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Internationalisation and entrepreneurship: lessons from SME failure in the United Kingdom and the Netherlands

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Executive summary

This report describes a research done for Project FENIX of the entrepreneurship program of the Amsterdam University of Applied Sciences.

Its aim was to research the reasons for failure of entrepreneurs in their internationalisation process. Project FENIX advises entrepreneurs and has thus been seeking to provide insights relating to internationalisation. Furthermore, the project wishes to broaden academic knowledge on different aspects on failure and recovery.

An overview of internationalisation and failure theories is given. The classic theories of the Uppsala model (Johanson & Mattsson, 1987) have been considered, together with more modern views of Knight and Cavusgil(2004) on Born Global firms, which start internationalising within three years after inception. And those of McDougall and Oviatt (2005) on International New Ventures which operate internationally from inception, among others. Hence, the three most important aspects were chosen as the scope of this research i.e. strategy, innovation and networks. Moreover, the academic community has stated that more qualitative and cross-country research was needed to fill the gaps in theory (Ribau, Moreira, & Raposo, 2016). Hence, the selected countries to analyse were the United Kingdom and the Netherlands. The research was explorative in nature.

The main research question was: "What are the factors of the internationalisation process that influence failure events for Dutch and British SMEs?"

Definitions of the fundamental concepts of this research have been drafted with generalizability and validity in mind. Sekaran (2016) states that both narrowly and broadly defining concepts enhances reliability. Thus, internationalisation has been broadly defined as: *an enterprise using assets, resources or capabilities in a foreign market or pursuing human capital or clients abroad.* Failure in internationalisation was defined narrowly as: *an event where a company committed resources or took on risks in a foreign market, that led to a state inferior to the goal, in which the longevity and/or financial position of the company were substantively damaged.*

To answer this question, ten entrepreneurs have been interviewed over a period of two months. Due to travel restrictions related to the Covid-19 pandemic, all interviews were done using video conferencing software. The data set consisted of entrepreneurs that have internationalised, either successfully or unsuccessfully. The anonymised transcripts of these interviews have been stored in the database of the professorship. Extra copies are made available to the thesis assessment of the Amsterdam School of International Business, for assessment purposes only.

These results were then analysed using two analysis techniques: a pattern-matching approach (Yin, 2009) and deductive reasoning (Miles, Huberman, & Saldaña, 2014). This choice for two techniques was done to reinforce reliability and generalizability (Sekaran, 2016).

This research found that the most important factors for failure internationalisation were related to the strategy and network aspect. The most important factors contributing to failure are: a deficiency in international vision and international experience, a deficiency in adaptiveness and diversification and a incapacity to recognize predatory behaviour of network partners.

The discussion and conclusions led to recommendations for entrepreneurs in an action trajectory consisting of five steps to be executed by the management.

A quick summary of the five steps is: clearly define an international growth vision, build network partnerships with a mutual orientation, design the business model around adaptability, bring people with international experience into the organisation and take measures related to issues around managing remotely.

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1 Introduction

1.1 Background of the research

This thesis is written for the international business and languages (IBL) Programme at the Amsterdam school for international business (AMSIB). This research is conducted for the Professorship Entrepreneurship, which is a part of the Centre for Applied Research on Business and Economics (CAREM) of the Amsterdam University of Applied Sciences (AUAS). The research serves as a final assignment before graduating for the bachelor's program International Business and Languages of the AUAS. The learning goals to be achieved in this thesis are learning goals one until nine, as stated in the Amsterdam School of International Business (AMSIB) thesis guide 2020-2021 (AMSIB Thesis Committee, 2019).

The research topic selected to achieve the learning goals is failure events among internationalising entrepreneurs in the United Kingdom (UK) and The Netherlands. The topic fits into a greater research conducted by the Professorship Entrepreneurship under the name Project FENIX. This project analyses stories of entrepreneurial failure. Thus, it broadens academic knowledge on the subject and improves education on entrepreneurship. FENIX cooperates with Northumbria University (Martens & Alvarado Valenzuela, personal communication, 16th of October 2020). This thesis contributes to the academic debate on the topic and improve entrepreneurship education.

The focus is on internationalisation theories related to SMEs. Project FENIX aims to help aspiring entrepreneurs and their advisors. Large multinational companies (MNEs) are not the target audience. Shuman & Seeger (2017) argued that SMEs cannot be seen as large firms on a small scale. Large firms are fundamentally different from SMEs, according to Lu & Beamish (2001). Hence, this research looks at internationalisation theory related to small- and medium sized companies (SMEs), because the target audience of Project FENIX does not consist of managers of large corporations.

Academic literature on SME internationalisation is plentiful (Dabić et al., 2020), as is the case with studies on entrepreneurial failure (Kücher & Feldbauer-Durstmüller, 2019); however, the combination of these two phenomena is not often researched. Ribau et al. (2016) state in their literature review on SME internationalisation that there is a lack of studies focussing on export withdrawal and divestitures. This can be interpreted as a lack of research on failure in internationalisation. In addition, Vissak et al. (2020, p. 19) say that "(…) failure stories could reveal some unique aspects that success stories might ignore." The goal of this research was to collect stories from Dutch and British entrepreneurs involved in SME internationalisation, and analyse these stories to contribute to the academic debate. The research has looked at both failure and success cases, and used patter matching (Yin, 2009) and cross-case analyses (Eisenhardt, 1989) to find failure factors. The results provided lessons for future entrepreneurs planning to internationalise. Hence, this research fills a necessary knowledge gap while also providing the target audience of Project FENIX with actionable knowledge.

1.2 Organisation description

Within the professorship, there is an ongoing research project named Project FENIX, which gathers stories of entrepreneurial failure. The professorship was founded in 2015 as a part of the CAREM of the AUAS. It comprises of sixteen employees in total, with the lead researcher being professor Dr. Wakkee. Students from the AUAS and Northumbria University gather information through interviews, which become part of the FENIX database. The students are rewarded with academic credits for the

work done. Additionally, the project uses student researchers to investigate problems within the scope of entrepreneurial failure. The aim of the project is to widen academic understanding of entrepreneurial failure in a broad sense. More narrowly, the aim is to publish information which entrepreneurs, students and business advisors can use to prevent failure in the future. The lessons from failure events have thus been converted into knowledge for achieving success (Professorship Entrepreneurship, 2019).

Project FENIX was started because of a gap in academic research surrounding failure. Education and academia are often focused on successes and perpetual growth (Martens & Alvarado Valenzuela, 2019). However, failure cases can have great value for entrepreneurs (Cope, 2011). Research shows that entrepreneurs who experienced failure in the past, are more likely to succeed in the future (Parker, 2012). The leading researchers of project FENIX are Dr. Alvarado Valenzuela and Dr. Martens. Aside from research, the organisation also gives lectures, classes and workshops to students, entrepreneurs and advisors (Professorship Entrepreneurship, 2019).

1.3 Problem analysis

1.3.1 Current situation

Project FENIX has gathered stories of business failure events in a broad sense (Professorship Entrepreneurship, 2019). The gathered information is from the UK and the Netherlands. Students have gathered and analysed stories of failure. These experiences are distributed to entrepreneurs, students and advisors in order to aid them with their enterprises.

1.3.2 Desired situation

Project FENIX wants to advise their target audience on failure related to internationalisation. With experiences from entrepreneurs in the form of stories and qualitative analyses, FENIX will be able to inform a new generation of entrepreneurs with the lessons learned from entrepreneurs that have internationalised in the past. In the improved situation, the societal and financial cost of entrepreneurial failure will diminish. Moreover, the educational programs of the entrepreneurship faculties of AUAS and Northumbria University will improve if this topic is addressed.

1.3.3 Gap

Recent academic literature does describe entrepreneurial failure related to internationalisation but is mostly quantitative in nature. Moreover, it investigates specific segments of the economy or countries (e.g. Lu & Beamish, 2001; Nummela, Saarenketo, & Loane, 2016). In their literature review on SME internationalisation, Dabic et al. (2020) mention that quantitative studies focussing on European markets are overrepresented. Moreover, the same article states that the literature lacks qualitative studies which are needed to generate insights for new theory. There is no existing literature that specifically describes the influence of internationalisation on business failure events from the Netherlands and the UK. Therefore, this gap needs to be bridged since Project FENIX's goal is to assist entrepreneurs active in the entrepreneurship ecosystem in the UK and the Netherlands.

Besides the academic perspective on this problem, the project aims to prepare future entrepreneurs for internationalisation. There is an urgency to identify the issues that drive businesses to fail in

internationalisation. By identifying these causes, knowledge can be formed about the issues that entrepreneurs need to address before and during internationalisation. Thus, by studying the process, the aspects that influence business failure can be identified. Based on these findings, recommendations can be formed for entrepreneurs internationalising in the future.

The countries selected to study are the UK and the Netherlands. Firstly, because these two countries have tense economic ties. The Netherlands is the third largest trading partner of the UK (McCrae, 2019). The UK is likewise the third largest trading partner of the Netherlands (CBS, 2018). Secondly, the UK has recently separated itself from the European customs union due to the Brexit, creating further challenges and opportunities for both Dutch and British entrepreneurs. Consequently, any research on this topic should strive to analyse cases which are recent, thus preventing the outcomes of the research to be outdated. Thirdly, as Frishammar and Andersson (2009) state, cross-national studies are far better suited to investigate internationalisation, than studies of subjects from a single country. To keep data collection options feasible, the choice was made to limit the research to the UK and the Netherlands, since project FENIX has connections in both countries from previous research efforts.

1.4 Main research question

 "What are the factors of the internationalisation process that influence failure events for Dutch and British SMEs?"

1.4.1 Sub questions

1. Which factors related to the business network affect failure in internationalization?
2. Which factors related to innovation affect failure in internationalization?
3. Which factors related to strategy affect failure in internationalization?

An extensive explanation for the formation of the sub-questions is given in section 2.4.

1.5 Organisation of the report

Hereinafter the report comprises of a theoretical framework in chapter two and a methodology description in chapter three. The different theoretical angles are discussed, with their respective justifications and limitations. The chapter is concluded with three sub-questions. The following chapter contains the research methodology, together with the variables of analysis derived from the theoretical framework. The discussion is the final chapter of this report, where the research results and recommendations for future research are given.

1.6 Definition of failure

Failure in entrepreneurial ventures is a concept that received much academic attention lately. Research shows that entrepreneurs recovering from a failure, actually perform better in successive business ventures, for instance (Cope, 2011; Parker, 2012). In their article describing failure management, Lee & Miesing (2017, p.159) define failure as "a state where reality is inferior to the goal", as opposed to success being "a state where reality is superior to the goal". This definition of failure is rather broad. Defining the concept too broadly would hurt validity (Miles, Huberman & Saldaña, 2015), thus a reformulation is needed.

The specific form the failure takes is not important, but rather the lessons to be learned from it. As mentioned in 1.1, there is a gap in literature describing divestitures and de-internationalisation, described by Ribau et al. (2016). Hence, divestitures and de-internationalisation have also been included in the definition of failure for this research. In this thesis, it is not important to only find bankruptcies or only divestments. That is because the aim of this thesis is to provide lessons to a new generation of entrepreneurs with the outcome. However, a definition too broad does not yield valuable results, because cases where internationalisation had hardly any impact on business resources can be erroneously included. Thus, a failure event in internationalisation is defined in this thesis as: *An event where a company committed resources and took on risks outside its domestic market, that led to a state inferior to the goal*, *in which the longevity and/or financial position of the company were substantively damaged*.

1.7 Definition of internationalisation

To establish parameters for the scope of this research, the definition of internationalisation is given in this section of the report. Vahlne & Johanson describe internationalisation as follows: "[…] a process in which the enterprise gradually increases its international involvement" (Vahlne & Johanson, 1990, p. 11). These two researchers have published their first article on internationalisation in 1977, which is now one of the most cited articles on the subject in history (Vahlne, 2020). A substantial portion of academic research has been based on the theorisations of this work, commonly referred to as the Uppsala model (Dabić et al., 2020). Because of its importance in the academic community, this research has included its definition in the formation of the framework.

However, this theory was based on established MNE firms in 20th century Europe (Vahlne, 2020) and therefore its generalizability in today's environment can be disputed. Oviatt & McDougall state that: "new ventures with limited resources may also successfully compete in the international arena" (2005, p. 29). Building on that theory, Knight & Cavusgil have researched businesses that have been international in their business model from the very beginning (2004). This can include businesses that plan to utilize resources, assets or partnerships abroad even before inception (Knight & Cavusgil, 2004). Therefore, this research used a wide definition of internationalisation. The reason is that this choice facilitates generalizability of the outcomes for entrepreneurs in both situations.

The process has been defined in this research as follows: internationalisation occurs when an enterprise uses assets, resources or capabilities in a foreign market or pursues human capital or clients in a geographical market outside its domestic market. Whether process went gradually or was planned, is not relevant to the classification. Both count as internationalising a business model. However, the distinction was considered. This research has deemed it plausible that planned internationalisation has a lower chance of failure than gradual internationalisation.

The parameters regarding internationalisation have been set in this section, but the research is looking specifically at SME internationalisation. Hence, the term SME is described and defined in the following section.

1.8 Definition of SME

There is a necessity to properly define the term SME for the sake of research boundaries. The definition of a SME by the European Commission (EC) is dependent on "three elements; the average number of employees in a financial year, net turnover and balance sheet total" (Centre for Strategy & Evaluation

Services, 2012, p.8). An SME has between 50 and 250 employees. The turnover should be between 10 and 50 million euros per year, and a balance sheet total between 10 and 43 million euros. Small companies are defined as any venture with an employee count between 10 and 50, as well as a turnover and balance sheet total of 2 to 10 million euros per year. Any number lower than that is considered a micro enterprise (Centre for Strategy & Evaluation Services, 2012). The definition of the EC is so strict because it is used for policy making, as opposed to academic literature where the definition is far less rigid. The studies used in this research, such as Lee et al. (2012) use an employee count of less than 500 as definition for a SME for their research in South Korea. Altman et al. (2008) say that the definition of an SME is always relative to the region where the investigation is done.

For this research the definition of the EC has been slightly adjusted, to follow the academic definition of an SME more closely. The EC definition is leading, because the UK and the Netherlands were both part of the European Union when this research started. However, with a slight adjustment the results of this research could be generalized and thus used on a global scale in future research. Thus, an SME is defined as a company with an average employee count in the financial year of between 1 and 250 people. Turnover and balance sheet are two indicators that have not been considered, because other studies used in the theoretical framework do not consider them either (Nummela et al., 2016; Lee et al.2012; Del Baldo & Aureli, 2020). This choice was made to safeguard generalizability. Hence, this definition includes 'small' and 'micro' enterprises from the EC definition, but excludes large firms. The justification is that large firms follow a different internationalisation path than SMEs, according to Oviatt & McDougall (2005). With the parameters clearly defined, the risk of collecting erroneous data has been diminished.

2 Theoretical framework

2.1 Introduction

The theories used in this chapter relate to *SME internationalisation*, *entrepreneurial failure* and a combination of the two concepts. The academic articles that form the basis for this framework have been accessed through the Business Source Ultimate and ProQuest Business Collection databases. The internationalisation process and the process of business failure are theorized individually. The internationalisation process is analysed from three levels: strategy, innovation and network. Each section explaining these levels individually also provides linkages to theories of failure. In order to keep the scope of this research comprehensible, the theoretical foundation was limited to entrepreneurship and business literature. Any factors related to economic, psychologic or other fields of science have been acknowledged but treated as extraneous and independent variables.

2.2 Internationalisation theory

The process of internationalisation in business is complex and has been described from a myriad of angles (Dabić et al., 2020). Many different models and theories have been put forward by scholars, among which the traditional theories of the Nordic school (Johanson & Mattsson, 1987; Vahlne, 2020). These classical theories are currently outdated because advancements in technology and politics have made internationalisation easier. This has led to theories of International New Ventures (INV) (Oviatt & McDougall, 2005) or Born Globals (BG) (RW.ERROR - Unable to find reference:doc:5f732e42e4b0dc010bd0ceb6) which are international from or near inception and thus do not fit within the parameters of the traditional theories. Despite this development, the traditional models still have ample similarities with the INV and BG theories in terms of aspects and success factors for internationalisation.

This thesis looks at the process of internationalisation from three levels. These levels are *strategy, innovation* and *network*. These levels are explained in the following sections of the report. This serves as a framework to identify variables inside these three levels that can lead to failure or success. Moreover, the relationships between the variables among levels have been shown and analysed when investigating data.

2.2.1 Strategy level

A possible motive for internationalisation is the exploitation of advantages abroad to pursue competitive advantage (Oviatt & McDougall, 2005). As described by Knight & Cavusgil (2004), there are companies, so called BG-firms, which operate internationally within three years of the moment of inception. These companies are driven to internationalisation because of the *international vision* of the founders. Hence, this variable is important for this research, since it aimed to test whether the absence of an explicit international vision of the entrepreneur leads to a failure case.

Opportunism is another possible motive, which is not accounted for in the traditional theories of internationalisation as described in 2.3 (Oviatt & McDougall, 2005). When companies move into a market merely to gain a competitive advantage, the stages from traditional internationalisation theories are not being followed (McNaughton et al.2012). Instead, McNaughton et al. describe how entrepreneurs apply experiential learning to pursue opportunities (2012). Therefore, it is wise to analyse the process of learning and planning internationalisation that entrepreneurs use and analyse its relation to failure.

Opportunism does require another description as well, since Oviatt & McDougall describe how network partners can apply pressure on companies to internationalise, to facilitate a hostile takeover (2005). Moreover, the network partner can force a company to internationalise, so that it will fail. This favours the network partner, because it can then acquire the market assets of the internationalising firm for itself (Johanson & Mattsson, 1987). The concepts *market assets* and *network partner* are explained in section 2.2.3. To summarize, the theory suggests that the internationalisation process can be purposefully sabotaged by other companies which aren't competitors.

The greatest limitation of the theories of Oviatt & McDougall (2005) and Knight & Cavusgil (2004) is that the theories do not account for factors related to human capital. In simpler terms, this concerns the experience, connections and talents of the entrepreneur leading the firm. However, Oviatt & McDougall (2005) do claim that the increasing number of people with international business experience drive an increase in international ventures worldwide. Building on this assumption, this research used *international business experience* as a valid dependent variable for failure in internationalisation to verify this claim. The variable is defined as experience gained by pursuing any kind of professional activity outside of the country of origin.

2.2.2 Innovation level

Innovativeness is a variable mentioned by Frishammar and Andersson (2009) as a dimension of the entrepreneurial orientation of a company, which serves as a prerequisite for internationalisation. The variable is defined by McNaughton et al. (2012) as a cognitive process or mindset. Hence, according to theory an innovative mindset of individuals is a contributing factor in successful internationalisation. As a social process in a group, this would count as an organizational capability as mentioned in section 1.7 where internationalisation is defined. Hence, this research applied innovation as one of the factors of the internationalisation process that might influence failure.

Various researcher have used the assumption that innovative businesses perform better. Morgan and Hunt (2002, p. 451) state that: "(…)advantaged firms stay as such provided they: develop proactive innovation practices (…)". Kyläheiko et al. (2011) add to this by proving a reciprocal relationship between a companies' ability to innovate and to internationalise. Both the development of new products and new markets have the same underlying variables, namely *technological capabilities* and *appropriability.*

On the other hand, research suggests that too much focus on innovation actually hurts firm performance (Bagheri, Mitchelmore, Bamiatzi, & Nikolopoulos, 2019). Bagheri et al. (2019) suggest to "[…] pay attention to the balance between the costs and benefits associated with undertaking technological innovation techniques." Moreover, it appears that innovative companies are more inclined to internationalise to make up for high R&D costs (Kyläheiko et al., 2011). In addition, companies with a higher level of innovation are better at analysing opportunities in foreign markets and can exploit technology available in other countries (Bagheri et al., 2019). Following that logic, it can be said that a lack or abundance of innovativeness possibly causes diminished performance.

The variables to be measured in this level are *technological capabilities* and *appropriability* (Kyläheiko et al., 2011). The first refers to a firm's abilities to innovate, e.g. resources dedicated to research and design. Appropriability is the extent to which a company has the ability to protect its innovations, either through intellectual property protection or marketing.

2.2.3 Network level

Strategic and innovative factors alone do not suffice for theorising internationalisation, since every business is part of an industry network (Johanson & Mattsson, 1987). Where strategic and innovative factors relate to the internal environment of an enterprise, the network approach to internationalisation serves best to describe the external environment. Therefore, it is vital that this level is part of the research.

In this approach, industries are considered a combination of all relationships within a border crossing network of clients, suppliers, partners and other entities (Johanson & Mattsson, 1987). Thus, every company inside it takes on a *network position* which is unique to one enterprise at a specific time. The network position can be defined as the type of relationship that an organisation has with other parties in its network. Internationalisation in this theory is explained as taking on a different position, which circumstantially happens to be outside of the domestic market (Johanson & Mattsson, 1987). This research analysed if SMEs internationalise according to this process.

One of the conditions for a *network position* to shift is the presence of a *mutual orientation* between the partners (Johanson & Mattsson, 1987)*.* A *mutual orientation* exists when two network partners have a similar interest into the expansion of one of the two parties. A commonly mentioned situation is a client-supplier relationship where the supplier follows the client abroad (Del Baldo & Aureli, 2020). Consequently, exchange processes are established that generate trust. Typically, mutual orientation will develop and lead to a larger interdependence (Johanson & Mattsson, 1987).

Another important reason for enterprises to internationalise is the pursuit of *market assets.* These are resources, tangible or intangible, which are controlled by other companies in the network (Johanson & Mattsson, 1987). The internationalising firm needs to access these resources in order to sustain competitiveness (Johanson & Mattsson, 1987). These assets can also take the form of organizational capabilities (Knight & Cavusgil, 2004). This fact provides a linkage with the *technological capabilities* of the innovation level mentioned in 2.2.2.

This research therefore assumes that firms internationalise in order to gain access to missing *organisational capabilities.* This claim is supported by Vahlne (2020), who mentions *organisational capabilities* as an integral variable for success in building relations within a network. In this research, they are regarded as dependent variables for failure.

The human influence of the entrepreneur is also relevant to the network that a company manages to create (Johanson & Mattsson, 1987). Informal activities and personal networks (of the entrepreneur or managers) influence success in building relations within a network (Vahlne, 2020). Therefore, *personal connections* and *informal relationship building* should be two variables in this research. This personal or informal network of the entrepreneur is a separate although interwoven aspect of the internationalisation process. More bluntly stated, the industry network of the SME and the informal network of owners and managers influence each other but are not the same concept. Therefore, variables related to informal networks have been considered separate variables, which directly influence the internationalisation process.

With the description of the strategy, innovation and network level, internal and external factors of the internationalisation process have been covered. Different academic perspectives have been considered and the most relevant variables have been extracted. The great limitation of the strategic level is that it does not consider the fact that technological change can make a strategy obsolete. Hence, the innovation level was included to address the importance of the ability to adapt to a changing environment. However, both levels did not address the influence that other industry players have, nor do they address the fact that personal connections matter in doing business internationally. The chosen variables of the network approach have filled that gap in turn. The internationalisation theory has now been defined. The next section of this report provides the theoretic view on entrepreneurial failure.

2.2.4 Failure management theory

There have been many attempts by academics in business and management to research the process of failure. Ranging from interdisciplinary efforts to define failure (Khelil, 2016), to analysing the types of failure (Lee & Miesing, 2017) as well as the first theorizations of the corporate failure process by Argenti (1976). In this research the aim is to provide insights on learning from failure. Hence, the theory of failure management has been used. Lee & Miesing (2017, p.159) define it as "the systematic ways to make most of failure".

The three types of failure i.e. 'excess', 'deficiency' or 'inconsistency' (Lee & Miesing, 2017) serve to narrow down the scope of this research. With these classifications, a framework for analysis can be built. These three classifications can be related to resources or forces from the environment (Lee & Miesing, 2017). *Excess* failures describe cases where an overabundance of factors exist and cause a company to face problems. *Deficiency* as a classification of failure describes a situation where an organisation faces a lack of resources to attain its desired goal. *Inconsistency* type failures describe situations where environmental instability, or a misalignment of strategies and resources causes an inferior result.

Ropega (2011, p. 478) describes five trajectories for failure in business ventures, which broadly define the different type of failing ventures and give clues of their reasons.

An Unsuccessful Start-Up
This failure trajectory is related to errors committed in the establishment of the company. These errors lead to faulty control systems and policies. Therefore, these companies fail quickly after their establishment.

A Dazzled Growth Company
The management becomes overoptimistic and increases capital expenditure & financial leverage. Potentially catastrophic dangers are ignored. This leads to a loss of control and effectiveness, which in turn lead to a financially unhealthy position.

An Apathetically Established Company
A lack of motivation from the leadership ushers in failure after initial years of success. Restructuring fails because of disinterest of leaders. Strategic advantage is lost, and this continues until capital loss incurs. After that point, all repair attempts fail.

An Ambitious Growth Company

The initial objective of making the company very important in an industry leads to high risk behaviour. A lack of long-term planning is typical for this trajectory. Overconfidence leads to an overestimation of demand and capabilities, which then cause negative financial consequences because sales fail to cover expenses. Combined with overcapacity, this leads the liquidity and solvency problems.

Excessive Internal Consumption

This occurs when owners favour flaunting wealth over company needs. Creative accounting is often involved. The symptoms of the problem leading to collapse appear very late in this case.

Both the internationalisation theories and the failure theories mention experiential learning as a key component. Entrepreneurs use experiential learning to become better entrepreneurs due to failure events, and additionally experiential learning appears to be a key skill for any entrepreneur to achieve firm success. The network theory also mentions experiential learning when internationalising along industry networks (Johanson & Mattsson, 1987). It is mentioned as a condition for successful internationalisation in business. Therefore, the research views the ability to develop sufficient organizational capabilities as a measure of experiential learning.

In order to understand the relation between failure and internationalisation, attention must be given to the relation between the causes of failure and internationalisation theory. The trajectories as mentioned in section 2.3.3 should be extended to include the forces involved in internationalisation. In concrete terms, perhaps the internationalisation caused dazzling growth which caused long-term planning to be forgotten. Or maybe the internationalisation was done because the entrepreneur and his network wanted to establish dominance in the industry, leading to an ambitious growth trajectory. Therefore, this research draws parallels between the characteristics mentioned in failure literature and the factors of the internationalisation process. Trajectories (Ropega, 2011) and classifications of failure in three types (Lee & Miesing, 2017) serves to determine which factors of the internationalisation process had a causal relationship with the failure event.

2.2.5 Limitations of failure theory

Much of the studies done concerning venture failure (i.e. Cope, 2011), base their conclusions on qualitative data derived from first accounts, while the actual event happened up to three years ago or longer. Hence, the researchers suffer from a "double hermeneutic" or "people trying to explain their version of reality" (Cope, 2011). The outcomes of the studies are therefore representing the experience of the interviewee, rather than the phenomenon itself.

Literature regarding the combination of the theories of failure and internationalisation are available, albeit not plentiful. Nummela et al., (2016) define failure in internationalising as a dynamic process, rather than a single occurrence or trigger. The antecedents, processes and consequences should be studied. According to this research, factors that trigger failure should be seen as antecedents of failure. There are many stages leading to a failure event. The failure process can happen swiftly or slowly. Not all failure is negative in connotation. In some cases, a company de-internationalises as a part of the strategy. According to Cardon et al. (2011), this can even be productive for overall performance.

In academic research on failure, the process of failing itself is often not analysed. For example, Lee & Miesing (2017) describe the process as a black box, where the contents of that box are not relevant, since the study investigates how entrepreneurs learn from their failures. However, this study strived to gain insights on how entrepreneurs fail in internationalization. Consequently, the internationalisation process is the 'black box' in this research. Hence, the process was analysed rather than the aftermath.

The three classifications of failure can be applied when investigating the internationalisation process (in case of failure), which then resulted in one of Ropega's five failure trajectories. For each variable in mentioned in 2.2.1, 2.2.2 and 2.2.3 on the strategic, innovation and network level respectively, it was possible to observe a failure related to either *excess, deficiency* or *inconsistency.* Then, a failure trajectory from 2.2.5 can be applied to explain how the failure developed. With this knowledge this research can solve the problem as stated in 1.3. Because if it is known which components of the internationalisation lead to which failure trajectory, it will be possible for Project FENIX to advise entrepreneurs on how to prepare to avoid failure.

2.3 Sub questions

Before looking at the sub questions related to theoretic views of internationalisation, please see the main research question again:

- "What are the factors of the internationalisation process that influence failure events for Dutch and British SMEs?"

In this research, cases of business failure are being investigated, but only those limited to problems in internationalisation. Therefore, the process is regarded as the catalyst for failure. In this process, there are many different aspects and variables which bring risks to a company. By analysing the factors that have caused past businesses to fail, recommendations and advice can be created to aid future entrepreneurs. The process was split into three dimensions, i.e. strategy, innovation and network.

In this research these dimensions are most significant to failure events in SMEs but many other factors are acknowledged as well. For instance, macro-economic, psychological or political factors could contribute likewise. To limit the scope of this research, these factors are not specifically addressed in the theoretic framework, but rather analysed as standalone independent variables. This research assumes that the three levels of internationalisation serve well to integrate external variables. For instance, a natural disaster can be analysed through the strategy level. Political uncertainty in a country could be related to the innovation level. In this case, it could be researched whether a company developed the organizational capabilities in time to deal with this foreign environment. And thus, these three levels of analysis (described in section 2.2) are best suited to investigate the problem at hand.

➢ Sub question 1: Which factors related to strategy affect the risk of failure in internationalisation?

This sub question is related to the strategic level of the theoretic framework in chapter two. Moreover, it defines the overall growth strategies of the firm, which can lead to failure in different ways, as described by Ropega (2011). The variables to be analysed with this sub-question are *international vision, opportunism, international experience*. These variables have been addressed in specific

questions in the scripted section of the interviews. The assumption that was put to the test was that network partners let companies internationalise to let them fail or execute a hostile takeover. The other assumption that was tested was whether entrepreneurs without international experience are more likely to fail in internationalisation.

> Sub question 2: Which factors related to innovation affect the risk of failure in internationalisation?

This subquestion investigated the variables from the network level of the theoretic framework and test hypotheses and assumptions that emerged from it. Organisational capabilities are an important variable in all the theories listed in the theoretic framework in chapter two. The network theory mentions organizational capabilities as an important pre-requisite for internationalisation. Not only possession is important, but also the development of new capabilities when a different network position is acquired (Johanson & Mattsson, 1987). McNaughton et al. describe how companies can internationalise without prior research and knowledge, but rather by experiential learning and developing capabilities as they progress (2012). Thus, researching organisational capabilities also provides insights related to the strategic view on internationalisation. The organisational capabilities studied in this sub question were defined as *technological capabilities.* This was done to make a clear distinction between capabilities related to other aspects outside of innovation. The last relevant variable was *appropriability*, which entails the measure of protection that an organisation exercises over its intellectual property (Kyläheiko et al., 2011).

Moreover, the sub question tested two important assumptions that emerged from the theory in section 2.2.2 on innovation. Kylaheiko et al. mention how the ability to innovate determines success in internationalisation, because many parallels between these two processes can be drawn (2011). Thus, the assumption was that innovative companies perform better in internationalisation. Another assumption that was tested is whether an *excess* of focus on innovation causes a venture to fail (Bagheri et al., 2019). Therefore, similarly to the first sub question, the effect of innovation factors on failure could be detrimental, beneficial or non-existent.

> Sub question 3: How does an industry network influence failure in internationalisation?

This sub question relates to the network level of internationalisation and mainly focusses on external influences. This theoretic view focuses on looking at internationalisation as a growth processes within an industry network (Vahlne, 2020). The variables to be researched while answering this sub question are *market assets, informal networking, mutual orientation* and the *network position*. These variables together gave a view on the influence of the network. The creators of the network approach have stated these variables as most important (Johanson & Mattsson, 1987). To answer this sub question, a scripted interview has been used with questions regarding these variables. The interviewees have been asked whether these issues contributed to failure. It is expected that failure occurs because of a lack, excess or inconsistency related to these variables.

The main research question has now been enforced with three aligning sub questions, along the lines of the theoretic framework. The following chapter show how these questions have been answered.

3 Research methods

This chapter describes the methodology to be used in the execution of the research. Firstly, the primary nature of the research is described and justified.

Secondly the data collection method through interviews is explained and defended with argumentation. Per sub question there is a summary of interview topics that has led to the formation of interview questions. This section shows how variables have been operationalized. All these topics relate back to the variables listed after the sub questions in section 2.4. The interview protocol can be found in Appendix one.

Thirdly, the data set and sampling technique are described. A motivation is given for the use of purposive sampling. Moreover, this section describes why the choice was made to analyse both failure and success stories. Graph 1 in section 3.2 gives an overview of the respondents.

Fourthly, the data analysis method is explained in detail. This research used a combination of a pattern matching analysis (Yin, 2009) accompanied by cross-case analysis (Eisenhardt, 1989). A combination of inductive and deductive reasoning was used to code the data according to the theories in the framework of chapter 2.

Fifthly, a section describes how this research deals with issues related to validity and reliability. The textbooks of Sekaran (2016) and Miles, Huberman and Saldaña (2014) on research methods were the leading guidelines for this selection.

Lastly, this chapter concludes with a section on overcoming ethical issues. This elaborates on how data gathered from interviewees has been sheltered to guarantee privacy, as well as answers to general ethical issues related to use of the research results and the treatment of research subjects.

This chapter is expanded with Appendix one which contains the interview protocol. Appendix two contains the agreement supplied to respondents before the interviews. Appendix three contains the code structure used for analysis.

3.1 Primary research

This thesis was explorative in nature, with a focus on determining failure factors in internationalisation. The investigation technique to be used is a pattern matching analysis (Yin, 2009) of in-depth interviews. This research aimed to look at both cases of failure and success. This was done because it allowed for the research to provide evidence for factors leading to failure, by testing these results in success cases. Entrepreneurs from various disciplines have been interviewed. A failure case was not necessary to be selected. However, the data set contained two failure cases, which was regarded as a minimum. This way, parallels were drawn between the successes and the failures, using deductive and inductive reasoning. This technique of analysis is explained further in section 3.3.

Primary data was thus collected first-hand from entrepreneurs, in the form of oral accounts. Secondary data was not used. All respondents had conformed to the conditions set in the MRQ; i.e. having owned

a business that internationalised from the Netherlands or the UK, to another country market. This was tested through informal communication prior to the interview and by viewing the web pages of the companies. Either clients of part of the labor force had to be located outside of the domestic market to be selected. If this was the case, contact was sought.

A hard condition for selection of interviewees was having owned a business that internationalised from the UK or Holland to another geographic market. To safeguard external validity, the markets for internationalisation cannot be emerging markets. SME internationalisation in emerging markets is not yet theorised by literature (Dabić et al., 2020). Thus, by excluding emerging markets from this research, generalizability (external validity) is protected. Furthermore, the businesses should be limited to SMEs. This is because the available literature focusses on businesses of this scale. Large multinational corporations follow different patterns (Mtigwe, 2006; Zahra & George, 2017) and therefore did not make for appropriate cases for investigation. Therefore, all respondents have owned a company that follows the definition of an SME set in section 1.8.

3.2 Data collection through interviews

Section 2.4 describes the different variables for analysis per sub question, as derived from the theoretical framework in chapter two. The related variables have been researched by conducting interviews with Dutch and British entrepreneurs. A data collection method other than interviews would not yield the required results, because the process is too complex and multi-faceted (Sekaran, 2016).

An argument for selecting interviews is that Sekaran describes how interviews "[...] help to explore and understand complex issues. Many ideas ordinarily difficult to articulate can also be brought to the surface [...]" (2016, p.157). The same authors mention observational methods as a tool for the same purpose. However, in this research observational methods did not fit, because of the Covid-19 pandemic in 2020 made visits in person unfeasible. Another argument for interviews that Sekaran give is that "[...] interviews are best suited to the exploratory stages of research when the researcher is trying to form an overarching view of the concepts or the situational factors" (2016, p.157). Since this research is completely explorative in nature, interviewing is the only adequate data collection method here.

Sekaran (2016) states that variables need to be operationalized in order to allow or them to be analysed in a qualitative research. Hence, the following three paragraphs explain how this operationalization was done. The paragraphs follow the sub questions of section 2.3, which in turn follow the three levels of internationalisation, i.e. strategy, innovation and network.

The first variable to be analysed in the network level was *International vision.* This was operationalized with the following concepts entry strategy, growth planning, selection of markets. The second variable was *Opportunism,* this was operationalized as the location of the opportunity and the reason for pursuing that opportunity abroad and not in the domestic market. *International experience* has been operationalized as time lived abroad, professional experience abroad, personal connections in other countries. Examples of interview topics to address related to the first sub question are: the role of market assets, new industry relationships, changes in the network position, advantages or disadvantages of new network position, and the role of mutual orientation.

The first variable to be analysed on the innovation level was *technological capabilities* which was operationalized as the planning of innovation, adaptiveness, the following of industry trends and learning processes. The second variable to be analysed was *appropriability.* This was operationalized as protective measures taken to protect intellectual properties. Examples of interview topics to address related to the second sub question are: investing in technological capabilities, the appropriability strategy, problems related to a lack or excess of emphasis on innovative capabilities, the reciprocal relationship between innovation and internationalisation capabilities, and the development of new organizational capabilities due to internationalisation.

The first variable to be analysed in the network level was *market assets.* This variable was operationalised as pull forces from the network or advantages sought. The second variable to be analysed was *mutual orientation.* This variable was not operationalized further. Interviewee were simply asked to describe the mutual orientation among the network partners. The third variable to be analysed was *organisational capabilities.* This was also not operationalized any further, since interviewees were asked to describe the organisational capabilities which they needed to develop. The fourth and last variable to be investigated was *informal relationship building.* This variable was operationalized as taking part in formal network clubs, personal connections of owners or managers, connections from previous endeavours. Examples of interview topics to address related to the third sub question are: changes in risk-taking behaviour after internationalisation, the international vision at or near inception, possible alterations in the international vision, international experience of parties involved, human resources with talent in internationalisation, and the process of forming the international vision.

3.3 Description of the data set

Respondent	Business Model	Nationality	Firm Location	Sector	Gender	Failure case
1	B2B[1]	British	The Netherlands	Photography	Male	Yes
2	B2B	Dutch	The Netherlands	IT Wholesaler	Male	Yes
3	B2B	Dutch	The Netherlands	HR Consultancy	Female	No
4	B2C[2]	British	The Netherlands	Distillery	Female	Yes
5	B2B	Dutch	The Netherlands	Recruitment	Male	No
6	B2B	British	The Netherlands	IT Consultancy	Female	Yes
7	B2B	Dutch	The Netherlands	Biotechnology	Male	Yes
8	B2C	British	United Kingdom	Sports & Leisure	Female	Yes
9	B2C	Dutch	The Netherlands	Apparel	Male	No
10	B2B	British	United Kingdom	Raw goods wholesaler	Male	No

[1] (B2B) Business-to-business [2] (B2C) Business-to-consumer **Table 1** General information on respondents

Table 1 above shows general information about the interview respondents. This serves to assess validity and reliability of data. Clear is that the ratio of male to female respondents is 60/40, thus making the chance of gender bias low.

The ratio of British to Dutch respondents is exactly 50/50. However, of the three British respondents operating a firm in the Netherlands, two already lived and worked in the Netherlands before starting their enterprise. Hence, the chance for cultural bias is deemed negligible.

In six out of ten cases, the respondents admitted to having experienced a failure case as defined in section 1.6. Respondents one, four and six have chosen to de-internationalize after an initial internationalization process failed. Respondents two and eight have developed an international business model after a previous domestic endeavour failed. All respondents who have adapted their business model after a failure have done so because of a crisis. Respondent two adapted the business model following the 2008 financial crisis. Respondents one, two, six and eight have adapted their business model due to the Covid-19 pandemic in 2020.

Respondent seven, who has experienced bankruptcy of the corporate entity, are the outliers in this data set. This are the only case were a failure resulted in termination of the company.

An important aspect to note in this data set is that each of the entrepreneurs interviewed is operating in a different sector. This is contributing to the generalizability of the outcomes of this research, more so because the questions were asked in such a fashion that insights can be derived regardless of the industry the company is in. The interviewees therefore answered frankly on questions regarding general topics. In many cases during the interviews, the interviewees took the liberty to reflect their answers on other (hypothetical) situations as if they were operating in another section. These reflections were also encouraged by the researcher.

The fact that all respondents are active in different sectors improves external validity but poses a threat to the internal validity. The internal validity could have been threatened because all entrepreneurs have experience in different fields, thus listing different aspects as important. This has been countered because interviewees were encouraged to generalize. All respondents were made aware of the fact that their experiences would serve to educate young entrepreneurs. This clearly and noticeably encouraged entrepreneurs to speak in a generalizable fashion.

The technique used to find interviewees was through purposive sampling (Parham, 2020). This entails that the sampling was based on factors and conditions set relative to the theoretic framework and the parameters of this research. British interviewees were found by using a Google search query to find SMEs in the UK. Web pages of the business were then assessed to check whether the organisation would fit research parameters. A last parameter check was done by established informal communication through a phone call. By asking the entrepreneurs specific questions about their business, a parameter check was done.

The Dutch interview subjects were found using the same sampling technique, but the process differed slightly. Three interviewees were found through the personal network of the author. Four other interviewees were found because they were all members of these same networking organisation, although the respondents did not know each other.

A last general point to make about the data set, is that only respondent seven was approached to speak specifically about a failure case. Hence, this respondent framed the answers around the failure. This respondent gave much background information as to how the case developed into a failure. Moreover, this respondent has also reflected on why certain issues were contributing to the failure. Every other respondent that has experienced a failure case did also provide a personal reflection as to why they feel the failure occurred, although they were not specifically told that the research focuses on failures.

3.4 Qualitative analysis of primary data

The stories of the interviewees were transcribed, summarised and analysed. Data is coded following the operationalized of variables as described in the previous section. The main concepts used for coding were: (a) elements and variables of the industry network (b) strategic variables (c) variables related to innovation (d) failure classifications (Lee & Miesing, 2017) (e) failure trajectories (Ropega, 2011). Coding was done in the application MAXQDA provided by the professorship of AUAS. A codebook together with the memos from MAXQDA is provided in Appendix three. All transcripts are coded to ensure anonymity and then made available so that replication or future research was possible.

The coding of the data for analysis was done using a mix of descriptive coding and holistic coding (Miles et al., 2014). Descriptive coding was used to describe themes in data apparent in multiple cases. This was mainly done by using the related variable as a label. Thus, cross-case analysis was made less complex since observations could be compared between several interviews. Holistic coding was used to classify large chunks of data that were unique to a specific case. The retrieved segments from holistic codes provided insights for causes and effects of observations.

Furthermore, the analysis was alternated with the data collection process to give the possibility for real-time improvement (Miles, Huberman & Saldaña, 2014), this led to the interviews becoming more focussed as time progressed. An example is that the failure cases gave insights about important variables that caused problems. Hence, these variables were focussed on more specifically in success cases. After the interviews, the data was coded in relation to internationalisation and factors of failure and success. Parallels could be found between cases of success and failure.

The analysis strategy used in this research was a cross-case analysis (Eisenhardt, 1989) in combination with a pattern matching approach (Yin, 2009). There were two arguments for doing this. Firstly, this approach is used often in entrepreneurship literature, for example by Martina (2019). Miles, Hubermann and Saldaña (2014) mention that internal validity in qualitative research should be safeguarded by applying various techniques of analysis. This was the first measure taken to safeguard the validity and reliability of this research. Deductive reasoning was used to specify failure factors in failure cases, and inductive reasoning was used to specify failure factors in success cases. A denser explanation of all measures taken is described hereafter.

3.5 Measures with regards to validity and reliability

This section describes various measures taken to overcome issues with regards to validity and reliability. Sekaran (2016) mentions that external validity in qualitative research is safeguarded by counting events. Thus, this research includes a schematic overview with counts of events that surface from the analysis. Moreover, Sekaran also mentions that "conclusions about cause-and-effect relationships cannot be determined from anecdotal events" (2016, p. 178) and that is why the conclusions need to be cross-referenced in multiple data points. This has been done by testing determining factors in failure cases with success cases.

Two techniques of analysis were chosen to safeguard validity and reliability (Miles et al., 2014). This was extended upon by describing concepts from the theory beforehand extensively and making the categories from prior research clear.

After data collection, negative evidence was considered, uncertainty about relations or conclusions was described and rival explanations were considered. For this research ten interviews were done. One deviant case was part of the data set. A deviant case in the sense of this research would be a failure event in internationalisation that is not caused (or very mildly influenced) by any variables related to either the strategy, innovation or network level. These cases of failure must be due to what this research calls 'external independent variables' (see section 2.4). Coincidentally, the first respondent already had a deviant case. Therefore, there was no need to continue searching for cases providing negative evidence.

Sekaran (2016) mentions that category reliability is both achieved by narrowly defined as well as broadly defined categories. However, broadly defined categories lead to a low relevance of the research. The three types of failure and the five failure trajectories (see section 2.3.5 for both) serve as the categories for the business failure events. Thus, the applied definition of an SME (see section 1.8) and the internationalisation process (see section 1.7) serves to provide wide selection criteria for interviews. Besides that, the wide definition also served analysis purposes. On the other hand, the definition of failure in internationalisation (see section 1.6) was defined broadly.

The relevance and reliability of categories were balanced, so that the outcomes of the research are valid for the situational application that it was intended for, according to Kassarjian (1977). In the case of this research, the theoretical basis is founded on work of other authors which use a wide definition of e.g. an SME (Lee et al., 2012) or a wide definition of failure (Lee & Miesing, 2017). That is why the definitions were slightly narrowed down (see section 1.6 & 1.8), so that these would fit the context of the Dutch and British entrepreneurial environment. On the other hand, the definitions were not narrowed down too much, to still be related to sources used in the theoretical framework and be generalizable enough to be used in future research.

The sourcing of individuals to interview was done online and through cold acquisition. Due to current government restrictions on travelling and face-to-face meetings due to the COVID-19 pandemic, it was not not feasible to visit conferences or take interviews physically. Therefore, the interviews were done online, through videoconferencing software. Hence, the interview subjects have been approached digitally and do not have a previous direct connection with the researcher. No benefit, be it financial or otherwise, has been offered to anybody partaking in this research (Sekaran, 2016).

A strict selection of software was used, to guarantee a safe connection, as much as reasonably feasible. The interviews were conducted using the videoconference application Microsoft teams and then recorded with the iOs voice recorder app by Apple. This recording is transcribed using the automated software of Otter.ai. The audio files were transcribed verbatim, so that future users of the transcripts will know where the respondents were hesitant to provide answers, or how their thinking process changed during the interview. Now that the technical aspects of the data collection have been described, the ethical issues are taken into account.

3.6 Ethical issues

The main ethical issue in this research is the safeguarding of data, which is addressed in this section. All interviewees receive a signed statement in advance detailing the conditions of data collection (see Appendix two). This statement contains the guarantee of complete confidentiality and accordance to national guidelines on privacy. One statement was drafted for the British interview subjects in English. Another was in Dutch. Furthermore, all data is collected and stored in accordance with the AUAS protocol of data collection and storage. The only people allowed to ever access the raw data are Professor Dr. Ingrid Wakkee, lead researcher of the professorship and Dr Jeanne Martens and Dr JuanFra Alvarado Valenzuela, lead researchers of project FENIX.

Furthermore, any voice recordings were done on devices with cloud storage switched off. Interviews were done through an end-to-end encrypted video chat service. The anonymised data was shared with the researchers of FENIX and stored in the projects database, with the possibility of being used again in further research. No raw data was ever transferred over e-mail or published online. The researcher does not have any interest in the data obtained for any purpose other than the benefit of the research.

Measures were taken to ensure professional distance during the interviews. The questions asked never invaded the interviewee's personal space. The self-image of subjects was never violated. When dealing with business failure, there are often emotions involved. The interviewees were never hurt emotionally, for both ethics and validity reasons (Miles et al., 2014; Sekaran, 2016). That is why the research did not put emphasis on the human role of business failure. If at any point an interviewee wished to have his or her data deleted, the wish was respected. Only in two cases, some minor alterations were made, both concerning anonymisation rather than content. Moreover, any solicitation for an interview was sent in accordance to anti-spam regulations (Miles et al., 2014). All data was transcribed verbatim, including language errors, to prevent distortion or misrepresentation.

Chapter 4 Results

This chapter describes the outcome of the qualitative analysis of the interviews with international entrepreneurs. The sections below present the findings per sub question. The coding for this analysis was done in MAXQDA, which is a software for data analysis, provided by the AUAS. The coding strategy used is framework analysis or structured coding (Miles et al., 2014), which means that the theoretic framework was leading for the classification of data. A structure of codes was made beforehand, and later enhanced with themes emerging from the data. For an overview, please see Appendix 3. The emerging themes from the data that did not follow the theoretic framework are discussed in the next chapter. The analysis commences with variables related to the strategic level.

4.1 Results related to first sub question - strategy

The findings related to this sub question have been presented following the variables *opportunism, international vision* and *international experience* respectively.

4.1.1 Opportunism

Opportunism was measured by asking respondents about the reason for pursuing an opportunity abroad and for the selection of the location. Entrepreneurs described an organic growth process, where the company simply followed the demand in the market. A recurring theme was the importance of market research. This was done formally, as was the case with respondent five, or experientially, as was the case with respondent two and ten. Respondents one and six described how there was no thought given to the reason for internationalisation or choice of location other than following their clients. Hence, a deficiency in the strategic planning can be deduced. In the bankruptcy case of respondent seven, there was an inconsistency between the business model (or the expectation of it) and the reason for internationalisation.

> "So our medical advisor told us: "Dear Respondent 7, I want to go and do it, but I only see these type of patients three times per year here. Where it occurs often is in the United States." Oops, I thought, we are developing a product that actually does not fit in our market. I can hardly do any clinical trials here, so we are forced to go to the United States." – Respondent seven. (This quote has been translated from Dutch to English by the author.)

4.1.2 International vision

Regarding their international vision, six out of ten respondents replied that their company had been international from inception. A reason for this was that the nature of the business simply followed demand abroad. In the case of respondent six, the reason was lower labour cost. Respondents two and eight stated that the Covid-19 pandemic had caused their business model to internationalise (further).

In the failure case of respondent seven there was a deficiency in *international vision.* Since the internationalisation was not planned beforehand, the business suffered extensive financial losses due to unforeseen problems. All these problems related to an internationalisation strategy to a country that was not chosen initially. In this case, it led to the failure trajectory (Ropega, 2011) 'An ambitious growth company'. That is because in this trajectory, Ropega states that entrepreneurs "do not attach importance to long-term plans" and have "a large overestimation of demand" (2011, p. 478).

In successful cases, there was a clear recognizable pattern of entrepreneurs expanding into a market because of two reasons. First, there is a recognizable trend of entrepreneurs expanding to countries

of which they speak the language. Respondent ten clearly stated that because the founder spoke German and French, the decision was made to expand to the European continent rather than to stay in the UK. Second, the pull forces of the respondent's network determined the international vision of the business. These networks were established before the entrepreneur founded their business and thus they are described in the next section on international experience.

4.1.3 International experience

In the interviews, respondents were asked to speak about their *international experience* and its influence on their internationalisation process. There were two notable influences.

Firstly, the places where entrepreneurs lived had an impact on the process.

> "Well, I've always, I mean, when I started in Prague in the Czech Republic, probably, I mean, I was not really working internationally, except, perhaps to the UK where I'm from. But yeah, I think I mean, I think in in, when I started out here, I still had a lot of work in back in Prague, so I used to just go to Prague, a lot. And, and then, you know, from there, you start to develop a client base." – Respondent 1

Secondly, the previous professional experience of entrepreneurs had a significant impact on the way they internationalised. Respondents two and four both stated that one of their first few clients were found through the networks of their previous professional endeavours. This hangs tightly together with the variable *personal connections* of the network level, which is discussed in another section in this chapter.

In the failure case of respondent seven, there was nobody in the team with any international experience, which has caused great problems in executing the strategy. The team consisted of researchers with experience in innovation domestically, but without knowledge of marketing or business skills. The *deficiency* in international experience led to a disaster when internationalising to the United States of America. There was nobody in the team who foresaw the problems that that move would bring. The respondent mentioned this as the leading cause of failure.

4.2 Innovation

The innovation level of internationalisation has been researched according to two variables: *technological capabilities* and *appropriability.* The first has been operationalised as innovation planning, adaptiveness, following of trends and learning processes. The second has been operationalised as protective measures for intellectual property.

4.2.1 Innovation planning

The answers given by respondents were heavily influenced by the current situation regarding the Covid-19 pandemic.

> "Well, as I say the whole longer-term strategy has kind of gone out the window in this tightest, quiet time of crisis. No, we're very much ad-hoc dealing with the... we're in a firefighting stage I guess right now. And it's a... it's a big challenge." – Respondent 10

> "I mean, I don't know if you're coming at this with the Covid situation in mind. I suppose you have to. But it was very like take it day by day, week by week, and see if we can pull this off. So it's been very kind of like: Let's throw what we can at it and see if it works, it's not really

been a case of let's measure that this because it's not been something that we could forecast because we didn't know whether Covid would have cleared up by the summertime or get worse, as it has done here. We just didn't know." – Respondent 8

"Well, look, my planning is of course, yeah, Corona. And how will you… (…) How will you survive?" – Respondent 2 (This quote has been translated from Dutch to English by the author.)

Thus, there seemed to be no connection between innovation planning and success or failure at all. Rather, the respondents stated that if there were plans to innovate the business model, they were put on hold.

For example, respondent eight described how the original plan was to acquire more physical locations and eventually develop a franchising formula. However, the attention was shifted to acquiring skills and knowledge related to transforming the business model from physical classes to online classes. A similar situation was described by respondent ten. This entrepreneur had innovation plans of moving from a distributor-only model to establishing a manufacturing business as well. Nevertheless, these plans were abandoned to deal with a myriad of issues resulting from Brexit, Covid-19 and changes in ownership of mayor suppliers. Hence, a theme that consequently recurred from the data was adaptiveness rather than innovativeness.

4.2.2 Adaptiveness

Adaptiveness was by mentioned the majority of respondents as the most important *technological capability.* This links to the *opportunism* variable of the strategy level. Or as described by respondent 10:

"Innovate is quite a strong... I don't think what we've done in moving with our customers where the markets have gone to is necessarily been innov... innovative. It's been reactionary, I think not many people saw the rise of China and the rise of Asia in such a big way, coming as it has done today." – Respondent 10.

Respondent two described this phenomenon as "being faster" than the competition and moving with the market. This respondent also mentioned that this is an advantage that SMEs have over large firms. The respondent used the metaphor of a small speedboat being more agile than an oil tanker, with regards to strategic decisions. Thus, it seems that an SME needs a high level of adaptiveness to remain competitive in its field.

Respondent eight stated how the local competition was not able to adapt to an online strategy in a timely manner and is thus suffering great losses, despite being more established. This was also remarked by respondent five who had adapted its' offering to market needs, from a traditional recruitment model into a more consultative service. The recurring theme here is that these success cases have always remained flexible in their approach to acquire new skills and knowledge when the market requires it.

4.2.3 Learning processes

Success cases of respondents two and five used learning to adapt their business' *technological capabilities* to the needs of the market. Respondent seven stated that there was an excess of emphasis on *technological capabilities*, thus reinforcing the failure trajectory 'An ambitious growth company' (Ropega, 2011).

In another failure case of respondent one, the subjects of the entrepreneurs learning did not change due to the external crisis. In other words, the crisis did not cause the respondent to adapt their learning process.

The opposite occurred in success cases, where experiential learning was used to quickly acquire new skills and capabilities relative to the situation. In the cases of respondent two, six, eight and ten, these capabilities learned were related to internationalisation in general, rather than learning to prepare for a specific market. Thus, the capabilities are transferrable to other markets.

4.2.4 Diversification

Another emerging theme from the data is diversification. Respondent two has stated that diversification in terms of products as well as markets has been a critical success factor. Respondent five mentioned how its business used diversification to grow the business model with the needs of the market.

Striking here is that all respondents with a failure case have mentioned that their company did not diversify at all. Respondent seven even stated that the organisation did try to diversify, but that it came too late to turn the failure into a success. Respondent one, six and seven all had a *deficiency* on the specific factor of diversification. These respondents also shared the pattern of failure.

Respondent five described that expanding the service portfolio made the company more attractive to the demand in the market. Moreover, this respondent stated that companies in the same industry that were not adapting their business model were decreasing in competitiveness.

A piece of negative evidence to this finding was given by respondent four. This entrepreneur described how the financial crisis of 2008 caused organisations to offer whatever service or product possible, simply to create revenue. This frantic diversification hurt the brand and reputation of these organisations, causing damage in long-term competitiveness. Literally described as: "You have to stay close to your own strengths." – Respondent 2 (this quote has been translated from Dutch to English by the author).

4.2.5 Appropriability

Appropriability in terms of patents was rarely observed, but *appropriability* through marketing was. Respondent seven did mention that the company invested heavily in patents and trademarks. However, since the respondents' firm was in the biotechnology sector, this outcome is probably biased, because intellectual property is usually the most important asset of such firms.

The data did show that respondents relied heavily on marketing as a protective measure. Respondents were asked what kind of protective measures were taken to defend its' intellectual property. A strong development of the marketing strategy was mentioned by various respondents, albeit in different expressions. Respondent eight described their appropriability strategy as "making sure the USP is solid", respondent three mentioned the same strategy. Respondent five mentioned that competitiveness in SMEs in internationalisation is guaranteed by being able to offer something unique. Respondent six had a different strategy. In the case of this IT firm, a protective measure was to use a development server wherein new freelancer would work, so that they do not have access to any sensible information. Besides that, mistakes can also be easily corrected this way.

One negative outlier here was the case of respondent nine. This was the only case where no protective measures were taken at all. This respondent firm produces eco-friendly products that targets a consumer segment interested in durable goods. This respondent stated that the competition in this case is not seen as competition. Any effort to promote this type of product among the public was seen as aiding the sector as a whole. No positive nor negative effect of this strategy was witnessed during the analysis.

4.3 Results related to second sub question – network

The findings related to this sub question had the most overlap with variables of other sub questions. Specifically, *international experience* from the strategy level and *technological capabilities* from the innovation level. However, it was possible to make a clear distinction between factors related to the network aspect.

4.3.1 Market assets

The theory describes that *market assets* are a significant driver for internationalisation (Johanson & Mattsson, 1987). The interviewees however did not state that the pursuit of market assets was a reason for internationalisation. Neither the success cases nor the failure cases gained any mentionable market assets out of the internationalisation process. However, there were great pull forces noticeable from the network, which were related to *market assets.*

Goodwill was described by respondent five as the *market asset* sought when internationalising. This respondent stated that becoming a part of a large consortium could provide the company this goodwill needed to compete in a more concentrated market. The consortium actively set out to integrate this 'boutique' organisation into their network. Market research done by the large network partner resulted in the contact between the two parties.

In the failure case of respondent seven, its' companies' patent caused a large network partner to invest in the company. This patent served as a collateral for the investment. It was obtained by the network partner when the company went bankrupt.

Respondent two spoke about a different sort of pull force from the network. In this case it was the supplier that demanded the respondent to take on distributorships of increasingly more countries. The marketing strategy that the respondent used in those new markets was the same as for the previous international markets.

4.3.2 Organisational capabilities

Organisational capabilities can be regarded as market assets, i.e. capabilities that the company does not possess themselves. These capabilities were obtained through a client – supplier relationship, as was the case with respondent two and ten. These success cases showed that *organisational capabilities* were adapted to the new position in the industry network. Suppliers provided training courses to their SME distributors for example. In the success case of respondent five, the local company became part of a large international network of companies working under the same label, thus being able to attract larger clients' accounts. Respondent four, with a success case in HR consultancy, described how the network would fill knowledge gaps when they occur.

In the failure case of respondent six, there was no cooperation with a network partner to acquire organisational capabilities. Hence, there was no mentionable innovation, no strategic planning and no international growth.

The failure case of respondent seven was an outlier in this field. For this biotechnology company, a myriad of technological capabilities had to be acquired. This respondent described how legal advice had to be bought, which is a common way of acquiring *organisational capabilities,* and also mentioned by respondent ten. However, respondent seven also needed to create partnerships with research centres and agricultural companies. A research centre was found through the personal network of one of the medical advisors of the company. The agricultural partners were found through shareholders of the company. Moreover, the respondent described how a shareholder had an agricultural business himself and thus was able to access their network to deliver farm animals. The respondent stated that the shareholders had a significant impact on the initial success of the company.

The same respondent mentioned how a small SME could still get access to an MNEs supply chain by forming partnerships. By offering access to a unique unit of technology, a large dairy conglomerate could be seduced into arranging the manufacturing and marketing of the product. This was important, since the organisation itself did not have any capable marketers. Another partnership made in this case, was through a commissary who introduced respondent seven to the head of research of an MNEs research department. This provided extra capital for the company. This commissary was working for a large petrochemical firm in the Netherlands. Thus, an SME can create a powerful position for itself when providing partnerships with large firms, that may be competing in the same field.

However, in the same failure case, these network partners also frustrated the internal processes and eventually declared bankruptcy of the company, taking the patent (which is a *market asset*) for themselves. An excess of relying on other organisations for *organisational capabilities* eventually led to the termination of the company. Thus, the importance for a *mutual orientation* was stressed. The following section analyses that variable deeper.

4.3.3 Mutual orientation

While analysing this variable there were observations made where a *mutual orientation* benefitted the company, but predatory practices were present as well. In success cases, respondents mentioned that a *mutual orientation* to achieve a common goal were a motivation for a network partner to share *market assets* or *organisational capabilities.* This mostly emerged in the form of trade swaps. In the success case of respondent eight and respondent four, there is a mention of other companies from the personal or professional network who assisted in growing the business in return for a favour or service. This also occurred along the same pattern in the failure case of respondent seven. This respondent describes how multiple network partners provided goods and services for free to see the company grow.

Predatory behaviour was also observed. In one success case, respondent two described how partnerships with manufacturers were made, but sales were never made. This was done to guarantee that this supplier would not gain any market share in the companies' domestic market, to protect sales.

In the failure case of respondent seven, a network partner that provided capital frustrated operations. The management team was required to do such extensive reporting, that everyday operations became jeopardized.

"And that's when we were appointed the three million euros. With very annoying people, however. At one point I was not doing anything else apart from writing." – Respondent seven (This quote has been translated from Dutch to English by the author).

Consequently, the network partner that provided the capital declared bankruptcy and was left with the intellectual property. Thus, an *inconsistency* in mutual orientation led to failure.

4.3.4 Informal relationship building

To analyse this variable, respondents were asked to reflect on the impact that their informal network had on their business success. This was deemed of importance by most respondents. Respondent one even described how the entire client base was acquired by networking, be it formal or informal.

All respondents were asked about formal networking events or clubs. Respondents described how these were utilized to form new relations needed for internationalisation. Respondents two and ten mentioned that the only form of networking they did was either informal or formally on trade fairs. A recurring theme was the fact that respondents two and eight claimed that the chosen network club lost its' value quickly. These two respondents operate a business-to-consumer business model, whereas the business-to-business model entrepreneurs did not mention this fact.

Personal connections were used to create the first network partnerships for all respondents. Respondents two, four and ten explicitly stated that their first clients came from connections that they already had from their career before founding a business. Respondent seven stated that the networking efforts should not be limited to managers and owners, but that board members, investors and other stakeholders should be involved in the networking efforts as well.

4.4 Issues regarding validity and reliability

Regarding threats to reliability and validity, two measures have been taken.

Firstly, the data on innovation could have been biased by the fact that the failure case of respondent seven was covered in this analysis. Since the respondents' firm was in biotechnology, innovation was a vital unique selling point. Therefore, all respondents were asked to reply to the following statement: "A company needs to be highly innovative in order to internationalise successfully". The respondents were encouraged to generalize. With the data resulting from these answers, an unbiased view could be formed.

Secondly, there could have been a bias concerning the importance of networking clubs, since six respondents have been approached through a networking organisation. This was countered by also approaching entrepreneurs who were no members of such clubs. Moreover, Respondent three, six, eight and nine replied that they stopped partaking since it had lost its value. Hence, this possible bias has been convincingly countered.

4.5 Summary

In this chapter, the most important emerging themes from the three levels of internationalisation have been discussed. Data display has been done by either quoting a respondent directly or by describing the outcome of the analysis. Each section provides an overview of findings and describes the outcomes of the patterns emerging from cross-case analysis. Where possible, the choice was made to start by describing a noticed pattern in a failure case and then compare that with the same variables in a success case.

The chapter also describes the measures taken to enhance validity and reliability in the research, through the choice of a sampling strategy and analysis techniques. Following this chapter is the discussion of the results relative to the theory.

Chapter 5 Discussion

This research used a pattern-matching approach to analyse the findings (Yin, 2009) and has used the theoretic framework as the basis for its analysis strategy. However, there were findings that did not fit in the framework, together with negative evidence.

5.1 Discussion strategy level

The strategy level of the theoretic framework was built on various variables, but other variables have proven important in influencing failure. The data showed that the location of the business can be a determining factor for the speed and ease in which a business internationalises. Respondents one and two have mentioned their location in the Netherlands as a competitive advantage over SMEs from other countries.

Furthermore, besides *opportunism,* a crisis seems to be an influencing factor in internationalisation as well. Both respondents two and eight have mentioned that their business internationalised because of the Covid-19 pandemic. Hence, internationalisation was used as a tool to avoid failure in the domestic market.

The languages and cultural origin also seem to play in important role in the selection of countries to internationalise to. Of all the entrepreneurs operating in the UK, only one has internationalised to a nation that does not speak English. This respondent has stated the language skills of the founder as a reason. In addition, respondent four has mentioned that the company internationalised to the UK only because the founders are from the UK and live in the Netherlands.

Only one respondent mentioned lower labour costs as a reason for internationalisation but mentioned management problems as a result. This was given as a reason for the failure in internationalisation. Thus, span of control related problems seem to be a contributor to failure as well.

5.2 Discussion innovation level

When asked about innovation, the image that respondents gave was that adaptiveness and reactionary learning is more important than purely innovative capabilities. Reacting to changes in the market was deemed more important by respondents than focussing on technological capabilities. This is in part because the respondents use network partners such as suppliers to acquire technological capabilities. This is supported by the failure case of respondent seven, where a company was excessively focussed on innovation and thus failed to adapt to market needs.

This research also found that if entrepreneurs did have any planning or goals related to innovation, these were cancelled because of the Covid-19 pandemic. Instead, it was noticeable that entrepreneurs adapted their strategies to the crisis, in order to remain competitive rather than innovative.

This research also found that appropriability is done through marketing rather than protective measures such as patents and trademarks.

5.3 Discussion network level

Most respondents described their choice for internationalisation as a matter of *opportunism* rather than resulting from pull forces from their industry network. Respondents also described how they

made network connections based on the growth phase they were in, rather than acquiring organisational capabilities. This is inconsistent with the theoretical framework of this research.

Respondents two and ten mentioned trade fairs as being the most important locations to build their network. This could be because both respondents operate a business-to-business model.

5.4 Preliminary conclusions

This section of the report provides answers to the sub questions that were leading for this research.

5.4.1 First sub question

> Which factors related to the business network affect failure in internationalisation?

This research found three contributing factors to failure in internationalisation related to this sub question. Firstly, an *international growth vision* seems to be vital for any international growth. In the failure cases analysed, there was a *deficiency* observable. Entrepreneurs that do not plan their internationalisation seemed doomed to fail, since problems are not anticipated beforehand. Secondly, a *deficiency* in international experience is likely to cause failure in a foreign market. It has shown to be important to have human resources in the organisation that have dealt with international business before. Besides international business experience, the findings also showed that human resources that know the local culture are contributing to success in that market. Thus, an absence leads to failure. This could also imply the local language. Thirdly, predatory behaviour of other companies in the industry network must be noticed timely. If this is not the case, internationalisation will likely fail.

5.4.2 Second sub question

> Which factors related to innovation affect failure in internationalisation?

Three factors have been found to influence failure in internationalisation.

First off, the claim off Kyläheiko (2011) that an *excess* of focus on innovation causes failure, was tested and confirmed with the qualitative data analysis in this research. In the analysed cases, there was one case where an overemphasis on innovation did cause failure. The success cases analysed in this research have stated that a more adaptive and reactionary approach is far better suited in internationalisation efforts. In the failure case, adaptiveness was attempted but came too late. Second off, a *deficiency* in diversification is likely to cause internationalisation to fail. In two of the analysed failure cases, this deficiency was observed. Third off, a *deficiency* in making relationships with network partners to share *technological capabilities* likely leads to failure. The findings show that companies that do make these partnerships perform better.

5.4.3 Third sub question

➢ Which factors related to the business network affect failure in internationalization?

In relation to the last sub question, there are three important factors that were deduced from this research. Firstly, acquiring *organisational capabilities* through network partners and co-creation is the first factor. Entrepreneurs should build partnerships that provide them with *organisational capabilities* which their organisation lack. Secondly, a *mutual orientation* between network partners should be clearly defined and thought through. This research showed that in cases of failure, the internationalising party did not respond to predatory behaviour in time. In success cases however, entrepreneurs were able to break a relationship with a network partner before incurring substantial losses. Thirdly, *informal relationship building* seemed a vital part of any internationalisation strategy. This was not a new finding, but what was new is that this form of relationship building should not limit itself to the owner or managers. Instead, the informal network of commissaries, board members but also of suppliers and clients should be utilized for success. A *deficiency* in this aspect will thus lead to failure.

5.5 Assumptions from the theoretical framework

The first assumption that was tested and proven was that of Kyläheiko et al. (2011) which stated that an overabundance of innovation can cause failure in internationalization.

The second assumption was that *opportunism* can cause network partners to persuade a company to internationalize, with the purpose of making it fail (Oviatt & McDougall, 2005). This is done so that *market assets* can be acquired. Two respondents describe this tactic from happening. IN one success case, the respondents firm used the tactic, and in one failure case, the tactic was used on the respondent's firm.

Knight & Cavusgil (2004) delivered the basis for the third assumption, by claiming that more people with international experience leads to more internationalisation. Thus, this research assumed that a *deficiency* in international experience led to failure in internationalisation. This assumption seems to be proven. One failure case mentioned the lack of international experience as a contributor to failure and several success cases mentioned it as important for their success in internationalisation.

A fourth assumption was that innovative businesses perform better (Morgan & Hunt, 2002). There has been an effort to test this, but this research did not find any evidence to substantiate or refute this claim.

5.6 Summary

The aforementioned sections described the factors and variables that were deemed most important for answering the sub questions individually. Additionally, the assumptions from the theoretic framework have been discussed. After that, an answer to the main research question is given.

Chapter 6 Conclusions

The main purposes of this chapter are to answer the main research question, discuss the limitations of the research and give suggestions for future research. There is also an overview of assumptions from the theories that were tested. The next chapter provides specific recommendations, based on the conclusions made.

6.1 Answering the main research question

The main research question was:

> ➢ What are the factors of the internationalisation process that influence failure events for Dutch and British SMEs?

To start off, the international growth vision is an element that can lead to failure if not executed properly. Entrepreneurs that undertake a step towards internationalisation seem more prone to failure. If the vision is consistent, staff with international experience should be recruited into the company. In cases where this is not the case, failure seem to occur more often.

Adaptiveness and diversification seemed to be the most important innovative capabilities in internationalisation. Companies without the ability to adapt quick enough will likely fail. Moreover, diversification has proven to be an important security against failure in case of crises, as is the situation currently in the Covid-19 pandemic.

Using a companies' industry network for acquiring organisational capabilities and market assets can help to increase success, but a deficiency will not necessarily lead to failure. More important is the ability to recognize predatory behaviour of network partners. Whenever a relationship seems to become detrimental to success, a company should be adaptive enough to timely alter their strategy towards a new network partner. Both formal and informal networking is important for achieving new relationships.

6.2 Limitations of research

This section describes the research limitations based on the topics sample size, profile and data collection. First off, the sample size of ten respondents was deemed large enough to get enough data to analyse. However, the research problem could also be addressed with a smaller sample size, but a more in-depth analysis of different data sources related to a company.

Second off, the profile of the respondents was rather broad. The explorative nature was the reason for this choice. Hence, the generalizability was conserved. This research aims to provide recommendations to a large variety of entrepreneurs. However, the theory resulting from this research could be further proven by analysing data from one economic sector.

Third off, this research looked at the entrepreneur as the sole data source on failure. Instead, companies could also be viewed as decision making teams, thus taking into account every different decision maker and their role. This research did ask respondents to describe the decision-making processes in their business but did not interview multiple people within an organisation.

To close off, failure in any case can be a sensitive topic. Due to the Covid-19 pandemic, it was not possible to take physical interviews. This might have hurt the ability to build trust and rapport. In another situation, it would be advised to use informal communication to establish trust first.

6.3 Avenues for future research

It is suggested that future research analyses the factors of failure found using quantitative methods. This would substantiate the evidence for theoretical claims. Moreover, research should focus on one specific sector to analyse the importance of the various strategic levels for certain sectors.

Moreover, this research concluded that entrepreneurs likely follow their cultural roots when internationalising and that crises can lead to internationalisation. To substantiate these two claims, further research is needed. If entrepreneurs do follow their cultural roots, this would allow for future research to see if multicultural teams perform better in internationalisation. For the claim that crisis can lead to internationalisation and not to failure per se, future quantitative research on entrepreneurs dealing with crises is justified.

6.4 Summary

An answer has been provided to the main research question, followed by research limitations and future research suggestions. In internationalisation the international growth vision, adaptiveness, diversification and recognizing predatory behaviour are likely the most important factors influencing failure. This research was exploratory in nature and looked at individual accounts of entrepreneurs. For further research, it is recommended that the outcomes of this research are tested quantitatively or with mixed methods. It is recommended to use cross referencing in multiple data points from failure cases.

The next chapter will show how the outcomes have been transformed in a comprehensible plan for future entrepreneurs.

Chapter 7 Recommendations

The goal of this research was to provide Project FENIX with specific advice for entrepreneurs. Hence, the recommendations resulting from this report have been transformed into a step-by-step plan that entrepreneurs can use when internationalising their company.

It is recommended that entrepreneurs start this process six months before, but earlier than six months is possible as well.

Step 1

Define the international growth vision well, by asking the following questions: What countries will be targeted? Why are these countries selected? Which opportunities does that offer that our domestic market does not have? How is doing business in that market other our domestic market? The questions should be answered by a combination of market research and analysing internal data.

Step 2

Find partners for co-creation and sharing organisational capabilities. The gaps in capabilities that the organisation has should be filled by creating strong partnerships with established players in the market. Very adequate tools for this purpose are networking events and trade fairs. A good match is very important, so entrepreneurs should look further than the local offering, to guarantee a good match.

Step 3

Design the business model and organisation in such a way that it can be quickly adapted to changes in the external environment. A good diversification of products and markets should be considered to ensure good crisis management.

Step 4

Recruit human resources into the organisation with experience in the targeted market. Knowledge of the local market and languages are important. This should not be limited to staff. Think about recruiting board members or investors that have this knowledge or can link the organisation to network partners that possess it.

Step 5

Take measures to reduce issues related to span of control. Think of ways to manage the local management team. Another thing is to ensure harmonization between the teams, which might be in different time zones.

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Appendix 1 Interview protocol

The list below shows the interview questions which were used for the structured section of the interviews. These questions were used as a guideline. Not all respondents were therefore asked exactly the same questions. In most cases, various questions were already answered in the unscripted section of the interviews.

The respondents were sent these questions before the interview.

Interview questions:

Strategy level:

-Can you describe the international growth vision that the firm had when internationalising?
-Which market entry strategy used was used and why?
-What was the reason for choosing internationalisation?
-Which opportunity did the company seek in the foreign market?
-How much time did planning the expansion take?
-What was the international growth vision like at the companies' foundation? And did this vision change at any time?
-Did the company recruit international experience into its team?
-Did the company hire any external consultants for this purpose?

Innovation level:

-Which organisational capabilities were developed before and during internationalisation?
-Which organisational capabilities were needed to be developed after internationalisation?
-What was the importance of innovation in the company before internationalisation event?
-Which technological capabilities did the company possess?
-What did the innovation strategy of the company look like?
-Do you agree with the following statement: "A company needs to be highly innovative in order to internationalise successfully"?
-Who were responsible for researching and planning the internationalisation process?

Network level:

-Which relationships in the foreign market (chosen for expansion) did the organisation already have before internationalising?
-Which relationships needed to be made after?
-Did other parties in the industry network persuade the company to internationalise?
-Was there a mutual orientation for success between the company and the partners in its network abroad?
-Did internationalisation cause the companies' industry network to become larger?

Appendix 2 Agreement provided to interviewees beforehand

This appendix contains the agreement detailing the rules surrounding data collection and storage. This is the Dutch version, which has been drafted in conjunction with the Project FENIX research team. The only minor addition is the mention of the AMSIB data protocol.

Verwerkersverklaring - Fenix Project

Naam student :   Max Spierings

Datum: xx/xx/xxxx

Plaats: xxx

Naam van de te interviewen persoon: xxx xxxx

Geboortedatum: ……………/……………/………………………..

Ik verleen aan het Lectoraat Entrepreneurship van de Hogeschool van Amsterdam het recht om in het kader van het Fenix Project dit gesprek op te nemen. Het is mij duidelijk dat mijn informatie volgens de normen van het Nederlands Hoger Onderwijs wordt behandeld. Onderzoekers en docenten mogen naar de opnames luisteren en deze gebruiken in verband met onderzoeks- en onderwijsdoelstellingen. Delen met derden voor wetenschappelijke doelen is toegestaan, alleen in een gepseudonimiseerde vorm, zodat de informatie niet herleidbaar is naar de geïnterviewde.

Ik heb deze informatie gelezen en begrepen. Ik geef toestemming dat:

X   studenten van de HvA mijn verhaal mogen gebruiken in verband met hun studieopdracht,

X   onderzoekers en docenten van de HvA mijn verhaal mogen gebruiken voor wetenschappelijke analyses en publicaties,

X   de HvA aanvullende informatie bij andere databanken kan opvragen en ik ben er op gewezen dat indien dit van toepassing is, deze informatie enkel als aanvulling dient en voor de HvA anoniem beschikbaar komt.

Handtekening ondernemer: ………………………………………………………………………………….

Als student heb ik de voorwaarden voor de geheimhouding gelezen (zie bijlagen 'Guide to Mata Management, Hogeschool van Amsterdam Faculteit Business en Economie en 'SURF Juridisch Normenkader (Cloud)

services (JNK)' omtrent de opslag en het verwerken van data via Surf) en ik verklaar dat ik daar aan zal voldoen.

Datum   :   xx/xx/xxxx
Naam student   :   Max Spierings
Studentnummer   :   500734157   Handtekening   :

Appendix 3 Codes drafted before qualitative analysis

The following table contains all the codes used in analysing the interview transcripts. This was done in the program MAX QDA. This table shows the codes that were drafted before the analysis was done. More subcodes have been added to this structure later.

Crises	
subcode:	Brexit
subcode:	2008 financial crisis
subcode:	Covid-19
Failure trajectories	
subcode:	Excessive internal consumption
subcode:	Ambitious growth company
subcode:	Apathetically established company
subcode:	Unsuccesful start-up
subcode:	Dazzled growth company
Type of failure	
subcode:	Excess
subcode:	Deficiency
subcode:	Inconsistency
Strategy	
subcode:	International Experience
subcode:	International vision
subcode:	International vision\selection of markets
subcode:	International vision\growth planning
subcode:	International vision\entry strategy
subcode:	Opportunism
Innovation	
subcode:	Appropriability
subcode:	Appropriability\protective measures
subcode:	Technological capabilities
subcode:	Technological capabilities\innovation staff
subcode:	Technological capabilities\innovation planning
Network	
subcode:	New Relationships
subcode:	Network position
subcode:	Informal relationship building
subcode:	Informal relationship building\personal connections
subcode:	Informal relationship building\formal networking
subcode:	Organisational capabilities
subcode:	Mutual Orientation
subcode:	Mutual Orientation\building predatory partnerships
subcode:	Market Assets

Table 2 Codeline as used for analysis