over 70% and “relative market shares of 2 to 4 [...] in markets with a volume of US\$1 billion to US\$5 billion (Kroeger et al., 2008, p. 9). HCs, like ‘deep niche’ firms, compete with high technology and innovative products but have also demonstrated their ability to attain sustainable leading positions in their segments, as many firms are over 100 years old (Simon, 2009), which is in line with enduring strategy literature (Collins and Porras, 2005; Stadler, 2007).

HCs are defined as being both global leaders (top three positions) as well as regional leaders, similar to ‘deep niche’ firms. Witt and Carr (2013), however, caution that future studies need to critically distinguish between both strategy types. Their market leadership position is specified by Simon (2009), who calculates market share by taking a firm’s market share divided by the market share of the next strongest competitor (which will be further discussed in section 2.3.1). Unlike ‘deep niche’ firms, HCs are put forward as a successful global niche strategy variant and their performance is measured by market leadership and achieved global market shares.

2.2.3.3 ‘Invisible Champions’

Van Agtmael (2008) identifies ‘Invisible Champions’ in emerging economies, which are threatened by larger multinationals from developed economies. ‘Invisible Champions’ strive for market leadership in niche markets keeping a low profile and are characterised inter alia by being positioned among the top three global industry leaders and achieving strong global presence through exports. Their key success factors are often “unique to emerging markets”, such as cheap labour and natural resources (ibid, p. 24).

‘Invisible Champions’ differ from ‘deep niche’ firms and HCs, as these are emerging market champions and compete with different resources and capabilities than firms from developed countries. As such, this strategy variant is most likely not applicable

when studying firms in developed countries. This breed of companies can be considered to be the HCs equivalent suitable for emerging economies, as these are similarly defined as being among one of the top three global industry leaders.

Although, the literature review of niche strategies suggests it is a popular strategy for smaller companies, there are fairly limited studies focusing on global niche strategy variants per se. As a result, the first point that is clear from this literature review is that that global niche strategy variants and associated empirical evidence for this strategy type are limited.

The review of existing global niche strategy variants suggests that the ‘deep niche’ strategists have yet only been identified in the USA and not outside its borders, questioning the extent to which these can be found elsewhere. This strategy variant is also defined for national and global leading firms competing through technological expertise, which is similar to HC characteristics, which are shown to perform successfully regionally but also globally. However, HCs differ from ‘deep niche’ firms as there are numerous follow up studies verifying their success (for example Kroeger et al., 2008; Peng and Meyer, 2011; Simon, 2009; Witt, 2010; Simon, 2012; Witt and Carr, 2013) even outside Germany, including in South Africa, Greece and China (Simon, 1996b; Voudouris et al., 2000; Simon, 2012) (this is further comprehensively covered in section 2.3.2). As such, the HC variant is far more applicable globally than the ‘deep niche’ variant but also appears to be found in emerging markets, which is similar to ‘Invisible Champions’.

In contrast, ‘Invisible Champions’ have not been identified in developed markets and are unlikely to perform in the same manner, as this strategy variant competes with emerging market advantages. Therefore, they most likely form one sub-category of HCs as their traits are remarkably similar, but differ in the country context in which they compete in and probably those HCs found in emerging economies are likely to fit to the ‘Invisible Champions’ definition and vice versa. Nevertheless, the concept of HCs appears to be much more applicable on a global scale when compared to other global niche strategy variants reviewed.

A pertinent question that arises relates to the extent to which all three global niche strategy variants are market leaders. Firstly, these variants may not really be market

leaders unless their markets are defined very tightly indeed. Clearly, by defining a market very narrowly almost any company can claim market leadership (Ploetner, 2012) and market demarcation also causes practical difficulties. The more narrowly defined the market is, the bigger a firm appears in it, as market demarcation criteria can be changed until a particular firm becomes the market leader. It is not, however, clear how ‘deep niche’ firms and ‘Invisible Champions’ define their market leadership. ‘Deep niche’ firms can be either national or global market leaders, although their performance measure is not specified. ‘Invisible Champions’ are global top three leaders but similarly this study provides insufficient information of exact performance measures. The defence for HCs position is in fact, questioned by Kroeger et al. (2008) who claim that they are relatively small players in their niche. Simon (2009, p. 59) recognises that “Market size and market share do not exist in absolute, clear forms” but further stresses that HCs often reach monopolistic positions as they “define their markets autonomously as part of their strategy.” As a result, many HCs claim leadership in areas such as technology and quality, which is similar to ‘deep niche’ firms. However, Simon (2009) specifies that his study is based on relative and absolute market shares and even relies on the information provided by firms themselves, as these have an intuitive understanding of their niche segment, even in absence of precise data. He takes this argument further, suggesting that “Market share and market leadership are not decisive as such” and strictly distinguishes between ‘good’ and ‘bad’ market share (ibid, p. 53). ‘Good’ market share is earned through superior performance (i.e. technology and innovation), which adds value to a firms’ customers and in return often allows them to charge higher prices for their products (ibid). He departs, however, from linking market share with price aggression, which he considers ‘bad’ market share and instead argues that HCs earn market share through outstanding performance, which is not necessarily correlated with profitability per se, but is rather a matter of strategy that leads to increased profitability.

Unlike other revised variants, HCs by definition hold a dominant position in their niche market (either because they have the largest revenues within their market or largest

volume when compared to the next competitor⁶). More importantly, Simon (2009) highlights that many of his HCs are enduring companies, suggesting that many HCs achieve sustained market leadership. In contrast, other strategy variants have not been sufficiently studied to prove their sustained market leadership and whether these strategies lead to long-term success.

The review of global niche strategy variants leads to the conclusion that the strategy of HCs is the best elaborated, in terms of performance, market leadership and achieved market shares. The subsequent section will therefore cover relevant research on HCs and associated studies.

2.3 Literature review of Hidden Champions (HCs)

“Competitors should fear the hidden champions.” (Simon, 2009, p. 52)

The management theorist Hermann Simon (2009) recognises that the majority of studies focus on public multinationals, although far more lessons can be learnt when studying discreet smaller successful players. Simon (1992a, 1992b, 1996a, 1996b, 2007, 2009, 2012) was the first to identify extremely successful mid-size and often enduring companies from the Germanic area⁷ and labelled these as ‘Hidden Champions’ (HCs). Simon (2009) observed that many firms share pertinent characteristics including a similar international orientation and focus on niche segments. Simon (2012) specifically defines HCs by using three distinct characteristics (also see section 2.3.1).

- European (regional) number one or among the top three global industry positions
- Low public profile
- Revenue limit of US\$5 billion

⁶ Simon (2009, p. 52) defines “absolute market shares corresponds to the percentage of the entire market. The relative market share is a firm’s own market divided by the market share of its strongest competitor.”

⁷ Mainly HCs are identified in Germany, whilst also including examples from Austria and Switzerland (Simon, 2009).

Using these three definitions, Simon (2012) identified over a thousand HCs in Germany and suggested that these are mainly a German phenomenon (see Table 4). More specifically, HCs could be considered as being part of Germany's Mittelstand⁸, but form an elite sub-group characterised by their market leading positions either globally or regionally (also see Witt and Carr's comparison in Appendix 1). HCs are outstanding internationalisers, who continuously contribute to Germany's sustained export success and are highly beneficial for the German economy (Venohr and Meyer, 2007; Simon, 2009, 2012; Fear, 2012).

HCs are neither small, nor necessarily large, multinationals but are rather considered to be 'micro-multinationals' (Fear, 2012), 'hidden multinationals', or 'pocket multinationals' (Fear 2013). Similar to the characteristics of niche players (Buchele, 1967; Hackett, 1977; Noy, 2010), HCs also operate just below the radar of large multinationals aiming at targeting small niche segments but achieve market dominance. Their low public profile is a result of their products, as they focus on making products, processes or machines, which remain undetected by the public eye as these lose their distinct identity once they reach the end consumer.

Some of the HCs studied appear to be extremely resilient and have flourished during the recent financial crisis (Hofer and Markert, 2009; Tödtmann, 2009; Fear, 2013). However, some have also failed in the past ten years (Kroeger et al., 2008). Hence, the strategy of HCs is by no means an inevitably successful niche strategy per se, but numerous studies have shown that this group of firms has found a manner of going international, which is extremely successful (Venohr and Meyer, 2007; Simon, 2009).

2.3.1 Evolution of the HCs definition

Simon's numerous publications have received significant international attention. In his first publication in the Harvard Business Review, Simon (1992a) introduced his terminology, which caused a stir by mixing two very contradicting words to describe

⁸ There is no universal definition of the German Mittelstand and Berghoff (2006) suggests that it defines a sector within the German economy consisting of small and medium-sized family businesses. The Mittelstand is, however, more correctly identified using specific traits and characteristics, such as identity of ownership, longevity and independence. The Mittelstand is arguably more a deep-rooted German tradition than an order of magnitude in terms of revenue and employees.

Germany's influential niche players. Since his first publication, Simon's (1996a) HCs book has been translated into seventeen languages and he was the first to draw attention to the medium-sized firms in the German market place, as opposed to only multinationals. Simon (1996a) identified 457 low profile, under US\$ 1 billion revenue, firms from Germany, achieving European regional dominance or holding either the first or second global market position. In his later publication, Simon (2009) loosened his earlier definition without any explanation, through the inclusion of all top three global market positions and also including firms from Austria and Switzerland with revenues up to US\$ 4 billion. Using this definition, Simon (2009) took his number of identified HCs up to 1,174 from his earlier publication. In his latest study, Simon (2012) covers 1,307 HCs and even extends the HCs threshold to US\$5 billion. The continuous adaptation of his definitions is summarised in Table 2.

Table 2 Evolution of Simon's HC definition

Source	Simon's definitions
Simon (1996a)	Number one or two in a world market or European number one in terms of market share Revenue below US\$1bn (except for a few; 4.4% of the sample exceed this limit) Low level of public awareness
Simon (2009)	Top three in the global market, or European number one Revenue below US\$4bn Low level of public awareness
Simon (2012)	Top three in the global market, or European number one Revenue below US\$5bn Low level of public awareness

(Source: Author)

Despite the clear characteristics of HCs, the three parameters are discussed in more detail in the subsequent section, as the evolution of the definitions raises numerous questions.

Global or regional market leadership

The position of a HC is determined by market shares in either global or regional markets, as already discussed in section 2.2.3. Simon (2009, p. 40) defines a market leader by its market share⁹ and thus, "the provider with the largest market share is the

⁹ Simon (2009) calculates market share by taking a firm's market share divided by the market share of the next strongest competitor.

market leader.” He further suggests that the average HC is twice the size of its next competitor. On average, HCs absolute market share is 33% for the world and about 38% for Europe, which increased immensely through globalisation (ibid). However, he adapted his earlier definition from 1996, which defined HCs achieving European regional dominance or top two global market shares to the inclusion of all global top three positions without any further explanation.

Simon’s criteria, however, has one major drawback: whilst all HCs are said to follow a fairly unique focus strategy, not all are actually global niche players. Simon (2009) implicitly defines two potentially distinctive types of HCs – regional strategists and global strategists. Perhaps the most successful HCs group are defined as being among the top three globally and clearly pursue a global niche strategy. However, he applies the same term to HCs who dominate regionally. However, a regional and global strategy differs (Verbeke and Kano, 2012) and this broad definition has led to various misleading generalisation. For example, Meyer (2009, p. 200) suggests that HCs “develop strategies aimed to dominate global niche markets” and Mathews (2006) defines HCs being global niche players when in fact, they can also pursue a successful regional niche strategy.

To avoid this generalisation of regional and global strategies this study pays close attention to only those genuine global (top three) HCs¹⁰ and from here onwards will be referred to as ‘*Global Hidden Champions*’ (GHCs).

Low public profile

The second most prevalent determinant to identify HCs are their low public profile, thus justifying the term ‘hidden’. This comes from their focus on mainly business to business (B2B) markets, as these provide products or services which often lose their

¹⁰ This literature review avoids to cover more general controversies over the whole subject of global strategy, already widely discussed in relation to large multinational enterprises. Readers should, however, be aware that more strident advocates of global strategy (Levitt, 1983; Ohmae, 1985a, 1985b 1990, 2001; Carr, 1993; Yip, 2003; Friedman, 2006; Nolan et al., 2007; Van Agtmael, 2008) are challenged by other scholars of regional and semi-global strategies (Rugman and Verbeke, 2004; Rugman, 2005; Mourdoukoutas, 2006; Ghemawat, 2003, 2005, 2007, 2011; Ghemawat and Ghadir, 2000).

distinct identity in the end product and therefore remain fairly unknown to the wider public (Simon, 2009). HCs cherish their anonymous position, as their niche market remains fairly undetected by competitors. However, this definition appears to be rather arbitrary, as HCs have a strong brand image within their niche segment (Simon, 2012) and market themselves effectively to their customers.

As a result, this definition is generalised to the wider public and argues from an end-consumers point of view and is not necessarily an exact parameter with which these firms can be identified. HCs may also be well-known to the wider public depending on who is being asked. As such, the definition should act as a guidance to identify firms which are pretty much 'invisible' and received limited media attention and when mentioned are most likely not to be associated with a specific product.

Revenue limit

Over time, Simon has continuously adapted his revenue limit of HCs from his first publication from \$US 1 billion (Simon, 1996a), to \$US 4 billion (Simon, 2009) up to US\$ 5 billion (Simon, 2012), without any justification (also see Table 2). This revenue cut-off most likely ensures that HCs identified are not big but more medium-sized players. Simon (2009) applies an arbitrary definition of medium-sized businesses arguing that HCs are relatively small compared to the Fortune Global 500. Therefore, he compares HCs to larger players in terms of employees and suggests that an average Global Fortune 500 firm employs 67,812 people, whilst the average HC employs 2,037 (ibid). HCs average revenue is about \$US 434 million (ibid), which is considerable larger than the definition of medium-sized businesses set by the European Commission (2012) at a maximum of 50 million Euro. Nevertheless, HCs are not all medium-sized businesses, but the definition also allows the inclusion of a wide range of niche firms from smaller but also considerably larger HCs.

This continuous increase in revenues leads to the conclusion that HCs have continuously evolved and grown over the last decade. Many of Simon's (1996a) examples have outgrown his threshold and emerged as larger HCs, such as *SAP* and *Würth*. Becoming a large corporation is not necessarily the aim of those companies, but their vigorous expansion often leads to an increase in market share and thus, they

become larger in terms of annual sales and employees. However, some larger HCs remain focused on their niche market, whilst others choose to diversify. There are some diversified HC conglomerates that have merged over the years, such as the *Körber Group*, which consists of over thirty technology niche companies. This conglomerate consists of many small HCs, such as *Schleifring*, a pioneer in grinding machines and *Hauni* the leading supplier of technical service for the tobacco industry. Although, these firms have outgrown the HC definition in terms of annual sales, they still inherit pertinent HC characteristics as they are still fairly unknown and operate in tightly defined (multiple) niche markets.

However, the endless increasing revenue limit might well be a flexible definition allowing more firms to be identified as HCs. Simon's volatile revenue definition is therefore likely to change in the future and thus acts more as an order of magnitude than an exact way to identify HCs.

2.3.2 Review of pertinent studies on HCs

Despite the extensive research by Simon himself (1992a, 1992b, 1996a, 1996b, 2007, 2009, 2012) and in collaboration with others (for example, Simon and Lippert, 2007; Simon and Zatta, 2008), numerous independent studies were also conducted on HCs mainly from the German speaking area (for example, Rasche, 2003). These are, however, largely excluded from the present study to maintain a concentration of publication in one language. Therefore, this literature review focuses mainly on international studies available in English but includes a few relevant German studies.

In a previous publication, Witt and Carr (2013) systematically combed nine key journals¹¹ for the term 'Hidden Champions'. The authors conclude that the subject of HCs has not been addressed comprehensively by key academic journals, as only four studies were found that concentrated on HCs, while another five merely mention HCs as a success niche strategy variant (also see Appendix 2). However, this literature

¹¹ Journal of International Business; Strategic Management Journal; International Journal of Management Reviews; Harvard Business Review; Management International Review; Journal of Management Studies; Journal of World Business, Sloan Management Review and California Management Review (see Witt and Carr, 2013).

review covers far more journals and studies and includes other pertinent sources, which are summarised in Table 3.

24 studies were identified of which eight are either sole authored or co-authored by Hermann Simon, and mainly focus on HCs in Germany and some on equivalents elsewhere. Others focus on various aspects of HCs, for example, one study analysed the HCs innovation behaviour in Poland (Zastempowski, 2011); manufacturing presence in China and Eastern Europe (Venohr and Meyer, 2007), and HCs and 'knowledge angels' (Kirner and Zenker, 2011), or even benchmarking HCs against other German firms (Adenäuer, 2007). More recent studies have also recognised the importance of studying their internationalisation paths, which is discussed in greater detail in section 2.4.6.

Scholars who referred to HCs in their work but focused on other main themes are not included in Table 3. These have, however, referred to HCs as examples of successful small internationalisers (Parker, 2005; Kotler and Keller 2006; Mathews 2006; Meyer, 2006, 2009; Kroeger, et al. 2008; Hooley et al., 2008; Eisenhardt, 2008; Kotler and Caslione, 2009; Peng and Meyer, 2011); of the German Mittelstand (Lawrence and Edwards, 2000; Berghoff, 2006; Fear 2013); niche players (Carr and Lorenz, 2014); and of successful family businesses (Fear, 2012; Fear, 2013).

Table 3 Review of pertinent studies on HCs

Selected study	Main findings	Source
Simon (1992a)	Introduction to HCs phenomenon in Germany. Explanation of their characteristics and examples of several firms	Harvard Business Review
Simon (1992b)	Service policies of German manufacturers in particular HCs	European Management Journal
Simon (1996a)	Identified the first 457 HCs and presents first model with 9 key lessons (1) strong leadership (2) ambitious goals (3) reliance on own strength (4) selected and motivated employees (5) continuous innovation (6) narrow market focus (7) competitive advantage (8) closeness to customer (9) global orientation	Textbook
Simon (1996b)	HCs identified in foreign countries such as Japan, India New Zealand, South Africa and Europe	Business Strategy Review
Voudouris et al. (2000)	Identified 20 Greek HCs and suggests a new model (1) intense specialisation (2) commitment to customer service and quality (3) innovation (4) strong leadership and a healthy organisational climate	European Management Journal
Lawrence and Edwards (2000)	Mentions HCs in the example of internationalisation and their old 'old fashioned' approach to internationalisation	Textbook
Blackburn et al. (2001)	Identified 3 Canadian HCs through Simon's (1996a) definition. A new model is suggested (1) customer (2) value propositions (3) strategic drivers (4) global visions	Working Paper
Ernst & Young (2004)	Report on HCs merger and acquisition behaviour	Report
Deng and Wan (2006)	Identify 80 Chinese HCs. They summarise the main characteristics being (1) clear goal (2) focus strategy (3) excellent entrepreneurs	Textbook
Venohr and Meyer (2007)	HCs have significant manufacturing presence in China and Eastern Europe	Working Paper
Adenäuer (2007)	Tested the hypothesis derived from the HC Model on successful- and less successful firms in Germany	Textbook
Simon (2009)	Identified 1,174 HCs in Germany (61 from Austria and 81 from Switzerland). Alterations of his HC Model to 8 lessons (1) leadership with ambitious goals (2) decentralisation (3) high performance employees (4) depth (5) focus (6) closeness to customer (7) innovation (8) globalisation	Textbook
Simon and Lippert (2007)	Identified 10 Japanese HCs. They suggests that the main difference of Japanese HCs is their strong focus on their home-country and they have less turnover in foreign markets compared to German HCs	Trade Journal
Simon and Zatta (2008)	Identified 5 Indian HCs which fore filled the 'five-pillar strategy' (a pre-requisite to become a HC) (1) the will to excel (2) clear and focused strategy (3) globalisation (4) value orientation (5) systematic value extraction	Textbook
Venohr and Meyer (2009)	Longitudinal study of German HCs. Figures on internationalisation foreign sales subsidiaries, manufacturing subsidiaries, internationals sales and distribution networks of German HCs	Business Strategy Review
		Textbook

Witt (2010)	Internationalisation of German HCs. Figures on market entry modes: 68% engage in export, 20% engage in licensing, 20% engage in franchising, 16% engage in joint ventures, 48% use distribution companies, 44% use manufacturing companies, 80% use wholly owned subsidiaries. HCs internationalisation: Some are traditional internationalisers and some are actually more BGs.	Textbook
Jungwirth (2010)	Studied 84 Austrian HCs identified with similar criteria to Simon and identified their marketing strategies	Textbook
Kirner and Zenker (2011)	Knowledge angels and German HCs (innovation and creativity)	Working paper
Zastempowski (2011)	Identify HCs in Poland and analysis of their innovation potential	Contemporary Management Quarterly
Simon (2012)	HCs in a more global context. Identifying HCs in more countries, such as Britain, US	Textbook
Witt and Carr (2013)	Focuses on the internationalisation of 26 HCs identified as traditional internationalisers, BGs, and BAGs.	Textbook
Din et al. (2013)	Identified 13 HCs in Sweden using a more small and medium-sized definition	Asian Business and Management
Yoon (2013)	A comparison study between HCs and normal SMEs and their innovation activity	Journal of applied Science Research
McKiernan and Purg (2013)	Research of over 100 HCs in 15 countries of Central and Eastern Europe and Turkey	Textbook

(Source: Author)

The majority of studies, focused on identifying HC equivalents in foreign countries (see Table 3 or the summary in Table 4) but not one compares them to the German equivalents. Simon (2012) claims to have identified 2,734 HCs throughout the world (including the Germanic area, although Germany has nearly 1,000 more HCs than the next country identified, see Table 4). Simon (1996b), for example, suggests that firms with similar traits can also be found in the USA, Japan, New Zealand, and across Europe. In his latest publication, Simon (2012) suggests that 67 HC equivalents can also be identified in Britain, although he does not provide any sufficient comparative analysis on how these firms differ from German HCs and neither does he provide exact company names.

The second most comprehensive study after Simon (2012) identified about 100 HCs in Eastern Europe, in countries such as Albania and Belarus, which Simon had not yet identified (McKiernan and Purg, 2013). Others also identify HC equivalents in emerging markets and are therefore considerably close to Van Agtmael's (2008) 'Invisible Champions,' including countries like China and India (Deng and Wan, 2006; Simon and Zatta, 2008) (see Table 4). Overall, the literature review on foreign HC equivalents suggests that all studies combined identify 2,769 HCs throughout the world, which is slightly more than Simon's (2012) prediction of 2,734.

As such, HC equivalents have been found in many foreign contexts but the comparative studies between those in Germany and those identified in foreign countries are, however, scarce. It is not known, therefore, to what extent German HCs differ from those identified in other countries.

Table 4 HCs identified worldwide¹²

Country	HCs identified	Source
Albania	4	McKiernan and Purg (2013)
Australia	10	Simon (2012)
Austria	116	Jungwirth (2010), Simon (1996a, 2009)
Belarus	6	McKiernan and Purg (2013)
Belgium	19	Simon (2012)
Bosnia and Herzegovina	5	McKiernan and Purg (2013)
Brazil	11	Simon (2012)
Britain	67	Simon (1996; 2012)
Canada	16	Blackburn et al. (2001), Simon (2012)
China	68	Deng and Wan (2006), Simon (2012)
Croatia	3	McKiernan and Purg (2013)
Denmark	19	Meyer (2006), Simon (1996b), Simon (2012)
Estonia	2	McKiernan and Purg (2013)
Finland	14	Simon (2012)
France	75	Simon (1996, 2012)
Germany	1,307	Simon (1996a, 2009, 2012)
Greece	20	Voudouris et al. (2000)
Hungary	4	McKiernan and Purg (2013)
India	5	Simon and Zatta (2008)
Israel	7	Simon (2012)
Italy	76	Simon (2012)
Japan	220	Simon and Lippert (2007)
Latvia	5	McKiernan and Purg (2013)
Luxembourg	7	Simon (1996a), Simon (2012)
Netherlands	29	Simon (2012)
Norway	13	Simon (2012)
Poland	27	Zastempowski (2011), Simon (2012)
Portugal	n/a	Simon (1996b)
Republica of Macedonia	4	McKiernan and Purg (2013)
Romania	3	McKiernan and Purg (2013)
Russia	14	Simon (2012), McKiernan and Purg (2013)
Serbia	7	McKiernan and Purg (2013)
Slovakia	6	McKiernan and Purg (2013)
Slovenia	7	Simon (2012), McKiernan and Purg (2013)
South Africa	n/a	Simon (1996b)
South Korea	23	Simon (2012)
Spain	11	Simon (1996), Simon (2012)
Sweden	49	Din et al. (2013), Simon (2012)
Switzerland	110	Simon (2012)
Turkey	9	McKiernan and Purg (2013), Simon (2012)
Ukraine	5	McKiernan and Purg (2013)
USA	366	Simon (1996b), Simon (2012)
Total	2,769	

(Source: Author)

¹² Simon (1996b) identifies firms in South Africa and Portugal but without numerical specification.

The HCs literature review suggests that this strategy variant has received some attention in academic literature and journals, although these heavily rely on studies of Simon himself. Selected studies revealed that HCs are successful niche players and inherit unique characteristics and parameters, making these fairly unique companies to study. Even though HCs can be found in other countries, there is also not one known study which compares them to the German counterparts. Fear (2012, p. 137) argues that “Why Simon found such a peculiar concentration of “hidden champions” (nearly two-thirds of his sample stemmed from German-speaking central Europe with global aspirations and actual presence) needs explanation.” Also Kiyak (1998) suggests that Simon’s publication and findings in 1996 would provide research ideas and directions for the future.

More specifically, HCs have not been identified in greater detail for global niche strategy variants only, as studies do not critically distinguish between HCs pursuing a regional and a global niche strategy (hence GHCs). The biggest difference between GHCs and regional HCs is likely to be found in their type of internationalisation strategy pursued, as both strategy types require different resource (Verbeke and Kano, 2012) to achieve either global or regional market leadership.

The importance of examining the internationalisation of global niche strategists has been emphasised by the authors of ‘deep niche’ firms, who argue that “almost without exception, the firms ranked their international activities as a source of competitive advantage” (Gomes-Casseres and Kohn, 1997, p. 23). This indicates that internationalisation is key for firms aiming for a global niche leadership position.

The internationalisation paths of global niche strategists have yet only been identified in the BG literature on mainly younger firms (for example, Knight and Cavusgil, 1996; Luostarinen and Gabrielsson, 2004; Knight and Cavusgil, 2004; Knight et al., 2004; Sheppard and McNaughton, 2012). Therefore, studies on more recently established firms suggest that these pursue proactive internationalisation paths, which is in line with Simon’s (2009) broad findings, although this matter has been not adequately studied for GHCs only.

Simon (2009) claims that many HCs are over 100 years old, which is clearly in line with businesses discussed in enduring strategy literature (de Geus, 1997; Collins and

Porras, 2005; Stadler, 2007). Although these studies address relevant competitive advantages of sustained companies, not one mentions the importance of global strategy and identified their exact (sustained) internationalisation strategy. Although Collins and Porras' (2005) studied 18 successful long-lived US companies, their concluding characteristics of all firms are more internal competencies of a firm and Carr and Lorenz (2014, p. 1185) argue, "Collins and Porras make no mention of internationalisation, ravaging their examined sectors and many of America's best long-established companies, notable Kodak!" Likewise, Stadler's (2007) study of 40 European enduring multinationals and de Geus' (1997) study at Shell, which covered 27 sustained companies do also not address the importance of global strategy for these multinationals and give no further insights on the type of successful internationalisation strategy they pursue. Arguably, Simon (2009) investigation of enduring HCs also does not adequately address the matter of internationalisation.

Therefore, in the literature there is a clear gap on how global niche strategy firms internationalise and these arguments lead one to wonder what paths GHCs pursue, as they could potentially pursue distinctive internationalisation paths which lead to global niche market leadership and these might differ for firms established more recently and those which are more enduring. Therefore, this study focuses on GHCs from Germany and Britain and aims to identify the types of internationalisation paths, which lead to global market leadership. This study therefore reviews relevant theories of internationalisation first, before discussing the existing knowledge on the types of paths pursued by HCs.

2.4 Literature review of internationalisation theory

This section commences with a brief history of internationalisation before covering more specifically the Uppsala Model, Born Globals (BGs) and Born-Again Globals (BAGs) literature. The internationalisation paths of HCs are also systematically reviewed and compared to the three mainstream internationalisation paths before the market entry mode choices and the role of foreign direct investment in each theory is discussed.

2.4.1 Brief history of internationalisation

Internationalisation is often defined as a process in which a firm increasingly engages in cross-border trade and conducts transactions in other countries (Welch and Luostarinen, 1988; Beamish, 1990; Wright and Ricks, 1994). Internationalisation, however, is not linear and can therefore describe both a firm's forward and backwards motion (Bell and McNaughton, 2000). This study refers to the strategies of internationalisation as 'paths', following other scholars, such as Kontinen and Ojala (2012).

The main theories of internationalisation include Vernon's (1966) product life cycle; Williamson's (1975) transaction cost, and Dunning's (1980) eclectic paradigm, otherwise referred to as OLI Model. Research on internationalisation was particularly influenced by Penrose's (1956) study on the growth of the firm and Hymer's (1976)¹³ thesis on multinationals foreign direct investment. Studies mainly focused on the paths pursued by multinationals (Ibeh, 2006), which were of particular interest to scholars in the 1960s, in view of the changing landscape of businesses. The Uppsala Model (Johanson and Vahlne, 1977) is widely used to explain the internationalisation of multinational enterprises and is reviewed in section 2.4.2.

More recently, a growing body of literature paid attention to smaller businesses (for example, Oviatt and McDougall, 1994). Multinationals, as well as smaller businesses, have been seen to accelerate their internationalisation process as a result of ongoing globalisation trends (i.e. increased advances in information and communication technology as stressed by various scholars (Levitt, 1983; Ohmae, 1995; Dicken 1998)). Since smaller businesses actively engage in international markets from their earliest days (Erramilli and D'Souza, 1993; McDougall et al., 1994), and existing internationalisation theories have been reviewed for their applicability to smaller firms.

The Uppsala Model, however, now deems inappropriate not only when describing the internationalisation paths of many smaller businesses, but also when discussing the paths of larger businesses (Reid, 1983; Andersson, 2004). As a result, theoretical

¹³ Hymer's doctoral thesis was written in 1960 but published in 1976.

perspectives to explain internationalisation evolved beyond Johanson and Vahlne's (1977) study, including Born Globals (BGs) (Rennie, 1993) and Born-Again Globals (BAGs) (Bell et al., 2001) (reviewed in section 2.4.3 and 2.4.4). A review of these theories identifies that their paths of internationalisation differ from the Uppsala Model in terms of a firm's speed, scale and scope.

The literature review commences by discussing the Uppsala Model framework, which is often referred to as stage model or traditional internationalisation, before reviewing the concept of BGs and BAGs. The section then reviews the knowledge obtained about the internationalisation paths of HCs and compares these findings to the mainstream theories found in the literature.

2.4.2 Uppsala Model

The Uppsala Model studies the progressive international expansion of large Swedish multinationals from the manufacturing sector (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). This traditional internationalisation model is a behavioural approach and Johanson and Wiedersheim-Paul (1975) argue that their sample of Swedish firms focused on their domestic market at first, before gradually committing to international operations and increased their resource commitments after deepening their knowledge about the foreign market (Johanson and Vahlne, 1977, 1990). The authors conclude that this behaviour is pertinent for countries with a small domestic market and propose three different concepts to describe the internationalisation paths of their sample, which are the establishment chain, experiential learning and the concept of psychic distance.

The establishment chain

Traditional internationalisers are described as firms which incrementally commit to foreign operations rather than making "spectacular foreign investments" (Johanson and Wiedersheim-Paul, 1975, p. 305). This mainstream theory proposes that a firm moves along a series of four incremental stages, referred to as the establishment chain (ibid)¹⁴:

¹⁴ Wiedersheim-Paul et al., (1978) later extended this stage model including pre-export stages aiming to explain the entire internationalisation pathway of firms.

- 1) No regular export activities
- 2) Export via independent representatives/agents
- 3) Foreign sales subsidiary
- 4) Production or manufacturing abroad

The sequence of stages reflects the increasing commitment of a firm's resources to a foreign market. These stages, however, can be skipped when a firm has sufficient knowledge or extensive experience, or can only progress through some stages of the establishment chain, as a market may not be large enough to enter via foreign direct investment (ibid).

Experiential learning

The establishment chain is a self-reinforced learning process in which a firm gradually commits to greater resources through experiential learning (Johanson and Vahlne, 1977, 1990). Thereby, a firm adopts an approach to increasingly deepen its knowledge about foreign markets, which enables it to build international relationships. This decreases uncertainty and motivates firms to commit to greater resources (ibid).

Psychic distance

Traditional internationalisation also suggests that firms target neighbouring and psychically close markets first (Johanson and Wiedersheim-Paul, 1975). More specifically, psychic distance refers to a country's closeness inter alia in terms of geography, language, culture and political systems. These differences are said to create gaps between the firm and the foreign market and are considered a major obstacle in internationalisation (Johanson and Vahlne, 1977, 1990). A firm successively but cautiously internationalises to more physical and psychically distant markets, due to a lack of knowledge and experience. Uncertainty is overcome by incremental market entry through which a firm increases its knowledge about a foreign market (i.e. establishment chain and experiential learning). Through this gradual concept of knowledge seeking, firms eventually enter psychic distant markets (ibid).

The Uppsala Model is one of the most widely recognised theoretical frameworks in international business literature and has influenced the field of internationalisation since its emergence (Mtigwe, 2006). In contrast to other internationalisation

approaches (i.e. BGs and BAGs), the Uppsala Model is perhaps the most prediction of internationalisation due to its simple and logical constructs.

However, the Uppsala Model is criticised for being far too deterministic and of limited value (Reid, 1983; Turnbull, 1987; Melin, 1992; Fina and Rugman, 1996), as it simplifies the complex process of internationalisation (Dichtl et al., 1984). Cavusgil (1994, p. 18) goes even further and argues, “Gradual internationalisation is dead.” This framework further proves to be of limited value for new emerging firms, which may depart from gradual internationalisation and venture straight to psychic distant markets (Oviatt and McDougall, 1994, 1995; Bell, 1995; Bell et al., 2001).

The Uppsala Model contradicts findings by scholars, which observe firms pursuing multiple strategies at each phase of the establishment chain (Dalli, 1994). There is also a lack of conformity between theory and practice, since not all firms venture abroad in the same manner (Andersen, 1993), as firms may not evolve beyond a certain stage of the establishment chain (Reid, 1981). Other firms have also shown a reversal of the stage model, whereby offices were closed in favour of direct exports (Turnbull, 1987).

The framework appears to assume that a firm will capitalise on its domestic market before engaging in internationalisation, which is in line with the assumptions of the Vernon’s (1966) product life cycle. However, the exact time frame within which firms focus domestically has not been specified in the Uppsala Model. The Uppsala Model also ignores a manager’s ability to make strategic decisions (Andersson, 2000), such as seizing certain opportunities that may encourage firms to ‘leap-frog’ stages of the establishment chain (Hedlund and Kverneland, 1985; Nordström, 1991; Oviatt and McDougall, 1994; Pederson, 2003). The establishment chain in addition neglects other forms of market entry mode choices. Madsen and Servais (1997, p. 573) argue “strategic alliances, joint venture etc. are much more prevalent” (also see Forsgren, 1990). Therefore, many aspects of the framework are only suitable to explain the behaviour of manufacturing firms and proves inapplicable, for example, to service firms (Reid, 1981), which may not use low-commitment entry modes.

More recently, the Uppsala Model has been challenged by technological, social and economic changes, which trigger firms to accelerate their internationalisation process (Oviatt and McDougall, 1997). These changes induced the emergence of other

internationalisation approaches such as BGs and BAGs. Therefore, the Uppsala Model's biggest drawback arises from its inability to explain the paths of early globally orientated internationalising firms (Andersson, 2004).

Upon closer inspection of Johanson and Vahlne's (1977) study, it appears that the paths of traditional internationalisation might lead to long-term success. The four Swedish firms observed (Sandvik, Atlas Copco, and Volvo, and Facit) were well-established businesses at the time the study was published (average age 50 to 115 years old). From an evolutionary perspective, three out of the four of these Swedish firms emerged successfully and are today large global players¹⁵. Their study, however, can be criticised for ignoring other country contexts, business sizes and performance related measures.

Overall, the Uppsala Model does not explain why firms internationalise but provides a comprehensive framework to explain how firms move abroad. Despite its shortcomings, the Uppsala Model has significantly contributed to the international business field by acknowledging that international market commitment is a gradual process and that experiential learning influences the international growth and global reach of a firm.

2.4.3 Born Globals (BGs)

Recently, academic literature has challenged the Uppsala Model's approach, as studies observed firms pursuing a more accelerated internationalisation typified by so-called 'Born Globals' (BGs). The McKinsey consultant Rennie (1993) was the first to coin the term based on his study of early exporting Australian firms (also see McKinsey & Co., 1993). He concludes, "Born global firms are the most extreme example of the potential significance of small and medium-sized enterprises for a nation's export growth" (Rennie, 1993, p. 47). A substantial amount of studies in the early 1990s focused on the internationalisation paths of BGs (Hedlund and Kverneland, 1985; Jolly et al., 1992), which suggest that the BG phenomenon is of increasing importance (Rialp et al., 2005; Cavusgil and Knight, 2015).

¹⁵ Facit sealed operations in 1998.

BGs are not necessarily “an organisation form per se rather, it may be seen as a strategy to improve firm value through internationalisation” (Bell et al., 2001, p. 186). BGs internationalise their business activities at an early stage of their life just thereafter inception. This behaviour contrasts the predictions of traditional internationalisation (Johanson and Vahlne, 2003; Luostarinen and Gabrielsson, 2006; Cavusgil and Knight, 2015). Although, Johanson and Vahlne (2009, p. 11) stressed that “there was nothing that indicates that international expansion cannot be done quickly, as far as there is sufficient learning” and even identified that stages of the establishment may be skipped (Johanson and Wiedersheim-Paul, 1975), a large body of literature originated around the phenomenon of accelerated BG internationalisers.

BGs differ from conventional internationalising firms in regards to their global orientation, as they compete virtually from inception in a global market place. Cavusgil and Knight (2015) used examples, such as, the slow internationalisation of General Motors to compare the contrasting behaviour between BGs and traditional internationalisers and their fundamentally different international orientations. Although this internationalisation variant challenges the Uppsala Model, several researchers believe that its underlying concepts remain relevant but need to be extended with new insights and studies to explain BG paths (Madsen and Servais, 1997; Sharma and Bloomstermo, 2003; Laanti et al., 2007; Gabrielsson, et al., 2008; Solberg, 2012; Trudgen and Freeman, 2014).

This breed of companies can be found in many parts of the world, as studies identify BGs not only across Europe (for example, Madsen and Servais, 1997; Freeman and Cavusgil, 2007), but also in emerging economies (for example, Jolly et al., 1992; McDougall et al., 1994; Lopez et al., 2009). Nonetheless, Leonidou and Samiee (2012, p. 29) stress the importance of the inclusion of larger developed economies, highlighting Germany in particular: “It would be useful to extend this research to larger countries (for example, Germany).” One reason for this might be that BGs are believed to contribute to the economic development, such as, boosting exports and increasing knowledge transfer (Eurofund, 2012).

BGs are characterised as pursuing a proactive internationalisation and their ability to simultaneously manage resources and derive sales from multiple international markets

(Oviatt and McDougall, 1994, 1997; McDougall et al., 1994; Knight and Cavusgil, 1996; Madsen and Servais, 1997). Therefore, BGs accumulate all necessary requirements for successful internationalisation in a shorter period of time when compared to traditional firms (Zahra et al., 2004). Although, BGs are often resource-constrained businesses, studies indicate that they are fairly risk-averse, as they tackle global markets soon after establishment (Rennie, 1993; Oviatt and McDougall, 1994, 1997; Jones, 1999; Bell and McNaughton, 2000; Rasmussen and Madsen, 2002), which contradicts the psychic distance concept (Johanson and Vahlne, 1977).

The BG approach received a lot of attention largely due to the external changes that have taken place in recent years (Laanti et al., 2007; Cavusgil and Knight, 2015). Several reasons that appear to establish an environment that facilitates the growth of these firms are summarised in Table 5.

Table 5 Environmental changes which induce the emergence of BGs

Environmental changes	Explanation
Globalisation	Reduced entry barriers. Globalisation of market conditions, for example in the automotive industry
Technology advancements	Advancements in communication, production and transportation
Global competitiveness	Increased global competition pressures firms to compete in a global arena. Firms are more prone to focus on niche markets and focus on specialisation and customisation of goods
Home market conditions	Small domestic market encourages global orientation of firms
Capability of people	Increased higher education and international knowledge and experience of entrepreneurs

(Source: Author, based on Knight and Cavusgil (1996))

The contemporary global business environment and the increasing demand and developments in technology create more cost advantages (i.e. lower transportation costs), which allow even the smallest firms to compete globally (Knight and Cavusgil, 1996; Cavusgil and Knight, 2015). The increase of global networks further facilitates their early internationalisation (Oviatt and McDougall, 1994; Laanti et al., 2007).

Empirical studies further indicate that BGs emerge based on their home market conditions (Madsen and Servais, 1997; Gabrielsson et al., 2008). Studies on exporting firms from Nordic countries suggest that BGs exist due to inadequate home market demand (Madsen and Servais, 1997; Freeman and Cavusgil, 2007). Therefore, firms

must internationalise early to reach financial stability, which is especially important for smaller resource constraint businesses (Freeman et al., 2006).

BGs are said to be “small, technology-oriented companies that operate in international markets from the earliest days of their establishment” (Knight and Cavusgil, 1996, p. 11). They are mainly producers of highly specialised, customised goods with unique know-how and distinct features (Chetty and Cambell-Hunt, 2003; Cannone and Ughetto, 2014). Clearly, BGs show substantial overlap with niche players, in terms of their focus and product specialisation (for example, Gross, 1967; Cohn and Lindberg, 1972). Sheppard and McNaughton (2012, p. 53) pointed out that many BGs “offer market-leading products or services that challenge the status quo.” Market dominating BGs have also been identified in other studies (Knight and Cavusgil, 1996; Luostarinen and Gabrielsson, 2004; Knight and Cavusgil, 2004; Knight et al., 2004).

Regarding their industry presence, studies verify that BGs operate mainly across high-technology industries (Bell, 1995; Crick and Spence, 2005; Laanti et al., 2007), as firms in these sectors often internationalise faster in order to commercialise their products globally when compared to other industries (Madsen and Servais, 1997). Eurofund (2012) found BGs also operating in industries, such as, wholesale, retail trade, manufacturing and communications. BGs target highly specialised niche markets (Knight and Cavusgil, 1996; Bell et al., 2001) often as a result of their networks (Autio et al., 2000).

Important contributions have been made to the BGs research field but findings are diverse and lack consistency and sufficient development, in terms of theoretical; methodological and operationalization concepts (Gabrielsson and Kirpalani, 2004; Rialp et al., 2005; Aspelund et al., 2007; Liesch et al., 2007). Firstly, there are various terms used to describe fundamentally the same phenomena, as researchers apply their own unique labels; ‘born globals’ (Rennie, 1993); ‘born global firms’ (Knight and Cavusgil, 1996); ‘high technology start-ups’ (Jolly et al., 1992), ‘instant exporters’ (McAuley, 1999); ‘international new ventures’ (Oviatt and McDougall, 1994), and ‘early internationalising firms’ (Rialp et al., 2005). Interestingly, the consultancy term ‘born globals’ is still the most frequently used terminology (Madsen and Servais, 1997; Autio et al., 2000; Rasmussen and Madsen, 2002; Sharma and Bloomstermo, 2003),

which also the researcher favours, as it captures the essence of firms with a strong global orientation from the outset.

Secondly, there is an inconsistency of criteria applied across studies, as there are several interpretations and definitions (Madsen et al., 2000; Rasmussen et al., 2001; Andersson and Wictor, 2003; Knight et al., 2004; Fan and Phan, 2007; Zhou et al., 2007). The discrepancy of different definitions makes it difficult to cross-compare studies (Madsen, 2013). Mainly, BGs are identified using the dimensions of speed, scale, and geographic scope (Kuivalainen et al., 2007; Zahra and George, 2002).

BGs internationalisation speed

The dimension of speed refers to the exact time span between the foundation of a firm and its first international activity. A firm’s speed of internationalisation is the most commonly used criterion to identify BGs, as this is the main dimension differentiating them from traditional firms. BGs early and rapid expansion is considered to represent “a novel form of international expansion” (Cavusgil and Knight, 2015, p. 4), as they are said to have a global vision from the outset, however, time characteristics vary across studies (Jones and Coviello, 2005).

Some scholars broadly argue that BGs internationalise soon after inception (Madsen and Servais, 1997; Rialp et al., 2005), whilst others suggest exact years, which are summarised in Table 6. However, Kuivalainen et al. (2012) compromises by choosing an appropriate time frame based on the data available.

Table 6 BGs internationalisation speed defined in literature

Time frame	Scholars
At inception (0 years)	Madsen and Servais, 1997; Rialp et al., 2005; Gabrielsson, et al., 2010
2 years	Rennie, 1993; Moen and Servais, 2002; Chetty and Cambell-Hunt, 2003
3 years	Zahra and George, 2002; Knight et al., 2004; Knight and Cavusgil, 2004; Servais et al., 2007
4 years	Lopez et al., 2009; Wach, 2014
5 years	Crick and Spence, 2005
7 years	Jolly et al., 1992
8 years	Welbourne and DeCieri, 2001; McDougall et al., 1994

(Source: Author)

BGs internationalisation scale

BGs internationalisation scale (or extent) is mainly measured by the achieved international sales or their export intensity¹⁶. Knight and Cavusgil (2015, p. 4) stress “our conceptualisation of born global firms emphasise young companies that derive a significant portion of their revenue from international sales.” Foreign sales cut offs used in BG studies vary from over 5%, to more than 25% (Knight and Cavusgil, 1996; Knight, 1997), up to 75% (Rennie, 1993). Madsen (2013) argues that a sales cut off of 25% is less likely to be applicable for European firms, as these can reach this cut off early, whilst actually having only limited global sales. Therefore, others scholars suggest more valid measures such as sales outside the continent e.g. Europe (Madsen and Knudsen, 2003; Gabrielsson and Gabrielsson, 2004).

BGs geographic scope

Scope is measured using either the number of countries entered or the market distance (Kuivalainen et al., 2007; Madsen, 2013). It is discussed that BGs exploit opportunities outside their domestic market (McDougall and Oviatt, 2000; Cavusgil and Knight, 2015), however, scholars are indecisive about how many markets a BG firm must operate in, in order to be identified as a real born ‘global’. Oviatt and McDougall (1994) merely suggest that a BG firms needs to enter multiple countries. Melén and Nordman (2009) suggest three foreign market entries, whilst others suggest only one (Harveston et al., 2000). Cannone and Ughetto (2014) classify companies operating in the upper quartile of at least 10 countries as ‘high degree’ BGs and any below as ‘low-degree’ BGs.

This measure also raises a global strategy debate on how global BGs are according to Rugman’s (2005)¹⁷ arguments. In fact, Coviello (2015, p. 21) cautions that “many firms are not truly global” and therefore many BGs in other studies are classified as ‘born regionals’ (Chetty and Campbell-Hunt, 2004) or ‘born internationals’

¹⁶ Usually calculated by the share of turnover from foreign markets out of the total generated turnover.

¹⁷ Rugman (2005) argues that there are no real global firms but rather classifies them as; global players, bi-regional players, home-regional players and host-orientated players, these classifications have been criticised for artificially reducing the number of global players (Osegowitsch and Sammartino, 2008).

(Kuivalainen et al., 2007), as their activity is often actually more regional than global. Preece et al. (1999) tackle this issue through the inclusion of the ‘global diversity dimension’, by which the percentage of annual sales are identified from multiple market areas, such as Asia, Canada, Europe and Latin America. Madsen (2013, p. 69) suggests “counting the number of foreign markets is a limitation”, especially for European firms with low market distance.

Overall, BG research is criticised for being far ahead of theoretical explanations (Rialp et al., 2005; Liesch et al., 2007; Zander et al., 2015) and Zahra (2005) highlight the necessity to focus on BGs theoretical developments, time dimensions, and continuous accelerated internationalisation behaviour. Especially, the lack of longitudinal studies on BGs emerges as a critical gap, as there is limited knowledge on how BGs continuously develop (Rialp et al., 2005; Cavusgil and Knight, 2015). In this context, the Eurofund (2012) report predicts that BGs can potentially evolve in four different ways¹⁸, including successive high-levels of growth but also a decreasing growth level over time. Zander et al. (2015, p. 30) stress that “In particular, we emphasize the issues of context-dependent theorizing, how born globals might evolve over the long-term, the usefulness of engaging more forcefully in comparative empirical work, and the relationship between born globals and already well-established MNEs.”

2.4.4 Born-Again Globals (BAGs)

Bell et al. (2001) acknowledge that there are multiple variants of the paths of incremental internationalisation and BGs and propose an alternative concept of ‘Born-Again Globals’ (BAGs) (also see Bell et al., 2003). BAGs are well-established firms, which concentrate on their domestic market with no motivation to internationalise (Bell et al., 2001; Sheppard and McNaughton, 2012). However, the study then identifies that these firms suddenly embark on a rapid internationalisation. This sudden strategic shift is triggered through a ‘critical incident’, which significantly influence a firm’s internationalisation in terms of speed and direction. For example, a change in ownership and/or management, which can provide the firm with additional human- or

¹⁸ The Eurofund (2012) study found six types of Born Globals: ‘dynamic born globals’; ‘steady born globals’; ‘volatile born globals’, ‘decreasing born globals’.

financial resources, can leverage its international expansion. All of Bell et al.'s (2001) critical incidents are summarised in Table 7.

Table 7 Critical incidents of BAGs

Critical incident	Nature of 'episode'
Change in ownership	Management buyout Takeover by another firm Bought from administrator
Acquisition	Acquisition of firm with international connections Inward technology transfer Distribution rights
Client followership	Domestic client internationalises Foreign client enters home market

(Source: Bell et al., 2001)

These critical incidents support Oesterle's (1997) study, in which he argues that a firm can experience 'episodes' of internationalisation. Specific events or critical incidents can create new opportunities and influence a firm's internationalisation behaviour (Oesterle, 1997; Bell, et al., 2001). Conversely, other external and internal factors can also promote de-internationalisation, such as difficult trading conditions. Firms can experience several of these episodes, including rapid internal activity "followed by periods of consolidation or retrenchment" (Bell et al., 2001, p. 177). Kontinen and Ojala (2012) also point out that succession changes can also be considered a critical incident in family-owned firms, which was similarly examined by other family business researchers (Graves and Thomas, 2008; Janjuha-Jivraj et al., 2012; Schueffel et al., 2014).

A BAG approach can arguably be considered to be a hybrid strategy variant between the Uppsala Model and BGs. BAGs focus domestically at first, which is in line with the long incubation periods of traditional internationalisers. Jørgensen (2014, p. 450) argue, "They first had the benefits of the gradual building of resources in the home country, which later made the establishment abroad possible" and implied that BAGs relate to the Uppsala Model's concept of experiential learning (Johanson and Vahlne, 1977). However, BAGs then depart by shifting to a more proactive and dedicated internationalisation, which is similar to BG behaviour. The term 'born-again' is very misleading, as BAGs are not 'reborn' to internationalisation, but are rather delayed or belated BGs and triggered by a critical event in time.

Similarly to BGs, which are influenced by external factors, such as global trends (see Table 5), BAGs are affected by critical incidents, which motivate their internationalisation and appear also to actively exploit new resources and networks (Kontinen and Ojala, 2012) gained from those critical incidents. However, BAGs differ from BGs due to their stronger levels of growth orientation and serve more countries, whilst also being far more established and benefitting from intelligence generation (Olejnik and Swoboda, 2012; Sheppard and McNaughton, 2012). Kuivalainen et al. (2012) highlight that BGs are more likely to sustain global positions when compared with BAGs, if these manage to attain high revenues and establish presence in international markets.

There are, however, several drawbacks to the BAGs approach. Firstly, Bell et al. (2001) introduced the notion of BAGs using salient characteristics¹⁹ but provide no guidance on the identifications of such firms, in terms of incubation times and intensity of internationalisation (Sheppard and McNaughton, 2012). Bell et al. (2001) do not specify the exact time period of the domestic focus, but Sheppard and McNaughton (2012) define BAGs using the most extreme 10% in their cases with the longest incubation period being 28 years. Secondly, it has not been made clear whether BAGs share the same characteristics as traditional internationalisers when focusing on the domestic markets or whether they resemble BG traits when pursuing accelerated internationalisation. Thirdly, there is insufficient knowledge on whether BAGs suffer from the same resource constraints as BGs or have greater access to resources (Kuivalainen et al., 2012). Fourthly, BAGs internationalisation paths are poorly researched and Kuivalainen et al. (2012) stress that the dimensions of speed, scale and scope are not adequately addressed. The authors also highlight the lack of classification criteria provided by Bell et al. (2001). Nevertheless, there is enough evidence which justifies studying these firms alongside BGs (Kuivalainen et al., 2012). Finally, researchers emphasise the need for more qualitative studies on BAGs to identify the challenges that they have to overcome (ibid).

¹⁹ The salient characteristics used are : age of firm, size of firm (number of employees), size of firm (turnover in \$US), international experience, speed of internationalisation, export ratio (Bell et al., 2001)

2.4.5 Definitions used in this study

This literature review presents three different internationalisation theories and Table 8 summarises the exact definitions used in this study to identify the main internationalisation paths of traditional internationalisation, BGs and BAGs.

Table 8 Definitions used in this study

Internationalisation path	Characteristics used in this study
Traditional internationalisers (TRADs)	A firm which must incubate for 10 years Single market approach Establishment chain (export, sales agent, foreign subsidiary, foreign manufacturing) Psychic distance (regional market first then global markets) Experiential learning (slowly learning from each market entry)
Born Globals (BGs)	Internationalise within the first 10 years of establishment Multiple market approach Accelerated internationalisation 25% foreign sales achieved in other non-European countries
Born-Again Globals (BAGs)	A firm which must incubate for 10 years Then sudden accelerated internationalisation based on critical incident, or other critical events Multiple market approach

(Source: Author)

In this study, a traditional internationaliser is defined as a firm which focuses on its domestic market for at least 10 years and then starts internationalisation based on the predictions of the establishment chain concept. Traditional firms are identified by their single market approach in which they create experiential learning and slowly commit to greater investments, whilst targeting psychic close markets at first, before venturing further afield.

BGs are defined as firms with a global vision from their earliest days, whose products possess distinct features (e.g. unique technology, service or know-how, systems or other specialised competencies). The time frame in which BGs need to internationalise is based on the findings and has been set for 10 years²⁰ and refers to the suggestions of Kuivalainen et al. (2012). Furthermore, German and British BGs should demonstrate the capability to achieve at least 25% of their sales outside the European Union.

²⁰ The researcher chose the 10 year time frame based on the time frame set for traditional internationalisers and BAGs.

In this study, a BAG internationaliser is defined by its 10 year incubation period, which is the same time frame for traditional firms. Furthermore, BAGs must show an accelerated internationalisation behaviour initiated by a critical incident or other critical events, similar to the predictions of Bell et al. (2001).

2.4.6 HCs internationalisation path

There does not seem to be much research which focused on the exact internationalisation behaviour of HCs. Simon (2009) has disregarded to adequately address the full extent of the more recent knowledge of the international orientations of HCs in these areas. There is limited literature explaining specifically through which internationalisation strategies HCs achieve market leadership. This section therefore highlights the extent to which research needs to establish the exact link between strategy orientations and Simon's (2009) HCs, as he claims to have identified a breed of companies that go global in a successful manner of going global. Table 9 summarises key studies on HCs internationalisation paths and market entry modes found in the literature, which will be discussed comprehensively in the subsequent section.

Table 9 Review of studies on the internationalisation paths of HCs

Studies	Main Findings
Lawrence and Edwards (2000)	HCs are more 'old fashioned'. They make no use of subcontracting, outsourcing, make or buy decisions, diversification, export agents, and strategic alliances
Ernst & Young (2004)	HCs will include mergers and acquisitions as future strategy options
Eschlbeck (2005)	HCs internationalise according to traditional stage theory
Venohr and Meyer (2007)	HCs have significant manufacturing presence in China and Eastern Europe HCs prefer greenfield sites as an entry mode
Simon (2009)	74.4% use exports, 77.1% enter via fully owned and controlled subsidiary (on average HCs owe 24 subsidiaries abroad). On average HCs owe 8 manufacturing subsidiaries abroad. On average HCs owe 16 sales and service organisations abroad. 16.8% engage in joint ventures and HCs cooperate with existing firms targeting the same customer. HCs outsource non-core activities to save costs and to maintain qualitative superiority
Witt (2010)	Internationalisation of 26 German HCs of which 68% engage in export, 20% engage in licensing, 20% engage in franchising, 16% engage in joint ventures, 48% use distribution companies, 44% use manufacturing companies, 80% use wholly owned subsidiaries; Some HCs are traditional internationalisers and some are actually more BGs
Witt and Carr (2013)	Internationalisation of 26 German HCs of which 15% are traditional internationalisers, 50% are BGs, and of these 15% are BAGs

(Source: adapted from Witt and Carr, 2013)

Simon (2009) merely suggests that HCs are proactive internationalisers not specifying whether their behaviour is similar to BGs or other existing internationalisation variants discussed in the literature. In contrast, other researchers studied the HC paths more specifically with mixed results. Eschlbeck (2005) and Witt (2010) verify that some HCs pursue gradual internationalisation, in line with the Uppsala Model predictions. Witt and Carr (2013) also find traditional internationalising HCs, but argue that these often accelerate through the Uppsala Model's concepts of the establishment chain, experiential learning and psychic distance, as a result of their unique customer focus.

Other studies, in line with Simon's (2009) predictions, suggest that HCs are proactive BG-type internationalisers. Witt's (2010) quantitative findings based on 26 HCs found that many HCs often 'leap-frog' stages of the establishment chain, which is also found by Witt and Carr (2013). Yet, little research has focused on the alternative paths of BAGs, and only Witt and Carr's (2013) findings conclude that some HCs follow the paths of BAGs, although not mentioning their exact critical incidents. As a result, the limited studies on HCs internationalisation paths appear to suggest that they can be early and rapid internationalisers, but also more gradual and belated internationalising firms.

Simon's work is criticised for being unstructured but descriptive (Blackburn et al., 2001) and his findings are spread throughout his book. However, Simon (2009) provides useful information about HCs but does not compare his findings to existing theories in the academic literature. Although, he argues that HCs are globally operating firms, he gives no indication on their geographic scope. Venohr and Meyer (2007) pick up this deficiency and conclude that HCs have significant manufacturing presence in China and Eastern Europe.

In summary, the literature of HC internationalisation paths is not clear about which paths they pursue to become market leaders. Therefore, the internationalisation paths of HCs emerges as a gap in the literature (Fear, 2012) and there is a need for a more critical examination to understand how these firms reach market dominance.

2.4.7 The role of Foreign Direct Investment (FDI)

This study critically distinguishes between foreign direct investment (FDI) and trade. Internationalisation process theory and entry mode research addresses multiple modes of entry, such as exports (Johanson and Vahlne, 1990; Leonidou and Katsikeas, 1996); licensing, franchising and contractual agreements (Alon and McKee, 1999); partnerships and joint ventures (Buckley and Casson, 1996), strategic alliances (Das and Teng, 2000; Sengupta and Perry, 1997), but also FDI, including greenfield sites and mergers and acquisitions (Dunning 1998, 2000; Hill et al., 1990; Nitsch et al., 1996).

It has been argued that greenfield expansion is a more successful route to internationalisation, as compared with trade (Woodcock et al., 1994; Li, 1995). FDI furthermore requires firms to devote more human and financial resources (Hubbard, 2013) and is considered a much greater investment in a foreign market and country, when compared to low-commitment entry modes (i.e. exports) (Oberhofer and Pfaffermayr, 2012). A successful and sustainable internationalisation might therefore be linked to FDI, although studies have not verified this (Mata and Portugal, 2004). However, researchers have suggested that only more productive firms will eventually substitute exports through FDI (Helpman et al., 2004).

Tan (2009) argues that there is a lack of research which focuses on a firm's growth through greenfield sites versus acquisitions and clearly highlights the need to study a firm's FDI choices more critically. Researchers, therefore, need to take into account the market entry mode choices more specifically and distinguish between FDI and trade. This section therefore identifies the role of market entry mode choices and especially FDI in the internationalisation theories covered in this literature review, as well as its role in the HCs literature.

2.4.7.1 Market entry mode choices of traditional internationalisers

The Uppsala Model's predictions suggest that a firm engages in low-commitment entry modes (i.e. exports and sales agents) and the establishment chain ends in the field of FDI (i.e. subsidiary and manufacturing facilities) (Johanson and Vahlne, 1977). Therefore, when a firm commits to a manufacturing facility abroad, it has to overcome uncertainty by accumulating enough knowledge about the market. This direct presence

is therefore the highest form of foreign market entry possible in the Uppsala Model. However, the Uppsala Model neglects entry modes, such as strategic alliances, joint ventures, mergers and acquisitions (Forsgren, 1990; Madsen and Servais, 1997).

2.4.7.2 Market entry mode choices of BGs

BGs rapid international expansion is argued to be a more hybrid form when compared to the Uppsala Model, as their rapid internationalisation often entails a simultaneous use of multiple entry modes (Jolly et al., 1992; McDougall et al., 1994; Madsen and Servais, 1997; Oviatt and McDougall, 1997). BGs are said to be flexible in their market entry choices (Welch and Luostarinen, 1988; Bell et al., 2001; Andersson and Wictor, 2003; Sharma and Bloomstermo, 2003), and commonly choose the mode of direct exports through which they create valuable networks with global or regional sales agents and distributors (Leonidou and Samiee, 2012; Cavusgil and Knight, 2015). Low-commitment entry modes are commonly preferred by BGs, due to their scarcity of resources and knowledge (Madsen et al., 2000).

FDI is considered to be a less attractive entry mode for BGs, although they are often observed to partner with a foreign business (Knight and Cavusgil, 2004; Leonidou and Samiee, 2012; Solberg, 2012). Solberg (2012) argues that subsidiaries are very costly endeavours for BGs and therefore even neglects to investigate BGs entries with greater resource commitments. However, Melén and Nordman's (2009) longitudinal study of eight BGs found that these established their own facilities abroad, which is further confirmed in the British-German study by Coerderoy et al. (2011). It is argued that if BGs manage to establish considerable presence abroad they can derive multiple sales from countries and thus, are most likely able to sustain global positions, due to their early and rapid international activity (Kuivalainen et al., 2012).

The majority of studies, however, mainly focus on the BGs foundation to first international activity, which predominantly entails export activity only and omit to study entry mode choices beyond this stage. Cavusgil and Knight (2014) argue that if a BG firm commits to FDI it would be more appropriately categorised as an 'international new venture', as described by Oviatt and McDougall (1994), since the authors stress that BGs are not known to engage in FDI. As a result, studies of BGs lack longitudinal investigations, which emerged as an important gap in the literature

(Rialp et al., 2005; Knight and Cavusgil, 2015), as there is no sufficient knowledge on how BGs develop over time.

2.4.7.3 Market entry mode choices of BAGs

The market entry modes choices of BAGs are not fully elaborated in the literature, mainly due to the lack of sufficient follow up studies (Kuivalainen et al., 2012). Given the overlap of BAGs with BG and traditional internationalisation behaviour, it may suggest that they choose multiple and different entry modes. Sheppard and McNaughton (2012) recognise that BAGs are well-established firms, with a great global coverage, which may indicate the use of more resource intensive entry modes alongside trade activity.

2.4.7.4 Market entry mode choices of HCs

A range of studies suggest that HCs use multiple different entry modes (also see Table 9). There is broad knowledge on HCs preference for low-commitment entry modes. Simon (2009) highlights that the majority of HCs choose the route of exports (average export ratio of 62%) but largely avoid using export agents (Lawrence and Edwards, 2000). Witt (2010) identifies that some HCs engage in licensing and Simon provides data on their patent policy, which may suggest the use of licensing because their know-how and technology is secured by patents. Furthermore, some HCs also enter foreign markets through franchising (Witt, 2010).

HCs also frequently build a direct presence abroad and the majority of studies agree that they prefer to move abroad alone and avoid partnerships (Simon, 2009; Witt, 2010; Witt and Carr, 2013). More specifically, Simon (2009) suggests that the average HC owns 24 foreign subsidiaries of which eight are manufacturing subsidiaries and the rest are sales and service organisations. More specifically, he stresses that HCs prefer fully-controlled entry modes (80%), especially for sales, service and manufacturing, which is in line with the other studies (Simon, 2009; Venohr and Meyer, 2007; Witt, 2010; Witt and Carr, 2013). Lawrence and Edwards (2000) stress that HCs are 'really quite old fashioned' and do not engage in strategic alliances. Simon (2009) counter argues that HCs have become more open to modern concepts such as strategic alliances in the past 10 years and highlights that several HCs have

cooperated with existing firms which target the same customers. Nonetheless, many HCs would still not consider strategic alliances due to “personality profiles of the individuals involved” showing limited flexibility from the HCs entrepreneurs (ibid, p. 245).

Although partnerships are largely avoided (especially for sales, service and manufacturing), Simon (2009) argues that 17% engage with other companies when moving abroad, which is confirmed by other studies (Witt, 2010; Witt and Carr, 2013). Further, Lawrence and Edwards (2000) argue that HCs do not expand by means of mergers and acquisitions, whereas Ernst & Young’s (2004) study concludes that HCs frequently do expand in this way.

Therefore, HCs choose entry modes which they can fully control versus minority interest partnerships, which allows them to serve their customer in the best possible way. HCs frequently engage in FDI, although few studies have focused on the exact mode of entry (i.e. acquisitions versus greenfield sites). Nonetheless, FDI appears to play a major role in HCs entry mode choices and may reflect positively on their market leadership position.

In summary, the most comprehensive predictions of the role of FDI is provided by the Uppsala Model’s establishment chain, whilst the strategies of BG and BAGs are fairly vague and unspecific in terms of more resource intensive market entry modes. HCs studies provide a broad overview of different market entry modes choices and FDI appears to play a vital role in their expansion. It is still unclear, however, which exact internationalisation strategies HCs pursue and through which market entry modes they expand. The following section therefore compares the known internationalisation paths pursued by HCs to that in the mainstream theories of internationalisation.

2.4.8 Internationalisation theories and HCs compared

The previous section highlighted the various findings on HCs internationalisation paths and Table 10 summarises the similarities and differences between traditional internationalisers, BGs, BAGs, and HCs. The last three are particularly pertinent to smaller players, whilst the Uppsala Model is more applicable to multinationals.

Table 10 Comparison of traditional internationalisers, BGs, BAGs and HCs

Dimensions	Traditional Internationalisers	Born Globals	Born-Again Globals	Hidden Champions
Home market	Domestic market developed first	Domestic market largely irrelevant	Domestic market developed first	Domestic market largely irrelevant
Incubation time	Long incubation time	Short incubation time	Long incubation time	Unspecified
Extent of internationalisation	International markets developed serially	Many international markets developed at the same time	Many international markets developed at the same time	Limited evidence, prefer mixture between simultaneous and incremental market entry
Speed (pace)	Slow and gradual internationalisation	Rapid and accelerated internationalisation soon after inception	Domestic at first, then rapid expansion after critical incident	Limited evidence, but some use both gradual and rapid internationalisation
Scale (foreign sales)	Unspecified	Attain 5% to 25% of turnover outside home market	Unspecified	Unspecified
Scope (number of countries/markets)	One market at a time and narrow market scope	Multiple markets	Unspecified	Unspecified
Market entry modes	High- and low-commitment entry modes	Low- commitment entry modes and limited evidence of high-commitment entry modes	Limited evidence of high- and low- commitment entry modes	High- and low- commitment entry modes
Market selection	Enter domestic market first, followed by incremental market entry into psychically close markets and gradually entering more distant markets	Psychic distance irrelevant	Limited evidence, enter both psychically close and distant markets	Limited evidence, enter both psychically close and distant markets

(Source: adapted from Witt and Carr, 2013)

The comparison highlights that the paths of HCs are not fully elaborated when compared to other theories. Despite the dominant market position of HCs, the majority of characteristics are very similar to BG and BAG definitions, whilst demonstrating a greater departure from traditional internationalisation theory. Table 10 indicates that it is more likely to find HCs pursuing one of the niche strategy paths of BGs and BAGs, although this will most likely depend on when HCs were established. Well-established HCs might start with a more domestic orientation and later expand more globally, which would coincide with the characteristics of BAGs or even traditional internationalisers and conform closer to findings from Witt and Carr (2013). More recently established HCs might have a global orientation from the outset, and might share similar BG characteristics, as also Simon (2009) identifies that HCs are proactive internationalisers (also see Witt, 2010; Witt and Carr, 2013). What remains unclear is which exact internationalisation paths and associated market entry modes HCs pursue to become global market leaders, which needs to be further explored.

However, such successful internationalisation paths depend in turn on certain competitive advantages (Hegge, 2002), and are especially interesting to study for those which lead to global market leadership. The internationalisation of a firm is a critical strategy, which allows a firm to leverage the sustainable competitive advantages necessary to compete on a global scale (Fernández and Nieto, 2005). Therefore, the specific internationalisation paths pursued by HCs may necessitate certain competitive advantages. These competitive advantages represent a gap in the knowledge and require clarification for any satisfactory and deeper explanation of HCs as a phenomena. This will, therefore, be explored and discussed in the next section.

2.5 The underlying competitive advantages of GHCs

“Someone’s sitting in the shade today because someone planted a tree a long time ago.” (Warren Buffet)

As previously discussed, the rationale to study only those HCs which are globally dominant (hence GHCs), as opposed to being merely regionally dominant, derives from the importance of achieving a top three position in markets (Welch, 2002; Van Agtmael, 2008), which may be consolidating globally (Kroeger et al., 2008; Noy, 2010). As Lin et al. (2015, p. 81) highlight, “Competitive strategies differ among firms according to their competitive market positions”, firms pursuing regional and global strategies require different advantages (Verbeke and Kano, 2012). Though regional leadership positions may be defensible in sectors where more global competition is limited (Rugman, 2005; Ghemawat, 2005), this is contentious (Ohmae, 1985b; Carr, 1990; Carr, 1993) and arguably fewer sectors now remain genuinely fragmented more globally (Bryan et al., 1999; Carr and Collis 2011). These contentious regional HCs are therefore excluded in this study, which now focuses only on GHCs achieving one of the global top three positions.

Achieving sustainable competitive advantage is “central to competitive strategy” (Ghemawat, 1986, p. 53) and of major concern in enduring strategy literature (for example, de Geus, 1997; Collins and Porras, 2005; Stadler, 2007). Though difficult to define²¹ (Rumelt, 2003) most agree that competitive advantage is achieved when a firm is more successful than rivals, such as through sustained supernormal profits, (for example, Porter, 1980, 1985; Petraf, 1993; Ghemawat and Rivikin, 1999; Besanko et al., 2000; Barney, 2002; Peteraf and Barney, 2003)²², however, challenging to sustain in the long run (Hayes and Abernathy, 1980; Gunasekaran et al., 2011).

²¹ Rumelt (2003, p. 3) stresses that “There is disagreement or confusion about whether competitive advantage means winning the game or having enough distinctive resources to maintain a position in the game.” Rumelt (2003) discusses the areas of confusion, drawing on the measures of competitive advantage in particular and argues for a need of an exact definition.

²² McGrath (2013) broadly argues the ‘end of competitive advantage’ and highlights that firms must move beyond the aim of building sustainable competitive advantage and forge a new winning strategy, which entails to capture and exploit opportunities fast, based on the notion of ‘transient competitive advantages’.

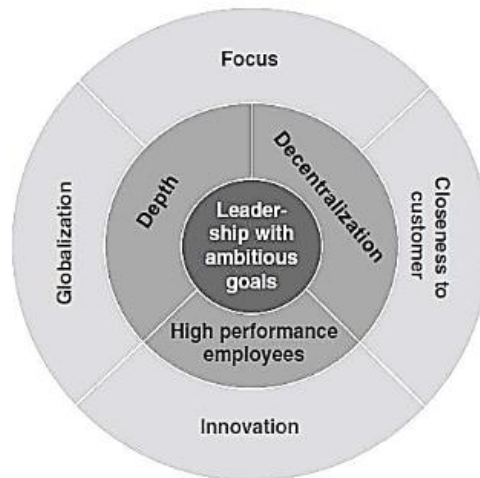
Of all reviewed global niche strategy variants, HCs are the only variant supported by an insightful theoretical HC Model - Simon (2009) defines eight specific key traits common to both regional and global HCs in Germany. The question then is whether these traits are fully adequate to explain key advantages of GHCs only, including those identified beyond Germany's borders. From a critical research perspective this cannot be taken for granted.

Aside from Simon's (2009) HC Model, many alternative strategic schools of thought might suggest at least some broader perspective, which might aid more critical interpretations relating to such competitive advantages. On the one hand, scholars argue that sustainable competitive advantage derives from firm specific resources (Wernerfelt, 1984; Barney, 1991) and capabilities (Teece et al., 1997), whilst several scholars from the Harvard Business School have tended to emphasise market power (Porter, 1985; Ghemawat, 1986). This is an extremely broad question but at least merits some final discussion to what extent the HC Model can be situated in this broader discussion. This section therefore discusses Simon's (2009) HC Model; its associated traits; and these final broader debates relating to competitive advantage.

2.5.1 The HC Model

Simon (2009) provides additional knowledge on how HCs reach their dominating market positions through his comprehensive theoretical business model 'Three Circles and Eight Lessons', which is referred to in this study as the '*HC Model*' (see Figure 1). Simon's (2009) HC Model suggests eight specific key traits, which he suggests to lead to competitive advantage and market leadership. The HC Model is depicted in three nested circles; an outer circle identifying their unique approach to external opportunities, the inner circle identifying the internal competencies and the centre summarises the HCs core competencies.

Figure 1 The HC Model



(Source: Simon, 2009)

The centre of the three layered HC Model inherits the ‘leadership with ambitious goals’ trait, which in the case of HCs is very influential and observed to be usually authoritarian (Simon, 2009). The second layer inherits three further competitive advantages, which are considered to be internal competencies of HCs. ‘Depth’ refers to the company’s high vertical integration in terms of their production and overall research and development process integration, which Simon (2009) claims to be much ‘deeper’ when compared to other German firms. Secondly, ‘decentralisation’ describes the HCs ability to build new independent units with a high degree of autonomy. In order to achieve both ‘depth’ and ‘decentralisation’, ‘high-performance employees’ are necessary and are vital contributors to the HCs success (ibid).

The outer layer of the HC Model describes four further key success traits that are the linkage between HCs internal competencies and external opportunities. HCs are very focused on niche markets through which they successfully position themselves. The ‘focus’ trait refers to their niche market orientation, which allows these to build close relationships with their customers in tightly defined niche segments (ibid). The ‘closeness to customer’ trait highlights how HCs interact directly with their customer. This furthermore leverages their ‘innovation’, as it is driven by the market as well as their customers. Finally, the HC Model stresses the competitive advantage of ‘globalisation’ referring to the HCs strong advantage when transferring their expertise to regional or global markets (ibid).

Simon’s 2009 HC Model is slightly different compared to his 1996 Model (see Table 11). Simon (2009) integrates both competitive advantages of ‘strong leadership’ and ‘ambitious goals’ into ‘leadership with ambitious goals’, building the core of his Model and refers to the HC’s core competencies. He further distinguishes ‘innovation’ from ‘continuous innovation’, seeing such technology policies (i.e. patents and breakthroughs) as completely integrated and on par with marketing strategies²³. Further, he moves this trait from being an internal competency to being an external opportunity. He also alters the terminology from existing competitive advantages, such as ‘high performance employees’; ‘globalisation’, and ‘focus’, removes ‘reliance on own strength’ and ‘competitive advantage’, and even adds ‘decentralisation’ but provides no indication as to why these competitive advantages were changed.

Table 11 Comparison of Simon’s 1996 and 2009 HC Model

HC Model 1996	HC Model 2009
THE CORE	THE CORE
1. Strong leadership 2. Ambitious goals	1. Leadership with ambitious goals
THE INNER CIRCLE	THE INNER CIRCLE
3. Reliance on own strength 4. Selected and motivated employees 5. Continuous innovation	2. Decentralisation 3. High performance employees 4. Depth
THE OUTER CIRCLE	THE OUTER CIRCLE
6. Narrow market focus 7. Competitive advantage 8. Closeness to customer 9. Global orientation	5. Focus 6. Closeness to the customer 7. Innovation 8. Globalisation

(Source: Author based on Simon (1996a; 2009))

Kiyak (1998, p. 117) argues that many HC’s traits might easily be used by other companies since they are “simple, logical concepts that so many firms seem to have inadvertently ignored.” Even though Simon identified HC equivalents in foreign countries, he does not indicate how these cases fit his HC Model, nor any theoretical

²³ Simon verifies his answer by referring to the German Economic Institute, which distinguishes between innovators and non-innovators. The study defined innovators as firms, which introduce new products or processes in the preceding year. Only 70% of the respondents were classified as innovators of whom 26% occasionally engage in R&D and only 40% do so continuously (Simon 2009, p. 164).

defence as to why. Therefore, he does not provide any data on the transferability of his framework to countries outside the German context and culture.

Previous own research identified that the HC Model traits are remarkably close to common characteristics of the German Mittelstand, which indicates a certain embeddedness of the HC Model in the German context (see Appendix 1 and Witt and Carr, 2013). Also Haussman et al. (2009) suggests that the success strategy of German market leaders is difficult to transfer and requires a new approach that will ultimately change the business of the firm. Indeed, other HCs studies conclude that the HC Model requires certain adaptations when applied to equivalents identified in Greece (Voudouris et al., 2000) and Canada (Blackburn et al., 2001). These two studies seem to indicate limited transferability of the HC Model to different country contexts other than Germany.

More specifically, Voudouris et al. (2000, p. 664) identify 20 Greek companies that qualify as HCs through their own criterion. Their revised HC Model was narrowed down to four strategic themes; ‘intense specialisation in narrowly defined market segments’; ‘commitment to customer service and quality’; ‘innovation, and strong leadership’ and a ‘healthy organisational climate’ (also see Appendix 3).

This Greek HC study has been extensively criticised by Blackburn et al. (2001, p. 3) who argue that the study lacks meta-constructs, such as “vision, strategic drivers, value proposition and capabilities and strategic relationships between them.” Further, it does not include important characteristics such as ‘reliance on own strength’, ‘competitive advantage’ and ‘global orientation’, which are all part of Simon’s 1996 HC Model. They also question how these Greek firms were identified using a different criterion than suggested by Simon.

Blackburn et al. (2001, p. 2) argue that Simon’s work “appears relatively unstructured and quite descriptive” suggesting a tighter focus of the HC Model through qualitative research on Canadian companies. Their revised strategic model based on Canadian HCs highlighted four main business operations; ‘customer’; ‘value propositions’; ‘strategic drivers’ and ‘global visions’ (Blackburn et al., 2001, also see Appendix 3); and combines Simon’s themes into umbrella-terms raising the question as to the extent

these terms really describe the distinct features of HCs. Blackburn et al. (2001) suggest, however, that their framework needs further testing and quantitative analysis.

Both studies would appear to have two major drawbacks. Firstly, both are based on Simon's HC Model from 1996 and not on his more recently developed 2009 HC Model. Secondly, both focus on HCs pursuing both a regional and global strategy. However, the Greek and Canadian study verifies that the HC Model requires adaptation when applied to countries with dissimilar cultures and contexts as from Germany.

In summary, the HC Model seems to be the most precise framework so far predicting the capabilities and very specific success traits of HCs in Germany, which lead to market leadership. However, the HC Model traits reflect upon the competitive advantages of both regional and global market leading HCs, although a global niche strategy requires very different resources and capabilities when compared to a mere regional strategy (Verbeke and Kano, 2012). More research is therefore necessary to identify how these traits differ when applied to GHCs only, and it is also important to discover to what extent these traits are applicable, or whether they are prone to change, when applied to GHC equivalents outside the German context.

Despite the comprehensive nature of the HC Model, Simon (2009) does not position his contribution within the in existing literature on competitive advantages. As a result, the next section addresses the wider contextualisation of the HC Model within the broader field of debate on strategic perspectives.

2.5.2 Linkage with broader schools of strategic thought

The 2009 HC Model presented above deals with the competitive advantage of market leading firms, while this section covers introductory concepts of competitive advantage. It seeks to provide an overview of the broad schools of strategic thought from two different directions; the resource and capabilities approach and market leadership approach.

The need to understand what conditions enable a firm to operate more efficiently than its competitors has long been stressed in literature (Nilsson and Rapp, 2005). Early contributions to the field of competitive advantage date from the 1960s and 1970s and

stress the need for broad adaption of strategic fit, exemplified by Ansoff (1965) and Andrews (1971). These frameworks broadly argue that a well-adapted strategy has internal consistency but reacts to changing environments through adaptation, whilst also emphasising the importance of scale advantages through which a firm gains experience and even market dominance.

Porter (1980, 1985, 1986), however, warns of the threat of competition, defined more broadly, which ultimately might undermine more transient competitive advantages, such as more imitable technologies. His strategic recommendations entail achieving market power through market leadership. He essentially emphasises economic factors and effectively prioritises market/oligopoly power. Once market power is achieved, through building entry barriers and further achieving scale economies, this can lead to more sustained and superior rates of profitability. Market power is, however, not just a matter of size; leveraging it effectively may also call for a greater focus in terms of generic strategies (of particular pertinence to global niche leaders) or value chain choice. Porter was one of the first to link economic theory to observations made in management practice (Rumelt et al., 1994) by successfully tying a firm's external environmental conditions and internal structure together (Venkatraman and Camillus, 1984), which is also in line with Albert Humphrey's SWOT analysis²⁴.

This view of market power is maintained by many at the Harvard Business School who argue that a competitive market (leadership) position offers a much more sustainable competitive advantage (for example, Buzzel et al., 1975; Porter, 1979; Porter, 1985; Ghemawat, 1986; Reeves and Deimler, 2011). The last two suggest that "market leadership is even more precarious" and stress "The goal of most strategies is to build enduring (and implicit static) competitive advantage by establishing clever market positioning (dominant scale or attractive niche) or assembling the right capabilities and competencies for making or delivering an offering (doing what the company does well)" (Reeves and Deimler, 2011, p. 136).

²⁴ SWOT analysis is a well-known management tool created by Albert Humphrey's (Stanford University) to study the Fortune 500 companies in the 1960s and 1970s, by considering Strengths, Weaknesses, Opportunities and Threats (SWOT) of a firm.

Scholars who challenge Porter in particular, emphasise that market leadership cannot be achieved without specific resources. Prahalad and Hamel (1990) suggest that sustainable competitive advantage is achieved from a firm's core competency and how it consolidates its resources and associated skills in view of changing opportunities. Barney (1991) and Wernerfelt (1984) counter argue that a firm can achieve oligopolistic power in the end market, which is in line with Porter's arguments, however, the source of competitive advantage depends on a firm's unique resources and capabilities (Penrose, 1959; Henderson and Cockburn, 1994; Grant, 1996; Eisenhardt and Martin, 2000), which are difficult for competitors to duplicate (Barney, 1991; Amit and Schoemaker, 1993; Connor and Prahalad, 1996; Eisenhardt and Martin, 2000).

This resource-based view (RBV) explains the internal resources of a firm (i.e. specialised equipment, geographic location, unique expertise) in terms of path dependency and resource heterogeneity, which should be valuable, rare, inimitable, non-sustainable (i.e. the so-called VRIN attributes) and by which a firm can sustain its competitive advantage and superior performance (Grant, 1991; Amit and Schoemaker, 1993; Collis and Montgomery, 1995).

Both RBV and Porter agree that sources can prove transient and may be imitated. RBV, however, argues that imitation will be less likely when resources are unique (VRIN-resources), whereas Porter argues that market power is essential to sustain competitive advantage. However, RBV emphasises the supply market, whilst Porter argues from an end market point of view.

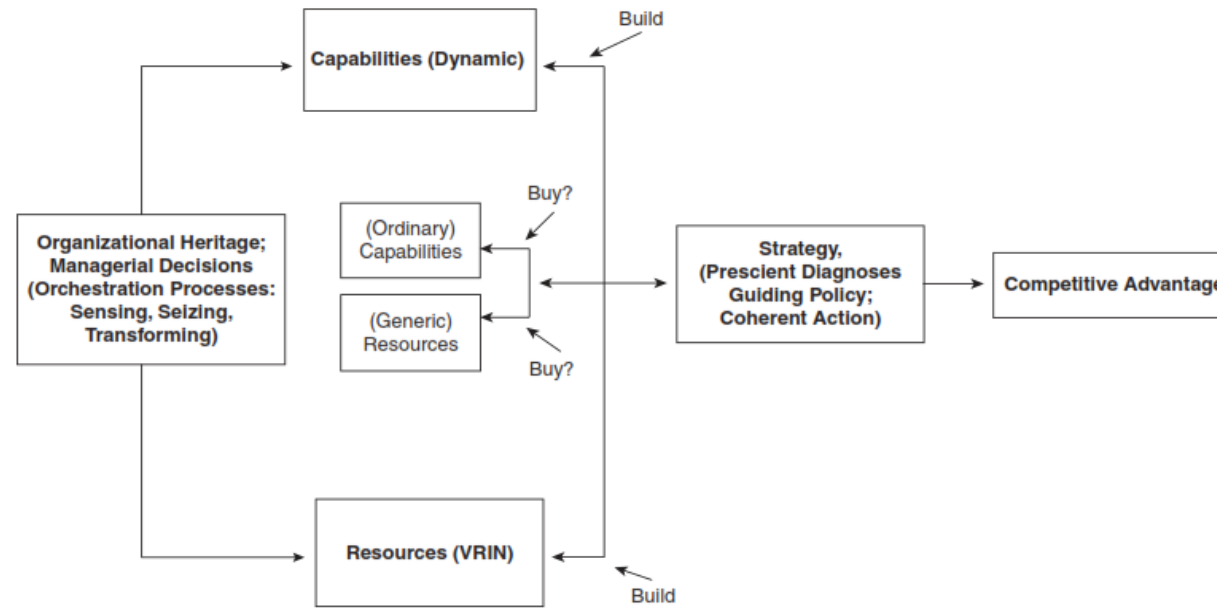
Christensen's (1997) disrupter model argues that advantages can also derive from disruptive innovation. Similarly, Schmidt and Rosenberg (2014) argue with regard to Google's strategy, that simply leveraging competitive advantage to attack related markets (Porter's arguments) will never disrupt the industry or transform a business and attract more capable management. Teece et al. (1997) similarly deal with big technological changes and recognise that competitive advantages are likely to erode if market conditions change. Firms, therefore, need to adapt and be flexible to change their advantages in accordance with their environment. Scholars of disrupter technologies highlight that advantages are not all about market power and, according

to Schmidt and Rosenberg (2014), if a firm heavily relies on these advantages, it will not be able to sustain them.

Teece et al. (1997) challenge the RBV framework and introduce the concept of dynamic capabilities (DC), which deals with rapidly changing environments. Essentially, DC is an extension of RBV through the inclusion of strategic choices, which allows firms to implement value-creating strategies that are fundamental for the creation of competitive advantage (Eisenhardt and Martin, 2000). Dynamic capabilities influence a firm's competitive advantage, which is the ultimate outcome variable in dynamic capability theory (Teece et al., 1997; Teece, 2007; Teece, 2014).

Effectively, there are market resource and core competency based approaches leading to competitive advantage. Teece (2014) presents an integrative framework, which captures the essential attributes of RBV and DC, and shows how they can be integrated in a framework (see Figure 2). His framework leads to competitive advantage, especially of those multinationals with distinctively different historical backgrounds. The important factor in this framework is for firms to achieve sustainable (durable) competitive advantage, which is argued to be a major challenge (Hayes and Abernathy, 1980). Unlike RBV and DC, Teece's (2014) paradigm also suggests how firms organise their resources. He stresses the importance for international business literature to embrace the entrepreneurship approach (e.g. concepts from entrepreneurship literature such as managerial decisions) to explain how strategic choices are made in order to achieve sustainable competitive advantage.

Figure 2 The dynamic capabilities paradigm (Teece, 2014)



(Source: Teece, 2014)

This review broadly summarises strategic schools of thought on how sustained competitive advantage is achieved, which is argued from both the more resource-based perspective and Porter's arguments on market power, although their focus is mainly on larger enterprises. Therefore, the concepts of RBV and DC, which are integrated in Teece's (2014) paradigm, provide substantial knowledge from a resource and capabilities perspective, although they do not comprehend exact operational competencies²⁵ and end up in the field of competitive advantage and do not embrace market leadership advantages. This section also revealed that competitive positioning and strategic fit is important, although it is mainly about oligopolistic power. Still, the market leader approach does not specify the competencies necessary for sustainable competitive advantage and market dominance either. Therefore, one pertinent question remains: which *exact* competitive advantages lead to market leadership?

This study explores market leading GHCs exact sustained competitive advantages, which lead to their favourable market position. Both perspectives summarised in this section allow a broad overview of competitive advantage. Simon's (2009) HC Model provides insights into the more specific sustainable competitive advantages of niche

²⁵ RBV suggests that a firm should have resources which comply with the VRIN capabilities. The literature on DC merely suggests that these are routines for firms to learn and as a result have been criticized for being endlessly recursive and non-operational (for example, Mosakowski and McKelvey, 1997; Priem and Butler, 2001; Williamson, 1999). Eisenhardt and Martin (2000, p. 1107) summarise that DCs are "identifiable and specific routines" and suggest that some DCs reflect upon the integration of resources (i.e. product development routines, strategic decision making), the reconfiguration of resources (i.e. transferring and recombining resources) and the gain and release of resources (i.e. knowledge creation routines). Teece (2007, p. 1319) argues that sustainable competitive advantage "requires unique and difficult-to-replicate dynamic capabilities" and suggests that "dynamic capabilities can be disaggregated into the capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise's intangible and tangible assets." In his latest publication, Teece (2014, p. 16) framework relies on his previous definition of DCs which refers to "the ability of an organisation and its management to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" and refers to RBV using the VRIN framework (Teece et al., 1997). Therefore, his framework does not specify exact resources and dynamic capabilities, which lead to competitive advantage.

market leaders (both global and regional winners) and can contribute to the knowledge in this area, as many HCs are over 100 years old (Simon, 2009). Furthermore, the HC Model is relevant for smaller global niche players and not only, like Teece's framework, for multinationals. However, the HC Model generally has not been considered in the debate between broader strategic schools on sustainable competitive advantage²⁶. Thus, it remains unclear how the aspect of market leadership and/or resources and capabilities relate to the HC Model.

There is a need to study the HC Model and its wider applicability to global market leaders in other contexts, such as Germany and Britain. However, Verbeke and Kano (2012) caution that the resources are prone to be very different between a regional and global strategy, which may imply that the competitive advantages will change when studying GHCs only and are also likely to differ for those identified in Germany and Britain. Secondly, it would be valuable to position these findings within the wider debate on market leadership issues and Teece's (2014) framework, as either perspective might explain where the GHCs competitive advantages derive from.

2.6 Research gaps and questions

There are a number of research gaps which emerge from this literature review. Firstly, there does not seem have been a comprehensive study of the global niche strategy variant of GHCs, although these firms are highly successful market leading niche players. When specifically considering GHCs, the knowledge on their internationalisation strategies and associated market entry modes seems scarce, even though knowledge on their paths pursued might suggest valuable insights on how they become to be global market leaders. Existing knowledge on HCs suggest that they embark on a successful internationalisation through vigorous trade and FDI expansion.

²⁶ Enduring strategy literature covers broad competitive advantages; Collins and Porras (2005) studied 18 American enduring multinationals and found that all companies have specific characteristics in common, such as, preserving the company's 'core' ideology; cult-like cultures; heroic leaders; 'Big Hairy Audacious Goals', and incremental learning. Stadler's (2007) study on 40 European multinationals found that all firms had four traits in common: diversify your business portfolio; exploit before you explore; remember your mistakes, and be conservative about change. De Geus' (1997) study at Shell covered 27 long-lived companies and found that all had four essential characteristics: sensitivity to the business environment; cohesion and identity; tolerance and decentralisation, and conservative financing.

Furthermore, when studying market niche winners there seem to be few specific claims about precisely which competitive advantages are needed in order to obtain sustainable competitive advantage and market leadership. The broad strategic schools of thought, however, focus mainly on larger multinationals and not on smaller global niche players. This suggests that competitive advantages can derive either from a market leadership approach or from a more resource/capabilities approach. Simon (2009) claims to have developed a theoretical HC Model which shows how HCs outperform and secure regional, or global dominance. The HC Model, therefore, provides much more specific traits of competitive advantages but has not been part of the broader competitive advantages debate. Furthermore, the HC Model has not been widely applied or transferred to other country contexts and nor been studied for GHCs only.

As a result, the most successful global niche strategy variant of GHCs has not been fully elaborated, although this variant may provide useful insights in terms of internationalisation strategies and market entry mode choices. The HC Model suggests the exact competitive advantages needed to outperform and endure in global markets but its transferability has not, however, been extensively explored. This study aims to contribute to existing literature by exploring the interrelated aspects of GHCs and combines three strands of research; global niche strategies, internationalisation and sustainable competitive advantage; which may help the understanding of how GHCs from Germany and Britain reach global market leadership. These research gaps are outlined below:

- There is a need to extend global strategy research to include wider variety types, in particular smaller niche players rather than only large multinationals (Peng and Pleggenkuhle-Miles, 2009; Peng and Meyer, 2011). In this context, Peng and Meyer (2011) highlight the necessity to study the successful niche variant of Simon's (2012) HCs. Limited research has focused on the strategy variant of Global Hidden Champions (GHCs) in particular, although these are found to be successful global niche players (see Kotler and Caslione, 2009; Mathews, 2006; Peng and Meyer, 2011).
- Limited studies focused on the internationalisation paths and associated market entry choices of successful HCs. Exploratory research (for example, Eschlbeck,

2005; Witt, 2010; Witt and Carr, 2013) suggest that they pursue various different internationalisation paths and appear to opt frequently for FDI in addition to trade, but this remains unclear for GHCs.

- Previous work on competitive advantages largely suggests vague capabilities of firms, whereas the HC Model (Simon, 2009) explores exact and specific success traits, which has received some attention in literature (Kiyak, 1998; Peng and Meyer, 2011). When applied to other country contexts the question remains how it applies, as limited studies suggest that it requires adaptation (Voudouris et al., 2000; Blackburn et al., 2001).

As mentioned previously, the objective of this study is therefore to explore the internationalisation paths and the associated market entry mode choices of GHCs. It also aims to unveil the applicability of the HC Model and the associated competitive advantages of GHCs in Germany and Britain. This research attempts to offer a more comprehensive understanding of the internationalisation paths of global niche leaders, in particular GHCs, in addition outline the exact competitive advantages of GHCs, which lead to global market leadership. The research questions which are aimed to be answered in this study are as follows

Research question 1a: *What internationalisation paths do Global Hidden Champions pursue to become world market leaders?*

Research question 1b. *What are the differences in the internationalisation paths pursued by German and British Global Hidden Champions?*

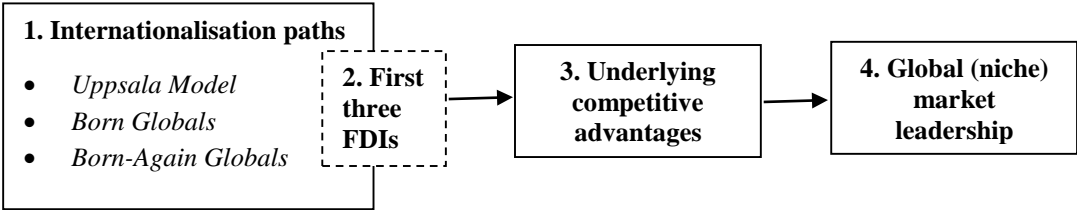
Research question 2a. *What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued by Global Hidden Champions?*

Research question 2b. *What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued by Global Hidden Champions from Germany and Britain?*

2.7 Initial conceptual framework

The conceptual framework for this study is based on concepts deduced from previous research and relevant literature. This chapter presented a review of studies related to global niche strategy variants, in particular of HCs, internationalisation paths and competitive advantages. The aim is to explore the specific research gaps described earlier in a more comprehensive manner, as portrayed in the initial conceptual framework in Figure 3.

Figure 3 Initial conceptual framework



(Source: Author)

This study is designed to explore the internationalisation paths pursued by German and British GHCs. The literature outlined three specific paths which can occur: Uppsala Model, BGs, and BAGs. The objective is to discover the exact internationalisation paths of GHC and therefore the aspects and theories of internationalisation were first examined (see first section in Figure 3) and there was a subsequent focus on the GHCs first three FDI entries (see second section in Figure 3). The research gaps relating to competitive advantages were explored and the relevant theory analysed to help position the HC Model in the broader debate on competitive advantages. An inductive approach to the research is adopted, which allows the paths and competitive advantages to be explored.

The conceptual framework adopted here permits certain themes to emerge inductively within the pre-reviewed aspects presented in the conceptual framework. An initial conceptual framework employs a deductive approach by reviewing and acknowledging the literature and then explored inductively the internationalisation paths and competitive advantages of GHCs, as further outlined in the methodology chapter.

2.8 Chapter summary

This chapter set out to examine three specific areas of literature starting with a brief history on the emergence of global niche strategies, then presenting a review of those global market niche strategy variants, which are associated with performance. Followed by a comprehensive literature review on ‘Hidden Champions’ (HCs), and introducing the reader to the successful performance related global niche strategy variant of ‘Global Hidden Champions’ (GHCs). The review highlights the importance of internationalisation to global niche strategists and therefore covers relevant theories of internationalisation. This review then covers the HC Model, which presents the underlying competitive advantages of HCs. Finally, this chapter provides a brief overview of the theories relating to competitive advantage and the current debates in this area and concludes with specific research objectives and the initial conceptual framework for this study.

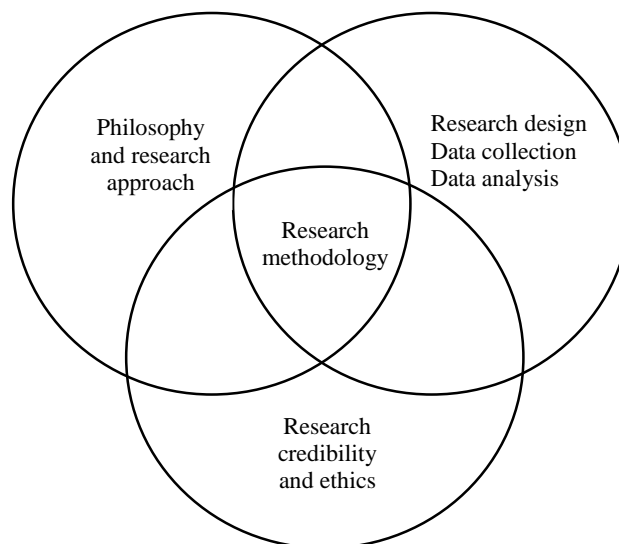
Chapter Three

Research methodology

3.1 Introduction

This chapter provides a comprehensive explanation of the research methodology adopted to investigate the ‘Global Hidden Champions’ (GHCs) internationalisation paths, associated market entry mode choices and their underlying competitive advantages. The exact research purpose and research questions are presented. The researcher recognises that it is important to outline the research methodology used, including the research philosophy and approach, a comprehensive research design explaining the techniques used for data collection and analysis, and finally research credibility, and any ethical issues. These three essential areas are addressed in order to construct a methodology suitable for this study, which are the research philosophy and approach, research design and the research credibility which together form the research methodology. Figure 4 depicts the three core aspects needed for a comprehensive methodology.

Figure 4 Overview of research methodology



(Source: Author)

3.2 Purpose of research

In order for a research study to be viable it is necessary to define the research purpose, allowing the researcher to select techniques and methods for data collection and analysis (Blaikie, 2009). The purpose of this study is to explore the internationalisation paths and associated market entry mode choices as well as competitive advantages of GHCs in Germany and Britain. The aim is to select research strategies and methods, whereby the research question formed the backbone of the investigation. Further, the careful formulation of research questions defines the nature and characterises the scope of the research (ibid).

The research is exploratory, which is particularly relevant when answering ‘what’ questions (Yin, 2009) and is suitable when little is known about the investigated topic (Blaikie, 2009). The research questions derived from reviewing pertinent literature on internationalisation and competitive advantages highlighted specific gaps in knowledge.

Research question 1a: *What internationalisation paths do Global Hidden Champions pursue to become world market leaders?*

Research question 1b. *What are the differences in the internationalisation paths pursued by German and British Global Hidden Champions?*

Research question 2a. *What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued by Global Hidden Champions?*

Research question 2b. *What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued by Global Hidden Champions from Germany and Britain?*

3.3 Research philosophy and approach

Every research study is influenced by philosophical assumptions, which support a different research paradigm. This research paradigm identifies the researcher's viewpoint throughout the research process and reflects the "basic belief system or worldwide view that guides the investigator" (Guba and Lincoln, 1994, p. 105). This worldview is made up of three elements; ontology, epistemology and methodology and constructs the research paradigm (Sobh and Perry, 2006). This forms a more specific conceptual framework (Denzin and Lincoln, 2000), which should be addressed before the research is undertaken and is therefore comprehensively presented in the subsequent section.

3.3.1 On philosophical paradigms

The positivism paradigm suggests that reality consists of discrete events and advocates methods of natural science and laws, which corresponds to "constant conjunctions between observed events and objects" (Blaikie, 2009, p. 98). Positivism is objective, as opposed to subjective, and 'value free' and not prejudged by theoretical notions (Bryman and Bell, 2007; Blaikie, 2009). As a result, critics argue that the positivism paradigm excludes the dimension of discovery (Guba and Lincoln, 1994) and may be suitable for science research, but fairly inappropriate when studying humans in complex social science studies (Sobh and Perry, 2006). In international business studies, a positivism stance is usually taken for quantitative studies to test large samples.

Social science offers an alternative constructivism paradigm in which the researcher is empathetic and relies on the individual's constructed realities. As such, positivism understands the subjective meaning by the studied actors (Saunders et al., 2009; Blaikie, 2009). This stance builds on an inductive approach in more qualitatively rich studies, which is particularly suitable for theory building (Easterby-Smith et al., 2002). Many international business studies moved towards qualitatively exploring a firm's internationalisation path using a much smaller sample when compared to the positivism approach (for example, Coviello and Munro, 1999; Bell et al., 2001).

A further paradigm is post-positivism, positioned between the stance of a positivist and a constructivist (Guba, 1990). Crotty (1998, p. 29) suggests that the post-positivism stance is “a less arrogant form of positivism. It is one that talks of probability rather than certainty, claims a certain level of subjectivity rather than absolute objectivity, and seeks to approximate the truth rather than aspiring to grasp it in its totality or essence.” As such, a post-positivist acknowledges the existence of reality but does not believe in a perfect reality and instead believes one can reach an approximate reality, which is subjective and constructed by an individual (Guba and Lincoln, 1994).

3.3.2 Critical realism

The critical realism stance believes that “reality consists not only in events that are experienced but also of events that occur whether experienced or not, and of the structures and mechanisms that produce these events” (Blaikie, 2009, p. 101). Therefore, critical realists acknowledge that reality exists independently from the researcher (external reality) and a phenomenon can exist in people’s minds and in the objective world (Bhaskar, 1978; Easton 2010; Miles and Huberman, 1994). However, critical realism assumes that this fact-based reality cannot be assessed directly (Easterby-Smith et al., 2002) and believes that a phenomena is concept-dependent, which needs to be understood also through causal explanations, departing from the constructionism stance (Sayer, 1992, 2000).

A critical realist approach differs from previously acknowledged approaches, as it is appropriate for various research methods (quantitative and qualitative), but implies “that the particular choices should depend on the nature of the object of study and what one wants to learn about it” (Sayer, 2000, p. 19). Unlike positivist research, which specifies universal methods of science and refutes any difference between the natural and the social science, a critical realist affirms such differences (Myers and Klein, 2011). Therefore, critical realists view explanations of a social phenomenon as being both causal and interpretive, as such adhering to the positivist and constructivist view. Critical realism has emerged as a viable paradigm and sits between the two extremes of positivism and constructivism

The critical realist stance acknowledges and allows for triangulation of different sources and different perceptions. This triangulation benefits on a qualitative case study approach, which commonly uses and works with both interviews and documentation (Sobh and Perry, 2006; Yin, 2009). The goal of a critical realist case study is to identify mechanisms, which fail on a general level as these are context-based or to put it differently, the aim is the “explanation of the mechanisms that generate a certain event, more so than the ability to make predictions about future events or to understand those social/cultural meanings behind the events” (Wynn and Williams, 2012, p. 793). Therefore, critical realism accounts for both context and scientific explanations, aiming to identify entities explaining the phenomena being studied as well as seeking to explain the data collected (Easton, 2010).

This study aims to explore and understand the internationalisation paths, market entry modes and competitive advantages of GHCs in Germany and Britain within the conceptual framework (see Figure 3). As such, the critical realist stance allows these contexts to be investigated by interacting with practitioners and exploring their perceptions, whilst also triangulating other data sources. Therefore, this study follows Marschan-Piekkari and Welch (2004), who call for more in-depth studies in qualitative internationalisation research and stress that research needs to move beyond the positivism approach in order to advance.

3.3.3 A qualitative approach

This study adopts a qualitative approach to explore the internationalisation paths of German and British GHCs and its associated competitive advantages. This qualitative approach has been argued to be particularly suitable for internationalisation research, although it is less frequently used and undervalued when compared to quantitative studies (Marschan-Piekkari and Welch, 2004). There is an increasing need for a much deeper understanding in international business studies to explore the questions of ‘what’, ‘why’, and ‘how’, which requires the collection of data by holistic means (Buckley and Chapman, 1996). Zalan and Lewis (2004, p. 512) suggest that “In general, whenever a holistic, dynamic and contextual explanation of the phenomenon is required, qualitative methods would be most appropriate methodological choices.”

Clearly, this suggests more qualitative techniques (Lindsay, 2004) and moves beyond exploring the observable behaviour. Qualitative techniques are particularly well suited if the aim of the study is to find relationships, observe longitudinal process or events and to demonstrate how these led to specific outcomes (Miles and Huberman, 1994). The aim of a qualitative research study is to investigate a social inquiry (Denzin and Lincoln, 2000; Heaton, 2004) and to explore the nature of a phenomenon instead of quantifying the observations made (Andersen and Skaates, 2004).

The main aim of using a qualitative method is to explore the nature of a phenomenon, which is best achieved through personal contact with a certain field or organisation. Early contributions on the internationalisation of a firm, such as the Swedish observations captured in the Uppsala Model (Johanson and Vahlne, 1977), used qualitative techniques but it also proves valuable when testing theory in cross-cultural research (Harari and Beaty, 1990). The position of the researcher in this context is to gain an overview of the particular environment that is studied (Miles and Huberman, 1994) and deeply to understand insights, nuances, and its complexity (Denzin and Lincoln, 2000). Therefore, it offers a unique advantage for the researcher to observe, describe, and explain processes in dynamic environments (Zalan and Lewis, 2004).

Using a qualitative research approach involves a naturalistic stance and, thus the researcher collects data occurring in natural environments and situations, which contrasts with a quantitative approach, where data is often collected in artificial and fabricated contexts (Bryman and Bell, 2007). A qualitative approach is used to understand a situation and gain insights (Ghauri, 2004) and involves a more inductive approach, allowing the exploration and generation of new theories (Johnson and Christensen, 2008).

Therefore, a qualitative approach is suitable when exploring the internationalisation processes of firms in two (or more) country contexts (for example, Bell et al. 2001). This study, therefore, adopts a qualitative approach as the aim is to understand the internationalisation paths pursued by GHCs in Germany and Britain. Furthermore, this approach also allows the firm's underlying competitive advantages to be explored, and is an approach used in various related studies to this matter (for example, Gupta et al., 2004; Brea-Solis et al., 2012).

3.3.4 An abductive approach

This study follows a deductive and inductive process, as literature is deduced (deductive) and the specific research gaps are then explored (inductive), commonly referred to as abductive (Peirce, 1931-58; Kirkeby, 1994). Dubois and Gadde (2002, p. 555) summarise this approach as being “about investigating the relationship between ‘everyday language and concepts’, which is obviously similar to induction.”

Theory can be viewed twofold: either it may be considered as something which is used after observations and findings are collected (inductive) or theory is considered as something, which guides the data collection process as it aims to answer questions based on theoretical considerations (deductive). Therefore, the handling of theory and relating findings back to previous studies determines whether a research is inductive or deductive (Bryman and Bell, 2007).

In qualitative research, observations are usually linked to theory after data has been collected, and as such, represent an inductive approach (Bryman and Bell, 2007; Saunders et al., 2009), which aims to explore and describe a phenomenon in-depth (Miles and Huberman, 1994; Blaikie, 2009). When using a deductive approach, a researcher deduces a particular hypothesis by reviewing and recognising a specific theory, which drives the process of data collection (Bryman and Bell, 2007). This contrasts with inductive research, as the theory and hypothesis drive the data gathering and is most commonly used in quantitative research with large samples to reach generalisations (ibid).

Despite the clear difference between the role of theory in an inductive and deductive approach, Bryman and Bell (2007) stress that every inductive study involves a certain degree of deduction. The authors highlight that, when using an inductive approach, the researchers find themselves relating and comparing observations with theory and move back and forth between the data collected and existing theory (also referred to as iterative), which reflects on a deductive approach. An inductive approach is commonly used in grounded theory, as a researcher should not be pre-empted by theory. However, Miles and Huberman (1994) emphasise the importance of familiarising oneself with theory prior to data collection, clearly advocating a

deductive approach, which is consistent with the stance of a critical realist (Sobh and Perry, 2006).

This qualitative study is exploratory in nature, but acknowledges the importance of constructing a research design to enable accurate empirical grounding prior data collection (Eisenhardt, 1989). It, therefore, commences with a deductive approach by reviewing multiple theories in literature, which reduces bias and leads to a conceptual framework. It then shifts, however, to a more inductive approach for the data collection process, in which research themes are explored but guided by this conceptual framework. After data collection, the researcher's role is to relate observations back to previously reviewed theory and thus, again adopts a deductive approach when discussing findings. This research therefore, clearly follows an abductive approach (deductive-inductive-deductive), which enables the researcher to be aware and acknowledge existing theories, whilst also allowing them to be explored. This approach is likely to have been undertaken in other studies, but it does not always seem to have been explained in such detail by highlighting where the researcher adopted which approach throughout the entire research process.

3.4 Research design

The research design more specifically represents a framework and is “simply a technique for collecting data” (Bryman and Bell, 2007, p. 40). This study adopts an exploratory research design using case studies, designed to achieve a deep understanding on the internationalisation and competitive advantages of GHCs in Germany and Britain. A case study design is “the detailed exploration of a specific case, which could be a community, organisation or person” (ibid, p. 40) and is appropriate when the aim is to explore a research object in more detail (Ghauri, 2004). This study therefore chooses a case study design using the technique of interviews and supporting documents.

3.4.1 The case study method

Eisenhardt (1989, p. 534) defines a case study approach as “a research strategy which focuses on understanding the dynamics present within single settings.” Vissak (2010, p. 37) stresses, “Case studies are quite often used in the area of international business,

and they are appropriate for several purposes, including theory generation, testing, refutation, refining and prediction.” The case study method is useful to gain insights into a contemporary phenomenon, particularly when boundaries between these phenomena are not entirely clear (Yin, 2009). It further allows for the discovery of casual relationships looking at longitudinal processes, states and events and their outcomes (Miles and Huberman, 1994). A case study method is then appropriate when the research aims to understand a real life phenomenon in much greater detail. This is particularly necessary in areas where current theories fail (Yin, 2009) or where theory is trying to be built (Ghauri, 2004). A case study is a suitable approach when aiming to answer research questions of ‘what’, ‘why’ and ‘how’ (Ghauri 2004; Yin 1994) in exploratory and descriptive research (Bonoma, 1985; Yin, 1994; Ghauri and Grønhaug, 2010).

This research method enables an in-depth exploration of a phenomenon and allows the investigation of subtle similarities and difference among all cases (Eisenhardt, 1989; Yin, 1994). According to Miles and Huberman (1994, p. 29), when we look at “a range of similar and contrasting cases, we can understand a single-case finding, grounding it by specifying how and where and, if possible, why it carries on as it does.” Yin (1994) suggests that this approach then may or may not allow for replication to identify findings, which could present a similar or contrasting pattern across the other cases investigated.

There are various advantages of using a case study approach. Firstly, it allows a historical review, which is necessary when studying the internationalisation process of a firm, and also permits the “possibility of direct observation and interaction” (Ghauri and Grønhaug, 2010, p. 111). Secondly, case studies have the potential to deepen our understanding of a research phenomenon, encouraging theory testing and also theory building (Yin, 2009). According to Ghauri (2004, p. 111) “The case study method provides excellent opportunities for participants and researchers to check their understanding and keep on asking questions until they obtain sufficient answers and interpretations.” Thirdly, “The case study method is particularly well-suited to international business research, where data is collected from cross-border and cross-cultural settings” (ibid). Similarly, Yin (1994) emphasises that a case study design has

the advantage due to contextualisation, for example in terms of different national settings.

Although, the case study approach displays numerous advantages it is often criticised for having major drawbacks (Vissak, 2010). Firstly, depending on the number of cases chosen it can lack representation and generalizability, although it offers rich, in-depth and high quality data (Ibeh et al., 2006) case studies are often not considered a ‘sample’ per se. Therefore, the generalizability of results is referred to as analytical generalisation (Miles and Huberman, 1994), which contributes to theory building (Flyvbjerg, 2006) and helps to generalise findings to a specific theory (Yin, 2009).

Secondly, Yin (1984, p. 26) cautions that “case study research is remarkably hard, even though case studies have traditionally been considered ‘soft’ research. Paradoxically, the ‘softer’ a research technique, the harder it is to do so.” Scapens (2004) similarly suggests that case studies require clear research questions and a comprehensive understanding of existing literature and necessitates excellent language skills to be conducted successfully.

Thirdly, case studies cause practical and coordination problems (Miles and Huberman, 1994) and case study researchers “must be able to synthesise large amounts of quite diverse data” (Scapens, 2004, p. 107). Conclusions drawn from a case study are based on an accumulation of multiple resources, such as documents, transcripts, market and competition reports and so on, requiring the researcher to analyse and synthesise large amounts of data (Ghauri, 2004; Scapens, 2004). It is moreover “time-consuming and labour-intensive” (Vissak, 2010, p. 374), involving hour-long interviews associated with extensive costly travelling. The data analysis of qualitative case studies further involves intensive transcribing, and therefore, takes much more time when compared to survey methods (Nieto and Pérez, 2000; Voss et al., 2002).

In the context of international business, the case study method provides insights into specific management issues and situations or helps develop new theory (Ghauri, 2004) and enables a “field-based construction and analysis” (Ghauri and Grønhaug, 2010, p. 109). A case study method is particularly suitable when a historic review is necessary, such as in the case of internationalisation, which involves understanding the past in order to understand the present.

Nevertheless, a single case study design does not allow for theory building and this can only be achieved through the inclusion of more than one case (Yin, 2009). However, case study research is not limited to one single case and a multiple case study design is commonly used in strategic management studies as a way of generating and testing theory (Eisenhardt and Graebner, 2007; Siggelkow, 2007; Gibbert et al., 2008). Qualitative methodologists (Eisenhardt, 1989; Maxwell, 1996; Yin, 2009) advocate a multiple case study approach to test empirically existing theory and/or provide theoretical explanations of a phenomenon.

Compared to a single case study design, the multiple case study approach offers distinct advantages, as it allows the researcher to see whether an emergent theme is specific to one case or whether it is found in other cases (Eisenhardt, 1989). This means, ‘the more the merrier’, as the inclusion of more cases allows the creation of more ‘robust’ theories, because empirical evidence is more deeply grounded.

As a result, a multiple case study design allows a researcher to “compare and contrast the findings deriving from each of the cases” (Bryman and Bell, 2007, p. 65), permitting him or her to search for specific paths, and general explanations in respect of the research conducted (Eisenhardt, 1989). Furthermore, a multiple case study allows for replication, which enables emerging themes to be probed in other cases that can then either confirm or fail to confirm the hypothesis (Yin, 2009). In replication logic, a case can confirm the hypothesis that enhances the validity of the findings, whereas cases that fail to confirm it provide the opportunity to refine and extend existing theory (Eisenhardt, 1989; Ghauri, 2004; Yin 2009). By this means, the same sets of questions are asked in a number of businesses from which conclusions are drawn (Ghauri, 2004).

This method has been adopted in several international business studies (Ghauri, 2004), such as the Uppsala Model for example, based on a case studies of four Swedish firms (Johanson and Vahlne, 1977). Recent internationalisation categorisations, such as Born Globals, have to a large extent also been the result of qualitative case-based studies (see Rialp et al. 2005). This method is also suitable in cross-country studies (Ghauri, 2004), such as the Born-Again Global phenomenon for example, as it was based on the investigation of firms in three countries (Bell et al. 2001). More

specifically, a multiple case study design is particularly well suited for studies focusing on the internationalisation behaviour of firms (for example, Oviatt and McDougall, 1999; Bell et al., 2001; Rasmussen et al., 2001; Andersson and Wictor, 2003; Sharma and Bloomstermo, 2003; Chetty and Campbell-Hunt, 2003).

This study uses a multiple case study design, which adheres to the critical realism stance, in line with other critical realist studies (for example, Mota and de Castro, 2004; O'Mahoney, 2007). More specifically, the research is conducted in two countries (Germany and Britain). A multiple case study design is, therefore, an appropriate method, since the focus is on more than one firm in two country contexts and explores the internationalisation paths and underlying competitive advantages of GHCs in Germany and Britain.

3.4.2 The unit of analysis

Yin (2009) identifies four types of case study designs that can be used;

- 1) Holistic single case
- 2) Embedded single case
- 3) Multiple cases with one unit of analysis
- 4) Multiple case with multiple units of analysis

This research utilises a multiple case study approach with a one unit of analysis. The unit of analysis is the firm itself, which is studied to investigate the internationalisation and perspectives regarding the firm's underlying competitive advantages. The data collection tools include interviews with individual firms and imply micro-level research in a natural social setting (Yin, 2009). This study aims to obtain views and perspectives of managers, as these are in charge of the decision making of the firm's internationalisation and have a subtle understanding about the firm's underlying competitive advantages. The managers are, therefore, the window to the existing external reality (Sobh and Perry, 2006).

In order to obtain sufficient answers to the research questions, further information must be collected, such as organisational, financial, and market and competitor reports (see Yin, 2009). Therefore, structured and semi-structured interviews with senior managers are suitable to identify the internationalisation and underlying competitive advantages,

as well as triangulating documents to draw sufficient conclusions (which will be discussed in greater detail later in this chapter). Both interviews and supporting documents are techniques commonly used in multiple case study research (Yin, 2009) and are tools corresponding with the research questions.

3.4.3 Sample size in a multiple case study research

In literature, there is no consistent agreement on the number of cases that should be analysed. A single case study approach would not be suitable for a cross-cultural study, as it necessitates at least one case from each country. Eisenhardt (1989) recommends 4 to 10 cases; the minimum being four as anything less cannot build theory. Miles and Huberman (1994) suggest a maximum of 15 cases; however, there is no answer on how many cases are appropriate. Miles and Huberman (1994) conceptually tackle this question, as it cannot be answered on statistical grounds and recognise that there have been multiple case studies with 20 or 30 cases.

Case study research in the field of internationalisation studies has, however, included more cases than recommended by Eisenhardt (1989) and Miles and Huberman (1994). For instance, numerous studies on the internationalisation of firms chose a sample of 30 or more cases (for example, Bürgel et al., 2004; Knight and Cavusgil, 2004). Therefore, this study chose to investigate 30 firms, of which 15 were German and 15 were British.

3.4.3.1 Case selection

The first step in a multiple case study approach requires selecting cases. Ghauri (2004) highlights the importance of deciding on the exact target population (i.e. firms and individuals) for the interview process. Moreover, Ghauri (2004) stresses that the method of case selection should be consistent with the research problem and the case selection criteria must be similar (i.e. common similarities or differences) and consider sharing features (i.e. revenue limit). Further considerations are highlighted by Cooper (1984) who suggests that the easiest accessible population should be prioritised (i.e. through personal contacts), as it is advantageous to include managers who are willing to participate, which can help with the case selection. In this context, Ghauri (2004)

further stresses the importance of time and financial resources when selecting appropriate cases.

The population targeted in this study are from two of the largest economies in Europe in terms of Gross Domestic Product (GDP) – Germany (GDP in 2013: 3.730 trillion) and Britain (GDP in 2013: 2.678 trillion)²⁷ (World Bank, 2015). There were several reasons for selecting both countries. The Hidden Champions (HCs) phenomenon derived from Germany, but has not been sufficiently compared to other countries. Although, HC equivalents have been identified in Britain (Simon, 2012), these have never been compared to their German counterparts. As such, British HCs may be different from German HCs, pursuing different internationalisation paths and with different competitive advantages.

The importance of including Britain as a study site is also because of the widespread public interest in the matter of mid-cap manufacturing companies who are wanting to become ‘Hidden Champions’. This may therefore increase the likelihood of British firms participating, as they will be ‘benchmarked’ against their successful German counterparts, which may provide valuable insights to British executives. This study focuses on European businesses and therefore studies the competitiveness of Europe in a greater context. Finally, both countries were also chosen due to financial constraints (i.e. travelling expenses and accommodation), time constraints and the fact that the researcher’s mother tongue is German and she speaks English in professional proficiency.

The sample chosen reflects a selection of specific cases for each category resulting in 15 cases from Germany and 15 from Britain. A certain degree of subjectivity is inevitable; however, cases were identified from all sectors of the economy (i.e. service, manufacturing, consumer products, and engineering) and were in line with multiple criteria typically used by other researchers in this area. In this study a Global Hidden Champion (GHC) is defined as a low profile, global niche operating firm, which attains dominant market share and secures one of the top three positions globally in a tightly

²⁷ In 2013, France had a total GDP of 2.806 trillion (World Bank, 2015).

defined niche market. Therefore, the criterion for selecting appropriate firms are summarised below.

- A GHC must be a global market leader (top three) in its niche segment, measured by achieved global market shares (see Simon, 2007; 2009; 2012)
- A GHC must be rather unknown to the public, which is usually the case for firms working in niche markets or in business to business (B2B) sectors (see Simon, 1996a; 2007; 2009; 2012)
- A GHC should be globally orientated and obtain some of its revenue (at least 10%) from outside the domestic market (see Voudouris et al., 2000)
- A GHC must be independent and indigenous (see Bell et al., 2001; Rialp et al., 2005).

Additionally, the cases were chosen to fulfil two more specific theoretical polar categories, in order to investigate the different research themes:

- Selected GHCs should be enduring and more recently established. As such, including three categories GHCs established before 1930s, consistent with studies on enduring businesses (for example, Collins and Porras, 2005; Stadler, 2007), GHCs established after the 1970s, which closely conform to studies on early internationalising firms (for example, Knight and Cavusgil, 2004), and GHCs established between both extremes (i.e. 1930s and 1970s).
- The sample should include smaller GHCs (<€50 million EUR) and larger GHCs (>€4.38 billion but not larger than €7 billion)²⁸.
- GHCs should be founded in Germany and Britain

Purposeful sampling was chosen and firms selected that were best suited to answer the research question posed. The researcher was aware of the characteristics listed above and therefore allowed for a systematic comparison across all cases (Ghuri, 2004). The 30 cases selected were considered to fulfil the research objective of this study.

²⁸ Based on the Simon's (2012) criteria of US\$5 billion and converted into Euro with an exchange rate of US\$1.00 = €0.875.

3.4.3.2 Selection of German cases

In this study, German GHCs are identified mainly on the basis of Hermann Simon's (1996a, 2007, 2009, 2012) studies in which he claims to have identified over 1,300 HCs in the German speaking area. He mentions roughly half of these by name in his publications, and these are spread throughout his books. All of these firms eligible for this study should accord with the above mentioned definitions, which is similar to Simon's (2012) definition of a HC, which must be positioned among the top three globally²⁹, rather unknown to the public, although the revenue limit was extended to €7 billion to include a wide range of HCs and therefore slightly differs from Simon's definition.

The second source used to identify the German cases was the 'Encyclopaedia of Unknown World Market Leaders', which covers roughly 1,000 German niche market leading companies in a lexicon manner, including a short company history, recent financial data and firm's contacts (Langenscheidt und Venohr, 2010). However, this source departed from criteria in this study as it includes numerous well-known German firms that are often not among the top three leading positions and many also considerably exceeded the revenue limit set in this study.

Based on a systematic review of these sources, the researcher created a database of all companies, which were further filtered using the definition set in this study. Firstly, Simon's criteria included two types of firms; global niche players and regional niche players. This study, however, only focuses on global market leading GHCs (top three globally) and thus, regional leaders were removed from the database. Also companies with the following traits were avoided; multi-niche conglomerates, companies owned by private equity funds, less internationalised companies (i.e. less than 10% of their sales outside home market) and national leaders.

The database of initially 1,496 companies was then reduced to about 400 companies. These firms were then cross-checked using multiple sources, such as financial reports,

²⁹ Simon's (2009) book merely included firms that are among the top two worldwide and European (regional) leading companies. He loosened his definition in his following publications now including the top three worldwide, without any form of explanation.

website information, newspaper articles, and databases such as Market Share Reporter and Thomson ONE Banker to verify their conformance with the criteria set. After closer inspection, it was necessary to exclude 110 GHCs from the sample. 27% did not fit the set definition of GHCs in this study. 10% evolved unsuccessfully and ended operations, which was mainly due to the after effects of the global recession, for example, *Beluga Shipping*. Around 8% lost their global market share, and slipped to lower market positions (not top three). About 6% were acquired or merged with a larger corporation often nationally but also internationally, for example, the company *Karmann* which was acquired by Volkswagen in 2008. 2% were found to be very well known to the public, such as *SAP*. Roughly, 1% turned out to be Austrian or Swiss and have also been removed from the database.

After thorough research, 290 GHCs were identified as suitable German GHC cases, of which a further 190 firms were excluded. Half of the sample (145) have been used in numerous related HCs studies and were excluded, as these might not want to participate in further research studies in this field. A further 45 GHCs were removed from the list due to their extremely remote location, which was difficult for the researcher to access. As a result, a total of 100 German GHCs were, therefore, eligible for inclusion in this study.

3.4.3.3 Selection of British cases

Unlike the German sample, no study has focused on the HCs equivalent in Britain. Although, Simon (2012) claims to have identified around 60 HCs in Britain, there were no specific company names provided and, thus, there was no company list or research available. Therefore, this study is probably the first to identify the global niche market leading firms in Britain based on the criteria set in this study. The increasing interest in mid-cap companies by the Confederation of British Industry (CBI) and influential newspapers, including the Financial Times, Sunday Times, Telegraph and Economist, however, facilitated the identification of a pool of potential world market leading niche companies.

A total of 120 British firms were, therefore, included in the British GHCs database. Similarly to the German sample, all British firms were also cross-checked using multiple sources such as financial reports, website information, newspaper articles and

databases such as Market Share Reporter and Thomson ONE Banker. 60% of the sample was identified as regional leaders and were therefore removed from the database. This led to a total of 50 companies that matched the GHCs criteria set in this study.

3.4.4 Sample contacted and response rate

The database created consisted of 100 German and 50 British GHCs with similar and comparable characteristics, making them suitable for comparison (Ghauri, 2004). Noteworthy here is that far more GHCs were identified in Germany than in Britain. The targeted population for this study was initially as many companies as were willing to participate (see Daniels and Cannice, 2004). Therefore, a set of 150 GHCs was contacted via post for participation in this research project.

The first companies approached were all the 100 GHCs in Germany and resulted in a response rate of 16% (16 cases). 36% of the companies chose not to take part but responded with a non-customised letter stating that they could not participate due to the high demands (see Daniels and Cannice, 2004) and a further 48% did not respond and no rejection letter was received. Simon (2007) stated that many HCs are reluctant towards journalists, and furthermore the increasing public interest may have further accounted for this response rate. However, one German participant who stressed that research students were mainly rejected due to time constraints made an exception, as he was interested in the country comparison study. As such, the researcher was granted access due to a more 'international' approach of the research study.

Initially, only a few cases were planned to be conducted in Britain (i.e. four cases), in order to get some exploratory foreign comparison, particularly because fewer British GHCs were identified than in Germany. After a comprehensive research on British market leading niche companies, it was decided to approach as many companies as possible. The response rate of British firms was nearly twice as high as from Germany (30% versus 16%), although this resulted in only 15 cases as opposed to 16 found in Germany. The much higher interest of British firms to participate was surprising, but is mainly justified by the recent public attention to the matter of mid-cap companies. However, British executives expressed a much greater interest in the outcome of the

study, as these were benchmarked against their successful German counterparts and often highlighted that such a country comparison had not previously been conducted.

3.4.5 Main characteristics of all cases from Germany and Britain

All cases in Germany and Britain conform to the criteria set in this study. Table 12 summarises the main characteristics of all interviewed GHCs and shows that the sample consist of younger but also considerably older companies, between six years up to 175 years old. The table further summarises specific characteristics, such as volume of annual sales and number of employees and it becomes evident that only 4 out of 30 GHCs exceed the revenue limit of US\$ 5 billion (<€4.38 billion)³⁰ set by Simon (2012) but did not exceed the revenue limit set in this study. As a result, the sample also conforms to criteria, including a wide range of business sizes from smaller players, respectively ‘micro-multinationals’ (Fear, 2012), to larger multinationals.

Respecting the GHCs ‘hidden’ status, their main characteristics in terms of their operating industry has been kept very broad but shows that the majority of GHCs are manufacturing and engineering companies with the exception of two service firms and one firm which produces consumer products. All cases chosen are market leaders, holding either the first or second global market position in terms of achieved global market shares, and none of the cases are hold the third position. The cases chosen for this study compete with very different products, inter alia fracking machines, breathing applications, gelatine production, tunnelling and textile machines. GHCs define their segment very tightly and enjoy relatively high market share of 50% or more. Noteworthy here is that a high market share can be a result of consolidating industries, and firms with lower market shares can still be market leaders but operate in fragmented markets³¹. Table 12 shows that the majority (25 out of 30)³² operated in markets which are either consolidating or are consolidated according to the interviewees. All market positions and global market share data were cross-checked

³⁰ Simon’s (2012) revenue criteria was converted into Euro exchange rate of US\$1.00 = €0.875 (05.02.2015).

³¹ Table 12 indicates this with ‘C’ for consolidating or consolidated industry and ‘F’ for fragmented industry.

³² Excluding cases BritN2, BritN4, BritM4, which did not want to publicise their exact global position.

with respondents and secondary documentation (i.e. database Market Share Reporter, competitor analysis, industry reports).

The table further lists the companies' foreign sales and export ratios indicating that these are vigorous internationalisers. Noteworthy here is that some export ratios and foreign sales ratios were often very similar and this is because most firms produce domestically, which results in both ratios being equal.

Table 12 Main characteristics of all cases from Germany and Britain (2013)

GHCs	Business formation	Age	Broad industry	Revenue (€ Mil.)³³	Number of employees	Global market position
PilotGer³⁴	1886	127	Manufacturing	<100,0	<800	2
GerN1	1977	36	Manufacturing	<1.500,0	<5,000	1
GerN2	1989	24	Manufacturing	<100,0	<1,000	1
GerN3	1973	40	Consumer products	<50,0	<500	1
BritN1	1984	29	Manufacturing	<200,0	<500	1
BritN2	1986	27	Manufacturing	<100,0	<150	1
BritN3	2007	6	Software engineering	<50,0	<150	1
BritN4	2003	10	Manufacturing	<50,0	<100	1
BritN5	1989	24	Manufacturing	<20,0	<50	1
GerM1	1932	81	Manufacturing	<6.500,0	<25,000	1
GerM2	1937	76	Manufacturing	<800,0	<2,500	1
GerM3	1946	67	Manufacturing	<150,0	<1,500	1
GerM4	1968	45	Engineering	<50,0	<150	1
BritM1	1941	72	Service	<5.000,0	<20,000	1
BritM2	1939	74	Engineering	<800,0	<5,000	1
BritM3	1967	46	Software engineering	<500,0	<1,500	1
BritM4	1954	59	Manufacturing	<10,0	<50	2
BritM5	1941	72	Manufacturing	<10,0	<100	1

³³ The British revenues were adjusted to the Euro currency on the basis of an exchange rate of €1.00 EUR to £1.29 (exchange rate from 05.02.2015).

³⁴ PilotGer is not included in the average calculations.

GerL1	1889	124	Manufacturing	<6.500,0	<40,000	1
GerL2	1852	161	Manufacturing	<2.000,0	<15,000	2
GerL3	1838	175	Manufacturing	<1.000,0	<5,000	1
GerL4	1865	148	Manufacturing	<1.000,0	<5,000	1
GerL5	1919	94	Manufacturing	<800,0	<10,000	1
GerL6	1857	156	Manufacturing	<800,0	<2,500	1
GerL7	1908	105	Manufacturing	<500,0	<2,000	1
GerL8	1923	90	Manufacturing	<100,0	<1,500	1
BritL1	1912	101	Manufacturing	<7.000,0	<10,000	1
BritL2	1871	143	Manufacturing	<2.500,0	<15,000	1
BritL3	1915	98	Manufacturing	<1.500,0	<10,000	1
BritL4	1923	90	Service	<800,0	<15,000	1
BritL5	1903	110	Manufacturing	<500,0	<5,000	1
Average German	1918	95	-	1.456,67	7,777	1
Average Britain	1946	64	-	1.268,33	5,5007	1
Total average	1932	81	-	1322,26	6,189	1

(Source: Author)

3.5 Data collection tools

This section further elaborates the data collection process. To collect relevant data, a researcher requires certain tools and techniques and this study uses interviews, supported by documents and these are discussed in the subsequent section.

3.5.1 Interviews

This study uses structured and semi-structured interviews with 30 CEO and managers to investigate their internationalisation and moreover, their underlying competitive advantages. Qualitative research in international business often requires personal contact with organisation elites (Yeung, 2004). Daniels and Cannice (2004, p. 185) define an interview study “as one where the data and findings are based on direct research-to-respondent conversations (in person or by phone).” In qualitative research, interviewing is one of the most widespread and acknowledged methods (Bryman and Bell, 2007) and are often the primary source to gather rich empirical data (Eisenhardt and Graebner, 2007). Burgess (1982, p. 107) highlights that interviews allow the interviewer to “probe deeply, to uncover new clues, open up new dimensions of a problem.” Moreover, qualitative interviews can be superior when compared to other research techniques (i.e. ethnography) as it allows common themes to be established between respondents (Warren, 2001).

Using interviews allows for certain flexibility (Bryman and Bell, 2007), as the researcher can direct and alter the sequence of questions, but also rephrase where necessary. This method further encourages the interviewer to focus and elaborate on what he or she finds important, and thus direct the interview into the ‘real’ perspective of the participant. Moreover, the researcher has the ability to follow up on comments, which are relevant to the topic studied (ibid).

The researcher used both structured and semi-structured questions and therefore, the questions asked were determined beforehand in the form of an interview guide (Ghauri and Grønhaug, 2010). This interview guide was sent out prior to every interview and allowed the respondent to prepare necessary information and ask questions before the

scheduled interview³⁵. Structured questions were chosen where specific details were required, such as, a firm’s establishment date or subsidiary formation. The semi-structured questions were chosen to enable the participant to elaborate on specific questions and expand on certain areas, which they felt were relevant to the research topic and to ask participants about opinions on certain events (i.e. reasons for choosing specific entry modes) (Yin, 2009). Open-ended questions allowed the researcher to gain more accurate insights and gather more detailed information about the interviewee’s perspective and capture any nuances, such as altitudinal, personal and value-laden material (Arkesey and Knight, 1999; Ghauri and Grønhaug, 2010). Moreover, this technique allowed “a more accurate and clear picture of the respondents’ position and behaviour” (Ghauri and Grønhaug, 2010, p. 126) to be gained and is “particularly suitable when a researcher wants to understand the behaviour of decision-makers in different cultures” (Ghauri, 2004, p. 111).

All questions were formulated in accordance with the overall research questions (Yin, 2009) and based on previously reviewed literature. By deducing the literature beforehand, the researcher became familiar with the research topic, which is necessary to conduct interviews (Miles and Huberman, 1994). The interview guide allowed the researcher to ensure that all major research questions were covered throughout the interview process, whilst also allowing slight deviations depending on the interviewee’s response. Questions in the interview guide were prepared with a process questioning language based on Pettigrew et al. (2001) of ‘what’, ‘how’, ‘why’, and ‘where’, which is exemplified in Table 13, and the complete interview guide can be found in Appendix 4.

Table 13 Sample of interview question on internationalisation paths

Sample question on internationalisation paths
<ul style="list-style-type: none"> ● <i>What kind of internationalisation strategy do you follow?</i> ● <i>When was the first, second and third foreign direct investments</i> ● <i>How many markets do you serve?</i> ● <i>Which are the next markets you are planning to enter?</i>

(Source. Author)

³⁵ The term ‘Hidden Champions’ was deliberately removed from the entire interview guide and also questions 3 to 10 were removed in order to ensure that participants did not associate themselves with the HC Model and the ‘Hidden Champions’ term prior to the interview (see Appendix 4).

This interview guide allowed participants to answer questions in a more flexible manner, and as a result some questions were brought forward or delayed to ensure a continuous interview flow. The questions were put into a certain order and sequence, enabling questions to be asked in a natural order making the process appear more as a conversation rather than a strict interview procedure. The language was chosen carefully to ensure the questions asked were comprehensive and relevant to the respondent involved (Bryman and Bell, 2007). Using both, structured and semi-structured interview questions was, therefore, an appropriate method enabling the researcher to investigate the exact research questions posed. The method allowed information to be gathered on the participant's view and moreover enabled the researcher to address precise issues (Bryman and Bell, 2007).

Interviews can be either done by email, phone or in person (Ghauri and Grønhaug, 2010). In this study the latter two were used and, more specifically, 26 out of 31 (including the pilot study) were personal interviews and five were phone interviews (also see Appendix 5). The participants were organisational elites, thus CEOs and respondents with a similar job position (i.e. senior management, chairman, CFO, also see Appendix 5). According to Hair et al. (1998, p. 195) “executives and top managers are more comfortable in a one-on-one setting”, as opposed to a focus group. Therefore, most interviews were conducted in the company's office, with one exception which was conducted at the University.

3.5.1.1 Cross-cultural interviewing

Conducting cross-cultural interviews in countries with different languages needs to take into account linguistic considerations. As a German researcher, the access and interview language for the German cases was German. This allowed the interviewee to respond in their mother tongue, which is considered a linguistic advantage (Marschan-Piekkari and Welch, 2004). Although English is considered to be the common working language in international business, it does not guarantee trustworthy data from interviewees (Piekkari and Welch, 2006). Often companies introduce a common corporate language, which alleviates communication flows between headquarters and foreign subsidiaries, and the corporate language was often English in German firms. In cross-cultural interviews, however, the “choice and use of

language, as well as the researcher's and the interviewee's language skills, affect the dynamics in various ways" (Marschan-Piekkari and Reis, 2004, p. 224). Depending on the respondent's native language, the interview was, therefore, either conducted in English or in German (One exception was GerL1 who had an English speaking chairman so the interview language was English). However, some companies in Germany specifically requested German as the preferred interview language.

There are many advantages in conducting interviews in the same language as the respondent. Firstly, as a native speaker it felt unnatural to conduct an interview with a German CEO in English. Secondly, the topic addressed was very complex and may allow the interviewees to express themselves with more authenticity in their native language. This is supported by Marschan-Piekkari and Reis (2004), who observed that a non-native speaker might be comfortable discussing their field and expertise but may feel challenged if the interview moves beyond their professional jargon. Thirdly, Murray and Wynne (2001) argue that respondents perceive themselves as less intelligent and confident, and unhappy when they speak a second language.

Further, Marschan-Piekkari and Reis (2004) describe linguistic equality as a situation when the researcher and the interviewee speak their native language and thus, both parties are on equal terms. Although the English language is often promoted by journals and other researchers as an appropriate interview language, Marschan-Piekkari and Reis (2004) propose a multilingual approach as compared to a unilingual English-dominated approach. This is in line with Wright (2004, p. 59) arguing that "cross-cultural studies should not be carried out in unilingual English fashion." To aid the interview process, the interview guide was prepared in both English and German, which helped the researcher to control the interview process, in terms of language and terminology, and ask the right questions, adapt to situations, and to build trust (Ghauri et al., 2002).

3.5.2 Supporting documents

In addition to interviews, this research adopted a second related technique of supported documentation (Yin, 2009). Documents were often provided by the interviewee, such as company reports and internal presentations. However, the researcher also gathered various secondary sources of information, such as annual reports, research reports,

industry reports, competitor and market reports, and online sources including company's websites, and various databases available through the University library (i.e. Market Share Reporter, Thomson One Banker). All these sources allowed the researcher to obtain additional information on the company's internationalisation (i.e. company's written history) and underlying competitive advantages (i.e. vision statements on website).

These documents are considered to supplement the evidence gathered from interviews (Ghauri, 2004) and provide relevant details, such as names and events over long time periods (Yin, 2009). Many firms provided the researcher with the company's history, and were therefore, very accurate sources, although one should be aware of the likelihood of bias. However, these sources proved useful when the interviewee was unsure about specific dates in their firm's history, especially for the more enduring cases. The inclusion of documents proved to be very relevant to each case, as it provided additional information about a firm's history, which was not necessarily covered in the interview process. Using multiple sources enabled the researcher to corroborate and enhance findings obtained from other sources that could then also be cross-checked with the firm when interviewed. The advantage of using documents is that these can be reviewed at any time during the research study (Ghauri, 2004).

The information obtained were, therefore, interview supplements (pre- and post-interview) and enabled the researcher to check and compare information given by interviewees (Ghauri, 2004). The secondary sources available were thoroughly read prior to the interview to partly answer questions of interest, which were then double-checked with the interviewee. By gathering important sources beforehand, the researcher demonstrated a great interest in the company, which was always well-received by the interviewee.

3.5.3 Data triangulation

The use of multiple sources of evidence is said to improve the validity of a case study method (Yin, 2009). Triangulation is therefore necessary and defined as "the combination of methodologies in the study of the same phenomenon" (Denzin, 1978, p. 291) and was therefore a technique adopted in this study. Thereby, triangulation strengthens a case study research when using several kinds of data (Patton, 2002). It

is a crucial feature in case study research to triangulate (Ghauri, 2004) as it improves and enhances the validity of research through accuracy (Ghauri et al., 2002). Denzin (1978) therefore defines four triangulation types;

- 1) Data triangulation (triangulation of different sources)
- 2) Investigator triangulation (triangulation of different researchers)
- 3) Theory triangulation (triangulation of different perspectives)
- 4) Methodological triangulation (triangulation of different research methods)

This study used the approach of ‘data triangulation’ and the technique of interviews as well as different document sources (Denzin, 1978; Yin, 2009). This enabled the researcher to corroborate data, by checking and validating information from different sources (Ghauri and Grønhaug, 2010), but with the overall aim of investigating the same phenomenon (Yin, 2009). Data triangulation is, therefore, considered to have more validity, in terms of quality when compared with single source cases (Yin, 2009).

The drawback of using triangulation is that it is time consuming and collecting multiple sources is also expensive (i.e. buying company histories). Furthermore, it requires the researcher to be able to analyse all these different sources, which requires different analytical skills, as is further discussed in the data analysis section.

3.5.4 The role of the researcher

The role of the researcher is vital to the interview process. More specifically, the researcher must be able to understand the information and its meaning, in terms of language, and must also be a good listener (Ghauri et al., 2002). All firms were contacted via post asking for permission to interview the current CEO. The postal letter included detailed information about the research project and the reason for their firm’s selection and importance of its participation. Moreover, the firms were promised a comprehensive feedback when the study was finalised, which all participants requested. After the firm confirmed its willingness to participate, a time and date was scheduled for an interview.

The interviews were conducted from 2012 to 2013 in both Germany and Britain. In all personal interviews, except for one that took place at the University, the researcher visited the company personally, even though most were located in fairly remote areas

in Britain and Germany, which was very time consuming and oftentimes involved various modes of transportation (i.e. flying and driving). The remote locations of all interviewed companies, however, enabled the researcher to observe the embeddedness of these firms within their region, an interesting and valuable observation. When visiting the company personally, the researcher further had the chance to observe the company's facilities and in many cases the researcher was also guided through the company's manufacturing facilities. These observations are not included in this study, but allowed for a great understanding with respect to the differences in company cultures of GHCs in Germany and Britain.

The interviews were conducted with managers and executives with extensive knowledge about the subject of internationalisation and the firm's competitive advantages. One respondent was interviewed per case, resulting in a total of 15 German and 15 British interviews. All personal interviews took place in a quiet setting, i.e. the CEO's office or conference room, which, when permitted, allowed a high-quality recording (Bryman and Bell, 2007). Each interview was scheduled for 60 minutes, although many executives extended this interview process up to 120 minutes. On average, however, an interview lasted 75 minutes and personal interviews were much longer when compared to telephone interviews.

The majority (17 interviews) of interviews were recorded with the consent of the interviewee and 14, including all 5 phone interviews, were not recorded based on request (also see, Appendix 5). All recorded interviews allowed the researcher to improve the accuracy of transcription in case something was misunderstood (Bryman and Bell, 2007). After each interview the researcher wrote a comprehensive report about the interview to capture any other emerging themes or relevant information (Ghauri and Grønhaug, 2010). The advantages of recording interviews are that it allows for a much more fluent interview process as the researcher could be more engaged and alert. The researcher was therefore able to fully engage in the interview and was not distracted by taking notes simultaneously (Bryman and Bell, 2007). Transcribing interviews is very time consuming. Each interview was transcribed soon after the interview had taken place, allowing the researcher an early identification of

certain themes and issues, which were then included in upcoming interviews with other companies, as suggested by Bryman and Bell (2007).

A total of 14 interviews were not recorded but through note taking during the interview process the researcher was able to construct a comprehensive report afterwards, which enabled more precise quote recreation. This procedure increased the chances of not forgetting any important points or observations during the interview (Ghauri and Grønhaug, 2010). The quotes of executives from these 14 companies are based on the researcher's write-ups and are not direct quotes, yet formulated as close to interviewee responses as possible, meanwhile recorded interviews are all direct quotes (also see Appendix 5).

Ghauri and Grønhaug (2010, p. 220) suggests that “cross-cultural research can be viewed as a quasi-experiment in which data is collected from different contexts that may or may not be equivalent.” Therefore the diversity in culture, language and the method of communication may lead to misunderstandings between the researcher and the participant (Craig and Douglas, 2000; Ghauri and Grønhaug, 2010). To handle this issue, Ghauri and Grønhaug (2010) propose two approaches; the emic and etic. The emic approach believes that cultures are different and interpretations need to be adjusted to a specific culture. In contrast, the etic approach is ‘culture free’, and therefore, constructs can be transferred to other cultures without any adaptation. These two approaches are on either end of the spectrum, and Berry (1989) advocates a combination of both emic and etic approaches, although others suggest cross-cultural research should try to use an etic approach as much as possible (Wind and Douglas, 1982; Schwartz, 1992; Craig and Douglas, 2000).

Using both emic and etic approaches, as suggested by Berry (1989), allows conducting research first in your own culture and then applying research to the foreign culture (imposed etic). The research in the foreign country is, however, studied in its own culture and therefore uses an emic approach in both contexts. To successfully collect data in two cultures, the researcher needs to understand the differences between both cultures. Ghauri and Grønhaug (2010) therefore highlight that in cross-cultural research the use of qualitative methods is advisable so that questions can be altered and adapted to one specific context.

This study focuses on two countries with which the researcher is very familiar and used the approach suggested by Berry (1989). The researcher was born and raised in Germany but has spent numerous years in Britain. As such, the researcher has learnt about the cultural differences in person and has also read literature focusing on the cross-comparison of firms in Britain and Germany, such as Lane (1992, 1995, 1997, 2006), who focuses on the differences in Germany's and Britain's business systems and more specific studies comparing the internationalisation of firms from both countries (Bürgel et al., 2004; Coerderoy et al., 2011).

3.6 Data analysis

According to Marshall and Rossman (1995, p. 111) “data analysis is the process of bringing order, structure and meaning to the mass of collected data” and, therefore, data is considered to be a carrier of information that must be interpreted (Ghauri, 2004). Qualitative research primarily focuses on data collection methods and places less emphasis on the analytical techniques used (Miles and Huberman, 1994; Lindsay, 2004; Zalan and Lewis, 2004). Eisenhardt (1989), however, stresses that data analysis is crucial for theory building in a case study method and suggests that qualitative studies emphasise their methodology too briefly (Zalan and Lewis, 2004) and largely ignore discussing their analysis procedure. Mainly, methodology sections in qualitative studies lack sufficient guidelines on how these should be undertaken (Miles and Huberman, 1994; Zalan and Lewis, 2004) and Eisenhardt and Graebner (2007) therefore propose that researchers should follow a systematic process of collecting data and describe their theory development in a way that is as transparent as possible.

Therefore, this section adheres to a systematic and transparent review of the data collection process, outlines the comprehensive data analysis procedure undertaken and associated analytical techniques applied in this study.

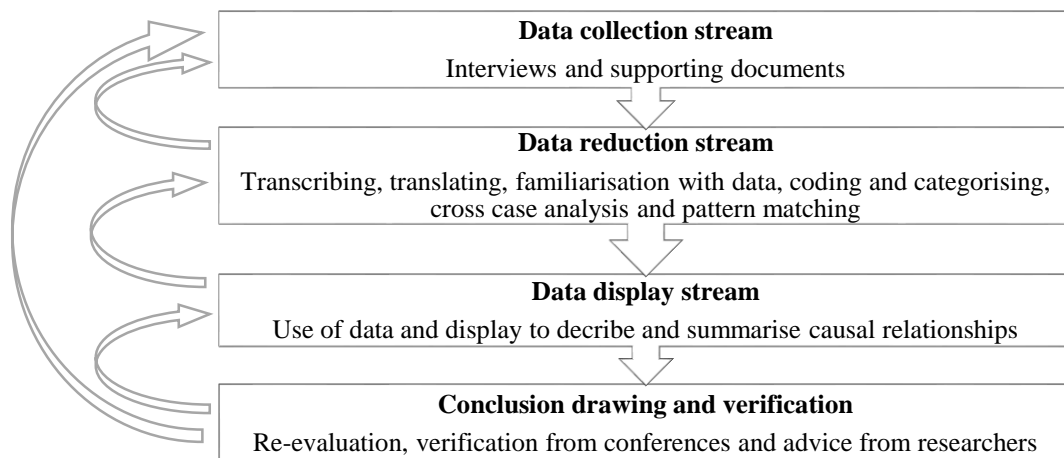
3.6.1 Data analysis procedure

The data analysis procedure “dissects, reduces, sorts and reconstitutes data” (Ghauri and Grønhaug, 2010, p. 199). There is no agreed approach on how data should be analysed. However, Miles and Huberman (1994) provide useful steps to structure the collected qualitative data using data reduction, data display and conclusion drawing,

and verification. These steps of analysis are adopted in this study and provide a useful broad framework for aspects of data collection and analysis. In this process, Miles and Huberman (1994) stress that the data is transformed because it is reduced and condensed in a manner that allows one to cluster and sort data and enables the researcher to understand data in relation to the questions of ‘what’, ‘when’ and ‘how’.

Miles and Huberman (2004) suggest analysing the data alongside the data collection process, and Ghauri and Grønhaug (2010) caution a separate data analysis procedure weakens the analysis and data. This approach allows the researcher to identify themes and trends, which could be incorporated in the next case and interview process (i.e. redefined questions) and is said to improve the overall data collection process (ibid). Simultaneous data collection and analysis proved particularly valuable in this study of 30 cases, which allowed the researcher to save time and identify problems or themes before conducting further interviews. The data analysis procedure is displayed in Figure 5.

Figure 5 Data analysis procedure



(Source: Author)

3.6.2 Data collection stream

As reviewed earlier in this chapter, this study uses a multiple case study design. The techniques for collecting data were primarily interviews conducted with executives and supporting documents allowing for data triangulation. The data collection of both techniques is the first phase, which relates to the research questions and is not an isolated stage of the data analysis process (Ghauri, 2004). This section presents the data collected in relation to the research questions poised in this study using Table 14.

Table 14 Research questions and associated data collection techniques

Unit of analysis	Research element	Research question	Type of data collected	Justification
Firm	Internationalisation	<p>Research question 1a: <i>What internationalisation paths do Global Hidden Champions pursue to become world market leaders?</i></p> <p>Research question 1b. <i>What are the differences in the internationalisation paths pursued by German and British Global Hidden Champions?</i></p>	<p>Interviews with firm's executives (30 interviews with 30 companies)</p> <p>Supporting documents (firm's history, websites, database research)</p>	<p>Internal: Executives will be best informed about the internationalisation process of the firm.</p> <p>External: Verification through supporting documents to confirm findings (i.e. confirm establishment dates).</p>
Firm	Competitive advantages	<p>Research question 2a. <i>What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued?</i></p> <p>Research question 2b. <i>What competitive advantages according to the HC Model are present and/or absent or alternatively needed for each type of internationalisation path pursued Global Hidden Champions from Germany and Britain?</i></p>	<p>Interviews with firm's executives (30 interviews with 30 companies)</p> <p>Supporting documents (firm's history, websites)</p>	<p>Internal: Executives will be best informed about the competitive advantages of the firm.</p> <p>External: Verification through supporting documents to confirm findings (i.e. vision and value statements).</p>

(Source: Author)

3.6.3 Data reduction stream

The data reduction stream organises, dissects and focuses the collected data in a manner that allows the researcher to draw conclusions for verification (Miles and Huberman, 1994). The process facilitated data reduction as it allowed the researcher to choose “which data chunks to code and which to pull out, which paths best summarise a number of chunks, which evolving stories to tell” (Miles and Huberman, p. 10-11). This process is therefore also referred to as ‘data condensation’ (Tesch, 1990) and qualitative data reduction involves a number of different steps.

The first step of data reduction in this study focused on transcribing the recorded interviews, as suggested by Bryman and Bell (2007). After completing the transcription of all German interviews, these were translated into English and some cases were further back-translated to ensure no distortion of the data, as advised by Bryman and Bell (2007). The English transcripts were then included in the case database, as suggested by Yin (2009). The case notes of all companies, which were not recorded but systematically written up post-interview were likewise added to the case database.

The advantage of the time consuming process of conducting, transcribing and translating all interviews is that it allows the researcher to become very familiar with each case. This familiarisation was enhanced by reading the transcripts and all associated notes taken. This led to a phase of data reflection and preliminary conceptualisation. Throughout this process, the researcher jotted down notes and was enabled to reflect on emerging preliminary ideas, thoughts and concepts (Easterby-Smith et al., 2002).

The large amount of data was then coded and guided by the initial conceptual framework (see Figure 3). According to Ghauri and Grønhaug (2010, p. 200) “codes serve as shorthand devices to label, separate, compile and organise data.” Thereby, the transcripts and case study notes were systematically coded for certain lines, paragraphs, words and points relating to the research objective (i.e. internationalisation, market entry mode choices or competitive advantages).

Therefore, coding was guided by the conceptual framework and all data was coded by pre-existing categories.

The researcher then searched for trends, themes and causal relationships in the data and observations were continuously noted down (Miles and Huberman, 1994). The codes and concepts used, reflected in the meaning of the retrieved paraphrases and words, required the researcher to use analytical rationale (Yin, 2009). This analytical rationale is supported by Miles and Huberman (1994), who suggested ordering and tabularising data chronologically in accordance with the conceptual framework. Hence, the data was ordered in accordance with the research questions and data chunks were put in relation to internationalisation, market entry modes, and competitive advantages categorisations for each case individually.

During simultaneous collection and analysis of the data, it became clear that new themes would emerge and the researcher had to re-examine the data by applying new codes to already analysed cases. Therefore, this stage of the data analysis had to be done carefully, transparently and systematically to allow the researcher to go back and forth between the cases and apply new codes. This procedure of coding and recoding was completed for each individual case when the information provided no further meaningful rearrangements that would assist the understanding of the data. The coding process could therefore not be finalised until all 30 interviews were completed in late 2013 and the data collected went through the data reduction and familiarisation phase (Lindsay, 2004).

3.6.4 Data presentation, analysis and discussion

One common way to analyse data is to identify case data similarities and differences (Ghauri and Grønhaug, 2010), which in this study, refers to the themes of internationalisation and competitive advantages. Therefore, the analyses used ‘pattern matching’ and all data was cross-compared with all cases (Yin, 1994). The data reduction stream looked at all cases individually (within-case analysis) and pattern matching allowed all cases to be compared (cross-case analysis). The researcher decided to cross compare data in one country first. Therefore, all German cases were compared first and then all British cases, subsequently followed by a systematic analysis across countries (Craig and Douglas, 2000).

Considering the conceptual framework, the researcher dedicated time to analyse the data comprehensively and systematically in the most concise way. Due to the complexity of the amount of cases and the aspect of two country contexts, the researcher included a further step in the analysis. The data in this thesis is presented in smaller sets, in respect to the time dimension used in the case selection criteria. All 30 cases were divided into three categories of ‘newly established’ (GHCns), ‘medium-lived’ (GHCms), and ‘long-lived’ (GHCl) cases. This division of cases allows presenting the data in accordance with their establishment dates, whilst still allowing for the corroboration of all 30 cases in relation to the conceptual framework.

3.6.4.1 Division of cases for systematic analysis

As defined previously, cases were chosen according to a number of criteria. One was the category of firms established in different time periods. In order to systematically analyse all 30 cases they were divided into specific groups, which is based on the criteria set in this study;

- *GHCns* are newly established firms established after 1970
- *GHCms* are medium-lived firms established between 1930 and 1970
- *GHCl* are long-lived firms established before 1930

Within these groups, cases were ranked and organised in accordance with their annual turnovers showing a wide coverage of smaller and larger business sizes. Therefore, the first firm in each group is the one with the highest annual turnover, which was done for each country. All cases were presented separately within each establishment categorisation.

3.6.4.1.1 Newly established GHCs (GHCns)

A total of three German and five British cases fitted the criteria of ‘newly established’ GHCs, in this study referred to as GHCns, and were established after 1970, which is summarised in Table 15.

Table 15 GHCNs from Germany and Britain

GHCns	Business formation	Age (2013)	Revenue (€ Mil.) (2013) ³⁶
GerN1	1977	36	<1.500,0
GerN2	1989	24	<100,0
GerN3	1973	40	<50,0
BritN1	1984	29	<200,0
BritN2	1986	27	<100,0
BritN3	2007	6	<50,0
BritN4	2003	10	<50,0
BritN5	1989	24	<20,0
Average Germany	1980	33	550,0
Average Britain	1994	19	84,0
Total Average	1989	25	258,75

(Source: Author)

The average year of establishment for all GHCNs was 1989 making these firms around 25 years old in 2013, generating revenues of approximately €259 million. However, the revenue spread across all GHCNs demonstrated a wide range of smaller firms (e.g. BritN5) and larger businesses (e.g. GerN1). The country comparison suggested that German GHCNs were much older when compared to the British (33 versus 19 years) and furthermore generated over six times more revenue in 2013 when compared to their British equivalent.

3.6.4.1.2 Medium-lived GHCs (GHCms)

A total of four German and five British firms were grouped as ‘medium-lived’ GHCs, referred to as GHCms and were between the two extreme criteria of long-lived and newly established GHCs, established sometime between 1930 and 1970. Also in this group of cases there were various different company sizes to be found which were ranked accordingly in Table 16.

³⁶ The British revenues were adjusted to the Euro currency on the basis of an exchange rate of €1.00 to £1.29 (exchange rate from 05.02.2015).

Table 16 GHCms from Germany and Britain

GHCms	Business formation	Age (2013)	Revenue (€ Mil.) (2013) ³⁷
GerM1	1932	81	<6.500,0
GerM2	1937	76	<800,0
GerM3	1946	67	<150,0
GerM4	1968	45	<50,0
BritM1	1941	72	<5.000,0
BritM2	1939	74	<800,0
BritM3	1967	46	<500,0
BritM4	1954	59	<10,0
BritM5	1941	72	<10,0
Average Germany	1946	67	1.875,00
Average Britain	1948	65	1.264,00
Total Average	1947	66	1.535,56

(Source: Author)

The average year of establishment was 1947, meaning these firms were about 66 years old in 2013. On average, GHCms generated revenue of approximately €1.536 million in 2013. The country comparison suggested that German GHCms were again slightly older when compared to the British (67 versus 65 years), however, generating only slightly more revenue than their British equivalents (€1.875 million versus €1.264 million). GHCms were, however, much larger in terms of achieved revenues when compared to the sample of GHCns.

3.6.4.1.3 Long-lived GHCs (GHCl)s

A total of eight German and five British were grouped as being ‘long-lived’ GHCs, and are referred to as GHCl)s and were the most enduring group of firms in this study as they were established before 1930. GHCl)s from both countries were ranked in accordance with their company’s revenue generated in 2013, as seen in Table 17.

³⁷ The British revenues were adjusted to the Euro currency on the basis of an exchange rate of €1.00 to £1.29 (exchange rate from 05.02.2015).

Table 17 GHClS from Germany and Britain

GHClS	Business formation	Age (2013)	Revenue (€ Mil.) (2013) ³⁸
GerL1	1889	124	<2.000,0
GerL2	1852	161	<1.000,0
GerL3	1838	175	<1.000,0
GerL4	1865	148	<800,0
GerL5	1919	94	<800,0
GerL6	1857	156	<500,0
GerL7	1908	105	<100,0
GerL8	1923	90	<7.000,0
BritL1	1912	101	<2.500,0
BritL2	1871	143	<1.500,0
BritL3	1915	98	<800,0
BritL4	1923	90	<500,0
BritL5	1903	110	<2.000,0
Average Germany	1881	132	1.587,50
Average Britain	1905	108	2.460,00
Total Average	1890	123	1.923,08

(Source: Author)

The average year of establishment was 1890 making these firms about 123 years old in 2013, which is clearly in line with firms studied in enduring literature that are usually over 70 to 90 years old (Collins and Porras, 2005; Stadler, 2007). On average, GHClS were much larger, when compared to GHClNs and GHClMs, generating approximately €1.923,08 on average in 2013.

There were far more cases of enduring firms found in Germany when compared to Britain and these were nearly 30 years older (132 versus 108). However, British GHClS interviewed generated nearly €1 billion more in revenue in 2013 when compared to their German equivalents, making British GHClS much larger than their German counterparts.

³⁸ The British revenues were adjusted to the Euro currency on the basis of an exchange rate of €1.00 to £1.29 (exchange rate from 05.02.2015).

3.6.4.2 Data presentation

Findings from each case were presented separately according to each research question. Therefore, the data analysis process began by analysing each case individually (within-case analysis) in consideration of the conceptual framework (i.e. internationalisation, market entry modes and competitive advantages, see Figure 3). After the within case analysis, all cases were cross-compared (cross-case analysis). However, the first research questions relating to internationalisation and associated market entry modes, were presented slightly different when compared with the questions of the firms' underlying competitive advantages.

The cases were previously categorised on the basis of their establishment dates (GHCns, GHCms and GHCl) and this categorisation was used to present the data for the first research questions in relation to internationalisation paths. Based on this outcome, every GHCs was categorised in accordance with their internationalisation path pursued, which can be either identified as traditional internationalisers, BGs and BAGs, whilst also being open for any emerging internationalisation paths. In accordance to this categorisation the analysis continued slightly differently than before. Instead of presenting the market entry mode choices and markets targeted of the cases within different establishment categories, the researcher chose to present these findings of a new categorisation of internationalisation paths. This analysis was continued for the research questions in relation to competitive advantages.

The rationale for this different analysis and presentation of the data was that the researcher was interested in identifying whether the competitive advantages were different for firms pursuing different internationalisation paths, instead of only analysing the data on the basis of their establishment dates. The researcher, however, still compared the cases in accordance with the GHCn, GHCm, and GHCl category, which can be found in the appendices and was referred to where appropriate. In both analysis the researcher highlighted similarities and differences between cases in Germany and Britain. The data analysis and presentation is further portrayed in Table 18.

Table 18 Data presentation in this study

Step 1 Cases	Step 2 Establishment categorisation	Step 3 Analysis	Step 4 Internationalisation categorisation	Step 5 Analysis
30 cases 15 German 15 British	<i>GHCns</i> 3 German 5 British	Internationalisation paths and market entry mode choices	Possible outcomes: Traditional internationaliser Born Global Born-Again Global Other emergent path (n cases) Germany (n cases) Britain	Explore competitive advantages compared to the HC Model in accordance with internationalisation path pursued
	<i>GHCms</i> 4 German 5 British	Internationalisation paths and market entry mode choices	Possible outcomes: Traditional internationaliser Born Global Born-Again Global Other emergent path (n cases) Germany (n cases) Britain	Explore competitive advantages compared to the HC Model in accordance with internationalisation path pursued
	<i>GHCls</i> 8 German 5 British	Internationalisation paths and market entry mode choices	Possible outcomes: Traditional internationaliser Born Global Born-Again Global Other emergent path (n cases) Germany (n cases) Britain	Explore competitive advantages compared to the HC Model in accordance with internationalisation path pursued

(Source: Author)

3.6.4.2.1 Analysis of the internationalisation paths

Qualitative studies on internationalisation and competitive advantage rely primarily on the researcher's ability to link observations to existing theory. However, many scholars have been critical of the lack of transparency of analytical techniques used in qualitative data (Miles and Huberman, 1994; Lindsay, 2004; Zalan and Lewis, 2004). The danger is that the conclusions drawn from a study are not replicable for further research. Follow up studies might identify similar findings, but through a different technique or find completely different results. As such, the analysis techniques should be transparent.

In this study, a firm's internationalisation path was identified using a different and more transparent technique. The researcher developed a novel tool to ensure transparency of how cases were identified, allowing systematic corroboration of existing theories of internationalisation, and enabling other researchers to replicate the study. Instead of presenting each case individually and describing the internationalisation paths of each case, this study used an analysis designed to reveal exact nuances between cases and moreover between theories.

The 'internationalisation analysis' technique does not suggest that internationalisation paths can only be the one or the other, but instead argues that a firm can inherit features of more than one internationalisation theory. For instance, some scholars believe that the BGs phenomena may be sufficiently explained by the concepts of the Uppsala Model (Gabrielsson et al., 2008; Solberg, 2012). Internationalisation variants are complex theories inheriting numerous different definitions, which should be depicted more critically. For instance, the Uppsala Model is determined by three concepts; the establishment chain, experiential learning, and psychic distance (Johanson and Vahlne, 1977). To comprehend better a firm's internationalisation path, it might be advisable to consider existing concepts as a separate agenda instead of treating these only as part of one theory. Hence, any case should be critically analysed for all existing concepts of the Uppsala Model, treating this comprehensive theory as a three way prediction to describe a firm's internationalisation and other theories should be depicted in a similar manner.

Therefore, this methodological research tool allows the researcher to benchmark a firm against mainstream internationalisation theories and their individual concepts, including traditional internationalisers (TRADs), BGs and BAGs. More specifically, this tool used nine commonly used criteria from different internationalisation theories, which are summarised in Table 19. The researcher then scored the compliance degree by each firm to a specific definition based on the data provided, in this case interviews and documentation. By deducing existing literature prior to the analysis, the researcher analysed each case in an unbiased manner by allowing a firm to correspond to more than one internationalisation concept and theory. Depending on the final score, a firm could be systematically categorised as a specific internationalisation variant, whilst also determining any overlap to other internationalisation concepts. For instance, a firm could correspond closely to BG predictions, but also show compliance with the Uppsala Model's psychic distance concept. Therefore, a firm would be appropriately categorised as a BG firm, as their compliance score to this theory is high, but may also show slight compliance to traditional internationalisation, as it expands internationally in accordance with the Uppsala Model's psychic distance concept.

Table 19 Internationalisation criteria used in the analysis

Criteria	Definition	Strategy conformance	Supporting Literature
C1	Domestic focus of at least 10 years	TRADs and BAGs	Based on Johanson and Vahlne (1977), Bell et al. (2001), and based on the researchers time frame set for this study
C2	Entry into one new market at a time	Only TRADs	Based on Johanson and Vahlne (1977)
C3	Establishment chain	Only TRADs	Based on Johanson and Vahlne (1977)
C4	Psychic distance	Only TRADs	Based on Johanson and Vahlne (1977)
C5	Experiential learning	Only TRADs	Based on Johanson and Vahlne (1977)
C6	Rapid internationalisation	BGs and BAGs	Based on Bell et al. (2001), Knight (1997)
C7	Critical incident	Only BAGs	Based on Bell et al. (2001)
C8	Foreign sales over 25% within 10 years of establishment	Only BGs	Based on Knight (1997), Knight and Cavusgil (2004) and the researchers time frame set in this study supported by Kuivalainen et al. (2012)
C9	Export outside the EU within 10 years of establishment	Only BGs	Based on Madsen (2013)

(Source: Author)

Each internationalisation theory was determined using a different combination of criteria. The first five criteria (C1-C5) were used to identify the degree of compliance to traditional internationalisation theory. Criteria C1, C6, and C7 determined the alternative routes of BAGs, whilst criteria C1, C6, C8 and C9 identified the internationalisation of BGs. Each case was scored for each criterion and the conformance (or non-conformance) of each criterion allowed for a systematic identification of the internationalisation of all GHCs (for details of the scoring see Appendix 6).

The researcher then scored each case individually using primarily a 'binary' numbering system of 0 and 2. The lowest deviation score of 0 implied 'no compliance' and the score of 2 implied that a case is 'fully compliant' with a specific criterion. Hence, criteria C1, C2, C6, C8, and C9 were clear 'yes' and 'no' questions and therefore either 0 or 2 applied. The position 1 was used for more ambiguous positions whereby a case might show a 'slight compliance', which could occur only for C3, C4, C5, and C7 (also see Appendix 6).

The rationale to include the position 1 in the analysis was that it allowed for a much deeper understanding of a firm's internationalisation behaviour. Therefore, instead of treating the specific definition as 'yes' and 'no' question, this analysis enabled the researcher to make a judgement call and score a firm's behaviour as partially compliant to a specific definition. For example, a case may follow the establishment chain in one market but not in another and might, therefore, display more traditional internationalisation behaviour, although conforming much closer to other criteria of BAGs or BGs. This case may then be classified as one specific internationalisation variant plus demonstrating a specific behaviour, which is actually common in another theory. By this means, the position 1 allowed a much more detailed and critical analysis of the internationalisation paths pursued, as opposed to a pure binary coding system. This position allowed any slight conformance to or departures from existing internationalisation theories, presented in the literature review to show up, whilst also allowing the identification of any new emergent hybrid internationalisation paths.

The internationalisation analysis then calculated the deviance of a 'perfect' theory and concluded with a specific compliance score between 0 and 18. A case that fully

complied with one theory reached a deviance score of 0, and a company least compliant reached a maximum non-compliance score of 18 (also see Appendix 6). Deviance scores between 0 and 5 indicated a 'high compliance', 6 and 11 a 'medium compliance', and 12 to 18 a 'low compliance'. The outcome of the analysis then provided a specific compliance score with existing theories, in this case traditional internationalisers, BGs and BAGs. The highest compliance score categorised a firm as one specific internationalisation variant. However, due to the other compliance scores, the researcher could also identify whether other concepts or theories might also apply, which should then also be fairly low. A high deviance score suggested that the firm possess none of the features of this specific internationalisation variant. This technique was then accompanied by further justification using direct quotes to underline findings and explain compliances with other concepts of internationalisation theories.

3.6.4.2.2 Analysis of the HC Model

The underlying competitive advantages of each firm were first identified by comparing the executive's scoring of each HC Model trait, however, the HC Model was not tested. The sequence of questions asked ensured that the interviewee could formulate its firm's own competitive advantages first, before being asked more specifically about the HC Model traits (see the interview guide in Appendix 4).

Key executives scored the HC Model traits individually, whereby the position 1 indicated full compliance and 7 demonstrated the highest non-compliance score. Therefore, the researcher calculated the deviance of the scores to the 'perfect' HC Model concept (all positions scored with 1), allowing the degree of deviation or compliance of a firm to all HC Model traits to be determined.

Additionally, the standard deviation was calculated to reveal any inconsistency of the scoring amongst executives in each internationalisation category. A competitive advantage was most compliant when the mean was closest to 1 and the standard deviation close to 0. Intuitively, this was because executives deemed this competitive advantage as important (thus mean will be 1) and most firms behaved similarly (thus standard deviation will be 0).

3.6.5 Data display stream

The data display stream refers to “an organised, compressed assembly of information that permits conclusion drawing and action” (Miles and Huberman, 1994, p. 11). Data can be displayed in various forms to make it accessible in a compact manner, which is not independent from the analysis. This study primarily used visual data displays, such as tables but, where appropriate, also used spider graphs, figures and diagrams. Following Eisenhardt and Graebner’s (2007) suggestion, the researcher also used diagrams with boxes and arrows to guide the reader through the logic explained. The data display, allows the researcher to compress and capture complex data (Lindsay, 2004). The qualitative data was further illustrated by using relevant key quotes according to each research question either within the text or summarised in a table where appropriate.

3.6.6 Conclusion drawing and verification

Conclusions drawn from a study should always be verified and this was undertaken in the discussion chapter, as the researcher returned to the raw data collected and cross-checked that it had been captured correctly. This verified the final conceptual framework, presented at the end of the discussion chapter. Conclusions drawn were further verified by using a deductive approach to link findings and observations back to theory, and this is an important step to “identify what is similar, contradictory and why this is the case” (Eisenhardt, 1989, p. 544). Further, a researcher can scrutinise whether the final conceptual framework is robust. However, it is important to provide a logical trail explaining how the researcher reached the final framework (Yin, 2009) and discuss how the conclusions can be linked back to theory (Lindsay, 2004).

Moreover, the conclusions and framework were verified through meetings with supervisors and colleagues. The data collected was also presented at conferences and end of year panels, which tested the plausibility and conformability of the study (Miles and Huberman, 1994). The findings were further verified by inter-coder reliability, where another researcher cross-checked the data used in this study.

3.7 Research credibility

In order for a research project to be credible and represent a logical set of statements, a number of concepts or tests can be used to ensure the quality of research in a case study design and Yin (2009) defines these as follows:

- Construct validity: data collection and composition phase, i.e. establishment of chain of evidence and triangulation (Denzin and Lincoln, 1994; Gibbert et al., 2008; Yin, 2009),
- Internal validity: data analysis phase, i.e. clear research framework, pattern matching, triangulation of theory (Eisenhardt, 1989; Denzin and Lincoln, 1994; Gibbert et al., 2008; Yin, 2009),
- External validity: research design phase, i.e. replication logic in multiple case studies, cross-case analysis and justification of cases selected (Eisenhardt, 1989; Gibbert et al., 2008; Yin, 2009),
- Reliability: data collection phase i.e. case study protocol, case study database (Denzin and Lincoln, 1994; Gibbert et al., 2008; Yin, 2009).

This study applies these four tests to ensure credibility and these are summarised in Table 20 and make it possible to judge the quality of the research conducted (Yin, 2009). Noteworthy here, is that Gibbert et al. (2008) cautions that all validity types presented are not independent, because internal validity without the construct validity cannot provide external validity and therefore demonstrate a hierarchical relationship.

Table 20 Ensuring credibility of the research design

Research credibility	Details of this study
Construct validity - <i>Chain of evidence</i> - <i>Triangulation</i>	- Data triangulation (interviews and documentation) to corroborate evidence and findings - Reviewing other studies which leads to a logical flow between literature and research questions - Data presented at different conferences, end of year panel, framework reviewed with supervisor and intra-coding reliability
Internal validity - <i>Clear research framework</i> - <i>Pattern matching</i>	- The research is conducted in a two country setting choosing multiple firms - Plausible arguments and reasoning for the research framework emerged from existing literature - Matching of paths and patterns identified by other studies and contexts
External validity - <i>Cross-case analysis</i> - <i>Rationale of case study selection</i>	- Multiple case study design with 30 cases (one unit of analysis, which is the firm) - Analytical generalisation through cross-case analysis of empirical observations and linkage to theory - Rationale of cases chosen and studied in relation to the proposed research questions
Reliability - <i>Case study protocol</i> - <i>Case study database</i>	- Producing case study protocol and documentation of case research procedures (data collection techniques) - Creating case study database including key notes and documentation used to enable replication

(Source: Author)

3.8 Ethical issues

This study adhered to the code of ethical guidelines formulated by the University of Edinburgh and the Economic Social Research Council to ensure that the study was conducted in an ethical manner. Therefore, the participants were thoroughly informed about the purpose, objectives, and time frame of the research. All participants were also given the opportunity to retract their participation at any time. All participants were assured that the information provided remains confidential and was solely for the purpose of the study and the researchers use. The researcher did not have to sign a consent form but this was done verbally and the researcher relied on own personal judgment on any ethical issues (Wright, 1994), based on the researcher's understanding of both cultures in Germany and Britain.

The participants all requested to remain anonymous in the study and that neither the participant nor the company should be identifiable. The researcher acknowledged and respected these requests and sought to achieve a balance of meaningful research and data presented, whilst preserving the anonymity of the firms (McGaughey, 2004).

Therefore, the researcher avoided Bryman and Bell's (2007) unethical behaviour categories, which include harming the participant, lack of informed consent, invasion of privacy and deception.

3.9 Research limitations

A robust research methodology should always acknowledge the limitations of the study. The qualitative research design of this study was appropriate for the research objectives. However, the findings should be further tested quantitatively to verify these in other country contexts, and should also be tested on considerably smaller and much larger businesses, and possibly in one specific industry. Further, this study deployed structured and semi-structured interviews and there is always the danger that the data collected has not been exploited to its full extent. Although the study of 30 firms allows for multiple replications, the researcher is aware that the findings are not representative across all firms, as they were also chosen by purposeful sampling. Also, as all 30 cases from Germany and Britain produced a large/extensive data set, it was important to keep a balance between depth and breadth.

3.10 The pilot case study

After designing all research questions of the interview guide, it is advised to pre-test these in a pilot study (Ghauri and Grønhaug, 2010). This reveals whether the interviewees understand the research problem and whether the questions asked lead to sufficient answers. It further allows refining the data collection plan in relation to its content and procedures (Yin, 2009) and enables the verification of the interview guide. Most importantly, a pilot study shows whether the research instrument as whole functions (Bryman and Bell, 2007).

Yin (2009) recommends adopting a pilot study and highlights that it offers a broad view of the research topic and is a methodological supplement. The pilot case study was chosen because of an 'extra' respondent from Germany (Germany 16 versus Britain 15, see section 3.4.4). Through the inclusion of the pilot study this research could then be conducted on an equal number of cases from both countries hence, 15 cases from Germany and 15 from Britain. The pilot case was selected randomly out of

all 16 German cases. In return, the respondent of the pilot case (PilotGer) received a full feedback of the study, as suggested by Yin (2009).

The pilot case study was conducted with a German world market leader in health products. PilotGer is a private and family-owned leading supplier established in 1886 and was therefore categorised as an enduring GHCI. At the time of the interview, PilotGer had established numerous foreign subsidiaries in both regional and global markets selling their 8,500 products in over 130 countries and achieving revenues of less than €100 million (for further detail see Table 12). The interview was conducted with the current CEO of the company and lasted approximately 2 hours. The interview process covered all questions relevant to the research topic, which was remarkably similar to the interview guide in Appendix 4, although the changes based on the pilot study are presented in section 3.11.

3.10.1 Data analysis: Internationalisation path of PilotGer

The internationalisation analysis on PilotGer suggests that this firm was a BAG-type internationaliser, as this firm reached a deviance score of 4 out of 18, which is considered a fairly high compliance (see Table 21). The analysis unveiled that PilotGer deviates considerably from BG behaviour (deviance score 10 out of 18) but corresponds slightly closer to concepts of traditional internationalisation (deviance score 8 out of 18). The respondent's comprehensive narrative story on the company's internationalisation history revealed that a change in management triggered the firm's international activity, which is consistent with Bell et al.'s (2001) list of critical incidents. The identification of this critical incident justifies the inclusion of unstructured open-ended questions, as it allowed room for the respondent to mention a specific event in time, which would have not been possible with structured questions.

The more specific questions on the market entry mode choices soon revealed that the firm followed a similar sequence to the establishment chain and experiential learning, as proposed by the Uppsala Model, as such confirming the higher compliance score to traditional internationalisation (see Table 21). This was verified by the following quote, reconstructed from the notes taken by the researcher during the interview process as this interview was not recorded:

“We start with exports and soon try to find a sales agent abroad. If we don’t, we would try to send one of our own sales representatives over. Only then we can hope to build a subsidiary abroad but only if the market is profitable.” (Interviewee of PilotGer, BAG)

PilotGer mainly internationalised through exports and sales representatives but also highlighted the importance of direct presence through FDI. All entry modes allowed for a high degree of control, such as direct exports, sales agents and greenfield sites. FDI was predominantly established in neighbouring European countries when compared with global markets. More specifically, PilotGer targeted mainly neighbouring markets first and gradually increased its activity further afield, resembling the Uppsala Model’s psychic distance concept (also see compliance to psychic distance in Table 21).

Table 21 Internationalisation analysis of PilotGer

Pilot study	C1	C2	C3	C4	C5	C6	C7	C8	C9	Deviance Scores	Compliance
	<i>Domestic focus for 10 years</i>	<i>Entry one market at a time</i>	<i>Establishment chain</i>	<i>Psychic distance</i>	<i>Experiential learning</i>	<i>Rapid internationalisation</i>	<i>Critical Incident</i>	<i>Foreign sales over 25%</i>	<i>Export outside EU</i>		
<i>PilotGer</i>	2	0	1	1	1	2	1	0	0		
TRADs	0	2	1	1	1	2	1	0	0	8.00	Medium
BAGs	0	0	1	1	1	0	1	0	0	4.00	High
BGs	2	0	1	1	1	0	1	2	2	10.00	Medium

(Source: Author)

The ‘internationalisation analysis’ technique proved valuable to identify the exact internationalisation path and associated behaviour of PilotGer. As expected, the scoring technique allowed for the identification of the firm as one specific internationalisation variant (BAG), but also revealed overlaps with other concepts of internationalisation (Uppsala Model’s psychic distance, establishment chain and experiential learning). PilotGer complied more closely with BAG predictions than those of traditional internationalisers, clearly classifying it as a BAG with some of the Uppsala Model’s traits. The findings were verified and further supported by specific quotes.

The pilot study fulfilled its objective of identifying the internationalisation path and market entry modes choices of a firm in a comprehensive and transparent manner. It further demonstrated that the answers could lead to sufficient data, which allows analysing a case in relation to the conceptual framework and the questions of internationalisation and market entry modes.

3.10.2 Data analysis: HC Model and competitive advantages of PilotGer

Furthermore, PilotGer’s executive ranked the importance of all HC Model traits, as shown in Table 22. The findings showed a remarkable high compliance with the HC Model (compliance score of 1.63). The most compliant traits were ‘leadership with ambitious goals’; ‘innovation’; ‘globalisation’, and ‘depth’. The traits ‘closeness to customer’; ‘focus’; ‘high-performance employees’, and particularly ‘decentralisation’ were more deviating traits.

Table 22 Deviance of PilotGer from the HC Model traits

HC Model traits	Scores
Leadership with ambitious goals	1
Decentralisation	3
High performance employees	2
Depth	1
Focus	2
Closeness to customer	2
Innovation	1
Globalisation	1
Average	1.63
Standard deviation	0.94

(Source: Author)

PilotGer's executive highlighted that their business was far more centralised, justifying the deviance from the 'decentralisation' trait. Further, their executive highlighted that their 'focus' was not too tightly confined to their niche but they were also looking into other markets. Further, the executive stressed that their business was not seeking to employ 'high performance' employees but aimed for hard working ones. The relationship to their customers emerged as crucial but when compared to other traits ranked slightly lower.

However, the respondent was first asked to describe their firm's competitive advantages and it was emphasised that their history and values played a vital role. Only then the researcher asked how their company related to the HC Model traits, which showed a remarkable overlap with the entire HC Model. However, some traits were much less emphasised, including 'decentralisation' and 'focus.' Additionally, the respondent criticised the term 'high performance employees' being not reflective on their workforce and 'closeness to customer' being less crucial when compared to other traits, such as of 'leadership with ambitious goals'; 'innovation'; 'globalisation' and 'depth'.

The pilot study conducted was of great value for the researcher. PilotGer is categorised as a BAG-type internationaliser with considerable overlap with the concepts of the Uppsala Model (i.e. establishment chain, experiential learning, and psychic distance). This was only identified systematically due to the internationalisation analysis, which has been verified to allow a comprehensive analysis. Furthermore, the sequence of questions in regard to competitive advantages discovered that PilotGer considers their company's history and values as key competitive advantages alongside the majority of HC Model traits, although deviating from the 'decentralisation' trait as well as the 'focus' trait. As such, the HC Model appears very compatible with the underlying competitive advantages of PilotGer but requires some additional advantages, such as 'history' and 'values.'

3.11 Alterations to the interview guide

As a result of undertaking the pilot study, one question changed and one question was added to the final interview guide and there was a slight change in the sequence. The corrections of the interview protocol are shown in Table 23.

Table 23 Interview guide changes

Pilot study question	Final question	Reason
What internationalisation experiences can you share?	What lessons can you share from your own company’s experiences of going international? (e.g. particular problems)	Original question encouraged a very broad response. The final question was poised in a manner to encourage the respondent to focus on key events.
Excluded	What is your company’s history?	It was interesting for this research to have the respondent tell their first internationalisation activity as a narrative story without focusing too much on exact dates.

(Source: Author)

The changes in Table 23 were mainly done to encourage respondents to give more insight with respect to their internationalisation through more open-ended questions. The inclusion of the new question emerged due to the company’s complex and enduring history. The respondent highlighted that it was important to understand how the company engaged in internationalisation, and therefore gave more insight on what enabled the firm’s internationalisation. Although this was not the main focus of this study, the story telling revealed interesting events in the company’s history.

Furthermore, the sequence of questions changed. The initial interview guide asked the respondent about market share, then their internationalisation behaviour and then about their competition. However, through the pilot case study it became evident that when talking about market share the respondent immediately talked about competing firms in the market, and therefore the set of questions in regard to competition were moved forward, as now seen in the final interview guide in Appendix 4.

The pilot study was valuable in two ways. Firstly, the interview allowed the researcher to see how well the questions were perceived by the participant. The initial questions were changed to more open-ended questions and another question was included. The pilot study overall allowed the initial interview guide to be tested and modified where

necessary. This provided the researcher with confidence and experience when going into the field to collect further data.

3.12 Chapter summary

Overall, this chapter presents the purpose, research questions and research methodology of this study, followed by the research philosophy and approach. Further, the research design of using case studies and the associated tools of interviews and documentation is outlined and the role of the researcher is explained. Subsequently, the framework of the analysis used for the data collection is explained and the research method briefly summarised in Table 24. Furthermore, the chapter included the research credibility, ethical issues and research limitations. Finally, the pilot study conducted and the alterations made based on this is illustrated. In relation to the conceptual framework (see Figure 3), the subsequent chapter presents the findings of this empirical investigation.

Table 24 Summary of research methods used in this study

Paradigm	Post-positivist
Research philosophy and approach	Critical realist Qualitative approach Abductive approach
Research design	Multiple case study design with one unit of analysis (firm)
Data collection	Triangulation of interviews and documentation Interviews with executives and senior management Documentation (company website, financial reports, Market Share Reporter, Thomson One Banker, competitor analysis, market reports)
Data analysis	Within case analysis Cross-case analysis

(Source: Author)

Chapter Four

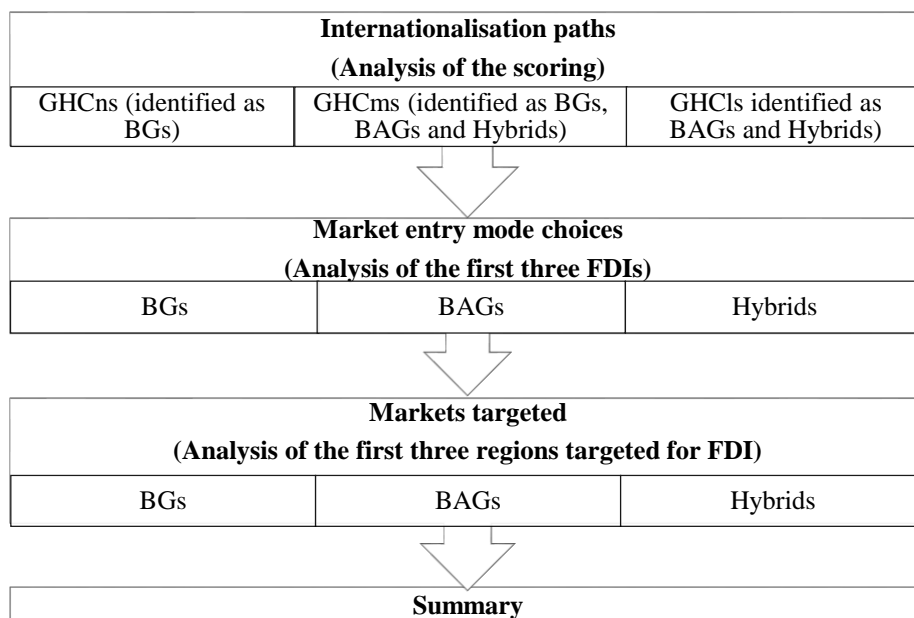
Findings on the internationalisation paths of GHCs

“In today’s world it is not hard to sell a product to another country; it is much harder to sustainably serve a market.” (Interviewee of GerN2)

The first analysis focused on the internationalisation paths of all 30 GHCs from Germany and Britain, which were analysed and discussed separately, starting with the findings for all newly established GHCs (GHCns), followed by a discussion of all medium-lived-GHCs (GHCms) and, finally, all long-lived GHCs (GHCls). Every GHC in each establishment category was analysed individually to identify the exact internationalisation path pursued. As mentioned in the methodology, the analysis adopted enabled a systematic analysis and categorisation of all cases from two countries, as either traditional internationalisers (TRADs), Born-Again Globals (BAGs), or Born Globals (BGs) and further revealed another ‘Hybrid’ internationalisation path. The results of the analysis were supported by relevant key quotes from German and British executives and demonstrated distinct similarities and differences between the countries and across the different establishment categories of GHCns, GHCms, and GHCls. The overall findings in relation to the internationalisation paths of all 30 GHCs from both countries were summarised at the end of the section.

The market entry mode choices of all GHCs were also analysed, focusing more specifically on the beginnings of internationalisation, including a full analysis of the first three FDI commitments. This section was structured somewhat differently, as it discussed the market entry mode choices of all those GHCs pursuing the same internationalisation path, therefore discussing all GHCs grouped as BGs, BAGs and a newly uncovered internationalisation path of ‘Hybrid’ internationalisers. The key similarities and differences between GHCs from both country contexts were also supported by relevant quotes made by key executives from Germany and Britain. Further, the first three markets targeted with FDI of all GHCs were analysed in accordance with their internationalisation paths pursued. Figure 6 gives an overview of this findings section.

Figure 6 Section overview of the internationalisation paths



(Source: Author)

In order to achieve a more fine-grained analysis, the internationalisation paths are first analysed in accordance to all three establishment categories (GHCns, GHCms, and GHCls). Afterwards overall patterns will be summarised.

4.1 Internationalisation paths of GHCns

This section identified the internationalisation paths pursued by all newly emerging GHCns in Germany and Britain, established between 1970 and 2007. The internationalisation analysis presented in the methodology and previously used in the pilot study corroborates nine specific criteria of three theories; traditional internationalisation, BGs and BAGs. Each GHCs has been individually compared to all those criteria to find the most suitable categorisation, whilst also allowing the emergence of overlapping criteria to other theories. Therefore a firm can comply to or deviate from certain definitions of all three theories of internationalisation.

According to the internationalisation analysis, the average GHCn was remarkably close to the internationalisation behaviour of BGs (average deviance of 1.63), as demonstrated in Table 25. German GHCns, however, complied over three times more closely with BG definitions when compared with their British equivalents (0.67 versus 2.20).

Hence, the deviance scores showed limited compatibility of GHCNs with the alternative paths of BAGs (average deviance of 9.63), which was even greater for British GHCNs when compared with their German contingents (10.20 versus 8.67). Similarly, GHCNs also demonstrated a significant departure from TRAD behaviour (average deviance of 14.38), which was slightly greater for German GHCNs than for those in Britain (15.33 versus 13.80). The deviance scores therefore clearly classified all GHCNs from both countries as radical BG internationalisers.

Table 25 Internationalisation analysis of GHCNs³⁹

GHCNs	TRADs deviance	BAGs deviance	BGs deviance	Strategy classification
GerN1	15	9	1	BG
GerN2	16	8	0	BG
GerN3	15	9	1	BG
BritN1	13	11	3	BG
BritN2	16	8	0	BG
BritN3	13	11	3	BG
BritN4	13	11	3	BG
BritN5	14	10	2	BG
<i>Overall average score</i>	14.38	9.63	1.63	
<i>Average score Germany</i>	15.33	8.67	0.67	
<i>Average score Britain</i>	13.80	10.20	2.20	

(Source: Author)

Supporting these deviance scores there was clear evidence of remarkably proactive international activity, beyond that associated to the Uppsala Model. Executives from both countries stressed their firm's early proactive international activity. GerN3's executive commented on this as follows (also see BritN2's statement in Table 26):

“We started our business in 1973 and we operated domestically for about a year. In 1974, we then got our first international orders and started exporting heavily all over the world.” (Interviewee of GerN3, BG)

Executives further highlighted how their firm's global proactive behaviour allowed them to attain significant sales in foreign markets, which often exceeded their domestic sales and is a trait common to BGs only, but not TRADs and BAGs. BritN3's executive

³⁹ Deviance scores from 0-5 indicates a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 7.

mentioned that their sales were mainly generated internationally (which was similarly stressed by GerN1's statement found in Table 26):

"We have only been established a few years but we generate 99% of our sales outside of Britain. It would be 100% but we sold one product in Britain."
(Interviewee of BritN3, BG)

Hence, key executives stressed their significant departure from the traditional Uppsala Model. BritN2's executive, for example, highlighted how they often bypassed and even leap-frogged the Uppsala Model's establishment chain, moving from direct exports directly to a foreign manufacturing subsidiary:

"We saw a market in America, so we started with direct exporting and the market started growing and growing. We then established a factory in America and started to produce our products there." (Interviewee of BritN2, BG)

Nonetheless, GHCNs in Britain complied more closely with TRAD behaviour than those identified in Germany (13.80 versus 15.33). The majority of British BGs (4 out of 5) were observed to comply closely with the Uppsala Model's establishment chain and its associated concept of experiential learning. The following statement further accentuates this gradual internationalisation behaviour, in particularly highlighting how British BGs increased their knowledge about foreign markets from each market entry (also see GerN2's statement in Table 26):

"We use direct exports but we also have a network of distributors in the world and different countries, which is the main way that we sell our products. If we then see one of these emerging markets growing fast, we are looking at a more office based option." (Interviewee of BritN5, BG)

In summary, German and British GHCNs were classified as BG-type internationalisers. However, German GHCNs complied much closer with the 'pure' BG definition than those identified in Britain. British GHCNs were slightly closer to the more gradual approaches proposed by the Uppsala Model framework (i.e. experiential learning and the establishment chain) than their German equivalents. Nonetheless, GHCNs demonstrated significant departures from both BAG and TRAD definitions and the overall high compliance of all GHCNs to BG behaviour necessitated no further categorisations. Further quotes made by executives on BG paths are summarised in Table 26.

Table 26 Additional quotes by GHCn executives on BG paths

Additional quotes by BG executives	
Germany	<p><i>"I think that the numbers speak for themselves. We have 5% domestic sales and 95% foreign sales, so I think we are doing quite well." (Interviewee of GerN1, BG)</i></p> <p><i>"We always see what the demand is in a specific market and use exports and sales distributors at first. If this turns out to be a lucrative opportunity we think about buying our distributor or setting up our own offices." (Interviewee of GerN2, BG)</i></p>
Britain	<p><i>"We started exporting in the first three to four years. As soon as we see there is a market, we have a strong interest in getting involved." (Interviewee of BritN2, BG)</i></p>

(Source: Author)

4.2 Internationalisation paths of GHCms

This section identified the internationalisation paths of medium-lived GHCms. The deviance scores demonstrated that GHCms, established between 1930 and 1970 pursued a mixture of more than one internationalisation path (see Table 27). Unlike the findings of GHCns, the GHCms analysis identified that these pursued the paths of BGs and BAGs but also a hybrid internationalisation path was uncovered.

The average German and British GHCm departed considerably from TRAD criteria (average deviance of 11.78), although German GHCms deviated slightly more than those in Britain (12.25 versus 11.40). Nonetheless, the significant departures implied that all GHCms could not be identified as 'pure' traditional internationalising firms.

Table 27 Internationalisation analysis of GHCms⁴⁰

GHCms	TRADs deviance	BAGs deviance	BGs deviance	Strategy classification
GerM1	8	8	10	Hybrid
GerM2	16	8	0	BG
GerM3	16	8	0	BG
GerM4	9	3	11	BAG
BritM1	10	2	10	BAG
BritM2	13	11	3	BG
BritM3	14	10	2	BG
BritM4	16	8	0	BG
BritM5	6	6	12	Hybrid
<i>Overall average score</i>	11.78	6.86	5.56	
<i>Average score Germany</i>	12.25	6.75	5.25	
<i>Average score Britain</i>	11.40	7.00	5.80	

(Source: Author)

⁴⁰ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 8.

For the first time, findings demonstrated a much greater compliance with BAG paths (average deviance of 6.86), which was similar for GHCms in Germany and Britain (6.75 versus 7.00). Upon closer inspection, 22% were considerably closer to BAG definitions, allowing to classify 2 out of 9 GHCms as BAG-type internationalisers, one found in each country.

The majority of GHCms, however, complied closest with the definitions of BGs (average deviance of 5.56). Again, German GHCms complied slightly closer with BG definitions when compared with their British counterparts (5.25 versus 5.80). Hence, findings showed that 5 out of 9 GHCms complied most closely with the criteria of BGs, and as a result 56% of the GHCms were classified as radical BG-type internationalisers, two from Germany and three from Britain.

Unexpectedly, the internationalisation analysis identified 2 out of 9 GHCms, one from each country, complying equally with BAG and TRAD definitions. Therefore, 22% of GHCms pursued an alternative but very similar path and from now on will be referred to as the 'Hybrid' internationalisation variant.

In summary, 56% of the GHCms were identified as BGs, 22% as BAGs and a further 22% as Hybrid internationalisers, which pursued an unclassified mix between BAG and TRAD paths. The country comparison suggests that two German and three British GHCms chose BG paths, one German and one British GHCm chose BAG paths, and one German and one British GHCm followed a Hybrid path of internationalisation. These paths will be discussed in greater detail in the subsequent section.

4.2.1 GHCms classified as BGs

The analysis identified that the majority of GHCms conformed most closely to BG criteria (see Table 27). Table 28 focuses on GHCms identified as BGs and shows that, on average, BGs significantly departed from TRAD criteria (average deviance of 15.00), but also showed limited conformance with BAG definitions (average deviance of 9.00). Hence, 5 out of 9 GHCms were clearly classified as BGs, as two German and three British GHCms together reached a remarkably high compliance score of 1.00 for BG criteria. In accordance to the criteria set in this analysis, a total of 56% of the

GHCms pursued an accelerated internationalisation close to inception, whilst attaining 25% of foreign sales outside Europe.

Table 28 Internationalisation analysis of GHCms identified as BGs⁴¹

GHCms BGs	TRADs deviance	BAGs deviance	BGs deviance	Strategy classification
GerM2	16	8	0	BG
GerM3	16	8	0	BG
BritM2	13	11	3	BG
BritM3	14	10	2	BG
BritM4	16	8	0	BG
<i>Overall average score</i>	15.00	9.00	1.00	
<i>Average score Germany</i>	16.00	8.00	0.00	
<i>Average score Britain</i>	14.00	10.00	2.00	

(Source: Author)

Executives interviewed stressed their proactive internationalisation soon after inception, which is exemplified by the statements of BritM4’s and GerM3’s executives (also see GerM2’s and BritM4’s statement in Table 29).

“After only a couple of years we started to internationalise using exports and we went straight for America.” (Interviewee of BritM4, BG)

“We internationalised very fast after we established. We reached out to anyone who was interested in our product. Soon we sold more products worldwide than we did here in Germany.” (Interviewee of GerM3, BG)

The internationalisation analysis demonstrated that British BGs departed slightly more from the ‘pure’ BG definitions, whereas the German equivalents demonstrated full compliance with the whole set of BG criteria (2.00 versus 0.00). Upon closer inspection, British BGs demonstrated a slightly higher conformance to TRAD criteria when compared with their German equivalents (14.00 versus 16.00). Indeed, executives stressed their more traditional international development similar to the Uppsala Model’s establishment chain and the concept of experiential learning , exemplified by BritM3’s executive as follows (also see BritM2’s statement in Table 29):

⁴¹ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 8.

“We don’t follow specific rules when we internationalise but we usually start with export and then wait to see if it is worth committing more to the market. Sometimes we have local sales distributors in all main markets that we supply. Sometimes we try to buy them, if that doesn’t work we terminate their partnership and we send over our own people to establish an office.” (Interviewee of BritM3, BG)

In summary, two German and three British GHCms pursued a BG path. However, British BGs also appeared to internationalise in accordance to the Uppsala Model’s establishment chain and experiential leaning concept, whilst their German equivalents resembled a ‘pure’ BG behaviour when moving abroad. Nevertheless, these five GHCms departed significantly from both BAG and TRAD definitions and were clearly classified as BG-type internationalisers. The following table summarises further key quotes by executives on their BG behaviour.

Table 29 Additional quotes by GHCm executives on BG paths

Additional quotes by BG executives	
Germany	<i>“We moved very fast once we had our product” (Interviewee of GerM2, BG)</i>
Britain	<i>“Depending on the market the typical process is to have a distributor in a country and at a certain point we then reach a critical mass or volume of business and then we will negotiate with the distributor to take the territory direct. So we then either terminate the relationship or buy them out and then buy back the territory. We then go in by putting in our own sales people and sales offices. Sometimes we excel through this process.” (Interviewee of BritM2, BG)</i> <i>“Sometimes we jump directly from direct sales or from distribution to a trading company abroad.” (Interviewee of BritM4, BG)</i>

(Source: Author)

4.2.2 GHCms classified as BAGs

The analysis in Table 27 showed that 22% of GHCms conformed closest to BAG criteria, with one identified in each country. The analysis in Table 30 clearly identified both GHCms as BAG internationalisers (average deviance of BAGs 2.50), as these demonstrated a remarkable departure from TRAD (average deviance of 9.50), and BG definitions (average deviance of 10.50). However, the British BAG conformed even more closely with the ‘pure’ definitions when compared with its German contingent (2.00 versus 3.00).

Table 30 Internationalisation analysis of GHCms identified as BAGs⁴²

GHCms BAGs	TRADs deviance	BAGs deviance	BGs deviance	Strategy classification
GerM4	9	3	11	BAG
BritM1	10	2	10	BAG
<i>Overall average score</i>	9.50	2.50	10.50	
<i>Average score Germany</i>	9.00	3.00	11.00	
<i>Average score Britain</i>	10.00	2.00	10.00	

(Source: Author)

Findings demonstrated that both BAGs focused domestically for least 10 years and then pursued a belated but rapid internationalisation triggered by a critical event. However, the exact event, which led to their belated accelerated internationalisation was remarkably different for BAGs in both countries. GerM4’s product innovation and technological advances ultimately sparked rapid internationalisation and their managing director recalls:

“It is all down to the product evolution and the innovation behind it. It determines the next generation of our products and we then ask ourselves what else we can do with it? We then find that we can apply this to a new growth market and we then tackle that new market domestically but also internationally.” (Interviewee of GerM4, BAG)

In comparison, BritM1’s management buy-out and change in management, which was closely followed by the stock market launch of their business, motivated their first international activity. Their current managing director recalls:

“Generally, we focused domestically until the ‘90s and then after our management buy-out and IPO we decided to broaden our footprint. To date, the UK business accounts for 10% of the global turnover so we are now 90% internationalised.” (Interviewee of BritM1, BAG)

In summary, 2 out of 9 GHCms were classified as BAG-type internationalisers and demonstrated a significant departure from BG and TRAD criteria. The country comparison, however, highlighted that their initiating critical event differed, as the British BAG was motivated by managerial change, whereas the German BAG was motivated by technology innovation.

⁴² Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 8.

4.2.3 GHCms classified as Hybrids

The internationalisation analysis of GHCms identified 22% pursuing an unexpected Hybrid path, as GerM1 and BritM5 equally complied with BAG and TRAD criteria (see Table 27). Looking at both GHCms individually in Table 31, the British Hybrid was slightly closer to the TRAD and BAG definitions when compared with its German equivalent (6.00 for TRADs/BAGs versus 8.00 for TRADs/BAGs). Therefore, both GHCms pursued a unique path but departed significantly from BG criteria (Germany 10.00 and Britain 12.00)⁴³.

Table 31 Internationalisation analysis of GHCms identified as Hybrids⁴⁴

GHCms Hybrids	TRADs deviance	BAGs deviance	BGs deviance	Strategy classification
GerM1	8	8	10	Hybrid
BritM5	6	6	12	Hybrid
<i>Overall average score</i>	7.00	7.00	11.00	
<i>Average score Germany</i>	8.00	8.00	10.00	
<i>Average score Britain</i>	6.00	6.00	12.00	

(Source: Author)

Closer inspection of their internationalisation histories showed that both Hybrids began internationalisation in a more sporadic manner, resembling the behaviour of TRADs. However, both Hybrids departed from TRAD definitions when they encountered a critical event. Through this critical event both Hybrids revisited their internationalisation but in a much more radical and dedicated manner than before. This sudden change in internationalisation behaviour, in response to a critical event, is closer to the predictions of BAGs and their critical incidents (Bell et al., 2001). This strategic shift from gradual to a more ad-hoc internationalisation therefore, justifies the equal compliance to TRAD and BAG criteria. Hybrids clearly differ from BAGs behaviour, as the critical event did not spark their first internationalisation but instead triggered Hybrids to embark on a more accelerated but continuous route of international activity.

⁴³ GerM1 complied more closely with BG criteria when compared to its British equivalent as this company internationalised at inception but demonstrated no further overlapping traits with BGs.

⁴⁴ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 8.

Both executives commented on the way they conformed with the Uppsala Model's concepts of experiential learning and the establishment chain as follows:

“We successively enter new markets. Usually we have a sales team locally. If it turns out that the market is profitable and the volume of orders are feasible then we also decide to open up production facilities in that market.” (Interviewee of GerM1, BAG)

“The owner of the company had done all the selling in a sporadic type. He exported but also used sales agents in specific markets, like in Taiwan.” (Interviewee of BritM5, BAG)

After their first sporadic internationalisation activity, both Hybrids encountered a critical event, which leveraged their more accelerated international activity. However, both Hybrids revisited their internationalisation for remarkably different reasons. GerM1 rapidly internationalised due to their successful new product development alongside the economic boom in the 1950s. Their company history highlights how their new innovation leveraged international activities to multiple markets, such as the USA and Japan.

In contrast, BritM5's slow internationalisation remained sporadic for nearly 50 years until a change in management motivated their radical approach to internationalisation. This managerial change not only leveraged their sales into emerging economies, but also led to the company's market leading position. BritM5's CEO recalls this as follows:

“When I joined the company I talked to our Taiwanese sales agent and I told him that I think we can sell 20 of our machines in China, and he laughed at me. Since I started in the business, we grew massively and China accounts for 60%-70% of our sales. For the first time in our company's history we are market leading, and it comes down to the efforts of myself but also the owner of the company.” (Interviewee of BritM5, BAG)

In summary, the analysis identified 22% of GHCms as a new Hybrid internationalisation variant. Both German and British GHCms equally complied with TRAD and BAG criteria, but departed significantly from BG definitions. These Hybrid cases were found to both pursue a sporadic internationalisation initially, but internationalised in a more accelerated manner after a critical event. However, the German Hybrid increased their internationalisation efforts as a result of technological advances, whereas the British Hybrids change in management led to a radical shift in their internationalisation strategy, which was similar to the events found for BAGs.

4.2.4 Summary of the internationalisation paths of GHCms

The analysis of GHCms internationalisation paths illustrated an unexpected mix of routes pursued. 56% of GHCms complied most closely with the BG criteria but British BGs demonstrated a slightly higher compliance with the Uppsala Model's establishment chain and experiential learning concept when compared with those in Germany. A further 22% complied closely with the paths of BAGs, although the German BAG started internationalisation due to technological advances and the British due to managerial change. The remaining 22% pursued a surprising hybrid path of both TRAD and BAG behaviour. These cases were termed as 'Hybrids' and began with sporadic export activity, relating closely to TRAD criteria but departed from this approach after a critical event. In response, both Hybrids then shifted their internationalisation strategy to a more accelerated but continuous one, which was closer to BAG predictions. Hybrids differ from BAGs as these were fairly internationalised before encountering a critical event, which accelerated their existing efforts. The German Hybrid shifted their internationalisation in response to technological advances, whereas their British counterparts did so as a result of a change in management, which was similar to the events of BAGs.

4.3 Internationalisation paths of GHCI

The internationalisation analysis of eight German and five British long-lived GHCI demonstrated a mix of 30% which complied to BAG predictions and 70% equally complied with both TRAD and BAG criteria hence, pursuing a 'Hybrid' path (see Table 32).

Table 32 Internationalisation analysis of GHClS⁴⁵

GHClS	TRADs Deviance	BAGs deviance	BGs Deviance	Strategy classification
GerL1	8	8	10	Hybrid
GerL2	6	6	12	Hybrid
GerL3	6	6	14	Hybrid
GerL4	6	6	12	Hybrid
GerL5	6	6	12	Hybrid
GerL6	6	6	12	Hybrid
GerL7	6	6	12	Hybrid
GerL8	8	4	10	BAG
BritL1	7	5	11	BAG
BritL2	6	6	14	Hybrid
BritL3	9	3	11	BAG
BritL4	9	3	11	BAG
BritL5	6	6	14	Hybrid
<i>Overall average score</i>	6.85	5.46	11.92	
<i>Average score Germany</i>	6.50	6.00	11.75	
<i>Average score Britain</i>	7.40	4.60	12.20	

(Source Author)

Findings of GHClS for the first time departed significantly from BG internationalisation paths (overall average deviance score 11.92), which was similar for GHClS in Britain and Germany (11.75 versus 12.20). Hence, GHClS, established before 1930 were the only group in this study demonstrating no compliance to the proactive BG paths.

Instead, 4 out of 13 conformed closely to the belated internationalisation paths of BAGs (overall average deviance score 5.46). The country comparison showed that far more BAGs were identified in Britain when compared to Germany (3 versus 1) whereby the British were even closer to BAG definitions than their German equivalent (4.60 versus 6.00).

The average GHCl demonstrated a remarkable high compliance to TRAD criteria (overall average deviance 6.85), although German GHClS were even closer to the Uppsala Model's predictions when compared with their British equivalents (6.50 versus 7.40). Nevertheless, none of the GHClS complied fully with the 'pure' TRAD

⁴⁵ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 9.

definitions and hence, not one single GHCI was classified as a traditional internationaliser. Instead, 70% followed a hybrid internationalisation path, as these complied equally with both BAG and TRAD criteria. As such, the vast majority of GHCI (9 out of 13) followed paths remarkably similar to the previously described Hybrid internationalisation variant in the GHCms category. These paths will be discussed in further detail in the subsequent sections.

4.3.1 GHCI classified as BAGs

Findings in Table 32 showed that 30% of GHCI were classified as BAGs, although far more cases were identified in Britain when compared with Germany (3 versus 1). Table 33 highlights that the German and British case were both similarly close to BAG definitions (Germany 4.00 and Britain 3.67). Hence, these four BAGs significantly departed from the predictions of BGs (average deviance of 10.75) and TRADs (average deviance of 8.25).

Table 33 Internationalisation analysis of GHCI identified as BAGs⁴⁶

GHCI BAGs	TRADs Deviance	BAGs deviance	BGs Deviance	Strategy classification
GerL8	8	4	10	BAG
BritL1	7	5	11	BAG
BritL3	9	3	11	BAG
BritL4	9	3	11	BAG
<i>Overall average score</i>	8.25	3.75	10.75	
<i>Average score Germany</i>	8.00	4.00	10.00	
<i>Average score Britain</i>	8.33	3.67	11.00	

(Source: Author)

The internationalisation histories of all BAGs showed that these focused on their domestic market initially but, after encountering a critical event, embarked on more accelerated routes of internationalisation. German and British BAGs were, however, triggered by significantly different events. British BAGs shifted all in response to managerial changes. BritL3, for example, started off as a highly diversified company but after a change in management the firm decided to re-focus on their core activities,

⁴⁶ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 9.

leading to their first international involvement. Their current CEO recalls this as follows:

“When our business was established over 100 years ago it diversified ending up with quite a lot of unattractive businesses. The business then spun-out from a larger multinational and went public. That’s when the management team decided to adapt the strategy of focusing on niche firms and then made a string of international acquisitions.” (Interviewee of BritL3, BAG)

The underlying motivation for BritL4 to go international was even more drastic, as their new management decided to shift the company’s focus from manufacturing to services, and their current CEO explains this transition as follows:

“A brief history of our business; the company was founded by a manufacturing chap and he acquired a domestic company which coincidentally happened to have a service shop in it. The next chairman realised the immense potential of this service, unlike what he had ever seen before in his career. He then decided to sell off the manufacturing business and focus entirely on building the service part of the business and then he started with a series of international acquisitions.” (Interviewee BritL4, BAG)

BritL1 also internationalised due to managerial change, as the new management team recognised the potential of the oil discovery in the North Sea and decided to shift their product range to serve the oil industry, which triggered their international expansion.

In contrast, the German BAG was primarily motivated to internationalise due to their technological innovation and advances. The internationalisation of GerL8 was induced by a decisive new technology, which revolutionised the industry and their CEO recalls this critical event as follows:

“My father decided he wanted to make something big out of our company. When he visited the USA he came back with a prototype machine, which was still in its experimental phase. It was a massive risk back then but he was also aware that this technology was totally new to the German market and could be a real game changer. He was willing to take the chance and this technology was the real beginning of our company.” (Interviewee of GerL8, BAG)

In summary, 30% of GHCLs were categorised as BAG-type internationalisers and thus, demonstrated significant departures from TRAD and BG definitions. However, the critical events leading to internationalisation were significantly different for British and German BAGs. The British BAGs all internationalised based on managerial changes, whereas the one German BAG was motivated by technological advances, similarly found for BAGs in the GHCms category.

4.3.2 GHCLs classified as Hybrids

Unexpectedly, 70% of all GHCLs pursued a hybrid internationalisation strategy and complied closely with both BAG and TRAD criteria (see Table 32). Therefore, 9 out of 13 GHCLs internationalised sporadically at first, similar to TRAD criteria, but then accelerated their internationalisation after a critical event corresponding closely to BAG behaviour. The distinctive difference was that these firms continuously internationalised before and after the critical event, which differs from the criteria for BAGs. Hence, the identified hybrid path was the same as that identified in the GHCLs category and is therefore also here labelled as the ‘Hybrid’ internationalisation variant.

The country comparison identified far more Hybrid internationalisers in Germany than in Britain (7 versus 2). British Hybrids, like the Hybrids identified in the GHCLs category conformed, however, slightly closer to TRAD and BAG definitions than those in Germany (6.00 versus 6.29). The reason for this slight departure was due to GerL1, which also conformed slightly closer to BG criteria when compared other Hybrid internationalisers. GerL1 started sporadic internationalisation at inception, which is close to BG definitions, but findings suggested that apart from this early internationalisation behaviour, GerL1 shared no other distinctive BG traits.

Table 34 Internationalisation analysis of GHCLs identified as Hybrids⁴⁷

GHCLs Hybrids	TRADs Deviance	BAGs deviance	BGs Deviance	Strategy classification
GerL1	8	8	10	Hybrid
GerL2	6	6	12	Hybrid
GerL3	6	6	14	Hybrid
GerL4	6	6	12	Hybrid
GerL5	6	6	12	Hybrid
GerL6	6	6	12	Hybrid
GerL7	6	6	12	Hybrid
BritL2	6	6	14	Hybrid
BritL5	6	6	14	Hybrid
<i>Overall average score</i>	6.22	6.22	12.44	
<i>Average score Germany</i>	6.29	6.29	11.00	
<i>Average score Britain</i>	6.00	6.00	14.00	

(Source: Author)

⁴⁷ Deviance scores from 0-5 indicate a high compliance, 6-11 a medium compliance, and 12-18 a low compliance. Details of the scoring can be found in Appendix 9.

Key executives interviewed, who all stressed their initial gradual approach to internationalisation closely conforming to the Uppsala Model's establishment chain and experiential learning concepts. BritL2's executive, for example, emphasised their company's initial gradual internationalisation activity as follows (also see BritL5's statements in Table 35):

“We are exporting all the time in a very global way. Markets with high demands then require additionally support locally and we would go and establish direct presence and others need to be targeted more aggressively. Eventually we would then move abroad with a local office.” (Interviewee of BritL2, Hybrid)

Similarly, key executives in Germany also highlighted their slow first steps into foreign markets, often following the establishment chain and experiential learning approach of traditional theory (also see GerL3's and GerL4's statements in Table 35):

“Depending on where the business is flourishing we substitute foreign distributors through our own sales team and office abroad. We organically develop in each market and carefully monitor our foreign activity deciding then on how to serve more locally.” (Interviewee of GerL7, Hybrid)

This gradual internationalisation approach was, however, disrupted by a critical event, similar to BAG predictions. All Hybrids encountered such a decisive event, which triggered their much more radical and dedicated approach to internationalisation. However, the critical events, which triggered continuous internationalisation, were identified as remarkably different for Hybrids in Germany and Britain. Similar to Hybrids in the GHCms category, also British Hybrids here shifted in response to managerial change, whilst their German contingents shifted due to technological advances and one due to product diversification.

BritL2's and BritL5's executives comprehensively highlighted this sudden shift from following TRAD paths first and then BAG paths based on a change in management as follows:

“We tapped into various different markets and doing a little here and there. But we really had our global breakthrough years later when a new management took over and our internationalisation strategy was implemented far more aggressively and systematically. That's when we first opened up our own subsidiaries abroad.” (Interviewee of BritL5, Hybrid)

“This company followed a very passive strategy; it wasn’t really a strategy at all. Unlike today, the company internationalised wherever there was an opportunity but that’s not what we do today. The new management that took over in the 1950s was a well-known entrepreneur, which knew how important it was to put the customer first. So, he focused on establishing the service side of our business and connecting with the customer directly and that’s when we established our first offices abroad. We still follow that philosophy today and now service directly where we can.” (Interviewee of BritL2, Hybrid)

In contrast, 6 out of 7 German Hybrids pursued a much more accelerated internationalisation due to technology innovation and advances. For example, GerL7’s new product innovation initiated proactive internationalisation to markets, such as the USA. This was similarly the case for GerL2, which after finalising a novel technology sold their products actively worldwide, and the histories of GerL1 and GerL6 showed a similar internationalisation approach after substantial investments into research and development. Mainly enduring Hybrids continuously invested into the development of their core products, which leveraged more proactive sales in international markets. Historic events, such as the Second World War further initiated demand internationally for certain products, which was the case for GerL3 and GerL5, and GerL5’s executive comments:

“Back then we decided on a different material for our products which really drove the demand in our favour. All of a sudden our products were demanded extensively in foreign markets such as America but also because of the repercussion on the Second World War.” (Interviewee of GerL5, Hybrid)

Only one of the German Hybrids encountered a different event, which initiated a strategy shift. GerL4’s decided to diversify their product range leading to a much more rapid internationalisation and their current CEO recalls:

“We started off with only one focus on a product but soon realised that there is far more that we can do. We diversified in our product range and essentially positioned ourselves as a dominant player.” (Interviewee of GerL4, Hybrid)

In summary, findings identified 70% of the GHCLs sample as complying closely with the Hybrid internationalisation variant already described for GHCms. Hence, German and British Hybrids were already internationally active before they encountered a critical event, which motivated them to pursue a more dedicated and accelerated but continuous internationalisation path. The country comparison showed that German Hybrids were triggered mainly by technological advances and one by product diversification, whilst their British equivalents shifted their strategy due to managerial

changes. These differences in critical events were also remarkably similar to those identified in the GHCms sample. Executive statements in Table 35 further support these findings.

Table 35 Additional quotes by GHCI executives on ‘Hybrid’ paths

Additional quotes by Hybrid executives	
Germany	<p><i>“We start through exports and when we see that we are winning in that market we then send over our own sales team. If these continue to grow the market we move in with own offices.” (Interviewee of GerL3, Hybrid)</i></p> <p><i>“We closely follow our export business and then you see how that evolves and transfer those skills into your own offices. We then establish distribution networks through own offices and tackle the demands in the market slowly.” (Interviewee of GerL4, Hybrid)</i></p>
Britain	<p><i>“When this company started internationalising it tapped into different markets selling a little here, mainly exports. Still today, we start by exports or we have a local partner selling our products and see how the market develops and then we move in with our own subsidiaries. Depending on the location we would then see how effectively we can serve the market in that area and see if it makes sense to produce there too, mainly to reduce transportation cost.” (Interviewee of BritL5, Hybrid)</i></p>

(Source: Author)

4.3.3 Summary of the internationalisation paths of GHCI

The internationalisation analysis found 30% of the GHCI conforming closely to BAG criteria, as one German and three British GHCI focused extensively on their domestic market before a critical event leveraged their international expansion. These events differed in Germany and Britain. British BAGs were motivated by managerial change and their German equivalent by technological advances. Findings further identified 70%, particularly in Germany, pursuing the emergent ‘Hybrid’ internationalisation path, as also identified in the GHCms category. Therefore, seven German and two British GHCI began to internationalise in a more traditional and sporadic manner before a critical event leveraged a more accelerated but continuous internationalisation approach. The encountered events differed for Hybrids in Germany and Britain but were very similar to those Hybrids and BAGs identified in the GHCms category. German Hybrids accelerated internationalisation in response to technological advances although, one exceptional case shifted in response to product diversification. In contrast, the British Hybrids accelerated their international expansion due to a change in management.

4.4 Overall summary of the internationalisation paths of GHCs

The internationalisation paths of all 30 GHCs from Germany and Britain were identified. All GHCs were divided into three groups of newly established, (3 German and 5 British GHCns), medium-lived (4 German and 5 British GHCms), and long-lived GHCs (8 German and 5 British GHCl). Each GHC category was discussed separately using both the internationalisation analysis and key quotes made by executives from Germany and Britain

The analysis showed that none of the GHCs were identified as traditional internationalisers. Nonetheless, the Uppsala Model's underlying concepts of the establishment chain and experiential learning were prominent frameworks, which explained the alternative paths pursued by GHCs, which were either paths of BGs, BAGs and Hybrids.

The analysis further demonstrated that younger GHCns all complied remarkably closely with the definitions of BGs (3 German and 5 British GHCns). Despite the clear compliance BG criteria, British GHCns also slightly conformed to the Uppsala Model's concept of the establishment chain and experiential learning, whereas German BGs pursued more 'pure' BG paths.

In contrast, the findings on four German and five British GHCms demonstrated a very different mix of internationalisation paths pursued. 56% were classified as BGs and 22% as BAGs. More interestingly, 22% pursued an alternative internationalisation path, as these equally complied with TRAD and BAG paths. These GHCms were categorised as 'Hybrid' internationalisers. The Hybrid internationalisation behaviour was observed to be initially close to the Uppsala Model's sporadic internationalisation behaviour but after encountering a critical event, firms shifted to a more dedicated but continuous international expansion, moving closer to BAG behaviour. However, the Hybrid internationalisation path differs from BAG criteria, as these engaged in internationalisation before the critical event. Interestingly, the critical events for both BAGs and Hybrids were different for GHCs in both countries. German BAGs and Hybrids engaged in accelerated internationalisation in response to technological advances, whereas their British equivalents started internationalising due to managerial change (also see summary in Appendix 10).

Remarkably, exactly the same Hybrid internationalisation behaviour was also found for 70% of the GHCLs sample, although more German than British GHCLs were identified as Hybrids (7 versus 2). The remaining 30% of GHCLs were clearly identified as BAG-type internationalisers. The critical events encountered by Hybrids and BAGs were very similar to their equivalents in the GHCms category, since BAGs and Hybrids in Germany were stimulated by technological advances with one exception of a German Hybrid, which accelerated internationalisation in response to product diversification. Similar to GHCms, British BAGs and Hybrids identified in the GHCLs sample shifted their strategy due to managerial change (also see summary in Appendix 10).

Taking a more overall perspective, the analysis identified 43% as BGs, mainly from the GHCns and GHCms category, although far more were identified in Britain than in Germany (8 versus 5). This suggests that nearly half of the sample pursued accelerated BG paths of internationalisation. More enduring GHCms and GHCLs, however, chose belated internationalisation paths of BAGs and Hybrids. The analysis identified 20% as BAGs of which four were British and only two were German. A further 37% of GHCms and GHCLs were classified as Hybrids of which eight were German and only two were British. These findings are summarised in Table 36.

Table 36 Summary of the internationalisation paths of GHCs⁴⁸

Paths	Germany				Britain				Overall
	GHCns (n=3)	GHCms (n=4)	GHCLs (n=8)	Total (n=15)	GHCns (n=5)	GHCms (n=5)	GHCLs (n=5)	Total (n=15)	Total (n=30)
TRADs	0	0	0	0	0	0	0	0	0
BGs	3	2	0	5 (33%)	5	3	0	8 (53%)	13 (43%)
BAGs	0	1	1	2 (13%)	0	1	3	4 (27%)	6 (20%)
Hybrids	0	1	7	8 (54%)	0	1	2	3 (20%)	11 (37%)
Total	3	4	8	15	5	5	5	15	30

(Source: Author)

Therefore, younger GHCns followed early and accelerated BG-type internationalisation paths, whilst more enduring GHCms and GHCLs demonstrated a much longer domestic focus and belated accelerated internationalisation of BAGs and

⁴⁸ For more details on the summary of the overall paths of GHCs see Appendix 10.

Hybrids. The dimension of time, and therefore the categorisation of GHCs according to their establishment dates, showed a clear pattern emerging. Firstly, the concept of traditional internationalisation did not conform to GHCs from any time period or country. Secondly, recently established GHCns moved abroad early and rapidly suggesting that BG paths were only pursued by younger GHCs (established after 1970). Thirdly, the opposite was true for enduring GHCls, which demonstrated a greater domestic focus and engaged in the belated internationalisation paths of BAGs and Hybrids (established before 1930). Fourthly, the sample of GHCms, which were established between the two extremes (1930 and 1970) pursued paths of BGs, BAGs and Hybrids. Hence, the time span between 1930 and 1970 demonstrated a clear change in the GHCs internationalisation strategy pursued. The trend indicates that enduring GHCs pursued belated BAG and Hybrid paths but this changed for younger GHCs, as these followed accelerated BG paths, which is further shown in Table 37.

Table 37 The evolution of the internationalisation paths of GHCs ⁴⁹

Establishment category	Business formation	Type of internationaliser	GHC
Newly established GHCns	2007	BGs	BritN3
	2003	BGs	BritN4
	1989	BGs	GerN2, BritN3
	1986	BGs	BritN2
	1984	BGs	BritN1
	1977	BGs	GerN1
	1973	BGs	GerN3
Medium-lived GHCms	1967	BGs	BritM3
	1954	BGs	BritM4
	1946	BGs	GerM3
	1941	Hybrid	BritM5
	1939	BGs	BritM2
	1937	BGs	GerM2
	1932	Hybrid, BAG	GerM1, GerM4
Long-lived GHCls	1919	Hybrid, BAG	GerL5, BritL4
	1908	Hybrid	GerL7
	1903	Hybrid	BritL5
	1875	Hybrid	GerL6
	1871	Hybrid	BritL2
	1865	Hybrid, BAG	GerL4, BritL3
	1852	Hybrid, BAG	GerL2, BritM2
	1849	Hybrid, BAG	GerL1, GerL8
1838	Hybrid, BAG	GerL3, BritL1	

(Source: Author)

⁴⁹ See also see Appendix 10 for a comprehensive overview of all cases and their scoring.

Overall, recently established GHCns all internationalised in a more radical BG manner, whilst enduring GHCms and GHClS pursued the belated internationalisation pathways of BAGs and Hybrids. Therefore, the dimension of time and history plays a significant role in the type of internationalisation strategy pursued by GHCs from both countries established in different time periods.

4.5 Market entry mode choices of BGs, BAGs and Hybrids

“If you want to sustain over time then you have to be present worldwide with your own subsidiaries.” (Interviewee of GerL8)

This section identified the market entry mode choices, including the first three foreign direct investments (FDI) of all GHCs in Germany and Britain. Instead of analysing the market entry mode choices of GHCs established in different time periods, this analysis focused on identifying the entry modes of all BGs, BAGs and Hybrids⁵⁰.

4.5.1 Market entry mode choices of BGs

All BGs (8 GHCns and 5 GHCms) extensively internationalised using highly controllable low-commitment entry modes, including exports and sales agents (see Table 38). All BGs began internationalisation through exports and their executives emphasised how direct exporting was, and still remains as, the most preferred entry mode:

*“We only use exporting in our business. We export all of our products from our headquarters in Germany and that has worked well for the past 40 years.”
(Interviewee of GerN3, BG)*

“We start to serve our customers mainly through exports and then see what else evolves from that.” (Interviewee of BritN2, BG)

⁵⁰ For the additional analysis of GHCns, GHCms, and GHClS see Appendix 11, 12 and 13.

Table 38 Market entry modes of BGs⁵¹

BGs	Germany					Britain								Total BGs			Total GHCns			Total GHCms			
	GerN1	GerN2	GerN3	GerM2	GerM3	BritN1	BritN2	BritN3	BritN4	BritN5	BritM2	BritM3	BritM4	Total (n=13)	Germany (n=5)	Britain (n=8)	Total (n=8)	Germany (n=3)	Britain (n=4)	Total (n=5)	Germany (n=2)	Britain (n=3)	
Export	+	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-
SA and DIST	-	+	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-
FDI	+	+	-	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-
Business formation	1977	1989	1973	1937	1946	1984	1986	2007	2003	1989	1939	1967	1954	1973	1964	1979	1989	1980	1994	1949	1942	1953	
Years in between	3	1	1	3	2	9	3	0	5	0	9	6	4	4	2	5	3	2	3	5	3	6	
First int. activity	1980	1990	1974	1940	1948	1993	1989	2007	2008	1989	1948	1973	1958	1977	1966	1983		1981	1997	1953	1944	1960	
Entry mode	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	-	-	-	-	-	-	-	-	-	-
Years in between	3	1	-	15	28	6	0	1	0	18	4	12	-	8	12	6	4	2	5	15	22	8	
First FDI	1983	1991	-	1955	1976	1999	1989	2008	2008	2007	1952	1985	-	1987	1976	1993	1998	1987	2002	1967	1966	1969	
Entry mode	GFS	GFS	-	GFS	GFS	GFS	GFS	GFS	AQ	GFS	GFS	GFS	-	-	-	-	-	-	-	-	-	-	
Years in between	9	5	-	0	10	0	21	0	1	3	7	6	-	6	6	5	6	7	5	6	5	7	
Second FDI	1992	1996	-	1955	1986	1999	2010	2008	2009	2010	1959	1991	-	1992	1982	1998	2003	1994	2007	1973	1971	1975	
Entry mode	GFS	JV	-	GFS	GFS	GFS	GFS	GFS	GFS	GFS	JV	GFS	-	-	-	-	-	-	-	-	-	-	
Years in between	6	1	-	0	8	2	-	0	0	2	0	5	-	2	4	2	2	4	1	3	4	3	
Third FDI	1998	1997	-	1955	1994	2001	-	2008	2009	2012	1959	1996	-	1993	1986	1998	2004	1998	2008	1976	1975	1978	
Entry mode	GFS	GFS	-	GFS	GFS	GFS	-	GFS	GFS	GFS	GFS	GFS	-	-	-	-	-	-	-	-	-	-	

(Source Author)

⁵¹ EX: Export, SA and DIST: Sales agents and distributors, First int. activity: First international activity, GFS: Greenfield site, AQ: Acquisition, JV: Joint venture. Also see Appendix 11 and 12.

BGs further supported their foreign sales through foreign sales agents and distributors. Hence, a large amount of the firm's time focused on supporting and building distributor networks. According to the BritN3's executive, the ability to collaborate with key distributors around the world was a "critical asset", which was likewise stressed by German executives. Foreign sales intermediates were primarily chosen due to their local networks and their extensive foreign market knowledge, and BritN4's CEO stressed this as follows:

"We have chosen the distributors route because that way you are already working with somebody that has the contacts and has established a distribution network in that country. In most of the other markets around the world we operate through distributors. So, expansion plans really revolve around providing better support to those distributors to make them more successful." (Interviewee of BritN4, BG)

Most strikingly, Table 38 showed that the majority of BGs chose greenfield sites (29 out of 32 FDIs),⁵² which was similar for those identified in Germany and in Britain (Germany 11 out of 12 FDIs and Britain 18 out of 20 FDIs). There was no notable difference found between BGs established before or after 1970 (GHCns 18 out of 20 FDIs versus GHCms 11 out of 12 FDIs) and also no difference between BGs from Germany and Britain (GHCns: Germany 5 out of 6 FDIs and Britain 13 out of 14 FDIs, and GHCms: Germany 6 out of 6 FDIs versus Britain 5 out of 6 FDIs).

Only one British entry mode was an acquisition, whilst this was not the case for any of the German BGs. Therefore, BGs first FDI commitments suggest a clear preference for establishing a presence through their own resources allowing for a high degree of control. However, British BG executives showed a greater willingness to grow their business through strategic or technological acquisitions, which differed from the majority of German BGs. Therefore, British BGs demonstrated a much more non-organic growth, which is exemplified by the following statement (also see BritM3's statement in Table 39).

"The market is still growing and we are organically growing with it. We would consider growing non-organically through acquisitions. Everybody is trying to grow and it is very difficult to grow organically and that is why people start acquiring." (Interviewee of BritM4, BG)

⁵² Excluding cases GerN3 and BritM4 as both have no FDI, and BritN2 only had two FDIs.

BGs from both countries largely avoided partnering with other businesses, as only 2 out of 32 FDI commitments were joint ventures, one found in each country. This is further emphasised by GerM3's executive (also see BritN2's statement in Table 39).

"We don't do joint ventures or anything similar, that's too adventurous for us. Partnerships just don't allow us to be as flexible as we are now. Surely, the downside of doing it all alone is that it is a lot of work. Still we stick to our company's philosophy and that's simply put; either we do it ourselves or we don't do it at all. We are now running this business in third generation and our principle is to not let anyone else in the company. It goes so far that we own every piece of land and buildings, even the ones abroad are all fully owned by us." (Interviewee of GerM3, BG)

German and British BGs also largely avoided strategic alliances, exemplified by BritM3's executive as follows (also see GerN1's statement in Table 39).

"We would always prefer a joint venture to an alliance. Alliances they are just like marriages: they are great for a while but then you want to get out. They should just be renewable after 10 years where you just see if you still like each other and if not you can just walk away." (Interviewee of BritM3, BG)

Interestingly, executives from both countries appeared to be much more open-minded about forming partnerships in future, exemplified by BritN2's executive (also see GerM2's statement in Table 39):

"I think historically we have a model of doing it all ourselves because we are very protective when it comes to our technology but that has actually changed. Now there is so much market growth and there are people who can probably offer us a market. In those areas we would probably consider joint ventures." (Interviewee of BritN2, BG)

In fact, equal partnerships with local businesses have already been considered by many BGs but not when these started internationalisation. Executives stressed that they frequently engaged in partnerships when moving into more challenging markets with country-specific restrictions, exemplified by BritM3's executive (also see BritN1's statement in Table 39).

"We usually build our own subsidiaries abroad but we have some partnerships too. For example in Malaysia we don't own the business 100% because legally we are not allowed. So a joint venture was our only option." (Interviewee of BritM3, BG)

On average, BGs started internationalising after four years (see Table 38), although German BGs started slightly earlier when compared with their British equivalents (Germany 2 years versus Britain 5 years). In contrast, the average BG identified in the

GHCn category internationalised two years faster the average BG identified in the GHCms category (GHCns 3 years versus GHCms 5 years). In both time periods, however, German BGs internationalised earlier than those in Britain (GHCns: Germany 2 years versus Britain 3 years, and GHCms: Germany 3 years versus Britain 6 years).

The average BG established its first FDI eight years after its first international activity, but British BGs established FDI faster than their German equivalents (6 years versus 12 years) and this was even more significant for BGs established before 1970 (8 years versus 22 years), but the opposite was true for BGs established after 1970 (5 years versus 2 years). The average British BG, however, then established its next two FDIs slightly faster than those in Germany (7 years versus 10 years). This was similar to BGs established after 1970 (6 years versus 11 years) but differed for those established before 1970, as the average German BG was slightly faster than its British equivalent (9 years versus 10 years). Therefore, the average German BG started exporting sooner but the British equivalent committed earlier to FDI than those in Germany.

In summary, German and British BGs demonstrated a clear preference for internationalising utilising their own assets, primarily choosing entry modes that allowed for a high degree of control. Low-commitment entry modes included direct exports and sales intermediates, through which German BGs internationalised earlier than those in Britain. Interestingly, the majority of BGs also established FDI. However, British BGs established FDI earlier than those in Germany. The high-commitment entry modes were mainly greenfield sites but also acquisitions, whilst partnerships were largely avoided by BGs from both countries. British executives, however, demonstrated a much greater willingness to grow through acquisitions, whereas German BGs grew by more organic means. Table 39 summarises further relevant quotes on BGs market entry mode choices.

Table 39 Additional quotes by BG executives on market entry mode choices

Additional quotes by BG executives	
Germany	<p><i>“We prefer moving abroad alone but we also gained some experience through joint ventures.” (Interviewee of GerM2, BG)</i></p> <p><i>“In our line of business strategic alliances would make sense but that is not our company’s philosophy. We prefer going abroad with our own people and assets. However we wouldn’t turn down a customer if it required partnering with someone else to get the job.” (Interviewee of GerN1, BG)</i></p>
Britain	<p><i>“The structure that you use to set up a foreign subsidiary is determined by the country and their taxes and what you are allowed to do. Some country restrictions force you into partnerships.” (Interviewee of BritN1, BG)</i></p> <p><i>“We always stay ahead and also invest ahead. If we see that a market offers capacity then we go and build our facilities but we don’t go looking for a partner. We are always in advance of people’s requirements and needs so we go and do it ourselves.” (Interviewee of BritN2, BG)</i></p> <p><i>“We have some tactical acquisitions that have really helped us, for example, we bought one company that then suddenly gave us a big presence in China. We also have technology acquisitions. We bought one company that had a piece of technology that we really needed and it was absolutely unique and we couldn’t get it anywhere else in the world. It was such a key component in one of our products that we would just end up paying them huge amounts of royalties, so we went and bought the company. So sometimes the acquisitions added new functionalities to our products and sometimes they were things that we would have done ourselves but couldn’t or didn’t have the time to do ourselves and it was just cheaper to buy someone else.” (Interviewee of BritM3, BG)</i></p>

(Source: Author)

4.5.2 Market entry mode choices of BAGs

The majority of BAGs (2 GHCms and 4 GHCl) used low-commitment entry modes when first internationalising, including direct exports, sales agents, and local distributors (see Table 40), which is further exemplified by BritL1’s executive as follows:

“In our product based business we will use sales agents and distributors, because having people locally makes a huge difference.” (Interviewee of BritL1, BAG)

Table 40 Market entry modes of BAGs⁵³

BAGs	Germany		Britain				BAGs			GHCms			GHClS		
	GerM4	GerL8	BritM1	BritL1	BritL3	BritL4	Total (n=6)	Germany (n=2)	Britain (n=4)	Total (n=2)	Germany (n=1)	Britain (n=1)	Total (n=4)	Germany (n=1)	Britain (n=3)
Export	+	+	-	+	+	-	-	-	-	-	-	-	-	-	-
SA and DIST	+	+	-	+	+	-	-	-	-	-	-	-	-	-	-
FDI	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-
Business formation	1968	1923	1941	1882	1915	1923	1925	1946	1915	1955	1968	1941	1911	1923	1907
<i>Years in between</i>	17	47	52	97	85	67	61	32	75	35	17	52	74	47	83
First int. activity	1985	1970	1993	1979	2000	1990	1986	1978	1991	1989	1985	1993	1985	1970	1990
Entry mode	EX	EX	AQ	EX	AQ	AQ	-	-	-	-	-	-	-	-	-
<i>-Years in between</i>	14	14	0	5	0	2	6	14	2	7	14	0	5	14	2
First FDI	1999	1984	1993	1984	2000	1992	1992	1992	1992	1999	1999	1993	1990	1984	1992
Entry mode	GFS	JV	AQ	GFS	AQ	AQ	-	-	-	-	-	-	-	-	-
<i>Years in between</i>	1	0	2	6	0	4	2	1	3	2	1	2	3	0	3
Second FDI	2000	1984	1995	1990	2000	1996	1994	1992	1995	2000	2000	1995	1993	1984	1995
Entry mode	GFS	GFS	AQ	AQ	AQ	AQ	-	-	-	-	-	-	-	-	-
<i>Years in between</i>	5	1	-	1	1	-	2	3	1	5	5	-	1	1	1
Third FDI	2005	1985	-	1991	2001	-	1996	1995	1996	2005	2005	-	1992	1985	1996
Entry mode	GFS	GFS	-	JV	AQ	-	-	-	-	-	-	-	-	-	-

(Source: Author)

⁵³ EX: Export, SA and DIST: Sales agents and distributors, First int. activity: First international activity, GFS: Greenfield site, AQ: Acquisition, JV: Joint venture.

BritM1 and BritL4 their first internationalisation was also their first FDI entry and the third FDI was therefore left blank.

Also see Appendix 12 and 13.

However, two British BAGs moved abroad solely via acquisitions and did not engage in any low-commitment entry modes.⁵⁴ The reason being that BritM1 and BritL4 were both service firms, whilst the rest of the GHCs sample were manufacturing or engineering businesses (also see Table 12). The executives of both service firms commented on their entry mode choices as follows:

“We don’t use exports because we really provide services directly in a country. Generally, we will take acquisitions and improve them and grow them and bolt on others where appropriate. We are not always aiming for full acquisitions. There are places where we have corresponding skill sets. We have joint ventures in the UK and everywhere else in the world.” (Interviewee of BritM1, BAG)

“Export doesn’t apply because our business is local. It’s like a coffee shop and you want to drink it where it is made.” (Interviewee of BritL4, BAG)

Both service BAGs incubated for nearly 60 years when compared with the remaining BAG sample, which incubated for 50 years (see Table 40). This suggests that both British service BAGs focused domestically for longer and the remaining manufacturing and engineering BAGs ventured abroad earlier.

All BAGs engaged in FDI, however, both German BAGs (GHCm 1 and GHCl 1) preferred the more organic growth route, whilst their British contingents (1 GHCm and 3 GHCl) grew more through non-organic means. Hence, German BAGs chose greenfield sites far more frequently than their British contingents (Germany 5 out of 6 FDI versus Britain 1 out of 12 FDI).⁵⁵ Instead, British BAGs chose acquisitions in 10 out of 12 possible FDI entries, whilst German BAGs only chose one (see Table 40). Key executives from both countries highlighted their entry mode preferences as follows (also see BritL4’s statement in Table 41):

“We grow 2/3 organic and 1/3 through acquisitions. Therefore there were always acquisitions used but generally we have made some pretty small acquisitions and take on a new service or take you into a new country. If we are going into a new market my preference is often an acquisition because it brings you a local customer base, local knowledge and people which we can then add value to by bringing skills and know-how into that. It is faster too.” (Interviewee of BritL1, BAG)

⁵⁴ The first internationalisation of BritM1 and BritL4 was also their first FDI entry and the third FDI in Table 40 was therefore left blank, as exporting does not apply to both service BAGs.

⁵⁵ In cases BritM1 and BritL4 their first internationalisation was also their first FDI entry.

“We produce at a quality that not many people do anymore and to maintain this we prefer to move abroad alone. Our technology is used in China and India but when we move into these markets we prefer to do it alone.” (Interviewee of GerL8, BAG)

BAGs from both countries largely avoided joint ventures (2 out of 18 FDIs), which was similar to the preference of BGs in Germany and Britain. BritL1’s executive, for example, stressed their reluctance to engage in partnerships as follows (also see GerL8’s statement in Table 41):

“We have used all kinds of entry modes in the past but we have realised that the only way we can sustain our reputation is when we do it ourselves or we buy a company abroad. Sometimes we use joint ventures but increasingly we feel that that can dilute a reference. Sometimes you got a local content and you have to ensure that you have a good local partner and you sometimes end up feeling like you have done 100% of the work but the partner gets 50% of the profit. So you want to get a partner that really does add value to the process.” (Interviewee of BritL1, BAG)

The average BAG focused domestically for 61 years. However, British BAGs focused domestically twice as long as their German counterparts (Britain 75 years versus Germany 32 years). BAGs established between 1930 and 1970 internationalised twice as fast as those established before 1930 (GHCms average 35 years versus GHClS average 74 years). In both time periods, German BAGs started internationalising earlier than those in Britain (GHCms: Germany 17 years versus Britain 52 years, and GHClS: Germany 47 years versus Britain 83 years).

Moreover, the average British BAG established its first FDI after their first international activity seven times faster than the average German BAG (2 years versus 14 years), which was similarly the case for GHCs established before and after 1930 (GHCms: Germany 14 years versus Britain 0 years, and GHClS: Germany 14 years and Britain 2 years). Although the average German BAG then established the following FDIs in a similar pace than their British counterparts (4 years and 4 years). Therefore, German BAGs started internationalisation earlier but British BAGs engaged earlier in FDI.

In summary, BAGs in Germany and Britain chose very similar market entry modes, which were also remarkably similar to those of BGs. The majority of BAGs started

internationalisation using exports, followed by an extensive use of sales agents and local distributors and German BAGs committed earlier to export activity than their British counterparts. However, two British BAGs, identified as service firms internationalised solely through acquisitions as exporting did not apply. This finding had a considerable effect on the pace of internationalisation, as British BAGs focused domestically twice as long as the average German BAG, which all engaged in low-commitment entry modes. In addition, BAGs in both countries extensively internationalised using FDI, including greenfield sites and acquisitions, and BAGs from both countries largely avoided partnerships. However, British BAGs grew more non-organically when compared with their German equivalents and also committed earlier to FDI than those in Germany. It seems that BAGs from both countries primarily moved abroad by utilising their own assets, as opposed to using less controllable entry modes, which was close to the entry mode choices of BGs, These findings are further supported by key quotes summarised in Table 41.

Table 41 Additional quotes by BAG executives on market entry mode choices

Additional quotes by BAG executives	
Germany	<i>“We had a joint venture in the UK but we terminated that and instead acquired a competitor. Partnerships are difficult and we prefer to own as much as we can abroad.” (Interviewee of GerL8, BAG)</i>
Britain	<i>“We follow two types of strategies that we use in emerging and developed markets. In emerging economies we follow a pure greenfield strategy and in our developed economies we use an acquisition strategy. We need to protect our brand and at the end of the day the companies stand for quality, responsibility, and safety so any other entry mode does not apply. In developed markets the businesses that we acquire fulfil our standards but in emerging economies we prefer to build our own facilities as there aren’t much established which we could acquire.” (Interviewee of BritL4, BAG)</i>

(Source: Author)

4.5.3 Market entry mode choices of Hybrids

German and British Hybrids (3 British and 8 German) chose remarkably similar entry modes, which are summarised in Table 42. All Hybrids used low-commitment entry modes, including direct exports, sales agents, and local distributors. However, the majority of Hybrids also demonstrated an extensive use of FDI. A total of 21 out of 30 possible FDI entries were via greenfield sites, 6 out of 30 were through acquisitions, and only 3 out of 30 were through joint ventures. Hybrids appeared to have preferred

FDI commitments allowing for a high degree of control as opposed to partnerships, when they first established presence internationally.

Table 42 Market entry modes of Hybrids⁵⁶

Hybrids	Germany							Britain			Hybrids			GHCms			GHCls			
	GerM1	GerL1	GerL2	GerL3	GerL4	GerL5	GerL6	GerL7	BritM5	BritL2	BritL5	Total (n=11)	Germany (n=8)	Britain (n=3)	Total (n=2)	Germany (n=1)	Britain (n=1)	Total (n=8)	Germany (n=7)	Britain (n=2)
Export	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-
SA and DIST	+	+	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-
FDI	+	+	+	+	+	+	+	+	-	+	+	-	-	-	-	-	-	-	-	-
Business formation	1932	1849	1852	1838	1865	1919	1875	1908	1941	1871	1903	1887	1880	1905	1937	1932	1941	1876	1872	1887
<i>Years in between</i>	0	0	18	120	35	16	13	12	12	13	25	24	27	17	6	0	12	28	31	19
First int. activity	1932	1849	1870	1958	1900	1935	1888	1920	1953	1884	1928	1911	1907	1922	1943	1932	1953	1904	1903	1906
Entry mode	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	EX	-	-	-	-	-	-	-	-	-
<i>Years in between</i>	28	101	88	24	56	23	62	71	-	73	28	55	57	51	28	28	-	58	61	51
First FDI	1960	1950	1958	1982	1956	1958	1950	1991	-	1957	1956	1962	1963	1957	1960	1960	-	1962	1964	1957
Entry mode	AQ	GFS	GFS	AQ	GFS	GFS	JV	GFS	-	AQ	GFS	-	-	-	-	-	-	-	-	-
<i>Years in between</i>	10	10	24	8	0	9	27	9	-	34	1	13	12	18	10	10	-	14	12	18
Second FDI	1970	1960	1982	1990	1956	1967	1977	2000	-	1991	1957	1975	1975	1974	1970	1970	-	1976	1976	1974
Entry mode	GFS	JV	GFS	GFS	GFS	GFS	AQ	GFS	-	AQ	GFS						-	-	-	-
<i>Years in between</i>	24	35	5	0	1	0	10	2	-	3	3	8	10	3	24	24	-	7	8	3
Third FDI	1972	1995	1987	1990	1957	1967	1987	2002	-	1994	1960	1981	1982	1977	1972	1972	-	1982	1984	1977
Entry mode	GFS	GFS	GFS	GFS	GFS	GFS	JV	GFS	-	GFS	AQ	-	-	-	-	-	-	-	-	-

(Source: Author)

⁵⁶ EX: Export, SA and DIST: Sales agents and distributors, First int. activity: First international activity, GFS: Greenfield site, AQ: Acquisition, JV: Joint venture. Also see Appendix 12 and 13.

Upon closer inspection, German Hybrids (1 GHCm and 7 GHCl) grew more organically than those identified in Britain (1 GHCm and 2 GHCl). Hence, German Hybrids chose greenfield sites more often than their British equivalents (Germany 18 out of 24 FDIs versus Britain 3 out of 6 FDIs). Instead, British Hybrids opted for more acquisitions than those in Germany (Britain 3 out of 6 FDIs versus Germany 3 out of 24 FDIs).

More specifically, British Hybrids identified across the GHCl sample demonstrated a much more extensive use of acquisitions than those identified in Germany (Britain 3 out of 6 FDIs versus Germany 2 out of 21 FDIs).⁵⁷ Nevertheless, key executives highlighted their preference to move abroad through both greenfield sites and acquisitions, which is exemplified by the following statements:

“In terms of market entry strategies we don’t necessarily prefer to enter via subsidiaries because we also do acquisitions, so in the sense that we buy smaller players.” (Interviewee of GerL1, Hybrid)

“We go abroad alone but also through acquisitions, a mix which has proven to be very successful.” (Interviewee of GerL4, Hybrid)

“Generally we like to move abroad alone but we also do use acquisitions.” (Interviewee of BritL2, Hybrid)

Partnerships emerged as the least preferred entry mode for Hybrids when these first committed to FDI. Only German Hybrids internationalised using joint ventures, whereas none of their British equivalents used partnerships (Germany 3 out of 21 FDIs versus Britain 0 out of 6 FDIs). Despite this finding, the majority of German executives largely avoided forming partnerships, which is exemplified by GerL8’s statement (also see GerL5’s executive statement in Table 43):

“Joint ventures are not an entry mode for us and it is a clear strategy that we follow in our business. If you want to sustain over time then you have to be present worldwide but not at any cost so we deliberately prefer entering markets alone.” (Interviewee of GerL8, Hybrid)

Joint ventures were primarily chosen in markets with specific restrictions (also see GerL2’s statement in Table 43). However, executives from both countries stressed that

⁵⁷ No comparison is possible between Hybrids in the GHCm sample, as only the GerM1 owns FDI, whilst BritM5 has no FDI. Therefore out of 3 possible FDI entries GerM1 chose greenfield sites twice and one acquisitions.

the aim is eventually to take over the partner and to form a 100% wholly owned subsidiary (additionally see statements by BritL5's and BritL2's executive in

Table 43):

“It really depends on the market. When we are convinced we can do it ourselves we will but in case there are major cultural or institutional differences we also take a partner. In countries like China we try to find a local partner because in a Chinese network you will barely manage to set foot as a company from Germany.”
(Interviewee of GerL6, Hybrid)

“Partnership is something that we consider but you always need to have an exit strategy in the back of your mind. We demand from our partners that they either have the resources, know-how or market share otherwise it's more of a burden and the partnership needs to be fair.” (Interviewee of GerL3, Hybrid)

Findings suggest that British Hybrids started internationalisation through low-commitment entry modes ten years earlier than their German contingents (Britain 17 years versus Germany 27 years), and this discrepancy was similar for Hybrids identified across the GHCM category (Britain 19 years versus Germany 31 years). Conversely, the one German GHCM internationalised at inception, which contrasts the 12 year domestic focus of its British equivalent.

The average Hybrid established its first FDI 55 years after their first international activity, although British Hybrids were slightly faster than their German counterparts (British 51 years versus Germany 57 years), which was also true for GHCLs (51 years versus 61 years)⁵⁸. The next two FDIs were then established at a very similar pace for those in Germany and Britain (22 years and 21 years). Therefore, British Hybrids started internationalising earlier and also established FDI faster when compared to their German equivalents.

In summary, the market entry mode choices of all German and British Hybrids, established between 1830 and 1930 were similar to the findings regarding BGs and BAGs and suggest a clear preference for moving abroad through direct exports and sales intermediates, which both allowed for a high degree of control. However, British Hybrids engaged in international activity much earlier than their German equivalents.

⁵⁸ A comparison between German and British GHCMs was not possible, as the British counterparts has no FDI abroad. However, the German case GerM1 established its following FDIs in 34 years, which was therefore also the GHCM Hybrids average (see Table 42).

Moreover, the majority of Hybrids built considerable numbers of highly controllable FDIs, including greenfield sites and acquisitions. British Hybrids, however, grew far more through non-organic means when compared with their German equivalents, although these entered partnerships more often than British Hybrids. Most likely, acquisitions enabled British Hybrids to establish FDI much faster, as German Hybrids grew more organically and primarily moved abroad through greenfield sites. These findings are further supported by quotes of key executives interviewed, which are summarised in Table 43.

Table 43 Additional quotes by ‘Hybrid’ executives on market entry mode choices

Additional quotes of Hybrid executives	
Germany	<p><i>“Maybe for others joint ventures and partnerships prove to be great ways to enter markets but that was never our strategy. We like to have a tightly controlled distribution.” (Interviewee of GerL5, Hybrid)</i></p> <p><i>“We have an example in China where we set up a joint venture with one of our customers which was very successful. Also in India we entered via a joint venture because we had no knowledge about the rules and regulations and we are making good business there. We either have 50:50 joint ventures or even own majority stake like in Malaysia where it is 80:20 in our favour.” (Interviewee of GerL2, Hybrid)</i></p>
Britain	<p><i>“We do use partnerships in countries like China where we have little knowledge about foreign regulations. Essential here is to have majority stake otherwise it can get messy. It is important though to have an exit strategy because from our experience partnerships have an expiry date and we often buy the other part of that joint venture when we can.” (Interviewee of BritL5, Hybrid)</i></p> <p><i>“Oftentimes we partner with business because it’s the law and sometimes we don’t even want to own a business in that country. You cannot generalise that but we would probably want a case of ownership where we could buy the other half.” (Interviewee of BritL2, Hybrid)</i></p>

(Source: Author)

4.5.4 Summary of the market entry mode choices of GHCs

The findings of the market entry modes chosen by BGs, BAGs and Hybrids showed remarkable similarities but also interesting differences. The majority of BGs, BAGs and Hybrids started internationalisation utilising low-commitment entry modes with a high degree of control, including direct exports, sales agents, and local distributors. However, German BGs, BAGs started internationalising earlier than their British counterparts, although the opposite was true for Hybrids. This suggests that German GHCs, on average, had a much greater international vision from the outset when compared to GHCs from Britain but enduring British GHCs much more so than their German equivalents.

Findings showed that 90% of German and British GHCs also extensively engaged in FDI and this was particularly marked for the younger GHCns identified as BGs. GHCs generally established their first presence abroad through greenfield sites and largely avoided partnerships. Findings indicate that GHCs preferred to ‘do it alone’ when committing to FDI abroad. However, executives from both countries expressed a willingness to use partnerships, especially when targeting more challenging markets with restricted access.

The country comparison showed that German and British GHCs chose different types of FDI and that German GHCs established far more FDIs than the British equivalent; two British GHCs were solely exporting firms and a further only had two FDIs as opposed to three, which were aimed to be examined. In comparison, all German GHCs, apart from one solely exporting company, established at least three FDIs. British GHCs used joint ventures more frequently when compared with GHCs in Germany but GHCs from both countries largely avoided partnerships. All German GHCs grew more organically, whilst their British contingents developed more non-organically. Hence, German GHCs chose to establish far more presence through greenfield sites when compared to their British counterparts, which frequently opted for acquiring foreign businesses, especially preferring tactical and strategic acquisitions. This discrepancy was particularly influenced by the inclusion of two British service BAGs, which internationalised only through acquisitions and stands in contrast to the remaining sample that also used low-commitment entry modes. This difference may, therefore, explain why British GHCs established FDI much faster when compared with their German equivalents.

4.6 Target markets of BGs, BAGs and Hybrids

“We are global and you can find us anywhere. From Australia to Zimbabwe, we got the world covered.” (Interviewee of BritL5)

This section analysed all regions, which BGs, BAGs and Hybrids from Germany and Britain targeted, by grouping markets into regional and global ones. More precisely, regional markets are these in proximate distance and similar culture, whereas global markets are those further afield, which are considered to be more challenging, such as

emerging economies. All the markets targeted by German and British GHCs were summarised in Table 44.

Table 44 Regional and global markets targeted by GHCs

Regional Markets	Germany	Britain	Global markets	Germany	Britain
Austria	Regional	Regional	Australia	Global	Global
Belgium	Regional	Regional	Brazil	Global	Global
Britain	Regional	-	Canada	Global	Global
Denmark	Regional	Regional	China	Global	Global
France	Regional	Regional	Colombia	Global	Global
Germany	-	Regional	India	Global	Global
Italy	Regional	Regional	Japan	Global	Global
Luxemburg	Regional	Regional	Mexico	Global	Global
Monaco	Regional	Regional	Dubai	Global	Global
Netherlands	Regional	Regional	Taiwan	Global	Global
Poland	Regional	Regional	Turkey	Global	Global
Norway	Regional	Regional	USA	Global	Global
Spain	Regional	Regional			
Sweden	Regional	Regional			
Switzerland	Regional	Regional			

(Source: Author)

Overall, both German and British GHCs targeted almost just as many global markets as regional markets when they first committed to FDI (12 and 14, see Table 44). However, German and British GHCs targeted remarkably different markets. German GHCs targeted far more regional markets with FDI than GHCs in Britain (Germany 22 out of 42 FDIs versus Britain 9 out of 36 FDIs, see Table 45). More specifically, German GHCs targeted frequently regional markets, such as France, Italy, and their neighbouring country, Austria, and their British counterparts opted for markets, such as Germany and Sweden.

Table 45 Regional markets targeted by GHCs⁵⁹

Regional Markets	Total entries	Germany	Amount of entries	Britain	Amount of entries
France	6	France	5	Germany	2
Italy	3	Italy	3	Sweden	2
Austria	3	Austria	3	Denmark	1
Britain	3	Britain	3	France	1
Sweden	3	Belgium	2	Monaco	1
Belgium	2	Spain	2	Netherlands	1
Germany	2	Luxemburg	1	Norway	1
Spain	2	Poland	1	Austria	0
Denmark	1	Sweden	1	Belgium	0
Luxemburg	1	Switzerland	1	Italy	0
Monaco	1	Denmark	0	Luxemburg	0
Netherlands	1	Monaco	0	Poland	0
Poland	1	Netherlands	0	Spain	0
Norway	1	Norway	0	Switzerland	0
Switzerland	1	Total	22	Total	9
Total	31				

(Source: Author)

Hence, British GHCs established a greater presence globally than their German equivalents (Britain 27 out of 36 FDIs versus Germany 20 out of 42 FDIs, see Table 46). British GHCs entered more challenging markets when compared with their German counterparts, although British GHCs frequently targeted markets with historical linkages, such as USA and India. These markets are considered less challenging for British GHCs when compared to other global markets, but more challenging for GHCs from Germany.

Table 46 Global markets targeted by GHCs⁶⁰

Global markets	Total entries	Germany	Amount of entries	Britain	Amount of entries
USA	22	USA	8	USA	14
India	5	Brazil	2	India	3
Brazil	4	China	2	Brazil	2
China	4	India	2	China	2
Japan	4	Japan	2	Japan	2
Dubai	2	Australia	1	Dubai	2
Australia	1	Colombia	1	Canada	1
Colombia	1	Mexico	1	Taiwan	1
Mexico	1	Turkey	1	Colombia	0
Turkey	1	Canada	0	Australia	0
Canada	1	Dubai	0	Mexico	0
Taiwan	1	Taiwan	0	Turkey	0
Total	47	Total	20	Total	27

(Source: Author)

⁵⁹ See Appendix 11, 12 and 13 for a comprehensive analysis.

⁶⁰ See Appendix 11, 12 and 13 for a comprehensive analysis.

More specifically, GHCs predominantly established a direct presence in the USA when compared to other global markets, although British GHCs entered this market more often than German GHCs (Britain 14 out of 27 FDIs versus Germany 8 out of 20 FDIs, see Table 46). Remarkably, German and British GHCs also established a direct presence in emerging economies such as Brazil and China, which are considered challenging regions for GHCs from both countries.

4.6.1 BGs target markets

GHCs identified as BGs aimed for more global markets when compared to regional markets (regional 10 out of 34 FDIs, see Table 47, versus global 24 out of 34 FDIs, see Table 48). Therefore, BGs had a remarkable global orientation when they started committing to more resource intensive entry modes abroad.

However, German BGs established far greater presence regionally when compared to British BGs (Germany 7 out of 12 FDIs versus Britain 3 out of 20 FDIs, see Table 47). BGs, particularly those from Germany, favoured markets in striking distance, such as Britain, France, and Italy, but British BGs also aimed for psychically close located markets, such as Germany, Monaco, and Norway.

Table 47 Regional markets targeted by BGs⁶¹

Regional Markets	Amount of entries BGs (n=13)	German BGs (n=5)	Amount of entries	British BGs (n=8)	Amount of entries
Britain	2	Britain	2	Germany	1
France	2	France	2	Monaco	1
Italy	2	Italy	2	Norway	1
Germany	1	Spain	1	Total	3
Monaco	1	Total	7		
Norway	1				
Spain	1				
Total	10				

(Source: Author)

Hence, British BGs targeted global markets much more frequently through FDI when compared to their German counterparts (Britain 17 out of 20 FDIs versus Germany 5 out of 12 FDIs, see Table 48). BGs predominantly targeted the USA (10 out of 24 FDIs), whilst also focusing on Japan (3 out of 24 FDIs) and emerging economies such as Brazil (3 out of 24 FDIs), China and India (both 2 out of 24 FDIs). The most favoured

⁶¹ See Appendix 11 and 12 for the analysis of BGs compared to other GHCns and GHCms and for BGs only see Appendix 14.

global markets for German and British BGs was the USA, although German BGs entered the USA more often when compared to their British counterpart (Germany 3 out of 5 FDIs versus Britain 7 out of 17 FDIs).

Table 48 Global markets targeted by BGs⁶²

Global markets	Amount of entries BGs (n=13)	German BGs (n=5)	Amount of entries	Global markets	Amount of entries
USA	10	USA	3	USA	7
Brazil	3	Brazil	1	Brazil	2
Japan	3	Japan	1	China	2
China	2	Total	5	India	2
India	2			Japan	2
Taiwan	1			Dubai	1
Dubai	1			Taiwan	1
Total	24			Total	17

(Source: Author)

In summary, British BGs targeted far more global markets when establishing their first three FDIs when compared to their German equivalents, although both showed a clear preference towards entering the USA when compared to other global markets. Hence, German BGs committed to more FDI in proximate countries and built a much greater regional presence than BGs from Britain.

4.6.2 BAGs target markets

The majority of German and British BAGs established a presence in regional markets (10 out of 17 FDIs, see Table 49), focusing mainly on Austria, France, and Sweden. However, BAGs also ventured into more global markets when first engaging in FDI (7 out of 17 FDIs, see Table 50), mainly targeting the USA but also other challenging regions, including China and Colombia.

However, German BAGs targeted nearly all of their first FDIs in regional distance when compared to British BAGs (Germany 5 out of 6 FDIs versus Britain 4 out of 10 FDIs, see Table 49). German BAGs aimed at direct neighbours, including Austria and Switzerland, and their British contingents targeted nearby markets, including Sweden but also Austria.

⁶² See Appendix 11 and 12 for the analysis of BGs compared to other GHCns and GHCms and for BGs only see Appendix 14.

Table 49 Regional markets targeted by BAGs⁶³

Regional Markets	Amount of entries BAGs (n=6)	German BAGs (n=2)	Amount of entries	British BAGs (n=4)	Amount of entries
Austria	3	France	2	Sweden	2
France	2	Austria	1	Austria	1
Sweden	2	Britain	1	Netherlands	1
Britain	1	Switzerland	1	Total	4
Switzerland	1	Total	5		
Netherlands	1				
Total	10				

(Source: Author)

Conversely, British BAGs targeted far more global markets when compared with their German counterparts (Britain 6 out of 10 FDI versus Germany 1 out of 6 FDI, see Table 50). British BAGs mainly established FDI in the USA, whilst only one German BAG chose to establish presence in the Chinese market, which is considered to be more challenging when compared to the British entries, as they had greater linguistic advantages.

Table 50 Global markets targeted by BAGs⁶⁴

Global markets	Amount of entries BAGs (n=6)	German BAGs (n=2)	Amount of entries	Global markets	British BAGs (n=4)
USA	4	China	1	USA	4
China	1	Total	1	Colombia	1
Colombia	1			Dubai	1
Dubai	1			Total	6
Total	7				

(Source: Author)

Overall, German BAGs established far more presence regionally when first committing to FDI, whilst their British contingents established far more global presence. BAGs from both countries chose to mainly target markets with similar cultures, for instance, British BAGs mainly entered the USA, while German BAGs chose markets in proximate distance with a similar culture and language.

⁶³ See Appendix 12 and 13 for the analysis of BAGs compared to other GHCms and GHCLs and for BAGs only see Appendix 15.

⁶⁴ See Appendix 12 and 13 for the analysis of BAGs compared to other GHCms and GHCLs and for BAGs only see Appendix 15.

4.6.3 Hybrids target markets

German and British Hybrids demonstrated a much greater global orientation than initially expected. Hybrids from both countries established considerable FDI in regional markets (12 out of 30 FDIs, see Table 51), but aimed predominantly at global markets (18 out of 30 FDIs, see Table 52).

However, German Hybrids established far more presence regionally than Hybrids identified in Britain (Germany 10 out of 24 FDIs versus Britain 2 out of 6 FDIs, see Table 51). Both German and British Hybrids targeted direct neighbouring countries, with similar culture and German Hybrids targeted markets like Austria and Belgium and the British Hybrids targeted France and Germany.

Table 51 Regional markets targeted by Hybrids⁶⁵

Regional Markets	Amount of entries Hybrid (n=11)	Hybrids Germany (n=8)	Amount of entries	British Hybrids (n=3)	Amount of entries
Austria	2	Austria	2	France	1
Belgium	2	Belgium	2	Germany	1
France	2	France	1	Total	2
Germany	1	Italy	1		
Italy	1	Luxemburg	1		
Luxemburg	1	Poland	1		
Poland	1	Spain	1		
Spain	1	Sweden	1		
Sweden	1	Total	10		
Total	12				

(Source: Author)

Hence, British Hybrids entered more global markets than those identified in Germany (Britain 4 out of 6 FDIs versus Germany 14 out of 24 FDIs, see Table 52). Noteworthy here, is that Hybrids are enduring GHCs, suggesting that these had a strong global orientation when they committed to their first investments abroad. Similarly to BGs and BAGs, Hybrids from both countries also favoured FDI entries into the USA, but the British even more so than their German counterparts (3 out of 4 FDIs versus 5 out of 14 FDIs).

⁶⁵ See Appendix 12 and 13 for the analysis of Hybrids compared to other GHCms and GHCLs and for Hybrids only see Appendix 16.

Table 52 Global markets targeted by Hybrids⁶⁶

Global markets	Amount of entries Hybrids (n=11)	German Hybrids (n=8)	Amount of entries	British Hybrids (n=3)	Amount of entries
USA	8	USA	5	USA	3
India	2	India	2	Canada	1
Australia	1	Australia	1	Total	4
Brazil	1	Brazil	1		
Canada	1	China	1		
China	1	Colombia	1		
Colombia	1	Japan	1		
Japan	1	Mexico	1		
Mexico	1	Turkey	1		
Turkey	1	Total	14		
Total	18				

(Source: Author)

Therefore, German Hybrids targeted far more regional markets when compared with their British equivalents. In contrast to the British, German Hybrids also tackled far more challenging global markets including India (2 out of 14 FDIs), China, Brazil, and Colombia (all 1 out of 14 FDIs). Instead British Hybrids focused on entries into markets with similar culture and language.

4.6.4 Summary of the markets targeted by GHCs

The findings of the regions targeted by German and British GHCs identified as BGs, BAGs and Hybrids demonstrated that all German GHCs established far more presence in regional markets when compared to their British equivalents. Predominantly, German GHCs targeted markets within close distance and similar culture, such as Austria and Switzerland. British BGs, BAGs and Hybrids established more presence in global markets when compared with the German counterparts. Although German Hybrids, respectively all more enduring GHCLs, demonstrated a remarkable global orientation when committing to FDI, entering far more challenging markets, such as India, when compared to their British counterparts.

The most favoured market for the majority of German and British BGs, BAGs and Hybrids was the USA, which was entered more frequently when compared with other global regions. However, British GHCs mainly targeted historically aligned or

⁶⁶ See Appendix 12 and 13 for the analysis of Hybrids compared to other GHCms and GHCLs and for Hybrids only see Appendix 16.

Commonwealth markets, including USA and India, which are considered less challenging for the British GHCs than for those in Germany.

British GHCs targeted more global markets than their German equivalents. However, German GHCs proved to be far less risk averse, as they entered more challenging regions, whereas the British equivalents chose to enter markets where they had historical, cultural or language advantages. German GHCs had a much greater challenge therefore, to access specific markets than the British equivalents.

4.7 Brief overall summary of findings

The systematic analysis of the internationalisation paths, market entry mode choices and target markets of all GHCs from Germany and Britain are summarised in Table 53. This chapter unveiled that 43% of all GHCs were categorised as BGs, 20% as BAGs and 37% pursued a 'Hybrid' internationalisation path, which was found to be a mixture between traditional theory and BAG behaviour. None of the investigated GHCs conformed closely enough with the Uppsala Model to be categorised as traditional internationalisers, although many GHCs pursuing on either of the three alternative paths were found to comply with some of the traditional concepts of the establishment chain, experiential learning and psychic distance.

Table 53 Summary of the internationalisation paths, market entry modes, and markets targeted by all GHCs

GHCs	Strategy classification	Exporting	Sales agents/ foreign distributors	Greenfield sites	Aquisitions	Joint ventures	Region targeted with first international activity	Region targeted with first FDI
GerN1	BG	Yes	Yes	Yes	No	No	Regional	Regional
GerN2	BG	Yes	Yes	Yes	No	Yes	Regional	Regional
GerN3	BG	Yes	Yes	No	No	No	Regional	No FDI
BritN1	BG	Yes	Yes	Yes	No	No	Regional	Global
BritN2	BG	Yes	Yes	Yes	No	No	Regional	Global
BritN3	BG	Yes	Yes	Yes	No	No	Regional	Regional
BritN4	BG	Yes	Yes	Yes	Yes	No	Regional	Global
BritN5	BG	Yes	Yes	Yes	No	No	Regional	Global
GerM1	Hybrid	Yes	Yes	Yes	Yes	No	Global	Regional
GerM2	BG	Yes	Yes	Yes	No	No	Regional	Global
GerM3	BG	Yes	Yes	Yes	No	No	Regional	Global
GerM4	BAG	Yes	Yes	Yes	No	No	Global	Regional
BritM1	BAG	No	No	No	Yes	No	Global	Regional
BritM2	BG	Yes	Yes	Yes	No	Yes	Regional	Global
BritM3	BG	Yes	Yes	Yes	No	No	Regional	Global
BritM4	BG	Yes	Yes	No	No	No	Regional	No FDI
BritM5	Hybrid	Yes	Yes	No	No	No	Regional	No FDI
GerL1	Hybrid	Yes	Yes	Yes	No	Yes	Regional	Global
GerL2	Hybrid	Yes	Yes	Yes	No	No	Global	Global
GerL3	Hybrid	Yes	Yes	Yes	Yes	No	Global	Regional
GerL4	Hybrid	Yes	Yes	Yes	No	No	Global	Global
GerL5	Hybrid	Yes	Yes	Yes	No	No	Global	Global
GerL6	Hybrid	Yes	Yes	No	Yes	Yes	Global	Global
GerL7	Hybrid	Yes	Yes	Yes	No	No	Regional	Global
GerL8	BAG	Yes	Yes	Yes	No	Yes	Global	Regional
BritL1	BAG	Yes	Yes	Yes	Yes	Yes	Regional	Global
BritL2	Hybrid	Yes	Yes	Yes	Yes	No	Regional	Global
BritL3	BAG	Yes	Yes	No	Yes	No	Regional	Regional
BritL4	BAG	No	No	No	Yes	No	Global	Global
BritL5	Hybrid	Yes	Yes	Yes	Yes	No	Global	Regional

(Source: Author)

BGs were mainly younger GHCs, whilst more enduring GHCs were not found to internationalise close to inception. British GHCs embarked more frequently on BG paths than those in Germany (62% versus 38%). BGs frequently used low-commitment entry modes, targeting only regional markets. German BGs engaged earlier in international activity than those found in Britain. Moreover, BGs hinged on FDI, although two BGs were found to be solely exporters. BGs primarily used greenfield sites and some joint ventures and acquisitions when first committing to FDI. Once BGs engaged in FDI, they focused heavily on global markets, although the British earlier and even more so than their German equivalents.

20% were found to pursue the alternative paths of BAGs, although British GHCs more frequently than those in Germany (67% versus 33%). BAG-type internationalisers were mainly found in the more enduring GHCM and GHCI categories. The critical events encountered by BAGs were found to differ between German and British BAGs; German BAGs shifted their strategy in response to technology advances, whilst the British counterparts due to managerial changes. The analysis of the first three FDIs showed that two British service BAGs solely moved abroad through acquisitions, as exporting did not apply. The remaining BAGs heavily engaged in low-commitment entry modes, although German BAGs internationalised earlier than their British equivalents. All BAGs engaged in FDI, such as greenfield sites and joint ventures, although British BAGs were found to engage earlier in FDI than those in Germany. BAGs frequently targeted both regional and global markets, which was similar for those from Germany and Britain. However, German BAGs established more presence regionally than their British counterparts.

37% of all GHCs embarked on a 'Hybrid' internationalisation path, although more were found in Germany than in Britain (73% versus 27%). All Hybrids were enduring GHCMs or GHCI and pursued a remarkably similar internationalisation paths. Their initial sporadic export activity was closely aligned to the Uppsala Model's predictions but all Hybrids then encountered a critical event which triggered their more proactive internationalisation behaviour, which was closer to BAG behaviour. Unlike BAGs, Hybrids were fairly international prior the encountered event, which makes these a fairly unique internationalisation type. The events were found to be remarkably

different for those identified in Germany and Britain but similar to those of BAGs; German Hybrids shifted their sporadic internationalisation to a more proactive one in response to technological advances and one exceptional case due to product diversification, whilst all British Hybrids changed their strategy based on managerial change. Hybrids demonstrated a remarkable global orientation from the outset, particularly those from Germany, and this remained fairly similar when BAGs committed to FDI. However, British Hybrids started to internationalise earlier and commit to FDI faster than those identified in Germany.

Overall the analysis showed that younger GHCs embarked on proactive internationalisation paths close to inception (i.e. BG paths), whilst enduring GHCs engaged in more ad-hoc internationalisation slightly later (i.e. BAG and Hybrid paths). This suggests that the dimension of time affected the type of internationalisation path pursued by GHCs established between 1830 and 2007. Although none of the GHCs were identified as traditional internationalisers, their alternative internationalisation behaviour showed remarkable overlap to concepts of the Uppsala Model. Further British GHCs were found to grow more non-organically through acquisitions and these were also faster to establish FDI than their German equivalents. In contrast, German GHCs grew more organically and were found to engage in FDI slightly later.

4.8 Chapter summary

In summary, the internationalisation paths of all GHCs were explored using the systemic internationalisation scoring. In addition, the section dealt with the first three FDI entries of all 30 GHCs separately, comparing cases from Germany and Britain in accordance with the internationalisation strategy they pursued. Furthermore, all regions targeted via the first three FDI entries were analysed. The following chapter presents the findings of the competitive advantage analysis of all 30 GHCs from Germany and Britain.

Chapter Five

Findings on the underlying of competitive advantages of GHCs

“If you don't have a competitive advantage, don't compete.” (Jack Welch)

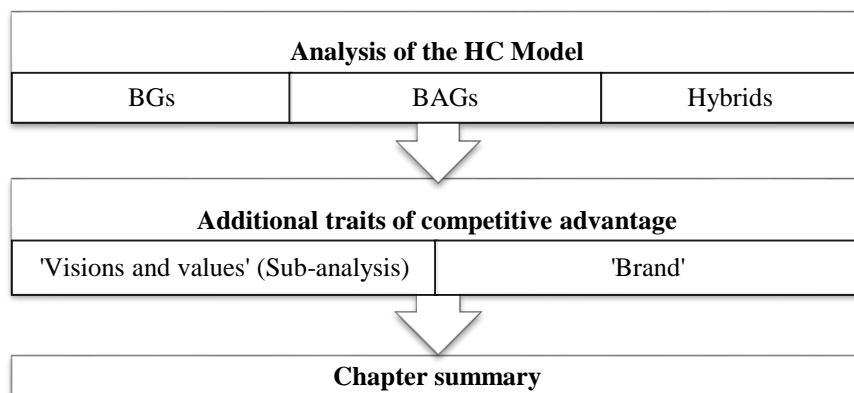
This chapter analysed the competitive advantages of GHCs, based on Simon's (2009) HC Model and its associated eight traits of competitive advantage (see Figure 1). The purpose was to identify how far all 30 GHCs from Germany and Britain conform to the HC Model describing specific features that market leading HCs in Germany have in common and furthermore exploring its applicability to GHCs only and their equivalents identified in Britain.

The findings were presented according to the GHCs identified internationalisation path hence, either BG, BAG or Hybrid. The reason for this was that the researcher was interested to see which competitive advantages of the HC Model were similar to or different from any specific internationalisation path.

This chapter first analyses the conformance scores of all GHCs to the overall HC Model, whilst systematically differentiating between GHCs identified as BGs, BAGs and Hybrids and delineating the differences found between German and British GHCs. Next, the conformance of all GHCs with the HC Model traits individually were identified, in order to uncover which traits were present or absent from BGs, BAGs and Hybrids from both countries. This section further explored any missing traits in the HC Model, uncovering two additional traits of 'visions and values' and 'brand'. These two emergent themes were then further analysed to provide a thorough and comprehensive understanding of GHCs competitive advantages. Figure 7 illustrates an overview of this section⁶⁷.

⁶⁷ For the analysis on GHCns, GHCms, and GHClS see Appendix 26, 27 and 28.

Figure 7 Section overview of the HC Model analysis



(Source: Author)

5.1 BGs, BAG, and Hybrid compliance with the HC Model

The analysis identified that BGs, BAGs and Hybrids complied closely with the overall HC Model. All GHCs reached a deviance score below 2.00 (0 being most compliant and 7 most deviating, see Table 54), suggesting that all GHCs complied remarkably closely with the overall HC Model.

Table 54 Deviance scores of BGs, BAGs, and Hybrids from the HC Model⁶⁸

	Calculations	Overall	Germany	Britain
BGs	Mean	1.59	1.45	1.67
	Standard deviation	0.90	0.65	0.95
	Number of cases	(n=13)	(n=4)	(n=8)
Hybrids	Mean	1.60	1.67	1.42
	Standard deviation	0.86	0.74	0.72
	Number of cases	(n=11)	(n=8)	(n=3)
BAGs	Mean	1.85	1.25	2.16
	Standard deviation	0.93	0.18	0.88
	Number of cases	(n=6)	(n=2)	(n=4)
Overall	Mean	1.68	1.46	1.75
	Standard deviation	0.92	0.48	1.05
	Number of cases	(n=30)	(n=15)	(n=15)

(Source: Author)

Upon closer inspection, BGs and Hybrids appeared slightly closer to the overall HC Model when compared with BAGs (BGs 1.59, BAGs 1.60 and Hybrids 1.85). The

⁶⁸ Mean= 1: highest compliance 7: least compliant

$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2}$ $\sigma=1$ highest compliance possible : $\sigma=6$ least compliant
For individual case scoring see Appendix 17 to 25.

comparison between Britain and Germany revealed more differences between BGs, BAGs and Hybrids. German BGs reached slightly higher compliance scores when compared with their British contingents (Germany 1.45 versus Britain 1.67). This difference was more significantly found for BAGs (Britain 1.25 versus Germany 2.16). Only British Hybrids complied closer with the HC Model when compared with those in Germany (Britain 1.42 versus Germany 1.67).

Therefore, the overall compatibility of the HC Model across all GHCs was remarkably similar and very high but slightly differed for those identified in different countries. GerM2’s executive further commented on their overall high compliance with the HC Model (further quotes are summarised in Table 55).

“This model is very good. I could immediately identify myself with this model. Leadership with ambitious goals, these are exactly characteristics that we have here. There is a very high conformity between our firm and these characteristics.”
(Interviewee of GerM2, BG)

Table 55 Additional quotes on the HC Model by BAG and ‘Hybrid’ executives

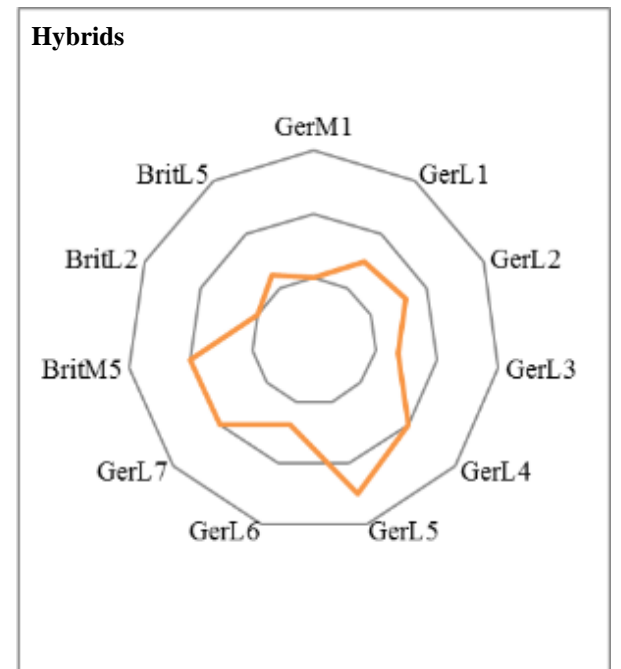
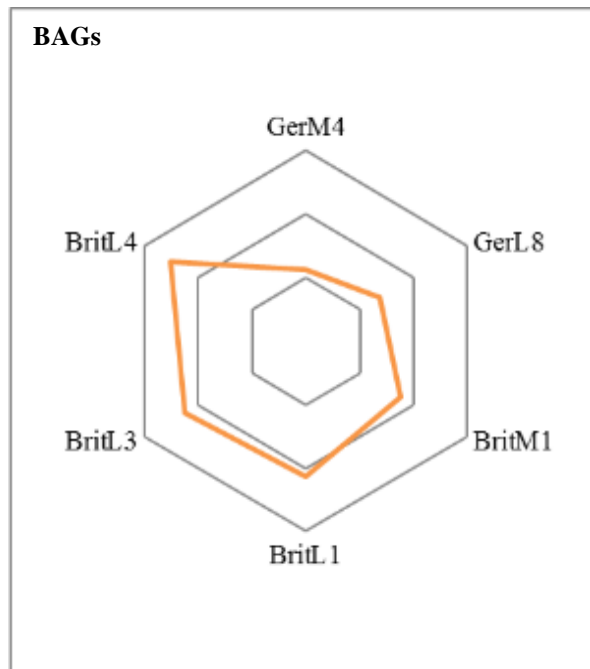
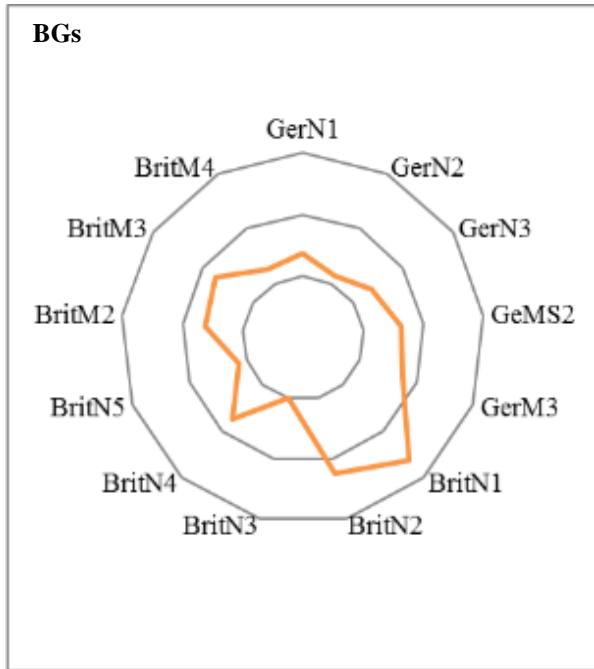
Additional quotes by BAGs and Hybrid executives	
BAGs	<i>“I don’t think the model is only for champions as most traits are in line with a lot of successful businesses. I think that many even larger businesses would tick off most of these points. I think if you live up to these traits you have done a lot of work to become so successful. Every good business should try to fulfil this.”</i> (Interviewee of GerM4, BAG)
Hybrids	<i>“If you look at our company values, it is all about self-determination, leadership, people capability and understanding markets. To me these traits are blindingly obvious. If you work for our company you would say that these lessons are obvious. All successful business should do that.”</i> (Interviewee of BritL2, Hybrid)

(Source: Author)

Charts in Figure 8 portray similarly high overall conformance with the HC Model, as seen through the clustering around the centre of the charts. They highlight how more recently established GHCns (i.e. BGs) aligned slightly more closely with the HC Model, whilst more enduring cases (i.e. Hybrids and BAGs), deviated slightly more, as these depart from the centre of the charts.⁶⁹ British BGs and BAGs also diverged more from the HC Model than those in Germany; but German Hybrids diverged from the HC Model more than those from Britain.

⁶⁹ For further analysis on GHCs established in different time periods see Appendix 26, 27 and 28.

Figure 8 Deviance of BGs, BAGs and Hybrids from the overall HC Model



(Source: Author)

5.2 Deviance of BGs from the HC Model

The analysis of all 13 BGs from Germany and Britain revealed a remarkably high compliance with the majority of the HC Model traits. The following Table 56 ranks all traits in order of importance (according to the average mean) and differentiates between all German and all British BGs. German executives ranked the importance of traits slightly differently than those in Britain. The differences in the standard deviation scores further implied how British executives were in slightly more disagreement about the overall HC Model traits when compared to executives in Germany (0.95 versus 0.22).

BGs from both countries highly emphasised the ‘globalisation’ trait, although all executives referred to this trait as their internationalisation strategy. British executives emphasised this trait slightly more than their German counterparts (1.00 versus 1.20). GerN1’s executive explained this as follows:

“Globalisation is a key pillar in our company. For a company with 5% of its goods sold domestically and 95% to foreign markets globalisation is essential. A company who is a market leader without globalisation? That’s impossible.”
(Interviewee of GerN1, BG)

Similarly, the ‘closeness to customer’ trait was scored highly, although British executives scored this slightly higher when compared to their German contingents (1.00 versus 1.40). Executives highlighted that their business was highly dependent on closeness to their customers, as they focused on customer-specific solutions and product customisation. BGs in both countries stressed that their aim was to offer high-quality customer service to maintain long lasting relationships. BritN1’s executive further emphasised this as follows:

“You don’t need to know what the market wants because your customers are telling you. So, you talk a lot to customers and they tell you what they want and then you design the product for them. It’s about the interplay between you and the customer.” (Interviewee of BritN1, BG)

Table 56 Deviance of BGs from the HC Model traits ⁷⁰

Rank	BGs (n=13)	Mean	Standard deviation	Rank	BGs Germany (n=5)	Mean	Standard deviation	Rank	BGs Britain (n=8)	Mean	Standard deviation
1	Globalisation	1.08	0.27	1	Globalisation	1.20	0.40	1	Globalisation	1.00	0.00
2	Leadership with ambitious goals	1.15	0.36	2	Leadership with ambitious goals	1.20	0.40	2	Closeness to customer	1.00	0.00
3	Closeness to customer	1.15	0.53	3	Innovation	1.20	0.40	3	Leadership with ambitious goals	1.13	0.35
4	Innovation	1.23	0.58	4	High performance employees	1.20	0.40	4	Innovation	1.25	0.71
5	High performance employees	1.31	0.61	5	Focus	1.40	0.49	5	High performance employees	1.38	0.74
6	Focus	1.69	0.72	6	Closeness to customer	1.40	0.80	6	Focus	1.88	0.83
7	Depth	2.46	2.06	7	Depth	1.80	0.75	7	Depth	2.88	2.64
8	Decentralisation	2.62	1.82	8	Decentralisation	2.20	0.98	8	Decentralisation	2.88	2.30
	Mean	1.59	0.87		Mean	1.45	0.22		Mean	1.67	0.95

(Source: Author)

⁷⁰ Mean= 1: highest compliance 7: least compliant

$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2}$ $\sigma=1$ highest compliance possible : $\sigma=6$ least compliant

For individual case scoring see Appendix 17, 18 and 19.

The third most emphasised trait for BGs from both countries was the ‘innovation’ trait (Germany 1.20 and Britain 1.25). Executives highlighted their continuous focus on innovating existing products but also on applying their know-how to other innovative new projects. Furthermore, customers were often found to be the main driver of innovation, which demonstrated a remarkable interplay between the BGs customers and innovation, which was stressed by GerN1’s executive as follows:

“We innovate faster than our competition and we want to maintain that speed. [...] If you want to be first then you have to be innovative and work closely with your customer.” (Interviewee of GerN1, BG)

BGs in both countries recognised the importance of their ‘leadership with ambitious goals’ (Germany 1.20 and Britain 1.13). Executives from both countries emphasised their entrepreneurial behaviour and long-term goals and GerN2’s executive commented on the significance of this trait as follows:

“I would say that our leadership is visionary and that is important. You need to set achievable goals which then determine your future path.” (Interviewee GerN2, BG)

‘High-performance employees’ also ranked very high for BGs from both countries (Germany 1.20 and Britain 1.38). Executives mentioned that their workforce makes a valuable contribution to their company’s success. However, German and British executives criticised the terminology as being too ambitious and referred to their workforce being skilled and very committed. BritM3’s executive as follows:

“Your aim is to have a dedicated and committed workforce and these will make or break your business because employees play a decisive role in our business.” (Interviewee of BritM3, BG)

BGs further conformed closely to the ‘focus’ trait, as BGs all target tightly defined niche markets. However, German BGs scored this trait slightly higher than their British counterparts (Germany 1.40 versus Britain 1.88). Nonetheless, the importance of maintaining a focused strategy was, for example, stressed by BritN3’s executive as follows:

“You have to be very focused on what you do and you got to execute it flawlessly and you need to maintain momentum. So speed is important and if you got focus, execution and momentum perfectly sorted then you can get a dominant market space. Being number one or two is also being very focused in your strategy.” (Interviewee of BritN3, BG)

The most deviating traits for the average BG firm were ‘depth’ and ‘decentralisation’. Executives from Germany and Britain needed further explanations on both traits and therefore both terms appeared to be vaguely defined features of the HC Model.

The ‘depth’ trait was scored nearly twice as high by executives in Germany than by those in Britain (1.80 versus 2.88). The high standard deviation scores implied a much greater disagreement across all British executives than those interviewed in Germany (2.64 versus 0.75). Generally, British BGs were open to outsource non-core activities, and highlighted that their current business size did not allow for a much deeper value chain. The willingness to outsource was demonstrated by BritM1’s executive statement, who emphasised also the importance of managing their suppliers:

“We outsource and sub contract but we control our supply chain. We have a good relationship with all our suppliers. It is not absolutely critical” (Interviewee of BritM1, BG)

In contrast, a high vertical integration was far more important to German BGs although, some also outsourced non-core processes, as vertical integration was very costly. GerN2’s executive accentuated their emphasis on ‘in-house’ production as follows:

“We try to have a certain depth in our value chain and we do as much as we can in-house.” (Interviewee of GerN2, BG)

BGs from both countries deviated considerably from the ‘decentralisation’ trait, although British BGs deviated more so than those in Germany (2.88 versus 2.20). However, British executives were in far more disagreement than executives in Germany (2.30 versus 0.98). Executives highlighted the importance of a decentralised structure, especially when operating in multiple countries, but those from both countries cautioned that it was difficult to bring about given their current size. GerN2’s executive for example, stressed this as follows:

“We are a small business only founded a few years ago. Although we are continuously growing we haven’t reached a scale in which decentralisation makes sense.” (Interviewee of GerN2, BG)

In summary, findings suggest that German and British BGs complied very closely with the majority of the HC Model traits, which are summarised in Table 57.

Table 57 HC Model traits most complaint with BGs⁷¹

Overall BGs	Germany	Britain
Leadership with ambitious goals	Leadership with ambitious goals	Leadership with ambitious goals
Closeness to customer	Closeness to customer	Closeness to customer
Globalisation	Globalisation	Globalisation
Innovation	Innovation	Innovation
High-performance employees	High-performance employees	High-performance employees
Focus	Focus	Focus
	Depth	

(Source: Author)

Executives stressed that their employees were skilled and dedicated but not necessarily ‘high performing’, as suggested by Simon (2009). Furthermore, the ‘globalisation’ trait was always referred to as internationalisation. BGs in both countries similarly departed from the ‘decentralisation’ and ‘depth’ traits, due to their much smaller business size. The most striking difference between Germany and Britain was with respect to their value chain, as German BGs were far more concerned to deepen their value chain, whilst British BGs showed a greater tendency to outsource non-core processes. Therefore, BGs identified in the GHCns and some of the GHCms category, complied closely with 6 out of 8 of the HC Model traits, whilst deviating from the ‘decentralisation’ trait and German BGs were closer to the ‘depth’ trait than their British equivalents.

5.3 Deviance score of BAGs from the HC Model

The average BAG demonstrated a slightly higher deviation from the overall HC Model when compared with BGs (see Table 54). Nevertheless, all German and British BAGs conformed closely with the HC Model but the country comparison showed that German BAGs were nearly twice as compliant with the overall HC Model when compared with those in Britain (1.25 versus 2.16, see Table 58). German BAGs fully complied with 6 out of 8 traits, whilst their British counterparts deviated slightly more with respect to all HC Model traits. The differences in the standard deviation scores further implied how British executives were in slightly more disagreement about the overall HC Model when compared to those interviewed in Germany (0.88 versus 0.18).

⁷¹ This table includes all traits which score over 2.00 in the analysis and therefore demonstrate a high overall compliance.

Table 58 Deviance of BAGs from the HC Model traits ⁷²

Rank	BAGs (n=6)	Mean	Standard deviation	Rank	BAGs Germany (n=2)	Mean	Standard deviation	Rank	BAGs Britain (n=4)	Mean	Standard deviation
1	Closeness to customer	1.17	0.41	1	Closeness to customer	1.00	0.00	1	Closeness to customer	1.25	0.50
2	Globalisation	1.33	0.82	2	Globalisation	1.00	0.00	2	Leadership with ambitious goals	1.50	0.58
3	Leadership with ambitious goals	1.50	0.55	3	High performance employees	1.00	0.00	3	Globalisation	1.50	1.00
4	High performance employees	1.50	0.84	4	Innovation	1.00	0.00	4	High performance employees	1.75	0.96
5	Innovation	1.50	0.84	5	Depth	1.00	0.00	5	Decentralisation	1.75	0.96
6	Decentralisation	1.83	0.75	6	Leadership with ambitious goals	1.50	0.71	6	Innovation	1.75	0.96
7	Focus	2.83	1.17	7	Focus	1.50	0.71	7	Focus	3.50	0.58
8	Depth	3.17	2.04	8	Decentralisation	2.00	0.00	8	Depth	4.25	1.50
	Mean	1.85	0.93		Mean	1.25	0.18		Mean	2.16	0.88

(Source: Author)

⁷² Mean= 1: highest compliance 7: least compliant

$$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2} \quad \sigma=1 \text{ highest compliance possible} : \sigma=6 \text{ least compliant}$$

For individual case scoring see Appendix 20, 21 and 22.

BAGs executives accentuated the ‘closeness to customer’ trait as being very important to their business success (Germany 1.00 and Britain 1.25). Both British service firms in particular emphasised their close customer relationships as being one of their most important competitive advantages, which is stressed by BritL4’s executive as follows:

“Customer relationships play an important role in our business.” (Interviewee of BritL4, BAG)

The ‘globalisation’ trait was further highlighted as an important success factor for BAGs from both countries. Executives strongly stressed the importance of reaching their customers globally through internationalising their business activities, the German BAGs even more so than British BAGs (1.00 versus 1.50). Similarly to BGs, BAGs also referred to the ‘globalisation’ trait as internationalisation. Despite the slight variation in deviance scores, executives from both countries emphasised the importance of a strong global orientation, which is exemplified by BritM4’s executive as follows:

“Our company is very internationalised and that is absolutely critical in our business. We only sell one product and if we don’t sell it globally we could not be successful.” (Interviewee of BritL1, BAG)

The ‘high-performance employees’ trait was slightly more emphasised by the British BAGs than by German BAGs (1.00 versus 1.75). Executives from both countries, however, emphasised how their workforce was contributing to their company’s goals. Similar to the findings of BGs, BAGs executives also stressed that they were not looking for ‘high-performing employees’ per se, but aim to employ a committed workforce with specialised skills. The following statements from German and British executives exemplify this:

“Don’t misunderstand me but we are not firing our worst employees because they are not high performing. We have employees who have been with this firm for decades and they retire after 30-40 years. Not all are really high potential employees. Our goal is to be fair with our employees as they are extremely important and valuable to our business.” (Interviewee of GerM4, BAG)

“I think it’s not about having very high performing employees. We grew this business by choosing a bunch of talented and hardworking people which drive the whole thing.” (Interviewee of BritL1, BAG)

All BAG executives strongly stressed the importance of the ‘innovation’ trait, although the German BAGs slightly more so than their British equivalents (1.00 versus 1.75).

The importance of continuous investments into research and development was, for example, emphasised by GerL8's executive as follows:

“Innovation is important to us. In the past innovation has allowed us to outperform so we aim to stay ahead of the game through constantly investing into R&D.” (Interviewee of GerL8, BAG)

The 'leadership with ambitious goals' trait was equally important to BAGs in Germany and Britain (deviance scores for both 1.50) but this trait was scored slightly lower than other HC Model traits, and BritL3's executive maintained that other traits were much more important than leadership:

“Leadership with ambitious goals is very important, but I wouldn't necessarily say it is the most important trait. There are other traits, which I find much more relevant.” (Interviewee BritL3, BAG)

Findings showed that the 'depth', 'focus', and 'decentralisation' traits deviated more and indicated a greater difference between BAGs in Germany and Britain. Both 'depth' and 'decentralisation' also required further explanation for the majority of executives interviewed, which was also the case for BG executives.

The 'depth' trait was significantly more important to BAGs in Germany than to those in Britain (1.00 versus 4.25), which was similarly the case for BGs. German BAGs were found to have a much deeper value chain than British BAGs, although these also often outsourced non-core processes. British executives, however, outsourced non-core activities more frequently but emphasised the importance of managing their value chain suppliers. BritL4's executive commented on this as follows:

“Depth doesn't rate highly for us. Having a deep value chain is not top of our agenda. Therefore depth in our line of manufacturing is not that critical but you need to know who your suppliers are and who are the best to work with when you outsource parts.” (Interviewee of BritL4, BAG)

German BAGs complied more with the 'focus' trait, as executives emphasised this trait much more than those in Britain (1.50 versus 3.50) and the low standard deviation scores implied a high agreement across all German and British executives (0.71 and 0.58). German BAGs were observed to follow a much more focused strategy, whilst their British equivalents demonstrated a much broader approach. German and British executives further highlighted this discrepancy as follows:

“We have a tight focus but we don’t limit ourselves to that. We have a diversified product range but all products are part of our line of business. However, we have tried new things some of which were successful and some of which weren’t.”
(Interviewee of BritL1, BAG)

“We know what we do best, so why change that? I have my niche market and I know how to be the best. So why look into other things? A company should stick with what they know best anything else is very risky if you don’t have the know-how.” *(Interviewee of GerL8, BAG)*

Interestingly, the ‘decentralisation’ trait was the least compliant trait for BAGs from both countries when compared with other HC Model traits. However, this trait was more compatible with BAGs when compared with BGs. Although German BAGs deviated slightly more so than British BAGs (Germany 2.00 versus Britain 1.75). Executives in both countries emphasised the difficulty of decentralising their business and highlighted that it was not necessary per se to be successful. One advocate of a decentralised structure was BritL4’s executive, who commented on this as follows:

“If you are a UK company you know that if you want to be successful you have to know how to manage in distance and how to be decentralised. That is the only way that the British companies can survive these days because we don’t have a home market.” *(Interviewee of BritL4, BAG)*

Findings demonstrated that German and British BAGs closely conformed with the majority of the HC Model traits, but British executives were observed to disagree more when compared with their German counterparts. Nonetheless, BAGs in both countries emphasised remarkably similar competitive advantages, which are summarised in Table 59.

Table 59 HC Model traits most complaint with BAGs⁷³

Overall BAGs	Germany	Britain
Leadership with ambitious goals	Leadership with ambitious goals	Leadership with ambitious goals
Closeness to customer	Closeness to customer	Closeness to customer
Globalisation	Globalisation	Globalisation
Innovation	Innovation	Innovation
High-performance employees	High-performance employees	High-performance employees
Focus	Focus	Decentralisation
Decentralisation	Depth	
	Decentralisation	

(Source: Author)

⁷³ This table includes all traits which score over 2.00 in the analysis and therefore demonstrate a high overall compliance.

Executives from both countries, similar to BGs, identified that the ‘high-performance employees’ trait did not reflect their workforce but stressed that their workforce was committed and highly skilled and executives referred also to the ‘globalisation’ trait as internationalisation. Also similar to BGs, BAGs deviated from the traits ‘decentralisation’ and ‘depth’. BAG executives did not consider a decentralised structure as a competitive advantage per se, and British BAGs, similar to BGs, were also found to outsource more non-core activities, whilst their German equivalents were much more vertically integrated. Hence, British executives emphasised the importance of managing their value chain closely. Moreover, British BAGs were found to deviate from the ‘focus’ trait, as these were observed to follow a much broader strategy than their German equivalents, who followed a more focused strategy. Therefore, BAGs from both countries considered the majority of HC Model traits as their underlying competitive advantages, although German BAGs were slightly closer to all the HC Model traits when compared to their British counterparts.

5.4 Deviance score of Hybrids from HC Model

The analysis of the deviance scores of all 11 Hybrids from both countries demonstrated a fairly high compliance with all the HC Model traits (average deviance score 1.60, see Table 54). Yet, British Hybrids were marginally closer to the overall HC Model when compared with the German ones (1.42 versus 1.67, see Table 60). The reason for the overall higher compliance of British Hybrids was that their executives scored half of the HC Model traits with the highest possible position, whilst German Hybrids only fully conformed to one trait. When delving into the HC Model traits individually, there were some differences between German and British Hybrids, as shown in Table 60.

Table 60 Deviance of Hybrids from the HC Model traits ⁷⁴

Rank	Hybrids (n=11)	Mean	Standard deviation	Rank	Hybrids Germany (n=8)	Mean	Standard deviation	Rank	Hybrids Britain (n=3)	Mean	Standard deviation
1	Innovation	1.18	0.40	1	Globalisation	1.00	0.00	1	Innovation	1.00	0.00
2	Leadership with ambitious goals	1.18	0.40	2	Innovation	1.25	0.46	2	Leadership with ambitious goals	1.00	0.00
3	Globalisation	1.18	0.60	3	Leadership with ambitious goals	1.25	0.46	3	Closeness to customer	1.00	0.00
4	Closeness to customer	1.36	0.50	4	Closeness to customer	1.50	0.53	4	High performance employees	1.00	0.00
5	Focus	1.45	0.69	5	Focus	1.50	0.76	5	Focus	1.33	0.58
6	High performance employees	1.55	0.93	6	High performance employees	1.75	1.04	6	Depth	1.33	0.58
7	Depth	2.27	1.62	7	Decentralisation	2.50	0.93	7	Globalisation	1.67	1.15
8	Decentralisation	2.64	1.75	8	Depth	2.63	1.77	8	Decentralisation	3.00	3.46
	Mean	1.60	0.86		Mean	1.67	0.74		Mean	1.42	0.72

(Source: Author)

⁷⁴ Mean= 1: highest compliance 7: least compliant

$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \bar{x})^2}$ $\sigma=1$ highest compliance possible : $\sigma=6$ least compliant

For individual case scoring see Appendix 23, 24 and 25.

The ‘innovation’ trait was observed to be very important for both German and British Hybrids, as executives particularly highlighted their large investments into research and development (Britain 1.00 and Germany 1.25). Executives emphasised that their business success relied on continuous product innovation and defined their business, as well as their market position. BritL2’s executive commented on this as follows:

“I would say that our way is innovative action collaborative mind set and global capability. We don’t fall asleep at the wheel, we have been in business for 140 years we know how crucial innovation is to our business and our market position.” (Interviewee of BritL2, Hybrid)

German and British Hybrids also recognised the significance of the ‘leadership with ambitious goals’ trait (Britain 1.00 and Germany 1.25). Executives from both countries highlighted the influence of their visionary leadership and the importance of clearly articulated long-term targets. GerL4’s executive comprehensively commented:

“Long-term visions are important in our business. Project and development cycles can be between 10 to 12 years. Therefore we have to know today how the market will evolve, where we will have demand and what characteristics our products should have. Basically, I have to know today what our customer wants in 10 years and these are real ambitious goals!” (Interviewee of GerL4, Hybrid)

The ‘globalisation’ trait was very compliant to Hybrids but emphasised slightly more by German executives than by those in Britain (1.00 versus 1.67). Similar to the findings of BGs and BAGs, the Hybrid executives also referred to this trait as internationalisation and BritL5’s executive commented:

“If you say ‘globalisation’ is a key trait, then I can only agree that internationalisation is absolutely crucial. If we don’t serve our customers abroad then someone else might, so we need to sell globally to maintain our customers and market position.” (Interviewee of BritL5, Hybrid)

The above statement points out that the ‘closeness to customer’ trait was important to Hybrids from both countries. Indeed, Hybrids ranked this trait high, although British Hybrids slightly higher than those in Germany (1.00 versus 1.50). Similar to BGs, Hybrid executives emphasised also their outstanding customer service. In particular British executives, of whom many were full-solution providers, stressed how their customer service differentiated them from other competitors in the market. This is further exemplified by BritL5’s executive statement:

“Close customer relationships are what we are all about. We are known to provide an excellent customer service. That has always differentiated us from other players in the market because we are fast and reliable.” (Interviewee of BritL5, Hybrid)

Executives recognised that ‘focus’ was a key success factor, which was emphasised slightly more by British Hybrids than by German ones (1.33 versus 1.50). Hybrids operated in niche segments in the same way as BGs and BAGs, but Hybrids were observed to venture into limited diversification mainly to spread their risk. British Hybrids, however, diversified more than their German equivalents, which followed a much more focused strategy. BritL2’s executive highlighted the dangers of a focused niche strategy and demonstrated their interest in limited diversification.

“Focus is important, but I think you also have to see that in context. So a narrow market focus can also limit your growth potential. For us it is important to have technological expertise within a sector in a niche application. It is actually quite important to look at a broader application ranges because otherwise you limited your growth and your business potential.” (Interviewee of BritL2, Hybrid)

The ‘high-performance employees’ trait was considered to be far too ambitious for Hybrid executives, which resulted in German executives scoring this trait slightly lower than their British equivalents (1.75 versus 1.00). Executives from both countries stressed how their workforce was very important to their business but the terminology did not reflect their recruitment requirements, which was similar to BGs and BAGs. BritL5’s executive explains the difference between a skilled workforce and a high performing workforce as follows:

“Our employees are our family and build the core of this business. They all work very hard and every employee has their own qualifications. I need people who are the best at what they do and not overachievers. I wouldn’t necessarily use the term ‘high performance employees’ because that is not the kind of business we are.” (Interviewee of BritL5, Hybrid)

Hybrid executives, like the BG and BAG executives, asked during the interviews for further elaboration of the trait ‘depth’, implying that the terminology was rather vague. British executives scored the ‘depth’ trait two times higher when compared with their German counterparts (1.33 versus 2.63), which differed from the findings of BGs and BAGs. Yet, the standard deviation implied that German executives were in more disagreement when compared to British executives (1.77 versus 0.58). Generally, many German and British Hybrids showed a much greater willingness to outsource

non-core activities, yet German and British executives stressed the importance of closely monitoring their value chain, exemplified by the following statements:

“In terms of depth, well I find that process know-how is important. There are some machines which we design but it is far more important to know where you get your materials from than doing everything yourself.” (Interviewee of GerL1, Hybrid)

“Depth is important in some parts of our business and one needs to decide what stays in-house and what can be done more efficiently by someone else. You need to know what works best for you and your customers and manage the supply chain carefully.” (Interviewee of BritL5, Hybrid)

The ‘decentralisation’ trait was ranked considerably lower by Hybrids in both countries (Britain 3.00 versus Germany 2.50), which was consistent for BGs and BAGs. However, the significantly higher standard deviation of British Hybrids implied that British executives were in much greater disagreement when compared with their German counterparts (0.93 versus 3.46); only 1 out of 3 British executives ranked this trait as important (also see the individual scores in Appendix 25). Generally, a decentralised structure was not considered a key competitive advantage by Hybrids in both countries, although German executives emphasised a decentralised structure more than their British equivalents, exemplified by GerL2’s executive as follows:

“Decentralisation is a point of discussion for many firms which find themselves in a period of transition from a medium to a big player. Companies experiencing steady growth are increasingly challenged to define their business structure.” (Interviewee of GerL2, Hybrid)

In summary, German and British Hybrids closely complied with the majority of the HC Model traits, although some traits were slightly more relevant for British Hybrids than their German contingents. All Hybrids, respectively enduring GHCms and GHCLs, recognised the traits summarised in Table 61 as their underlying competitive advantages.

Table 61 HC Model traits most complaint with Hybrids⁷⁵

Overall Hybrids	Germany	Britain
Leadership with ambitious goals	Leadership with ambitious goals	Leadership with ambitious goals
Closeness to customer	Closeness to customer	Closeness to customer
Globalisation	Globalisation	Globalisation
Innovation	Innovation	Innovation
High-performance employees	High-performance employees	High-performance employees
Focus	Focus	Focus
		Depth

(Source: Author)

As was the case with BGs and BAGs, German and British Hybrids emphasised how their workforce was far more committed and skilled than ‘high performing’ and the ‘globalisation’ trait was interpreted as internationalisation. In the same way as BGs and BAGs, Hybrids also deviated from the ‘decentralisation’ and ‘depth’ trait. British Hybrids were much closer to the ‘depth’ trait than their German counterparts, however, executives in both countries strongly stressed the importance of closely monitoring their value chain. Therefore, the competitive advantages of German and British Hybrids were remarkably similar to the traits outlined in the HC Model and very similar to the findings on BGs and BAGs.

5.5 Summary of the HC Model compliance with GHCs

This section analysed the compatibility of all BGs, Hybrid and BAGs in relation to the HC Model and its associated eight traits of competitive advantage. The findings revealed a close correspondence of all GHCs with the HC Model, although BAGs deviated slightly more when compared with BGs and Hybrids (average deviance score BAGs 1.85, BGs 1.59, and Hybrids 1.60, see Table 54).

German and British BGs, BAGs and Hybrids ranked the majority of traits significantly high, implying a marked conformance of all GHCs with the HC Model. The analysis showed that German and British GHCs reached very low deviance scores for the following traits; ‘leadership with ambitious goals’; ‘innovation’; ‘closeness to customer’; ‘globalisation’; ‘high-performance employees’ and ‘focus’. These traits were therefore recognised as underlying competitive advantages of BGs, BAGs and

⁷⁵ This table includes all traits which score over 2.00 in the analysis and therefore demonstrate a high overall compliance.

Hybrids with no considerable differences across GHCs from Germany and Britain. The ‘focus’ trait was the only one that differed between German and British BAGs, as German BAGs follow a more tightly defined focused strategy when compared to their British equivalents, which were more inclined to slightly diversify.

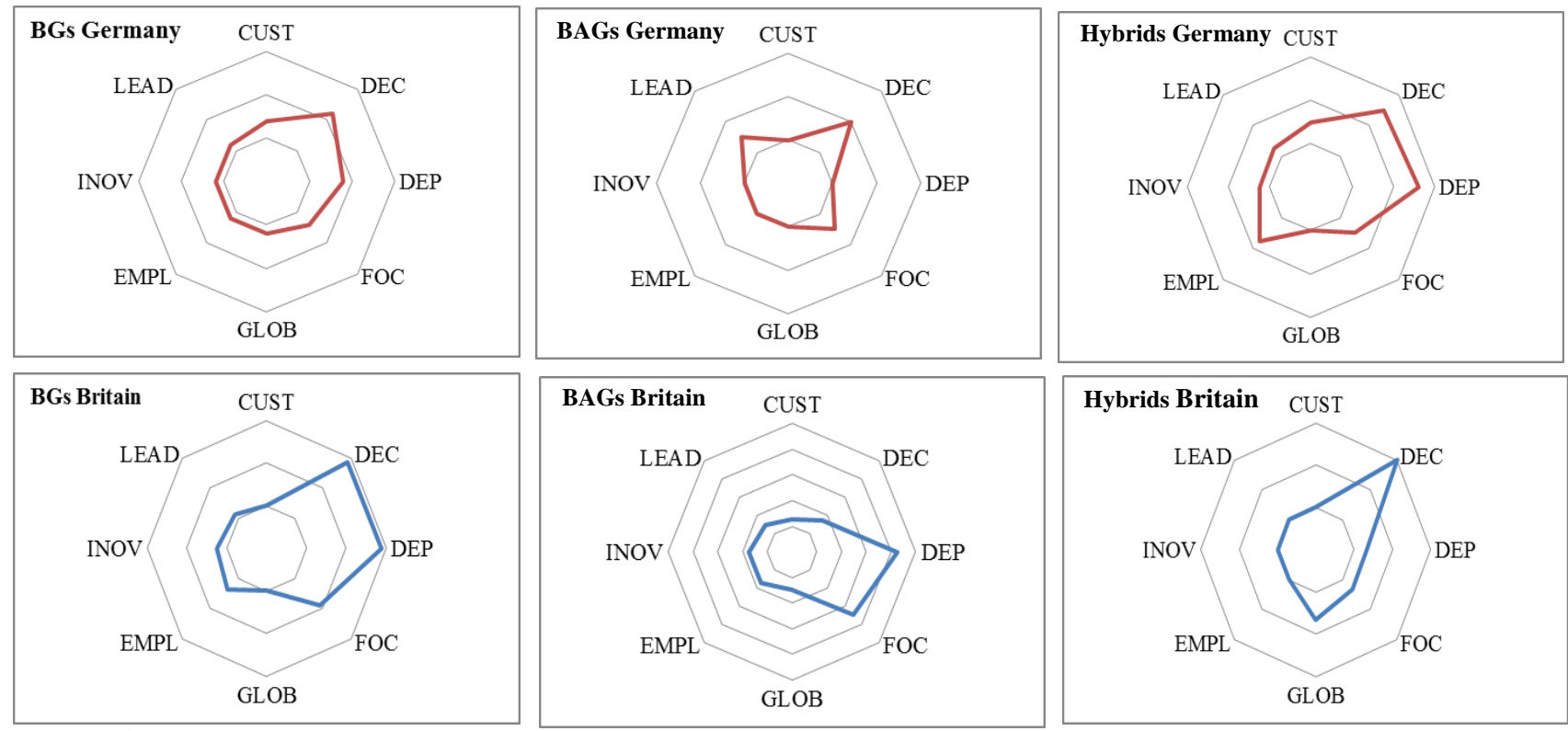
The majority of executives stressed that Simon’s (2009) term of ‘high-performance employees’ was far too ambitious and preferred to label their workforce as being very committed and highly skilled. Also the ‘globalisation’ trait was always referred to as internationalisation by all executives interviewed, implying that the terminology in the HC Model was rather vague.

The analysis showed that the traits ‘decentralisation’ and ‘depth’ applied less to German and British GHCs. Both traits also needed further explanation in the interviews, which suggests that both terms were also fairly vague. German GHCs emphasised the importance of reaching the maximum depth in their value chain, whilst their British counterparts frequently outsourced non-core activities, which was, however, also the case for some German GHCs. Executives from both countries, however, commented on the importance of monitoring their value chain by carefully choosing their suppliers and identifying which parts can be more efficiently outsourced and which are important to be kept ‘in-house’.

The ‘decentralisation’ trait was significantly deviating for BGs, BAGs and Hybrids when compared to other traits. Recently established BGs highlighted that their business size was too small to execute a decentralised structure. In contrast, more Hybrids and BAGs, emphasised this trait more but these were much larger and well-established businesses when compared to younger GHCns. Although, in respect to the more compliant traits, ‘decentralisation’ always scored lower, and was generally not stressed as a particularly significant competitive advantage of GHCs in both countries.

The findings from this investigation are further portrayed in six charts in Figure 9, which clearly illustrates the high correspondence of German and British BGs, BAGs and Hybrids with the HC Model traits. Lines plotted in the centre of the charts represent a high compliance and lines departing from the centre represent the most deviating traits.

Figure 9 Deviance of BGs, BAGs and Hybrids from the HC Model traits⁷⁶



(Source: Author)

⁷⁶ GLOB: Globalisation, LEAD: Leadership with ambitious goals, CUST: Closeness to customer, INOV: Innovation, EMPL: High performance employees, FOC: Focus, DEP: Depth, DEC: Decentralisation.

5.6 Additional traits of competitive advantage

This section highlights two missing traits, not covered in the HC Model that emerged from this study as key competitive advantages of German and British GHCs. Executives from both countries emphasised the importance of the traits ‘visions and values’ and ‘brand’ as contributors to their company’s success. The frequency of these traits are summarised in Table 62, and the subsequent section discusses the findings using quotes from the executives interviewed.

Table 62 Additional competitive advantages

Additional competitive advantages	Germany (n=15)	Britain (n=15)	Total (n=30)
Visions and values	7	3	10
Brand building	4	4	8

(Source: Author)

5.6.1 The missing ‘visions and values’ trait

“Champions aren’t made in the gyms, Champions are made from something they have deep inside them - a desire, a dream, a vision.” (Muhammad Ali)

10 out of 30 executives interviewed mentioned the ‘visions and values’ trait but German executives mentioned this trait more than those in Britain (7 German and 3 British). This trait reflects upon the company’s philosophy acting as a guide to what the company should aim for. It defines the primary objectives and strategies of a firm (see Miller and Le-Breton Miller, 2005). Numerous key words were used to describe this trait, such as, visions (mentioned four times); values (mentioned three times); corporate culture (mentioned once); pride (mentioned once); history (mentioned three times), and emotional commitment (mentioned twice). Table 63 presents the frequency of this missing trait mentioned by BG, BAGs and Hybrids executives.

Table 63 The ‘visions and values’ trait mentioned by BG, BAG and Hybrid executives⁷⁷

‘Visions and values’ Trait	Germany (n=15)	Britain (n=15)	Total (n=30)
BGs	4	1	5
BAGs	1	1	2
Hybrids	2	1	3
Total	7	3	10

(Source: Author)

Findings showed that German BGs in particular mentioned the ‘visions and values’ trait more frequently than their British equivalents, which was also true for German Hybrids. Executives from both countries, however, referred to the ‘visions and values’ trait only once.

Executives from more enduring GHCs identified as Hybrids (GerL4, GerL5 and BritL2) and BAGs (GerL7 and BritL1) stressed that their visions and values were key success factors for their business, exemplified by BritL1’s executive as follows:

“We had informal values that were espoused through the leadership informally and I think that most people got them but they haven’t written them down, So we decided that we would write them down and I got the upper management team together to do that and most of them were values that we already had but some of them were quite inspirational. I wanted to put it a vision that people thought about. It is an important part of keeping your head in the competition. That’s where we need to get better at and we need company values to become better and achieve that.” (Interviewee of BritL1, BAG)

The importance of such defined ‘visions and values’ goes even further, as GHCs prioritised these over financial performance, which was stressed by GerL4’s executive as follows:

“Our corporate culture is not necessarily driven by profits but by a vision of where we want to be.” (Interviewee of GerL4, Hybrid)

The following two statements by enduring Hybrids exemplify the importance of a company’s core ideology and how this affects their decision-making process:

⁷⁷ Appendix 29 further illustrates the trait of vision and values mentioned by GHCs, GHCms, and GHCls.

“We do things our way and although it sounds quite silly it is actually quite profound because the way we behave dictates our success and not the other way around. That is quite fundamental.” (Interviewee of BritL2, Hybrid)

“One has to remain critical with their resources. What can you do and what is off limits? This is where values come into the discussion. Openness, honesty and cultural understandings are important because we sell a natural product. We make decisions based on our company’s values.” (Interviewee of GerL3, Hybrid)

Furthermore, also newly established GHCns from both countries identified as BGs (GerN1, GerN2, GerM1, GerM3, and BritN3) emphasised the ‘visions and values’ trait. BritN3’s CEO, for example, emphasised how emotional commitment and their corporate culture has direct implications on their performance.

*“It is just the way we are here, we just have fun. If you don’t have fun and you are not enjoying yourself then what is the point? You spend a lot of time here at work and if you are not enjoying it then go somewhere else. Enjoying what you do is how you get people to do extraordinary things and part of the reason why we are growing as fast as we are is because my team loves what they do. They absolutely want to change the world and you’ll see it at any of our company sites they all wear the company logo and they are proud. You could say that pride, fun, and emotional commitment is important otherwise you will not be successful.”
(Interviewee of BritN3, BG)*

The ‘visions and values’ trait was emphasised by the majority of GHCs (7 out of 10) as a complementary trait that could be combined with the HC Model ‘leadership and ambitious goals’ trait. This is exemplified by the following statements of GerL6’s and GerN2’s executive:

“We consider the combination of our leadership and the corporate culture as a sustainable success factor in our business.” (Interviewee of GerL6, Hybrid)

“I think that the leadership and a corporate culture are very important and reflects our company’s philosophy and values.” (Interviewee of GerN2, BG)

Empirical data further revealed how ‘visions and values’ also leveraged a company’s opportunistic behaviour of taking risks where appropriate. Thus, the degree of proactiveness of a firm appears to be affected by the firm’s values and decisions were made in line with the company’s ‘visions and values’, which is exemplified by the following two statements:

“Bottom line is that you need courage and you have to seize a chance and be open to take a risk where necessary. These risks have to be calculable and justifiable with the company’s strategy and ideology.” (Interviewee of GerN1)

“I think that taking risks is essential for businesses, one who doesn’t do that won’t succeed but oftentimes there is that pinch of luck involved. If I look back on our history, I do see a lot of calculable risks that we took but we had a CEO from a construction business that believed in us. So I guess different factors have to come together but we always stuck to our values. Mainly our CEO had a vision and a goal that he wanted to achieve and that convinced the customers and partners.”
(Interviewee of GerM3)

In summary, the ‘visions and values’ trait emerged as an important competitive advantage in 10 out of 30 cases, especially for more enduring GHCs in Germany and Britain. This study revealed that a number of executives combined Simon’s ‘leadership with ambitious goals’ trait with the core ideology of their firm. Furthermore, this trait appeared to drive the company’s success and has affected the decision making and risk taking of GHCs in both countries.

5.6.1.1 Sub-analysis: Published ‘vision and value statements’ of GHCs

After finding the missing competitive advantage of ‘visions and values’ and its far reaching influence on GHCs, the researcher decided to conduct a sub-analysis of all 30 GHCs ‘vision and value statements’. The researcher investigated the extent to which GHCs utilised their ‘visions and values’ as part of their public profile. A public company statement increases the likelihood of firm’s behaving according to that point of view (Collins and Porras, 2005). Therefore, a firm’s behaviour is prone to be influenced by pre-defined publicly available ‘vision and value statements’ and gives guidance to the company’s business practices. These further transcend through the organisation setting principal guidelines to the general public, including their customers and suppliers (ibid). It is important to note that ‘vision and value statements’ are not to be confused with corporate social responsibility statements, although they may be included as a value. ‘Vision and value statements’ are solely defined by and for an individual company and act as principles according to which a company tries to operate.

The researcher combed the websites of all 30 GHCs for such ‘vision and value statements’ and the findings showed notable differences for those found in Germany and Britain. 12 out of 15 German GHCs published ‘vision and value statements’, whilst this was only the case for 6 out of 15 British GHCs. This indicates that German GHCs put far more emphasis on publicising their core philosophy when compared

with their British equivalents (see Table 64)⁷⁸. GHCs from both countries who publicised such statements on their website, mostly did so in their business history section and tended to portray them in models, bullet points, or in a written paragraph.

Table 64 Published ‘vision and value statements’ by BGs, BAGs and Hybrids⁷⁹

Published ‘vision and value statements’	Germany (n=15)	Britain (n=15)	Total (n=30)
BGs	3	0	3
BAGs	1	4	5
Hybrids	8	2	10
Total	12	6	18

(Source: Author)

German Hybrids and the majority of the British Hybrids and BAGs publicised their ‘vision and value statements’. In contrast, only younger German BGs publicised their vision statements on their websites, whilst this was not the case for any of the British BGs. Findings demonstrated a much greater divergence between younger GHCs in both countries with a greater convergence for more enduring GHCs from Germany and Britain. Therefore, ‘vision and value statements’ were more significant to enduring Hybrids and BAGs as opposed to newly established BGs (also see Appendix 30 for the analysis of GHCns, GHCms and GHClS). These statements were, however, more often publicised by German GHCs than by British ones.

5.6.1.2 Sub-analysis: Content of ‘vision and value statements’ of GHCs

The previous sub-analysis verified the existence of 18 out of 30 possible ‘vision and value statements’. The emphasis and the importance of these defined statements called for a deeper sub-analysis on their exact contents. Therefore, all 18 statements, of which 12 were German and only 6 were British, were scanned for keywords, in order to find

⁷⁸ The researcher is aware that some vision and value statements might exist for other GHCs but were not made public on their website.

⁷⁹ Appendix 30 further shows the published ‘vision and value statements’ of all GHCns, GHCms, and GHClS.

reoccurring themes. Table 65 lists the most frequent keywords found across all these statements, ranking them in order of occurrence (for full list see Appendix 32).

‘Table 65 Keywords found in ‘vision and value statements’ of GHCs⁸⁰

Contents of ‘vision and value statements’		Germany				Britain				Overall
		BGs (n=3)	BAGs (n=1)	Hybrids (n=8)	Total (n=12)	BGs (n=0)	BAGs (n=4)	Hybrids (n=2)	Total (n=6)	Total (n=18)
1	Innovation	3	0	7	10	0	2	1	3	13
2	Customers	1	1	4	6	0	3	2	5	11
3	Employees	1	0	5	6	0	1	1	2	8

(Source: Author)

The three most frequently mentioned keywords were ‘innovation’ (13 out of 18), ‘customers’ (11 out of 13) and ‘employees’ (8 out of 13). Interestingly, all three keywords were also recognised as key competitive advantages in the HC Model and were found to be pivotal for all BGs, BAGs and Hybrids from both countries.

However, the country comparison showed that German GHCs used these three keywords more frequently to describe their company’s philosophy than those in Britain (see Table 65), although there were also more ‘vision and value statements’ found in German than in British GHCs (12 versus 6).

Enduring GHCs (i.e. BAGs and Hybrids) from both countries appeared to use these three keywords more frequently when compared to younger GHCs (i.e. BGs), as only German BGs publicised ‘vision and value statements’ but none of the British BGs did the same (3 versus 0). Hence, German younger and enduring GHCs appeared to describe their core philosophy more frequently and much more comprehensively when compared to their British equivalents.

In summary, there is some evidence that ‘innovation’, ‘customers’, and ‘employees’ were keywords embedded in the core ideology of German and British GHCs. Hence, those keywords appeared to play a significant role in the creation and internalisation

⁸⁰ For the full list of key words identified see Appendix 31. For details on keywords in ‘vision and value statements’ in relation to GHCns, GHCms, and GHCls see Appendix 33 and 34.

of underlying competitive advantages, as all those keywords were also highly emphasised HC Model traits by all BGs, BAGs and Hybrids. However, across all investigated GHCs, enduring GHCs emphasised these keywords to a greater extent than more recently established GHCs, in particular those in Germany.

5.6.2 The missing ‘brand’ trait

“It is all based on reputation and brand. If you screw up, you lose your brand and your customers. You need to foster your brand.” (Interviewee of BritL5, Hybrid)

A further missing competitive advantage that emerged from this empirical investigation was ‘brand’, which describes “the creation, the right brand knowledge structures with the right consumers” by using specific brand elements and supporting product and service related marketing activities (Kotler and Keller, 2006, p. 258). Hence, a company’s brand can be considered a source of competitive advantage, as it enables firms to differentiate themselves from other competitors by positioning their product effectively (Bendixen et al., 2004; Mudambi, 2002; Webster and Keller, 2004). Executives from Germany and Britain equally emphasised how their brand was a vital part of their underlying success (4 and 4, see Table 66).

Table 66 The ‘brand’ trait mentioned by BG, BAG and Hybrid executives⁸¹

‘Brand’ trait	Germany (n=15)	Britain (n=15)	Total (n=30)
BGs	0	3	3
BAGs	1	0	1
Hybrids	3	1	4
Total	4	4	8

(Source: Author)

The ‘brand’ trait was emphasised by only younger BGs in Britain but none in Germany and conversely, the opposite was true for BAGs. Hybrids, and more enduring German GHCs emphasised the importance of their company’s ‘brand’ more so than their

⁸¹ For details on the trait ‘brand’ in relation to GHCns, GHCms, and GHClS see Appendix 35.

British equivalents. Therefore, there was a clear difference between German and British GHCs and also between those pursuing different internationalisation paths.

German and British GHCs tried hard to create brand loyalty among their customers. The underlying drivers and programs to nurture their brand were usually advertising, public relation and other forms of communication. Empirical data showed that GHCs attended trade shows, whilst also using industry specific journals to promote their business, exemplified by the following statements.

“We go to all major trade shows and it costs us a lot of money but it is important that we are out there. There is so much competition especially from emerging markets, so we need to consistently invest into our brand to keep up our good reputation.” (Interviewee of GerL2, Hybrid)

“The main area where we market is on our website as well as journals but also articles.” (Interviewee of BritM5, BG)

Apart from investing into their brand to attract customers, many executives stressed the importance of their brand value and maintaining a good reputation. Hence, a strong brand allowed GHCs to create entry barriers, as stressed by BritL5’s executive as follows:

“We like to market ourselves with being the number one in the industry because our brand is very important to us and helps to keep competitors out of the market. We are represented at all major trade shows and also industry specific magazines. We don’t do emotional marketing but we define our company name through values and technology. No image campaigns with pretty colours and emotions. We are talking the language of technology which is simple, dry and unemotional but that’s what our brand is and our customers want.” (Interviewee of GerM4, BAG)

“We have a good reputation in our niche but we also do a lot to maintain this. We need to because there are only a few customers that we work with and we can’t afford to lose them. But we also need to grow the business and reach out to new clients and that’s why we go to all the trade shows and try to market ourselves to emerging markets as a reliable partner, which we are but we have to show that too.” (Interviewee of BritL5, Hybrids)

The main difference between Germany and Britain was that German GHCs were much more concerned about maintaining their existing brand, whilst British GHCs were much more concerned with building their brand. This showed that enduring GHCs in Germany referred to the ‘brand’ trait slightly different than younger British GHCs and BritM2’s executive comments on this as follows:

“You need to build a strong brand. You need to validate your value proposition to maintain your global customer base.” (Interviewee of BritM2, BG)

In contrast, GerL5’s executive highlights how their brand was nurtured rather than built, as it was associated with their company’s ideology.

“The brand is absolutely essential in our business. We foster our brand continuously and try to live up to what we have built and what our brand stands for.” (Interviewee GerL5, Hybrid)

In summary, the ‘brand’ trait was emphasised by GHCs from both countries. However, German GHCs emphasised the importance of maintaining their brand, whereas British GHCs stressed the importance of building their brand. Therefore, enduring GHCs in Germany were much more concerned about nurturing their existing reputation and customer loyalty, whilst their younger British equivalents were trying to attract new customers. In summary, both German and British executives recognise the importance of their brand as an underlying competitive advantage for their global success, but referred to this trait slightly differently.

5.6.3 Summary of the additional traits of competitive advantage

This analysis uncovered that GHCs from Germany and Britain emphasised the traits ‘visions and values’ and ‘brand’ as missing competitive advantages of the HC Model. A total of 10 executives accentuated the importance of ‘visions and values’ although, German GHCs even more so than those found in Britain (7 versus 3). This trait referred to a company’s core ideology, which had direct implications on the competitiveness of GHCs, as it appeared to influence the company’s decision-making process. Many executives from both countries underlined the linkage of ‘visions and values’ to the HC Model’s ‘leadership with ambitious goals’ trait.

The sub-analysis identified that 18 out of 30 GHCs publicised their ‘vision and value statements’ on their company’s website. However, far more were found on German websites when compared with British websites (12 out of 15 versus 6 out of 15). This demonstrated that German GHCs inherited (or were far more prone to publicise) such ‘vision and value statements’ when compared with their British counterparts. Moreover, enduring GHCs publicised their ‘vision and value statements’ much more frequently than recently established GHCs, although this was only true for German GHCs. Younger German GHCs were found to define their ‘visions and values’ more

frequently than those identified in Britain. This demonstrates a divergence between younger GHCs from Germany and Britain and a greater convergence for more enduring GHCs from both countries (see Table 64).

In addition, the sub-analysis of the content of 'vision and value statements' identified that German and British GHCs frequently used the keywords 'innovation', 'customers', and 'employees'. This implied that the defined GHCs 'vision and value statements' were remarkably similar to the competitive advantages described in the HC Model, which were 'innovation', 'closeness to customer', and 'high-performance employees'.

A further missing competitive advantage stressed by German and British GHCs was 'brand' (Germany 4 and Britain 4). However, enduring German GHCs were more concerned about maintaining their existing brand, whilst their younger British equivalents were eager to build their brand. Findings implied that the company's brand further can act as an effective entry barrier for competition and was nurtured through continuous marketing activities to create customer loyalty and create a global reputation.

5.7 Brief overall summary of findings

The analysis of the HC Model in relation to all GHCs from Germany and Britain revealed a remarkable high compliance with Simon's HC Model. Younger GHCs (i.e. BGs) were, however, slightly closer to the overall HC Model, whereas more enduring GHCs deviated slightly more (i.e. BAGs and Hybrids). GHCs complied closely with the following traits; 'leadership with ambitious goals'; 'innovation'; 'globalisation'; 'closeness to customer'; 'globalisation'; 'high-performance employees', and 'focus'. Although British BAGs were found to have a broader focus than their German equivalents. Nonetheless, the majority of Simon's HC Model traits were found as key underlying competitive advantages of BGs, BAGs and Hybrids, which did not considerably differ between those identified in Germany and Britain.

Additionally, this chapter uncovered two missing traits of competitive advantage stressed by GHCs executives which were; 'visions and values' and 'brand'. Both traits were not covered in the HC Model but emerged as pivotal traits to describe the success

of GHCs from both countries. The sub-analysis on the published ‘vision and value statements’ revealed that German GHCs defined these more frequently than their British equivalents. However in both countries, GHCs frequently used the keywords of ‘innovation, ‘employees’ and ‘customer’ to describe their company’s ideology, which were also competitive advantages described in Simon’s HC Model.

Traits less emphasised by GHCs were ‘decentralisation’ and ‘depth’, and both appeared to differ for younger and enduring GHCs, as well as for those identified in Germany and Britain. A decentralised structure emerged to be difficult to execute for younger and smaller GHCs than for those more well-established, although GHCs generally emphasised this trait less than other HC Model traits. British GHCs were found to more frequently outsource non-core activities, whereas German equivalents were more prone to deepen their value chain. GHCs from both countries, however, stressed the importance of managing their value chain closely.

5.8 Chapter summary

This chapter presents the findings of the underlying competitive advantages of GHCs, which are compared to the HC Model, whilst also uncovering two missing key competitive advantages not included in the HC Model and their importance was further revealed by additional analysis. The next chapter discusses all findings.

Chapter Six

Discussion of the internationalisation paths and underlying competitive advantages of GHCs

6.1 Choice of studying GHCs

As discussed in the literature review previous global strategy research has largely concentrated on large multinationals and requires greater coverage of global niche variants (Peng and Pleggenkuhle-Miles, 2009; Peng and Meyer, 2011). Top three industry leaders are particularly important, as these are likely to withstand global consolidation (Welch, 2002; Kroeger et al., 2008; Noy, 2010). This study has therefore examined Simon's (2009) 'Hidden Champions' (HCs), which are commonly referred to as a successful global niche strategy variant (see Kotler and Keller, 2006; Mathews, 2006; Kotler and Caslione, 2009; Kroeger et al., 2008; Eisenhardt, 2008; Peng and Meyer, 2011).

The HCs variant is the best described albeit controversial performance related variant, which additionally benefits from a theoretical competitive advantage framework (HC Model). HCs proved to be the more interesting variant to study, given the extensive verifications on their market leadership position within Germany (for example, Venohr and Meyer, 2007; Simon, 2009; Witt, 2010; Simon, 2012; Witt and Carr, 2013) and moreover in foreign contexts (for example, Deng and Wan, 2006; Simon, 2012). However, this study critically distinguished between those HCs pursuing a regional niche strategy and those pursuing a genuine global niche strategy, as stressed by Witt and Carr (2013). Therefore, this study focused on the global HCs' sub-group: the top three 'Global Hidden Champions' (GHCs), defined by their achieved global market shares.

The GHCs outstanding global success calls for much more research. Firstly, limited studies focused on the type of internationalisation paths pursued and associated market entry modes of HCs (for example, Eschlbeck, 2005; Witt, 2012; Witt and Carr, 2013), which lead to their global niche market leadership. Secondly, successful internationalisation requires certain competitive advantages and Simon (2009) provides the HC Model, which captures eight key competitive advantages of German

HCs. However, there is limited knowledge on how these apply for GHCs only and how it applies in other contexts than the German one, as studies showed limited transferability (Voudouris et al., 2000; Blackburn et al., 2001).

This study, therefore, investigated the internationalisation strategies of GHCs, which all are positioned among the top three players in their niche market segment, including well-established but also recently emerged GHCs from multiple industries. More specifically, the researcher recognised the importance of investigating GHCs from two different economies and chose to identify 30 GHCs in Europe's two largest economies – Germany and Britain, comparing 15 firms in each country.

The extent to which research needs to establish the exact link between strategy orientations and GHCs was highlighted, and Simon (2009) claims to have identified companies that have found a manner of going global that is particularly successful, which was therefore examined. Although, there is some corroboration on the internationalisation behaviour of HCs provided by researchers (for example, Eschlbeck, 2005; Witt and Carr, 2013), no study has focused on the exact internationalisation paths and associated entry modes of GHCs in particular. Hence, the first task was to identify the exact internationalisation paths of GHCs and comparing these to pertinent literature in international business (Uppsala Model, Born Globals and Born-Again Globals). Furthermore, the international market entry modes choices, in particular the first three FDIs were analysed. It is probably one of the first studies to compare German GHCs internationalisation behaviour with British ones.

Secondly, this study looked at the underlying competitive advantages of GHCs in relation to the HC Model, which help to explain their successful paths of internationalisation pursued, whilst further exploring missing traits. It was hoped, to link the HC Model into the recent debates relating to competitive advantages to get a deeper understanding on how GHCs from both countries reach global market leadership.

Additionally, the importance of adopting a more evolutionary perspective through the inclusion of GHCs established in three time periods (GHCns, GHCms, and GHCl) was recognised. GHCs established between 1838 and 2007 were investigated with the

aim of understanding GHCs evolutionary paths and their ultimate impact in terms of global market shares and commercial performance.

6.2 Discussion on the internationalisation paths of GHCs

This section discusses the findings in relation to the internationalisation paths and associated market entry modes of German and British GHCs, guided by the initial conceptual framework presented at the end of the literature review (see Figure 3).

6.2.1 Similarities between GHCs and the Uppsala Model

As described in the literature review, the Uppsala Model examines the gradual internationalisation process of four well-established Swedish manufacturing firms (Johanson and Vahlne, 1977). This incremental internationalisation approach suggests that firms initially focus on their domestic market and gradually commit to more resource intensive operations after deepening their knowledge about the foreign market (Johanson and Vahlne, 1977, 1990). It was also observed that Swedish firms gravitate towards culturally and geographically similar areas before venturing further afield (Johanson and Vahlne, 1977).

Findings from this empirical investigation showed that the Uppsala Model does not sufficiently explain the internationalisation paths pursued by any GHC from Britain and Germany, which contradicts some HCs studies (Eschlbeck, 2005; Witt 2010). Therefore, none of the 30 GHCs showed a full compliance with the ‘pure’ traditional internationalisation behaviour (average deviance of 10 out of 18, see Appendix 10). This finding was to be expected, as the Uppsala Model has been extensively criticised for being too deterministic and of limited value (Reid, 1983; Turnbull, 1987; Melin, 1992).

The current empirical investigation differs from Johanson and Vahlne’s (1977) study in five aspects. Firstly, a much larger sample of 30 firms was covered and secondly, it compared firms from the two European countries - Germany and Britain. Thirdly, it included a wider variety of business sizes and both younger and more well-established firms. Fourthly, this study covered a wider range of industry sectors, not only manufacturing, such as high-technology, engineering, and software engineering, but also service businesses, business to business (B2B), and business to consumer (B2C)

businesses. Finally, this sample recognised the importance of global niche strategy, market leadership, and performance.

Despite that not one GHC was classified as a traditional internationaliser, findings showed that the Uppsala Model's comprehensive concepts of the establishment chain, experiential learning and psychic distance remain relevant frameworks to explain the alternative internationalisation behaviour of GHCs. Although, enduring GHCs and GHCLs showed some more overlap to the Uppsala Model's predictions when compared to non-enduring GHCs.

The country comparison highlighted that British GHCs complied more closely with some of the concepts of traditional internationalisation than their German counterparts. Especially, the concepts of experiential learning and the establishment chain were pertinent for GHCs in particular those from Britain, but also the psychic distance concept for German GHCs.

Therefore, this study concludes that none of the 30 GHCs investigated complied with traditional internationalisation. However, the Uppsala Model's comprehensive concepts remain pertinent to explain the behaviour of GHCs, even though all pursued alternative internationalisation paths. This will be discussed in greater detail in the subsequent sections.

6.2.2 Alternative paths of internationalisation pursued by GHCs

The Uppsala Model failed to explain the internationalisation behaviour of all 30 GHCs in this study, which suggests that GHCs pursued one of the alternative strategies of Born Globals (BGs) or Born-Again Globals (BAGs), whilst also considering the emergence of a hybrid internationalisation path.

Indeed, the Uppsala Model has been challenged by the recent phenomena of more proactive internationalising firms, mainly spurred by globalisation trends (Oviatt and McDougall, 1994; Laanti et al., 2007). As such, recent observations identified rapid internationalising BG firms, which are characterised by their early proactive global activity at, or close to inception (Rennie, 1993; McDougall et al., 1994; Autio et al., 2000). Another group of scholars observed the phenomena of BAGs, which are

characterised by their long domestic focus before embarking on a more rapid internationalisation after a critical incident (Bell et al., 2001).

This study found that 43% of GHCs were classified as BGs (Britain 62% and Germany 38%) and 20% were identified as BAGs (Britain 67% and Germany 33%). More interestingly, a further 37% pursued a hybrid strategy, which was close to BAG and traditional internationalisation paths, but yet undefined in the literature and coined here as 'Hybrid' internationalisers (Germany 73% and Britain 27%).

6.2.3 Similarities between GHCs and BGs

The most common criteria to identify BGs are speed, scale, and scope of internationalisation (Kuivalainen et al., 2012). Findings identified that nearly half of all GHCs embarked on BG paths (13 out of 30 GHCs), and pursued a proactive and vigorous internationalisation path soon after starting operations (average deviance of 2 out of 18, see Appendix 10), consistent with BG behaviour as defined in other studies (McDougall et al., 1994; Oviatt and McDougall, 1994; Madsen and Servais, 1997). Arguably, this finding is also on par with Simon (2009), as he suggests that HCs pursue proactive internationalisation paths but further confirms with other HC researchers (Witt 2010; Witt and Carr, 2013).

On average, BGs internationalised four years after being established, which is consistent with the speed in certain BG studies (Lopez et al., 2009; Wach, 2014). However, 70% (9 out of 13 BGs) engaged internationally within the first three years, which conforms to other studies on BG firms (Zahra and George, 2002; Knight et al., 2004; Servais et al., 2007). Therefore, findings suggested that the average BG was over three times faster than the definition set in this study, which was 10 years.

Moreover, this study included a sales dimension of 25% (Knight, 1997), which had to be generated outside Europe (Madsen, 2013) to ensure that BGs have a global reach (Madsen and Knudsen, 2003; Gabrielsson and Gabrielsson, 2004). Findings showed that all BGs fulfilled, and even exceeded both scale and scope dimensions, highlighting that BGs were far more global than those identified in other studies (Servais et al., 2007; Zhou et al., 2007).

BGs emerged as mainly younger GHCns (founding date between 1970 and 2007) and GHCms (founding date between 1930 and 1970), whilst all long-lived GHClS (founding date between 1830 and 1930) significantly deviated from BG criteria. The average BG firm was found to be roughly 40 years old and was established after 1937, whilst no BG firm emerged before this date. Therefore, the proactive BG internationalisation path was chosen by more newly emerging GHCs, whilst more enduring GHCs demonstrated a significant departure.

6.2.3.1 BGs contradictory to the Uppsala Model?

A BG internationalisation behaviour is argued to be contradictory to the paths of traditional firms due to their early and proactive nature of entering multiple foreign markets soon after inception (McDougall et al., 1994; Jones, 1999; Autio et al., 2000; Bell et al., 2001). However, although all BGs conformed to common BG definitions and deviated considerably from the Uppsala Model traits (average deviance of 15 out of 18, see Appendix 10), their behaviour showed substantial overlap with the Uppsala Model's concepts of the establishment chain, experiential learning, and psychic distance. As a result, findings in this study provide new insights on the relevance, validity, and extendibility of traditional internationalisation theory to the BG concept, which was stressed as a gap by many scholars in this field (Madsen and Servais, 1997; Sharma and Bloomstermo, 2003; Laanti et al., 2007). Hence, this discussion contributes to the group of scholars who emphasise the importance of gathering new insights on the applicability of the Uppsala Model to explain the paths of BG firms (for example, Gabrielsson et al., 2008; Solberg 2012; Trudgen and Freeman, 2014).

Findings showed how BGs, especially from Britain, started internationalising through exporting but gradually increased their international involvement in markets through sales intermediaries and only then replaced their middleman through foreign sales subsidiaries. This approach closely relates to the Uppsala Model's establishment chain (Johanson and Vahlne, 1977) and stands in stark contrast to the proactive nature of BGs described in some literature (Madsen and Servais, 1997). Melén and Nordman (2009) also observed a similar behaviour for BGs and suggest that these engage in exporting first, then sales intermediaries, followed by sales subsidiaries and even

manufacturing abroad, which is essentially the predicted route of the establishment chain, as proposed by Johanson and Vahlne (1977).

However, BGs in this study also departed from this step-by-step approach and commonly skipped stages of the establishment chain, for example by moving straight from exporting to FDI. However, this ‘leap-frogging’ behaviour is not contradictory to traditional internationalisation per se, as Johanson and Wiedersheim-Paul (1975) claim that this process may be accelerated and stages may be skipped with sufficient knowledge. Therefore, the concept of the establishment chain helps explain the internationalisation paths of BGs, although every single BG firm identified internationalised at a much faster pace when compared to traditional firms.

The Uppsala Model further suggests that a firm needs to acquire a certain level of knowledge before entering foreign markets, exemplified by the experiential learning concept (Johanson and Vahlne, 1977). Findings in this study confirm this interplay between internationalisation and knowledge development. All 13 BGs accumulated their knowledge from international activity, which then led to more resource intensive entry modes. However, findings showed that BGs committed to FDI very early (on average after 12 years after inception) and therefore, appeared to accumulate knowledge at a much faster pace when compared with traditional firms, which is similarly observed by others (Chetty and Campbell-Hunt, 2003; Zahra et al., 2004). Moreover, BGs entered several markets at the same time (Autio et al., 2000), contradicting the one-market approach of traditional firms (Johanson and Vahlne, 1977). Therefore, experiential learning played a decisive role in the internationalisation behaviour of BGs, although these accumulated knowledge at a much faster pace than traditional firms, allowing for multiple simultaneous market entries.

Moreover, this study also investigated the BGs conformance to the concept of psychic distance (Johanson and Vahlne, 1977). However, the notion of psychic distance is argued to be less relevant as global markets become more homogenous (Czinkota and Ursic 1987; Nordström, 1991; Hamill and Gregory, 1997). As such, the role of psychic distance for BG firms remains unclear (Trudgen and Freeman, 2014). Surprisingly, findings showed that BGs conformed to a remarkable extent to the concept of psychic

distance, as these all began with exports to proximate markets before engaging in markets further afield. However, BGs accelerated through this concept when compared with predictions of conventional firms. BGs also appeared to enter far more challenging and risky markets early, most likely due to the competitive pressures arising from globalisation trends, which is suggested by other scholars (Erramilli and D'Souza, 1993; McDougall et al., 1994; Knight and Cavusgil, 1996). The focus of BGs on innovation and their targeted industries are likely to affect their global orientation, as argued by Leonidou and Samiee (2012) who suggest that the internationalisation speed of BGs affects the concept of possessive psychic distance, as in certain industries, such as electronics, firms target global markets sooner than predicted by the Uppsala Model. Nonetheless, the concept of psychic distance remains a relevant framework to explain the market selection of BGs, although its predictions suggest a much slower rate.

In this study, BGs did not appear to be on the opposite spectrum to the Uppsala Model's predictions, but simply accelerated through its concepts faster than traditional firms. Therefore, BGs may be an extension of the Uppsala Model, which spun out from recent globalisation trends. Therefore, BGs could arguably be an evolved variant from the 'out-dated' traditional theory. This will be further discussed in section 6.2.6.

6.2.3.2 Differences in BGs from Germany and Britain

The country comparison showed that more BGs were identified in Britain than in Germany (8 versus 5), which might be explained by the uneven split of German and British GHCs in both the GHCh (3 German and 4 British) and GHCh (4 German and 5 British) category. As a result, British GHCs embarked on proactive BG internationalisation paths more frequently than their German equivalents (62% versus 38%).

Interestingly, German BGs emerged to be considerably older than those identified in Britain (49 years and 34 years). Findings showed that German BGs were established between 1937 and 1977, whilst British BGs established between 1939 and 2007, of which the majority were established after 1984. This finding bridges the gap stressed by Zander et al. (2015) in which he calls for the need to compare younger BGs to ones which are more established, which is arguably the case when comparing German and

British BGs. Especially this finding confers to Leonidou and Samiee (2012) who stress the importance to include Germany as a study site in BG research.

Hence, the internationalisation paths of German and British BGs demonstrated remarkable differences. Interestingly, the analysis showed that German BGs were much closer to the 'pure' BG criteria when compared with British BGs (deviance score 0 versus 2 out of 18, see Appendix 10). Instead, British BGs demonstrated a slightly closer compliance with the traditional Uppsala Model path (14 versus 16 out of 18, see Appendix 10).

In terms of speed, findings showed that the average German BG internationalised twice as fast when compared with those in Britain (2 years and 5 years), even though German BGs were much older. Hence, German BGs were closer to studies that used a two year time frame (Rennie, 1993; Chetty and Cambell-Hunt, 2003), whilst British BG were closer to Crick and Spence's (2005) study, which used a five year time frame. Upon closer inspection, all German BGs demonstrated global activity within the first three years, which is consistent with one group of BG studies (Zahra and George, 2002; Knight et al., 2004). Two British BGs even started exporting only months after inception, which is argued to be extremely rare and was not the case for any of the German BGs (see Welch and Luostarinen, 1988).

Nonetheless, the internationalisation speed of British BGs varied far more than those of their German equivalents, ranging from inception up to nine years. As a result, the majority of British BGs focused domestically much longer than their German equivalents. Therefore, German BGs were much closer to other common BG studies due to their much shorter incubation periods (for example, Rennie, 1993; Knight et al., 2004). In contrast, two British BGs incubated as long as nine years, which does not seem to have been studied before, as the longest examined period seems to be eight years (see McDougall et al., 1994; Welbourne and DeCieri, 2001).

6.2.3.3 Other pertinent findings on BGs

This study further contributes to knowledge on BGs in four ways; it offers a relevant performance measure of global market share and also provides sufficient evidence that BGs operate in multiple industries. Furthermore, findings implied that not all BGs

were necessarily a phenomenon spurred from the 1980s globalisation trend and that BG spin-offs were slower internationalisers when compared with independently established BGs.

6.2.3.3.1 BGs performance measure

BGs in this study were globally dominating niche strategists, in terms of achieved global market shares. A few other studies identified similar niche dominating BGs (Knight and Cavusgil, 1996; Luostarinen and Gabrielsson, 2004; Knight and Cavusgil, 2004; Knight et al., 2004; Sheppard and McNaughton, 2012), this has not, however, been considered as a common characteristic of BGs per se.

Recent research efforts focused on capturing the performance of BGs using various different measures including sales, export growth, profitability, global market share, survival, and global competitiveness (Zhou et al., 2007; Efrat and Shoham, 2013). This approach reflects management strategy literature, which is inconsistent on the application of performance measures (Richard et al., 2009). In particular, Trudgen and Freeman (2014) stress the importance of identifying a suitable performance measure for BGs in order for this field to progress.

To bridge this gap, this study suggests global market share as an adequate performance measure, as it allows the success of BG firms in global industries and respective global niche strategy variants to be considered. Arguably, all BGs in this study form a special sub-group of BGs due to their market leading niche positions measured by accumulated global market share, which has been stressed by quantitative work conducted earlier (see Witt and Carr, 2013).

6.2.3.3.2 BGs presence across different industry sectors

Rialp et al. (2005) highlight the need to generalise results from the primarily high technology orientated BGs literature to a wider range of industries, specifically those in the manufacturing sector. This gap is addressed by this study, as the majority of British and German BGs were manufacturing businesses, whilst also including BGs from various other industry sectors, such as software engineering and consumer products.

More specifically, BGs were mainly identified in B2B markets, which is considered common (for example, Laanti et al., 2007; Gabrielsson and Gabrielsson, 2013; Sepulveda and Gabrielsson, 2013), such as software engineering and manufacturing, which is supported by the Eurofund (2012) study. In exceptional cases, BGs can also be found in commodity markets (Cavusgil and Knight, 2009) and this was the case with only 1 out of 13 BGs (GerN3) being in this area.

6.2.3.3.3 Globalisation as a trigger for BGs?

This study further casts doubt on the assumption that BGs lack a deeply rooted administrative heritage (Sheppard and McNaughton, 2012), as over half of the sample demonstrated a much longer history. This is especially true for BGs identified across the GHCms sample, as they reached an average age of 64 years (46 years up to 76 years). These findings are not in line with common BG studies, which have primarily focused on firms established after 1985 rather than before that date, suggesting an average age of 28 or younger (Moen, 2002; Knight and Cavusgil, 2004; Kudina et al., 2008; Vissak et al., 2012).

This further raises the question as to whether the 1980s globalisation trends were the primary trigger for these proactive firms to emerge, which is suggested by some scholars (Oviatt and McDougall, 1995; Coviello and Munro, 1997; Madsen and Servais, 1997; Cavusgil and Knight, 2015). More than half of the BGs sample, which were set up between 1937 and 1977, were arguably not affected by later globalisation trends in the same manner as those established after this date. Avoiding the globalisation debate, BGs early internationalisation is not necessarily a result of the 1980s globalisation trends, as evidence suggests that older GHCs demonstrate a remarkable global orientation from the outset, whilst having to overcome a different set of challenges from those established after 1977.

6.2.3.3.4 Spin-off based BGs

British BGs were slower to internationalise than those identified in Germany (5 years versus 2 years). One reason for this discrepancy might be due to the inclusion of two British spin-offs (incubation periods: BritN1 9 years and BritN4 5 years). Spin-offs are considered to have longer development periods, as their business is often

established before their technology reaches the maturity stage (Pettersen and Tobiassen, 2012). Revisiting the findings in this study, there is evidence that some BGs established their company after their product was finalised, such as BritN3 and GerN3 (see Appendix 36 for specific quotes). Arguably, both GHCs could focus entirely on international expansion and not product development, which allowed for an earlier and faster international expansion.

BGs pre-start-up phase is considered to be extensive (Hewerdine and Welch, 2012) and to affect their post-founding strategy (Pettersen and Tobiassen, 2012). Studies have, however, tended to focus on the managerial aspect (Rialp-Criado et al., 2010) and the international development aspect in the BGs pre-start-up phase (Melén and Nordman, 2009) and largely failed to investigate the earlier product development process. Cannone and Ughetto (2014) suggest that in the high-tech industry in particular, when a product is finalised and set-up costs are established, BGs can sell large volumes of their product worldwide very rapidly. This study, therefore, raises the question as to whether pre-formation product development/finalisation increases the likelihood of early internationalisation, as incubation times appeared to be considerably shortened for the some BGs, whereas spin-offs incubated for much longer.

6.2.4 Similarities between GHCs and BAGs

As pointed out earlier, Bell et al. (2001) present the concept of BAGs, which are firms defined by their long domestic focus before commencing more rapid internationalisation. Arguably, BAGs inherit characteristics of traditional internationalisers at first (Jørgensen, 2014), whilst starting on a more proactive route similar to BGs in the later stage. The underlying motives for this sudden shift in behaviour includes, amongst others, a change in management or need to follow clients (Bell et al., 2001). Compared with the extensive literature on BGs and traditional internationalisers, BAGs internationalisation paths have been less researched and the dimension of speed, scale and scope are not adequately researched (Kuivalainen et al., 2012).

Based on the criteria for BAGs suggested in this study, the findings identified a total of 20% (6 out of 30 GHCs) as BAGs, based on their low deviance scores in the analysis

(average deviance of 3 out of 18, see Appendix 10). This finding is consistent with Witt and Carr (2013) who identified HCs also pursuing BAG paths.

BAGs were, however, mainly found among the more enduring category of GHCms (1 German and 1 British) and GHClS (1 German and 3 British), whilst more recently established GHCns deviated considerably from BAG behaviour. As such, BAGs in this study were, on average, 80 years old with a founding date around 1930 (BAGs established between 1882 and 1968). This finding is consistent with Sheppard and McNaughton's (2012) study, which suggests that that BAGs are well-established firms when compared with BGs.

6.2.4.1 BAGs internationalisation paths

Findings demonstrated that BAGs focused on their domestic market over six times longer than the criterion set in this study (10 years). On average, BAGs focused domestically for 61 years and their internationalisation speed was far closer to definitions of traditional firms than those of BGs, which is more in line with Jørgensen (2014) suggestions.

All German and British BAGs encountered a critical event, which triggered their first international activity. The main reason for their belated internationalisation in this study was a change in management, but Bell et al.'s (2001) other critical incidents of acquisitions and following clients were not found (also see Table 7). However, this study disclosed historical events differing from Bell et al.'s (2001) critical incidents, as technological advances similarly initiated a shift in BAG behaviour, as will be discussed in the subsequent country comparison section.

The majority of BAGs showed a substantial overlap to many Uppsala Model predictions (average deviance of 9 out of 18, see Appendix 10). German and British BAGs investigated showed a similar gradual internationalisation approach to internationalisation, although all departed after encountering a critical incident. Nevertheless, the role of experiential learning and the concept of psychic distance were able to explain the broad paths of the majority of BAGs from both countries

6.2.4.2 Differences in BAGs from Germany and Britain

The country comparison highlighted that far more BAGs were identified in Britain than in Germany (4 versus 2). More specifically, one BAG from each country was identified in the GHCms sample, whilst three British BAGs were identified in the GHCLs categorisation but only one in Germany. As a result, British BAGs were much older than those found in Germany (90 years and 68 years).

The main differences in the internationalisation paths pursued by German and British BAGs were that British BAGs engaged in international activity much later when compared to their German equivalents (75 versus 32 years). Therefore, British BAGs focused domestically longer than those in Germany.

Moreover, distinct differences were found on their critical incidents, which initiated belated dedicated internationalisation. British BAGs were mainly motivated by managerial change, which clearly conforms to Bell et al.'s (2001) list of critical incidents. However, German BAGs shifted their strategy based on technological advances, but this was not defined as a critical incident by Bell et al. (2001) (also see the summary in Appendix 10).

Nevertheless, innovation and technological advances (i.e. research and development) have long been identified as central initiators for the internationalisation of BGs (for example, Kontinen and Ojala, 2012; Cavusgil and Knight 2015) and may therefore be an additional but unreported critical incident for BAGs in Germany. Taking this argument further, Oesterle (1997) highlights that any opportunity which contributes to the internationalisation of firms can be considered an 'episode' of internationalisation. Applying Oesterle's (1997) logic to the current findings suggests that German BAGs were triggered by technological advances, which can be considered a critical incident as defined by Bell et al. (2001).

6.2.5 Similarities between GHCs and Hybrids

Findings further identified 37% of GHCs pursuing an alternative internationalisation path, which was close to traditional internationalisation and BAGs, but deviated considerably from BG criteria. In fact, 11 out of 30 GHCs complied equally with the behaviour of traditional internationalisers and BAG criteria (average deviance of 6 out

of 18 for both theories, see Appendix 10) and could not be categorised as one specific internationalisation variant and were therefore labelled as Hybrids. All Hybrid internationalisers pursued very similar routes of internationalisation and were all identified amongst the more enduring set of GHCms and GHCLs and none were identified among the more recently established GHCns. Hence, the average Hybrid was established in 1889 and can be all considered to be well-established firms and similar to BAGs, these were rich in administrative heritage (Sheppard and McNaughton, 2012) given their average longevity of nearly 130 years. This is also consistent with Simon (2009) who claims that many HCs are over 100 years old and in particular to the enduring literature, which categorises firms over 90 years as enduring players (Collins and Porras, 2005; Stadler, 2007).

6.2.5.1 'Hybrid' internationalisation paths

Hybrid internationalising firms demonstrated an equal compliance to the criteria of both traditional firms and BAGs. The linkage to both theories was demonstrated by their internationalisation behaviour. Firstly, Hybrids initially focused on their domestic market (average 24 years) and then started sporadic export activity thus, following the early predictions of experiential learning and the establishment chain, as proposed by the Uppsala Model (Johanson and Vahlne, 1977). However, Hybrids break from traditional internationalisation predictions, as they then shifted from sporadic international activity to a more dedicated and accelerated internationalisation path, which is a notion similar to BAGs (Bell et al. 2001). Like critical incidents of BAGs, Hybrids also encountered a historic event, which initiated their shift in strategy and then contradicts the Uppsala Model's predictions.

The encountered event was, however, dissimilar from Bell et al.'s (2001) critical incidents. A BAGs critical incident is a trigger to a firm's initial internationalisation and on par with Oesterle's (1997) first 'episode' of internationalisation. In contrast, when applying Oesterle's (1997) arguments to the behaviour of Hybrids it suggests that these went through two internationalisation episodes. Hybrids first episode was sporadic internationalisation through exports. Their second episode entailed a continuous but more proactive internationalisation engagement through exports as

well as FDI. Therefore, after encountering a historic event, Hybrids were ‘reborn’ to continuous internationalisation, whereas BAGs were ‘born’ to internationalisation.

This difference makes the internationalisation paths of Hybrids unique, though they could perhaps be sub-categorised as a special form of BAG internationalisers. Nonetheless, the Hybrid path does not yet seem to have been described in the literature and emerged as a pertinent and prominent path of enduring GHCs from Germany in particular, but also those in Britain.

6.2.5.2 Differences in Hybrids from Germany and Britain

Findings showed some remarkable differences in Hybrids from Germany and Britain. Firstly, over twice as many Hybrids were identified in Germany as compared with Britain (8 versus 3), and German GHCLs followed the Hybrid path more than those identified in Britain (7 versus 2), whilst in the GHCLs category one was found in each country. British Hybrids were slightly closer to both traditional internationalisation and BAG predictions than those in Germany (average deviance 6.00 versus 6.50 out of 18, see Appendix 10). German Hybrids were also much older than their British equivalents (Germany 131 years and Britain 108 years), which might explain why German Hybrids focused domestically for much longer when compared to their British counterparts (27 versus 17 years).

Secondly, history appeared to play a decisive role in this internationalisation trajectory, demonstrated by their radical shift in strategy in response to historic events. These occurrences, however, differed for German and British Hybrids. For example, GerM1’s international expansion plans were disrupted by the outbreak of the Second World War, but the company revisited them in the 1960s through technology advances. In another case, the discovery of oil drove BritL2’s management to refocus their product portfolio in favour of the oil industry and by doing so, they soon reached global dominance in their niche market.

Overall, findings showed that the majority of German Hybrids embarked on a more proactive and continuous international expansion due to technological advances, which was similar for German BAGs, but also due to product diversification. By contrast, the British equivalents were triggered more by managerial change, which was

very similar to those British GHCs identified as BAGs. However, as previously discussed, only managerial change is recognised by Bell et al. (2001) as a critical incident. It has been argued that technology advances can be included as a critical incident for German BAGs when applying Oesterle's (1997) rationale. Similarly, product diversification also initiates internationalisation for German Hybrids and according to Oesterle's (1997) rationale, product diversification can be also considered as a critical incident. Therefore, this empirical investigation suggests the inclusion of technological advances and product diversification as further critical incidents for BAGs and for the emergent internationalisation trajectory of Hybrids, in particular for those in Germany.

The Hybrids shift in internationalisation strategy demonstrated a remarkable capability adapting to rapidly changing environments and new trends, which is in line with the arguments on strategic fit (Ansoff, 1965; Andrews, 1971). Arguably, this internationalisation trajectory contributed to the firm's sustainability and survival as part of their ability to adapt to market changes and historic turmoil.

6.2.5.3 Emergence of the 'Re-Born-Again Global' (Re-BAG) path

Based on the findings in this empirical investigation, the name of '*Re-Born-Again Globals*' (re-BAGs) is proposed for the Hybrid internationalisation trajectory. 37% of GHCs clearly demonstrated a 'rebirth' to internationalisation following a remarkably similar internationalisation path. Firms were characterised by sporadic internationalisation activity to begin with but, after a critical incident, similar to BAGs, moved to more proactive internationalisation behaviour. Essentially, a BAG firm may evolve to become a re-BAG-type internationaliser and encounter a second wave of internationalisation, as many more enduring GHCs were found to pursue the paths of re-BAGs whereas BAGs were slightly younger. At this stage, re-BAGs can be considered to be more enduring GHCs found in Germany and Britain, and mainly established before 1932. Furthermore, re-BAGs strived for world dominating market positions in niche markets through the extensive use of FDI to establish a presence in global markets. From here on, the trajectory of Hybrids will be referred to as re-BAGs.

6.2.6 The Uppsala Model as a framework to explain the alternative paths of BG, BAG and re-BAG

Reid (1983) argues that the Uppsala Model emerged in a time when firms operated in multi-domestic markets, allowing for a much slower paced international activity. Since 1980s, however, firms have faced direct competition on a global scale necessitating immediate and fast reaction. Reid (1983) and Penrose (1959) argue that firms strategically adapt to the evolving circumstances in their market environment and this affects a firm's internationalisation pace, knowledge seeking, and product development. All GHCs pursued proactive routes of internationalisation and showed the ability to adapt in response to certain events, in particularly found for more enduring GHCs (BAGs and re-BAGs), or adapt to the fast paced global marketplace, which necessitates early and ad-hoc internationalisation strategies, mainly pursued by the younger generation of GHCs (BGs). The question can be therefore raised as to whether all identified BG, BAG and re-BAG paths form a special case of traditional internationalisation theory rather than being a contradictory phenomenon.

This discussion argues in line with Solberg (2012, p. 57) that a firm should learn how to “creep before it runs” and a firm's possessive approach to internationalisation may be in line with conventional wisdom. Hedlund and Kverneland (1985) argue that through the internationalisation of markets, a firm is capable of accumulating knowledge at a much faster pace through which uncertainty decreases. This enables firms to embark on a more accelerated route of internationalisation and target global markets much earlier than predicted by the Uppsala Model. All BGs, BAGs and re-BAGs were found to rapidly internationalise, if also many in a more belated manner. Arguably, this accelerated behaviour departs from the traditional framework but not the basic approach of any firm wanting to internationalise. As a result all of the Uppsala Model's concepts are found to need revision in terms of its speed, direction and tempo to explain the alternative paths of internationalisation pursued by all GHCs in both countries following either paths of BGs, BAGs and re-BAGs.

6.2.7 An evolutionary perspective of GHCs internationalisation paths

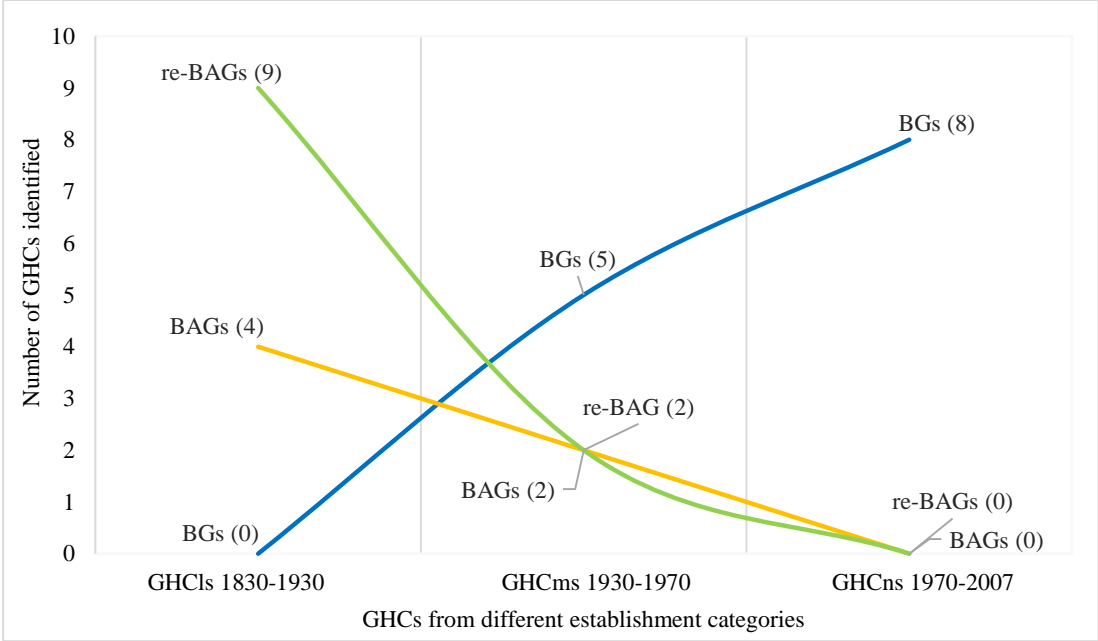
This study provides interesting findings on the internationalisation paths of German and British GHCs. Moreover, the analysis provided insights on how the strategy

preferences of GHCs shifted in relation to their establishment date. This study allowed for a remarkable evolutionary perspective as firms from both countries were established anywhere between 1838 and 2007.

All 30 GHCs were divided into three categories of establishment dates. A total of eight GHCs established 40 years ago (GHCns), nine established between 41 to 80 years ago (GHCms), and 13 established over 81 years ago (GHCls). Findings suggest that within these categories all eight GHCns pursued the routes of BGs, whilst only five GHCms pursued the same path and a further two GHCms were identified as BAGs and two as re-BAGs (Hybrids). Among the GHCls sample, nine were identified as re-BAGs and four as BAGs.

These findings show an evolution of internationalisation behaviour over time. All GHCns and the majority of younger GHCms followed the paths of BGs, whilst more enduring GHCms and GHCls pursued the belated accelerated paths of either BAGs or re-BAGs. Thus, younger GHCs departed significantly from traditional patterns when compared to enduring GHCs, although all enduring GHCs eventually moved further away from gradual internationalisation to a more ad-hoc approach triggered by a critical incident. Therefore, all 30 GHCs internationalised in a much more dedicated and proactive manner. However, 43% did so close to inception and 57% demonstrated a belated proactive commitment in the form of BAGs and re-BAGs. This shift in strategy preference over time is shown in Figure 10.

Figure 10 Evolution of GHCs internationalisation paths



(Source Author)

Figure 10 portrays the evolution of the internationalisation paths of GHCs established between 1838 and 2007. All GHCns were identified as BGs (portrayed in blue), whilst enduring GHCLs did not internationalise as rapidly and early. This suggests that BGs paths became more relevant for companies established after 1930 when compared with GHCs established before this date.

BAGs (portrayed in yellow) were first identified in the sample of GHCms and even more were identified in the sample GHCLs, which suggests that this alternative route was only pursued by GHCs established before 1970 but not by firms established after this date. Similarly, also re-BAGs (portrayed in green) were first identified in the GHCms sample and even more were identified in the GHCLs category. Therefore, re-BAG paths were pursued more by GHCs established between 1830 and 1970 but, just like BAGs, not all by those established after 1970.

Drawing attention to the time period of GHCms in Figure 10, there is a clear shift in the type of internationalisation strategy pursued by GHCs. GHCms were the only category in which GHCs pursued all three paths of BGs, BAGs and re-BAGs. The majority (5 out of 9) pursued the BG path as did all GHCs established between 1971

and 2007. In contrast, BAG and re-BAG paths were pursued by GHCs established between 1830 and 1970 but were less relevant for those established after 1970. Therefore, the paths of BAGs and re-BAGs were no longer pertinent for newly established GHCs as they embarked on the accelerated BG paths.

As a result, the date of establishment appears to correlate with the type of internationalisation pursued, which is further displayed in Figure 11. Time might therefore be a direct indication on whether a firm pursues accelerated (e.g. BGs) or belated accelerated internationalisation (e.g. re-BAGs and BAGs).

Figure 11 Establishment dates predicting internationalisation path

2007 <i>GHCns</i>	Born Globals (43%)
1971 1970 <i>GHCms</i>	
1931 1930	Born-Again Globals (20%)
<i>GHCls</i> 1830	Re-Born-Again Globals (37%)

(Source: Author)

In line with Cavusgil (1994), this study showed that gradual internationalisation has become obsolete and is no longer a path considered by GHCs. Instead, all 30 GHCs pursued a much more proactive BG internationalisation path, as exemplified by the younger generation of GHCns and the majority of GHCms. The Uppsala Model appears to have been replaced by the alternative routes of BAGs and re-BAGs, whilst the recently established GHCs pursued a BG path from their inception.

Although, no GHCs was identified as a pure traditional firm, the concepts of the Uppsala Model (i.e. experiential learning, psychic distance and the establishment chain) remain prominent and appear throughout BG, BAG and re-BAG paths. Arguably, all the new observed phenomena, including re-BAGs, are an extension of the over 30 year old Uppsala Model's observations. The Uppsala Model lacks the aspect of globalisation, history and increasing competitive pressures, which arose well after its publication in 1977. However, the framework, supports the behaviour of

GHCs, although it has been replaced with more recent observations of BGs, BAGs and re-BAGs as it deems inappropriate due to its tempo, direction and speed.

6.3 Market entry mode and FDI choices of GHCs

This study further analysed the market entry mode choices of all 30 GHCs in Germany and Britain, although the main focus was set on their first three FDI commitments instead of their trade activity. The rationale to study the entries through more resource-intensive modes derives from the fact, that FDI commitments require a much greater investment in fixed costs, resources and strategic planning when compared with trade (Oberhofer and Pfaffermayr, 2012). Furthermore, researchers have suggested that only more productive firms will eventually substitute FDI for export activity (Helpman et al., 2004).

6.3.1 Differences in the market entry mode and FDI choices of GHCs from Germany and Britain

Only 10% of GHCs were found to be solely exporting firms, and were predominantly found across the GHC_n and GHC_m category, whereas all enduring GHC_is demonstrated vigorous FDI commitment. This is not surprising as younger GHC_ns, mainly identified as BGs, are known to opt for more low-commitment entry routes and avoid high investments into foreign markets (Leonidou and Samiee, 2012; Solberg, 2012), as these are said to be resource limited firms (Oviatt and McDougall, 1994; Madsen et al., 2000). Therefore two British and one German GHCs solely moved abroad through exports.

The remaining sample of GHCs were also found to be vigorous exporters and used sales agents and foreign distributors commonly in addition to trade, apart from two British service firms where exporting did not apply. Therefore 93% of the GHC sample used exporting, which was found to be their most favoured entry mode, as it allowed for a high degree of control. On average, younger German GHCs started internationalising earlier than their British counterparts, although the opposite was true for enduring GHCs, where British GHCs demonstrated a greater outward orientation than their German equivalents.

Hence, 90% of GHCs committed to FDI but findings showed a striking difference between GHCs from both countries. A total of 27 GHCs established 78 out of possible 81 FDIs, although German GHCs established far more than their British equivalents (42 versus 36)⁸². Upon closer inspection, both German and British GHCs engaged less frequently in partnerships and preferred fully controlled investments, including greenfield sites and acquisitions. This is consistent with findings from other HC studies (Venohr and Meyer, 2007; Simon, 2009; Witt, 2010; Witt and Carr, 2013). However, other studies have shown that firms prefer joint ventures over wholly-owned subsidiaries (Anderson and Gatignon, 1986; Buckley and Casson, 1998, Hennart 1991; Hennart and Larimo, 1998), which is true for some cases and primarily those from Britain.

Therefore, this study highlights that German GHCs grew far more organically when compared to their British equivalents, which grew non-organically through acquisitions. Studies suggest that the mode of entry is influenced by cultural differences and affected by a firm's experience (Dubin, 1975; Davidson, 1980). Moreover, the type of FDI chosen is also affected by the type of industry the firm operates in (Kogut and Singh, 1988). Therefore, both the culture as well as the industry that GHCs operated in are likely to have affected the first FDI commitments of German and British GHCs.

In literature, there is a clear lack of research concerning firms' internal (i.e. greenfield sites) and external growth (i.e. acquisitions), although "it is believed that the two modes influence firm growth in different ways" (Tan, 2009, p. 1046). In this study, the preference of British GHCs for acquisitions may have had an effect on the speed of FDI commitment, as these committed earlier to FDI when compared with their German equivalents. Generally, acquisitions are considered to be a faster mode of entry when compared to the establishment of greenfield sites (Biggadike, 1979; Hennart and Park, 1993; Hubbard, 2013), although others take an opposite stance (Hasting, 1999; Zook and Allen, 1999).

⁸² The obvious reason is that two British GHCs are pure exporters whilst this is only the case for one German GHCs and furthermore, one British firm only has two FDIs instead of three, which were aimed to investigate.

Overall, greenfield expansion is more likely to be successful than internationalisation through other entry modes (Woodcock et al., 1994; Li, 1995), as firms have more time to devote their resources (Hubbard, 2013). This would arguably imply that German GHCs first FDI commitments were prone to be more successful than that of British GHCs. However, Lin et al., (2015) found that industry leaders engage frequently in mergers and acquisitions than other firms in the same market, as it reduces competition and improves a firm's market position.

There does not seem to have been much research on a firm's performance in regards to organic and non-organic growth routes (Mata and Portugal, 2004). Findings demonstrated that both routes have led to successful global market positions and enabled GHCs to attain high global market shares. The extensive use of FDI by the majority of GHCs from both countries suggests that a firm is more likely to reach global dominance and outperform competitors if they engage in FDI; findings on more enduring GHCs also suggest that this helps ensure survival.

However, some GHCs also engaged in joint ventures, although these were only formed with majority ownership and mainly chosen due to legal restrictions and to overcome entry barriers in markets with restricted access, which is consistent with Hubbard's (2013) suggestions. Findings further demonstrated that joint ventures were more frequently chosen in emerging markets or challenging countries, which is in line with observations of other scholars (Beamish, 1985; Purkayastha, 1993; Hubbard, 2013).

Furthermore, findings demonstrated that partnerships are not a common entry mode for GHCs, as these prefer to move abroad through own investment to maintain full control over their activities, which is consistent with numerous HC researchers (Simon, 2009; Witt, 2010; Witt and Carr, 2013). However, this preference is prone to change when these businesses continuously internationalise, especially into markets with entry restrictions.

6.3.2 Market entry mode and FDI choices of BGs

Little attention in BG literature has focused on their exact entry mode preferences (Efrat and Shoham, 2013) and many studies neglected to study their continuous

internationalisation behaviour. Therefore, longitudinal studies in BG research has emerged as a major gap in the literature (Liesch et al., 2007).

Findings showed that both German and British BGs started internationalisation through exporting (see Table 38), which is considered the most common mode of entry, as it offers flexibility for BGs which are said to have limited resources and foreign market knowledge (Madsen et al., 2000; Freeman et al., 2006; Cavusgil and Knight, 2015). Furthermore, BGs were observed to use sales agents and distributors actively, which is also suggested by other researchers (Leonidou and Katsikeas, 1996; Knight and Cavusgil, 2004; Leonidou and Samiee, 2012). The average German BG, however, engaged earlier in international activity when compared to the average British BG.

More interestingly, this study provided insights on the continuous internationalisation of BGs with more resource intensive entry mode choices, based on the analysis of their first three FDIs (see Table 38). Findings in this study demonstrated that 11 out of 13 BGs frequently used costly FDI endeavours, such as greenfield sites, acquisitions and joint ventures. However, FDI entries are considered to be rare for BGs (Leonidou and Samie, 2012; Solberg, 2012), due to their resource constraints (Madsen et al., 2000; Freeman et al., 2006).

According to Cavusgil and Knight (2015, p. 4) firms which internationalise early and engage in FDI are not BGs but are closer to ‘international new ventures’ (McDougall et al., 1994), which engage in “various entry strategies, including foreign direct investment.” Arguably, GHCs that were found to engage in early and rapid internationalisation should be categorised as ‘international new ventures’, as the majority hinged on FDI. The authors, however, also call for the need to study BGs long-term development and therefore appear to suggest that international new ventures are a more ‘evolved’ form of a BG firm. Limited studies, such as Melén and Nordman (2009) discovered that BGs also moved abroad through strategic alliances, joint ventures, sales subsidiaries and manufacturing abroad, and there is nothing that implies that a BG firm cannot evolve beyond the early stages of exporting, as FDI expansion is primarily regarded to be more successful than trade (Woodcock et al., 1994; Li, 1995). Therefore, the findings here suggest that GHCs are BGs with FDI activity and

appear remarkably close to those of HCs, which commonly opt for FDIs and avoid moving abroad through partnerships (Simon, 2009).

The country comparison revealed that German and British BGs differ slightly in their FDI expansion. Firstly, British BGs were found to engage nearly six years earlier in FDI when compared to those in Germany, however, German BGs were also considerably older than their British equivalents. German BGs preferred to grow more organically through greenfield sites, whilst their British equivalents grew also more non-organically and engaged in acquisitions. More specifically, findings suggested that British BGs acquired companies to gain access to capabilities, which is considered a common move by other scholars (Hitt et al., 2000). This difference is likely to explain why British BGs engaged earlier in FDI than their German equivalents, as greenfield expansion is considered to take much longer than acquiring a foreign business (Biggadike, 1979; Hennart and Park, 1993).

Nonetheless, BGs executives from both countries stressed that they preferred to move abroad through their own resources instead of partnering with other businesses. Joint ventures were chosen less frequently by German and British BGs, but mainly due to foreign market restrictions (see Hubbard, 2013), which confirms to some BGs described in the literature, which argue that BGs opt for partnerships due to their limited resources (Knight and Cavusgil, 2004; Leonidou and Samiee, 2012; Solberg, 2012), but also to HCs literature, which argue for some expansion through partnerships (Simon, 2009; Witt 2010; Witt and Carr, 2013). Thus, German and British BGs were notably closer to patterns described by other scholars who suggest that young firms with limited international experience opt for an organic route of internationalisation and choose greenfield investments (Mudambi and Mudambi 2002; Hubbard 2013).

Efrat and Shoham (2013) suggest that if BGs pursue a successful internationalisation they are more likely to survive. In this study, BGs pursue a successful internationalisation which entails extensive trade activity but more importantly direct presence through FDI, including greenfield sites in particular, but also some acquisitions and joint ventures.

6.3.3 Market entry mode and FDI choices of BAGs

Findings have revealed that the majority of BAGs chose to enter multiple markets simultaneously, using both low- and high-commitment entry modes (see Table 40). However, little research has focused on the exact entry modes pursued by BAGs, as follow-up studies are rare (Kuivalainen et al., 2012). This study demonstrated that the majority of BAGs (4 out of 6) started internationalisation through exporting and sales agents, allowing German BAGs especially to commit earlier in international activity than those identified in Britain. Then gradually BAGs committed to larger investments such as greenfield sites, acquisitions and joint ventures.

The market entry mode choices of German and British BAGs proved distinctively different (see Table 40). British BAGs entered foreign markets mainly through acquisitions, whilst their German equivalents primarily moved abroad through greenfield sites. Therefore, German BAGs preferred to grow much more organically, whilst their British equivalents preferred the growth by non-organic means. This may explain why German BAGs took over seven times longer to establish FDI when compared to their British counterparts, as acquisitions are considered to be fast paced entry modes when compared to the establishment of greenfield sites (Biggadike, 1979; Hennart and Park, 1993).

The different choice in FDI was mainly due to the two British service BAGs (BritM1 and BritL1), whilst all other BAGs were manufacturing or engineering businesses. These service GHCs engaged in international activity only through acquisitions, as exporting does not apply to their industry. Both firms started internationalisation with much more costly and resource intensive endeavours when compared to all remaining BAGs, which started internationalisation through trade. Arguably, the inclusion of these two British service BAGs significantly increased the on average longer domestic focus of British BAGs when compared with their German counterparts.

The market entry mode choices of service firms are said to be distinctively different to those of manufacturing firms, as the route of exporting is often not possible hence, these must choose resource intensive market entry modes (Ekeledo and Sivakumar, 1998; Cicic et al., 1999). This, however, stands in contrast to Erramilli and Rao (1993) who suggest that service firms frequently opt more for resource intensive modes when

compared with manufacturing firms (Brouthers and Brouthers, 2003), as these produce and service simultaneously (Habib and Victor, 1991), but require much more personnel (Boddewyn et al., 1986; Bowen and Jones, 1986; Erramilli and Rao, 1993) than firms in manufacturing industries.

A debate in the literature relates to whether specific theories of internationalisation are applicable to service firms (Boddewyn et al. 1986; Buckley et al. 1992)⁸³. This study demonstrated that the BAG path of internationalisation was applicable to service firms, which has been suggested also by Bell et al. (2001). Findings can be therefore generalised to British service GHCs without any adaptations, which is consistent with Terpstra and Yu (1988) who highlight that internationalisation theories can be generalised to service firms.

6.3.4 Market entry mode and FDI choices of re-BAGs

Findings on the internationalisation paths of re-BAGs (Hybrids) indicate an extensive use of low-commitment entry modes, including exports and sales agents, through which British re-BAGs engaged earlier in international activity than those in Germany (see Table 42). Re-BAGs initial sporadic international activity was, however, disrupted by a critical event, which then prompted a more dedicated focus on international expansion including FDI, such as greenfield sites, acquisitions and joint ventures.

However, German re-BAGs grew organically, while British re-BAGs moved abroad more frequently through acquisitions, which might explain their slightly faster paced FDI commitment when compared to their German equivalents. German re-BAGs instead predominantly ventured abroad through greenfield sites. Therefore, re-BAGs made use of various entry modes, which lies much closer to the predictions of BAGs

⁸³ The majority of internationalisation theories mainly emerged from manufacturing businesses including the Uppsala Model (Johanson and Vahlne, 1977), BGs (Rennie, 1993), and BAGs (Bell et al., 2001). However, some scholars argue that the existing internationalisation theories are generalizable to service firms without any adaptations (Terpstra and Yu, 1988), although other scholars stress that modifications are necessary (Erramilli, 1990; Erramilli and Rao, 1993). Nonetheless, the internationalisation of service firms is now emerging to be a new arena for building and testing existing internationalisation theories (Javalgi and Martin, 2007).

than of traditional firms, as the Uppsala Model omits entries through acquisitions and partnerships (Forsgren, 1990; Madsen and Servais, 1997).

6.4 Overview of German and British GHCs target markets

The analysis of the regions targeted through FDI by both German and British GHCs demonstrated that less than half of all FDI entries aimed at regional markets, although German GHCs established FDIs twice as often in cultural proximate markets when compared with British GHCs (see Table 44).

Hence, German GHCs remained more closely integrated with their direct neighbours, such as France, Italy, and Austria when first establishing their presence abroad, while British GHCs preferred entries into Germany and Sweden. All these regional markets entered by German and British GHCs are considered to be very similar to the host country in terms of culture (Bürgel et al., 2004). However, the preference of regional markets did not vary significantly for GHCs from both countries and for those established in different time periods.

It was observed that GHCs targeted far more global markets than regional ones (see Table 45). This highlights a remarkable global orientation of GHCs when they first committed to FDI. However, British GHCs established more FDI in global markets when compared to their German equivalents. This proved especially true for GHCns and GHCms. Surprisingly, the opposite was true for German GHClS, as these established more presence globally than their British counterparts.

The most favoured global markets for both German and British GHCs were remarkably similar. The USA was by far the most favoured market, which is regarded as offering a great market potential and opportunities for specialised firms with novel technology (Coerderoy et al., 2011). GHCs from both countries, however, also moved extensively into emerging markets, such as Brazil and China.

This highlights a remarkable global reach of GHCs when first engaging in FDI. However, emerging markets were covered predominantly by newer established GHCns than by enduring GHClS. This finding was expected, as the term ‘emerging markets’ was introduced in the 1980s, describing rapidly growing economies

especially in Asia and Latin America (Hoskisson et al., 2000) and were mainly targeted via FDI after the 1980s (Wright et al., 2005).

Nonetheless, German GHCLs targeted many challenging markets despite being long lived, suggesting that German GHCLs especially were far less risk adverse than initially expected. Hence, GHCLs departed from the psychic distance predictions of Johanson and Vahlne (1977). In contrast, British GHCs demonstrated a tendency to enter markets in the Commonwealth, which are considered to be less challenging, when compared to other global regions, in terms of language barriers and historical linkages (see Hubbard, 2013). Therefore, German GHCs entered far more challenging, and respectively risky global markets when compared with their British contingents.

There is a clear distinction between GHCs from both countries and the time periods at which they were established. German enduring GHCLs demonstrated a much more global orientation than their British counterparts. However, more recently established British GHCs overtook Germany's initial more global geographic scope. It may be argued that British GHCs may have been more prompted to move into global markets due to their niche market strategy (i.e. limited domestic demand), as suggested by various scholars (Bell, 1995; Majkard and Sharma, 1998) than the German ones.

The advances in technology and developments in economic and social factors may also have contributed to Britain's more global approach (Brock et al., 2011). Although scholars suggest the 'death of distance' (Cairncross, 2001), empirical findings showed that the FDI commitments of German GHCs were influenced by market proximity. Ellis (2000) highlight the fact that psychic distance influences the entry sequence of firms, and in this study the prevalent greenfield site entries of German GHCs may suggest a positive relationship between psychic distance and organic growth through FDI.

6.4.1 BGs target markets

It was observed that BGs entered far more global markets when compared with regional markets, suggesting that BGs built more presence via FDI in global than regional markets (see Table 47 and Table 48). However, the country comparison

indicates that German BGs established more presence regionally, whilst their British counterparts were much more globally orientated.

German BGs established more than half of their FDIs regionally, whereas the British only established a fraction of their possible FDIs in proximate markets. Hence, German BGs predominant initial regional focus is remarkably similar to the observations by one group of BGs scholars, which highlight this behaviour in the first years in particular (Lopez et al., 2009; Freeman et al., 2012a; Freeman et al., 2012b). BGs are said to enter proximate markets first to reduce risk and to accumulate knowledge and networks, which will enable these to enter more distant markets soon after (Luostarinen, 1979; Kogut and Singh, 1988; Chetty, 1996; Fletcher and Bohn, 1998; Evans and Mavondo, 2002; Chetty and Cambell-Hunt, 2004).

Conversely, British BGs established nearly all of their FDIs in global markets, such as USA and Brazil. Hence, British BG behaviour supported the conclusions of another group of BGs scholars (Rennie, 1993; Knight and Cavusgil, 1996), who argue that psychic distance is of little importance, as BGs are prone to exploit all their opportunities (Freeman et al., 2006; Freeman and Cavusgil, 2007).

The market selection of German BGs seems to show a closer correlation with the predictions of the Uppsala Model's psychic distance concept (Johanson and Vahlne, 1977), whilst their British equivalents departed from these predictions by pursuing a much more global expansion. Therefore, the role of psychic distance appears to vary for BGs, as German BGs expanded more reactively (Sharma and Bloomstermo, 2003), whereas the British appeared to expand more proactively (McDougall et al., 1994; Oviatt and McDougall 1994, 1997; McDougall and Oviatt, 2000). Hence, the role of psychic distance in BGs identified here still remains unclear (Trudgen and Freeman, 2014) and appears to depend on the country in which BGs were established in.

6.4.2 BAGs target markets

Bell et al.'s (2001) study provides no explanation for the markets targeted by BAGs. However, given that this alternative internationalisation path is close to that of BGs and traditional internationalisers it can be suggested that these may target regional as well as global markets.

BAGs market selection was found to be similar to the choices of BGs. German BAGs primarily focused on establishing FDI in regional markets, whilst British BAGs only established half of their possible FDI entries in proximate markets (see Table 49). British BAGs thus, demonstrated a much more global orientation when compared with BAGs from Germany (see Table 50). Similar to BG findings, British BAGs entered distant markets, such as USA, whereas this was not the case for their German counterparts, as only one entry was into a global market.

Findings therefore showed that British BAGs were far more globally orientated when committing to FDI, whilst their German counterparts extensively built presence in proximate markets. Therefore, the same discussion of BGs applies here. German BAGs appear closer to the psychic distance concept (Johanson and Vahlne, 1977) when compared with British BAGs, whose behaviour appeared to be closer to the predictions of proactive market seeking behaviour of BGs (Freeman et al., 2006; Freeman and Cavusgil, 2007).

6.4.3 Re-BAGs target markets

Re-BAGs in Germany established much more presence in proximate markets when compared to their British contingents (see Table 51). Main markets targeted by the German re-BAGs were Austria and Belgium, whilst their British equivalents targeted France and Germany. Hence, the psychic distance concept proposed by Johanson and Vahlne (1977), therefore, partially explains the behaviour of re-BAGs, especially those identified in Germany.

German and British re-BAGs further demonstrated a remarkable global reach through FDI (see Table 52). Re-BAGs predominantly targeted the USA, but already showed a focus on more challenging markets, such as India and Brazil. However, this proved only true for those established in Germany, whilst their British contingents entered the USA and Canada, which are remarkably similar markets in terms of language and culture (Hubbard, 2013).

The geographical scope of re-BAGs nevertheless, suggests that many had a very global orientation from their early days from when they first engaged in sporadic export activity. This global mind-set was unexpected, since their average first international

activity was in 1904 and contrasts the international expansion of conventional firms and hence, the concept of psychic distance (Johanson and Vahlne, 1977).

6.5 Internationalisation paths of GHCs from Germany and Britain

The internationalisation paths observed by GHCs from both countries were remarkably different. Firstly, not one single GHCs from Germany and Britain internationalised in a traditional manner, as all at some point in time GHCs increased their speed of internationalisation either through the routes of BAGs or re-BAGs.

Therefore, findings identified 53% of British GHCs as BGs, whilst only 33% were found in Germany. However, 33% of all British GHCs were younger GHCs (categorised as GHCns) when compared to only 20% in Germany, which were also considerably younger than the German equivalent (Britain 34 years versus Germany 49 years). This finding was not surprising considering that BG researchers commonly identify recently established and younger firms embarking on a more proactive internationalisation route (Knight and Cavusgil, 1996), which was mainly prompted by globalisation trends (Knight and Cavusgil, 1996; Laanti et al., 2007). Arguably, all GHCns and some GHCms were more affected by the advances in globalisation when compared to GHCl, which did not pursue a BG path.

Conversely, 54% of German GHCs chose the route of re-BAGs, whilst this was only the case for 20% of the entire British sample. The main reason for this discrepancy was that 80% of the German GHCs were more enduring GHCs (categorised as either a GHCl or GHCm), whereas only 67% of British GHCs can be considered well-established. Therefore, German GHCs, on average, were significantly older than their counterparts in Britain (Germany 95 years and Britain 64 years), which may explain why these embarked more frequently on belated accelerated re-BAG paths and not early BG paths.

Overall, 20% of GHCs pursued BAGs paths, although more were found in Britain than in Germany (27% versus 13%). Similar to GHCs categorised as re-BAGs, also BAGs were only found in the more enduring category of GHCms and GHCl. Given the larger numbers of BGs (43%) and re-BAGs (37%) identified, the route of BAGs

appears to be between the newly emerged path of re-BAGs and BGs, although it was only pursued by more well-established GHCs as opposed to younger ones.

Therefore, British GHCs demonstrated a much more proactive internationalisation exemplified by BG paths when compared to their German counterparts. German GHCs appeared also to be far less global orientated from inception and tended to turn to a more belated accelerated re-BAGs internationalisation later on. The paths of BAGs appeared to be less pursued by GHCs from both countries and the route of traditional internationalisation was not found in any German or British GHCs.

6.6 Underlying competitive advantages of GHCs in Germany and Britain

In addition to the investigation of GHCs internationalisation paths, this study also identified the GHCs underlying competitive advantages in relation to Simon's (2009) HC Model (see Figure 1). The HC Model analysis undertaken enabled the identification of the exact competitive advantages that GHCs inherited and whether these differed for the paths of BGs, BAGs, or re-BAGs. This analysis differs from the HC Model in two distinctive ways: firstly, Simon (2009) describes the competitive advantages of both regional and global HCs. Secondly, although HCs equivalents are identified in other countries, Simon (2009) does not confirm the transferability of the HC Model to other contexts, which may require some adaptation, as suggested by other scholars (Voudouris et al., 2000; Blackburn et al., 2001).

The present study on the other hand, analysed the HC Model of the most successful GHCs, excluding regional ones. Further, it examined the compatibility and transferability of the HC Model to both the German and British context. In addition, the analysis looked at whether these traits differed for GHCs pursuing the internationalisation paths of BG, BAGs, or re-BAGs. Moreover, the exploratory nature of the current study also allowed the identification of any missing competitive advantages that GHCs may inherit. Finally, unlike Simon (2009), this analysis identified how these competitive advantages broadly fit into the strategic management literature.

6.6.1 Discussion on the HC Model analysis

The analysis showed that GHCs from Germany and Britain pursuing all three internationalisation paths of BGs, BAGs, and re-BAGs conformed closely with the entire HC Model. More specifically, findings in Table 53 showed how BGs conform most closely to the HC Model (deviance score 1.59), followed by re-BAGs (deviance score 1.60), whilst BAGs deviated marginally more (deviance score 1.85). Therefore, young GHCs reflected the whole HC Model more when compared with older GHCs.

Closer inspection of all the competitive advantages individually allowed the analysis to suggest specific differences. On the one hand, the analysis demonstrated a high compatibility of 6 out of 8 HC Model traits for GHCs pursuing all internationalisation paths, which were ‘leadership with ambitious goals’; ‘globalisation’; ‘innovation’; ‘closeness to customer’; ‘high-performance employees’, and ‘focus’. Therefore, German and British GHCs both inherited similar competitive advantages which were also in line with Simon’s (2009) HC Model. Although, all compatible traits ranked slightly different for BGs, BAGs and re-BAGs. On the other hand, the traits ‘depth’ and ‘decentralisation’ showed a significant departure for both German and British BGs, BAGs and re-BAGs, suggesting that the competitive advantages of GHCs slightly differ from those described for HCs by Simon (2009).

Moreover, the exploratory nature of this study identified two missing competitive advantages not covered in the HC Model. German and British executives further emphasised the traits ‘visions and values’ and ‘brand’ as crucial competitive advantages contributing to GHCs success (see Table 62). Despite the departure from Simon’s HC Model, the analysis demonstrated that all GHCs inherit very similar competitive advantages (see 67), which can be achieved through the internationalisation paths of either BGs, BAGs, or re-BAGs, and lead to global niche market leadership.

Table 67 Summary of GHCs competitive advantages

	Key competitive advantages of GHCs from Germany and Britain	Origin of traits
1	Leadership with ambitious goals	HC Model (Simon, 2009)
2	Innovation	HC Model (Simon, 2009)
3	Globalisation	HC Model (Simon, 2009)
4	High performance employees	HC Model (Simon, 2009)
5	Closeness to customer	HC Model (Simon, 2009)
6	Focus	HC Model (Simon, 2009)
7	Visions and values	Emerged from this study
8	Brand	Emerged from this study

(Source: Author)

As a result, the analysis concluded that the competitive advantages of GHCs slightly differed from those studied by Simon (2009), suggesting that GHCs pursue an alternative strategy to HCs. Not all HC Model traits were fully compatible to GHCs, whilst further missing two pertinent traits which emerged from this study. The HC Model was only partially applicable to Britain, which is similar to the findings of other studies exploring the HC Model transferability to foreign contexts (Voudouris et al., 2000; Blackburn et al., 2001). However, the HC Model does not fully explain German GHCs either. Therefore, when focusing on GHCs only, the HC Model traits were not all applicable and transferable, which suggests that a global niche strategy requires different competitive advantages when compared to a mere regional strategy, which is in line with Verbeke and Kano (2012).

Furthermore, previous research identified that Simon's (2009) HC Model traits were remarkably close to German Mittelstand characteristics, although HCs differ due to their remarkable global orientation (see Appendix 1 and Witt and Carr, 2013). It is not surprising that all German GHCs in this study resemble such a Mittelstand mentality, as the HCs phenomena derived from Germany's Mittelstand. Although German GHCs differed from the average Mittelstand firm by being global market leaders, which is in line with Witt and Carr's (2013) findings. However, British GHCs were also remarkably close to the HC Model traits and appeared to also inherit many values common to German Mittelstand firms. Similar to German GHCs, British GHCs differed also in terms of their global orientation and leading market positions (see Witt and Carr, 2013).

6.6.2 Emergence of the ‘GHC Model’

Based on this study’s observations, the HC Model could not sufficiently explain the competitive advantages of GHCs from Germany and Britain, as well as those established at various times of different internationalisation types. As a result, the researcher proposes a tentative new framework called the ‘GHC Model’ (see Figure 12). The suggested GHC Model incorporates eight competitive advantages of which the majority emerged from Simon’s (2009) HC Model, although these were slightly altered, whilst further including the missing traits of ‘visions and values’ and ‘brand’, which are summarised in Table 68 and discussed in the subsequent section.

Table 68 Origin of GHC Model traits

HC Model (Simon 2009)	Empirical Findings	GHC Model (Author)
Leadership with ambitious goals	Leadership with ambitious goals Visions and value	Core goals and core values (centre)
Globalisation	GHCs are proactive internationalisers	Proactive internationalisation
Innovation	Innovation	Innovation
Closeness to customer	Closeness to customer	Closeness to customer
High performance employees	High performance employees is a term too ambitious	Skilled and committed employees
Focus	Focus	Focus
Depth	Vertical integration for core competencies and outsourcing for non-core competencies	Competence based value chain
-	Brand	Brand
Decentralisation	Did not emerge as a strong competitive advantage for GHCs	-

(Source: Author)

6.6.2.1 The ‘core goals and core values’ trait

The GHC Model’s core distinguishes between a firm’s ‘core goals’ and ‘core values’. Both traits are interrelated and are on par with Simon’s ‘leadership with ambitious goals’ trait. However, the GHCs Model’s ‘core’ includes the ‘core goals’, referring to a firm’s envisioned future and articulated goals, whilst the ‘core values’ trait refers to the emergent ‘visions and values’ trait and as well as the role of management. This careful division of values and goals is based on Collins and Porras’s (2005) study, which found that successful enduring multinationals distinguish between their more static values and more dynamic projected goals.

A firm's 'core goals' are usually long-term achievements for which the company and its associated workforce strive. These goals are remarkably similar to Collins and Porras's (2005) 'Big, Hairy, Audacious Goals' (BHAGs), which are said to engage and commit people to a huge challenge and require a firm to think beyond its current capabilities (ibid). This is similarly emphasised by Simon's (2009, p. 351) 'leadership with ambitious goals' trait, as these goals are "the foundation of outstanding success." Therefore, long-term goals drive GHCs to outperform competitors and maintain market leadership and contributes to its survival.

Conversely, 'core values' define a company's identity and change seldom, if ever, and remains a static element of the GHC Model, which is similar to Collins and Porras (2005) observations. Core values are primarily based on the emergent 'visions and values' trait and acts as a source of stability even in times of major change (McGrath, 2013), emphasised particularly by enduring strategy scholars (Collins and Porras, 2005; Stadler, 2007). Therefore, core values guide the firm in times of radical change and are the foundation of a firm's success (Collins and Porras, 2005; Coleman, 2013).

This interplay allows a firm to be open and adapt to changes over time, whilst bearing in mind their core values, which is considered as a key competitive advantage, especially for enduring firms (Collins and Porras, 2005; Stadler, 2007). Stadler (2007) highlights in his study on successful European firms that success resides in the principle of being 'conservative about change'.

Moreover, a firm's success is heavily influenced by its leadership style, as stressed by enduring strategy scholars (de Geus, 1997; Gupta et al., 2004; Collins and Porras, 2005; Stadler, 2007). The GHCs management recognises their external opportunities and makes strategic choices to shift and relocate capabilities (i.e. customers demand and market environment), which is a notion similarly stressed by other scholars (Haeckel, 1999; Gonçalves-Coelho and Mourão, 2007). Therefore, the GHC Model rationale is fairly similar to Simon's HC Model, which emphasises that the HCs are driven by the 'leadership with ambitious goals' trait, which is located at the heart of the HC Model. This managerial component is similar to Teece's (2014, p. 17) dynamic capabilities model, which argues that "the managerial orchestration that is core to enhancing and exploiting positions must be guided and informed by strategy – and

vice versa.” Therefore the GHC Model’s core rests on the management’s decision to deploy resources, which then leads to a coherent ‘robust’ strategy (also see Rumelt, 2012; Carr and Lorenz, 2014) with the aim of becoming a sustainable world market leader.

6.6.2.2 The ‘proactive internationalisation’ trait

The GHC Model trait of ‘proactive internationalisation’ departs from Simon’s (2009) ‘globalisation’ trait, as he refers to globalisation offering certain advantages for a firm’s internationalisation behaviour. Rugman and Verbeke (2005) caution that the idea that markets are fully integrated has often suggested that globalisation is equal to internationalisation. The term globalisation as such causes a lot of confusion in the strategic context. Internationalisation is the global orientation of a firm and its efforts to serve customers around the world, while globalisation defines the transition from a national economic unit towards a single global market (Hill, 2007). Essentially, ‘proactive internationalisation’ differs from Simon’s broader definition, as interviewees referred to this trait as the path of internationalisation. Therefore, the GHC Model refers to the exact internationalisation strategy that GHCs pursue and not to the broad context of globalisation.

According to the findings in this study, all GHCs engaged in some form of proactive internationalisation. The majority of GHCs were identified as BGs, whilst the remaining cases engaged in belated but proactive internationalisation (i.e. re-BAGs and BAGs). The proactive internationalisation paths of GHCs led to dominating market positions hence, internationalisation is an essential component of the global niche strategy pursued by GHCs from both countries. Previous studies stress that internationalisation is one of the most important strategies for survival and success (Loth and Parks, 2002; Pangarkar, 2008; Musteen et al., 2010), and absolutely crucial when aiming for global (niche) market leadership (Gomes-Casseres and Kohn, 1997).

This study revealed that the success of GHCs in global markets was achieved through their extensive use of FDI, such as greenfield sites, acquisitions, and joint ventures, alongside trade activity. Essentially, the choice of FDI versus trade heavily depends on the industry conditions and the resources available. Shaver (1999) suggests a positive effect on a firm’s survival if the right choice is made. Although, British GHCs

opted for more acquisitions when compared to their German equivalents, the route of both organic and non-organic growth can lead to global success, even though Shaver (1999) argues that firms with stronger competitive advantages would opt for new plants instead of acquisitions.

6.6.2.3 The ‘innovation’ trait

‘Innovation’ in the GHC Model is identical to the definitions of Simon (2009, p. 355), as he emphasises “innovation is the only effective long-term means of succeeding in competition. Innovation is primarily a question of creativity and quality, less so a matter of money.” GHCs were found to be highly innovative companies, and their emphasis on being innovative was also been identified as part of their ‘vision and value statements’. This suggests that GHCs motivation constantly to innovate is at the heart of the firm, and thus reflects not only the company’s core values, but also its goals. These findings relate closely to Myers (1996) definition in which innovation is a “set of processes carried out on a micro-level” and related to external conditions. Therefore, innovation stimulates and enhances a firm’s innovation capability. Schumpeter (1939) and more recent scholars such as Prahalad and Krishan (2008), predict that a firm’s competitive advantage is linked to innovation and is argued to be the most important capability for sustainable competitive advantage (Andries and Czarnitzki, 2014).

Innovation has been identified as a key driver for internationalisation, in particular for enduring German BAGs and re-BAGs and was exemplified by the critical incident of technology advances. A large body of literature found a positive link between innovation and internationalisation (Özçelik and Taymaz, 2004; Chiva et al., 2013). Innovation was therefore, the prime initiator for a shift in internationalisation strategy, which is similarly observed by other researchers, who argue that innovation affects the choice of market entry (Bell et al., 2001; Witt and Carr, 2013). Others also identify a positive relationship between a firm’s research and development investments and modes of entry (Makino and Beamish, 1998; Chen and Hu, 2002; Brouthers et al., 2003; Brouthers and Nakos, 2004), which indicates that innovation is also linked to internationalisation.

6.6.2.4 The ‘closeness to customer’ trait

The GHC Model further incorporates Simon’s (2009, p. 355) ‘closeness to customer’ trait, as he correctly concludes that HCs “customer orientation is more important than competitive orientation,” which appears to hold true for GHCs. Other scholars such as Madsen et al. (2000) stress that close customer relationships are key to a firm’s competitive strategy, which is specifically pertinent for niche players (Rennie, 1993; Dalgic and Leeuw, 1994; Parrish et al., 2006; Turow, 2008).

This study, moreover, identifies how GHCs customer relationships contribute to their continuous innovation process. Simon (2009) similarly identified the effects of customers on HCs innovation due to their product specialisation and customisation. Furthermore, this study suggests that customers affect and trigger internationalisation, which other scholars have also observed (Anderson and Buvik, 2002; Prange and Ates, 2010) but also researchers on HCs (Witt and Carr, 2013).

6.6.2.5 The ‘skilled and committed employees’ trait

‘Skilled and committed employees’ is a trait that closely aligned to what Simon (2009) refers to as ‘high performance employees’. His term appears, however, to be far too ambitious and instead executives interviewed opted for an alternate term. Therefore, the GHCs Model uses the term ‘skilled and committed employees’ for the same trait as being more consistent with the terminology used by other scholars (Pfeffer, 1994; Benn et al., 2006).

Human capital has long been regarded as being the most critical asset in many firms (Pfeffer, 1994), in particular the employees’ educational background, experience and set of skills are believed to affect a firm’s outcome (Huselid, 1995; Finkelstein and Hambrick, 1996). Studies confirm a positive relationship between high-quality employees and a firm’s success, as skilled employees are necessary for the innovation and research and development research (Ehie and Olibe, 2010). Furthermore, employees contribute to new product development (Schiuma and Lerro, 2008; Slevin and Terjesen, 2011; Mehregany, 2013).

6.6.2.6 The ‘competence based value chain’ trait

The average GHC demonstrated a remarkable deviation from Simon’s (2009) ‘depth’ trait, which refers to the high vertical integration of HCs. However, findings suggested that German GHCs were much more vertically integrated and thus, were closer to the trait ‘depth’ when compared with their British equivalents. Instead, British GHCs were more prone to outsource, although this was only the case for non-core competencies, which is consistent with the latest observations of Simon (2012). Moreover, younger GHCs identified as BGs, emphasised ‘depth’ less than enduring and belated BAGs and re-BAGs, as executives suggested that vertical integration is a matter of business size. As such, BGs and respectively smaller GHCs struggled to reach a certain depth in their value chain, which might be due to a lack of resources.

In this context, Christensen (2001) argues that high vertical integration slows companies down, whilst non-integrated companies pursue a strategy which is envied. This allows for a much higher flexibility in terms of ‘mix and matching’ features to meet specific customer’s needs (ibid). Carr and Tomkins (1996) argue that successful companies pay more attention on value chain consideration than unsuccessful companies. Hence, findings suggested that the ‘depth’ trait is best explained by the concept of ‘taper integration’, which refers to the balancing act between vertical integration and outsourcing (Rothaermel et al., 2006). GHCs cautiously choose which parts of their value chain remains ‘in-house’, which are usually core competencies (i.e. research and development).

However, refining a firm’s core competencies does not require these to become more vertically integrated (Prahalad and Hamel, 1990). Therefore, firms consider outsourcing to cut costs. However, “supply chains centre on the point of (service or product) production and integrate with other company functions and with partners. These relationships reach up to suppliers and downward into customer distribution channels” (Kinder, 2003, p. 507) and therefore, this entails a close relationship with, and management of a wide range of suppliers (Stadler, 2007; Simon, 2012) to ensure high-quality standards. Simon (2009) agrees with Prahalad and Hamel (1990, p. 84) argument who caution that “outsourcing can provide a shortcut to a more competitive

product, but typically contributes little to building the people-embodied skills that are needed to sustain product leadership.”

GHCs appear to achieve this critical but extremely difficult balancing act of taper integration. It is argued, that if this is balanced successfully, it positively affects a firm’s performance (Rothaermel et al., 2006), for example in terms of internationalisation and market entry mode choices (i.e. technological acquisitions). Indeed, findings suggest that some British GHCs especially acquired or joined with foreign businesses based on their technological added value. As such, the GHC Model refers to this trait as a ‘competency based value chain’, as GHCs core competencies remain ‘in-house’ and largely contrasts Simon’s (2009) trait of ‘depth’.

6.6.2.7 The ‘focus’ trait

The GHC Model further identified Simon’s (2009) ‘focus’ trait. He correctly states that “focus is realistically the only way to attain world class”, referring to the HCs focus on a tightly defined niche segment (ibid, p. 354). A more focused generic strategy is also emphasised by Porter (1980), who argues that a firm can either service a wider industry or focus on a sub-segment. Findings in this study demonstrated that GHCs follow a niche strategy consistent with Porter’s (1980) focus strategy, which is even more so the case for GHCs in Germany than those in Britain.

GHCs, especially the more enduring players from Britain and some in Germany, gradually diversified and showed a tendency to explore other niche segments. Perhaps these GHCs may have managed to obtain enough scale to start diversifying and gain more than one core competency to compete with. Simon (2009) suggests HCs may ‘softly’ diversify when these get larger, which is further accentuated by enduring business literature, as Stadler (2007) stresses that European enduring players need to diversify when these get larger. Also Zook and Allen (2003) stress that successful companies tend to grow beyond their core competence into adjacent space. Simon (2012) further recognises that depending on the size of the niche, globalisation is less of a threat than for those companies, which are slightly more diversified. Thus, as GHCs become larger and more well-established they are more prone to focus on multiple niche markets, which Simon (2009) recognises is likely to reduce niche markets risks (i.e. market erosion). In contrast, younger and smaller GHCs were more

prone to focus on their main, and arguably only core competency, although this focus may change when these firms get larger.

6.6.2.8 The 'brand' trait

'Brand' is a trait, which is worth a special attention and refers to the GHCs continuous investment in building and/or maintaining their company's brand. Although this feature is missing in the HC Model, Simon (2012) emphasises that HCs depend heavily on their global brand awareness and also recognises that, through globalisation, there is a much greater need to meet the demands of a global brand. He further found that HCs are very concentrated on building a global brand and highlights that the aim is it to sell a global brand which reflects the company's values (i.e. quality, premium). This study found that younger GHCs were much more inclined to establish and position their brand globally, whereas enduring GHCs were more prone to maintain and nurture their existing brand, in terms of reputation and customer loyalty.

A successfully managed brand can lead to various advantages for a firm, especially those operating in B2B segments (Low and Blois, 2002), which is the case for 29 out of 30 GHCs studied here. Common attributes of a company's brand are the perceived quality of the product (Cretu and Brodie, 2007) and the ability to command premium prices (Low and Blois, 2002). The GHCs nurtured their brand constantly through marketing activities (i.e. attending trade fairs and promoting it in industry specific magazines). Their high dependence on reputation (i.e. producing high-quality goods and offering outstanding customer service) can only be maintained by investing in the brand. This proves especially important for GHCs, as a strong brand is found to act as an effective entry barrier against other competitors, as customers are more likely to choose a well-regarded brand and reject weaker competing brands, which is supported by others (ibid).

In this context, Davis and Dunn (2002) stresses that building a brand is that task of the company's employees, who build a strategic foundation of marketing. As such, "There is growing support for viewing and managing the brand as an asset and thus, having the brand drive every strategic and investment decision" (ibid, p. 15). A company's main objective, therefore, is to increase customer's loyalty through its brand, which

allows it to differentiate the firm from other competitors and to establish a market leadership position (Rosnan and Roslin, 2014).

6.6.2.9 The exclusion of the ‘decentralisation’ trait

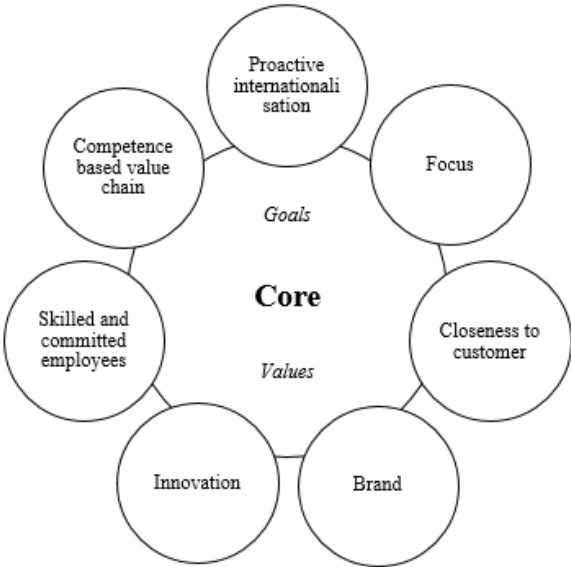
The only trait not included in the GHC Model is ‘decentralisation’, as it emerged as the least emphasised competitive advantage for GHCs from both countries. However, German GHCs appeared slightly closer to this trait when compared to their British equivalents. Nonetheless, decentralisation was less emphasised by younger BGs as their business size was often too small when compared to larger and more enduring GHCs. This is similarly highlighted by Teece (2007, p. 1336) who argues that “Decentralisation must be pursued as enterprises expand, otherwise flexibility and responsiveness will erode” and supported by de Geus (1997) findings on enduring multinationals. Enduring and well-established GHCs are therefore more likely to decentralise than younger GHCs. A decentralised management structure is emphasised, however, by various researchers (Dalgic and Leeuw, 1994; Teece et al., 1997; Simon, 2009) although, this trait was not particularly emphasised as a competitive advantage of GHCs per se. Simon (2009) and Dalgic and Leeuw (1994) argue that decentralisation is common in niche orientated firms and these are commonly said to be smaller firms with resource constraints when compared to multinationals (Noy, 2010). Therefore, BGs which less emphasised this trait did perceive decentralisation as an advantage, as they were considerable smaller and less likely to have a hierarchal structure. However, even larger enduring GHCs referred to this trait as less important compared to other HC Model traits.

Arguably, this trait is also affected by history and the dimension of time, as it varies for GHCs with different establishment dates. Overall, this trait does not resemble a crucial underlying success factor for GHCs identified as BGs, BAGs and re-BAGs from both countries. The GHC Model therefore excludes Simon’s (2009) ‘decentralisation’ trait, which may be of greater value to HCs (both regional and global leaders in Germany) and if these get larger but is not fully transferable to GHCs in Britain and Germany.

6.6.2.10 The GHC Model

The indicative factors which shape GHCs competitive advantages from both countries are summarised in the GHC Model, which is portrayed in Figure 12. Arguably, this is not a Model per se, but may rather be seen as a framework of all pivotal competitive advantages arranged in a manner helping to understand how GHCs reach global market leadership. Through the inclusion of various enduring GHCs, the GHC Model can be considered a framework of sustainable competitive advantage leading to global niche market leadership.

Figure 12 The GHC Model



(Source: Author)

The HC Model was previously found to be remarkably similar to Muzyka et al.’s (1997) Mittelstand traits (Witt and Carr, 2013). Comparing the GHC Model with these features confirmed that the new characteristics of GHCs also show extensive overlap with common Mittelstand characteristics, but GHCs differed particularly through their proactive internationalisation behaviour, market leadership and emphasis on their company’s brand (see Table 69). Therefore, the GHC Model, which is based on findings from German and British GHCs, incorporates characteristics typical to German Mittelstand firms. To some extent the GHC Model is a successful

international Mittelstand Model, which shows features of both German and British GHCs, which leads to global market leadership.

Table 69 Comparing of the GHC Model with Mittelstand characteristics

GHC Model (Author)	Mittelstand (Muzyka et al. 1997)
Core goals and core values (centre)	Yes New managerial direction and behaviour/ Defining clear company objectives/ growth targets
Innovation	Yes Innovation as a value-base process/ technological innovation
Closeness to customer	Constant rapport with customers/ adapt operations to customers need
Skilled and committed employees	Yes Personnel retrained/ employment of competent staff
Focus	Yes Concentrating on niche markets/ exploitation of successive niche opportunities
Competence based value chain	Yes Products sold based on the company's expertise
Brand	Not specified
Proactive Internatioanlsiation	Not specified

(Source: Author)

The following section integrates the interrelated aspects of internationalisation paths and associated market entry modes with the competitive advantages of GHCs, which were explored in this thesis using a new conceptual framework.

6.7 Integration of discussion and the new conceptual framework

The initial conceptual framework presented at the end of the literature review (see Figure 3) guided this research, which explored the GHCs internationalisation paths, market entry modes and competitive advantages with examples from GHCs in Germany and Britain. Figure 13 presents the new conceptual framework based on the current empirical investigation and incorporates the key findings of all 30 German and British GHCs, described and discussed in this study.

GHCs embarked on the paths of BGs, BAGs and re-BAGs, which are summarised in the first section of Figure 13. This study found that British GHCs more frequently pursued the proactive paths of BGs, whilst their German equivalents more commonly embarked on the paths of re-BAGs and some German and British pursued BAG paths. Therefore, German and British GHCs were not found to pursue traditional internationalisation paths and all engaged in some form of proactive route of

internationalisation. Nevertheless, the Uppsala Model's underlying concepts of the establishment chain, experiential learning and psychic distance can help to explain the behaviour of BGs, BAGs and re-BAGs but requires adaption in terms of speed, direction and tempo.

Furthermore, the majority of GHCs internationalisation paths were affected by history and the establishment date of GHCs indicated the type of internationalisation path pursued, which is mentioned in the beginning of Figure 13. Younger GHCs embarked on proactive BGs internationalisation paths more frequently, whilst enduring GHCs engaged in more belated rapid international expansion, in response to historic occurrences (i.e. BAGs and re-BAGs). However, British GHCs shifted their strategy in response to managerial change (i.e. critical incidents defined by Bell et al. (2001)), whilst German GHCs shifted in response to technological advances and product diversification.

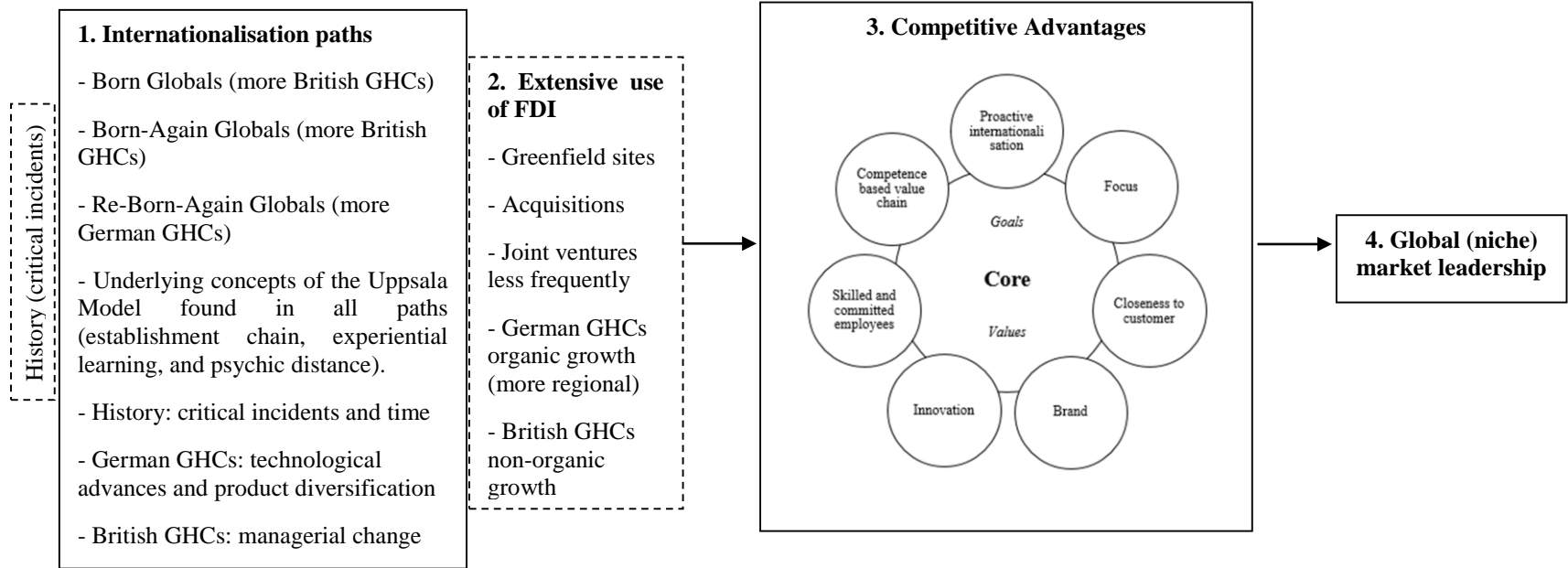
In addition, GHCs extensively moved abroad using FDI via greenfield sites in particular, but also acquisitions and joint ventures (see second section in Figure 13). However, German GHCs were more in favour of 'doing it alone' using greenfield expansion, whilst their British counterparts frequently acquired foreign businesses when first establishing FDI. Therefore, German and British GHCs maintained their favourable market positions through FDI and did not solely rely on exporting activity. German GHCs followed a more organic growth of internationalisation and targeted regional markets when first committing to FDI. British GHCs, by contrast, demonstrated a much more non-organic growth and targeted more global markets, although mainly those with historic linkages (i.e. Commonwealth markets).

The underlying competitive advantages discussed in this study slightly departed from Simon's (2009) HC Model predictions (see third section in Figure 13). Both German and British GHCs departed from the framework mainly due to their date of establishment and associated business size. Therefore the trait 'decentralisation' was not included and the 'depth' trait was altered. The tentative new GHC Model captures eight specific competitive advantages of GHCs from Germany and Britain (also see Figure 12). The GHC Model is therefore appropriate for both younger and more

enduring GHCs from both Germany and Britain and leads to global niche market leadership (see final section in Figure 13).

This new conceptual framework reiterates the importance of investigating internationalisation paths in more depth and to corroborate theory, which is suggested by numerous scholars (Coviello and Martin, 1999; Crick and Spence, 2005). The findings from this empirical investigation unveil the importance of integrating the Uppsala Model's concepts when explaining alternative routes of internationalisation, particularly stressed by BG scholars (Laanti et al., 2007; Gabrielsson et al., 2008). The framework further highlights the importance of history and how this affects the paths of internationalisation (i.e. critical incidents). In addition, the market leading position of GHCs investigated here highlight the importance of FDI alongside trade activity, which has not been comprehensively studied in the alternative paths of internationalisation, such as BGs (for example by Solberg, 2012). Furthermore, this conceptual framework reiterates the importance of competitive advantage in relation to internationalisation and its effects on global niche market leadership.

Figure 13 New conceptual framework of GHCs



(Source: Author)

All identified internationalisation paths pursued by GHCs shifted their strategies in accordance with certain events. BGs in this study were flexible and adapted to changing global circumstances (i.e. globalisation triggers), as also suggested in other BGs studies (Sapienza et al., 2006; Zahra et al., 2006). Re-BAGs and BAGs demonstrated a very similar strategy adaptation, either internally (i.e. managerial change) or reactions to external circumstances (i.e. eroding markets), which were the result of historical events (i.e. Second World War). These strategic shifts closely relate to Bell et al.'s (2001) observations of critical incidents, which initiate strategic shifts to accelerated internationalisation. This investigation identified the same response by GHCs to those critical events, although these varied across countries. Strategic adaptation could also be identified across BGs, BAGs and re-BAGs consistent with the broad generalisations on strategic fit (Ansoff, 1965; Andrews, 1971). This study, however, unveiled more specific factors, which led to strategy alterations and relate to those by Bell et al. (2001), such as managerial change but moreover identified other incidents including technological advances and product diversification.

A change in strategy requires a firm's resources and capabilities to be dynamic (Teece, 2007) and therefore the GHC Model traits can be understood as organizational routines and considered behavioural patterns, which is therefore in line with 'dynamic capabilities' (DC) definitions (Eisenhardt and Martin, 2000; Pierce et al., 2002; Teece, 2007). These DC were observed to be deployed and reconfigured to meet new strategy demands (i.e. initiated by critical incidents), which contrasts the more static approach of the resource based view (RBV) (Amit and Schoemaker, 1993; Eisenhardt and Martin, 2000). Largely ignored by DC and RBV literature is the aspect of history and this study showed how enduring GHCs handle critical incidents, which reflects strategic adaptation over time and the durability of sustained competitive positioning.

Teece's (2014) dynamic capabilities framework merely suggests that capabilities and resources are necessary for competitive advantage, without elaborating on these more specifically (see Figure 2). In contrast, Simon's (2009) HC Model highlights *exact* capabilities and operationalization leading to sustainable competitive advantage and moreover to regional or global market leadership. Therefore, choosing the analysis of the HC Model in the context of German and British GHCs, unveiled the exact

competitive advantages that lead to global niche market leadership and this is summarised by the GHC Model (see Figure 12).

Teece's (2014) integrative framework does not go beyond the field of competitive advantage, essentially ignoring the importance of market leadership stressed by several scholars at the Harvard Business School (for example, Buzzel et al., 1975; Porter, 1979, 1985; Ghemawat 1986; Reeves and Deimler, 2011). Therefore, GHCs market position leads to a virtuous cycle, reinforcing the broad orientation and a firm's competitive advantages, such as economies of scale and scope advantages (Porter, 1980; Collins and Porras, 2005; Stadler, 2007). Clearly, the GHC Model moves beyond Teece's (2014) paradigm towards the predictions of global market leadership. GHCs global market positioning is therefore attained through specific capabilities, which operationalise strategy and led to sustained competitive advantage resulting in global market leadership.

However, the market leadership approaches emphasise incumbent advantages, whereas the GHCs demonstrated remarkable dynamism and strategic adaptation. This can also be broadly related to 'path dependency', which argues that history matters (David, 1985; Page, 2006). The aspect of history creates learning and legacy advantages, which is part of enduring success and creates a 'feedback loop'. Hence, once market leadership is achieved, a firm has far more resources and capabilities available, which can be exploited very differently. For example, a firm can recruit better talent through their status or opt for more resource intensive market entry modes (i.e. FDI as opposed to trade). Thereby, the respectively larger enduring and well-established GHCs (i.e. re-BAGs and many BAGs) especially benefitted from this market leadership 'feedback loop', encouraging a continuous dynamic cycle of strategic adaptation.

More importantly, findings stressed the importance of internationalisation, as every GHC embarked on vigorous global expansion, leading to global market leadership. Unlike other frameworks, this study contributes to the knowledge of which *exact* internationalisation strategies GHCs pursue to become market leaders, which were the paths of either BGs, BAGs and re-BAGs. Furthermore, Teece's (2014) framework and the arguments on market leadership focuses on multinationals, but this study

demonstrates the broad application of both frameworks to respectively smaller global niche strategists. What remains unclear, however, is *how* resources are orchestrated, which will be addressed in the next section.

6.7.1 The GHCs entrepreneur and competitive advantages

The pure notion of DC fails to determine *how* resources are configured and organised in changing environments. Teece (2014, p. 16) picks up this deficiency by broadly suggesting that a firm's capabilities resides in the "managerial, entrepreneurial, and leadership skills of a firm's top management, and in the management's ability to design, develop, implement, and modify these routines," capturing this in his framework as 'managerial decisions' (see Figure 2). More vaguely, Simon (2009, p. 351) proposes that HC managers "know what they want and they have the willpower and the energy, and sometimes the obsession, to realize their goals", as expressed by his HC Model's 'leadership with ambitious goals' trait (see Figure 1). Essentially, both frameworks suggest that a firm's resources are orchestrated by some form of managerial/leadership orientation, that determine the strategic orientation of the firm. However, both frameworks do not specify any exact entrepreneurship approach from literature which explains how DCs are managed.

GHCs reflected the findings of this study, as they demonstrated a profound dynamic entrepreneurial orchestration of capabilities, which led to market leadership. For instance, British BAGs and re-BAGs internationalisation strategy was adapted based on managerial change. However, other critical incidents, such as technological advances (especially for German BAGs and re-BAGs), or globalisation trends (for German and British BGs), also initiated a shift in strategy, which is administered by the company's management. The GHC Model captures this in its core and reflects Simon's 'leadership with ambitious goals' trait. Thus, GHCs strategic decisions, exemplified by numerous encountered critical incidents, reflected an opportunistic, driven and proactive entrepreneurial approach.

Entrepreneurship literature attempts to explain how firms outperform competitors through 'entrepreneurial orientation' (EO), referring to "a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices" (Wiklund and Shepard, 2003, p. 1308). The multidimensional concept of

EO stands for innovativeness, risk taking, and proactiveness (Miller, 1983; Covin and Slevin, 1991; Lumpkin and Dess, 1996; Kreiser et al., 2002)⁸⁴ and the individual's attitudes directly influence a firm's practices and processes (Nordqvist and Melin, 2010).

EOs innovation activity is, however, only considered entrepreneurial if available resources and products expand a firm's capabilities (Kirzner 1997; Eckhardt and Shane 2003). Findings in this study suggests that GHCs conform to the EO's innovativeness approach, as the firm's capabilities were observed to be enhanced, in particularly by the more enduring GHCs. Thus, many GHCs in this study shifted their strategy based on critical incidents and embarked on vigorous international expansion through which they gained different and greater resources. These EO traits were commonly found in all GHCs, for instance, German BAGs and re-BAGs responded to critical incidents (i.e. technology advances) and how firm specific innovation resources and capabilities were deployed by the management, which initiated a shift in their internationalisation strategy. Findings further showed that GHCs response to opportunities displayed an opportunity seeking mentality, which is clearly in line with the proactiveness aspect of EO (Lumpkin and Dess 1996; Kreiser et al. 2002). This behaviour also requires entrepreneurs to take calculated risks and be willing to undertake investments in projects with uncertain outcomes (Lumpkin and Dess 1996). The case of BritL4, for example, shows a proactive but also risky change in strategy by moving its business focus from manufacturing to services. Also GerL8's executive highlighted a risk taking mentality, as their founder invested into a new prototype technology, which revolutionise the industry.

These observations led to a more detailed analysis, which combed all 30 GHCs from both countries for such EO tenets. Table 70 presents evidence of innovativeness, proactiveness, and a risk taking mentality of all GHCs managers in both countries. Clearly, all GHCs managements demonstrated EO tenets pursuing either internationalisation paths of BGs, BAGs and re-BAGs, which showed that managers

⁸⁴ These original EO dimensions have been extended by including autonomy and competitive aggressiveness (Lumpkin and Dess, 1996). However, in this study the EO definition only includes Miller's (1983) original three dimensions.

strategically orchestrated capabilities and resources in response to critical historic events, in order to build and maintain competitive advantage and their leading market position.

The later analysis in this discussion, therefore, suggests that the competitive advantages identified by GHCs were orchestrated by their entrepreneurial orientation. Recently, Cavusgil and Knight (2015, p. 4) argue “Born globals exhibit a high degree of international entrepreneurial orientation” and the authors specifically link EO with DC, which is in line with the findings here. Findings show that Teece’s (2014) framework also correctly includes the aspect of ‘managerial decisions’ as the initiator, which orchestrates processes, sensing, seizing and transforming resources and capabilities leading to a strategy and (durable) competitive advantage. However, findings contribute to Teece’s (2014) call for bridging the gap between international business literature (e.g. dynamic capabilities) and the entrepreneurship approach by more specifically suggesting the approaches of the EO concept, which is derived from entrepreneurship literature.

Table 70 Exploratory evidence of entrepreneurial orientation in GHCs from Germany and Britain

GHCs	Path	Innovativeness	Proactiveness	Risk taking	Example
GerN1	BG	Yes	Yes	Yes	<i>"Who doesn't have the courage to take appropriate risk won't be a winner"</i> The owner started with an innovation but with limited resources and seized every chance.
GerN2	BG	Yes	Yes	Yes	Entirely new technology innovation from USA launched on EU market, followed by early FDI.
GerN3	BG	Yes	Yes	Yes	Aggressive early internationalisation proactively seeking new markets and distribution channels
BritN1	BG	Yes	Yes	Yes	<i>"If you develop something and you don't get it to work within the time frame you won't be able to sell it. Somebody else will come and take your place. So we had to move fast."</i> Proactive market seeking internationally including in Asia.
BritN2	BG	Yes	Yes	Yes	<i>"Today, we differentiate ourselves from the original form of our business and target a very different customer base."</i> Change of focus targets on different customers and industries.
BritN3	BG	Yes	Yes	Yes	<i>"There is nobody that makes something equivalent that crosses so many industries. All the big players are now following what we have done."</i> New technology innovation and early market entry and internationalisation.
BritN4	BG	Yes	Yes	Yes	Spin-off, followed by tight market focus and high investments into technology innovation.
BritN5	BG	Yes	Yes	Yes	<i>"We invest heavily in R&D, technology, and chemistry. I think our competitive edge is that we are adaptable and responsive to the market."</i> Continuous investment into R&D and aggressive internationalisation in fast growing markets.
GerM1	Re-BAGs	Yes	Yes	Yes	High investments into product development rapidly grew business internationally after WW2, critical incident of technological advance.
GerM2	BG	Yes	Yes	Yes	Developed market leading high-tech machine which then allowed for a rapid and early international expansion.
GerM3	BG	Yes	Yes	Yes	Through continuous R&D investments they developed a new product line, which opened up a new niche and customer base.
GerM4	BAG	Yes	Yes	Yes	Constant product innovation and product diversification led to international expansion, critical incident technology advancement.
BritM1	BAG	Yes	Yes	Yes	Strong focus of full-service provider continuously innovating its service to clients. Critical incident management change.
BritM2	BG	Yes	Yes	Yes	<i>"If we see an opportunity we go for it!"</i> High investments in R&D, which leveraged international sales.

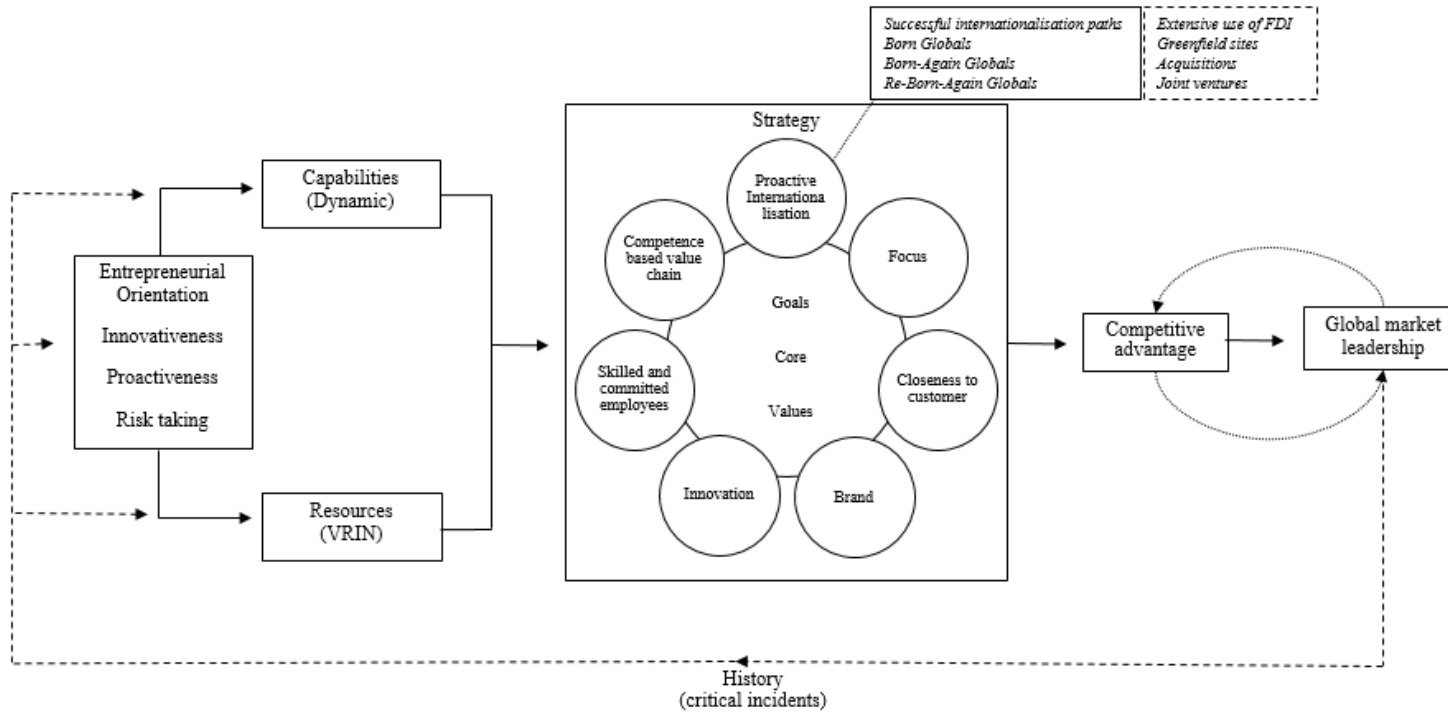
BritM3	BG	Yes	Yes	Yes	<i>"We develop a lot of ideas and products and you have to decide with which one you want to stick and then follow through. If we develop a new product that takes up to three years at least, so we can't have a short-term thinking. It's partly intuition and knowledge and that is always a risky decision."</i> Costly long-term investments in R&D and continuous innovation.
BritM4	BG	Yes	Yes	Yes	Proactive international market seeking and continuous innovation of products.
BirtM5	Re-BAGs	Yes	Yes	Yes	Aggressive international expansion by new management and stronger focus on product innovation. Critical incident management change.
GerL1	Re-BAGs	Yes	Yes	Yes	Strong focus on innovation and early and proactive market and customer seeking. Critical incident technology advance.
GerL2	Re-BAGs	Yes	Yes	Yes	Heavily invested in radical new innovations, which allowed the opening of new markets and niches. Critical incident technology advance.
GerL3	Re-BAGs	Yes	Yes	Yes	<i>"We need to be innovative and we need to live that innovativeness in the company. So you need to take calculable risks and always bear in mind that things can go wrong. We try to avoid too risky decision because they can cause major difficulties and we had a situation before in Russia where we lost everything that we earned the years before."</i> High investments in long-term R&D projects and proactive internationalisation activity. Critical incident technology advance.
GerL4	Re-BAGs	Yes	Yes	Yes	<i>"We operate entrepreneurially but with caution but surely we also take risks. We are a company with long-term visions because we need at least 10 to 12 years to develop our products. Basically, I need to know what the market wants in 10 years and know what the customer wants."</i> Long-term investment into R&D projects and proactive internationalisation. Critical incident product diversification.
GerL5	Re-BAGs	Yes	Yes	Yes	High investments and proactive opportunity seeking when internationalising. Critical incident technology advance.
GerL6	Re-BAGs	Yes	Yes	Yes	<i>"We are very innovative and we try to move as fast as we can to stay ahead of competition."</i> High R&D investments and proactive and fast internationalisation. Critical incident technology advance.

BritL2	Re-BAGs	Yes	Yes	Yes	Focus on different innovations for different niches and proactive internationalisation. Critical incident management change.
BirtL3	BAG	Yes	Yes	Yes	Long-term focus and investments and aggressive internationalisation. Critical incident management change.
BirtL4	Re-BAGs	Yes	Yes	Yes	<i>"We just opportunistically came across something then we too that chance."</i> Moved from manufacturing into an entirely new business niche without much prior knowledge. Critical incident management change.
BirtL5	BAG	Yes	Yes	Yes	<i>"When we had our new product ready we knew it would be a success. So, we offered it where we could to everyone and everywhere."</i> Risky investment into new innovation and aggressive international expansion. Critical incident management change.
BritL2	Re-BAGs	Yes	Yes	Yes	Focus on different innovations for different niches and proactive internationalisation. Critical incident management change.
BirtL3	BAG	Yes	Yes	Yes	Long-term focus and investments and aggressive internationalisation. Critical incident management change.
GerL7	Re-BAGs	Yes	Yes	Yes	<i>"We have the courage to take risks but we need to be able to control the risk. So if we see a project is not going well we must have the ability to stop early enough."</i> Long-term investments into R&D and proactive internationalisation. Critical incident technology advancement.
GerL8	BAG	Yes	Yes	Yes	Risky investment into a new proto-type innovation, which then revolutionised the industry. Critical incident technology advancement.
BritL1	BAG	Yes	Yes	Yes	Seized opportunity and focused their business entirely on producing for the oil industry. Critical incident management change.

(Source: Author)

This study focuses on global niche market leading firms, which as such, require managers not only to build competitive advantage, as suggested by Teece's (2014) framework, but to continuously maintain global market leadership. The advantages from the market leadership's 'feedback loop' (i.e. scale and resource advantages) make it necessary for the management to continuously embrace their proactive, innovativeness and risk taking ability. This was clearly demonstrated by the GHCs adjustments to strategy, exemplified by the occurrence of critical incidents. Also the aspect of history contributes to this entrepreneurial orientation, as it allows managers to build knowledge and learning curves. Thus, GHCs managers were found to continuously deploy capabilities to maintain their global competitive market position. Therefore, both approaches of market leadership and the resource/capabilities perspective, are nurtured by entrepreneurial orientation and allowed GHCs to strategically adapt and sustain competitive advantage, which led to global niche market leadership, as clearly demonstrated by Figure 14.

Figure 14 New conceptual framework positioned in the wider schools of strategic thought



(Source: Author based on Teece's (2014) structure demonstrating dynamic capabilities)

Unlike Peters and Waterman's (1983)⁸⁵ study on 43 'Excellent' companies with more incumbent advantages, GHCs show a much more dynamic orientation, in terms of their strategy (i.e. resources and capabilities) and entrepreneurial behaviour (i.e. deployment and orchestration). The inclusion of a more historic aspect in this current study demonstrates that enduring GHCs sustain and withstand consolidation and emerging competitors and (technology) disruptors. As such, GHCs may be considered 'dynamic (hidden) champions' who demonstrate the ability to outperform others through continuous strategic adaptation and are likely to maintain and sustain global market leadership.

Therefore, this current study showed how GHC market leadership was operationalised and this was exemplified by the specific capabilities summarised in the GHC Model (see Figure 12). This leads to sustained competitive advantage and was driven by the (dynamic) entrepreneurial orientation (see Figure 14). Furthermore, it unveiled the successful internationalisation paths and associated market entry modes necessary (see Figure 13) to achieve and maintain global (niche) market leadership.

6.8 Chapter summary

This chapter first discussed briefly the rationale of studying GHCs before looking more in-depth at the findings on the internationalisation paths of BGs, BAGs, and Hybrids and comparing these to the conclusions of the pertinent literature on internationalisation. This chapter then suggested the concept of 're-BAGs' for the Hybrid internationalisation variant, which emerged from this empirical investigation. This discussion further evaluates the trade and especially FDI behaviour of all GHCs identified as BGs, BAGs, and re-BAGs (Hybrids) as well as their market selection. The chapter highlights that the establishment date of GHCs leads to a prediction of their exact internationalisation path, which is always supported by the extensive use of FDI.

This chapter went on to discuss the findings of the analysis in regards to the HC Model and proposes the GHC Model, as summarising all competitive advantages of the

⁸⁵ Two thirds of Peters and Waterman's (1983) studied 43 companies "slipped from the pinnacle" (Carr and Lorenz, 2014, p. 1169).

studied GHCs from Germany and Britain. Lastly, the final conceptual framework is introduced and the findings are related to the debate between the strategic schools of thought on competitive advantage and market leadership.

Chapter Seven

Conclusion

This empirical investigation focused on 15 German and 15 British Global Hidden Champions (GHCs) and explored their internationalisation paths and competitive advantages to understand how they achieved global niche market leadership. It critically distinguished those HCs of Simon (2012), which are actual top three global industry leaders (GHCs), whilst excluding all regional leaders. Internationalisation paths were categorised and compared against mainstream internationalisation theories of the Uppsala Model, Born Globals (BGs) and Born-Again Globals (BAGs). The role of foreign direct investment (FDI) associated with these paths were also investigated. Underlying competitive advantages in relation to Simon's (2009) HC Model were critically explored. Finally, contrasting approaches were compared between German and British, and between newer and more enduring GHCs, according to their establishment dates, which ranged between 1838 and 2007.

7.1 Internationalisation paths of GHCs

None of the 30 GHCs investigated conformed closely enough to the Uppsala Model to be classified as a traditional internationaliser as described by Johanson and Vahlne (1977). Instead, 43% closely conformed to BG behaviour (Oviatt and McDougall, 1994, 1995) and internationalised soon after inception, achieving 25% of their sales outside Europe. A further 20% conformed closely to Bell et al.'s (2001) BAG predictions and focused domestically initially until a 'critical incident' spurred belated accelerated internationalisation. Yet, 37% could not be classified as either BGs, BAGs or traditional internationalisers and emerged as an exciting novel 'Hybrid' variant. Upon closer inspection, all Hybrids pursued a remarkably similar strategy and engaged in sporadic export activity, similar to the Uppsala Model, before a historic event triggered continuous but more rapid and committed internationalisation, closer to BAG definitions.

In contrast to BAGs, Hybrids internationalised before a critical occurrence. Closer inspection and discussion led to these unexpected Hybrids to be re-termed 'Re-Born-

Again Globals' (Re-BAGs). They form a major and important sub-group of GHCs, which all underwent a 'rebirth' to internationalisation initiated by a specific critical event. Thus, all 30 GHCs achieved global niche leadership positions according to these three distinctive orientations, all of which represented significant departures from the traditional Uppsala Model. Of 30 cases, 13 pursued rapid BG paths early on; 11 followed delayed accelerated re-BAG paths; whilst 6 pursued BAG paths. As such, all 30 conformed to Cavusgil's (1994, p. 18) broad prediction that "Gradual internationalisation is dead".

In spite of these significant departures, the Uppsala Model retained some relevance, as many of its features were found in the paths pursued by many BGs, BAGs and re-BAGs. Many began internationalisation in a similar traditional stepwise establishment chain approach (Johanson and Vahlne, 1977), which was particularly evident for re-BAGs and their initial sporadic exporting activity. Primarily, GHCs engaged in more resource intensive entry modes, gradually accumulating knowledge through every market entry, in line with the experiential learning concept (ibid). The vast majority also initially served regional markets before venturing further afield, in line with the psychic distance predictions (ibid). It would seem that the Uppsala Model's comprehensive concepts may just be conventional wisdom for firms in their early stages of internationalisation (Solberg, 2012).

However, there are subtle variations and although several concepts of the Uppsala Model are still evident, all three alternative paths investigated departed significantly through their 'leap-frogging' behaviour, faster accumulation of knowledge and more accelerated approach to international expansion. Hence, there is a clear issue of timing, direction and tempo in the Uppsala Model theory when applied to alternative internationalisation paths of BGs, BAGs and re-BAGs

Such subtle distinctions are nevertheless important, as the Uppsala Model's underlying concepts can help to describe the paths of BGs and BAGs, as both paths lack precise theoretical underpinnings (Rialp et al., 2005; Kuivalainen et al., 2012). For that reason, the 1970s Uppsala Model is a valuable international business theory, despite its short comings, as it is the only theory offering precise concepts to describe a firm's internationalisation. It does, however, need revision and modernisation to be

applicable to newer emerging internationalisation phenomena. The findings in this study support those scholars who highlight the importance of this framework when describing internationalisation paths, such as those of BGs (Laanti et al., 2007; Gabrielsson, et al., 2008; Solberg, 2012; Trudgen and Freeman, 2014).

Such adopted GHC paths, however, differed for those identified in Britain and Germany. Many more British GHCs were categorised as BGs (8 versus 5 out of 30 GHCs) and BAGs (4 versus 2 out of 30 GHCs). Conversely, nearly three times more German GHCs pursued re-BAG paths when compared to their British equivalents (8 versus 3 out of 30 GHCs). 53% British GHCs embarked on early proactive BG routes and 53% of German GHCs frequently engaged in belated accelerated re-BAG paths. The main reason for this discrepancy was that more enduring GHCs were found in Germany than in Britain (80% versus 67%) and more younger GHCs were identified in Britain than in Germany (33% versus 20%).

The year of establishment played unmistakably a significant role in the type of internationalisation path pursued; 43% were newer GHCs (GHCns) and 57% were enduring GHCs (GHCms and GHCls). GHCs founded between 1977 and 2007 embarked on early BG paths, whereas GHCs established between 1838 and 1976 almost all pursued delayed accelerated routes of BAG and re-BAG paths. Yet, all enduring GHCs eventually shifted their strategy to some form of accelerated internationalisation, demonstrating a greater strategic convergence to GHCs established more recently. Therefore, some form of proactive internationalisation path of either BGs, BAGs or re-BAGs led to market leadership, but the type of path pursued varied for enduring and non-enduring GHCs from both countries.

This study underlines history as a critically important influence on the GHCs internationalisation behaviour, particularly in the case of more enduring strategies. 57% of enduring GHCs shifted their strategy in response to a historic event, of these GHCs 20% were categorised as BAGs and 37% as re-BAGs. This study underlined the importance of business history, particularly the critical incidents as defined by Bell et al. (2001), which fundamentally redirected paths pursued by BAGs and re-BAGs. These events differed for GHCs in Germany and Britain, but were very similar for those pursuing BAG and re-BAG paths. All British BAGs and re-BAGs shifted their

strategy in response to managerial change, conforming to Bell et al.'s, (2001) list of critical incidents. By contrast, the majority of German BAGs and re-BAGs shifted in response to technological advances and also product diversification, which are not defined as critical incidents by Bell et al. (2001) per se. Yet, when applying Oesterle's (1997) rationale, both 'technology advances' and 'product diversification' are clearly internationalisation episodes *inter alia* critical incidents and can be included in Bell et al.'s (2001) list.

This thesis identified several critical incidents in the GHCs' business histories, which profoundly altered their internationalisation strategy. For example, BritL1's shifted their focus to developing products for the oil and gas industry after the North Sea oil discovery in the 1970s, which then allowed the firm to compete with their products outside Britain. A similar strategy shift was found for GerM1, which decided to invest heavily in technology innovation after losing international competitiveness due to the repercussions of the Second World War and this essentially spurred their successful second 'episode' of internationalisation.

In addition, this study highlighted that FDI, alongside trade activity, was hugely important en route to successful internationalisation. 90% of GHCs established FDI's whether they pursued BG, BAG, or re-BAG paths. However, the role of FDI in the literature on BGs and BAGs is underplayed. BGs' studies merely suggest that they opt for less resource intensive entry modes (Madsen et al., 2000; Solberg, 2012), but there is a lack of more adequate longitudinal studies (Rialp et al., 2005). Little is known about BAGs market entry mode choices, again because of limited follow-up research (Kuivalainen et al., 2012). Therefore, BGs and BAGs identified here form a special variant from those described in existing literature, as they demonstrated vigorous expansion via FDI in addition to trade.

German and British BGs, BAGs and re-BAGs, however, chose different types of FDI. German GHCs grew more organically through greenfield sites, whereas their British equivalents chose more non-organic routes by additionally expanding via acquisitions. Nonetheless, either type of FDI route was a crucial addition to trade activity ensuring sustainable expansion of both German and British GHCs.

The role of FDI, however, was far more important for enduring GHCs as all except from one opted for FDI, although two more recently established GHCs remained solely reliant on export activity. Clearly, the role of FDI emerged as a vital contribution to the global success and leading market positions of German and British GHCs thus confirming other HCs studies (Simon, 2009; Venohr and Meyer, 2007; Witt, 2010; Witt and Carr, 2013).

7.2 Underlying competitive advantages of GHCs

The underlying competitive advantages of GHCs, which are clearly important to sustain success internationally, were further explored. The analysis confirms the applicability of 6 out of 8 HC Model traits (Simon, 2009), which were ‘leadership with ambitious goals’; ‘innovation’; ‘high-performance employees’; ‘closeness to customer’; ‘globalisation’, and ‘focus’. These competitive advantages proved pertinent for all three identified internationalisation paths of BGs, BAGs and re-BAGs. Remarkably, these competitive advantages did not significantly differ for GHCs from both countries, nor for enduring versus non-enduring GHCs.

Simon’s (2009) HC Model traits of ‘decentralisation’ and ‘depth’ were not fully confirmed for all GHCs. However, findings here showed significant differences for GHCs established in different time periods and countries. German executives were greater advocates of a decentralised structure than those in Britain. Furthermore, larger and well-established GHCs conformed slightly more closely to this trait, whilst newly emergent GHCs were often too small to instigate a decentralised structure. Likewise, British GHCs were less-vertically integrated than those in Germany and frequently outsourced non-core activities. In addition, enduring GHCs emphasised the ‘depth’ trait more than non-enduring GHCs, as a deep value chain requires resources that many younger GHCs did not necessarily inherit.

Further exploration revealed two missing competitive advantages not covered in the HC Model, which were ‘visions and values’ and ‘brand’. Both German and British executives stressed the significance of their company’s values as an underlying competitive advantage. German GHCs published their ‘vision and value statements’ more frequently than those in Britain. In both countries, however, GHCs used similar keywords to describe their company’s philosophy, such as ‘innovation’; ‘employees’

and ‘customers’, which were also identified as GHCs pivotal underlying competitive advantages in the HC Model. Likewise, executives in both countries highlighted the importance of their company’s brand; though, British GHCs were more inclined to build their brand, whereas the German counterparts were more concerned with maintaining and nurturing their existing brand.

The original HC Model thus, required certain adaptations, not only in respect of British firms also for German ones. Traits also differed between younger and well-established GHCs highlighting that history and market leadership advantages substantially influenced their underlying competitive advantages. This study consequently concludes with a new tentative ‘GHC Model’, specifying more appropriate and precise characteristics of German and British GHCs with different sizes and establishment dates that have led to sustainable global niche market leadership. The majority of Simon’s HC Model traits were included but altered according to the findings in this study, whilst also excluding the trait of ‘decentralisation’ (see Figure 12).

The GHC Model was found to overlap significantly with Mittelstand features (see Table 69) and therefore the HC Model still fits with some adaptation to GHCs in Germany but also to those identified in Britain, which have succeeded in global niche markets. Therefore, all 15 British GHCs appear to resemble many Mittelstand characteristics.

The GHC Model was also placed within the broader debates of competitive advantage, such as Teece’s (2014) dynamic capabilities framework (see Figure 14). The GHC Model enriches this framework through the dimension of history and strategic adaptation, as enduring and non-enduring GHCs operationalized their dynamic capabilities very differently. Thereby, the framework was extended by a market leadership ‘feedback loop’, from which especially enduring GHCs benefitted, as this virtuous cycle offers specific resource and capability advantages (Buzzel et al., 1975; Porter, 1979; Porter, 1985). Based on the findings in this study, the dynamic capabilities framework was supplemented by exact characteristics leading to the market leadership (GHC Model), whilst it also further added the importance of history and associated critical incidents, which fundamentally influenced internationalisation strategy.

Unlike Teece (2014), this study additionally offered a specific entrepreneurial concept to describe the role of management in the dynamic capabilities framework. GHCs leadership was observed to orchestrate dynamically and adapt their internationalisation strategy in response to historic events (i.e. critical incidents). Their behaviour relates closely to the concept of ‘entrepreneurial orientation’ (EO), describing a management’s proactiveness, innovativeness and risk taking mentality (Miller, 1983; Lumpkin and Dess, 1996). Therefore, the inclusion of the EO concept bridges that gap between international business and entrepreneurship literature, as stressed by Teece (2014).

7.3 Integrating internationalisation paths and competitive advantages

Whilst there are variations outlined between German and British GHCs, all 30 GHCs by definition shared a common proactive aspiration of becoming global leaders rather than regional leaders. Ultimately, what was common to all 30 GHCs from both countries was that “A journey of a thousand miles begins with a single step” (Lao-tzu). This study traced how German and British GHCs set out on the journey to market leadership by choosing the alternative paths of BGs, BAGs and re-BAGs, as opposed to the traditional Uppsala Model routes, and expanded vigorously via FDI. GHCs are likely to have not recognised, except in hindsight, that their underlying competitive advantages, were remarkably similar to several of Simon’s (2009) HC Model traits, although this study recognised further success traits, such as ‘visions and values’ and ‘brand’. The final GHC Model (see Figure 12) shows that internationalisation is closely aligned with specific underlying competitive advantages, and findings displayed the differences between enduring and non-enduring players.

Successful routes of internationalisation depend in turn upon specific underlying competitive advantages, but globalisation and global market leadership confer benefits, which ultimately provide truly sustainable competitive advantages. Achieving both requires vision from the outset; as BritL5’s executive put it: “We have a vision of where we want to be and, we make strategic decisions every day bringing us closer to our goal, which is to be the best in the world.” Nor was this an isolated case; all GHCs shared similar aspirations and same commitments to becoming market leaders.

7.4 Implications for management, government policy and education

The findings of this thesis provide a number of implications for management, government policy and education, which are discussed in the following section.

7.4.1 Implications for management

This study endorses the need for global niche firms (i.e. Hidden Champions) from Germany and Britain to adopt a dynamic strategy successfully to outperform competition and achieve supernormal profits. The study's evolutionary perspective showed that German and British niche market champions do not compete with incumbent advantages, but strategically reconfigure capabilities in response to critical incidents. Therefore, it is clear that firms should embrace the characteristics of innovation, brand, focus, skilled and committed employees, competence based value chain and closeness to customer. Most importantly, firms should embark on a vigorous and proactive internationalisation, and favour FDI in addition to trade activity.

Dynamic, innovative and proactive managers were willing to take appropriate risks to orchestrate these capabilities and when deployed successfully they facilitated more 'robust' strategies (Rumelt, 2011; Carr and Lorenz, 2014) through which global market leadership and more sustainable competitive advantages could be achieved. Managers need to avoid false assumptions about their existing market positions and associated capabilities being static, as maintaining leading global market positions depends upon dynamism and innovation.

As a result, especially British managers need to take a much more long-term perspective, as their managerial style is considered to be more short-term orientated (Carr, 2005; Financial Times, 2012), which stands in contrast to the German Mittelstand mentality (Berghoff, 2006).

7.4.2 Implications for government policy

It is good that the British government recognises the potential of its 'forgotten' mid-cap firms, as George Osborne, Chancellor of the Exchequer, realised "we should all learn the lessons from the successful Mittelstand model" (Bryant, 2012). Inspired by the success of the German Mittelstand, the UK government is focusing heavily on fostering and nurturing mid-cap companies' long-term striving to encourage the

growth of a *'Brittelstand'*, as conjured up by some British journalists (Loizou, 2014; Inman, 2015), as a way to regain international competitiveness in the manufacturing sector.

All 15 British GHCs shared traits common to German Mittelstand firms, and further shared almost precisely similar aspirations and visions to conquer global markets as all 15 German counterparts, and thus, it would not be unreasonable to refer to this new British GHCs phenomena as the *'Brittelstand'*. Indeed this could even be held up as an all-encompassing banner cry for this emerging British movement. Given that Germany had twice as many GHCs as Britain (100 versus 50 identified as the preliminary pool for case selection), UK policy should focus on nurturing and increasing the numbers of promising new Brittelstand companies.

The sample of 30 firms highlighted that German GHCs had been established longer than their British equivalents, which suggests that the British environment is too short-term, in terms of capital and policy implications (Financial Times, 2012). Therefore British policy needs to overcome this and prioritise policies which will help companies endure, in order to imbue a sustainable and globally competitive *'Brittelstand'* sector, which the economy can benefit from in the long run.

This study has shown that many British manufacturing firms and also service companies, were very successful and pursued remarkably similar proactive internationalisation strategies as their German equivalents. GHCs found in both countries showed a remarkable outward orientation and were proactive internationalisers of which 90% of them undertaking FDI. Industrial policy in Germany and Britain should therefore be orientated to support outward investment beyond the early, predominantly trade-based stages of internationalisation, and focus on the more resource intensive FDI approach. Such encouragement could contribute to the nation's export success and sustained wealth creation and lays the foundations for more durable global achievements. Policy regarding incoming investments should target and prioritise companies with GHC features and recognise the value of their longer-term strategy focus, which can be mutually beneficial to a nation's economy.

More scattergun support programmes need to target more on firms whose business models or technologies represent significant leaps forward in respect to innovation, in

both manufacturing and service. Almost all GHCs in both countries were involved in some form of pioneering or disruptive style innovations and technologies, as opposed to more mundane approaches. More high-technology clusters are found in Germany than in Britain, however, Britain's 'Silicon Fen', which has been heavily supported by policies in the 1970s, emerged highly competitive globally. Therefore policies should prioritise and nurture such innovative 'start-ups' or even University spin-offs, which proves important for both Germany and Britain and host governments need to adapt and build innovative new institutional capability for the future of Germany and Britain.

7.4.3 Implications for education

Frameworks to understand a firm's international expansion are still dominated by theories, such as the Uppsala Model (Backhaus et al., 2005). Although its concepts are very detailed and valuable, the leading niche players investigated here all embarked on alternative paths of BGs, BAGs and re-BAGs, which proved particularly successful when paired with FDI. It is important for students to understand that firms can achieve market leadership and compete successfully through different and even hybrid internationalisation strategies, such as the re-BAG path. Students should further comprehend the complexity of a competitive global landscape and its associated threats (i.e. critical incidents, market consolidation, technology disruptors), which often requires firms to shift strategies and respond through alternative proactive internationalisation paths to ensure survival. In this context, universities should promote courses on 'global strategy', as it vital for global niche firms to position themselves successfully in a highly competitive and often consolidating global market place (Kearney, 2013).

Peng and Meyer (2011) caution that textbooks largely use examples of American multinationals but also endorse the respectively smaller Hidden Champions from Germany. This study further provides evidence of global market leading equivalents in Britain and Germany and draws attention to successful European examples. Lectures should therefore include more case studies on firms including Hidden Champions to highlight the attractiveness of smaller global businesses.

7.5 The need for new innovative and methodologies

This study also offers an innovative, more transparent, technique for methodological research, which may be useful for other researchers in this field. The ‘internationalisation analysis’ tool benchmarked a firm against all three mainstream internationalisation theories, using nine commonly found definitions of BGs, BAGs and traditional internationalisers. The technique allowed more precise compliance scores in relation to each theory and, thus the highest score comprehended a firm’s exact internationalisation strategy, but furthermore determined any compliance with other theories and definitions. This enabled a more systematic, detailed and transparent analysis of a firm’s internationalisation path, uncovering any hybrid paths, such as the re-BAGs identified in this study. Hence, further research should examine the paths of internationalisation more critically using this transparent technique, which acknowledges that existing theories can provide new insights on newly emerging internationalisation variants (i.e. BGs and BAGs) and even allows the identification of hybrid internationalisation paths. This technique needs to be tested and developed further guiding future research on internationalisation paths. We need to respect older theories, such as the Uppsala Model, whilst additionally highlighting emergent new paths of BGs, BAGs and especially re-BAG newly uncovered in this research thesis.

7.6 Future research

Future research should focus on studying global niche players as a separate agenda, as most studies have identified such strategy variants when exploring internationalisation paths of niche firms in general (for example, Knight and Cavusgil, 1996; Luostarinen and Gabrielsson, 2004; Sheppard and McNaughton, 2012). Concordant with Peng and Meyer (2011), this study suggests that global strategy needs to include a wider variety of business sizes, particularly highlighting the global niche strategy variant of Hidden Champions.

When extending the research on all Hidden Champions, future studies need to distinguish critically between ‘Regional Hidden Champions’ and ‘Global Hidden Champions’ (GHCs) and not, like Simon (2009), treat these as being equal. This research focused strictly on the global top three GHCs for theoretically defensible reasons, as these are likely to withstand global consolidation, and these need to be

further explored. Future research should, however, also focus on regional leaders and study these as a group in their own right, which would be particularly interesting for scholars advocating regional strategies. Hidden Champions research needs to be more probing, as regional and global niche leaders differ in terms of entry barriers, resources and competitive advantages, and further in-depth research is needed in countries other than Germany and Britain.

By critically grouping firms into enduring and younger players, the impact of history on the international development of firms was unveiled. Younger and older GHCs pursued distinctively different paths and demonstrated remarkable strategic adaptations of their internationalisation strategies over time. This was in line with those theories stressing the role of critical incidents, such as BAGs and re-BAGs, although the initiating critical incidents differed for firms in Germany and Britain. Future internationalisation research, therefore, needs to take into account a wider range of firms with different age groups and sizes, and include different country contexts, as institutions and historical events influenced the type of strategy pursued by the majority of cases studied in Germany and Britain.

It is important for future research to focus on longitudinal internationalisation studies, as the role of FDI emerged as an important addition to mere trade activity. In particular alternative paths, such as BGs, need to be studied beyond their first international activity and their continuous international expansion through exports and also FDI should be explored. There were also profound differences between the type of FDI used by German and British GHCs, which slightly differed for enduring and non-enduring GHCs. Future research should therefore critically distinguish between a firm's FDI choices and uncover how these differ for firms from different institutional contexts and establishment dates.

37% of firms pursued a Hybrid internationalisation path of re-BAGs, particularly pertinent for enduring GHCs from the German but also in the British context. Re-BAGs shared remarkably similar features when going international, which differed from the existing paths described, but these need to be explored further. The novel critical 'internationalisation analysis' used in this study revealed that the Uppsala Model offers a useful framework to describe alternative paths of internationalisation,

especially those of re-BAGs. Future research should therefore not treat the Uppsala Model as an obsolete and contradicting theory. Instead, future studies should, though, enhance our knowledge of how this framework can be revised in terms of tempo, direction and timing to build more precise theoretical underpinnings for BGs, BAGs and re-BAGs.

Future research could also helpfully focus on identifying the underlying competitive advantages of firms in the light of the new GHC Model. This framework should be tested on a larger sample, also including a wider variety of company sizes, industries and countries. In this context, Teece (2014) stresses the need to include entrepreneurship literature in this debate, and this study used the concept of ‘entrepreneurial orientation’ to understand how competitive advantages are orchestrated, which needs further exploration. Finally, research needs to acknowledge that successful internationalisation requires competitive advantage, and vice versa, in order to sustain and lead to market leadership. Therefore, research on a firm’s internationalisation should enhance our knowledge as to how these firms achieve and sustain successful and proactive international expansion.

It is anticipated that the contributions in this study, pertaining to Global Hidden Champions will inspire other researchers in different parts of the world to advance this exciting field of study.

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Appendices

Appendix 1 Comparing of the HC Model with Mittelstand characteristics

HC Model (Simon 2009)	Mittelstand (Muzyka et al. 1997)
Leadership with ambitious goals	Yes New managerial direction and behaviour/ Defining clear company objectives/ growth targets
Decentralisation	Not specified
High performance employees	Yes Personnel retrained/ employment of competent staff
Depth	Yes Products sold based on the company's expertise
Focus	Yes Concentrating on niche markets/ exploitation of successive niche opportunities
Closeness to customer	Yes Constant rapport with customers/ adapt operations to customers need
Innovation	Yes Innovation as a value-base process/ technological innovation
Globalisation	Not specified

(Source: Witt and Carr, 2013)

Appendix 2 Term 'Hidden Champions' revealed by a systematic journal research

Author	Main HCs findings	Journal
Simon (1992a)	First study on German HCs	Harvard Business Review
Simon (1996a)	HCs identified in foreign countries	Business Strategy Review
Simon (1992b)	Service policies of German manufacturers (including HCs)	European Management Journal
Markides (2001)	Mentions Simon's (1996a) study as an example	Business Strategy Review
Meyer (2006)	'Globalfocusing,' HCs Model as an example for Danish firms	Journal of Management Studies
Eisenhardt (2008)	Mentions Simon's (1996a) study as an example	Business Strategy Review
Venohr and Meyer (2009)	Long-term study on HCs manufacturing companies	Business Strategy Review
Likiermann (2009)	Mentions Simon's (1996a) study as an example	Business Strategy Review
Meyer (2009)	'Globalfocusing,' mentioning HCs as a successful global niche strategy variant	Strategic Change

(Source: Witt and Carr, 2013)

Appendix 3 Comparing the HC Model with HC Model equivalents found in Canada and Greece

Simon (1996a)	Voudouris et al. (2000)	Blackburn et al. (2001)
(1) Strong Leadership	Yes	Yes
(2) Ambitious goals	No	Yes
(3) Continuous Innovation	Yes	Yes
(4) Reliance on own strength	No	No
(5) Selected and motivated employees	Yes	Yes
(6) Narrow market focus	Yes	Yes
(7) Competitive advantage	No	No
(8) Closeness to customer	Yes	Yes
(9) Global orientation	No	Yes

(Source: Author)

Appendix 4 Sample of the structured and semi-structured research questions

Interview questions for the PhD study on German and British Hidden Champions

1. Company Name:
2. Name of participant:
3. Job title:
4. Company Address:
5. Website:
6. Email:
7. Formation of the business:
8. Industry:
9. Company type: Family/ public:
10. What is your main competing product?
11. Revenue 2013:
12. Annual R&D investments:
13. Number of employees 2013:
14. What is your market share worldwide (%)?
15. What is your market position?
16. How would you describe your company's strategy?
17. How many competitors does your company have?
18. How do you protect yourself from competition and what is your competitive edge?
19. From which markets do your most significant competitors originate from?
20. Has there been global consolidation in terms of falling numbers of key players in your industry? If yes, how does this affect your strategy?
21. Do you see more consolidation happening in your industry?
22. Do you think securing one of the top three market positions increases the chance of survival in a market?

Degree of Internationalisation

1. What kind of internationalisation strategy do you follow?
2. What is your company's internationalisation history?
3. How important is internationalisation to your business?
4. What is your preferred mode of entry and why?
5. Would you consider other market entry modes in the future and why?
6. Which entry modes do you use which are not FDIs, and why?
7. When did you first export?
8. How many sales derived from abroad when you first started exporting, and what is the exact time frame of the sales achieved?

Germany	Europe	N. America	S. America	Middle East	Asia	China	Africa

9. How many countries did you enter when you first started internationalising?
10. What is your export ratio?
11. How many FDIs does your company have today?
12. When was the first, second, and third foreign direct investment?

FDI	First FDI	Second FDI	Third FDI
Region			
Entry mode			
Comments:			

13. How many markets do you serve?
14. Which are the next markets you are planning to enter?

15. What lessons can you share from your own company's experiences of going international? (e.g. particular problems)

Hidden Champions and success factors

1. What is your company's philosophy?
2. What are your success factors and specific competitive advantages?
3. Do you consider yourself a "Hidden Champion"? (Among the top 3 globally, revenues below \$US 5 billion annually and rather unknown to the public)
4. How far do these traits reflect your own company's success factors? *(Please score this quickly and intuitively. 1 means that it fits exactly your philosophy; the lowest 7 being that your company's approach is completely different)*

Leadership with ambitious goals	
Globalisation	
High performance employees	
Depth	
Focus	
Closeness to customer	
Innovation	
Decentralisation	

5. What do you think of the Hermann Simon's HC Model developed for successful German firms?
6. Is there a specific competency or success factor, which makes your company so successful in not covered by the HC Model?
7. Why do you think this concept works for German companies?
8. Do you think this is a concept that is transferable to British companies?
9. Have you heard of Mittelstand companies? If yes, how would you describe a Mittelstand company and would you consider yourself a Mittelstand company?
10. What lessons would you like to learn from other Hidden Champions?
11. Would you like to receive the outcome of this study?

(Source: Author)

Appendix 5 Interview details of cases

Company	Type of Interview	Recording	Duration (hours)	Language	Country	Participant
PilotGer	Personal	N	1.0	German	Germany	CEO
GerN1	Personal	Y	1.5	German	Germany	CFO
GerN2	Personal	Y	1.0	German	Germany	Head strategist
GerN3	Personal	N	1.5	German	Germany	Founder/CEO
BritN1	Personal	Y	1.5	English	Britain	Founder
BritN2	Personal	Y	1.5	English	Britain	CEO
BritN3	Personal	Y	2.0	English	Britain	CEO
BritN4	Personal	Y	1.5	English	Britain	CEO
BritN5	Telephone	N	1.0	English	Britain	CEO
GerM1	Personal	N	1.5	German	Germany	CEO
GerM2	Personal	N	1.5	German	Germany	CEO
GerM3	Telephone	N	1.0	German	Germany	CEO
GerM4	Telephone	N	1.0	German	Britain	CEO
BritM1	Personal	Y	1.5	English	Britain	CEO
BritM2	Personal	Y	1.0	English	Britain	CEO
BritM3	Personal	Y	1.5	English	Britain	CEO
BritM4	Personal	N	1.0	English	Britain	Founder/CEO
BritM5	Personal	Y	1.5	English	Britain	Managing director
GerL1	Personal	N	1.0	English	Germany	Senior executive
GerL2	Personal	N	1.0	German	Germany	Senior executive
GerL3	Personal	Y	1.0	German	Germany	CEO
GerL4	Personal	Y	1.5	German	Germany	Senior executive
GerL5	Personal	N	1.0	German	Germany	CEO
GerL6	Personal	Y	1.5	German	Germany	CEO
GerL7	Personal	Y	1.5	German	Germany	CEO
GerL8	Personal	N	1.0	German	Germany	CEO
BritL1	Personal	Y	1.0	English	Britain	CFO
BritL2	Personal	Y	1.0	English	Britain	CFO
BritL3	Telephone	N	1.5	English	Britain	CEO
BritL4	Telephone	N	1.0	English	Britain	CEO
BritL5	Personal	Y	1.5	English	Britain	CEO

(Source: Author)

Appendix 6 Details on the calculation of the internationalisation analysis

Internationalisation scoring		C1	C2	C3 ⁸⁶	C4 ⁸⁷	C5 ⁸⁸	C6	C7 ⁸⁹	C8	C9	Deviance
TRADs	Most compliant TRADs	2	2	2	2	2	0	0	0	0	
	<i>Compliance score</i>	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0
	Non-compliance TRADs	0	0	0	0	0	2	2	2	2	
	<i>Non-compliance score</i>	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	18
BAGs	Most compliant BAGs	2	0	0	0	0	2	2	0	0	
	<i>Compliance score</i>	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0
	Non-compliance BAGs	0	2	2	2	2	0	0	2	2	
	<i>Non-compliance score</i>	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	18
BGs	Most compliant BGs	0	0	0	0	0	2	0	2	2	
	<i>Compliance score</i>	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	0
	Non-compliance BGs	2	2	2	2	2	0	2	0	0	
	<i>Non-compliance score</i>	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	18

(Source: Author)

⁸⁶ This position may be ambiguous (thus 1) as a firm might follow some parts of the establishment chain.

⁸⁷ This position may be ambiguous (thus 1) as a firm might prefer entering closely located markets over more global markets.

⁸⁸ This position may be ambiguous (thus 1) as a firm might show signs of experiential learning.

⁸⁹ This position may be ambiguous (thus 1) but only if the critical incidents are dissimilar to Bell et al.'s (2001) study.

Appendix 7 Internationalisation analysis of GHCNs⁹⁰

GHCNs	C1	C2	C3	C4	C5	C6	C7	C8	C9	Deviance Scores	Compliance
	<i>Domestic focus 10 years</i>	<i>Entry into one market at a time</i>	<i>Establishment chain</i>	<i>Psychic distance</i>	<i>Experiential learning</i>	<i>Rapid internationalisation</i>	<i>Critical Incident</i>	<i>Foreign sales over 25%</i>	<i>Export outside EU</i>		
GerN1	0	0	0	0	1	2	0	2	2		
Deviance TRADs	2	2	2	2	1	2	0	2	2	15.00	LOW
Deviance BAGs	2	0	0	0	1	0	2	2	2	9.00	MED
Deviance BGs	0	0	0	0	1	0	0	0	0	1.00	HI
GerN2	0	0	0	0	0	2	0	2	2		
Deviance TRADs	2	2	2	2	2	2	0	2	2	16.00	LOW
Deviance BAGs	2	0	0	0	0	0	2	2	2	8.00	MED
Deviance BGs	0	0	0	0	0	0	0	0	0	0.00	HI
GerN3	0	0	0	1	0	2	0	2	2		
Deviance TRADs	2	2	2	1	2	2	0	2	2	15.00	LOW
Deviance BAGs	2	0	0	1	0	0	2	2	2	9.00	MED
Deviance BGs	0	0	0	1	0	0	0	0	0	1.00	HI
BritN1	0	0	1	0	2	2	0	2	2		
Deviance TRADs	2	2	1	2	0	2	0	2	2	13.00	LOW
Deviance BAGs	2	0	1	0	2	0	2	2	2	11.00	MED
Deviance BGs	0	0	1	0	2	0	0	0	0	3.00	HI
BritN2	0	0	0	0	0	2	0	2	2		
Deviance TRADs	2	2	2	2	2	2	0	2	2	16.00	LOW
Deviance BAGs	2	0	0	0	0	0	2	2	2	8.00	MED
Deviance BGs	0	0	0	0	0	0	0	0	0	0.00	HI
BritN3	0	0	1	1	1	2	0	2	2		
Deviance TRADs	2	2	1	1	1	2	0	2	2	13.00	LOW

⁹⁰ Deviance scores from 0-10 indicate a high compliance, 11-20 a medium compliance, and 21-30 a low compliance.

Deviance BAGs	2	0	1	1	1	0	2	2	2	11.00	MED
Deviance BGs	0	0	1	1	1	0	0	0	0	3.00	HI
<i>BritN4</i>	0	0	1	1	1	2	0	2	2		
Deviance TRADs	2	2	1	1	1	2	0	2	2	13.00	LOW
Deviance BAGs	2	0	1	1	1	0	2	2	2	11.00	MED
Deviance BGs	0	0	1	1	1	0	0	0	0	3.00	HI
<i>BritN5</i>	0	0	1	0	1	2	0	2	2		
Deviance TRADs	2	2	1	2	1	2	0	2	2	14.00	LOW
Deviance BAGs	2	0	1	0	1	0	2	2	2	10.00	MED
Deviance BGs	0	0	1	0	1	0	0	0	0	2.00	HI
<i>Overall average score</i>											
Deviance TRADs										14.38	LOW
Deviance BAGs										9.63	MED
Deviance BGs										1.63	HI
<i>Average score German</i>											
Deviance TRADs										15.33	LOW
Deviance BAGs										8.67	MED
Deviance BGs										0.67	HI
<i>Average score Britain</i>											
Deviance TRADs										13.80	LOW
Deviance BAGs										10.20	MED
Deviance BGs										2.20	HI

(Source: Author)

vAppendix 8 Internationalisation analysis of GHCms⁹¹

GHCms	C1	C2	C3	C4	C5	C6	C7	C8	C9	Deviance Scores	Compliance
	<i>Domestic focus 10 years</i>	<i>Entry into one market at a time</i>	<i>Establishment chain</i>	<i>Psychic distance</i>	<i>Experiential learning</i>	<i>Rapid internationalisation</i>	<i>Critical Incident</i>	<i>Foreign sales over 25%</i>	<i>Export outside EU</i>		
GerM1	0	2	1	1	1	2	1	0	0		
Deviance TRADs	2	0	1	1	1	2	1	0	0	8.00	MED
Deviance BAGs	2	2	1	1	1	0	1	0	0	8.00	MED
Deviance BGs	0	2	1	1	1	0	1	2	2	10.00	MED
GerM2	0	0	0	0	0	2	0	2	2		
Deviance TRADs	2	2	2	2	2	2	0	2	2	16.00	LOW
Deviance BAGs	2	0	0	0	0	0	2	2	2	8.00	MED
Deviance BGs	0	0	0	0	0	0	0	0	0	0.00	HI
GerM3	0	0	0	0	0	2	0	2	2		
Deviance TRADs	2	2	2	2	2	2	0	2	2	16.00	LOW
Deviance BAGs	2	0	0	0	0	0	2	2	2	8.00	MED
Deviance BGs	0	0	0	0	0	0	0	0	0	0.00	HI
GerM4	2	0	0	1	1	1	2	0	0		
Deviance TRADs	0	2	2	1	1	1	2	0	0	9.00	MED
Deviance BAGs	0	0	0	1	1	1	0	0	0	3.00	HI
Deviance BGs	2	0	0	1	1	1	2	2	2	11.00	MED
BriM1	2	2	0	0	0	2	2	0	0		
Deviance TRADs	0	0	2	2	2	2	2	0	0	10.00	MED
Deviance BAGs	0	2	0	0	0	0	0	0	0	2.00	HI
Deviance BGs	2	2	0	0	0	0	2	2	2	10.00	MED
BritM2	0	0	1	1	1	2	0	2	2		
Deviance TRADs	2	2	1	1	1	2	0	2	2	13.00	LOW
Deviance BAGs	2	0	1	1	1	0	2	2	2	11.00	MED
Deviance BGs	0	0	1	1	1	0	0	0	0	3.00	HI

⁹¹ Deviance scores from 0-10 indicate a high compliance, 11-20 a medium compliance, and 21-30 a low compliance.

<i>BritM3</i>	0	0	1	0	1	2	0	2	2		
Deviance TRADs	2	2	1	2	1	2	0	2	2	14.00	LOW
Deviance BAGs	2	0	1	0	1	0	2	2	2	10.00	MED
Deviance BGs	0	0	1	0	1	0	0	0	0	2.00	HI
<i>BritM4</i>	0	0	0	0	0	2	0	2	2		
Deviance TRADs	2	2	2	2	2	2	0	2	2	16.00	LOW
Deviance BAGs	2	0	0	0	0	0	2	2	2	8.00	MED
Deviance BGs	0	0	0	0	0	0	0	0	0	0.00	HI
<i>BritM5</i>	2	0	1	1	2	1	1	0	0		
Deviance TRADs	0	2	1	1	0	1	1	0	0	6.00	MED
Deviance BAGs	0	0	1	1	2	1	1	0	0	6.00	MED
Deviance BGs	2	0	1	1	2	1	1	2	2	12.00	LOW
<i>Overall average score</i>											
Deviance TRADs										11.78	LOW
Deviance BAGs										6.86	MED
Deviance BGs										5.56	HI
<i>Average score German</i>											
Deviance TRADs										12.25	LOW
Deviance BAGs										6.75	MED
Deviance BGs										5.25	MED
<i>Average score Britain</i>											
Deviance TRADs										11.40	LOW
Deviance BAGs										7.00	MED
Deviance BGs										5.80	HI

(Source: Author)

Appendix 9 Internationalisation analysis of GHCl's⁹²

GHCl's	C1	C2	C3	C4	C5	C6	C7	C8	C9	Deviance Scores	Compliance
	<i>Domestic focus for 10 years</i>	<i>Entry one market at a time</i>	<i>Establishment chain</i>	<i>Psychic distance</i>	<i>Experiential learning</i>	<i>Rapid internationalisation</i>	<i>Critical Incident</i>	<i>Foreign sales over 25%</i>	<i>Export outside EU</i>		
GerL1	0	2	1	1	1	2	1	0	0		
Deviance	2	0	1	1	1	2	1	0	0	8.00	MED
TRADs	2	2	1	1	1	0	1	0	0	8.00	MED
Deviance BAGs	0	2	1	1	1	0	1	2	2	10.00	MED
Deviance BGs											
GerL2	2	2	2	1	0	2	1	0	0		
Deviance	0	0	0	1	2	2	1	0	0	6.00	MED
TRADs	0	2	2	1	0	0	1	0	0	6.00	MED
Deviance BAGs	2	2	2	1	0	0	1	2	2	12.00	LOW
Deviance BGs											
GerL3	2	2	0	2	2	2	2	0	0		
Deviance	0	0	2	0	0	2	2	0	0	6.00	MED
TRADs	0	2	0	2	2	0	0	0	0	6.00	MED
Deviance BAGs	2	2	0	2	2	0	2	2	2	14.00	LOW
Deviance BGs											
GerL4	2	1	1	2	1	2	1	0	0		
Deviance	0	1	1	0	1	2	1	0	0	6.00	MED
TRADs	0	1	1	2	1	0	1	0	0	6.00	MED
Deviance BAGs	2	1	1	2	1	0	1	2	2	12.00	LOW
Deviance BGs											
GerL5	2	0	2	1	2	2	1	0	0		
Deviance	0	2	0	1	0	2	1	0	0	6.00	MED
TRADs	0	0	2	1	2	0	1	0	0	6.00	MED
Deviance BAGs	2	0	2	1	2	0	1	2	2	12.00	LOW
Deviance BGs											
GerL6	2	1	1	2	1	2	1	0	0		

⁹² Deviance scores from 0-10 indicate a high compliance, 11-20 a medium compliance, and 21-30 a low compliance.

Deviance TRADs	0	1	1	0	1	2	1	0	0	6.00	MED
Deviance BAGs	0	1	1	2	1	0	1	0	0	6.00	MED
Deviance BGs	2	1	1	2	1	0	1	2	2	12.00	LOW
GerL7	2	2	1	1	1	2	1	0	0		
Deviance TRADs	0	0	1	1	1	2	1	0	0	6.00	MED
Deviance BAGs	0	2	1	1	1	0	1	0	0	6.00	MED
Deviance BGs	2	2	1	1	1	0	1	2	2	12.00	LOW
GerL8	2	0	1	1	1	2	1	0	0		
Deviance TRADs	0	2	1	1	1	2	1	0	0	8.00	MED
Deviance BAGs	0	0	1	1	1	0	1	0	0	4.00	HI
Deviance BGs	2	0	1	1	1	0	1	2	2	10.00	MED
BritL1	2	0	1	2	1	2	1	0	0		
Deviance TRADs	0	2	1	0	1	2	1	0	0	7.00	MED
Deviance BAGs	0	0	1	2	1	0	1	0	0	5.00	HI
Deviance BGs	2	0	1	2	1	0	1	2	2	11.00	MED
BritL2	2	1	1	1	2	1	2	0	0		
Deviance TRADs	0	1	1	1	0	1	2	0	0	6.00	MED
Deviance BAGs	0	1	1	1	2	1	0	0	0	6.00	MED
Deviance BGs	2	1	1	1	2	1	2	2	2	14.00	LOW
BritL3	2	2	0	1	0	2	2	0	0		
Deviance TRADs	0	0	2	1	2	2	2	0	0	9.00	MED
Deviance BAGs	0	2	0	1	0	0	0	0	0	3.00	HI
Deviance BGs	2	2	0	1	0	0	2	2	2	11.00	MED
BritL4	2	2	0	1	0	2	2	0	0		
Deviance TRADs	0	0	2	1	2	2	2	0	0	9.00	MED
Deviance BAGs	0	2	0	1	0	0	0	0	0	3.00	HI
Deviance BGs	2	2	0	1	0	0	2	2	2	11.00	MED
BitL5	2	2	1	1	2	2	2	0	0		

Deviance TRADs	0	0	1	1	0	2	2	0	0	6.00	MED
Deviance BAGs	0	2	1	1	2	0	0	0	0	6.00	MED
Deviance BGs	2	2	1	1	2	0	2	2	2	14.00	LOW
Overall average score											
Deviance TRADs										6.85	MED
Deviance BAGs										5.46	HI
Deviance BGs										11.92	LOW
Average score Germany											
Deviance TRADs										6.50	MED
Deviance BAGs										6.00	MED
Deviance BGs										11.75	LOW
Average score Britain											
Deviance TRADs										7.40	MED
Deviance BAGs										4.60	HI
Deviance BGs										12.20	LOW

(Source: Author)

Appendix 10 Summary of findings on the internationalisation paths of GHCs

Strategy	GHCs	TRADs deviance	BAGs deviance	BGs deviance	Critical incident	Total
BGs	GerN1	15	9	1	-	5
	GerN2	16	8	0	-	
	GerN3	15	9	1	-	
	GerM2	16	8	0	-	
	GerM3	16	8	0	-	
	BritN1	13	11	3	-	8
	BritN2	16	8	0	-	
	BritN3	13	11	3	-	
	BritN4	13	11	3	-	
	BritN5	14	10	2	-	
	BritM2	13	11	3	-	
	BritM3	14	10	2	-	
	BritM4	16	8	0	-	
	Total BGs		14.62 (G: 15.60 vs. B: 14.00)	9.38 (G: 8.40 vs. B: 10.00)	1.83 (G: 0.40 vs. B: 2.00)	
BAGs	GerM4	9	3	11	Technology advances	2
	GerL8	8	4	10	Technology advances	
	BritM1	10	2	10	Change management in	4
	BritL1	7	5	11	Change management in	
BritL3	9	3	15	Change management in		

	BritL4	9	3	11	Change management in	
Total BAGs		8.67 (G: 8.50 vs. B: 8.75)	3.33 (G: 3.50 vs. B: 3.25)	11.33 (G: 10.50 vs. B: 11.75)	-	6
Hybrids	GerM1	8	8	10	Technology advances	8
	GerL1	8	8	10	Technology advances	
	GerL2	6	6	12	Technology advances	
	GerL3	6	6	14	Change management in	
	GerL4	6	6	12	Product diversification	
	GerL5	6	6	12	Technology advances	
	GerL6	6	6	12	Technology advances	
	GerL7	6	6	12	Technology advances	
	BritM5	6	6	12	Change management in	3
	BritL2	6	6	14	Change management in	
BritL5	6	6	14	Change management in		
Total Hybrids		6.36 (G: 6.50 vs. B: 6.00)	6.36 (G: 6.50 vs. B: 6.00)	12.18 (G: 11.75 vs. B: 13.33)	-	11
Overall total		10.40 (G: 9.80 vs. B: 11.00)	7.07 (G: 6.73 vs. B: 7.40)	7.33 (G: 7.80 vs. B: 6.87)	-	30

(Source Author)

Appendix 11 Market entry mode choices of GHCns⁹³

GHCns	BGs								Total BGs Averages		
	GerN1	GerN2	GerN3	BritN1	BritN2	BritN3	BritN4	BritN5	Total	Germany	Britain
Export	+	+	+	+	+	+	+	+	-	-	-
Sales agents/distributors	-	+	+	+	+	+	+	+	-	-	-
FDI	+	+	-	+	+	+	+	+	-	-	-
Business formation	1977	1989	1973	1984	1986	2007	2003	1989	1987	1979	1994
<i>Years in between</i>	3	1	1	9	3	0	5	0	3	2	3
First internationalisation	1980	1990	1974	1993	1989	2007	2008	1989	1989	1981	1997
Region	REG	REG	REG	REG	REG	REG	REG	REG	-	-	-
Entry mode	EX	EX	EX	EX	EX	EX	EX	EX	-	-	-
<i>Years in between</i>	3	1	-	6	0	0	0	18	3	2	5
First FDI	1983	1991		1999	1989	2008	2008	2007	1995	1987	2002
Region	Britain	France		Taiwan	USA	Monaco	USA	China	-	-	-
Entry mode	GFS	GFS		GFS	GFS	GFS	AQ	GFS	-	-	-
<i>Years in between</i>	9	5		0	11	1	1	3	5	7	3
Second FDI	1992	1996		1999	2010	2008	2009	2010	2001	1994	2007
Region	USA	Japan		USA	China	Norway	USA	India	-	-	-
Entry mode	GFS	JV		GFS	GFS	GFS	GFS	GFS	-	-	-
<i>Years in between</i>	6	1		2	-	0	0	2	2	4	1
Third FDI	1998	1997		2001	-	2008	2009	2012	2003	1998	2008
Region	Spain	Italy		Japan	-	Dubai	USA	Brazil	-	-	-
Entry mode	GFS	GFS	GFS	-	GFS	GFS	GFS	-	-	-	

(Source: Author)

⁹³ EX: Export, GFS; Greenfield site, AQ:Acquisition, GLB: Global markets, REG: Regional markets

Appendix 12 Market entry mode choices of GHCms⁹⁴

GHCms	BGs					BGs Averages			BAGs		BAGs Averages			Hybrids		Hybrid Averages			Total Averages		
	GerM2	GerM3	BritM2	BritM3	BritM4	Total	Germany	Britain	GerM4	BritM1	Total	Germany	Britain	GerM1	BritM5	Total	Germany	Britain	Total	Germany	Britain
Export	+	+	+	+	+	-	-	-	+	-	-	-	-	+	+	-	-	-	-	-	-
Sales agents/distributors	+	+	+	+	+	-	-	-	+	-	-	-	-	+	+	-	-	-	-	-	-
FDI	+	+	+	+	-	-	-	-	+	+	-	-	-	+	-	-	-	-	-	-	-
Business formation	1937	1946	1939	1967	1954	1949	1942	1953	1968	1941	1955	1968	1941	1932	1941	1937	1932	1941	1947	1946	1948
<i>Years in between</i>	3	2	9	6	4	5	3	6	17	52	35	17	52	0	12	6	0	12	9	6	12
First Internationalisation	1940	1948	1948	1973	1958	1953	1944	1960	1985	1993	1989	1985	1993	1932	1953	1943	1932	1953	1956	1951	1960
Region	REG	REG	REG	REG	REG	-	-	-	GLB	GLB	-	-	-	GLB	REG	-	-	-	-	-	-
Entry mode	EX	EX	EX	EX	EX	-	-	-	EX	AQ	-	-	-	EX	EX	-	-	-	-	-	-
<i>Years in between</i>	15	28	4	12	-	15	22	8	14	0	7	14	0	28		-	28	-	15	21	8
First FDI	1955	1976	1952	1985		1967	1966	1969	1999	1993	1996	1999	1993	1960		-	1960	-	1971	1973	1969
Region	USA	USA	USA	USA		-	-	-	France	Sweden	-	-	-	France		-	-	-	-	-	-
Entry mode	GFS	GFS	GFS	GFS		-	-	-	GFS	AQ	-	-	-	AQ		-	-	-	-	-	-
<i>Years in between</i>	0	10	7	6		6	5	7	1	2	2	1	2	10		-	10	-	9	5	12
Second FDI	1955	1986	1959	1991		1973	1971	1975	2000	1995	1998	2000	1995	1970		-	1970	-	1979	1978	1981
Region	Brazil	France	India	Germany		-	-	-	Austria	India	-	-	-	Austria		-	-	-	-	-	-
Entry mode	GFS	GFS	JV	GFS		-	-	-	GFS	AQ	-	-	-	GFS		-	-	-	-	-	-
<i>Years in between</i>	0	8	0	5		3	4	3	5	1	3	5	1	24		-	24	-	3	4	2
Third FDI	1955	1994	1959	1996		1976	1975	1978	2005	1996	2001	2005	1996	1972		-	1972	-	1982	1982	1983
Region	Britain	Italy	Brazil	Japan		-	-	-	China	France	-	-	-	Belgium		-	-	-	-	-	-
Entry mode	GFS	GFS	GFS	GFS		-	-	-	GFS	AQ	-	-	-	GFS		-	-	-	-	-	-

(Source: Author)

⁹⁴ EX: Export, GFS; Greenfield site, AQ:Acquisition, GLB: Global markets, REG: Regional markets

Appendix 13 Market entry mode choices of GHCI⁹⁵

GHCI ^s	BAGs				BAGs averages			Hybrid									Hybrids Averages			Total Averages		
	GerL8	BritL1	BritL3	BritL4	Total	Germany	Britain	GerL1	GerL2	GerL3	GerL4	GerL5	GerL6	GerL7	BritL2	BritL5	Total	Germany	Britain	Total	Germany	Britain
Export	+	+	+	-	-	-	-	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-
Sales agents/distributors	+	+	+	-	-	-	-	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-
FDI	+	+	+	+	-	-	-	+	+	+	+	+	+	+	+	+	-	-	-	-	-	-
Business formation	1923	1882	1915	1923	1911	1923	1907	1849	1852	1838	1865	1919	1875	1908	1871	1903	1876	1872	1887	1886	1879	1899
<i>Years between</i>	47	97	85	67	74	47	83	0	18	120	35	16	13	12	13	25	28	31	19	42	33	57
First internationalisation	1970	1979	2000	1990	1975	1970	1990	1849	1870	1958	1900	1935	1888	1920	1884	1928	1904	1903	1906	1929	1911	1956
Region	GLB	REG	REG	GLB	-	-	-	REG	GLB	GLB	GLB	GLB	GLB	REG	REG	GLB	-	-	-	-	-	-
Entry mode	EX	EX	AQ	AQ	-	-	-	EX	EX	EX	EX	EX	EX	EX	EX	EX	-	-	-	-	-	-
<i>Years between</i>	14	5	0	2	5	54	2	101	88	24	56	23	62	71	73	28	58	61	51	42	55	22
First FDI	1984	1984	2000	1992	1990	1984	1992	1950	1958	1982	1956	1958	1950	1991	1957	1956	1962	1964	1957	1971	1966	1978
Region	Britain	USA	Sweden	USA	-	-	-	USA	Mexico	Belgium	Chile	USA	USA	USA	Canada	France	-	-	-	-	-	-

⁹⁵ EX: Export, GFS; Greenfield site, AQ:Acquisition, GLB: Global markets, REG: Regional markets

Entry mode	JV	GFS	AQ	AQ	-	-	-	GFS	GFS	AQ	GFS	GFS	JV	GFS	AQ	GFS	-	-	-	-	-	-
Years in between	0	6	0	4	3	0	3	10	24	8	0	9	27	9	34	1	14	12	18	10	11	9
Second FDI	1984	1990	2000	1996	1993	1984	1995	1960	1982	1990	1956	1967	1977	2000	1991	1957	1976	1976	1974	1981	1977	1987
Region	France	USA	Denmark	USA	-	-	-	Japan	Luxemburg	Poland	Turkey	Sweden	USA	India	USA	UK	-	-	-	-	-	-
Entry mode	GFS	AQ	AQ	AQ				JV	GFS	GFS	GFS	GFS	AQ	GFS	AQ	GFS	-	-	-	-	-	-
Years in between	1	1	1	1	1	1	1	35	5	0	1	0	10	2	3	3	7	8	3	5	7	2
Third FDI	1985	1991	2001	1997	1994	1985	1996	1995	1987	1990	1957	1967	1987	2002	1994	1960	1982	1984	1977	1986	1984	1989
Region	Switzerland	Middle East	Netherlands	Denmark	-	-	-	China	Spain	India	Austria	Italy	Australia	Colombia	USA	USA	-	-	-	-	-	-
Entry mode	GFS	JV	AQ	AQ	-	-	-	GFS	GFS	GFS	GFS	GFS	JV	GFS	AQ	GFS	-	-	-	-	-	-

(Source: Author)

Appendix 14 Market selection of BGs

BGs	Germany					Britain							
	GerN1	GerN2	GerN3	GerM2	GerM3	BritN1	BritN2	BritN3	BritN4	BritN5	BritM2	BritM3	BritM4
Business formation	1977	1989	1973	1937	1946	1984	1986	2007	2003	1989	1939	1967	1954
First internationalisation	1980	1990	1974	1940	1948	1993	1989	2007	2008	1989	1948	1973	1958
Region	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)	(REG)
First FDI	1983	1991		1955	1976	1999	1989	2008	2008	2007	1952	1985	
Region	Britain (REG)	France (REG)		USA (GLB)	USA (GLB)	Taiwan (GLB)	USA (GLB)	Monaco (REG)	USA (GLB)	China (GLB)	USA (GLB)	USA (GLB)	
Second FDI	1992	1996		1955	1986	1999	2010	2008	2009	2010	1959	1991	
Region	USA (GLB)	Japan (GLB)		Brazil (GLB)	France (REG)	USA (GLB)	China (GLB)	Norway (REG)	USA (GLB)	India (GLB)	India (GLB)	Germany (REG)	
Third FDI	1998	1997		1955	1994	2001		2008	2009	2012	1959	1996	
Region	Spain (REG)	Italy (REG)		Britain (REG)	Italy (REG)	Japan (GLB)		Dubai (GLB+)	USA (GLB)	Brazil (GLB)	Brazil (GLB)	Japan (GLB)	

(Source: Author)

Appendix 15 Market selection of BAGs

BAGs	Germany		Britain			
	GerM4	GerL8	BritM1	BritL1	BritL3	BritL4
Business formation	1932	1849	1852	1838	1865	1919
First internationalisation	1932	1849	1870	1958	1900	1935
Region	(GLB)	(GLB)	(GLB)	(REG)	(REG)	(GLB)
First FDI	1960	1950	1958	1982	1956	1958
Region	France (REG)	Britain (REG)	Sweden (REG)	USA (GLB)	Sweden (REG)	USA (GLB)
Second FDI	1970	1960	1982	1990	1956	1967
Region	Austria (REG)	France (REG)	India (GLB)	USA (GLB)	Denmark (REG)	USA (GLB)
Third FDI	1972	1995	1987	1990	1957	1967
Region	China (GLB)	Switzerland (REG)	-	Dubai (GLB)	Netherlands (REG)	-

(Source: Author)

Appendix 16 Market selection of Hybrids

Hybrids	Germany							Britain			
	GerM1	GerL1	GerL2	GerL3	GerL4	GerL5	GerL6	GerL7	BritM5	BritL2	BritL5
Business formation	1932	1849	1852	1838	1865	1919	1875	1908	1941	1871	1903
First internationalisation	1932	1849	1870	1958	1900	1935	1888	1920	1953	1884	1928
Region	(GLB)	(REG)	(GLB)	(GLB)	(GLB)	(GLB)	(GLB)	(REG)	(REG)	(REG)	(GLB)
First FDI	1960	1950	1958	1982	1956	1958	1950	1991		1957	1956
Region	France (REG)	USA (GLB)	Mexico (GLB)	Belgium (REG)	Brazil (GLB)	USA (GLB)	USA (GLB)	USA (GLB)		Canada (GLB)	France (REG)
Second FDI	1970	1960	1982	1990	1956	1967	1977	2000		1991	1957
Region	Austria (REG)	Japan (GLB)	Luxemburg (REG)	Poland (GLB)	Turkey (GLB)	Sweden (REG)	USA (GLB)	India (GLB)		USA (GLB)	Germany (REG)
Third FDI	1972	1995	1987	1990	1957	1967	1987	2002			
Region	Belgium (REG)	China (GLB)	Spain (REG)	India (GLB)	Austria (REG)	Italy (REG)	Australia (GLB)	Colombia (GLB)		USA (GLB)	USA (GLB)

(Source: Author)

Appendix 17 Deviance scores of BGs from the HC Model

BGs	Ger N1	Ger N2	Ger N3	Ger M2	Ger M3	Brit N1	Brit N2	Brit N3	Brit N4	Brit N5	Brit M2	Brit M3	Brit M4	Mean	Standard Deviation
Closeness to customer	1	1	3	1	1	1	1	1	1	1	1	1	1	1.15	0.55
Decentralisation	3	1	1	3	3	7	3	1	5	1	1	4	1	2.62	1.89
Depth	2	2	1	3	1	7	7	1	3	1	1	2	1	2.46	2.15
Focus	1	1	1	2	2	2	2	1	1	2	1	3	3	1.69	0.75
Globalisation	1	1	2	1	1	1	1	1	1	1	1	1	1	1.08	0.28
High performance employees	1	1	1	1	2	1	2	1	1	1	3	1	1	1.31	0.63
Innovation	1	1	1	1	2	1	1	1	1	1	3	1	1	1.23	0.60
Leadership with ambitious goals	1	1	1	1	2	1	1	1	1	1	2	1	1	1.15	0.38
Mean	1.38	1.13	1.38	1.63	1.75	2.63	2.25	1.00	1.75	1.13	1.63	1.75	1.25	1.59	0.90

(Source: Author)

Appendix 18 Deviance scores of German BGs from the HC Model

German BGs	GerN1	GerN2	GerN3	GerM2	GerM3	Mean	Standard Deviation
Closeness to customer	1	1	3	1	1	1.40	0.89
Decentralisation	3	1	1	3	3	2.20	1.10
Depth	2	2	1	3	1	1.80	0.84
Focus	1	1	1	2	2	1.40	0.55
Globalisation	1	1	2	1	1	1.20	0.45
High performance employees	1	1	1	1	2	1.20	0.45
Innovation	1	1	1	1	2	1.20	0.45
Leadership with ambitious goals	1	1	1	1	2	1.20	0.45
Mean	1.38	1.13	1.38	1.63	1.75	1.45	0.65

(Source: Author)

Appendix 19 Deviance scores of British BGs from the HC Model

British BGs	BritN1	BritN2	BritN3	BritN4	BritN5	BritM2	BritM3	BritM4	Mean	Standard Deviation
Closeness to customer	1	1	1	1	1	1	1	1	1.00	0.00
Decentralisation	7	3	1	5	1	1	4	1	2.88	2.30
Depth	7	7	1	3	1	1	2	1	2.88	2.64
Focus	2	2	1	1	2	1	3	3	1.88	0.83
Globalisation	1	1	1	1	1	1	1	1	1.00	0.00
High performance employees	1	2	1	1	1	3	1	1	1.38	0.74
Innovation	1	1	1	1	1	3	1	1	1.25	0.71
Leadership with ambitious goals	1	1	1	1	1	2	1	1	1.13	0.35
Mean	2.63	2.25	1.00	1.75	1.13	1.63	1.75	1.25	1.67	0.95

(Source: Author)

Appendix 20 BAGs deviance scores from the HC Model

BAGs	GerM4	GerL8	BritM1	BritL1	BritL3	BritL4	Mean	Standard Deviation
Closeness to customer	1	1	1	2	1	1	1.17	0.41
Decentralisation	2	2	1	2	3	1	1.83	0.75
Depth	1	1	3	3	5	6	3.17	2.04
Focus	1	2	4	4	3	3	2.83	1.17
Globalisation	1	1	1	1	1	3	1.33	0.82
High performance employees	1	1	1	1	2	3	1.50	0.84
Innovation	1	1	2	3	1	1	1.50	0.84
Leadership with ambitious goals	1	2	1	1	2	2	1.50	0.55
Mean	1.13	1.38	1.75	2.13	2.25	2.50	1.85	0.93

(Source: Author)

Appendix 21 Deviance scores of German BAGs from the HC Model

German BAGs	GerM4	GerL8	Mean	Standard Deviation
Closeness to customer	1	1	1.00	0.00
Decentralisation	2	2	2.00	0.00
Depth	1	1	1.00	0.00
Focus	1	2	1.50	0.71
Globalisation	1	1	1.00	0.00
High performance employees	1	1	1.00	0.00
Innovation	1	1	1.00	0.00
Leadership with ambitious goals	1	2	1.50	0.71
Mean	1.13	1.38	1.25	0.18

(Source: Author)

Appendix 22 Deviance scores of British BAGs from the HC Model

British BAGs	BritM1	BritL1	BritL3	BritL4	Mean	Standard Deviation
Closeness to customer	1	2	1	1	1.25	0.50
Decentralisation	1	2	3	1	1.75	0.96
Depth	3	3	5	6	4.25	1.50
Focus	4	4	3	3	3.50	0.58
Globalisation	1	1	1	3	1.50	1.00
High performance employees	1	1	2	3	1.75	0.96
Innovation	2	3	1	1	1.75	0.96
Leadership with ambitious goals	1	1	2	2	1.50	0.58
Mean	1.75	2.13	2.25	2.50	2.16	0.88

(Source: Author)

Appendix 23 Deviance scores of Hybrids from the HC Model

Hybrids	GerM 1	GerL1	GerL2	GerL3	GerL4	GerL5	GerL6	GerL7	BritM 5	BritL 2	BritL 5	Mean	Standar d Deviation
Decentralisation	1	1	2	1	2	2	1	2	1	1	1	1.36	0.50
Depth	1	2	3	2	2	4	3	3	7	1	1	2.64	1.75
Focus	1	4	1	3	2	6	1	3	1	1	2	2.27	1.62
Globalisation	1	1	2	1	3	1	1	2	1	1	2	1.45	0.69
High performance employees	1	1	1	1	1	1	1	1	3	1	1	1.18	0.60
Innovation	1	1	2	1	2	4	2	1	1	1	1	1.55	0.93
Leadership with ambitious goals	1	1	1	1	2	1	1	2	1	1	1	1.18	0.40
Mean	1	1	1	1	2	1	1	2	1	1	1	1.18	0.40
Decentralisation	1.00	1.50	1.63	1.38	2.00	2.50	1.38	2.00	2.00	1.00	1.25	1.60	0.86

(Source: Author)

Appendix 24 Deviance scores of German Hybrids from the HC Model

German Hybrids	GerM1	GerL1	GerL2	GerL3	GerL4	GerL5	GerL6	GerL7	Mean	Standard Deviation
Closeness to customer	1	1	2	1	2	2	1	2	1.50	0.53
Decentralisation	1	2	3	2	2	4	3	3	2.50	0.93
Depth	1	4	1	3	2	6	1	3	2.63	1.77
Focus	1	1	2	1	3	1	1	2	1.50	0.76
Globalisation	1	1	1	1	1	1	1	1	1.00	0.00
High performance employees	1	1	2	1	2	4	2	1	1.75	1.04
Innovation	1	1	1	1	2	1	1	2	1.25	0.46
Leadership with ambitious goals	1	1	1	1	2	1	1	2	1.25	0.46
Mean	1	1.50	1.63	1.38	2.00	2.50	1.38	2.00	1.67	0.74

(Source: Author)

Appendix 25 Deviance scores of British Hybrids from the HC Model

British Hybrids	BritM5	BritL2	BritL5	Mean	Standard Deviation
Closeness to customer	1	1	1	1.00	0.00
Decentralisation	7	1	1	3.00	3.46
Depth	1	1	2	1.33	0.58
Focus	1	1	2	1.33	0.58
Globalisation	3	1	1	1.67	1.15
High performance employees	1	1	1	1.00	0.00
Innovation	1	1	1	1.00	0.00
Leadership with ambitious goals	1	1	1	1.00	0.00
Mean	2.00	1.00	1.25	1.42	0.72

(Source: Author)

Appendix 26 GHCns deviance scores from the HC Model

GHCns	GerN1	GerN2	GerN3	BritN1	BritN2	BritN3	BritN4	BritN5	Mean	Standard Deviation
Closeness to customer	1	1	3	1	1	1	1	1	1.25	0.71
Decentralisation	3	1	1	7	3	1	5	1	2.75	2.25
Depth	2	2	1	7	7	1	3	1	3.00	2.56
Focus	1	1	1	2	2	1	1	2	1.38	0.52
Globalisation	1	1	2	1	1	1	1	1	1.13	0.35
High performance employees	1	1	1	1	2	1	1	1	1.13	0.35
Innovation	1	1	1	1	1	1	1	1	1.00	0.00
Leadership with ambitious goals	1	1	1	1	1	1	1	1	1.00	0.00
Mean	1.38	1.13	1.38	2.63	2.25	1.00	1.75	1.13	1.58	0.84

(Source: Author)

Appendix 27 GHCms deviance scores from the HC Model

GHCms	GerM 1	GerM 2	GerM 3	GerM 4	BritM 1	BritM 2	BritM 3	BritM 4	BritM 5	Mean	Standard Deviation
Closeness to customer	1	1	1	1	1	1	1	1	1	1.00	0.00
Decentralisation	1	3	3	2	1	1	4	1	7	2.56	2.01
Depth	1	3	1	1	3	1	2	1	1	1.56	0.88
Focus	1	2	2	1	4	1	3	3	1	2.00	1.12
Globalisation	1	1	1	1	1	1	1	1	3	1.22	0.67
High performance employees	1	1	2	1	1	3	1	1	1	1.33	0.71
Innovation	1	1	2	1	2	3	1	1	1	1.44	0.73
Leadership with ambitious goals	1	1	2	1	1	2	1	1	1	1.22	0.44
Mean	1.00	1.63	1.75	1.13	1.75	1.63	1.75	1.25	2.00	1.54	0.82

(Source: Author)

Appendix 28 GHCl's deviance scores from the HC Model

GHCl's	Ger L1	Ger L2	Ger L3	Ger L4	Ger L5	Ger L6	Ger L7	Ger L8	Brit L1	Brit L2	Brit L3	Brit L4	Brit L5	Mean	Standard Deviation
Closeness to customer	1	1	1	1	1	1	1	1	1	1	1	3	1	1.15	0.55
Decentralisation	1	1	1	2	1	1	2	1	3	1	1	1	1	1.31	0.63
Depth	1	1	1	2	1	1	2	2	1	1	2	2	1	1.38	0.51
Focus	1	2	1	2	2	1	2	1	2	1	1	1	1	1.38	0.51
Globalisation	1	2	1	2	4	2	1	1	1	1	2	3	1	1.69	0.95
High performance employees	1	2	1	3	1	1	2	2	4	1	3	3	2	2.00	1.00
Innovation	2	3	2	2	4	3	3	2	2	1	3	1	1	2.23	0.93
Leadership with ambitious goals	4	1	3	2	6	1	3	1	3	1	5	6	2	2.92	1.85
Mean	1.00	1.40	1.00	1.80	1.80	1.20	1.60	1.20	1.60	1.00	1.40	2.00	1.00	1.38	0.86

(Source: Author)

Appendix 29 The 'visions and values' trait mentioned by GHCns, GHCms, and GHCl's

Trait 'visions and values'	Germany (n=15)	Britain (n=15)	Total (n=30)
GHCns	2	1	3
GHCms	2	0	2
GHCl's	3	2	5
Total	7	3	10

(Source: Author)

Appendix 30 Published 'vision and value statements' of GHCns, GHCms, and GHClS

Vision and value statements	Germany (n=15)	Britain (n=15)	Total (n=30)
GHCns	2	0	2
GHCms	3	1	4
GHClS	7	5	12
Total	12	6	18

(Source: Author)

Appendix 31 Key words in 'vision and value statements' of GHCns, GHCms, and GHClS

Vision and value statements		Germany				Britain				Overall
		GHCns (n=2)	GHCms (n=3)	GHClS (n=7)	Total (n=12)	GHCns (n=0)	GHCms (n=1)	GHClS (n=5)	Total (n=6)	Total (n=18)
1	Innovation	2	2	6	10	0	2	1	3	13
2	Customers	1	2	3	6	0	4	1	5	11
3	Employees	1	1	4	6	0	1	1	2	8
4	Quality	1	1	5	7	0	0	1	1	8
5	Sustainability	1	0	3	4	0	2	1	3	7

(Source: Author)

Appendix 32 Full list of key words identified in ‘vision and value statements’

	Vision and value statements	Germany (n=12)	Britain (n=6)	Total (n=18)
1	Innovation	10	3	13
2	Customers	6	5	11
3	Employees	6	2	8
4	Quality	7	1	6
5	Sustainability	4	2	6
6	Security	3	2	5
7	Teamwork	4	1	5
8	Efficiency	4	1	5
9	Growth	3	2	5
10	Responsibility	3	1	4
11	Family business	5	0	5
12	History	5	0	5
13	Independence	5	0	5
14	Respect	4	0	4
15	Trust	4	0	4
16	Performance	1	2	3
17	Service	1	2	3
18	Integrity	1	1	2
19	Remain number one	1	1	2
20	Loyalty	2	0	2
21	Transparency	1	1	2

(Source: Author)

Appendix 33 Content of 'vision and value statements' of GHCNs and GHCms

GerN1 BG	GerN2 BG	GerM1 Hybrid	GerM2 BG	GerM4 BAG	BritM1 BAG
Teamwork Service Innovation Quality Transparency Security Independence Family business Efficiency Respect Employees Loyalty Sustainability	Customers Innovation	Family business Employees Customers Innovation Responsibility Quality Efficiency History	History Innovation Security Efficiency	Performance Independence Growth Customers	Service Efficiency Customers Employees Security Growth Performance

(Source: Author)

Appendix 34 Content of ‘vision and value statements’ of GHClS

GerL1 Hybrid	GerL2 Hybrid	GerL3 Hybrid	GerL4 Hybrid	GerL5 Hybrid	GerL6 Hybrid	GerL7 Hybrid	BritL1 BAG	BritL2 Hybrid	BritL3 BAG	BritL4 BAG	BritL5 Hybrid
Employees Teamwork History Customer Innovation Trust Respect Responsibility	History Innovation Sustainability Responsibility Integrity	Quality Trust Independence	Trust Loyalty Family business Customers Quality Independence Respect Employees Innovation	Remain Number 1 Customers Employees Innovation Trust Respect Teamwork	Innovation Family business Independence Sustainability Teamwork Security	Family business Customers Efficiency Innovation Quality Employees History Sustainability	Customers Growth Sustainability Remain Number 1 Service	Quality Innovation Employees Teamwork Integrity Customers	Integrity Customers Innovation Performance	Customers Security Innovation Customers	Responsibility Customers Transparency Sustainability

(Source: Author)

Appendix 35 The ‘brand’ trait mentioned by GHCns, GHCms, and GHClS

Trait ‘brand’	Germany (n=15)	Britain (n=15)	Total (n=30)
GHCns	0	1	1
GHCms	1	2	3
GHClS	3	1	4
Total	4	4	8

(Source: Author)

Appendix 36 Evidence on product pre-business formation

Companies	Quotes
BritN3	<i>“Our first export started when our first product was ready. We started the company in 2007 and started selling around the globe only a few months after.” (Interviewee of BritN3, BG)</i>
GerN3	<i>“I had the idea of my product and made my first prototype in the garage. Back then the product was made out of wood because I didn’t have the necessary tools to make it out of any other material. The rest is history.” (Interviewee of GerN3, BG)</i>

(Source: Author)

