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Internationalization of Swiss SMEs in distant markets: Analysis of the SIES findings

**Bachelor Project submitted for the obtention of the
Bachelor of Science HES in International Business Management**

by

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Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Haute école de gestion de Genève, for the Bachelor of Science HES-SO in International Business Management.

The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

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1. Executive Summary

In the globalization context, internationalization of OECD SMEs is growing in importance and taking more and more place in Switzerland. New opportunities open to SME entrepreneurs, together with the support of private and/or public agencies as evidenced by its newspaper titles: “*Export et internationalization: les PME Suisse s’envolent!*” (Rezonance , 2016) or “ *Novetur aide les PME à s’internationaliser*” (Mathez, 2013).

This report explores what are the modes of Swiss SMEs internationalization and how they can find new business opportunities in distant emerging markets? What are the internationalization drivers and what kind of strategies make possible to overcome various types of obstacles and risks?

In order to find answers to these interrogations, the first part of this report reviews theories and concepts dealing with SME economics and management, and in particular SME internationalization. The second part of this report provides an analysis of the various empirical findings derived from the Swiss International Entrepreneurship Surveys published in 2007, 2010 and 2013 and conducted by the School of Management-Fribourg together with Swiss Postfinance. This part is complemented by a selection of qualitative interviews with Swiss SME experts.

In the first part of this research paper, we will reflect on the theoretical aspect of this broad subject, after that we are going to analyse the three different SIES surveys and its statistics mentioned above. In the last part, we will confront the answers found in the theoretical part and the analysis of the three surveys with the answers of the experts.

The main results of this study are based mainly on the SIES reports and implemented by the theoretical analysis. Several findings have been established; some of them are, the entrepreneurship orientation and the international experience of decision makers confirmed as key success factor in the internationalization process. Then, the growing importance of born global companies as well as their international success and specific competitive advantage. Lastly, the rising importance of networks in the success of foreign expansion has been confirmed.

Key words: Internationalization – Swiss SMEs – SIES report – Internationalization Challenges – Market drivers – Strategies – Gradual – Born global - Network

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2. Introduction

Nowadays, internationalization's subject of Swiss SMEs is growing in importance and taking more and more place in Switzerland. New opportunities open to entrepreneurs, together with support organisms created as evidenced by its newspaper titles: "*Export et internationalization: les PME Suisse s'envolent!*" (Rezonance , 2016) or "*Noverture aide les PME à s'internationaliser*" (Mathez, 2013).

Specifically to Switzerland, internationalization of SMEs is primordial for its economical welfare. Indeed, Swiss SMEs represent more than 99% of Swiss companies and 2/3 of employments. Moreover, with a limited domestic market, companies need to expand in foreign countries to preserve a constant growth.

This country is considered highly competitive in the international ground as confirmed by the 2016 global competitiveness report, which attributed the first place to Switzerland. This small nation also reached the first place in several other categories such as the quality and system of education, the capacity for innovation and the management education.

Another important aspect is that Switzerland possesses many international competitive advantages, we can mention, the reputation of the Swiss label, its high-quality products, its specific know-how on several industries as well as the professionalism of Swiss employees. Furthermore, Switzerland is highly recognized for innovations and entrepreneurial orientation as confirmed with its 8th position in the entrepreneurship index.

All those factors facilitate the international expansion of Swiss SMEs, giving them strong national advantages over the fierce global competition.

3. Research Objectives

The main purpose of this research is to highlight, the various characteristics, dimensions, and challenges related to the internationalization of Swiss SMEs.

The principal research objective is to understand, based on the findings of the SIES report, what is the evolution of gradual and born global Swiss SMEs in the internationalization process?

With the purposefulness of demonstrating the several scopes, challenges and advancement of Swiss SMEs in their internationalization process the following sub-questions will be discussed:

- What are the internationalization drivers?
- What are the obstacles and risks faced by SMEs in a time of internationalization and how to overcome them?
- To which extend networks can be useful in the internationalization process?

4. Theoretical knowledge on SME internationalization

4.1 What is corporate internationalization?

Two definitions can set the context.

“Commerce: The growing tendency of corporations to operate across national boundaries. Marketing and Computing: An approach to designing products and services that are easily adaptable to different cultures and languages ” (Business Dictionary)

“The process in which firms increase their involvements in international operations” (Welch & Luostarinen, 1988, p. 11)

Internationalization involves specific business strategies in order to penetrate foreign markets, meaning only across national borders (neighbor countries), beyond (regional market), or even worldwide (other regional markets and global market). Internationalization starts at least with one foreign client in one foreign country.

First of all, when a company wishes to internationalize, it needs to ensure enough time and concrete motivations in addition to an appropriate in-house mobilization of resources.

The crucial issue is to target and find the right market where the product or service can positively fit. It generally starts with market research in one form or another, or with professional meetings on the web or in the context of international business fairs.

Once the market is targeted, there are several possibilities for a company to enter the chosen market, for example by developing direct exports to the foreign client, or indirect exports through local agents in the country of export destination.

The company may face various obstacles during the whole process, for example changing import regulations abroad, or simply a shift in the demand by the client. This is why an important preparation is needed to overcome such risks.

4.2 Internationalization drivers (Johnson, Whittington, & Scholes, 2011)¹



Figure 1. George Yip's globalization framework - Drivers of internationalization

Source: (Johnson, Whittington, & Scholes, 2011, p. 268)

“There are many general pressures increasing internationalization. Barriers to international trade, investment and migration are all now much lower than they were a couple of decades ago.” (Johnson, Whittington, & Scholes, 2011, p. 266)

Indeed amazing improvements have been made globally toward a simplified internationalization system. We can mention the communication and technological progression, as well as an enhanced universal legal system and transports developments. We also should add the possibility to trade with new massive economic pole such as Brazil, India, Russia, and China also called the BRICs.

Market drivers:

Three elements compose this segment; the first one is the similar customer needs and taste which can endorse a company across tens of countries when a common international demand is existing, then the second one is global customers and the last one transferable marketing which enables brands to reach an internationalization thanks to identical promotion and advertisement.

¹ Except if stated otherwise the following text is based on (Johnson, Whittington, & Scholes, 2011, p 266, 267, 268)

Cost drivers:

Being present on the international scene helps a company to drive down its expenditures. Three fundamental elements compose cost drivers: Firstly the economies of scale which means, the larger quantity you produce, the smaller your costs and expenses become. Producing more than what your domestic market require, will lead you to reach economies of scale. Generally, by purchasing larger quantities of raw materials or general materials, the unit cost of those products will decrease. Then, increasing the production for other markets will also help a company decreasing its production fixed costs (the fixed costs of production are divided by the number of units produced).

Next element, exploiting the characteristics and benefits of specific countries differences will help an organization to gain a significant cost advantage by fractionating its production between different countries. For example, a Swiss watch producer can design and elaborate the mechanism in Switzerland and produce the wristband in China or India where the labour force is cheaper.

The third component is favourable logistics, or in other words "*the costs of moving products of services across borders relative to their final value*" (Johnson, Whittington, & Scholes, 2011, p. 269). From a logistic point of view, it is easier and cheaper to transport pens from a country to another rather than cars.

Government drivers:

Trade policies, technical standards, and host government policies are the three elements of government drivers. Indeed those factors can facilitate or curb the internationalization process of a company. For example, tariffs, quotas, subventions, currency. No countries agree on a total opening policy this is why trade agreements between countries and nations exist.

Competitive drivers:

The first aspect is the interdependence between countries. The world of today is becoming more and more globalized and interconnected like a spider web where a vibration on one part will have effects on the whole web. This is the same process on internationalized companies implemented in several countries: when a breakdown or immediate success happens in one country, it will have effects on the other ones. As a remembered of interdependence between countries, the Subprime crisis, which started in the USA in 2008, and had a vast impact on many countries around the world.

Regarding this interdependence, we can observe that it is important to have a global strategy and not focused in only one country.

Then, the second competitive drivers are globalized competitors. It is important also to include in the previous global strategy, the consideration of globalized opponents: indeed some of them can be weak in certain markets and suddenly successful in other ones and in this case, use the funds earned to compete strongly in markets that were not very developed and therefore become a threat.

4.3 Market selection in distant emerging countries

4.3.1 Emerging markets

“New market structures arising from digitalization, deregulation, globalization, and open-standards, that are shifting the balance of economic power from the sellers to the buyers.” (Business Dictionary, 2016)

Hereunder, the list of emerging countries per continent

Americas	Europe, Middle East & Africa	Asia
Brazil	Czech Republic	China
Chile	Egypt	Philippines
Colombia	Greece	India
Mexico	Hungary	Indonesia
Peru	Poland	Korea
	Qatar	Malaysia
	Russia	Taiwan
	South Africa	Thailand
	Turkey	
	United Arab Emirates	

Figure 2. List of emerging countries

Source: (MSCI - Modern Index Strategy, 2015)

BRICs emerging countries (Brazil, Russia, India, China) are considered as the embodiment of emerging markets, indeed their economy has duplicated from years 2004 to 2013. Furthermore, gathering their GDP, we can observe that it reaches 21% of the world one and 53% of the total emerging countries GDP. However, some important facts have slowdown their growth. *“China is at the beginning of a shift to consumption driven growth, Brazilian growth is fragile and the country has been beset by social unrest, India is suffering from the weak Rupee, and Russia is over-reliant on energy production and has dilapidated infrastructure.”* (Boumphrey & Bevis, 2013, p. 3) Appendix 1 provides an overview of the BRICs and emerging markets 2013 GDP and Appendix 2, the 20 largest non-BRICs emerging markets in 2013.

Trading with distant emerging countries can be seen much more complicated than accessing neighbours countries because of many visible and invisible barriers.

“Every potential gain in revenue or market share has a corresponding risk of failed product launches or underestimation of the competition. For companies looking for rapid, sustainable growth, even the decision of where to expand has become more complicated.” (Boumphrey & Bevis, 2013, p. 1)

However, this bet can become a real source of profit and success. Those countries are growing at a much higher rate than Europe and new opportunities for investments and trades are also arising. European markets are somehow staturated, and new prospects exist in rapidly emerging countries. Indeed those facts are confirmed by the 2013 Euromonitor International report (Boumphrey & Bevis, 2013, p. 4): *“Between 2013 and 2020 emerging market economies will grow almost three times faster than developed economies and between 2013 and 2020 emerging markets will account for an average of 65% of global economic growth”*. Furthermore, analysts predicted that by 2020, from the first ten biggest world economies, five would be current emerging countries, the first cited is China, following by India and Russia, then, Brazil and Mexico. Appendix 3, “Contribution to global real GDP growth: 2000-2020” figure correlate the above facts.

In addition to the great economical expansion of emerging countries, a closer look should be taken to its demographical facts. *“In 2013 emerging markets are home to 85% of the world’s population and 90% of those aged less than 30. Between 2013 and 2020 emerging markets will experience population growth three times that of developed economies”* (Boumphrey & Bevis, 2013, p. 6). Furthermore, according to the same source *“the median age in emerging market in 2013 is 28.4 years, 12.5 years younger than that in developed economies”* (Boumphrey & Bevis, 2013, p. 6).

Furthermore, an important shift and growing trend can be observed in several emerging countries, which is the “rising middle class”. This aspect is fundamental and will change the future course of doing business in those rapidly emerging markets.

4.3.2 Market selection

Regarding the strategies adopted while penetrating an emerging country, they should be very different from the home market’s ones. Furthermore, the choice of the country targeted is always difficult for decision markers and CEOs due to several factors such as the vast choice and the accuracy of selection. Furthermore, firms tend to evaluate the potential of a country according to former, current and forecasted economical

analysis (gross domestic product, currency, purchasing power parity, etc.) as well as demographical and “doing business in” analysis. Those investigations are essential to perform but only constitute a basic analysis. Further analysis needs to be made, most of all considering penetrating an emerging market. (Tarun, Palepu, & Sinha, 2005)

In the internationalization process, the first step is to understand where does a company stand financially and if it has enough funding to start the internationalization. Furthermore, the mobilization of resources for this process will define the scope of action the company can afford. Additionally, substantial time is required as internationalization can be a gradual and lengthy of 18 to 24 months on average before the first sale and income.

The second step is to undertake a market research, which is a crucial factor to succeed when the choice of a foreign market is made. The following type of market search analysis can be used.

4.3.2.1 SWOT analysis

“This analysis summarizes the key issues arising from an analysis of the business environment and the capabilities of an organization to gain an overall picture of its strategic position, SWOT summarizes the strengths, weaknesses, opportunities and threats likely to impact any business internationalization strategy.” (Johnson, Whittington, & Scholes, 2011, p. 106).



Figure 3. SWOT Analysis
Source: (Paul Boag Digital Strategy, 2016)

Companies use this analysis while setting new strategies, taking important decisions and investigating new opportunities for example. They will be able to assess the external and internal factors that will help to lead them to success. It will be useful in the internationalization process to make full use of a SWOT before starting any international move. (Taylor, 2016)

Strengths: The strengths or internal upbeat characteristics that help a company to take over the competition have to be listed in this section. It can include your high skilled employees, your know-how or proficiency, your high-quality products or services and so on. However, the positive attribute that a company will choose to enter in the category should be a distinction from their competitors’ ones, if an organization has the

same expertise or know-how than its rivals it becomes a necessity and not a strength anymore. In the internationalization process, it is primordial that a company understands what its vital strengths in order to outshine its competitors; it will also be able to understand which products or services can be sold abroad and will have the most probabilities to succeed. (Pestel analysis, 2015)

Weaknesses: As the strengths, the weaknesses are also an internal factor of a firm. However, these elements highly diminish the company's possibility to reach the excellence and to perform at its best level. Undeveloped marketing department, weak brand name, products range insufficiency, poor connections, inexperienced employees, lack of resources, etc., those are the weaknesses that can impact a company and need to be improved in order to remove a firm's drawback. The crucial aspect of the SWOT is to find new ideas and strategies that will enable a company to enhance its weaknesses but also help it to outshine its opponents. The weaknesses of the company must be carefully managed before any internationalization, for example, if a company has a lack of flexibility in the company, this issue should be fixed before starting the internationalization. (Pestel analysis, 2015)

Opportunities: This subdivision is considered as the constructive and positive external factor of a firm. Opportunities expose and suggest new business strategies for firms including a high probability of success and the possibility to overtop the competition. This can happen only if this section is carefully analyzed and researched; it is also considered as a crucial category for the internationalization process. Many reasons and elements can constitute the opportunities of a company; economical and political factors, change in demand, niches available in foreign countries, etc. To simply, it would make us realize which possibilities are available in overseas markets. These opportunities can also be called "Blue Ocean". (Pestel analysis, 2015)

Threats: As opportunities, threats are external factors that cannot be controlled; nevertheless, a company may generate specific actions and strategies to outdo the upcoming dangers. Threats are issues that can have real negative impacts on a company's business and can expose him to severe dangers if not managed. A common risk is present in almost each industry, which is the competitors and their improvements; in order to surpass these difficulties the use of a company's strengths will be its best ally. On the other hand, regular threats will depend on each sector, for example in the internationalization process the main dangers that may be encountered are the changing laws and taxes systems, change in competitors' pricing, complaints, and bad reputation, etc. Threats factors will be decisive regarding the choice of the

targeted country: for example, a company will not internationalize in a country where the competitors are too strong and where it will not be able to overcome them or somewhere that the importation taxes are too high, and the company's products would be too expensive for the country. (Pestel analysis, 2015)

4.3.2.2 PESTEL analysis

“The PESTEL framework categorizes environmental influences into six main types: political, economic, social, technological, environmental and legal. Thus PESTEL provides a comprehensive list of influences on the possible success or failure of particular strategies.” (Johnson, Whittington, & Scholes, 2011, p. 50).

In the internationalization process, this investigation will help a company to choose between few countries targeted by understanding the tendencies of its macro-environment and realizing with which country it will be easier to trade and where the product will be better received.

From the international management book Exploring Strategy – Text and case we can describe each environmental impact that influences the PESTEL.

- **Political indicators:** the role of the government will impact security controls, restriction on foreign investment and foreign workers but also on the local support given or not to foreign incoming companies (trade and direct investment).
- **Economical:** Indicates the macro-economic aspects such as currency, economic growth rate, inflation, etc. We can use the example of the Swiss exchange rate issue; the Swiss francs became too strong compared to other currencies that it turns out to be too expensive for foreign buyers to purchase Swiss products, this fact had a great negative impact on Swiss exports.
- **Social:** Demography, social system, social insurance, changing culture, etc. For example, the demographical aspects of a given country may greatly impact the chance of success while internationalizing if not well analyzed.
- **Technological indicators:** It indicates the level of scientific and technological knowledge in a given country, and the need to import various equipment, machinery, and high tech.



Figure 4. PESTEL Analysis Framework
Source: (Research Methodology, 2015)

- **Ecological:** Sustainable development, pollution, greenhouse effect, waste and general “green concerns”.
- **Legal indicators:** It refers to laws and regulations, security norms, restrictions, and so on. The legal system of a targeted country can also have great impacts such as restrictions on imports or on mergers & acquisitions.

4.3.2.3 Porters five forces analysis

“It helps identify the attractiveness of an industry in terms of five competitive forces: the threat of entry, the threat of substitutes, the power of buyers, the power of suppliers and the extent of rivalry between competitors.” (Johnson, Whittington, & Scholes, 2011, p. 54)

This analysis is necessary to understand the general competitive scheme of a certain industry in a certain region or country. At the targeting step, a company needs to ensure the five forces of its industry allow it to compete.

The first axis is the thread of entry or the analysis of the potential future competitors: a firm need to figure out if the entry barriers are simple or difficult to surpass in order to understand if many other competitors are expected. The second on is the threat of substitute: it is important to analyze the position of the substitutes in this specific market in order to place a product correctly. The third one is the power of buyers: a company needs to understand which power future buyers will have, more they have, less power a company will have. The fourth axis, power of suppliers: it can be compared to the power of buyer. More power a firm’s suppliers have, fewer movements or negotiations can be made which can cause potential difficulties. The last one, the competitive rivalry: is to understand if it is high or low in order to recognize the degree of competition in the targeted market. (Johnson, Whittington, & Scholes, 2011, pp. 54-55)

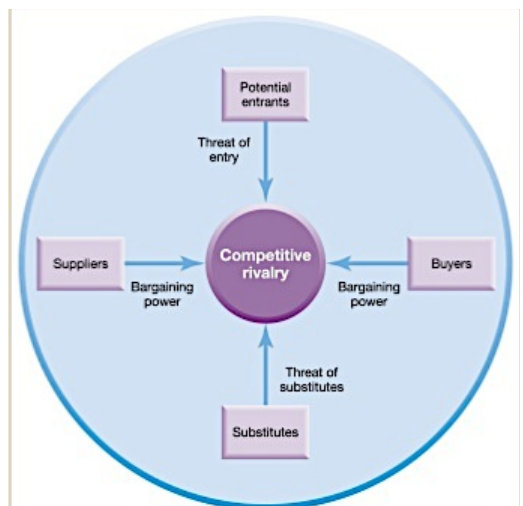


Figure 5. Porter five forces framework
Source: (Johnson, Whittington, & Scholes, 2011, p. 55)

4.3.2.4 Porter's Diamond

“Porter has proposed a four-pointed “diamond” to explain why some locations tend to produce firms with sustained competitive advantages in some industries more than others. It suggests that locational advantages may steam from local factor condition;

local demand condition; local related and supporting industries: and from local firm strategy structure and rivalry.” (Johnson, Whittington, & Scholes, 2011, pp. 270, 271).

When a company is internationalizing in a new market, it will definitely have disadvantages compared to local companies and this fact will weaken its implementation.

Indeed, local companies already have a complete network of customers and suppliers implemented as well as national recognition.

Through the Porter’s Diamond analysis, a company will find its national or regional competitive advantage, which will be a great help to succeed abroad. For example, Switzerland has a vast range of skills, from the innovation to linguistic capability; those facts were crucial in its banking industry worldwide implementation. Indeed, in brief, this analysis define to which extend a company can rely on its local specificity to establish its global advantage.

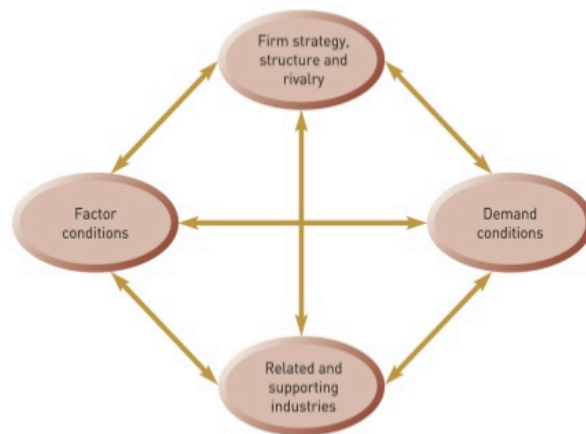


Figure 6. Porter's Diamond Framework
Source: (Johnson, Whittington, & Scholes, 2011, p. 270)

4.3.2.5 CAGE framework – Geographical advantages

“Professor Pankaj Ghemawat’s CAGE framework measures the match between countries and companies according to four dimensions of distance, reflected by the letters of the acronym. Thus the CAGE framework emphasizes the importance of cultural, administrative, geographical and economic distance.” (Johnson, Whittington, & Scholes, 2011, p. 278).

This model allows a company to distinguish the distance it has with a potential targeted country. The result will help the organization to assess the compatibility between its company and the aimed country. For example, a Spanish firm will tend to deal mostly with a South American country because of its cultural and language proximity. However, this Spanish enterprise could have much more match, and its products could fit better in an Asian country if the desirability of those products or services is higher than in South America.

To understand the degree of suitability between two nations or firms the following measurements have to be analysed:

4.3.2.5.1 Cultural distance:

“It relates to differences in language, ethnicity, religion and social norms. Cultural distance is not just a matter of similarity in consumer tastes but extends to important compatibilities in terms of managerial behaviours.” (Johnson, Whittington, & Scholes, 2011, p. 278)

Many types of researches and analysis have been made to assess the cultural business behaviour of countries and to evaluate the potential compatibilities between nations. It is important to understand and perform those analyses to improve trades and avoid misunderstandings while dealing with foreign countries.

4.3.2.5.1.1 Richard R. Gesteland:

The famous two Iron Rules of Richard R. Gesteland are important to comprehend in order to optimize your chance of success in the internationalization process.

- *“In international business, the seller adapts to the buyer.”* (Gesteland, 2005, p. 17)
We can push further this first rule assuming that you are the purchaser, in this case, you will need to comprehend your provider trade culture, with the aim of negotiating a more profitable contract or transaction.
- *“ In international business, the visitor is expected to observe local customs.”* (Gesteland, 2005, p. 18)

This analysis of business cultural behaviour include the following aspects:

- **Deal Focus VS Relationship Focus**

Relationship focus oriented market countries (most of Africa, Latin America and Asia) avoid dealing with strangers especially foreigners. They prefer to deal with people who can be trusted such as friends, family or person well known. They are more concerned with the relationship; a company imperatively needs to develop a bond and a trusted personal rapport before talking business and trading with them. Making a first contact with relationship focus companies is not an easy task, as stated before they do not appreciate dealing with unknown persons. International trade show and official trade mission can help initiate the

contact, or being introduced to the wished company by a trusted third party. (Gesteland, 2005, pp. 18-23) Furthermore, in relationship focus countries networks such as relatives, friends, colleagues, families and so on, are primordial to help a company brings its tasks to a successful conclusion and reach mutual goals. *“The Chinese call these networks of relationships “guanxi”, a word well-known throughout East and Southeast Asia”* (Gesteland, 2005, p. 22). In addition, if a firm’s connections are not enough developed it might use a *“pulling guanxi”*, which is *“using someone else’s personal connections.”* (Gesteland, 2005, p. 23)

On the other hand deal focus countries (Northern Europe, UK, North America, Australia and New Zealand) are more concerned by their tasks and businesses. There is not need of personal relationship to talk business. People in this category do not have any concern in trading with foreigners and unknown person, which means that making direct contact is not an issue. (Gesteland, 2005, pp. 18-22)

- **Direct VS Indirect language**

Deal focus and relationship focus societies are not only different in their approach to do business but also in their manner to communicate.

“Deal-oriented negotiators tend to value direct, frank, straightforward language, while their relationship focus counterparts often favor a more indirect, subtle, roundabout style.” (Gesteland, 2005, p. 33)

Regarding the priority of each culture, deal focus persons want to be undoubtedly comprehended, in other words, “ they say what they mean and mean what they say” (Gesteland, 2005, p. 33). On the other hand, relationship oriented culture wishes to preserve a positive harmony as well as amicability and harmony. The choice of words is cautiously chosen in order to avoid a possible discomfiture or affront to the people they are speaking with. Moreover, declining a proposition with the word “No” is not common use in relationship culture, they prefer to use the word “maybe”, their body language or switching the subject to another one in order to avoid any discomfort, disrespect and lost face. (Gesteland, 2005, pp. 33-34)

Concerning the context of the words, in deal focus parts they are pondered as “low context”, which means that only with the words spoken you understand the situation, without the need of the context. On the contrary, relationship oriented

culture are considered “high context”, to have a complete understanding of a situation you will also need the context. (Gesteland, 2005, pp. 38,39)

- **Informal VS formal**

The elements of formal or informal societies are about, the rank of employees in a company and its overall hierarchy. Those elements need to be known to understand who possesses the power of decision.

“Formal cultures tend to be organized in steep hierarchies that reflect major differences in status and power. In contrast, informal cultures value more egalitarian organizations with smaller differences in status and power.”
(Gesteland, 2005, p. 45)

Businesspersons from formal or hierarchical societies (most of Europe and Asia, Arab world, Latin America) can be displeased by the straight openness and sociability of informal cultures. Besides, informal or egalitarian cultures (Australia, New Zealand, Nordic countries, Netherlands, United States, Canada) can perceive formal people as detached, bossy and presumptuous. (Gesteland, 2005, pp. 43, 49)

- **Rigid time VS Fluid time**

In each culture and part of the world, people do not perceive time and organizational planning the same manner. Indeed, in societies considered as rigid time (Nordic and Germanic Europe, North America, Japan), punctuality and time keeping are primordial. Moreover, agendas and timetables are organized to the minute. Concerning professional meetings, the interruption is not accepted as well as its delay. Rigid culture is also called “monochronic” society in accordance with Edward T. Hall. (Gesteland, 2005, p. 58)

On the other hand, there is the fluid time or “polychronic” culture (The Arab world, Africa, Latin America, South and Southeast Asia), in which less importance is placed on punctuality, due date and time limit. People in fluid time society are more at ease with time; they value more people and moments than strict schedules. (Gesteland, 2005, p. 58)

- **Expressive VS reserved**

It is primordial to understand which type of interlocutor, expressive (Mediterranean region, Latin Europe, Latin America) or reserved (East and

Southeast Asia, Nordic and Germanic Europe) culture you are dealing with. *“People from other cultures can misunderstand our body language just as they may misinterpret the words we speak or write.”* (Gesteland, 2005, p. 69)

There are three main types of communication: verbal communication, paraverbal communication, and body language (nonverbal communication). (Gesteland, 2005, p. 69)

Reserved culture persons can rapidly feel uncomfortable in presence of expressive people because of the loudly speaking, easy touching and so on. With these sorts of mistakes, a contract can also rapidly be lost.

4.3.2.5.1.2 Professor Geert Hofstede:

The Professor Greet Hofstede has made another important research about cultural behaviour. This researcher describes culture as *“ the collective programming of the mind distinguishing the members of one group or category of people from others”* (Hofstede, 1994)

Its cultural findings can be separated in two main axes: the national and organizational culture. Those findings allow comparing countries culture on several criteria's in order to have a complete understanding of its cultural dimensions.

Regarding the national culture, six elements have been deeply analyzed: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long term versus short term orientation and the level of indulgence.

“The organizational culture is described as “the way in which members of an organization relate to each other, their work and the outside world in comparison to other organizations. It can enable or hinder an organization's strategy.” (Hofstede, 1994)

The nine following dimensions represents the findings of the organizational culture: means oriented VS goal oriented, internally driven VS externally driven, easygoing works discipline VS strict work discipline, local VS professional, open system VS closed system, employee oriented VS work oriented, degree of acceptance of leadership style and finally the degree of identification with your organization.

4.3.2.5.1.3 Psychic distance:

“Psychic distance” (refers to *“psychic distance”* - Uppsala model for detailed information) which is defined as *“ the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business*

practices, culture, and industrial development.” (Johanson & Wiedersheim, 1975). It involves elements such as linguistics and cultural differences as well as business behaviours and procedures variations. However, according to (Oviatt & McDougall, 1994) some factors reduce the “*psychic distance*” between countries such as improvements in transportations and communication as well as market standardization and a much better international understanding.

It is essential to include this specific distance in the cultural analysis of potential compatibilities between countries to distinguish the distance. According to (Johanson & Vahlne, 1977), “*psychic distance*” is to some extent linked with the choice of targeted markets. Indeed when a country is considered faraway in those terms fewer resources will be invested and vice versa.

This dimension is more likely to impact the internationalization process of SMEs than large corporations. The main reason is related to information and knowledge access or in other words specific market knowledge. Having access to that information will reduce this specific distance and on the other hand increasing it.

Furthermore, the larger the “*psychic distance*” is between nations, the more difficult it is to create relationships and networks. This can become a real source of difficulties when trying to penetrate emerging countries that are considered relationship focus in terms of business activities and where networks are essential.

4.3.2.5.2 Administrative and political distance:

“Administrative attributes encompass laws, policies, and institutions that typically emerge from a political process and are mandated or enforced by governments. International relationship between countries, including treaties and international organization, are included as well on the grounds that these relationships are sustained by the countries that create or support them.” (Ghemawat, 2007, pp. 10,11)

The contradictory administrative, political system or legal enforcement between countries can increase their trade distance. Indeed, when this distance is important between two countries, doing business and trading become more difficult and can be seen as reluctant.

However, international trade agreement, treaties as well as international accords are made in order to reduce this distance and improve transactions. Other factors for example that can enhance trade reducing the distance, are the colonial ties between countries or the same currency.

4.3.2.5.3 Geographical distance:

The first factor that came out thinking about geographical distance between countries is the number of kilometers that separates them. However geographical distance is not only about the number of kilometers between nations that distance trade, it includes the time zone change, as well as the absence of borders. Other factors can slow down deals due to geographic issues, climate dissimilarity, and ecological illnesses. As well as the geographical size countries. Not to mention debilitated transportation or powerless communication. All those factors can amplify the distance between nations and at the same manner reduce the possibility of trade. (Ghemawat, 2007, p. 12)

4.3.2.5.4 Economical distance:

“Economic distance refers to differences that affect cross-border economic activity through economic mechanisms distinct from the cultural, administrative, or geographic ones already considered.” (Ghemawat, 2007, p. 13)

Indeed several economical factors can create or reduce distance between countries. First of all, the economical magnitude of a nation in terms of wealth and gross domestic product, as well as its income per-capita can be classified as important in the economical distance components. Actually, it is easier to trade and involve in economical activities across borders for wealthier countries than weakest ones. Considering the countries income per capita, elevated incomes can be linked with expensive employment costs as well as dissimilarities in training degree and competencies acquired. Pushing a little further the research, manufacturing features such as natural resources, capital, infrastructure and so on should also be assessed in terms of quality and prices. (Ghemawat, 2007, p. 13)

4.4 What are the entry modes of the internationalization process?

After having targeted the accurate market, the right entry mode needs to be selected and processed in order to maximize your chance of success in the penetration of the chosen country. Each entry modes will depend on the targeted country or region because of its laws and regulations and its manner to do business.

In the case where a company choses to work with external support organisms they will guide it through the different entry modes and help you to choose the accurate one depending on the targeted country.

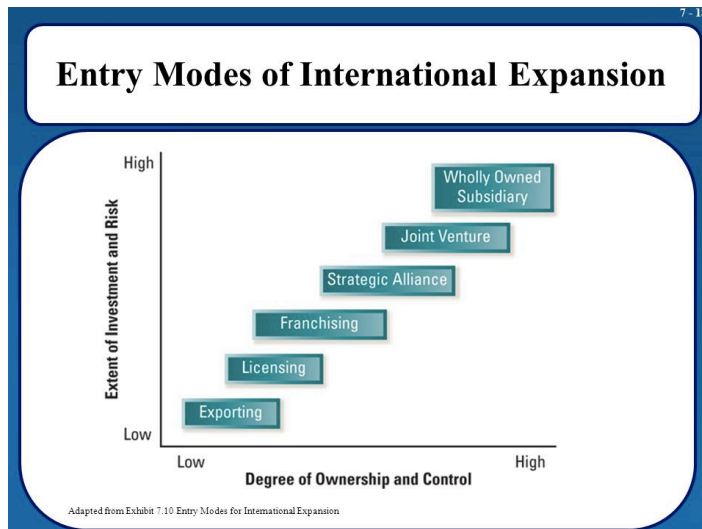
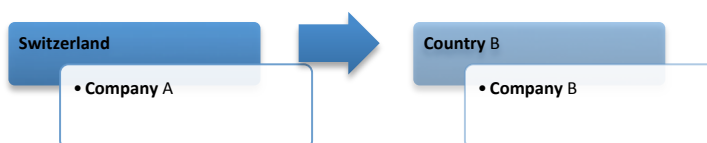


Figure 7. International strategy: Entry modes

(Strategic Management: Text and Case, 2008, p. 16)

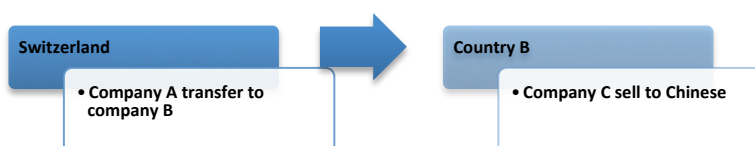
4.4.1 Direct Exports:

Direct exports allow companies to reduce risks and investments in their internationalization, it also permits gradual market entry and enables companies to gather knowledge and experience about foreign markets. However, dealing with overseas countries and their different business cultures can lead to conflict with distributors. (Modes of Entry into International Business , 2013)

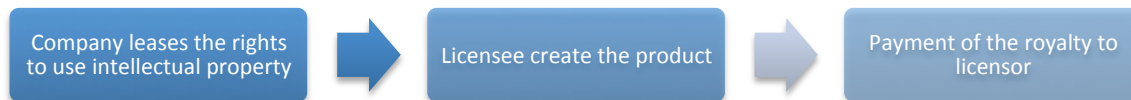


4.4.2 Indirect exports:

In this approach of internationalization, companies sell their products via several types of intermediaries (agencies, market aides, etc.). The foreign representatives have the knowledge of the culture, language and laws and regulations of the targeted country; this element can be a great asset while entering a new market. (Modes of Entry into International Business , 2013)



4.4.3 Licensing:



Licensing is another entry mode while internationalizing in foreign markets; it is very different from export or indirect export. This mode lies in the fact that a company termed the licensor allows another company named the licensee, the right to use its intellectual property against fees or royalties. The intellectual property leased can include copyrights, technological skills, patents, specific know-how, brands and so on.

The crucial part of licensing is to strictly stipulate the limits of the agreement, the extent of the lease, the duration, the rights and restrictions and the accurate compensation.

With this contractual agreement a firm can rapidly enter a foreign market with low risks and investment, including the possibility to avoid or diminish tariff and border's regulations. Furthermore, the licensor can benefit from the licensee's market knowledge. However, licensee and licensor can face many challenges in this process; the intellectual property may be lost, a possible damage of the trademark reputation, conflicts between the licensee and the licensor and the potential establishment of a new competitor. (Vistage, 2014)

4.4.4 Franchising:

The franchising can be somewhat compared to licensing in the basic principles, as the licensing the franchising is the fact that a company, the franchiser, leases to another company, the franchisee, the main difference remains in the fact that not only an intellectual property is leased but an entire distributional reproduction of good and services against some fees or royalties. The franchisee receives the model of distribution, the right to use the brand and duplicate the business structure or even sell the exact products or services than the franchiser. The other major difference is that this contractual agreement is not limited and tends to last much longer. (Foreign market entry modes, 2012)

Advantages

- Low financial, legal and political risks
- More control than licensing
- Avoid tariffs and regulations
- Expansion in different market at the same time
- Licensee → knowledge of local market

Disadvantages

- Dependency on the franchisee
- Potential conflicts, legal disputes
- Possibility of future competitor
- Monitor and assess the franchisee
- Potential damage of the franchisor's brand

4.4.5 Joint venture:

This method consists in the creation of a new entity by two or more companies to undertake specific projects or general business activity together. A legal contract is not mandatory, however, it is highly inadvisable. The root of the joint venture is to share profits, expenditures and the control over the company in the same proportion, this fact can be change only if a written agreement is created and signed by both parties. It is important before forming a joint venture to consider the extent of the agreement, the control over the company, the resources' allocation, etc., as well as settle every business details.

Joint ventures can facilitate internationalization in foreign countries because two or more companies pooled their resources in order to achieve specific goals. Risks are also reduced because divided between companies. Other advantages of the joint venture can be mentioned, the connections of the several companies and the market familiarity of local associates. However, risks are also present in this penetration strategy. Conflicts may arise from partners, risks of sharing specific know-how or technology, being responsible for someone else mistakes and lastly sharing the ownership is not always simple.

4.4.6 Strategic Alliance:

This entry mode is an arrangement between two or more companies in order to share resources and work together with the aim of achieving common goals. The difference with the joint venture is that firms involved in the alliances do not create a new entity; each one remains the same company with its self-governance. The alliance lasts less time than the joint venture and also less involvement is required from the companies. Thanks to this strategy companies take fewer risks, become stronger and can compete against bigger companies or aggressive competitors, each firm brings its strengths, which enable them to create better products. (Foreign market entry modes, 2012)

4.4.7 Wholly owned subsidiaries:

This entry mode possesses the highest degree of control as well as high-risk investments; it also includes direct investments in the chosen market. To define this strategy we can state that it is an enterprise controlled by another (called the parent) through the ownership of greater than 50 percent of its voting stock. This fact gives them the authority to lead and select the subsidiary's actions. Another important factor

is that subsidiaries are detached from the main company and its employees are working and engaged only by it. (Consolidation (business), 2008)

Hereunder, the explanation of each entry coped with some major advantages and disadvantages have been presented. Appendix 4 provides extra information regarding internal and external factors in the entry mode decision, according to (Root, 94). Then, Appendix 5 demonstrates the different elements of the entry strategy (Root, 94).

4.5 SME Internationalization theories

The study of SME economics and especially SME internationalization is still rather marginal in management studies, and the number of major authors dealing with this subject is still rather limited.

So far, a main school of thought focusing on SME gradual internationalization has emerged and prevailed since the late 1970s. However, a new school of thought has emerged in recent years due to rapid globalization trends of the world economy, and its focus targets so-called globally born start-ups and SMEs, esp. in high tech and ICTs.

4.5.1 Uppsala model of internationalization

The international process theory or better known as the Uppsala model of internationalization has been researched by Jan Johanson and Paul Wiedersheim in 1975; then this theory has been completed and published by Jan Johanson and Jan-Erik Vahlne in 1977 working at that time at the Swedish Uppsala University. This model has been developed in Sweden due to the small size of its domestic market and its necessity of internationalization for business survival and expansion. Uppsala model of internationalization has been based on four important Sweden companies, Volvo, Sandvick, Atlas Copco and Facit and their processes to reach a successful internationalization. (Johanson & Vahlne, 1977)

The Uppsala model explains how companies reach an effective internationalization through gradual and incremental expansion. Companies that internationalize according to the Uppsala model, diminish their risks by using specific steps and a safe approach in order to reach their objectives.

The first phase of the Uppsala model is to internationalize in close countries especially to nations with the same language, the same political and economical system. As a

gradual system, after having targeted and penetrated successfully neighboring countries and having gathered experience and knowledge they chose to expand further. However, they will again tend to choose a country with similar culture or resemblances with their home country.

From that the two famous researchers deduced that the experiential knowledge, or in other words the knowledge of experience you made, need to be mastered and understood before expanding in further countries. Companies should be cognizant of the accumulated knowledge encountered from their first international experiences, thanks to this aspect firms will be better prepared to new targeted markets and to provide more fitted products. (Johanson & Vahlne, 1977)

Thanks to researches and analysis of companies, Jan Johanson and Jan-Erik Vahlne realized the gradual character of internationalization, the experiential knowledge, the psychic distance (refer to psychic distance) and the commitment needed to successfully internationalize. To conceptualize their findings they used two main variables: the degree of commitment and the degree of market knowledge.

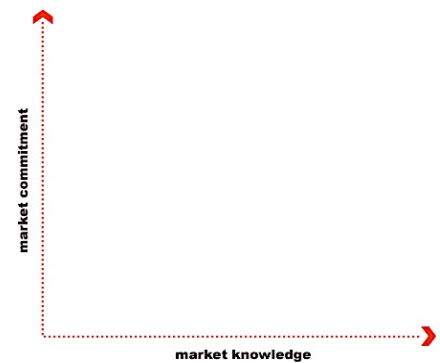


Figure 8. Establishment chain variables – Source: (Johanson & Vahlne, 1977)

Those researchers came up with the establishment chain, which consists of four successive and gradual stages with the purpose to reach an optimal internationalization. As a step-by-step method, in which you should reach the next one only after successfully completed the previous one and understand the experience earned.

The first stage is that companies should not have any exports and only deal with their domestic market. After that, they should implement some foreign sales through sales representatives. It is implied that a firm is succeeding in its domestic market and then conduct exports in neighbouring countries sending appropriate sellers. When the exports in targeted countries are successful and reached the expectation, the creation of manufacturing subsidiary is worthwhile, when this step is achieved and prosperous, a firm reaches the final stage, which is to move and establish its production in the host country. (Johanson & Vahlne, 1977)

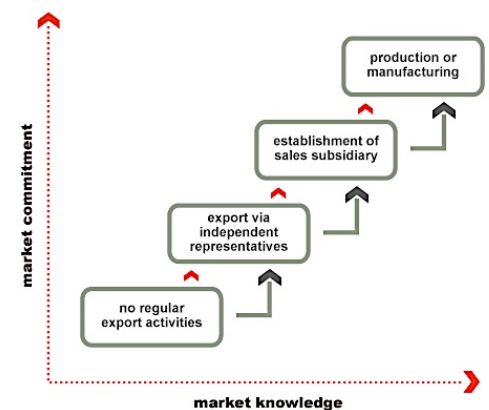


Figure 9. Establishment chain Source: (Johanson & Vahlne, 1977)

Psychic distance:

According to (Johanson & Vahlne, 1977), the previous steps about gradual or step-by-step internationalization of companies is directly linked to “*psychic distance*”, from the domestic country to the choice of the targeted market. In other words, more the targeted country is considered faraway in terms of “*psychic distance*” fewer resources will be invested to penetrate this distant country. They defined “*psychic distance*” as “*the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development.*” (Johanson & Vahlne, 1977) “*Psychic distance*” can also be defined, as “factors that make it difficult to understand foreign environments.” (Johanson & Vahlne, 2009)

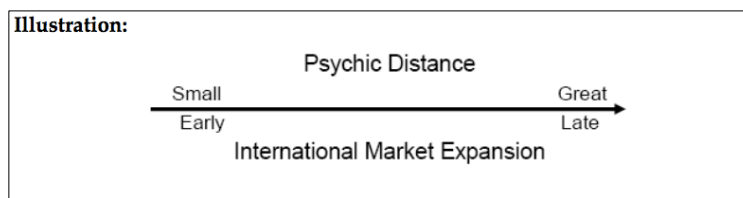


Figure 10. "Psychic distance" illustration

Source: (The Internationalization Process Theories, 2008)

“*Psychic distance*” includes components such as dissimilarities in business processes and behaviours as well as cultural variances, linguistics and instruction differences.

This dimension is more likely to impact the internationalization process of SMEs than large firms. The major reason is the information and knowledge access as well as market knowledge. Indeed large corporation have a better access to information, which will reduce the “*psychic distance*”, and on the other hand due to limited knowledge intensity SMEs will tend to have a larger “*psychic distance*”.

According to (Oviatt & McDougall, 1994), communication, transport improvements as well as a better international understanding, reduce the “*psychic distance*” amongst nations.

Relating relationships and networks to the “*psychic distance*” dimensions, we can observe that, the larger is this cognitive distance the more difficult it is to construct relationships and on the other hand a shorter “*psychic distance*” simplify relationships and networks building.

The internationalization model

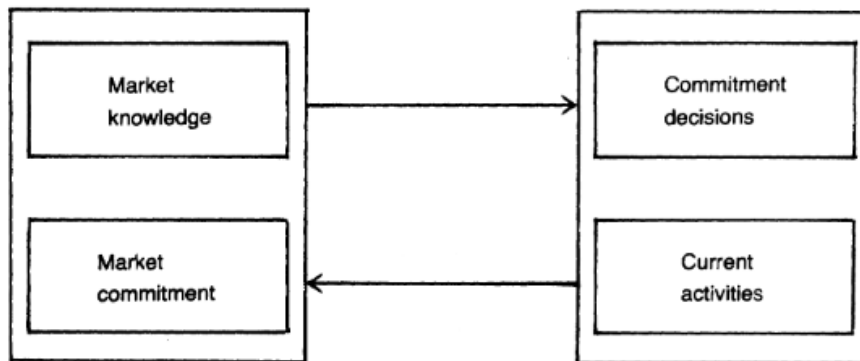


Figure 11. Internationalization model

Source: (Johanson & Vahlne, 1977, p. 26)

State elements:

Market commitment: *“It is composed of two-factors – the amount of resources committed and the degree of commitment, that is the difficulty of finding an alternative use for the resources and transferring them to it”* (Johanson & Vahlne, 1977). When resources are devoted to a specific country it will intensify the degree of commitment to its nation, on the other hand when resources are removed or diminish it will signify a decrease of engagement. (Johanson & Vahlne, 1977)

Market knowledge: Knowledge is an essential element of the internationalization model, indeed commitments are established thanks to information thus knowledge. Information also lead firms to adventure in new opportunities, take important decisions about a market, fix and prevent potential issues as well as provide an overview of a country and its business practices. (Johanson & Vahlne, 1977)

Change aspects:

Current business activities: *“There is to begin with, a lag between most current activities and their consequences. Those business consequences may, in fact, not be realized unless the activities are repeated more or less continuously.”* (Johanson & Vahlne, 1977) Moreover, day-to-day business activities are considered the major inception of experience and understanding building. (Johanson & Vahlne, 1977)

Commitment decisions: In other terms the *“decision to commit resources to foreign operations”* (Johanson & Vahlne, 1977). This decision can arise from many factors: alternatives, opportunities recognized and potential issues in the targeted market.

Moreover, economic factors and uncertainty outcome will play an important role in the decision to commit further resources. (Johanson & Vahlne, 1977)

4.5.2 Business network model: Uppsala internationalization process model revisited

A multitude of analyses have established the benefits of networks in the success of SMEs' internationalization. One of those theories about the importance of the network is, "*Coviello and Munro (1995, 1997) conducted empirical studies of the internationalization of small software firms. They found that network relationships have an impact on foreign market selection as well as on the mode of entry in the context of ongoing network processes.*" (Johanson & Vahlne, 2009, p. 1413)

An important key success about the realization of successful and relevant networks is the time, indeed according to Hohenthal (2001), it can take up to 5 years to construct long lasting and reliable relationships in a business environment. Another important aspect is that relationships are informally developed, even for business or work related ones (Powell, 1990).

Some findings also demonstrated that companies tie important relationship with significant providers and customers firms, those companies are also connected with other significant actors and so on. In other terms, those interconnected business relations can be compared to giant webs. Companies involved in those webs can benefit from knowledge, experiences and potential resources through interactions with other firms. It also has been investigated that companies are firstly involved in exchange actions before manufacturing ones. (Johanson & Vahlne, 2009)

Networks have also an important role in the entry mode process of a firm, analysis from Axelsson and Johanson (1992) demonstrated that, the choice of entering a foreign market should be made with networks and the position we have inside aspect, and not as a simple strategic decision.

Thanks to the new findings regarding the significance of networks in the internationalization success, Jan Johanson and Jan-Erik Vahlne, decided to revisit their primary Uppsala internationalization process model in order to take into consideration these new findings. The main research of the business network model is to understand in what way networks can impact the internationalization process. (Johanson & Vahlne, 2009)

Besides, the other networks related theories; their wish was to generate a wide-ranging network analysis about companies' internationalization. In order to achieve this result they decided to *“focus on business networks as a market structure in which the internationalizing firm is embedded and on the corresponding business network structure of the foreign market.”* (Johanson & Vahlne, 2009, p. 1413)

“Internationalization is seen as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market.” (Johanson & Vahlne, 2009, p. 1423)

The success of a business and its internationalization is undeniably linked with its networks; this is why firms need to be well settled in several or one pertinent network. When a company becomes a full share in its network, it is considered as an “insider”, on the other hand, when there is a lack of this aspect it is considered as an “outsider”. Being an “outsider” can strongly complicate the internationalization process of a firm mostly in distant countries. (Johanson & Vahlne, 2009)

“Internationalization depends on a firm’s relationships and network. Local firms go abroad based on its relationships with important partners who are committed to developing the business through internationalization.” (Johanson & Vahlne, 2009, p. 1423) However, a company will pursue a partner (local or foreign) abroad, only if this one has a strong and pertinent place in the needed network.

Two major reasons can explain internationalization; the first one is based on knowledge, which means that thanks to knowledge earned with partners, networks and relationships, new opportunities arise. The second one happens when a company’s partner or relation is expending overseas and solicit to be followed. If a company agreed with this request it will indicate a stronger commitment and fortify the relationship. (Johanson & Vahlne, 2009)

Two important elements, which are the commitment and learning, are strongly connected to relationships and propel the detection of opportunities at the higher level.

Business connections will be a decisive factor regarding the choice of the target market, and the manner to enter it. The reason of it: firms take advantage of its relationships to increase its knowledge, recognize and step on new opportunities.

Through the building process of relationship, the shared knowledge and experience take an important part. Regarding the trust and commitment needed to construct a relationship, the emotional and affective elements should be greatly taken into

consideration in order to have a complete understanding. Trust can be a great ally in the internationalization process and can replace knowledge in some case, for example while penetrating a market with a lack of knowledge but reliable and trusted providers or wholesalers are available, the internationalization can take place. Another important aspect is that, “*trust may develop into commitment if there is willingness and positive intentions. Thus trust is a prerequisite for commitment.*” (Johanson & Vahlne, 2009, p. 1417)

Regarding the modifications from the 1977 and 2009 model, we can observe that the fundamental structure and the main variables “state” and “change” have not changed; each one can still impact the other one. However, some adjustments have been made:

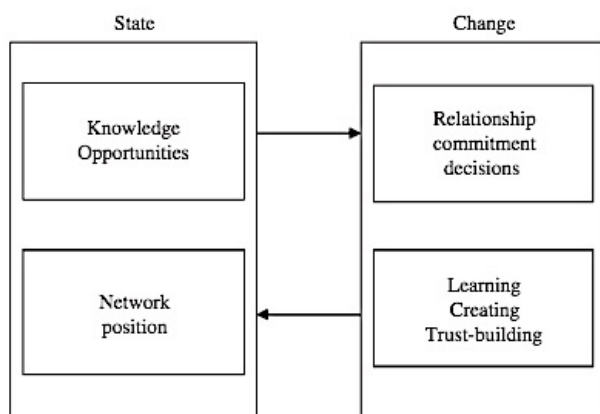


Figure 12. Business network internationalization process model 2009

Source: (Johanson & Vahlne, 2009, p. 1424)

- “Recognition of opportunities” has been joined to the “knowledge” factors. Indeed according to (Johanson & Vahlne, 2009, p. 1424) “*opportunities constitute a subset of knowledge*”.
- Another important change in the state dimension is the replacement of “market commitment” to “network position”. As seen before network is a crucial element in the internationalization development of companies.
- Regarding the past “current activities” description, it had been changed for “Learning, Creating and Trust building” one. This box still concerns current activity of a company, however, a greater emphasis wanted to be explicitly demonstrated on its specific characteristics. Indeed, day-to-day operations are an essential process, which enables firms to create and gather experiences, understandings and trust.

“Relationships are characterized by specific levels of knowledge, trust, and commitment that may be unevenly distributed among the parties involved, and hence they may differ in how they promote successful internationalization.” (Johanson & Vahlne, 2009, p. 1424)

- “Relationships” has been added to “commitment, decision” in order to explain that they are implicitly linked. Indeed as stated before relationships create networks and firms can decide the degree of commitment they want to “invest” in their networks. It implies that an intensification of engagement can reinforce a relationship or a diminution diminishes it.

4.5.3 Born Global theory

“More recently, a number of newer companies (mostly small and medium sized enterprises) have gone international within a few year of inception, even while quite small and unknown at home” (Yip, Kudina, & Barkema, p. 39)

“Born globals, or international new ventures (INVs) are defined by one source as “business organization that, from inception seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”.

International new ventures or born global firms are defined as *“a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries”* (Oviatt & McDougall, 1994, p. 31)

International inception of born global companies includes engagement of resources such as employees, capital, time and raw materials in foreign countries. The important characteristic is not the size of the firm but its exact lifetime when starting to go abroad. (Oviatt & McDougall, 1994)

Definition apart, the important aspect to understand is the main reasons of their early internationalization and how do founders reach this objective.

According to Alina Kudina, George S. Yip and Harry G., there are three major explanations of the emergence of born global companies; the first one is related to latest market conditions, then management alterations and lastly technological improvements.

In contrary of gradual internationalization, which is considered as a step by step process allowing firms to gather experience, resources and knowledge in order to safely grow, born global companies internationalize no long after being founded and considerably more rapidly than the gradual ones. The main reasons of their early and rapid internationalization are the international experience of decisions makers, as well as the ability to identify and taking advantage quickly of new opportunities. (Yip, Kudina, & Barkema)

“The stage theory of firm internationalization is increasingly incongruent with recent developments, and large scale has become one among many ways to compete internationally.” (Oviatt & McDougall, 1994, p. 33)

A limited home market and the absence or feeble domestic market demand will also push companies to go abroad very rapidly. Indeed, in those case, the internationalization process become a concrete necessity not a choice.

Moreover, born global firms are considered very performing, most of all on the international ground, indeed they can quickly attain high rate of international income, up to one hundred per cent.

Regarding the major elements, which facilitate born globals internationalization manoeuvres, we can mention *“knowledge intensity of the business, ease of imitation and global mindset of managers”* (Yip, Kudina, & Barkema). Another important factor should also be stated, which is the efficient application of networks.

“A company is successful because it has created an ecosystem (that is, a whole network) of companies beyond its clients” (Yip, Kudina, & Barkema, p. 43)

“Born-global companies merit much more attention than they are receiving, as their growth strategies could provide lessons for many other organizations” (Yip, Kudina, & Barkema, p. 39)

4.5.4 Born-again global theory

“We define a born-again or reborn global as a domestically focused firm that undergoes a strategic change and transforms into a globally focused company.” (Schueffel, Baldegger, & Wolfgang, 2014, p. 421)

Reborn global firms can be demarcated thanks to two main characteristics; the first one as explained in the above definition, companies start operating in their domestic market for several years before going global suddenly, it did not take advantage of foreign

sales or did not reach after three years of creation 25 per cent of sales volume in abroad market. Secondly, companies need to be able to reunite substantial competitive leverage after its sudden internationalization and attain after three years of the internationalization a minimum of 25 per cent of overseas transactions. (Kuivalainen et al., 2012)

According to Bell et al. (2001), reborn global firms the unexpected and abrupt internationalization is frequently linked to critical events such as new foreign customers, home consumers or an important change in network relationships. Those potential events can exercise a strong pressure that the company will adapt and modify its operations into more international ones. However, the most typical event of sudden internationalization is an alteration of director, management, merger or acquisition.

Regarding the environmental influences that induced the abrupt internationalization of firms, we can mention, *“the domestic market’s limited growth and the increasing competition level were clearly the pivotal factor. Consequently, the owners or CEOs saw internationalization as a viable – or the only – way to sustainable develop their business.”* (Schueffel, Baldegger, & Wolfgang, 2014, p. 429)

5. Methodology

To develop the main subject of this study, which is “Internationalization of Swiss SMEs: SIES findings”. And answer more specifically to the research question, “Based on the findings of the SIES report, what is the evolution of gradual and born globals Swiss SMEs in the internationalization process?”

Initially, a deductive methodology will be applied on the literature review of this study in order to generate specific knowledge. To achieve this aim, the main investigation approach applied will be the compilation and the secondary analysis of qualitative data. For example academic articles, official statistics and education references books. This method will allow understanding specific concepts and key theories that will be required throughout the further analysis.

In a second time an empirical methodology will be applied to different SIES reports in order to analyse their results and allows generating findings and recommendations.

Lastly, concerning the interviews performed, open question and semi-opened questions will be ask to the interviewees in order to intensify the scope of their answers and permits the elaboration of an analysis.

6. Swiss International Entrepreneurship survey reports analysis

6.1 Switzerland and SME internationalization

Switzerland reached the first place in the 2010-11, 2012-13 and 2014-15, Global Competitiveness Report, surpassing Singapore and the United States. The high competitiveness of Switzerland is a major factor contributing to its strong economy. Many factors promote Switzerland at the first place, first of all, its excellent performance in the labor market, technology, innovation and business culture. (Schwab & Xavier, 2014-2015)

This country also reached the first place in other subdivision such as the management education, the quality of the education system, the capacity to retain and attract talented employees, the companies spending on research and development and most of all the capacity for innovation. All those top-ranking categories helped Switzerland reaching the first place in this notorious ranking. (Schwab & Xavier, 2014-2015)

The Swiss economy situation is rather remarkable in several ways; with a small limited market and almost no resources, Switzerland can be a strong competitor. Its 2015 GDP reached more than CHF 650 billion, from it; approximately 270 billion were earned by the exports, which represents almost the half of its gross domestic product. In 2014 the biggest export trade partners of Switzerland were Germany, the United States, France, Italy, the United Kingdom and China. (Central Intelligence Agency, 2016)

However, the Swiss companies dealing with the exports had some issues due to the recession in the European market, which is its first export partner. The strong currency of Switzerland also impacted negatively its exports.

The internationalization pattern of most Swiss SMEs is to deal first of all with neighboring countries and to undertake a gradual internationalization (refers to Uppsala theory), which means going abroad step by step, starting with direct export, indirect export followed by the licensing and the joint venture. This process helps them supporting their lack of resources and to gain valuable insight and experience.

According to the Credit Suisse SME export indicator Quarter 1 - 2015, almost a third of the SMEs surveyed are willing to start exporting in a more distant market such as the Asia-Pacific area, which is the most mentioned (61%), in the future export destinations.

Consistent with this source, Asia is gathering more and more importance as an export zone. (Credit Suisse, 2015)

The Success of Swiss SMEs is also related to its strong entrepreneurial behaviors; indeed this dimension is highlighted by many researches and approved by the 2013 SIES. In the 2016 Global Entrepreneurship Index, from 132 countries analyzed Switzerland reach the 8th position, surpassing Great Britain and France. (GEDI, 2016)

Rang	Pays	Indice GEDI
1	Etats-Unis	86.2
2	Canada	79.5
3	Australie	78
4	Danemark	76
5	Suède	75.9
6	Taiwan	69.7
7	Islande	68.9
8	Suisse	67.8
9	Royaume-Uni	67.7
10	France	66.4

Figure 13. Global Entrepreneurship Index

Source: (GEDI, 2016)

Facts on Swiss SMEs

Hereunder, some statistics about Swiss SMEs: we can observe that SMEs represented in 2013, 99.7% of Swiss companies, providing 66.6% of employment. (Confédération Suisse, 2015)

Nombre d'entreprises et d'emplois selon la taille				
Entreprises marchandes dans les secteurs primaire, secondaire et tertiaire en 2013.				
Taille des entreprises ▾	Entreprises ▾	% ▾	Employés ▾	% ▾
Total des PME (1-249)	561'619	99,7%	2'924'679	68,0%
Micro-entreprises (1-9)	504'462	89,6%	1'132'709	26,3%
1 employé	274'064	48,7%	274'064	6,4%
2 employés	84'503	15,0%	169'006	3,9%
3-4 employés	82'386	14,6%	278'954	6,5%
5-9 employés	63'509	11,3%	410'685	9,5%
Petites entreprises (10-49)	48'413	8,6%	932'501	21,7%
10-19 employés	31'102	5,5%	414'629	9,6%
20-49 employés	17'311	3,1%	517'872	12,0%
Moyennes entreprises (50-249)	8'744	1,6%	859'469	20,0%

Figure 14. Companies and occupation according to SMEs size

Source: (Confédération Suisse, 2015)

Switzerland regroups three main sectors of activities, on the below tables, an overview of the number of SMEs per sector and the average number of employees per sector in 2013. (Confédération Suisse, 2015)

Voici le nombre total de PME (entreprises marchandes de 1 à 249 employés) par secteur en 2013:	
Secteur primaire	55'302
Secteur secondaire	89'502
Secteur tertiaire	416'815
Total	561'619

Figure 15. Total SMEs number according to sector activities (2013)

Source: (Confédération Suisse, 2015)

Voici le nombre moyen d'employés par PME en 2013:	
Secteur primaire	2,9
Secteur secondaire	8,6
Secteur tertiaire	4,8
Total	5,2

Figure 16. Number of employees per SME (2013)

Source: (Confédération Suisse, 2015)

6.2 SIES explanation

The Swiss International Entrepreneurship Survey (SIES), conducted by the Fribourg School of Business Administration have already published three surveys: 2007, 2010, 2013 and is elaborating the fourth for 2016.

The reports are based on surveys that analyse the state of internationalization among Swiss SMEs and highlight the tendencies. In order to reach this objective thousands of questionnaires were sent to the decision makers/CEOs of SMEs already operating abroad.

The purpose of these surveys is to examine the internationalization efforts of SMEs in order to gain understandings about the internationalization process as well as the factors that make the internationalization a success. These studies focus on the entrepreneur's foresight as well as the competitiveness of small and medium size enterprises. Many factors are taking into consideration in these surveys, for examples, the reasons and obstacles in the internationalization as well as the strengths and weaknesses of Swiss SMEs but also the recognition of business opportunities and the competitive strategies.

The internationalization of Swiss SMEs is gaining a lot of importance in the latest years over taking the light of the much more bigger groups. This process is primordial in Switzerland because of its small market, the lack of resources and mostly the high impact of foreign trade. Expanding cross border is becoming a concrete strategy for small and medium size companies in order to gain competitive advantage and market share.

All along this analysis a comparison of the 2007, 2010 and 2013 SIES surveys will be made with the aim of understanding the trends and the upcoming changes.

6.3 Statistics

Before developing the different statistics provided by the SIES 2007, 2010 and 2013, the following definitions and terminology need to be established.

What is a SME and what are its characteristics?

- Enterprise: *"An enterprise is considered to be an entity engaged in an economic activity, irrespective of its legal form. This includes in particular, self-employed persons and family businesses engaged in craft or other activities, and*

partnerships or associations regularly engaged in an economic activity.”
(Entreprise Europe Network, 2003)

- SME: *”An enterprise is considered to be an SME if it employs fewer than 250 persons”* (Entreprise Europe Network, 2003)

The following table describes the number of employees of each SMEs category.

Category	Employees
Micro enterprise	Up to 9 employees
Small enterprise	Between 10 and 49 employees
Medium enterprise	Between 50 and 249 employees

As seen in the SME internationalization theories and approved by the SIES surveys, SMEs have many manners to internationalize: the most used is gradual internationalization. However, two other processes should be underlined: Born global and born again global.

Having a closer look at the 2013 surveyed companies, it can be highlighted that approximately 1 over 5 Swiss SMEs is born global (19.4%), and 6.1% are born again global. Regarding the SMEs undertaking a gradual internationalization process they represent 61.4%.

6.3.1 Structure of the companies surveyed according to the companies sizes

	Total number of companies (2007)	Total number of companies (2009)	Total number of companies (2012)	Average number of employees (2007)	Average number of employees (2009)	Average number of employees (2012)
0-9 employees	85	279	382	5	4	4.1
10-49 employees	185	251	294	25	21	20.8
50-249 employees	116	95	112	112	108	107.1
Total Average	386	625	788	25	27	25
Born Globals	9%	18.1%	19.4%	NA	NA	NA

Table 1. Structure of companies surveyed

Source: Based on the Swiss International Entrepreneurship Surveys 2007, 2010 and 2013

Regarding the structure of companies surveyed several observations can be made. The first one is an exponential number of companies taking part in the SIES survey allowing a better understanding of their internationalization pattern and more insights.

Secondly, the average number of employees per size of SME, has not changed from 2007 to 2012, linking this fact with the internationalization improvement of Swiss SMEs, no further employees were needed. An assumption might be that firms could not afford additional workers in order to stay competitive and/or employees benefit from better international experience and education toward internationalization process, consequently are more efficient.

Lastly, a significant increase of born global firms from 2007 to 2012 is largely noticeable. This expansion can be linked with the improved international experience of decision makers, the international opportunities arising as well as a better use of networks.

As stated earlier by (Yip, Kudina, & Barkema, p. 39): *“Born-global companies merit much more attention than they are receiving, as their growth strategies could provide lessons for many other organizations.”*

6.3.2 Success of sales channels



Figure 17. Sales channels

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

The above chart is classified with a scale going from 0 (Not successful) to 7 (Very successful). Regarding the success of sales channels from the point of view of the surveyed SMEs, there is not important change between the 2010 and 2013 surveys. The order stays the same as well as the success percentage. Beginning first with direct export, then indirect export and on the third position industrial consumers.

Direct export is the entry mode, which is the most used in Switzerland, it is also the easiest and the most successful one according to the SMEs surveyed. This sales channel is perfectly suitable for SMEs because of their limited resources; it also allows them to gather knowledge about the targeted market and also international experience. SMEs beneficiate from direct contact with customers, which provide them direct feedback and help them to improve their products and services. Last but not least, direct export is the less risky entry mode.

The second most successful entry mode is the indirect export, or sales through several types of intermediaries. The great advantage of it is to beneficiate from our

intermediaries' networks and different knowledge such as market, culture, language and laws and regulation.

6.3.3 Export intensity

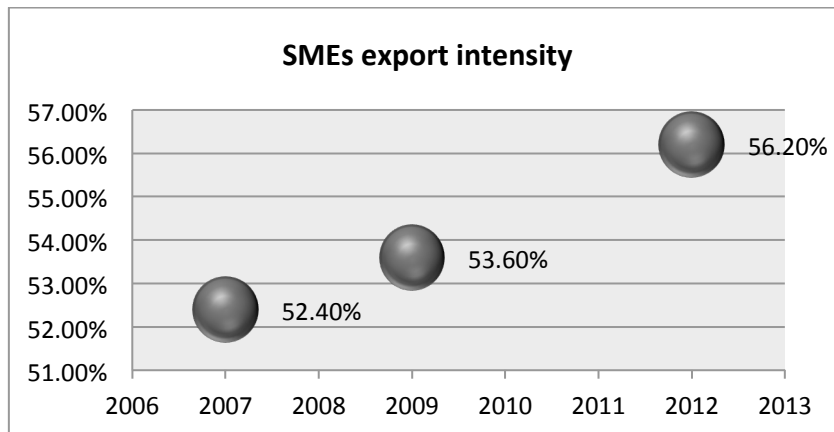


Figure 18. Export intensity

Source: Based on the Swiss International Entrepreneurship Surveys 2007, 2010 and 2013

Regarding the export intensity of Swiss SMEs we observe a constant growth between 2007 and 2013. Indeed, more than one out of two sales is exportation in a foreign country. As seen before, exportation is the most successful international entry mode and is constantly developing.

We can assume from this chart that Switzerland is highly dependent on the rest of the world in order to keep a constant growth.

6.3.4 Comparison of the internationalization process over the years

	Numb. of years until internationalization 2009	Numb. of years until internationalization 2012	Numb. of continents after three years 2009	Numb. of continents after three years 2012	Numb. of continents at the end of 2009	Number of continents at the end of 2012	Numb. of countries 2009	Numb. of countries 2012	Percentage of foreign sales 2009	Percentage of foreign sales 2012
0-9 emp.	4.0	3.5	1.5	1.97	2.3	2.3	8.7	8.62	52.2%	55.4%
10-49 emp.	9.3	10.4	1.2	1.87	2.7	2.9	10.5	16.73	52.4%	56.6%
50-249 emp.	19.6	23.1	0.8	1.89	3.0	3.2	20.7	27.09	60.5%	57.5%
Average SME	8.6	8.7	1.3	1.92	2.5	2.6	11.3	14.34	53.6%	56.2%
Born Global	0.4	0.46	3.1	2.92	3.7	3.26	19.4	18.1	75.7%	84.2%

Table 2. Comparison of the internationalization process over the years

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

Having a closer look at the above table of the 2010 and 2013 SIES surveys, SMEs from different sizes and born global are compared on different factors regarding their internationalization process.

Regarding the number of years until the beginning of the internationalization process, we can observe that the bigger the SME size is, the longer it takes to internationalize. Moreover, on average the SMEs wait 8,65 years before internationalizing and 0.43 for the born global, which is a huge gap that can be explained by the different internationalization process undertaken.

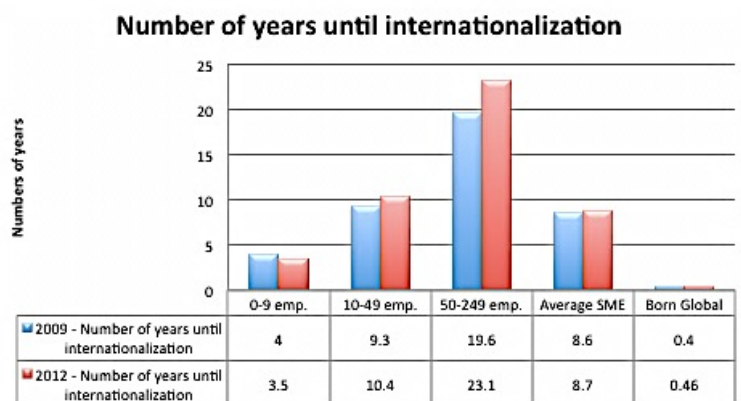


Figure 19. Number of years until internationalization

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

We can observe that the final number of continents reached at the end of 2010 and 2013 is almost the same. However, regarding the numbers of continent after three years of internationalization, a significant increase can be observed, the major expansion concern the medium size companies with an additional continent in their internationalization path from the 2010 to the 2013 survey. It can be deduced that the internationalization process has been improved and is faster from the year 2010 to 2013.

Concerning the number of countries reached, positive changes occurred, small and medium SMEs benefited from a significant increase from 2010 to 2013. Indeed they expended approximately in six additional countries. However, micro enterprises and born globals remained stable.

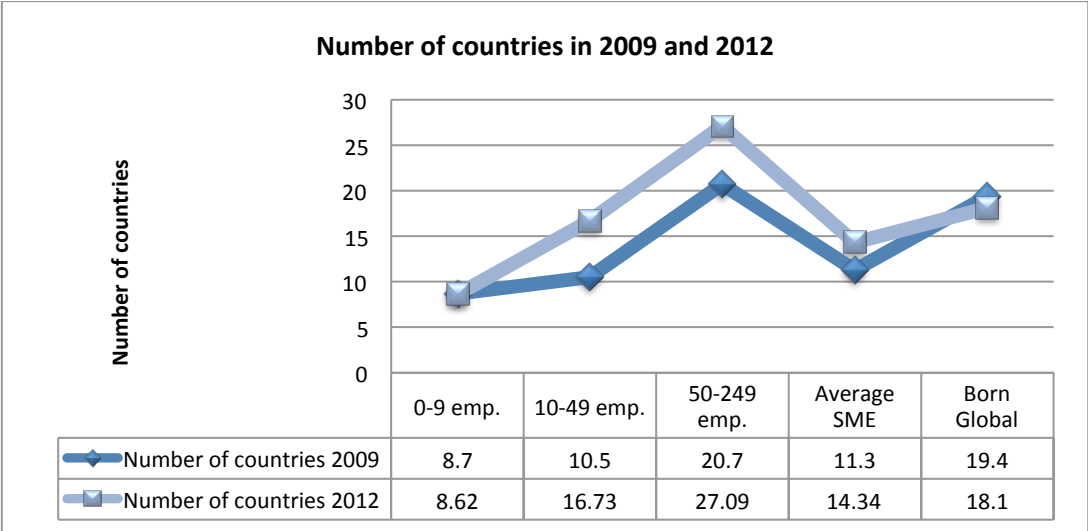


Figure 20. Number of countries in 2009 and 2012
 Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

Looking closer at the progression of foreign sales, there is a constant growth, excepted for medium sized enterprises. On average SMEs sold on the foreign market 2,6% more than in 2010 and born globals sold 8.5 additional per cent. Another important observation is that, born global companies sold in

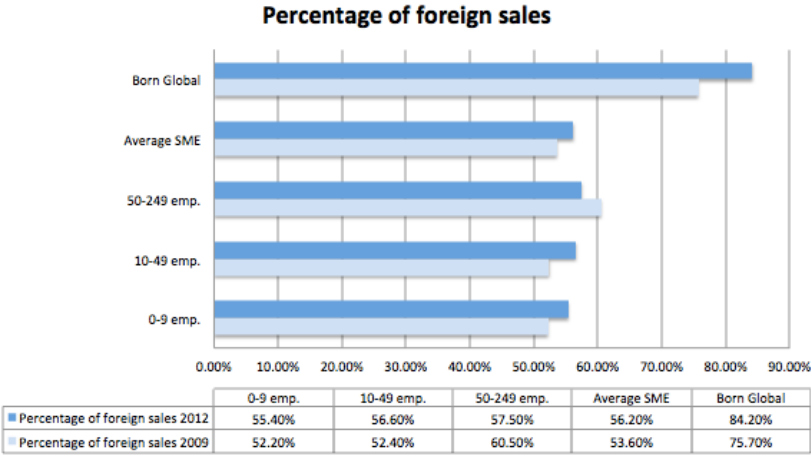


Figure 21. Percentage of foreign sales in 2009 and 2012
 Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

foreign markets 22.1% more than SMEs in 2009 and 28% in 2012. The difference is vast but can be easily explained by their specific international types as well as their capability to recognize and take advantage of foreign opportunities. Furthermore, as stated earlier, born global firms are considered very performing, most of all on the international ground, indeed they can quickly attain a high rate of international income, up to one hundred per cent.

6.3.5 Early Stage Internationalization

	2009 Professional experience abroad/extend ed stay abroad	2012 Professional experience abroad/extend ed stay abroad	2009 Professional experience in an international company	2012 Professional experience in an international company	2009 Education abroad	2012 Education abroad
0-9 employees	51,2%	53,1%	54,8%	51,3%	22,6%	24,9%
10-49 employees	49,0%	46,9%	49,8%	43,9%	16,7%	19,4%
50-249 employees	51,6%	39,3%	60,0%	36,6%	27,4%	12,5%
Average SME	50,4%	48,9%	53,6%	46,4%	21,0%	21,1%
Born Global	58,4%	61,4%	71,7%	65,4%	29,2%	35,3%

Table 3. Early Stage Internationalization

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

The key success in the internationalization process is the entrepreneurship orientation and management teams owning not only regular skills for a domestic market, but also skills in relation to internationalization projects.

It is crucial to recognize before starting the internationalization process, the skills that a cross-border project will require, and acquire them if necessary. Those aspects should not be underestimated; a whole international project may fall apart, because of a lack of abilities and knowledge.

It has already been confirmed and analysed in many occasions, that entrepreneurial approach is closely related to the success of companies internationalizing. This same connection between the experience abroad and the specific skills regarding the internationalization has already been examined too. However, the SIES surveys have been able to confirm those arguments and also deepen them.

From the graph below we can observe that the vast majority of the decision makers have foreign experience, education abroad or experience in international companies.

Regarding the Professional experience or extended stay abroad it is difficult to bring out a clear tendency from the 2010 and 2013 surveys, however we can observe that companies have a clear predisposition to employ workers with professional experience or extended stay abroad in order to gain advantage in the internationalization process.

The professional experience in an international company is an aspect that has lost importance for companies. Indeed each category of SMEs and born globals seem to be less interested in this factor: a decrease of 7.2% for the average SMEs and 6.3% for born globals.

Concerning the education abroad, a clear tendency cannot be brought out, because of the irregular data. However we perceive a slight increase in the SMEs average and a more consequent increase for born global firms.

Analysing all categories, we detected that medium sized enterprises have a clear and important decreasing trend in each subdivision. It can be assumed that these companies have more resources than small and micro firms and consequently can afford external supports such as advisors, specialists and employees or partners from targeted countries, which reduce its need of employees having international education or experience abroad.

Comparing SMEs and born globals figures we can observe significant variations, indeed born global firms in 2012 benefit and took advantage of 12.5% professional experience or extended stay abroad more than SMEs, 19% of professional experience in an international company and 14.2% in education abroad. Indeed one of the specific characteristics of born global companies is the fact that they reach an early and rapid internationalization thanks to the international experience of their decisions makers.

6.3.6 International presence per continent

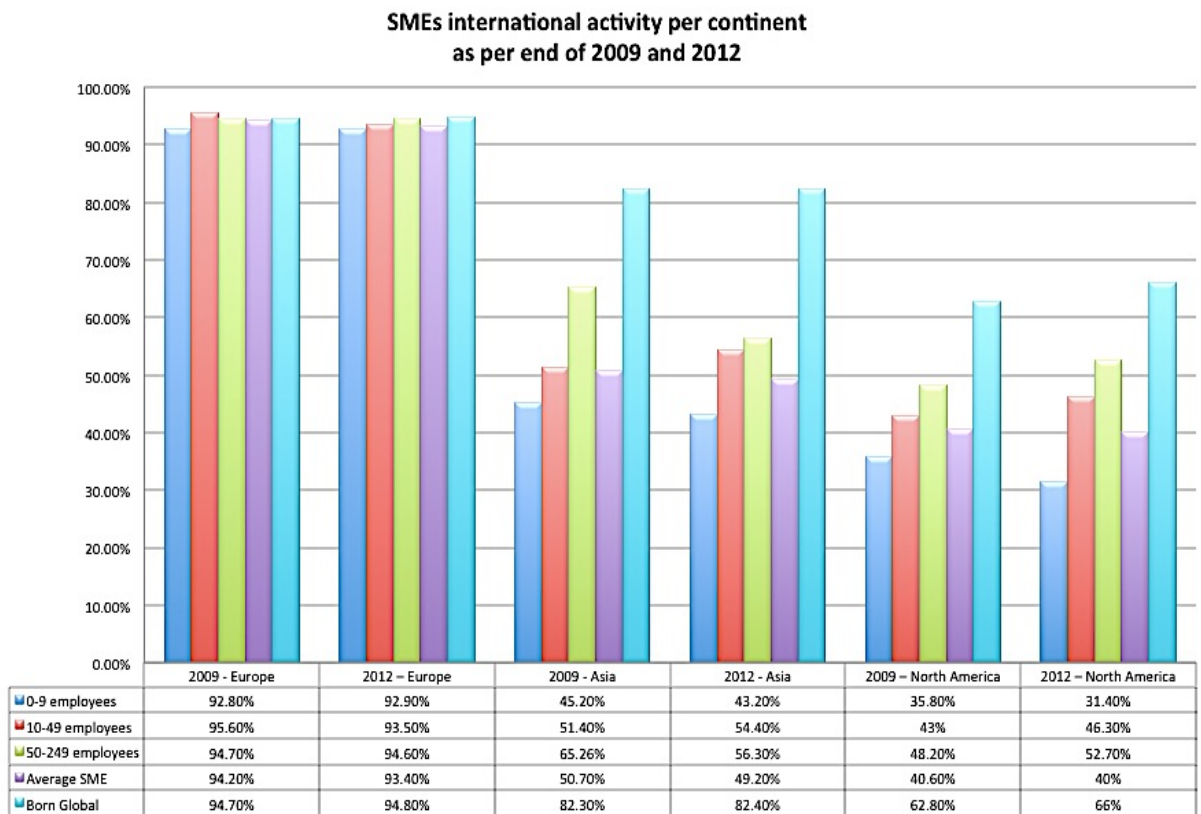


Figure 22. International presence per continent

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

As stated previously the internationalization path of most Swiss SMEs is the gradual internationalization, which is to trade first with neighbouring countries in order to gain valuable insights, experience and resources. In this context, neighbouring countries are represented by the European market, which is the first partner of Switzerland because of its geographical proximity as well as its closer “psychic distance” (refers to Uppsala model).

Afterward, Swiss companies expand their activities in further geographical and “psychic distance” locations, which are this time represented by the Asian market. This market is the second more important partner of Swiss companies outshining North American market. Indeed, better opportunities can be found in this emerging market rather than in the aging North American market. The Asian-Pacific market is since many years very attractive for Swiss SMEs, it is becoming more and more important, most of all in the export sector.

Comparing born global firms and SMEs on the 2012 basis, we can observe significant differences. First of all born globals were 33.2% more presents in Asian markets than SMEs, which almost the double and a major distinction, the same remark is made for North American markets with 26% of additional presence. Regarding European markets, which are the firsts trade partners of Swiss SMEs including born global companies, there is only a slight difference of 1.4 % in favour of born global firms.

2016 insights:

From the 2013 SIES surveys, changes occurred regarding Swiss SMEs international presence per continent. Asian markets are relayed at the third position outdistance by North America. This decline is mostly due to the Chinese slowdown.

Many factors caused this gradual decrease, one of them is, *“China’s government is trying to move from a manufacturing and export-driven economy to a service and domestically-driven one.”* (World Finance, 2016) Indeed according to the below World Bank indicators graph, Chinese’s’ exportations dropped by 13.3% from 2006 to 2015.

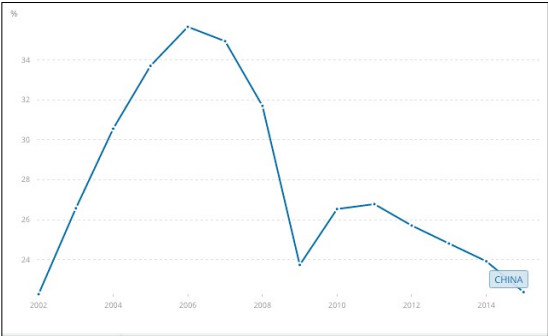


Figure 23. Chinese exports of goods and services (% of GDP)

Source: (The World Bank, 2016)

Another important reason is the fact that “ China is transitioning from a developing to a developed economy. Growth rate of 10% just does not happen in developed economies.” (World Finance, 2016). The last reason we will mention is the Chinese reaction of the 2008 economic crisis, *“ The government spent \$586bn to stimulate the economy. This worked in the short-term: bolstering industry and commerce. But if left a legacy of debt and dozen of ghost cities and bad assets”* (World Finance, 2016)

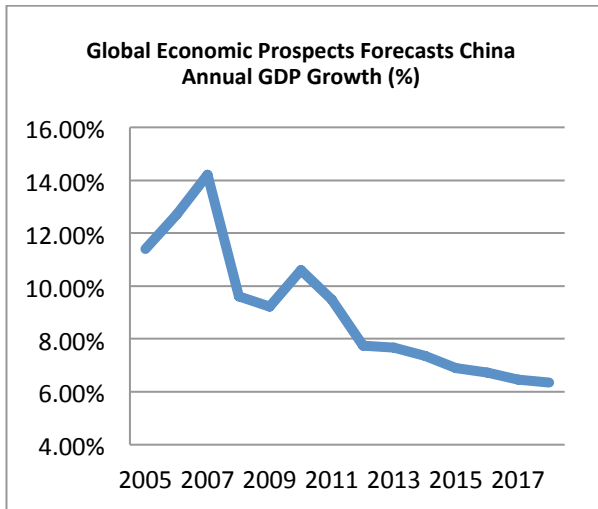


Figure 24. Chinese annual GDP growth (%) and its forecasts

Source: (The World Bank, 2016)

6.3.7 Key elements of a SME competitive strategy

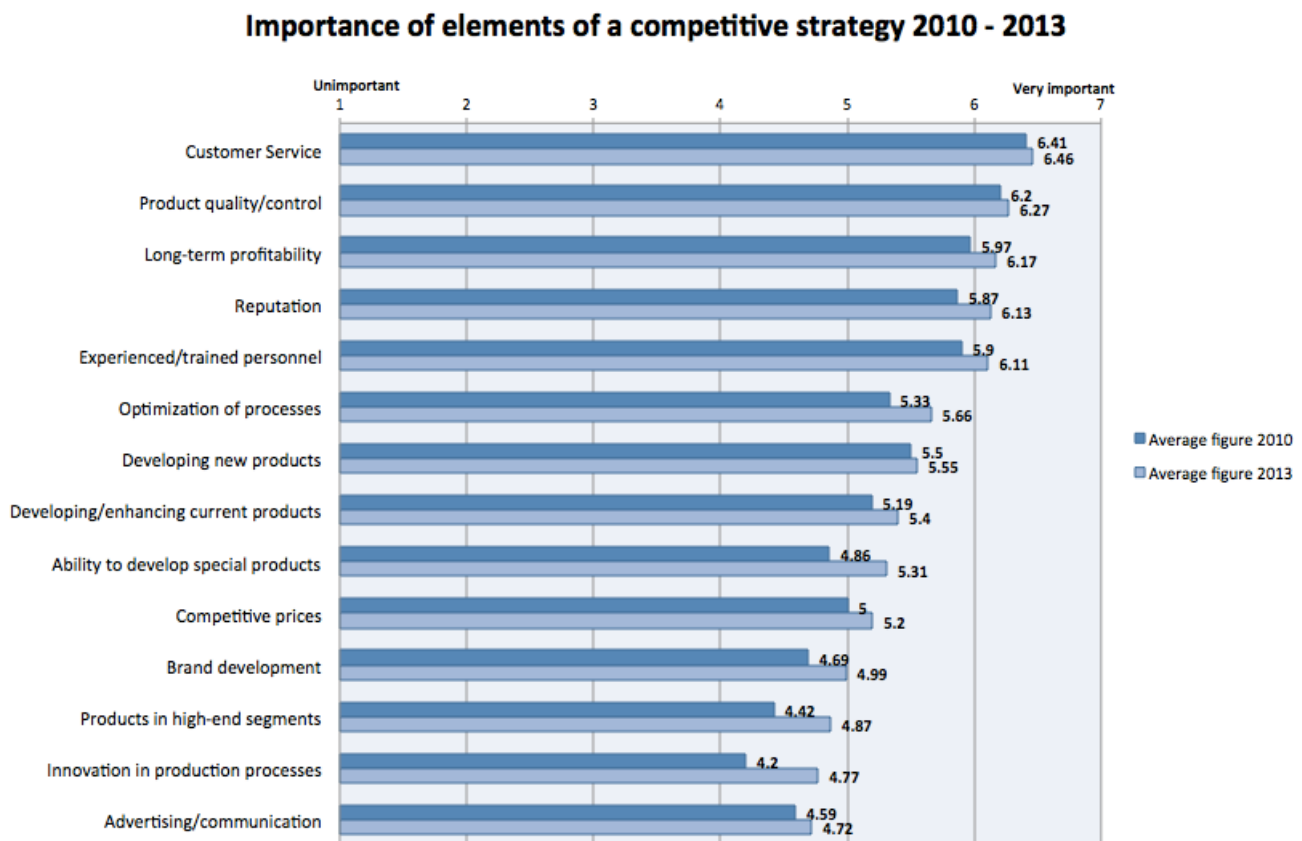


Figure 25. Key elements of a SME competitive strategy

Source: Based on the Swiss International Entrepreneurship Surveys 2010 and 2013

Regarding the elements of a competitive strategy: the top three most important components keep their high position from the 2010 to the 2013 survey, they also gained in importance according to the sampled companies. The “customer service”, the “product quality/control” and the “long-term profitability” are the elements that companies take the most into consideration while internationalizing.

Decision makers, since the previous survey, gave more importance at the “reputation”, which earned one place from the 2010 survey reaching the fourth position. However, the “experienced/trained personnel” lost one position, attaining the fifth one in the 2013 survey

Another factor, which is the “optimization of process”, gained one place, reaching the sixth position in the 2013 survey. Regarding the “developing new products” category, it lost his sixth place in the 2010 survey for the seventh in the 2013 one.

6.3.8 Reasons for internationalization

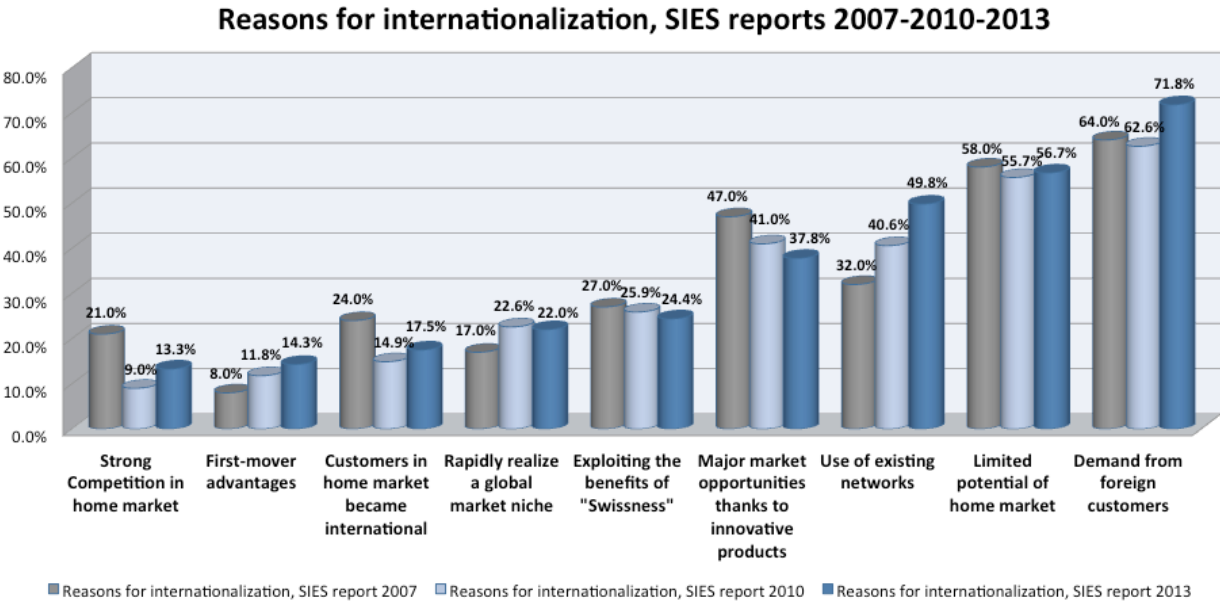


Figure 26. Reasons for internationalization
 Source: Based on the Swiss International Entrepreneurship Surveys 2007, 2010 and 2013

The first two reasons of internationalization exposed in the 2007, 2010 and 2013 SIES surveys, are the demand from foreign customers and the limited potential of home market; those two motivations remain on the top in each survey. We observe an increase of 7.8% regarding the “demand from foreign customers” reaching 71.8% in 2013. For the second point, “limited potential of home market”, specifically to

Switzerland, companies are forced to look for further opportunities, because of its small and limited market, which count with 8'325'000 inhabitant (Statistique Suisse, 2015).

The “use of existing network” reached the third position in the 2013 survey, earning one step from the previous surveys. Moreover, it had the most impressive growth with a total increase of 17.8% in 6 years. The assumption that might explain this development is the expansion of social networks providing the possibility to be interconnected everywhere at any time and therefore allows a company to use its network much more than before. Furthermore, it is increasingly easier and cheaper to travel to any part of the world allowing a person to increase and grow their professional and personal network. One of the advantages of networking is the cost efficiency and trust, which improve international trade. Lastly, the “networking spirit” is becoming more present in the culture and implemented in our daily life. Another important change in the three surveys is the sharp decrease of “major market opportunities thanks to innovative products” which lost 9.2% in 6 years.

As the Swiss stability reputation, the category “exploiting the benefits of Swissness” remains constant in the 5th position in all three surveys. It is an important reason for internationalizing and also a facilitator of international trade thanks to the Swiss reputation for quality, innovation, and high added value, which make its products highly demanded by foreign customers.

Numerous motivations are also valid regarding the wish of internationalization from a company. Every reason will depend on the context of the business, which can be the size, the resources, the kind of product or services sold and the innovation made.

Concerning more specifically born global firms, their major reasons for internationalization would also be the limited potential market of Switzerland and their efficient use of networks as well as their ability to recognize new foreign opportunities. Furthermore, taking advantage of their market knowledge and the international experience of managers/CEOs bring high competitive advantage and push them rapidly in abroad markets.

6.3.9 Obstacles in the internationalization process

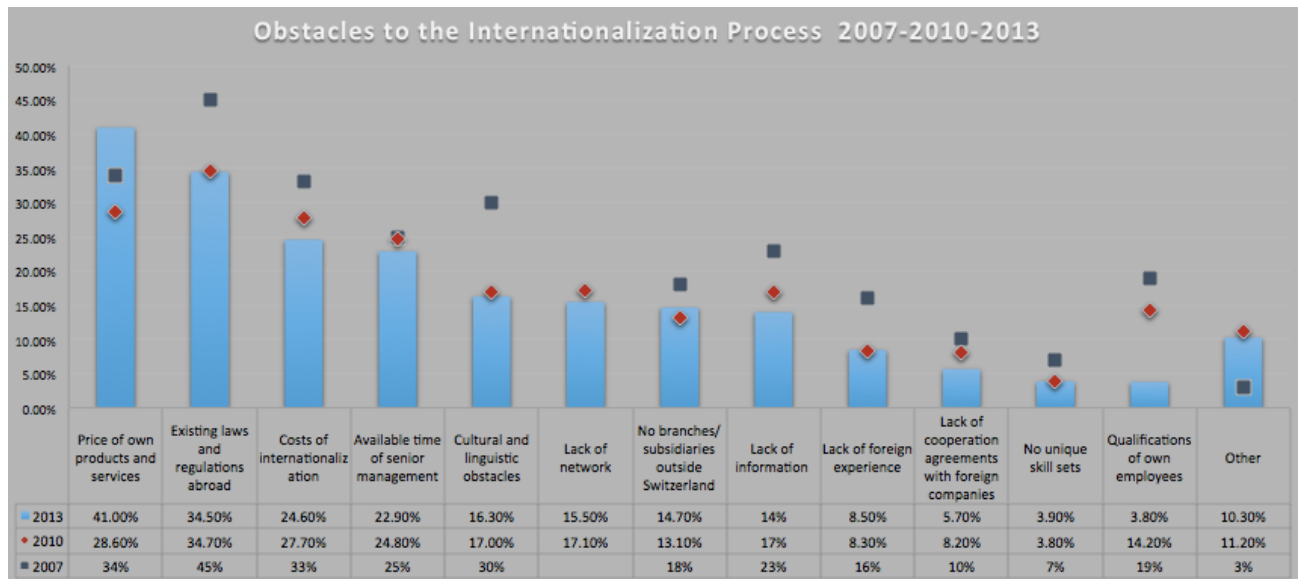


Figure 27. Obstacles in the internationalization process

Source: Based on the Swiss International Entrepreneurship Surveys 2007, 2010 and 2013

Regarding the obstacles and challenges in the internationalization process, we can observe that the first obstacle, which is the “price of own products and services”, is cited by almost half of the surveyed companies. This factor took over the “law and regulations abroad” which was the first obstacle in the 2010 and 2007 surveys. We can link the raise of the obstacle “price of own products and services” to the currency of Switzerland. A large part of Swiss SMEs’ internationalization is exportations: as the Swiss francs become stronger it has been more difficult for foreign countries to afford Swiss products and this is why the price of Swiss goods and services became the major obstacles. Concerning the “existing laws and regulations abroad” obstacles, we can see that it lost 10.5% between 2007 and 2013. However, it is still an important obstacle that has to be taken seriously into consideration, because of its complexity and every country has its own laws and regulations that can be completely different from the home country.

The “cost of internationalization” obstacle remains in the third position in each survey. Despite this fact, it lost 8.4% of influence. Effectively, improvement of international trade agreements and transportation cost influenced the decrease of this obstacle.

Regarding the fourth factor “available time of senior management” remains steady. However, it is a great issue mainly while internationalizing in relationship focus market, where a large amount of time needs imperatively to be taken in order to succeed the internationalization. Furthermore, international projects require more time than domestic ones and without the sufficient time projects can unfortunately fail.

The “culture and linguistic” obstacle lost 13.7% of influence between 2007 and 2013. This barrier has been reduced especially because the access to information (Internet, social network...) is easier and allows a company to have a better knowledge of the other countries.

Comparing born globals’ and SMEs’ vision on the obstacles encountered during internationalization, we can perceive that born global firms are more likely to be less impacted. Regarding, “cultural and linguistic obstacles”, it was one of the most important obstacles for born global companies in 2007. The assumption was, that due to their rapid internationalization, time was /is lacking to learn from experience and gather information. However, these numbers dropped in 2013, mostly because of efficient network strategies as well as communication and transportation improvements and increasing market knowledge.

Then, the “price of own products and services” obstacle, which is one of the major challenges for Swiss SMEs in time of internationalization, is perceived as a much less important one for born global enterprises. Regarding the “lack of foreign experience”, on the contrary of SMEs it has not really been considered as an obstacle for born global firms.

6.3.10 Key SME Internationalization Strengths

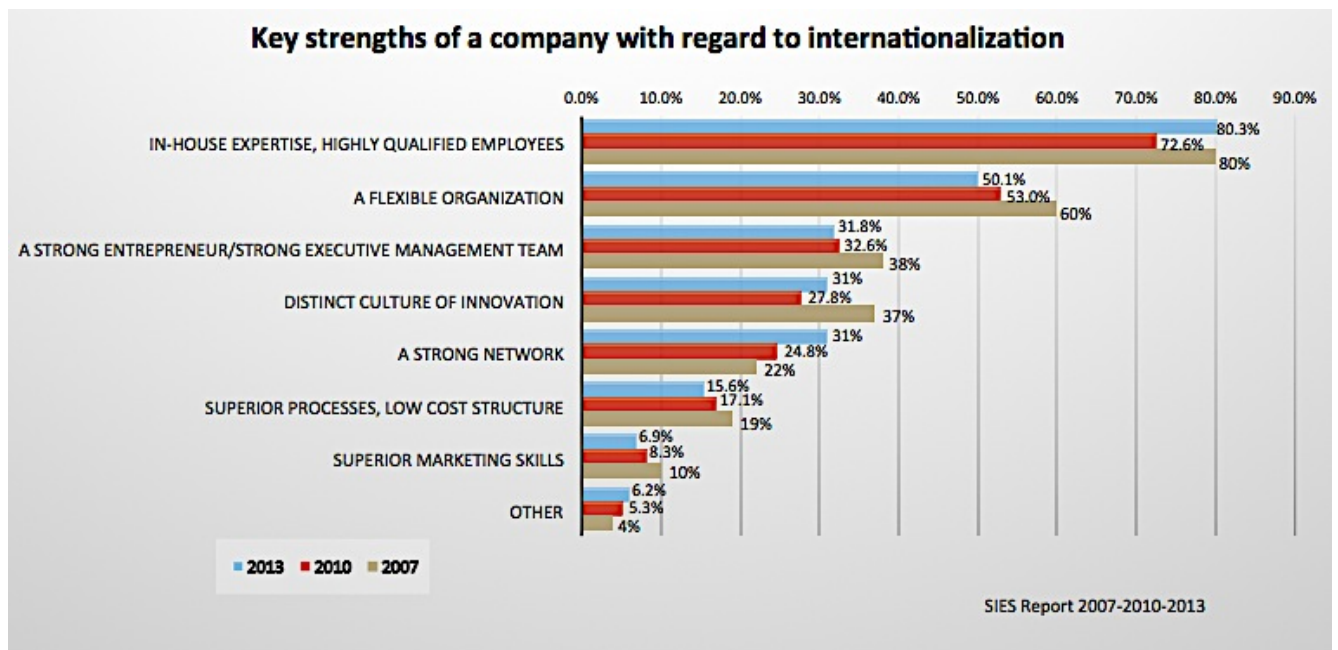


Figure 28. Key SME internationalization strengths

Source: Based on the Swiss International Entrepreneurship Surveys 2007, 2010 and 2013

The “know-how or the in-house expertise including highly qualified employees” is the first strength regarding the internationalization of Swiss SMEs. This factor kept his first place in all surveys, even if we can notice an important decrease in the 2010 survey which has been fulfilled in the 2013 one. Looking more specifically at the skills required by employees on the internationalization process we could mention the flexibility, the agility and the adaptability as well as the knowledge of the different markets. Moreover, the reputed Swiss training and education germinate highly qualified employees and decision makers providing to companies a strong advantage in the internationalization process.

The “flexible organization” stayed in the second place in each survey, however we can observe a lost of 9.9% from 2007 to 2013, which means that Swiss SMEs are becoming less and less flexible due to additional control on the internationalization process and supplementary regulations, particularly in the financial market, obliging companies to be more framed.

The “strong network” earned 9% from the previous surveys, which is a positive aspect and a true strength regarding the internationalization process. Indeed as seen before the formal or informal network is taking more and more importance, as far as becoming a real asset in the internationalization of a company.

Regarding born global firms, we observe that they perceive their strengths more intensely than gradual SMEs. However, from the different SIES surveys we can identify that born globals's strengths get closer to SMEs ones. We can link this evolution to the fact that traditional SMEs are more internationally oriented. Nevertheless, beyond the regular strengths of born global firms, efficient use of networks and strong entrepreneurs and management teams are essential.

6.3.11 Key SME Internationalization Weaknesses

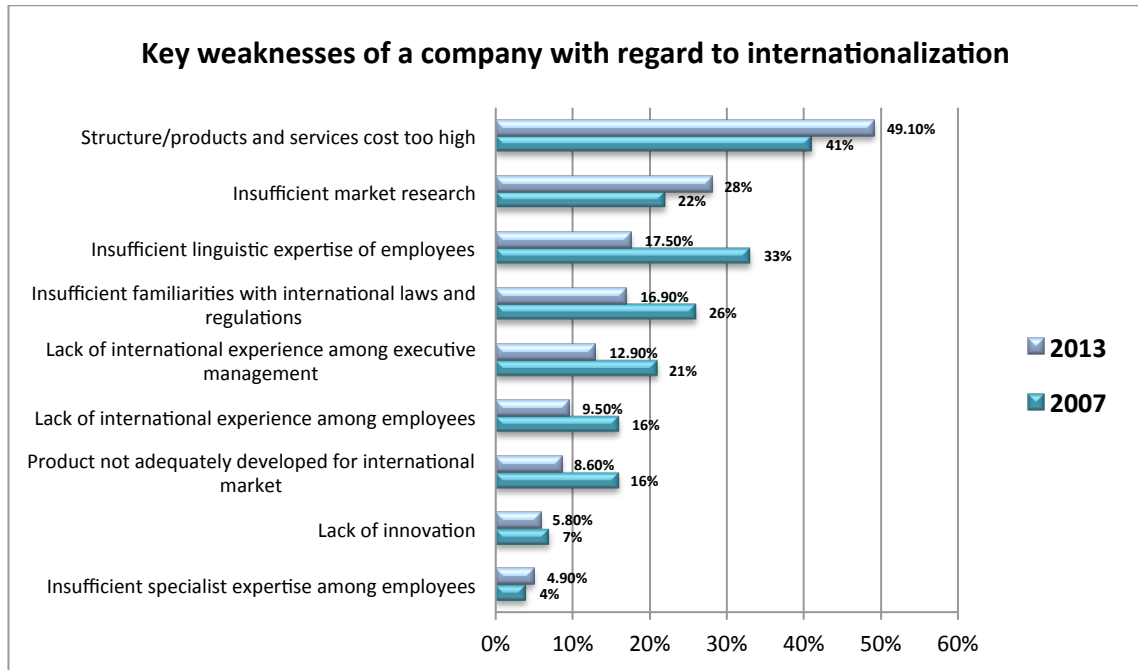


Figure 29. Key SME internationalization weaknesses

Source: Based on the Swiss International Entrepreneurship Surveys 2007 and 2013

Regarding the key weaknesses of a company in the internationalization process we can analyse the findings of the 2007 and 2013 SIES surveys. A clear distinction can be observed: the two first factors are getting stronger and the other ones are declining in importance from years to years.

The “structure/products and services cost too high” kept is first position in both survey, this factor is considered more and more like the first weakness of a company while internationalizing. This is demonstrated by the 8.1% increase from 2007 to 2013, we can link this increase with the economic context of Switzerland: indeed products and services as well as the structure of a company is quite expensive, from the several factors causing this issue we can state the expensive rents, wages, taxes and raw materials. Another element that can explain this fact is the strong Swiss franc and the worldwide economical crisis. The second weakness that suffered from an increase is

the “insufficient market research”. More and more, people and entrepreneurs realized that performing a market research is a crucial factor in the success of internationalization. However, a lot of them still skip this important step and throw themselves in the internationalization ocean, which causes many times important failures.

The other factors benefited all from important diminutions between 2007 and 2013. This means that the surveyed SMEs considered them less important than before. In six years SMEs have been able to reduce their weaknesses and overcome some of them.

6.3.12 SME External Supports of internationalization

Regarding the External support a common chart could not be made because of the 2007 survey, which was built on a different scale than the two others. For a reason of accuracy, the decision of keeping the three different charts from each survey has been made.

From the graphs in Appendix 4, we can observe that the “OSEC” was the first external support used in 2007, then lost importance in 2010 and finally regain the second rank in 2013. An assumption might be the economical disposition of SMEs between 2007 and 2010. SMEs might not be able to afford the cost of this external support.

“Private individuals” can include the formal and informal network of a company as well as potential business angels. This external help gains in importance from 2007 to 2013 reaching the first position. Indeed from the point of view of SMEs surveyed, it was the most useful support in time of internationalizing.

6.3.13 Reasons for not using external supports

The following analysis is based on the graphs in Appendix 5.

According to the SMEs surveyed, the main reasons for not using an external support in time of internationalizing are “What was available did not match our needs”, “lack of information”, “lack of confidence in the organization”, “time period too long to be able to use these services”, and “negative image/reputation of the institutions”.

Since the 2013 survey, we can observe a new category, which is “Insufficient cost-effectiveness” reaching the first position with almost the half (42.9%) of responses. It seems that the surveyed companies tried the above external supports and for some of

them results were not sufficient enough compared with what was expected and the funds invested. Beside “quality/price ratio” factor, the other reasons had been stable all along the 2007, 2010 and 2013 SIES surveys.

7. Complementary Findings

7.1 Context of 2016 interviews

In order to compare theoretical analysis and empirical results of the SIES reports, the author has conducted a few qualitative researches and interviews. The experts interviewed have direct SME exposure and experiences, and can therefore provide high relevant comments and feedbacks.

Crucial themes of the SIES reports and open questions related to Swiss SME internationalization have been submitted to the interviewees. They could provide differentiated answers: Agree or disagree with the findings of the reports. In the case the answers of the question were given in a specific order, they had the possibility to change it, keep it or add some new points.

Five specialists have been interviewed individually between one and two hours, from April to July 2016.

7.2 Profile of the Experts

- Mr Jose MONNERAT, Bank Manager, Raiffeisen Bank

Background: He also worked for more than 20 years at UBS Bank where he had the opportunity to gain experience regarding the internationalization of Swiss SMEs.

- Mr Charles SALVAUDON, Director Forensic Investigations & Dispute Services, Deloitte

Background: He also worked at KPMG as Head of Internal Audit and Advisory Business Partner

- Mr Vincent SUBILIA, Deputy Director of International Affairs and Arbitration, Geneva Cantonal Chamber of Commerce
- Mr Benedikt SCHWARTZ, Senior Consultant, Swiss Global Enterprise, Regional Office, Lausanne
- Mrs Chantal MATHEZ, Journalist, Bilan Newspaper, Geneva

7.3 Questions, Answers, and confrontation

1. According to your knowledge, how do Swiss SMEs find markets overseas, in distant emerging countries?

According to the experts the crucial point in finding markets overseas, is to understand the company's industry and products and for which country it would be the most suitable. It is important to know if the firm is part of a specific market because the choices will be restrained.

After that, specialists highlight two tendencies; the first one is to be more proactive, seek for information by yourself through fairs, events, Internet, foreign customers, or even better finding partners in your prospected countries. The second approach would be a more assisted methodology: contacting specific organisms such as the chamber of commerce, advisory platforms and the Swiss Global Enterprise.

According to Mr Schwartz, a market research is crucial in understanding which market to target, what your company is offering and for which needs. Lastly understanding if it will fit the future market needs.

To confront those answers with the theoretical part of this research paper, the answers of the specialists seem to match the results found. First of all, the most important is to understand where your company, products, and services stand, after that preform market research analysis including models such as the PESTEL or CAGE for example. Then, looking for external support such as the SGE or specific organism would be a great asset.

2. How companies should gather information about the target market?

(Survey answers: personal networking, formal networking (fair, trade), Internet, event and newspapers)

Common points were raised by all the interviewees: there is a generational change, entrepreneurs are becoming younger and use more and more internet, formal, informal or personal networking to seek information and stay connected everywhere. For example, fellow students in foreign countries, companies they work with, friends, LinkedIn, colleagues, fairs, events.

According to Mr. Monnerat, the current education is more and more focused on internationalization and understanding other countries and cultures. This fact opens the mind of the youngest who now do not think anymore locally but much more globally.

The other common opinion is that generic market research are already ready to use in order to answer their questions, but also specific market research made by organism of internationalization could be a great asset to succeed abroad.

As stated by Mr Subilia, following the economical mission of the CCIG in the prospected countries could help to truly understand the future nation the company will be dealing with.

Those results seem to match the 2013 SIES report, however, we can distinguish in this report two main groups of manners to gather information about target markets. The first one and largely the most important is the “personal and formal network”, “Internet”, “events” and “newspapers”. The second group much less used gather, general advice, international advisors and banking advice. We can differentiate the answers of the experts and the report thanks to this second group, which is as important as the first one for the specialists but not for the SMEs interviewed.

Survey Answers	Experts Answers
1- Personal networking	1- Internet
2- Formal networking (trade fairs...)	2- Personal and formal network
3- Internet	3- Events, newspaper, fair trade
4- Event	4- Generic and specific market research
5- Newspapers	5- International and banking advisors

3. What are according to you the most important elements of a SME competitive strategy while internationalizing?

(Survey answer: Customer service, product quality control, long-term profitability, Reputation, Experienced/trained personnel)

As stated by Mr Schwartz, generalizing the elements of a SME competitive strategy is somehow difficult, because watches and diapers are not sold the same manner and each of one can have its own competitive strategy that might be very different from the other one. Each industry and sector should have it own competitive strategies; it will also depends on the targeted country.

According to Mr Salvaudon it is imperative to have to right product for the right targeted marked, long before having an efficient competitive strategy. Even if a firm does have the best strategy, without the first step it cannot compete.

However, a general opinion from the experts came out of this question, first of all they will place the “Swiss reputation” or “Swiss label” including its “high-quality products” as the first element of their competitive strategy mostly in emerging country. In second position they chose the “professionalism” of Switzerland and its “experienced and trained workers”. The last element would be the fact that Swiss SMEs “distinguish” very well from the competition.

Regarding the confrontation of the experts with the 2013 survey answers, they did not entirely agree with the survey’s responses, in particular with the “customer service” strategy that has not been retained as well as the “long term profitability”. However, there is an accordance regarding the “Swiss reputation”, its “high quality products” as well as its “professionalism” and “trained workforces”. Furthermore, being able to “distinguish” their products from the competitors ones should be added as an important source of competitive advantage.

Survey Answers	Experts Answers
1- Customer service	1- Swiss reputation
2- Product quality control	2- High quality products
3- Long-term profitability	3- Experienced and trained workers
4- Reputation	4- Professionalism of Switzerland
5- Experienced/trained personnel	5- Distinction from the competition

4. Concerning the expansion of Swiss SMEs into foreign markets have you noticed an increase or a decrease regarding the internationalization toward Europe, Asia or United States?

The experts agreed on the fact that internationalization is part of Swiss genes and is constantly growing, most of all in emerging countries. However, it depends on each sector or industry and a precise answer is not defined. Despite this fact, a common opinion toward Asia is present; they think that China appeals more and more Swiss SMEs. Regarding the other Asian countries, specialists think that it would be more cyclic and depending on trends.

5. Regarding the survey we can observe that entrepreneurial thinking and approaches is a key success of internationalization what do you think about that?

As stated by Mr Monnerat, “by definition a SME include the entrepreneurial thinking and approach”

Every expert agreed on this fact, entrepreneurial thinking is very important to the success of a SME. The significant part of it is being able to take risks, having a strong strategic sense as well as a global and concrete vision of the wished outcome.

Confronting those answers to the 2013 SIES survey we can conclude with a perfect match, both agreed on this observation.

6. What are according to you the rights skills entrepreneurs or employees needs while internationalizing in emergent countries or very distant markets?

Many skills have been cited on this question, however the most repeated and common to all experts, have been kept for this analysis.

Regarding the soft skills needed, flexibility, adaptability, agility and the ability to be open minded are the most important skills employees and decision makers need to possess in time of internationalization. Furthermore, other skills are very important such as having a great business sense, being able to speak several languages as well as having good relational skills.

7. Do you think that every Swiss SME recognizes the new opportunities abroad?

As stated by Mr Salvaudon: “ As a mean of survival, Switzerland always had the great capacity to trade with foreign countries which became something very natural nowadays”

The general opinion that came out is a common agreement: Swiss entrepreneurs and companies are very conscious about abroad opportunities especially because of its limited domestic market, its great capacity to innovate and the huge amount of available information everywhere. Moreover, Swiss people always projected outside borders and entrepreneurs have enough confidence to throw themselves in the international scene.

8. What are according to you the main reasons of internationalizing for Swiss SMEs?

(Survey answers: The main reasons of internationalizing are the demand from foreign customers, the limited potential of home market, the use of existing network, the major market opportunities thanks to innovative product and lastly exploiting the benefits of “Swissness”)

The experts agreed on the fact that they are many drivers for internationalization. Each reason might depend on the company, its sector or its industry. However, some reasons are common to all firms in the internationalization process.

The first one as stated by Mrs Mathez, Mr Schwartz, and Mr Monnerat, is the wish of increasing sales, turnover and profits. This motivation is not stated explicitly by the SMEs surveyed or by the theory “Yip’s globalization framework” for example. But in reality, the attraction for capital is crucial and can be compared to the backbone of a company.

The experts would place the “limited domestic market” in second position before the “demand from foreign customers”, because according to them, one of the crucial reasons why companies are interested by foreign customers is the lack of buyers in their own domestic market. Why demand from foreign customers for Swiss product is high? This can be justified by the following reasons, which are, the Swiss reputation and quality and it’s added value. Therefore, companies seek to exploit the benefice of this “Swissness”.

To confront the experts’ answers and the surveyed SMEs answers we can observe that a major reason is added from the point of view of the experts, which is the “increase sales, turnover and profits”. The other motivations have been all cited by the experts even if the order have been modified a little bit.

Survey Answers	Experts Answers
1- Demand from foreign customers	1- Increase sales, turnover and profits
2- Limited potential of home market	2- Limited potential of home market
3- Use of existing network	3- Demand from foreign customers
4- Major market opportunities	3- Benefits of “Swissness”
5- Benefits of “Swissness”	4- Use of existing network and major market opportunities

9. According to you, what is the most difficult obstacle during this process?

(Survey answers: The price of own products and services, existing laws and regulations abroad, cost of internationalizing, available time of senior management, cultural and linguistic obstacles and lack of networks)

From the specialists interviewed, the first two obstacles are the cost of internationalization and the existing laws and regulation abroad. The following obstacle is stated by Mrs Mathez “ the difficulty to find reliable clients abroad” and confirmed by the other experts. The next obstacle is “the culture and linguistic aspect”. Regarding the “price of own products and services” it is not placed in the first position because as stated by Mr Schwartz: “ Usually Swiss companies are dealing with niche market because of their know-how, high quality and added value, this is why the price of products and services should not be ranked in the first place”.

However, on the contrary of the above specialists, the expert Mr Subilia completely agreed with the answers of the SMEs regarding the obstacles encountered in the internationalization process.

Survey Answers	Experts Answers
1- Price of own products and services	1- Cost of internationalization
2- Existing laws and regulation abroad	2- Existing laws and regulations abroad
3- Cost of internationalization	3- Find reliable clients abroad
4- Available time of senior management	4- Culture and linguistic obstacles
5- Cultural and linguistics obstacles	5- Price of own products and services
6- Lack of network	6- Available time and lack of network

10. What are the key weaknesses of a Swiss company while internationalizing?

(Survey answers: cost structure (product and service cost) too high, insufficient market research, insufficient linguistic expertise of employees, insufficient familiarities with international laws and regulation, lack of international experience)

As stated by Mr Schwartz: “The limited financial resources of SMEs if the first weakness”. Indeed one of the main challenges of SMEs compared to biggest companies is the lack of financial resources, which can create trouble in the

internationalization process. Then, the second most cited one, is the cost structure (prod) which is very high especially in Switzerland including wages, rents, raw materials and so on.

On the third position the insufficient market research, which should be one the first step before internationalizing. After that, the insufficient linguistic expertise of employees is considered as a strong weakness too particularly in distant countries. Lastly the insufficient familiarities with international laws and regulation and the lack of international experience are considered a little bit less important than the above ones.

To confront the experts and SMEs surveyed answers, we can observe that the experts mostly agreed with all the answers even if modifying the order. They also add a strong weakness, which are the limited financial resources of SMEs. “Cost structure” stay in a very high position as well as “insufficient market research”.

Survey Answers	Experts Answers
1- Cost structure	1- Limited financial resources of SMEs
2- Insufficient market research	2- Cost structure
3- insufficient familiarities with international laws and regulation	3- Insufficient market research
4- insufficient familiarities with international laws and regulation	4- insufficient linguistic expertise of employees
5- lack of international experience	5- insufficient familiarities with international laws and regulation
	6- lack of international experience

11. What is the key strength of Swiss SMEs in the internationalization process?

(Survey answers: the know-how, the flexible organization, the strong entrepreneurship, the management team, the distinct culture of innovation and the strong networks)

The strength most cited and recognized by the specialists is the “Swiss know-how” including high added value and high quality products. In the second position with a common agreement we can find the “high level of innovation”, this strength is highly linked with the “strong entrepreneurship” mind placed in third position, which pushes companies to innovate and internationalize. In the fourth position, our “multicultural culture” and “strong network” enable us to compete in the international ground. Lastly

the “high adaptability and open mind” is also a great strength in term of international advantage.

To compare the results with the SMEs surveyed, all the answers are similar but two elements are highly underlined, which are the “Swiss know-how” and its “quality products” as well as the “high level of innovation” that earn two positions. Regarding to the added factors we can observe that the “multicultural culture and the open mind” are cited as an important strength by the experts.

Survey Answers	Experts Answers
1- Know how	1- Swiss know-how and high quality products
2- Flexible organization	2- High level of innovation
3- Strong entrepreneurship	3- Strong entrepreneurship
4- High level of innovations	4- Multicultural culture and strong network
5- Strong network	5- Adaptability and open mind

12. What is from your point of view the most used external support that helps SMEs during this process?

(Survey answers: Private individuals, OSEC, International chamber of commerce, consultancies, banks and cantonal chamber of commerce)

According to Mr Subilia, (Deputy Director of International Affairs and Arbitration at the Geneva Cantonal Chamber of Commerce), the cantonal chamber of commerce is a great asset in internationalization process, it has a role of internationalization facilitator bringing people together or connecting people. Moreover, Mr Subilia would recommend Swiss Global Enterprise, which is a great support for SMEs in internationalization process and the International Trade Centre.

Consistent with Mr Schwartz (Senior Consultant at Swiss Global Enterprise), Swiss Global Enterprise should be positioned at the first position; it is the premiere official location for companies support in time of internationalization. Private individuals can help but it is not the same dimension. I agreed with the other external supports. However, I would add bilateral chambers of commerce that can also help.

Mr Salvaudon agreed with the SMEs surveyed, from his point of view, SMEs should not internationalization without at least one external support in order to optimize its penetration strategy, to meet the rights people and improve its networks. Furthermore,

he would like to add “Swiss embassies” in targeted markets that could communicate accurate and high quality insights.

Regarding Mr Monnerat and Mrs Mathez, they completely agreed with the ranking.

Survey Answers	Experts Answers
1- Private individuals	1- Private individuals
2- OSEC	1- SGE (OSEC)
3- International chamber of commerce	3- International chamber of commerce
4- Consultancies	4- Consultancies
5- Banks	5- Banks
6- Cantonal chamber of commerce	6- ITC and bilateral chamber of commerce

13. What are the reasons for ignoring the support possibilities?

(Survey answers: Insufficient cost effectiveness, what is available did not match the needs, lack of information, lack of confidence in the organization, time period too long to use these services)

According to Mr Schwartz: The mentioned reasons for ignoring the support possibilities are not legitimate reasons, companies underestimate the cost and time that internationalization requires, and most of the time this lead to failures. Moreover, if firms do not have the time or the capital to use an external support in time of internationalization, they have a small chance to succeed abroad. The only legitimate reason mentioned is “what is available did not match the needs”, indeed Swiss SMEs are situated most of the time in highly vertical sectors and niches and finding the accurate help and information is not that simple.

Regarding the other experts answers, they agreed with the ranking including the answers of SMEs surveyed.

Survey Answers	Experts Answers
1- Insufficient cost effectiveness	1- Insufficient cost effectiveness
2- What is available did not match the needs	2- What is available did not match the needs
3- Lack of information	3- Lack of information
4- Lack of confidence in the organization	4- Lack of confidence in the organization
5- time period too long to use these services	5- time period too long to use these services

8. Discussion

Thanks to the following theoretical findings I have been able to better understand the essential and surrounding aspects of the SIES reports in order to provide an accurate analysis.

First of all, understanding what pushes companies, most of all Swiss SMEs, to research overseas markets and which factors lead them to this decision was essential to understand their overall situation.

Concerning that factors, we have seen that specifically in the case of Switzerland, the demand from foreign customers and the limited potential of home market are two main drivers for internationalization.

When the decision is taken, due to different reasons, to go and enter a foreign market, an important question that an enterprise has to ask herself, is what market is the most appropriate and accurate for her products. A general observation that can be made, is that one of the greatest challenges is the choice of the target market, which needs to be coped with finding reliable clients and partners overseas.

Regarding the choice of the future country, market researches and specific analysis need imperatively to be made. Due to the lack of systematic market researches many mistakes have been done such as wrong pricing, inadequate marketing campaigns or lack of cultural understandings. As stated in my theoretical analysis, some international recognized theories enable to overcome these types of mistakes. For example, the CAGE framework, which analyses the compatibility between countries on different criteria; the SWOT analysis, which allows firms to identify their strengths, weaknesses as well as outside threats and possible opportunities in foreign markets; the PESTEL analysis will highlight the macro-environment of a targeted market; and lastly the Porter's 5 forces and diamond will give an overview of the market dynamics of a country such as competition and national advantages. By performing those researches companies will be able to understand which markets will fit better, increase their market knowledge and decrease potential risks and mistakes. The next logical step would be to analyse the entry modes strategies and select the accurate one for the company.

Regarding the different internationalization theories, the Uppsala model has been a great help in order to understand the international model as well as several dimensions that compose SMEs gradual internationalization. As revealed in this theory a step by

step methodology which enables companies to learn and gather information throughout their expansion and the psychic distance that separate countries. However, a revised model of this theory, which is the network business model, emphasizes the importance of relationships and networks in internationalization as a key success factor. Furthermore, networks have a direct impact on increasing market knowledge and on market commitment. Indeed, relationships are a trigger for knowledge, experience sharing and arising opportunities.

Another theory concerning born global companies highlights their increasing importance and foreign competitive advantages of those firms. Those companies are early rapidly internationalized mainly due to their efficient use of networks, which arise new opportunities as well as the international experience of their decisions makers, and knowledge intensity. As literally born global, they are considered very performing in the international ground and reach very high rate of international income.

Findings

Thanks to the SIES reports, the following findings can be highlighted. Based on the fact, that the reports expose a great analytical background and the insights feedbacks from Swiss SMEs, it has been very challenging to provide deeper findings or to generate a discussion, which differs from their findings. Nevertheless, the following facts en trends should be underlined

The first major consideration is that Swiss SMEs represents nowadays more than 99% of Swiss companies and 2/3 of employments, which reflects the vast and increasing importance of Swiss SMEs. Furthermore, in a global context they are very performing and competitive, reaching the 1st place in the global competitiveness report and the 8th position in the entrepreneurship index.

The vast percentage of Swiss SMEs internationalize gradually, which is as stated before, is a step by step method, which helps companies to overcome the constraints of limited financial resources. Then, we can observe, a growing importance toward born global and reborn global companies, which are certainly types of enterprise that will keep growing and that should be taken more into consideration.

Gathering information about the target market

- Personal network and formal networking are considered the most important factors to gather information, which is confirmed by the SIES survey as well as the specialists interviewed and the theoretical background. Indeed networks are

a key factor in the internationalization success, because, among other elements, its knowledge contribution as well as its capacity to overcome trusts issues. Moreover, Internet is a great contributor to information gathering as well as reinforces and facilitates networks.

- Even though, events, newspapers, general advice and international advisors have been mentioned, a primordial aspect is that markets researches have not been cited.

Comparison of the international process

- As stated before, internationalization is taking more and more importance and this fact can highlight by the constant increasing amount of exportations.
- From the SIES analysis we observed that that the internationalization process from year to year has evolved improved and is also more rapid. This can be demonstrated by the increasing numbers of countries and continents penetrated in the same period of time.
- Regarding foreign sales, a constant growth from 2007 to 2013 can be perceived.

Entrepreneurship and international experience

- As stated in the SIES report and confirmed by the specialists, entrepreneurship orientation and management teams is a great success factor in the internationalization process. Moreover, they possess not only skills for domestic but also for the international one. More specifically, soft skills such as flexibility, adaptability and agility are essential for entering distant markets.
- Thanks to the SIES surveys we could observe that the vast majority of the decision makers have foreign experience, education abroad or experience in international companies. Which is a very positive aspect and a great strength for the success of internationalization.

Weaknesses and obstacles toward the internationalization

- From the SIES reports, a clear trend can be observed regarding the weaknesses: the two first factors which are the “structure/products and services cost too high” and the “insufficient market research” are considered as stronger weaknesses. Whereas the other elements (insufficient linguistic expertise of
-

employees, insufficient familiarities with international laws and regulation, lack of international experience among management and employees, not adapted product, lack of innovation, insufficient expertise among employees) are declining in importance from years to years.

Moreover, one of the greatest weaknesses of SMEs is their limited financial resource that impacts directly their internationalization process.

- Regarding the obstacles, the major trends that can be highlighted are the increasing importance of “price of own products and services”, the steady importance of “existing laws and regulations abroad”, “available time of senior management”, “lack of network”, and the decreasing importance of “cost of internationalization”, “cultural and “linguistic obstacle”, “lack of foreign experience”, “lack of information” and the major decrease of “qualification of owned employees”
- Furthermore, two key challenges and obstacles should be underlined, which are the issue to find a foreign market and reliable clients and partners.

Overcoming weaknesses and obstacles

As an observation, we can witness that some weaknesses and obstacles are strongly linked, so that we can make the assumption of that by reducing the weaknesses of a company, it will decrease the perceived obstacles at the same time

Limited financial resources: this weakness is difficult to overcome, for example, Swiss banks do not loan credits unless the company beneficiate from three consecutive years of profits. However, business angels and private investors might believe in your international project and loan you the necessary capital.

Cost structure: A possible solution would be the outsourcing, however it necessitates some funds at the begging of this process. Then, purchasing raw materials in more important quantity in countries where it is cheaper in order to reduce the costs could be another solution.

Insufficient market research: This weakness could be the simplest one to overcome; indeed many solutions are available to improve the market knowledge. First of all, generic markets researches are easily available and external supports can provide more deeper and specific ones. Furthermore students associations could perform markets researches at lower costs. Lastly networks can provide a lot of insights as well

as Internet where many information and analysis such as the SWOT, PESTEL, CAGE, etc. are available and explained step by step.

Insufficient linguistic expertise of employees: depending on the targeted market, seminar and short training should be proposed to employees in order to improve the chances of success. .

Insufficient familiarities with international laws and regulation: External supports can easily palliate this challenge, then Swiss embassies as well as economical mission in the targeted market can provide important insights. Moreover, as mentioned earlier, networks and Internet could also help to overcome it.

Lack of international experience: Companies toward internationalization should in priority hire employees owning international experience, moreover the firm could organize specific seminar on the targeted market. Existing networks of professional can provide very specific insights and advices in order to smooth the internationalization.

Available time: Before taking the decision to internationalize, this criterion should be thinking by the decision markers. Indeed if the time is limited the internationalization should be delayed or extra managers or employees should be added to the team organizing the process.

Lack of network: As seen throughout the thesis, networks are fundamentals and should be developed constantly with social networks such as LinkedIn or professional platform as well as “pulling guanxi”, participating to specific seminars or meetings such as the “Fédération des entreprises romandes” entrepreneurs breakfast. As stated before, one of the main challenges of internationalization is finding reliable clients and partners overseas; networks can overcome this obstacle and improved the trust issues.

Born Global companies

A significant increase of born global firms from 2007 to 2013 is largely perceptible. This expansion is linked to several factors, for example, the growing importance of network model, the increasing international experience, their ability to increase their market knowledge and the rising opportunities in foreign markets. Some important factors of the SIES report should be highlighted:

- Regarding the foreign sales, born global companies sold ¼ more in foreign markets than gradual SMEs and this figure is constantly increasing.

- Concerning the international experience abroad, born globals are very advanced, indeed they surpass by almost 15% SMEs in each of these categories: professional experience or extended stay abroad, professional experience in an international company and education abroad
- In an average of 30%, born global firms are more present in the Asian and North American markets, mostly thanks to opportunities.
- Differentially than gradual SMEs, born global firms take more advantage of their networks in order to increase their market knowledge and possibilities of new opportunities. They also take benefits from the international experience of the decisions makers which impulse foreign trade orientation.

Those factors outshine somehow SMEs in their internationalization ability, however it is mostly due to the specific characteristics of born global firms. The major argument of developing those aspects is because it could help gradual SMEs to understand which factors could provide them more competitive advantage on the international ground and help them to be more efficient on foreign markets.

An important question arises from the previous analysis: Is the increasing shift toward born global companies will gradually lose to Switzerland its traditional firms and at the same time lost firms dedicated to Swiss markets?

9. Conclusion

Thanks to my major “Business in Asia” directed by my Professor Mr Philippe Regnier and Mr Wild who presented the latest SIES report which, emphasizes the importance of Swiss SMEs internationalization as well as the different aspects and dimensions linked to this topic, I realized the importance of understanding this evolving subject and the aim of grasping its potential challenges and evolution matured.

The choice of interviewing some experts in the SMEs internationalization field ensued in order to approve or disapprove some of the SIES findings. As a result they agreed on the different topics at a very high percentage. One of the reasons of this consensus is due to the fact that SIES surveyed a vast numbers of SMEs in order to build their findings and the experts are also connected and in constant contact to numerous SMEs, this is why similar thought occurred.

Thanks to the theoretical analysis and mostly the SIES report, the several findings could have been accentuated:

The increasing importance of internationalization in gradual SMEs and born globals patterns and the significance of networks that can increase market knowledge, shared experiences, impact the decision of market commitment, exposed new business opportunities and impact the choice of future markets penetration.

Then, the elevated entrepreneurial orientation of Swiss decision makers as well as their high rate of diverse international experience allows SMEs to beneficiate from an important competitive advantage.

Regarding the link between some weaknesses and obstacles, it allows to a certain extend the possibility to overcome some of the obstacles by reducing the weaknesses impacts. And lastly the opportunity to use, some of the born globals features in order to improve and increase the efficiency of gradual SMEs in an international context.

In a matter of accuracy, concerning the limitation of this research paper, some factors, for example, different theories, strategies, and experts might have changed some of the findings to a certain extend.

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Appendix 1: The World's 20 largest emerging markets

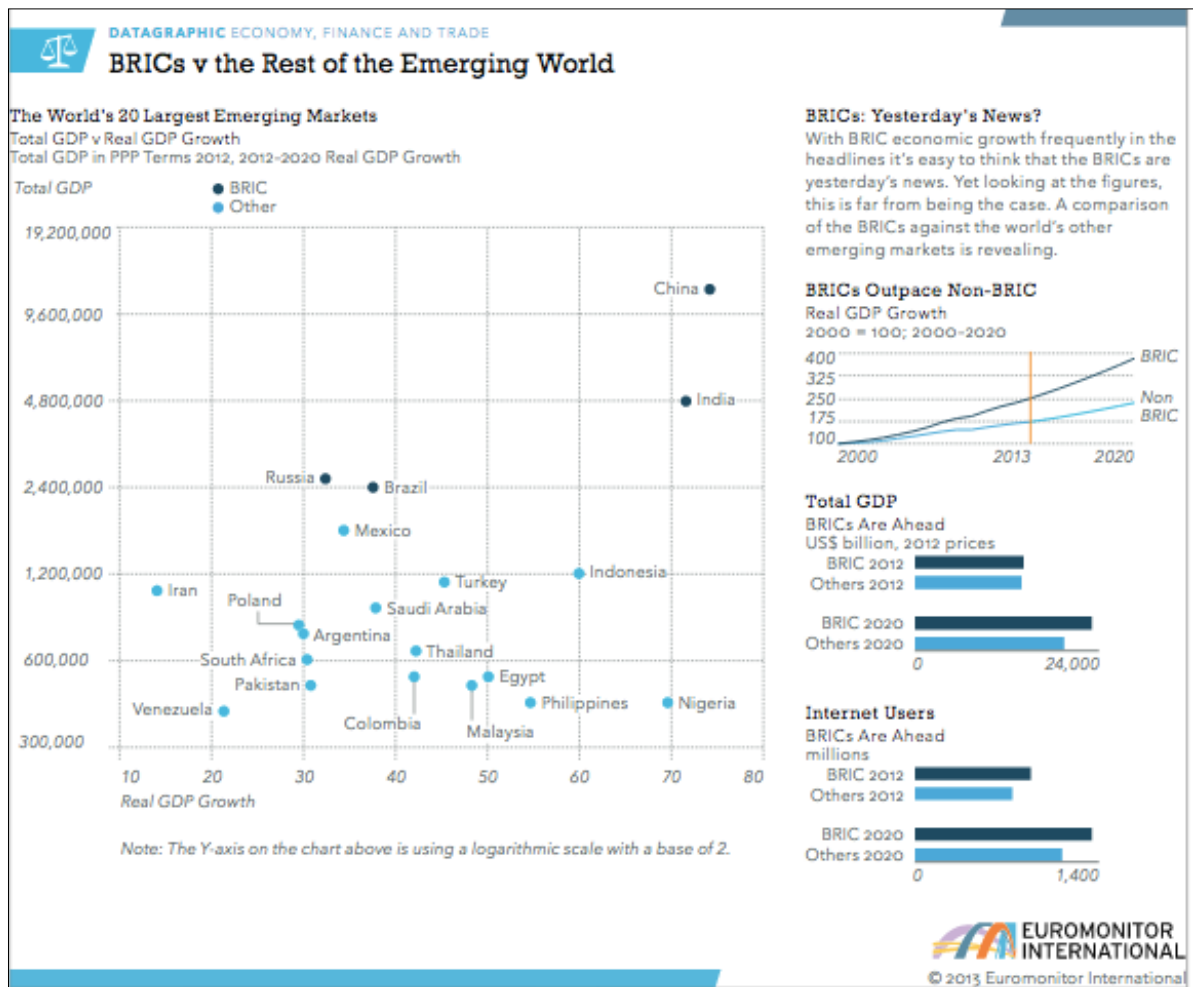


Figure 30. BRICs v the Rest of the Emerging World

Source: (Boumphrey & Bevis, 2013, p. 3)

Appendix 2: 20 largest non-BRIC emerging markets 2013

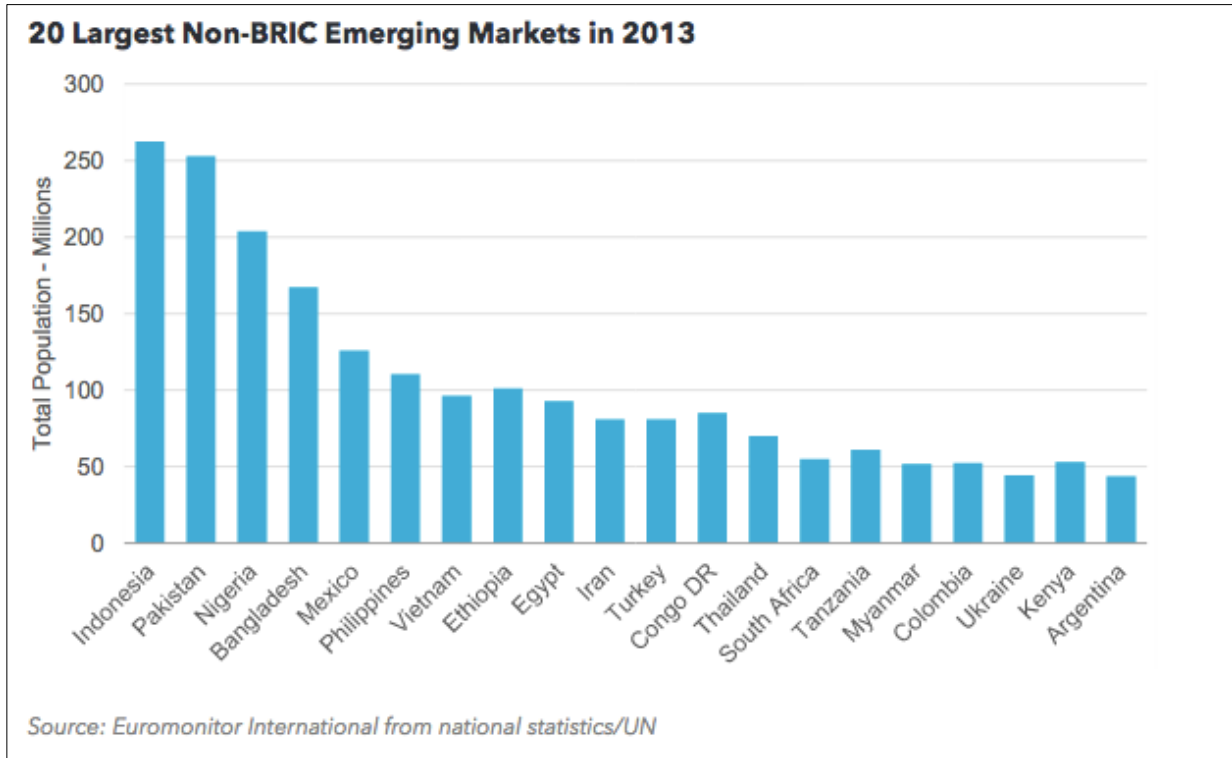


Figure 31. 20 largest non-BRIC emerging markets 2013

Source: (Boumpfrey & Bevis, 2013, p. 7)

Appendix 3: Contribution to Global real GDP Growth: 2000-2020

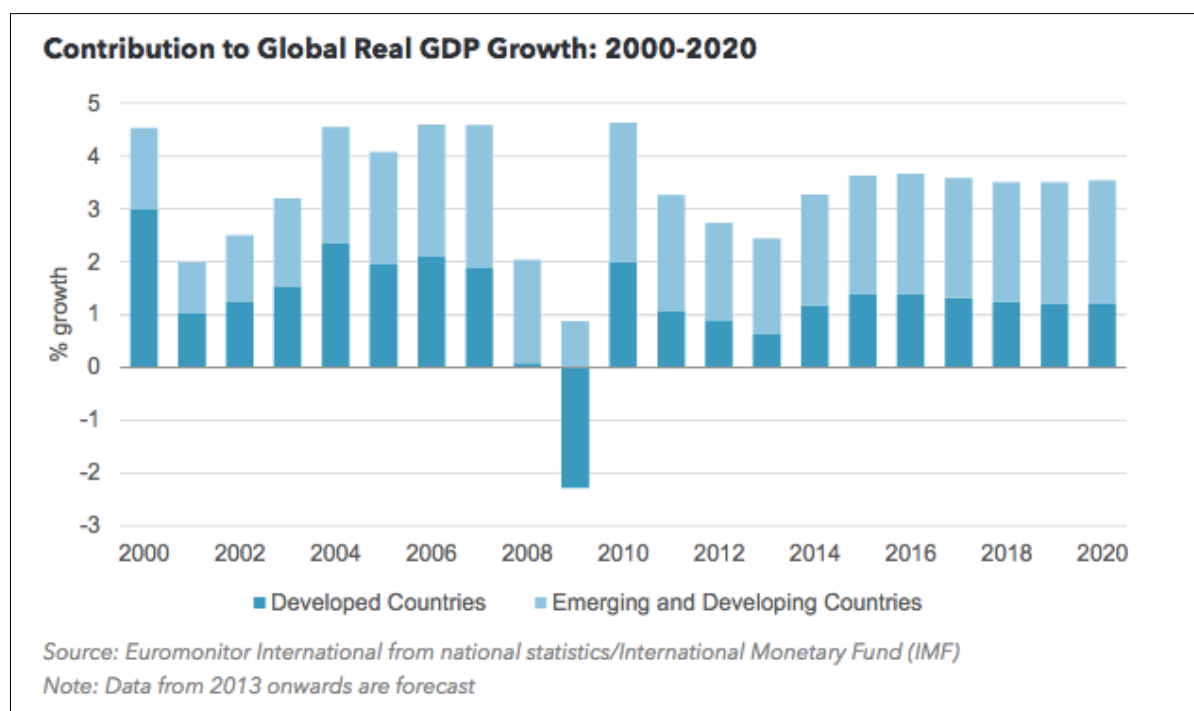


Figure 32. Contribution to Global GDP Growth: 2000-2020

Source: (Boumpfrey & Bevis, 2013, p. 2)

Appendix 4: SME External supports of internationalization

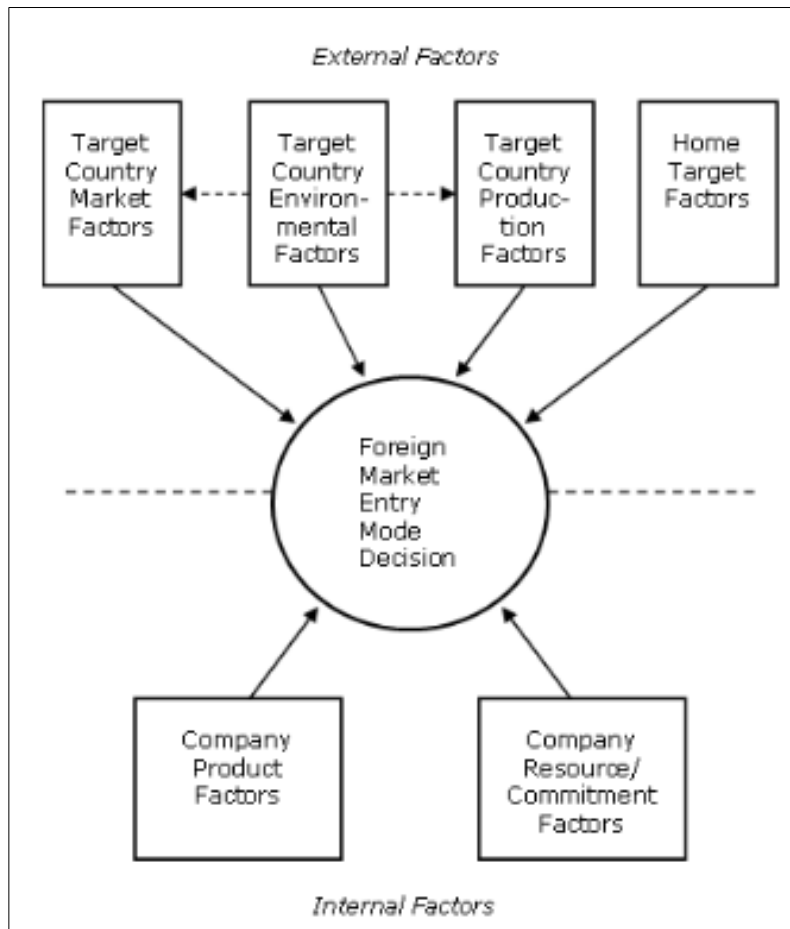


Figure 33. Factors in the entry mode decision (Root, 94)

(International Journal of Marketing Studies, 2012, p. 49)

Appendix 5: Elements of the entry strategy

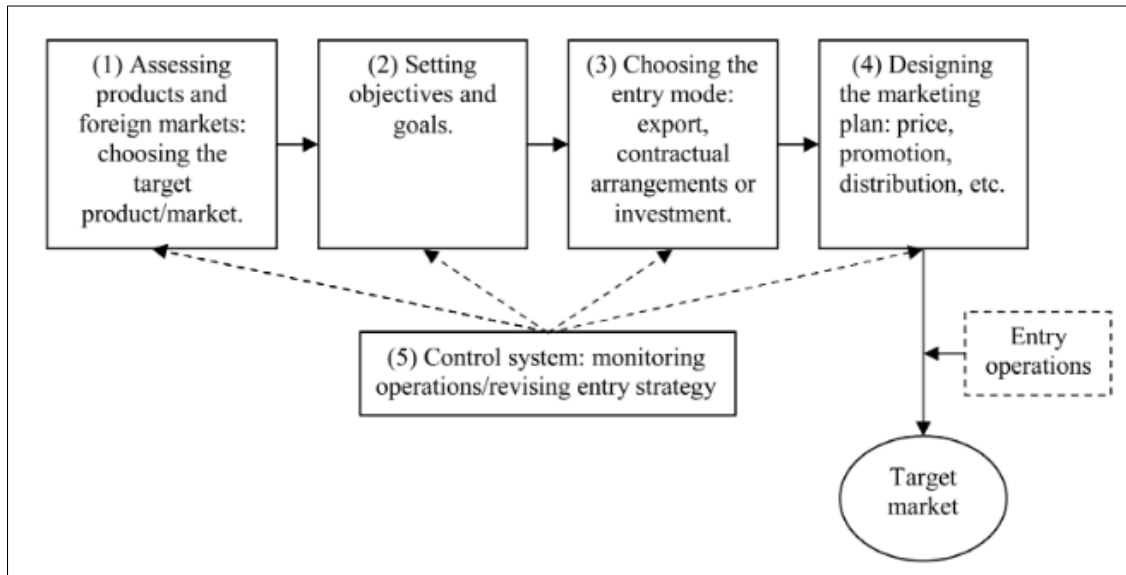


Figure 34. Elements of the entry strategy (Root, 94)

(Open Journal of Business and Management, 2014, p. 22)

Appendix 6: SME External supports of internationalization

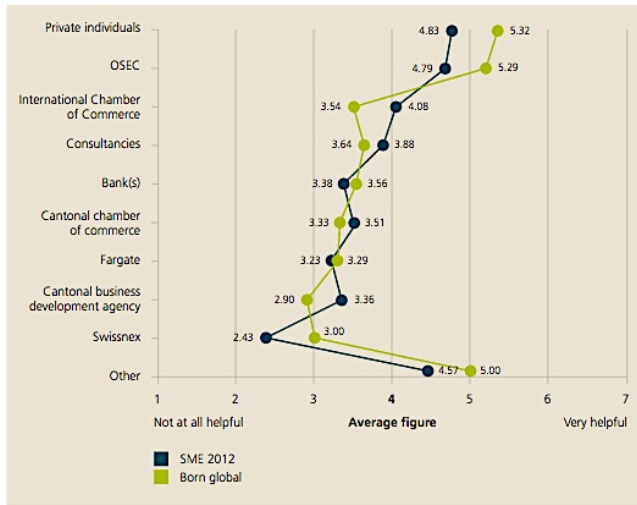


Figure 35. Organizations and services for internationalization support 2013

(Swiss International Entrepreneurship Survey , 2013, p. 30)

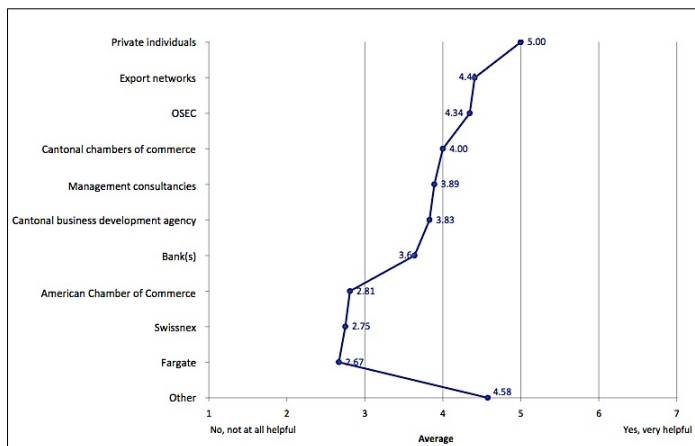


Figure 36. Organizations and services for internationalization support 2010

(Swiss International Entrepreneurship Survey , 2010, p. 23)

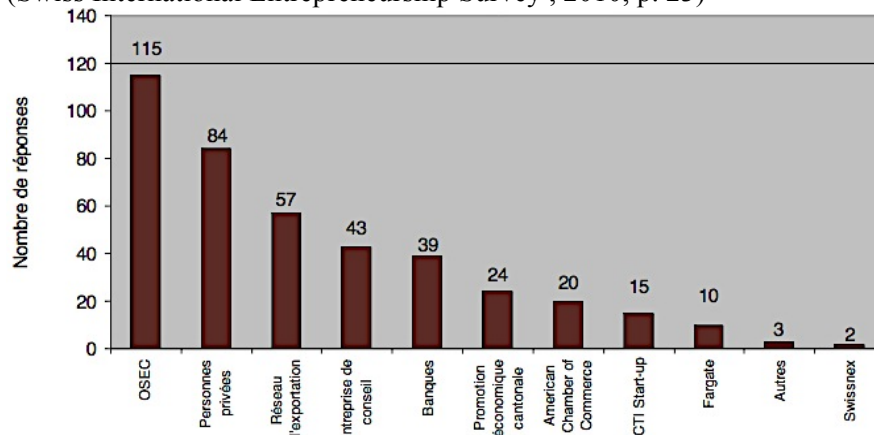


Figure 37. Organization and services for internationalization support 2007

(Swiss International Entrepreneurship Survey, 2007, p. 21)

Appendix 7: Reasons for not using external supports

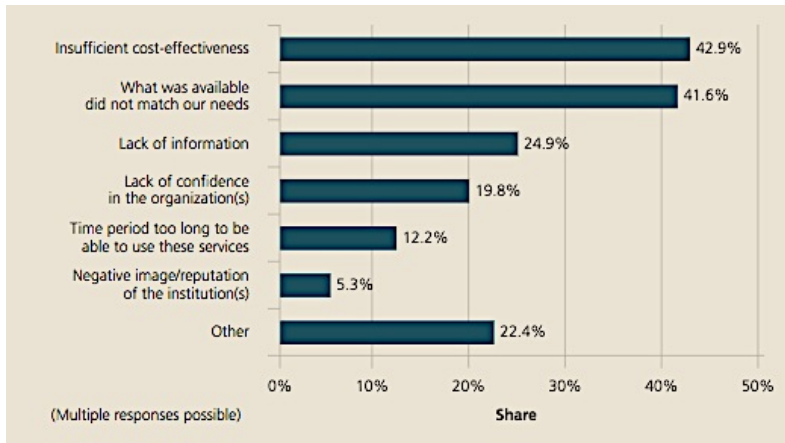


Figure 38. Reasons for ignoring support possibilities 2013

(Swiss International Entrepreneurship Survey , 2013, p. 31)

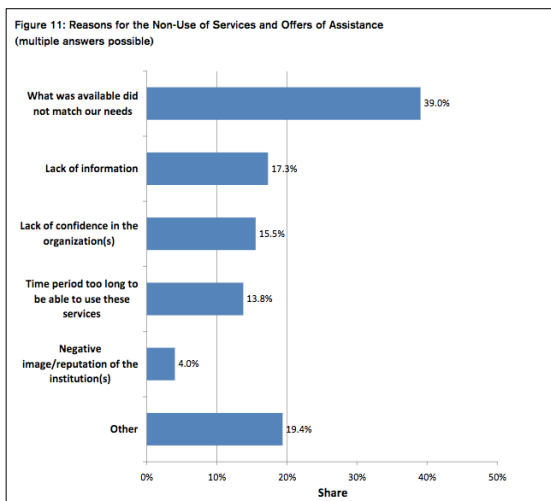


Figure 39. Reasons for ignoring support possibilities 2010

(Swiss International Entrepreneurship Survey , 2010, p. 25)

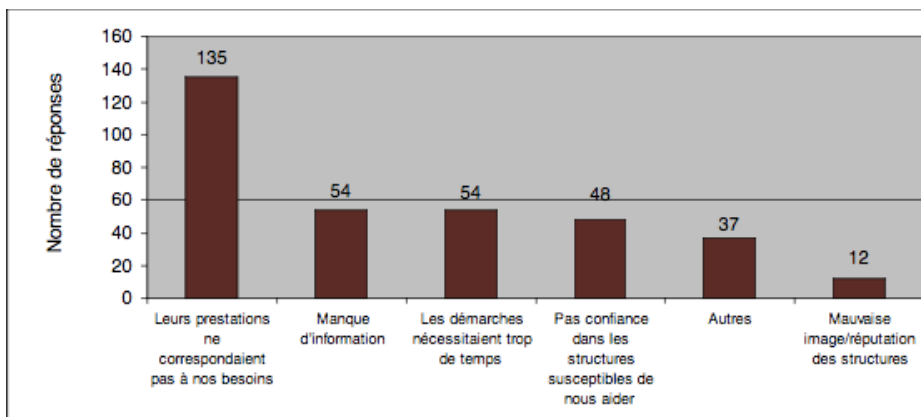


Figure 40. Reasons for ignoring support possibilities 2007

(Swiss International Entrepreneurship Survey, 2007, p. 22)

Appendix 8: Questions of the interviews

1: According to your knowledge, how do Swiss SMEs find markets overseas (in distant emerging countries)? And in distant and risky Asian emerging markets in particular?

2: How companies should gather information about the target market?

(Survey answers: personal networking, formal networking (fair, trade), Internet, event and newspapers)

3: What is according to you the most important elements of a SME competitive strategy while internationalizing?

(Survey answer: Customer service, product quality control, long-term profitability, Reputation, Experienced/trained personnel)

4: Concerning the expansion of Swiss SMEs into foreign markets have you noticed an increase or a decrease regarding the internationalization demand for Europe, Asia or United States?

5: Regarding the survey we can observe that entrepreneurial thinking and approaches is a key success of internationalization what do you think about that?

6: What are according to you the rights skills entrepreneurs or employees needs while internationalizing in emergent countries or very distant markets?

7: Do you think that every Swiss SME recognizes the new opportunities abroad?

8: What are according to you the main reasons of internationalizing for Swiss SMEs?

(Survey answers: The main reasons of internationalizing are the demand from foreign customers, the limited potential of home market, the use of existing network, the major market opportunities thanks to innovative product and lastly exploiting the benefits of "Swissness")

9: According to you what is the most difficult obstacle during this process?

(Survey answers: The price of own products and services, existing laws and regulations abroad, cost of internationalizing, available time of senior management, cultural and linguistic obstacles and lack of networks)

10: What are the key weaknesses of a Swiss company while internationalizing?

(Survey answers: cost structure (product and service cost) too high, insufficient market research, insufficient linguistic expertise of employees, insufficient familiarities with international laws and regulation, lack of international experience)

11: What is the key strength of Swiss SMEs in the internationalization process?

(Survey answers: the know-how, the flexible organization, the strong entrepreneurship, the management team, the distinct culture of innovation and the strong networks)

12: What is from your point of view the most used external support that helps SMEs during this process?

(Survey answers: Private individuals, OSEC, International chamber of commerce, consultancies, banks and cantonal chamber of commerce)

13: What are the reasons for ignoring the support possibilities?

(Survey answers: Insufficient cost effectiveness, what is available did not match the needs, lack of information, lack of confidence in the organization, time period too long to use these services)

Appendix 9: Interview Transcript

1: According to your knowledge, how do Swiss SMEs find markets overseas (in distant emerging countries)? And in distant and risky Asian emerging markets in particular?

Il y a différentes façons, par exemple les entreprises participent à des foires, par Internet, certaines fois ce sont les clients étrangers qui trouvent les sociétés suisses surtout par internet grâce à leur site internet.

Il y a aussi une façon plus proactive de trouver des marchés outremer, les sociétés commencent à prospecter ou à rechercher des partenaires dans le pays souhaité.

Dans la plus part des cas cela dépend de la société elle même, si elle est hautement spécialisée il n'y aura peut-être que trois clients dans un pays potentiel et peuvent donc les contacter directement, si au contraire ils ont une multitude de clients potentiels dans le marché désiré il faudra un partenaire de distribution, un agent, un distributeur ou même un revendeur. Tout va dépendre de la formule de collaboration, un distributeur achètera et revendra les produits à leur prix, un agent établira une relation qui facilitera les ventes mais encaissera une commission.

Cela reste néanmoins très difficile à généraliser, cela dépendra des produits ou services offerts, en général il faut trouver la formule qui correspond le mieux aux besoins du marché et pour cela il faut impérativement faire une étude de marché pour comprendre quel marché choisir, savoir se que la société a à offrir et savoir si cela correspondrait au besoin du marché et dans le cas contraire comment l'adapter.

2: How companies should gather information about the target market?

(Survey answers: personal networking, formal networking (fair, trade), Internet, event and newspapers)

Il y a des études des marchés qui peuvent se faire, il y en a certaines relativement génériques, ou alors des très pointues, par exemple nous faisons (à la SGE) des études de marché très pointues, nous répondons aux questions de l'entreprise, que se soit sur les niveaux de prix, les canaux de vente, etc.

Il est possible qu'on aide une entreprise à trouver le marché mais cela reste une discussion avec la société. Cependant, ce n'est pas nous qui disons à une entreprise qui veut s'internationaliser dans quel pays aller, bien sûre nous pouvons donner des informations et conseils mais finalement c'est la société qui décide si elle veut

s'installer en Italie ou France ou Chine. Par exemple, si la société veut s'internationaliser en Chine, elle voudra savoir quelle est la concurrence, quels sont les niveaux de prix, quelles sont les acteurs clefs, se sont des études que nous faisons suivant la société. Ensuite il y a d'autres possibilités telles que les réseaux, les foires et toutes sorte de sources d'information que l'on peut trouver.

3: What is according to you the most important elements of a SME competitive strategy while internationalizing?

(Survey answer: Customer service, product quality control, long-term profitability, Reputation, Experienced/trained personnel)

Il est très difficile de généraliser la stratégie compétitive d'une entreprise, par exemple, on ne peut pas comparer une entreprise qui vend des montres de luxe et une autre qui vend des couches pour bébé, chacune a ses propre stratégies concurrentielles qui peuvent être très différentes les unes des autres. Chaque secteur et industrie ont leur propres stratégies qui peuvent dépendre du marché cibler.

Nous avons pu observer que l'élément stratégique le plus important est de se distinguer de la compétition, surtout à l'international. La toute première question qu'un client potentiel va se poser est, pourquoi acheter à une société Suisse alors que je peux avoir la même chose d'une société locale ou d'un autre pays qui a plus de notoriété.

4: Concerning the expansion of Swiss SMEs into foreign markets have you noticed an increase or a decrease regarding the internationalization demand for Europe, Asia or United States?

Cela va dépendre du secteur, cependant il est clair que l'Asie surtout la Chine est très forte. Pour les autres pays, c'est une peu cyclique, il y a des périodes où beaucoup d'entreprises sont intéressées surtout à l'Inde ou le Brésil, mais cela diminue et augmente. Cela peut dépendre également de la situation politique des pays, mais en général il est difficile de vraiment constater la tendance.

5: Regarding the survey we can observe that entrepreneurial thinking and approaches is a key success of internationalization what do you think about that?

Oui effectivement, l'esprit entrepreneur est un facteur très important et fréquent en Suisse, prendre des risques et entreprendre est primordial.

En plus de l'esprit entrepreneur, il y a également l'aspect stratégique qui est aussi très important, il faut être capable de mettre en place plusieurs éléments en même temps pour réussir, il faut avoir une image complète de ce que l'on veut accomplir et non une image partielle.

Quand on commence à s'internationaliser et que l'on dépense de l'argent, il est possible qu'à un moment donné on se rende compte qu'on ne peut pas continuer car on n'a pas les moyens. Cela est déjà arrivé que des sociétés s'internationalisent en Chine dépensent beaucoup d'argent et se rendent compte qu'elles n'ont pas le souffle pour tenir et continuer ce qui était prévu, il est dommage qu'elles n'aient pas assez réfléchi à l'avance.

6: What are according to you the rights skills entrepreneurs or employees' needs while internationalizing in emergent countries or very distant markets?

Lors de l'internationalisation, il est très important d'avoir un esprit ouvert et la capacité à pouvoir s'adapter facilement, la flexibilité est également une compétence clef.

Posséder un bon « business sense » est essentiel ainsi que le fait de pouvoir garder son but principal et être capable de se dévier de cette lignée à tout moment si nécessaire.

7: Do you think that every Swiss SME recognizes the new opportunities abroad?

De nos jours, de plus en plus d'entreprises s'internationalisent et plus ou moins tout le monde s'y intéresse, spécialement en raison de notre marché limité. On a également la possibilité de trouver beaucoup d'information sur les potentielles opportunités et sur ce sujet.

Ce n'est plus autant compartimenté qu'avant, les personnes se projettent facilement à l'étranger.

8: What are according to you the main reasons of internationalizing for Swiss SMEs?

(Survey answers: The main reasons of internationalizing are the demand from foreign customers, the limited potential of home market, the use of existing network, the major market opportunities thanks to innovative product and lastly exploiting the benefits of "Swissness")

Je suis d'accord avec les catégories du classement, cependant je rajouterai peut être le fait que les entreprises s'internationalisent également pour augmenter leurs ventes

et chiffre d'affaire. La demande de clients étrangers est aussi très courante et présente en Suisse.

9: According to you what is the most difficult obstacle during this process?

(Survey answers: The price of own products and services, existing laws and regulations abroad, cost of internationalizing, available time of senior management, cultural and linguistic obstacles and lack of networks)

Cela dépend des entreprises et de leur secteur, en premier lieu je mettrais le cout de l'internationalisation ainsi que les ressources à investir dans le pays ciblé. Ensuite, il est vrai que les lois et régulations à l'étranger peuvent créer certains obstacles. En ce qui concerne le cout de nos produits et services, si l'entreprise offre des produits, innovants, à haute valeur ajoutée ou se trouve dans un marché très spécialisé le prix ne serait pas le plus grand obstacle.

10: What are the key weaknesses of a Swiss company while internationalizing?

(Survey answers: cost structure (product and service cost) too high, insufficient market research, insufficient linguistic expertise of employees, insufficient familiarities with international laws and regulation, lack of international experience)

Selon moi la première faiblesse des PME est le manque de ressources et cette faiblesse devient encore plus importante lors de leur internationalisation, ce problème engendre également le fait de ne pas pouvoir adapter ses produits au marché international, un manque de personnel spécifique, etc.

Je mettrais ensuite le couts des structures qui est effectivement très élevé en Suisse et juste après le manque de recherche de marché qui dans de nombreux cas mène directement à un échec.

11: What is the key strength of Swiss SMEs in the internationalization process?

(Survey answers: the know-how, the flexible organization, the strong entrepreneurship, the management team, the distinct culture of innovation and the strong networks)

La notoriété de la Suisse et son savoir faire sont des facteurs très importants, qui aident beaucoup à la compétitivité. Ensuite je placerais en deuxième position la forte capacité à innover ainsi que notre fort esprit entrepreneur qui promeut nos innovations.

Les Suisses sont vraiment remarquable lors de l'internationalisation, ils gardent un esprit très ouvert et ont l'habitude d'être confrontés à une culture multiculturelle. En Suisse nous possédons beaucoup de différentes cultures dispersées dans plusieurs

régions. Ensuite le network est un élément très important qui devient de plus en plus indispensable et que nous maîtrisons assez bien.

12: What is from your point of view the most used external support that helps SMEs during this process?

(Survey answers: Private individuals, OSEC, International chamber of commerce, consultancies, banks and cantonal chamber of commerce)

Il faut absolument mettre la SGE en première position, nous sommes la première adresse en ce qui concerne toutes les questions relatives à l'internationalisation, d'une façon très officielle.

Ensuite oui effectivement les amis et connaissances peuvent aider et fournir des informations mais ce n'est pas la même dimension.

En ce qui concerne les chambres de commerces, ce n'est pas exactement leur métier, nous avons des accords avec les chambres cantonales de commerce, dans le cas où ils sont confrontés à des questions relatives à l'internationalisation nous prenons le relais.

Pour les autres supports externes je suis assez d'accord. Cependant je rajouterai les chambres de commerce bilatérales peuvent également être de grande aide.

13: What are the reasons for ignoring the support possibilities?

(Survey answers: Insufficient cost effectiveness, what is available did not match the needs, lack of information, lack of confidence in the organization, time period too long to use these services)

Selon moi ces raisons ne sont pas légitimes, les entreprises sous-estiment trop souvent le coût et le temps nécessaire à l'internationalisation et la plupart du temps ils doivent faire face à un échec. Si ils considèrent déjà le coût des organes d'assistance trop élevée, ils n'ont sûrement pas les moyens nécessaires pour s'internationaliser. Un organisme comme le notre ou un consultant qui fait les recherches nécessaires, cela ne coûte qu'une toute petite partie du budget de l'internationalisation.

Par exemple, dans mon cas je préfère discuter face à face avec les personnes qui ont des questions ou qui veulent s'internationaliser et dans beaucoup de cas ils n'ont pas le temps de se déplacer pour venir faire un entretien. Pour moi cela est une très bonne indication qui me prouve qu'ils ne se rendent pas compte du temps nécessaire à l'internationalisation.

Cependant, il y a une raison légitime mentionnée qui est « what is available did not match the needs », les entreprises Suisses sont souvent positionnées dans des marchés très verticale ou des niches et cela est très difficile d'obtenir une assistance juste d'un organisme plutôt générique.