The internationalization of family SMEs: A network perspective

A qualitative study of Swedish family SMEs

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Abstract

**Background:** Family businesses have traditionally operated within their domestic borders and with a more global competitive market, family firms are more compelled to extend their operations abroad (Casillas & Acedo, 2005; Kontinen & Ojala, 2010). Times are changing and old internationalization theories is becoming outdated and new theories are evolving, the revised Uppsala model from 2009 is one of them. With the help of the revised Uppsala model we will try to see how family firms internationalize from a business network perspective.

**Purpose:** The purpose of this work is to augment the research field of small and medium family business’s internationalization process with regards to the specific features of family firms. More specifically, we intend to develop an understanding of how specific features of family firms influence their international activities with regard to the network perspective of the Uppsala model.

**Method:** This is a qualitative study with an abductive approach which is founded on a multiple case study with two family firms. We look at how networks and relationships influence family firm’s internationalization process by conducting interviews with the top management of two family SMEs. We have conducted the interviews mainly with the two CEOs of the respective firm.

**Conclusion:** The internationalization process of family SMEs has developed when relationships and networks have been established. The ownership structure of family firms convey particular aspects that has to be considered when investigating the internationalization process of family SMEs. Risk-avoidance and long-term orientation are central features for Family SMEs international activity.
# Table of Contents

1 Introduction ........................................................................................................ 1  
1.1 Problem........................................................................................................... 2  
1.2 Purpose............................................................................................................. 3  
1.3 Research Question............................................................................................ 3  
1.4 Delimitations..................................................................................................... 4  
1.5 Definitions ........................................................................................................ 4  

2 Frame of Reference ........................................................................................... 6  
2.1 Family firm ....................................................................................................... 6  
2.2 Internationalization ......................................................................................... 8  
2.3 Globalization ................................................................................................... 10  
2.4 Family firm internationalization ....................................................................... 10  
2.5 Network Theory ............................................................................................... 13  
2.6 Uppsala model ................................................................................................ 15  
2.7 Uppsala model Revisited ................................................................................ 16  
2.7.1 The business network internationalization process model 17  
2.7.2 Knowledge opportunities .......................................................................... 18  
2.7.3 Network Position ....................................................................................... 19  
2.7.4 Learning creating Trust-Building ................................................................ 20  
2.7.5 Relationship commitment decisions ......................................................... 21  

3 Methodology ...................................................................................................... 23  
3.1 Research Philosophy ....................................................................................... 23  
3.2 Qualitative ....................................................................................................... 24  
3.3 Abductive ......................................................................................................... 24  
3.4 Case study ....................................................................................................... 25  
3.5 Multiple Case Studies ..................................................................................... 26  
3.6 Interviews ......................................................................................................... 27  
3.7 Snowball Sampling .......................................................................................... 27  
3.8 Data analysis .................................................................................................... 29  
3.9 Secondary data ............................................................................................... 30  
3.10 Reliability ....................................................................................................... 31  
3.11 Validity ............................................................................................................ 32  

4 Empirical Findings ............................................................................................ 34  
4.1 Case 1 –My Window ....................................................................................... 34  
4.1.1 Internationalization .................................................................................... 35  
4.1.2 Knowledge Opportunities ........................................................................ 35  
4.1.3 Network Position ...................................................................................... 37  
4.1.4 Learning Creating Trust-building ............................................................. 38  
4.1.5 Relationship commitment decisions ........................................................ 40  
4.2 Case 2 –Karl Andersson & Söner ................................................................. 41  
4.2.1 Internationalization .................................................................................... 42  
4.2.2 Knowledge Opportunities ........................................................................ 43  
4.2.3 Network Position ...................................................................................... 45  
4.2.4 Learning Creating Trust-Building ............................................................. 46  
4.2.5 Relationship commitment decisions ........................................................ 47
5 Analysis......................................................................................... 49
  5.1 The use of external parties to develop knowledge
   opportunities in the internationalization process............................ 49
  5.2 Network Position – the role of relationships on the network
   position ................................................................................................... 51
  5.3 The role of long-term orientation on Learning Creating
   Trust-Building........................................................................................ 54
  5.4 The role of risk-avoidance on relationship commitment
   decisions................................................................................................ 57
6 Conclusion.................................................................................. 60
7 Discussion................................................................................... 61
  7.1 Contributions.............................................................................. 62
  7.2 Limitations.................................................................................. 62
  7.3 Future Research......................................................................... 63
8 Reference List......................................................................... 65
9 Appendix.......................................................................................... 73
  9.1 Interview Questions...................................................................... 73
Family businesses are an essential pillar for the global economy as it is estimated that the family businesses contribute 70% to 90% of the global GDP (Family Firm Institute, 2015). In a Swedish context, the family businesses proportion in the private sector is approximated to be 79% (Family Firm Institute, 2015). However, most of the family businesses in Europe are small and medium firms i.e. firms with less than 250 employees (Ayyagari, Beck & Demirguc-Kunt, 2007). Additionally, among small and medium businesses, family businesses are the most regular form of business (Westhead & Howorth, 2007).

Traditionally, family businesses have operated within their national borders. Nevertheless, with a more global competitive market, family businesses are more compelled to internationalize (Casillas & Acedo, 2005; Kontinen & Ojala, 2010). There is a growing incentive that scholars identify the field of internationalization of family businesses as a progressing research field (Graves & Thomas, 2008; Fernandez & Nieto, 2006; Sciascia, Mazzola, Astrachan & Pieper, 2010). Still, the current state of literature within family firms’ internationalization is incomplete (Astrachan, 2010; Kontinen & Ojala, 2010).

Previous research have found that due to family firm’s avoidance of risk (Claver, Rienda & Quer, 2008) and restricted financial resources (Gallo & Pont, 1996) family firms are less likely to internationalize compared to non-family firms. According to Kontinen and Ojala (2011) it is well established that networks are important for internationalization, especially among SMEs. Johansson and Mattsson (1988) argued that network ties of firms act as bridges to new markets. With this taken into account, we want to study the internationalization process of SME family firms from the perspective of the revised Uppsala model from 2009 since it emphasizes on internationalization through networks.
The report will start with a section where we outline previous research that has been made within the field of family firms and try to link it with the updated Uppsala model and internationalization.

In the second part we will present our empirical findings that were gathered through interviews with the top-management of two family firms, My Window and Karl Andersson & Söner. With the help of two case studies we are able to study our topic more in depth and understand the process of internationalization within family firms.

Finally, the last part consists of an analysis of our findings with the help of the theoretical framework. This will make it possible for us to be able to draw our own conclusions and answer our research question in a concise and precise manner followed by a discussion section.

1.1 Problem

Due to the nature of family firms in terms of their ownership structure, family firms can be characterized by different features in comparison to non-family firms that can affect their internationalization strategy as their risk-avoidance (Fernandez & Nieto, 2006; Ward, 1998), internationalization expertise from management (Gallo & Garcia Pont, 1996), long-term orientation (Luostarinem & Gallo, 1992; Poza, 2004), inclination of maintaining the level of control and the ownership structure (Storey, 1994) and relationship commitment towards customers and suppliers (Lyman, 1991). Many different theories have emerged in order to understand the internationalization process, such as the Dunning’s eclectic paradigm (Dunning, 2001), Network theory (Johanson & Matsson, 1988), Resource Based View (Barney, 1991) and the Uppsala model (Johanson & Vahlne, 1977). First and foremost, there is evidence that family SMEs follow the Uppsala model as their internationalization process is incremental (Claver, Rienda & Quer, 2007; Graves & Thomas, 2008). Additionally as the existing literature in family firms’ internationalization is limited, Kontinen and Ojala (2010) reason that the Uppsala model can be investigated further in order to create a profounder understanding of the internationalization process of family SMEs.
The initial Uppsala model was developed by Johanson and Vahlne (1977) and the framework described the internationalization process of a firm as an incremental process. However, the authors of the model reviewed the changes of the dynamics within international business and implemented the importance of “trust-building” and “knowledge-creation” in their new model, since they developed the model with an emphasis on networks (Johanson and Vahlne, 2009). In light of this, Basly (2007) argue that family firms have a large desire to uphold their independence, which may make them less willing to build and maintain networks with other firms, therefore we aim at developing an understanding of the internationalization process of family SMEs from the Uppsala models network perspective developed by Johansson and Vahlne (2009).

1.2 Purpose

The purpose of this work is to augment the research field of family SMEs internationalization process with regards to the specific features of family firms. More specifically, we intend to develop an understanding of how specific features of family firms influence their international activities with regard to the network perspective of the Uppsala model.

1.3 Research Question

Research Question:

How do specific features of family firms influence their international activities with regard to a network perspective of the Uppsala model?
1.4 Delimitations

This study does not set out to generalize about all family firms in industries around the world, instead, it sets out to develop a deeper understanding of the two family firms examined for this study, with a particular focus on how the revised Uppsala model relates to these family firms and how the firms internationalize with regard to networks. One of the delimitations for this research is that there are only two family firms included in the study. This decreases our ability to make wide comparisons among multiple firms from different industries, thus decreasing the possibility of finding interesting patterns among family firms with specific characteristics and operating in specific markets. Moreover, this study was intended to only target family firms with no more than 250 employees, which therefore reduced the scope of family firms to choose from for the study.

1.5 Definitions

Family firm
In order for a firm to be classified as a family firm, the family needs to own the majority of the stock and have full managerial control (Gallo, Sveen, 1991).

Internationalization
Internationalization can be seen as a synonym for the geographical expansion of economic activities over a national country’s border (Ruzzier, Hisrich & Antoncic, 2006).

Globalization
Globalization refers to the process in which firms operate on a global scale, rather than just operate in a small amount of selected countries (Gjellerup, 2000).
Uppsala model

The Uppsala model explains the characteristics of the internationalization process of the firm. The model argues that markets are networks of relationships, where firms are linked to each other in various and complex ways. Secondly, relationships offer potential for learning and building trust and commitment, two aspects that are crucial in the internationalization process (Johansson & Vahlne, 2009).
2 Frame of Reference

In this section the frame of reference for this study will be presented. It consists of the theories, concepts and literature in the context of our topic that has been chosen for this study. It also provides a more in-depth theoretical perspective of family firms and internationalization.

2.1 Family firm

Many of the definitions surrounding family firms have focused largely on ownership and the influence of the family members in the business decisions made, as portrayed by Donckels and Frohlich (1991), who argues that a firm can be classified as a family firm if the family members own at least 60 percent of the equity in the company. Davis (1983) argues that a family firm is one whose policy and direction is influenced by one or more family units. This influence can be in the form of ownership, and also through the participation of family members in management. Furthermore, Pratt and Davis (1986) argue that a family firm is one in which two or more extended family members have a direct influence on the direction of the business through the exercise of kinship ties, management roles, or through ownership rights. These definitions are also in alignment with the one brought forward by Welsch (1993), who argues that a family firm is one in which the ownership is concentrated, and owners or the relatives of the owners are somehow involved in the management process.

Accordingly, the definition used for this study is the one developed by Gallo and Sveen (1991), where they argue that for a firm to be classified as a family firm, the family needs to own the majority of the stock and have full managerial control (Gallo, Sveen, 1991).

Family firms exist in various sizes in countries all around the world. Many of the firms around the world are both owned and managed either by the CEO, or by the CEOs’ family. This type of firm structure and ownership is not only common for family businesses, it is universal among both privately held firms and publicly traded firms (Burkart, Paununzi, Shleifer, 2003). Family firms have traditionally been known to operate in their domestic markets, however, there is an increasing trend of family firms choosing to internationalize. This may be due to a number of reasons, with the leading one being that
firms are trying to survive in markets that are becoming more and more globally competitive (Casillas & Acedo, 2005; Kontinen, Ojala, 2010). Not only is it important to study trends within family firms, it is also crucial to investigate family firms as a precise and distinct entity, and try to uncover and investigate their specific features with regard to internationalization (Kontinen, Ojala, 2010).

It is important due to the prevalence and importance of family-controlled organization in society that one is able to understand the specific characteristics and behaviors of the family members that in some way influence the family firm (Tagiuri & Davis, 1996). One theory that has been brought forward is that compared to a non-family firm, family firms have a distinctive and unique work environment where there is an emphasis on employee care and loyalty (Ward, 1988). Seeing as smaller family firm tends to be made up by many employees that are somehow connected to the family, one can argue that a family firm has a distinctive family language, where the employees are able to communicate more efficiently and where there is a greater amount of privacy in the information exchanged by the employees when compared to a non-family firm (Tagiuri & Davis, 1996). Additionally, Gallo and Garcia Pont (1996) identifies that family firms tend to have family members in their top management positions. Furthermore, family firms will in many cases have a more trustworthy reputation and lower transaction costs compared to non-family firms (Aronoff & Ward, 1995; Tagiuri & Davis, 1996), where the family firm will tend to work hard and be truly committed to their respective relationships with customers and suppliers (Lyman, 1991).

Aronoff and Ward (1995) argues that family objectives and business strategies are two components that remain inseparable, where networks of trust remain the basis for expansion and perpetuation among family firms. When looking at family businesses, one is more likely to gain an understanding of human relationships and motivation not only with regard to the family members in the firm, but also among employees, customers and the community (Aronoff & Ward, 1995). A special aspect among family firms is that they seek to offer a feeling on transcendent meaning to their participants, regardless of whether these participants are part of the family or not. Family firms tend to uphold values related to both profitability along with other specific goals, and therefore seek to maximize distinctive values, defined by the family as opposed to by the market (Aronoff & Ward, 1995). In addition, the family ownership structure induces that family
firms are more long-term oriented (Poza, 1994). Furthermore, other research on family firms has shown that family firms tend to be characterized by having a conservative attitude and being risk adverse (Ward, 1998). Additionally, Storey (1994) identifies that family firms are more inclined in comparison to non-family firms of maintaining the ownership structure and therefore are resistant to external investors that can affect the control of the firm. The international expansion of family firms can sometimes be seen as an uncertain decision due to various reasons, including insufficient information about foreign markets and the internationalization process (Fernandez & Nieto, 2006). However, research has shown that cooperation with other companies in the domestic market can provide firms with valuable information about different business opportunities, characteristics of foreign markets, and problems that may occur during the process, which results in a decrease of the perceived risk (Bonaccorsi, 1992). As a result, an alliance with other companies may go towards reducing the perceived risks and effective costs involved in the internationalization process (Bonaccorsi, 1992). Westhead, Wright and Ucbasaran (2001) further argue that businesses that are managed by founders that have access to more detailed information and larger contact networks are much more likely to export.

### 2.2 Internationalization

Internationalization can be seen as a synonym for the geographical expansion of economic activities over a national country’s border (Ruzzier, Hisrich, & Antoncic, 2006). Internationalization is a concept that has continuously developed and changed over the years, and in the last decades we have seen drastically changes that involve new ways of internationalizing. From having solely multinational enterprises engaging in internationalization we can see that due to several different reasons, size does not matter when it comes to internationalization (Miesenbock, 1988; Knight & Kim, 2009). Lehtinen and Penttinen (1999) defines internationalization with a focus on networks and relationships. They define internationalization as developing networks of business relationships in other countries through extension, penetration and integration.
Internationalization is vastly common and an important aspect for many companies of different sizes and in different stages. Many different interpretations of internationalization and the foundation behind it has been brought forward by many different researchers over the years. The resource-based view suggests that firms obtain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Barney, 1991). Furthermore, the eclectic paradigm model distinguishes between three categories of advantages that a firm is likely to have when choosing to internationalize. The advantages include ownership advantages, location advantages and internalization advantages (Dunning, 2001). Although the eclectic paradigm model has existed for many decades and is widely used in explaining the internationalization activities of firms, it has still received a fair degree of criticism, with some of the criticism coming from the author himself. The criticism includes the argument that the number of explanatory variables are so many that its predictive value is almost equal to zero. Furthermore, another criticism of the model is the interdependence of the different OLI variables (Dunning, 2001).

The extensive amount of definitions that have been brought forward surrounding internationalization brings with it many researchers that have interpreted their own meaning of the topic, meaning that different theories have been proven to be more influential and recognized compared to others. Johanson and Vahlne (1990) argued that it is important to remember that internationalization is embedded in an ever-changing world, highlighting that the concepts and foundations behind internationalization will tend to change and be based on a variety of factors. Firms will also have to cope and adapt to ever-changing markets that brings on challenges and difficulties for firms when it comes to survival and being successful in the long-run. Johanson and Vahlne (1990) argue that internationalization needs to be seen as embedded in an ever-changing world, the process need therefore be seen as a mixture of strategic thinking, strategic action, emergent developments, chance and necessity. Even though internationalization can offer a firm many advantages, a firm is likely to fail if it is unable to take advantage of the factors that facilitate internationalization, or overcome the factors that restrain it (Gallo, Sveen, 1991).
2.3 Globalization

Globalization is a phenomena that was brought forward in the 1970’s, which differs from internationalization as it refers to a when a firm operates on a global scale rather than in a small amount of selected countries (Gjellerup, 2000). The world has become smaller due do a drastic decrease in the boundaries and barriers that are set up between countries. This is due to a combination of reasons, technology has improved which makes it easier for individuals to travel and goods to be transported effectively around the world, and technology has also improved that enables individuals to communicate instantly with no respect to distance. Furthermore, politics and legal aspects have introduced different trade agreements that enable and supports firms to go global. These factors are often referred to as two of the three driving forces behind globalization (Acs, Morck & Yeung, 2001). The third factor is the fact that new regions and countries opened up and evolved after being closed to the outside world, including countries that belonged to the former Soviet Union. Hilmersson (2011) recognizes the last factor as a harmonization as markets opened up for the world economy due to countries becoming more independent and argues that it had a major impact on pattern of firm internationalization in terms of direction, pace and extension of internationalization.

2.4 Family firm internationalization

Family firms are going from operating in domestic markets to internationalizing due to global competition (Casillas & Acedo, 2005; Kontinen & Ojala, 2010) Several authors acknowledge that family firms’ internationalization practice are receiving increased attention and is developing into an important research field (Graves & Thomas, 2008; Fernandez & Nieto, 2006; Sciascia et al., 2010). This can be explained from Kontinen and Ojala (2010) awareness that family firms have specific features compered to non-family firms that affect the internationalization strategy of family firms and therefore literature within the field can evolve. Simultaneously, the lack of inducement for family firms to internationalize have lied in limited access of resources, however, globalization has also led to more possibilities for networking, and networking has a positive effect on the
amount of internationalization knowledge among family firms and therefore more family firms internationalize now than before (Crick, Bradshaw & Chaudry, 2006; Kontinen & Ojala, 2010; Schulze, Lubatkin, Dino, & Buchholtz, 2001; Sciascia et al., 2012). Additionally, globalization is enabling family firms to internationalize to markets with more psychic distance than before, such as markets further from neighboring markets (Okoroafo, 1999).

Gallo and Garcia-Pont (1996) discuss the important factors of internationalization in family firms. The first set of factors that they convey is referred to as external factors and they are associated with the external environment in the likes of competitive characteristics of a firm and its environment and opportunities both abroad and in the domestic market.

The second set of factors comes from the internal organization of the family firm. The deployment of family members in their operations is viewed as one of the key aspects of internationalization, combined with the willingness to work towards shared goals (Gallo & Garcia-Pont, 1996). However, Gallo and Garcia-Pont (1996) underline that family firms tend to hire family members with lack of qualifications and shortage of international experience. Nonetheless, Fernandez and Nieto (2005) do point out that new generations have a tendency to positively influence the internationalization within family firms.

The third and last group of factors is related to the attitudes of the top management (Gallo & Garcia-Pont, 1996). Noteworthy is that according to Luostarinen and Gallo (1992) family firms tend to have long-term orientation compared to other types of firms and Sciascia et al. (2010); Poza, (2004); Zahra, (2003) portrays that long-term orientation has favorable effects on the internationalization activity of family firms. Furthermore, with regard to the internationalization process of family firms, firms are often characterized by obtaining a long-term orientation, which is seen as having a positive effect on internationalization (Claver et al, 2008). Partners that are characterized by having a long-term orientation between each other helps to create strong trust relationships between them (Pukall & Calabro, 2014). McCollom (1988) argues that there is a great deal of exchanges that take place within family firms, which makes it possible for sharing knowledge and experience with others which will go towards encouraging risk taking aimed at activities surrounding long-term value creating activities (James, 1999).
With this in mind, one assumption is that top management in family firms have specific attitudes towards their internationalization process compared to other firms (Gallo & Garcia-Pont, 1996). Fernandez and Nieto (2006) compared family SMEs with non-family SMEs and perceived with their empirical findings that family firms are less inclined to take risks in their strategy. Likewise, Graves and Thomas (2005) found a similar conclusion from their empirical data. Moreover, Hutchinson (1995) and Morck (1996) elaborates that family firms has features that affect the financial decision within the firm as top management desire to maintain the control over the company and therefore family firms can be reluctant to external investors. In accordance, Jones, Makri and Gomez-Mejia (2008) contend that top management cope with two categories of risk when investing, one of them being the profitability of the firm, with the other one involving the perceived risk of not being in control of the firm. Hence, financial decision-makings within family firms are preferable made upon generated funds and not external funding (Graves & Thomas, 2008).

Graves and Thomas (2004) highlights that family firms in comparison to other types of firms do not internationalize to the same extent. In addition, Graves and Thomas (2004) emphasize that family firms do not engage to the same extent as non-family firms in networking with other businesses. This is supported by Basly (2007) who argues that family firms have a desire for independence and that prevents them from joining in networks. Tsang (2002) identified another difference between family firms and non-family firms and that is that family firm tend to be less formal and structured when collecting information and conducting analyses. Due to the lack of information, internationalization has been seen as an uncertain decision for family firms and since family firms do not have an attitude of risk-taking, many family firms usually do not stress the process of international expansion (Fernandez & Nieto, 2005; Ward, 1998). However, Zahra (2003) argues the opposite, stating that family firms are more inclined to risk-taking as the author conveys that family owners and the management team within the company has a strong orientation of similar interests in enhancing the competiveness of the company. As a result, Zahra (2003) contend a positive relationship between family ownership and international sales.

In order to understand the internationalization of firms, several scholars have envisioned different theories and framework to international business studies. Kontinen and Ojala (2010) convey the most utilized internationalization theories in the existing literature of
family firms’ internationalization, the resource-based view (Barney, 1991), Dunning’s eclectic paradigm (Dunning, 2001), Network theory (Johanson & Matsson, 1988) and Uppsala model (Johanson & Vahlne, 1977). Studies from Claver et al. (2007) and Graves and Thomas (2004) argue that most family firms follow the Uppsala model of internationalization as they state that family firms’ internationalization process is founded in an incremental process. However, Johanson and Vahlne, 2009 updated their model and portrayed an overall emphasis on networks and relationships in the internationalization process of the firm as the internationalization process of a firm is dependent on the established and developed networks rather than the competitive advantage of the product or service of the firm (Coviello & McAuley, 1999). In coherence with family firms, Aronoff Ward (1995) argues that family firms are more influenced by relationships and Basly (2007) identifies that networking enables knowledge creation regarding the internationalization of family SMEs.

2.5 Network Theory

Johanson and Matson (1988) developed the network view within business where they conduct that relationships are investments of resources. The authors further explain that firms compete on a network level rather than on an individual level. Henceforward, they highlight the importance of network as the mechanisms of conducting business has changed.

The network approach is often used to demonstrate the specific alternatives that firms have, and the tactics that they use when they engage in internationalization behavior. The network model implies that firm’s activities in industrial markets are cumulative processes in which relationships are continuously formed, established, maintained, developed and broken in order to give short-term satisfactory returns, and to establish one’s position in the network, ultimately securing the long-term development and survival of the firm (Johanson & Mattsson, Hood, Vahlne, 1988). The model argues that in order for a firm to become established in a market, otherwise known as a network, it needs to establish relationships that are both new to the firm and the other players involved. This can be done by ending old and existing relationships, and also by adding a relationship to an
already existing one (Johanson et al., 1988). Different arguments have been brought forward regarding the reason for firms to collaborate, with one being that the firm’s capabilities and competitive forces are some of the main factors that force them to collaborate (Madhok, 1996).

By collaborating, firms will be able to take advantage of the resources and capabilities of its partners, thus working towards increasing its own competitive advantage. With regard to value chains, Normann and Ramirez (1993) argue that there is a trend that shows that firms are moving away from strategic positions in the value chain, and are instead establishing a value creating system. Collaboration with other firms can bring forward a variety of advantages for a firm, including an increased reputation and also acquired trust from other firms (Gulati, 1995). Business networks can be summarized by the relationships that a firm has with its customers, competitors, distributors, suppliers and the government (Johanson et al., 1988). A firm creates and maintains relationships with other players in a country during their internationalization activities through three different methods, including international extension, penetration, and international integration (Johanson et al., 1988). International extension refers to when a firm establishes relationships with other players in countries that are new to the firm. Penetration is a method that involves a firm working towards trying to increase its commitment in already established markets in foreign countries. The third component, international integration, is the process in which firms try to integrate their position in networks in various foreign countries (Johanson et al., 1988). The various activities that take place in the network is ultimately what allows firms to form relationships that work toward helping it to gain access to different resources and markets (Johanson et al., 1988).

Johanson and Vahlne (2009) recognizes the change of mechanisms in the business environment and therefore adapt their updated Uppsala model with a network approach. Johanson and Vahlne (2009) adjust their model, in order to make networks the most dependent variable for the internationalization process.
2.6 Uppsala model

The Uppsala model helps explain the process of internationalization and the important aspects that leads to firm success in their internationalization (Johanson and Vahlne, 1977). Kontinen and Ojala (2010) examined the internationalization of family firms by examining existing research within the topic. What they found was that even though the firms which were examined tended to internationalize using the Uppsala model approach, what emerged was how little knowledge of the internationalization processes of family firms actually exists, where a great deal of verification is still needed. Not only is verification of internationalization models needed in general, verification of the Uppsala model is also needed (Kontinen & Ojala, 2010). Among the theories that have been brought forward surrounding family firms, Basly (2007) argues that networking has a positive effect on the amount of internationalization knowledge among family firms. Furthermore, Graves and Thomas (2008) argue that most firms internationalize according to the Uppsala model, where some however internationalize more rapidly than others, referred to as born-again global firms.

The Uppsala model explains the characteristics of the internationalization process of the firm. The model argues that markets are networks of relationships, where firms are linked to each other in various and complex ways. Secondly, relationships offer potential for learning and building trust and commitment, two aspects that are crucial in the internationalization process (Johanson & Vahlne, 2009). The researchers argue in their initial model that Swedish firms would typically internationalize with ad hoc exporting. Furthermore, the underlying assumptions of the Uppsala model brought forward in 1977 are state and change, where the major reason and explanation for uncertainty was connected to location specificity (Johanson & Vahlne, 2009). The state aspects included in the model include the resource commitment to the foreign market, market commitment, and knowledge about foreign markets and operations. The change aspects refers to the decisions to commit resources and the performance of the current business activities (Johanson & Vahlne, 1977).

With regard to uncertainty, the initial Uppsala model argues that one of the major forces influencing uncertainty is the psychic distance between countries. Johanson and Vahlne
(1977) were able to identify similar patterns in the establishment of firms in new countries. One of the observations made was that psychic distance between the home country and import/host countries played a big part in the time order of establishment in other countries (Hörnell, Vahlne & Wiedersheim-Paul, 1972, Johanson & Wiedersheim-Paul, 1975). Furthermore, the model shows that Swedish firms often develop operations in other countries in small steps, as opposed to making large foreign investments at a single moment. Firms will tend to start by exporting to a country via an agent, where they gradually establish a sales subsidiary, and in some cases move to initiating production in the host country (Johanson & Vahlne, 1977). Since the model was first brought forward in 1977, it has been updated on several occasions due to changes in business practices and theoretical advancements (Johanson & Vahlne, 2009). Johanson and Vahlne established an updated version of the Uppsala model in 2009, where different elements of the initial model were developed, and where new elements were included that had not been considered for the initial model.

2.7 Uppsala model Revisited

Johanson and Vahlne (2009) brought forward the Uppsala model of internationalization in 1977 where they went deeper into the internationalization process of firms. When the researchers constructed the original model, there was only a basic understanding of market complexities that may go towards explaining the difficulties surrounding internationalization. Further research on international marketing and purchasing in business markets has led to a business network view of the environment faced by firms that engage in internationalization activities (Johanson & Vahlne, 2009). The authors argue in more recent work that the initial model has become outdated due to the constant changes in the ways that firm’s work and the process in which they internationalize to new markets and in the way that they utilize their specific resources. The main difference from the original Uppsala model from 1977 compared to the updated Uppsala model in 2009 is that the business environment in which the firms operate is viewed more as a network, where there is an emphasis on developing a web of relationships, compared to looking at the market as a large number of independent suppliers and customers (Johanson & Vahlne, 2009). The updated Uppsala model looks at relationships as a source that offers firms
specific advantages, and where uncertainty can be traced to relational shortcomings, knowledge and commitment (Johanson & Vahlne, 2009).

The Uppsala model explains the characteristics of the internationalization process of the firm. The model argues that markets are networks of relationships, where firms are linked to each other in various and complex ways. Secondly, relationships offer potential for learning and building trust and commitment, two aspects that are crucial in the internationalization process (Johanson and Vahlne, 2009). The 4 elements that were introduced in the original Uppsala model have been developed, and where two new elements have been included to the updated Uppsala model. The elements of the updated Uppsala model include knowledge opportunities, relationship commitment decisions, trust-building and network position.

2.7.1 The business network internationalization process model

The restructured framework from Johanson and Vahlne (2009) is still using the basic structure as the model that was developed in 1977. The model still characterizes two sets of “state” and “change” variables that affect each other continuously. Hence, the “state” variable has an impact on the “change” variable and the “change” variable has an impact on the “state” variable. These variables portray the dynamic cumulative processes of learning accompanied by trust and commitment development. As a result, an augmented degree of knowledge can have a positive or negative outcome on the trust and commitment development. “Figure 2.1” visualizes the previous model and “Figure 2.2” visualizes the developed framework.
2.7.2 Knowledge opportunities

In the previous model, the first state variable was labeled as “market knowledge”. However, in the revisited model, the first state variable is labeled “knowledge opportunities” as the authors imply that opportunities are the most significant component for the body of knowledge in the process (Johanson & Vahlne, 2009). The reasoning behind this is that Johanson and Vahlne (2009) observe that developing opportunities is vital for all relationships. Yet, other aspects such as capabilities, needs and strategies are significant components to knowledge.

Johanson and Vahlne (2009) point out that opportunity development is founded upon both discovery and creation (Ardichvili, Cardozo & Ray, 2003). Henceforward, Johanson and Vahlne (2009) argue that it is senseless to determine if discovery or creation is more important. Furthermore, the authors elaborates opportunity development as “… opportunity development is an interactive process characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust being an important lubricant” (Johanson & Vahlne, 2009, p.1420). Additionally, Johanson and Vahlne (2009) recognize the role of serendipity within the discovery of opportunities. However, they view the role of serendipity as exaggerated within the network view.

As previously stated, Johanson and Vahlne argue that discovery and creation of opportunities is a process of learning and commitment that are established through relationships. In relation to family firms, Graves and Thomas (2004) denotes that family firms in comparison to regular firms are less abundant to network with other companies. However, family firms has substantial beneficial resources from family members outside the boundaries of the firm as they can utilize the kin relationship of top management (Jack & Dodd, 2005)
2.7.3 Network Position

In the previous model, the second state variable was labeled as “market commitment”. However, Johanson and Vahlne (2009) contend that the internationalization process is acquired by networks in their updated model. Among companies, the progression of relationships is portrayed by a particular degree of knowledge, trust and commitment that possibly will be unequally distributed (Johanson & Vahlne, 2009). On the other hand, Johanson and Vahlne (2009) maintains that the central firm enjoys a partnership and a network position if the central firm perceives desirable results of the learning, trust and commitment development. Henceforward, the change variable that interacts with the network position of the firm is the variable, “learning creating trust building”. To conclude, Pukall and Calabro (2014) interpret the network position variable as the general degree of commitment of the firm with respect to their different foreign network.

Schweizer, Vahlne and Johanson (2010) discuss the significance of relationships to be beneficial in a network, not only for the focal firm but also for the other firms, if not it is evident that firms will look for new relationships. Coviello and McAuley (1999) argues that the internationalization process is dependent on establishing networks instead of competitive advantage of their products. Blankenburg (1995) argues that when a firm has reached an insider position, they can start their entry process.

Hilmersson and Jansson (2011) supports Johanson and Vahlne’s (2010) findings regarding network position and the importance of it. To further develop the meaning of being an insider in a network Hilmersson and Jansson (2011) distinguish between two types of network structures, open and closed network structures. The open network structure is characterized by the fact that it is loosely coupled and simply about the exchange of information between the actors. Burt (1993) explains the open network structure as a sort of information network with weak relationships and the focus is on stressing indirect linkage, which results in a low degree of integration. The closed network structure is on the other hand tightly coupled and characterized with strong and direct ties with a focus on social capital which is built on trust and shared norms and compared to an open network, there is a high degree of integration in closed network structures (Hilmersson & Jansson, 2011; Coleman, 1988; Ahuja, 2000).
A SME builds different types of relationships depending on the degree of internationalization, a SME with high degree of internationalization act more proactively in business networks (Agndal & Chetty, 2007). In relation to family firms, Aronoff and Ward (1995) argues that family firms tends to be more influenced by their relationships. Additionally, Basly (2007) underline the importance of networking in the development of the internationalization process of family firms. Hohenthal, Johanson and Johanson, (2003) discusses the importance of experience when internationalizing, the more experienced a firm is the better equipped it becomes to recognize business opportunities compared to firms lacking experience. By developing different business relationships in a specific markets based business network, a firm improves their position in the network (Jansson & Sandberg, 2008).

### 2.7.4 Learning creating Trust-Building

Learning creating trust building” was labeled in the previous model as “current activities”. The theory behind “current activities” was to highlight that daily operations engage a substantial role with regards to the development of knowledge, trust and commitment. Johanson and Vahlne (2009) support the development of the stage variable as they want to clarify the outcome of current activities. The phrase “learning” is associated with experiential learning in the processes of current activities. Additionally, “The speed, intensity, and efficiency of the processes of learning, creating knowledge, and building trust depend on the existing body of knowledge, trust, and commitment, and particularly on the extent to which the partners find given opportunities appealing” (Johanson & Vahlne, 2009, p.1424).

Moreover, the authors highlight the importance of the term “trust”, as it is an important element to the realization of relationships. Trust is often seen as crucial within family firms as it may lead to a reduction in transaction costs, along with building behavior that is both reliable, and based on long-term principles (Steier, 2001). Accordingly, trust development enables relationship progression (Morgan & Hunt, 1994), and progression in business networks (Johanson & Mattson, 1987). Moreover, Johanson and Vahlne (2009)
argue that trust is an element for successful learning and development of new knowledge. Additionally, trust can also be used as an alternative for knowledge by the means of using a trusted agent to operate foreign business activities when the company has a shortage of market knowledge (Johanson & Vahlne, 2009). Morgan and Hunt (1994) draw parallels to trust as “integrity” and “reliability”. Johanson and Vahlne (2009) conclude in brief that trust can be related to the ability to forecast the other parties’ behavior. Nahapiet and Ghoshal (1998) frame the interaction among the processes of learning, creation building and trust development as social capital. In relation to family firms, social capital has been proposed to be ample within family firms as family firms are highly influenced by their ownership structure (Salvato & Melin, 2008) and the involvement of families (Hoffman & Sorensen, 2006). Furthermore, trust often plays a role in people being willing to share information with others, as it helps to promote the building of joint expectations (Madhok, 1995). By maintaining and upholding personal relationships categorized by a high degree of commitment to various partners, firms will have the opportunity to build interpersonal trust with others, which will result in an increased propensity for cooperation (Roessl, 2005).

2.7.5 Relationship commitment decisions

The other change variable is labeled Relationships commitment decision, where “relationships” has been added from the original model in order to induce that commitment is affected by relationships or a network of relationships. The firm is able to increase or decrease the degree of commitment in its network (Johanson & Vahlne, 2009). Additionally, relationships will be strengthened or weakened if the degree of commitment is modified. Investment size, entry mode, structural changes within the organization and especially the degree of dependence to the relationship is factors that normally reflect commitment changes (Johanson & Vahlne, 2009). From the network view Johanson and Vahlne (2009) states that decisions with regard to commitment are predominantly established in order to create new relationships. Secondly, decisions with concern to commitment in the network view are established in order to strengthen strategic networks within the firm (Johanson & Vahlne, 2009). In relation to family firms, Lyman (1991) contend that family firms are dedicated to their respective suppliers and customers. In addition, widespread research have embedded that family firms are more committed to long term
investments as a result of their ownership structure (Breton-Miller & Miller, 2006; Carney, 2005; Gallo & Pont, 1996). Likewise, the degree of commitment of family firms in investments can be characterized by their reluctance of maintaining the ownership structure (Jones et al., 2008). In addition, the commitment of family firms can be reflected on the willingness to work towards shared goals (Gallo & Garcia-Pont, 1996).
3 Methodology

In this section of the paper the methods used for conducting this study are being explained. The research philosophy and the selected approach and strategy that have been used is described. It also describes how data have been collected and how it is analyzed and discussed in trustworthiness.

3.1 Research Philosophy

Saunders, Thornhill and Lewis (2009) relate research philosophy as the progression of knowledge and that the nature of that knowledge is determined by the research philosophy as it contains vital conventions of how authors view the world. Therefore, the end-product of the research is vastly dependent on the authors’ research philosophy. Within the field of business management, positivism and interpretivism are the two most recognized research philosophies (Saunders et al., 2009).

A positivism lens relates to the stance of the “natural scientist” as the theory in mind observe social reality with end products of “law-like” generalizations as in physical and natural sciences (Saunders et al., 2009). Myers (2009) frame the positivism theory as studies that clarifies a relationship between independent variables and dependent variables in order to develop a statement.

On the other hand, interpretivism theory is critical to put forward theory within management by "law-like" generalizations as it is done in physical science. The reasoning behind this is that the field of business management is much more complex (Saunders et al., 2009). The interpretivism lens acknowledges reality with determination on social constructions such as language, consciousness and shared meanings (Myers 2009). Hence, the interpretivism author is required to understand dissimilarities concerning humans in their role as social actors (Saunders et al., 2009).

As we perceive that managerial process situations are hard to define with law-like generalizations and need to be interpreted through the whole context in order to yield the reality of the situation we have chosen to use an interpretivism research philosophy.
3.2 Qualitative

We have considered different research approaches so as to elaborate a work that is suitable for our purpose. With regard to our purpose, the research is qualitative in nature as we want to understand a process rather than measuring it in form of statistics (Jack & Dodd, 2005). The qualitative method in comparison to the quantitative method explores the why and how rather than a focus on what, where and when as the quantitative method does. Hence, with a qualitative research approach we are able to deeper understand the topic by considering the whole context (Saunders et al., 2009).

To disclose, a qualitative research is dependent on how the authors interpret the collected data (Saunders et al, 2009). Henceforth, a qualitative approach enables us to elaborate our purpose and handle the undefined process such as a family firm’s internationalization process and comprehend it from our research philosophy (Saunders et al., 2009). Additionally, a qualitative method allows us to comprehend information that is indirect and allows us to interpret the entire context of the subject.

3.3 Abductive

Saunders et al. (2009) identifies two major and traditional approaches in order to respond to a specific research inquiry, they are labeled as the deductive and inductive approach. Moreover, the deductive approach is described as a scientific approach where a hypothesis is applied to develop theory and the hypothesis is answered through a statistical test. Hence, the deduction approach can be simplified as “testing theory” (Saunders et al., 2009). On the other hand, the inductive approach is described as a smaller sample test where the approach has more emphasis on developing an understanding of the research context and does not intend to bring forward a generalization as the deductive approach. Hence the inductive approach can be simplified as “building theory” (Saunders et al., 2009).

Alvesson and Sköldberg (2008) convey that inductive and deductive are two different linear processes and therefore categorizes an alternative approach that is embedded in a
non-linear process, namely the abductive approach. Accordingly, we collected information through the qualitative approach; as we are not able to anticipate the possible outcomes of the data. Thereby, we have chosen to use the abductive method which permits us to adjust the frame of reference to the information received from the interviews. Henceforth, we are able to recognize gaps and cover them with relevant literature within the field and create a learning loop (Pedrosa, Näslund & Jasmand, 2012). In relation to the inductive approach and deductive approach, an abductive approach is advantageous with regard to establishing an understanding (Alvesson & Sköldberg, 2008). Additionally, with regards to Blaikie (2010) an abductive approach is suitable where there is a possibility of broad data.

3.4 Case study

A case can be described as a bounded entity, taking the form of person, organization, event, or other phenomenon. The boundary between the case and its contextual conditions, both in terms of spatial and temporal dimensions, may be blurred (Yin, 2012). A case study can be defined as an empirical inquiry about a contemporary phenomenon, set within its real-world context, especially when the boundaries between phenomenon and context are not clearly evident (Yin, 2009). With this thesis we aim at developing a better understanding for how family firms operate in their existing markets, and if the process in which firms internationalize is in accordance with the assumptions brought forward by the Uppsala model. As we look to develop a deeper understanding of the subject, the case study allows us to use how and why questions to obtain a clear understanding of the topic and its implications. A case can be described as a bounded entity, taking the form of person, organization, event, or other phenomenon. The boundary between the case and its contextual conditions, both in terms of spatial and temporal dimensions, may be blurred (Yin, 2012).

The thesis is designed in accordance with the description of an embedded, multiple-case study. When two or more organizations are studied in the same manner, an embedded multiple-case study is used (Yin, 2012). Embedded case studies allows for focus on several different aspects within a case. Accordingly, we will be able to focus on several different aspects within the family SME internationalization process by looking at the network factors that were discussed by Johanson and Vahlne (2009) in their updated version
of the Uppsala model. Although the Uppsala model and the family firm internationalization process were the two main aspects of the thesis, there was still a focus on smaller aspects within the firm, such as the firms view on relationships, networks, trust, development, and more, all of which are aspects within the Uppsala model. According to Yin (2012), one of the challenges with using case studies is being able to make any generalizations from it. It is often argued that a small sample is not sufficient to generalize about a larger population, and according to Yin (2012), it is not intended to. With this case study, we are not intending to generalize our finding to all family firms that internationalize into other markets, our intensions are to develop a deeper understanding of the specific features that have an effect on family SMEs when making decisions surrounding their international activities.

3.5 Multiple Case Studies

According to Yin (2012), multiple cases provide a wider array of evidence compared to single cases. The broadened array allows one to cover either the same issues more intensely or cover a wider range of issues. Thereby, using a multiple study with the two family firms will help us make comparisons and see if the results differ in terms of different aspects being considered in the study. Furthermore, research conducted in the past has shown that multiple cases is often seen as more compelling, with the overall study as a result of this is considered being more robust (Yin, 2009). Although multiple case studies may require more effort and a larger team of researchers, the result is a stronger case study (Yin, 2012). Although the findings will not be generalized to the entire family firm population, we will still be able to discuss if the results found vary among the two different firms, and what reasons this may be due to. (Saunders et al., 2009) states that the rationale for using multiple case studies focus on the need to establish whether or not the findings in one case are the same or similar to other cases.
3.6 Interviews

The qualitative data collection is set by semi-structured interviews with designated companies. Semi-structured interviews enable the researcher to design preferable themes and questions with respect to the research inquiry. Simultaneously, respondents are able to bring forward creative and detailed answers (Saunders et al., 2009). Interviews can assist to gather valid information throughout the research. On the other hand it is necessary to elaborate and interpret the interviews appropriately in order to create reliable information to the study.

Henceforward, the conducted interviews targets managers with deep insight of their company’s situation and process as to generate profound insight of the position of the company. We have chosen to use face-to-face interviews as the respondent can generate a more detailed explanation by means of that respondents tend to be more disposed to give extended answers in comparison to an email interview. Likewise, with face-to-face interviews the respondent will be more confident with regards to the use of the information provided and researchers are also able to interpret the body language of the respondent (Saunders et al., 2009). Moreover, by recording the interviews we are able to understand the whole message of the respondent as we as receives will not focus on writing down the all word articulated in the interview and use full-length quotes is possible.

Using the outlined interview approach we reason that we are able to comprehend the meanings of the respondents’ inputs and review them with the social context of the situation. Additionally, there is a possibility that the dialog develops into areas that has not been considered beforehand. The setback by using this approach is that there is possibility that the different interviews that are not completely designed can be more difficult to compare and find a correlation between them (Saunders et al., 2009). Nonetheless, a completely predesigned interview will lack to bring forward qualitative information.

3.7 Snowball Sampling

The sample selection that has been chosen for this investigation is the snowball sampling method. Snowball sampling is widely used when it is difficult to identify members of the
desired population (Saunders et al., 2009). One of the major issues with snowball sam-
pling is the difficulty in making the first contact. Once the first contact has successfully 
been made, the contact helps to identify other potential contacts in the population, who 
provide further help in identifying potential contacts in the population, which continuous 
rolling down the line and is therefore referred to as the snowball sampling method (Saun-
ders et al., 2009).

Family firms that fall within the category of both having the required amount of employ-
ees and who have engaged in international activities is not something that is listed in any 
database, which makes snowball sampling a highly relevant and useful method for our 
specific investigation. The initial contact was made with the Swedish chamber of com-
erce, whom provided us with relevant information regarding the specific family firms 
that we were interested in meeting with. The Swedish chamber of commerce presented 
us with relevant contacts, who in turn provided us with more potential family firms that 
could become interesting for our investigation.

The two family firms that were chosen for the investigation operate in different industries, 
and they were both identified and found from different referrals, thus avoiding biased 
answers. The sampling frame is defined as the complete list of all the cases in the popu-
lation from which your sample will be drawn (Saunders et al., 2009). The sample frame 
for this investigation included family firms from Jönköping and Stockholm which had all 
engaged in some form of internationalization activity. The interviews conducted at My 
Window and Karl Andersson & Söner were made with the respective company’s CEOs. 
The reasoning behind this is that both CEOs were highly involved in the daily running of 
the family firm, and they were both highly involved in the decisions made and how the 
company operated with regard to internationalization activities. A wide variety of ques-
tions were asked to both CEOs, which a special emphasis on those relating to the firm’s 
internationalization activities, in order to gain insight into whether firm operates accord-
ing to a network perspective or a resource perspective. This allowed us to build a better 
understanding of how family firms make decisions in their internationalization activities 
with regard to their features.
3.8 Data analysis

According to Yin (2009), data analysis is the process of examining, categorizing, tabulating, testing, or recombining evidence as a method to draw empirically based conclusions. The method of analysis used for this investigation is the pattern matching method. Pattern matching is the process of predicting a pattern of outcomes based on theoretical propositions to explain what you expect to find (Saunders et al., 2009). The approach involves developing a conceptual or analytical framework by using existing theories, and subsequently testing the adequacy of the framework in order to further explain the findings (Saunders et al., 2009). Theories of family firm features, internationalization and the Uppsala model were all examined in order to compare them with the results found upon conducting the interviews with the CEOs concerning characteristics of their internationalization process.

Furthermore, the approach involves deciding upon the dependent and independent variable for the investigation. The dependent variable used for this investigation is the Uppsala model of internationalization, where we look deeper into the specific factors that have an effect on the decisions made by the two family SMEs during their internationalization process, the independent variable. Yin (2009) argues that the independent variable of the pattern matching approach may be made of a number of different characteristics. In our study, the independent variable will be made how family firms act and operate in their internationalization activities. Expected outcomes were established by looking at the Uppsala model and the implications that it implies, which was followed by analyzing the data found by interviewing the two family firms with a focus on their internationalization activities. The pattern matching method allowed us to investigate the relationship between the two variables, and if the assumptions brought forward by the dependent variable were shown to be accurate when looking at the independent variable.

Upon having made the analysis for both of our cases, we conducted a cross-case analysis by looking at the results that had been obtained from the two interviews, and comparing them to see if there were any similarities or differences in the two cases, and if there were any evident patterns that the two SME family firms showed. If identical results were to be obtained over both cases, literal replication of the single cases would ultimately have
been made, with the cross-case results being stated more confidently as a result (Yin, 2012).

### 3.9 Secondary data

In order to develop a good understanding of the topic and develop the best possible findings and discussions, a combination of both primary and secondary information was used. Secondary data is a useful source of information as it provides a useful source from which to answer the designated research topic (Saunders et al., 2009). Most research questions tend to rely on a combination of both primary and secondary data. When there is a lack of available secondary data to use, one will have to rely on the data they collect themselves (Saunders et al., 2009). The primary data collected for this case was obtained from interview with two family firms, and where the secondary data was obtained from sources such as Scopus, Google Scholar, and the online library from the Jönköping International Business School.

There are a variety of advantages that can be brought forward with regard to using secondary data. One of the stronger advantages that is often brought forward is that by using secondary data, one is able to save themselves a great deal of both time and money (Ghauri & Grønhaug, 2005). By using secondary data, it has enabled us to consider a variety of different theories and results in writing our thesis, which has made it easier to work towards creating a reliable discussion and conclusion. The arguments against using secondary data is that the results found may not always correlate or be relevant to the research topic at hand. Secondary data may often be derived for purposes that do not match the relevant research question (Saunders et al., 2009). To cope with this problem and save time in the process, we made sure to be very specific and efficient in the way that we searched for data. A lot of the data that was used throughout the thesis was found in articles that were linked together, and where the researchers had often cited similar articles and founding’s in their own work. This resulted in the secondary data collected
being linked together by topic and findings, making it quicker and more efficient to determine whether or not the articles and findings should be used as a reference.

### 3.10 Reliability

Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings (Saunders et al., 2009). There are a great deal of different factors that can be seen as an ultimate threat to reliability, where three of them include subject or participant error, observer error, and observer bias. Subject or participant error refers to when the person being interviewed is saying what he/she thinks that his/her boss wants them to say. Observer bias may occur when there are different people that conduct the interviews for every occasions, which can lead to different ways of asking the specific questions. Finally, observer bias occurs when there may have been three different ways of interpreting the answers (Saunders et al., 2009).

Upon conducting the interviews with the two family firms, we worked hard to make sure that none of the factors mentioned above had any influence on how we worked and interpreted the findings. Firstly, both of the individuals who took part in the Interview were both CEOs of their respective company, which eliminates the factor arguing that answers would be given based on what other want them to say. We felt that all of the answers given to us were sincere and based on what the CEOs truly believed. In order to achieve this we tried to make the interviews as comfortable and stress-free as possible. We gave the CEOs a description of who we were and the exact reason for why we were doing this project, and we stated that they were more than welcome to read the thesis once it was done. Furthermore, all of the members of the group were present during the two interviews, and the same interview sheet was used for both occasions. To avoid any sort of observer bias, each interview was carefully analyzed and discussed by all members after the interview was finished to ensure that everyone had the same idea and image of the answers given. Both the interview were recorded, something that the CEOs did not have a problem with, and the answers were later transcribed in detail to ensure that we could easily find what the CEOs had answered for each question. Accordingly, we believe that
we have conducted and interpreted each interview in a correct manner, thus being able to avoid any of the factors that may hinder reliability.

3.11 Validity

Validity can be seen as being concerned with whether the findings/result of the research actually match the data that has been collected (Saunders et al., 2009). Validity can also be seen as the extent to which any measuring instrument measures what it is intended to measure (Carmines & Zeller, 1979).

Before conducting the interviews, the interview sheet was constructed in a precise manner to make sure that each question was essential, and that each question would contribute to a better understanding of the different topics within the research as seen from the company point of view. The questions were intended to obtain a better understanding of the family firm and where it started, further understand the internationalization process and international activities that the firm has engaged in, and also to ask questions that were related to some of the assumptions and ideas brought forward by the Uppsala model. All the answers that were given by the CEOs were taken into consideration, and were all included in either the findings or conclusion/discussion sections in order to minimize the chance that answers were included based on their applicability to the Uppsala model assumptions.

Williamson (2002) argue that there are nine steps that need to be followed when doing a qualitative analysis. One should start by transcribing the data and to read through each transcript in order to familiarize yourself with what you have found. Furthermore, one should categorize the data by identifying what section the answers are related to, and separate the answers accordingly which makes it easier to identify which answers are related to which topics. This should be followed by playing with different ideas, writing memos, and conceptually organizing the categories. Finally, the researcher should try to undertake word searches, form tentative theories, and ask questions and check hunches (Williamson, 2002). These steps have been carefully followed to make sure that the data
and process of understanding and applying the data has all been done according to a widely accepted method of how to do a qualitative analysis.
4 Empirical Findings

This section provides brief presentations of our two case companies and their internationalization process in order to create a base for our analysis in the last section. Subsequently, our findings recapitulate the empirical material in a descriptive manner without any of the author’s own interpretations. The findings are structured in two categories for, one for each company with their own subheadings, which will be further analyzed later in the last section.

4.1 Case 1 - My Window

My window have existed for almost 30 years, and the company focus on a wide range of interior products for windows. The CEO was inspired after attending a Miss World competition in the United States during the 1980s, where he became inspired by the beautiful wooden blinds that were hanging in the background. When the CEO returned to Sweden, he teamed up with a colleague, and based on the large demand for the product in the Swedish market, they decided to start a company to satisfy these customer needs. Together they bought a company where the focus laid largely on blinds, and wooden blinds in general.

With new times come changes in preferences and trends, something that the owners at My Window were quick at responding to. In 2005 they bought the company My Window from Denmark as a response to the changes in trends within the industry, and as a result of the growth that had taken place within the company since it started 20 years earlier. The company now started to work more towards architects and interior designers, where there emerged a big change in the trademark of the company to better meet the needs in the market. When the company started they could often sell around 1000 wooden blinds per month, where they today only sell around 1000 wooden blinds per year. The CEO argues that if you want to succeed, you need to be able to identify trends and changes in the market, which is why the company today focuses largely on curtains as a result of changes in demand. The individual in which the interview was held with was one of the CEOs of the company, where the company today consists of both regular employees and family members of the CEO.
4.1.1 Internationalization

My Window’s production takes place in Estonia, where every order is made according to the specifications from the customer in the Baltics, Denmark, Germany and Switzerland. “We currently do not have any stores in the respective countries outside of Sweden, instead we sell our products outside of Sweden with the help of agents.” These agents represent My Window in the local markets, where they sometimes have showrooms where they display the company and the product to local customers. “Our internationalization decisions were not based on any economic conditions around Europe, instead it was based on the demand for the company’s products” says the CEO. The CEO argues that it is crucial to identify if the product fits in with the culture and environment in the overseas markets before making decisions to expand abroad. “Although Europe has become homogeneous in many aspects, one will still need to know how things are done in other countries, and what sort of demand there is for the company’s products.” The company first engaged in internationalization activities when it noticed that it was hard to find workers in Sweden that were willing to sew and produce the products, which led to the company looking for production opportunities elsewhere. The choice fell on Estonia, where the company today feel that their production is a leading element in their success due to the quick and flexible production methods in terms of look, color, and being able to adapt to specific customer preferences. “Not only was Estonia chosen to produce our products based on the low costs of production and labor, it was also chosen based on its geographical location, allowing products to be shipped to Sweden and neighboring European countries without any bigger constraints” says the CEO.

4.1.2 Knowledge Opportunities

Johanson and Vahlne (2009) argued that opportunity development is an interactive process characterized by increasing both learning and commitment, with trust being an important lubricant. My Window today operates in several different countries around Europe, where they have over the years changed the trademark and concept of the company
by following trend developments in the market and altering their products to be in accordance with these changes. When the CEO initially started the company most of the production was focused around wooden blinds. The CEO had seen this product during a visit in the United States, and saw an opportunity to develop this product and introduce it to the Swedish market. The company experienced a great deal of success with this product, and noticed from an early start that there was a need and want for the product in the Swedish market. As the CEO later explains, “There is a great deal of different trends and styles out in the market, so it is important that a company should not bury themselves too deep into a specific trademark or trend so that they get completely blown away if something were to change. One should slowly but surely, without losing their soul, try to keep up with the market.”

The process of obtaining and using knowledge is according to the CEO a mixture between experience, research, and communication with those who are experts within the specific markets. When My Window noticed a change in demand for wooden blinds, they were very quick in being able to shift the production and the product to something that was more fitting for the current demands of the market. “When we experienced the change in demand the only thing we could do was to be quick on our feet and reset the time, I believe that being quick on your feet and being able to sense changes in trends is the whole art behind success.” The CEO argues that one of the challenges with operating in a number of different countries is that one needs to be able to have specific knowledge of the demands in that country, and how things work in that country. My Window have used a combination of research and connections with overseas agents to cope with this problem. The CEO argues goes on by arguing; “Although markets in Europe have become very homogenous, one still needs to know for example how do you set up a curtain in Spain compared to with Sweden, one will need to be aware of this before entering the markets, so there is a great deal of details that one needs to be aware of.” Apart from having good prior knowledge about a market and spending time on doing research into the specific aspects of a market, the CEO explains that a great deal of knowledge is obtained by communicating with the agents that the company works with in all the respective countries that it sells its products to. With regard to how the company worked towards obtaining knowledge about new markets when moving abroad, the CEO answered by saying that; “I believe that the only way to start and succeed is by working with somebody that knows
the market. If you try to study everything it will only be a theoretical practice, it will not be real.” My Window works with several agents in the different countries in which it operates in, and it is evident that these connections are something that is very important for My Window, and is something that is vital for the way they work. These relationships and networks will be discussed further in the following section.

4.1.3 Network Position

My Window operates in a handful of countries throughout Europe, where a great deal of their sales in these countries are made through agents. These agents represent My Window in the foreign markets, and they often show the products to customers and architects, where some also have showrooms where the product is displayed. Estonia is today one of the countries that My Window works the closest with, having most of its production there and also being close to Scandinavia and the Baltic markets. “I was the one who handled the internationalization process seeing as I know how our products work in all possible scenarios with regards to architects and clients” says the CEO. “Our goal was to find a place that would provide good production and good personnel, which is why we decided to explore the opportunities. We were very warmly welcomed, and everything was very fascinating from the start seeing as back when we first started the production in Estonia the country was still fairly new so it was still developing, which made it very fascinating.” The CEO states that the company has a very strong network in Estonia where most of the company’s products are made, and its networks are also very developed throughout Scandinavia where most of its products are sold. Moreover, the CEO argues that the state of its networks and relationships in the remaining countries all look the same due to the fact that they have the same way of communicating and working with both agents and customers in all markets.

Not only does the company work and sell its products through agents in countries outside of Sweden, these agents are also a very important aspect of their success. “The way in which we establish relationship with agents is basically the same way as with a friendship, you meet somebody in school that you like and you start to hang out with them. A friendship is a mental balance, and it is the same thing when you are doing business.” One of
the policies that My Window has implemented within its company is that there always has to be continuous communication among all the individuals working within and around the company. Every time an installation is completed the installer always has to call the CEO to talk about the details of the installation and how everything went. The agents working with the company often fly to Sweden to meet with the company and discuss developments and how things are going. Not only does this process give the company a change to further establish and maintain a good and beneficial relationship with its current partners, but it also allows them to get a good understanding and image of potential partners. “By trying to meet with our partners as often as possible, it gives us a good idea of whether this partner is somebody that we really want to work with or if it is only a visionary.”

My Window have the same way of working with and developing its networks, where continuous communication is a key element for their success. Each contact in the network are characterized by a high degree of commitment and care, where nothing is taken for granted. There have also been cases where the company have had to take a step back when they have realized that the specific partner or market is not what they were looking for, and does not fit in with their concept or existing networks. “We once had a supplier in Japan where we noticed that the contact in that market did not have the characteristics that we were looking for, and where ordering and flying back and forth to Japan became too complex. The CEO continuous, “The market was simply too far away for our products, which is why we decided to primarily focus on the European market.”

4.1.4 Learning Creating Trust-building

Upon conducting the interview with the CEO at My Window, there were two concepts that were mentioned on several occasions that the CEO argued was essential for them. These two elements are relationships and trust. When asked how the company views trust and its importance with regard to their operations and relationships, the CEO argues that “trust is an essential aspect, you have so much that you have to do during the day so you do not have the energy to partner up with somebody where you feel that it is not going to work, that will only lead to complications and problems.” The agents who represent My
Window in the respective markets have a big responsibility in that they are the ones who are responsible for finding the customers, closing the sale, and are also expected to have good knowledge of the specific laws, regulations, language, and ways of doing business in the specific countries. “We need to be able to sit down with our partners and discuss matters in a very quick and effective way. One does not have time to go through everything in detail and describe all the aspects, both parts should be on the same page and know what is expected of them and what needs to be done.”

“You’re basically holding somebody’s hand who you feel that you can lean on, relationships are extremely important. While it is important to build trust with the people you work with, it is also important to give others an incentive in some form which leads to these people developing trust for you.” The CEO argues that trust can be obtained in a variety of different ways between partners, and it is important to know how trust is obtained in different countries. “In Russia relationships may be strengthen by sitting down and discussing business over a nice dinner. You cannot come in as an ice cold businessman and try to be smart in business, because if you try to be too smart then you will fail. Like with the Italians, if you try to bargain too much they will get tired of you and stop caring. One may still be able to get a good price from them, but you will not get any service, no soul, and no heart.”

The company works hard in trying to develop and maintain high trust levels among the employees and the partners in which they work with, saying that success would be very hard to reach otherwise. The strong relationships that My Window has with its partners and the great amount of trust that they have for each other have also opened the door to new opportunities for the company. The CEO states that the distributor in Germany was not found by the company conducting extensive research or personally reaching out to the distributor, the relationship with the German distributor was primarily established through a line of mutual acquaintances.

The CEO highlight that they enter markets on the basis of their relationships, trust and recommendations from agents and distributors. If an agent were to use other methods or make decisions that were not previously decided upon, it can lead to a great deal of costs for the company. Therefore, trust between the partners is one of the biggest aspects and
contributors to the company’s success. “You need to work towards always being attractive on the market, then it doesn’t work to be rude or trying to act smart, one needs to be humble and maintain a level of professionalism. One needs to have a smartness in them without giving the image of being too well-read on the topic or being too good. I believe that this is the modern way of being a CEO.” The CEO ends by saying that the parties need to find a good balance in their relationship, where they can rely on one another to deliver what they have promised, and do it according to what has been decided upon. If this can be done, then the parties will be on a good road towards establishing a long and healthy relationship, with a great deal of trust for one another.

4.1.5 Relationship commitment decisions

My Window operates in a number of different countries throughout Europe, they have been able to establish a wide range of networks, with different levels of commitment. They are focused on the European markets as their production and markets are located there. The Swedish market is the largest for the company, with the remaining Scandinavian countries following close behind. All of the company offices are situated throughout Stockholm, with most of the employees therefore being based at the Stockholm offices. The close geographical distance to the markets throughout Scandinavia have enabled My Window to dedicate more time and effort into establishing its product in these markets. Although its products are often sold through agents in markets outside of Sweden, My Window have chosen to sell their products themselves to the customers in Denmark. Convenience, experience, and the geographical closeness are all factors that have made it possible for My Window to operate in this manner. The CEO had many arguments for why the company had chosen to place the production in Estonia, including the geographical location and the competence of the workers. “Of course we also decided to choose Estonia because it is a low-wage country, which in combination with all the other positive factors made it a very good choice for us, and we were able to maintain a good level on our costs.”

One of the main reasons to why My Window started internationalization was due to a contact in the Netherlands. My Window values this relationship as they have shared values. “Seeing as we had production abroad, we had a fairly big and strong supplier in the
Netherlands with whom we worked very close and tight with. The supplier in the Netherlands like our concept, they like how we market everything, and they think that we are a very aggressive profile. Together with these suppliers we have brought forward a concept where we will soon be opening up smaller stores abroad, where we have now found an international standard for what works.” If the contact in the Netherlands is one in which the company is highly dedicated in and continuously works to develop, the contact in Japan can be seen as the opposite. The company investigated this option, but found based on several different reasons that it would not work. The geographical location, the large distance between them, and the different ways of doing business in these countries made it hard to establish a long term and profitable relationship. My Window has a wide range of relationships and contacts around Europe, with a high dedication to those in Scandinavia, the one in the Netherlands, and the one in Estonia. The company is succeeding in developing contacts elsewhere in Europe, where the CEO sees a very bright future for the company.

4.2 Case 2 – Karl Andersson & Söner

Karl Andersson & Söner was established in 1898 in the village Berghem, situated close to Huskvarna by a master cabinet-maker called Karl Andersson. Today, four generations later, this family business is developing and manufacturing its own high-quality furniture in their own factory in Huskvarna where it is situated today. The company focuses on classic design and new innovative designs where the customers range from private households to businesses. The company has been working with different designers over the years, where the firm’s objectives are the same as they were when the company first started, providing furniture that is of high quality, durable and sustainable.

Karl Andersons’s & Söner is today managed by Karl Anderson’s great grandchildren and the headquarter, production and showroom employs up to 30 employees that helps to promote, create and develop new high-quality furniture to be enjoyed for people all over the world.
4.2.1 Internationalization

When Karl Andersson & Söner started their internationalization activities back in the 1950’s by exporting their products to neighboring countries around Sweden, it was not a result of a conscious international strategy from the company. It was not until the early 21st century when the company decided to develop an international strategy. “Me and my sisters joined the company decided that we now have the capabilities to initiate the internationalization process and share the responsibility”, said the CEO. He continued, “Before entering, my dad was the only one who managed the company and thus internationalization was not prioritized.”

Apart from the company’s existing exports, they reached out to their industry association, Träd och Möbelförbundet (TMF) that helped them to obtain a stand at one of the biggest furniture’s fairs in Milano. The CEO explained the importance of the fairs, “We did not have a clue about foreign markets since we only focused on the Swedish market before, so the challenge for us was to get as much information as we could during the fair and it is hard to get a stand there so it was really thanks to TMF.” They started to attend these fairs in 2002 and at that time they shared the stand together with other companies, but over the years they have managed to build up their reputation and now they have gained their own stand. The CEO also stressed that there are many differences in different markets and that some products that are selling well in Scandinavia is almost pointless in other markets. “The storage furniture that are very popular in Sweden is almost non-existing in other European markets”, The CEO said.

The CEO continued, “Apart from obtaining knowledge and learning at the fairs, we are also looking for potential agents and designers who can sell our products in new markets.” This since the company has not established themselves among the big brands in the industry internationally and one problem with that is that they sometimes fail to get the full potential from the agents. The CEO mentioned that due to their size and position in new markets they cannot pay high commissions, and a direct consequence of this is that the agents might prioritize other brands in their portfolio that pay higher commissions.
Karl Andersson & Söner along with other similar Swedish firms have together collaborated in order to attract interior designers from three potential markets that they have decided to focus on, including England, Germany and the Netherlands. This is an initiative by the industry association (TMF) to raise awareness for this industry from Sweden and once a year they invite designers to Sweden to an event that is called Swedish Midsummer Design Week (SMDW) in Stockholm. “The initiative has resulted in that designers often approach us among the other involved firms at our stands at the fairs since they already are familiar with us in advance before attending the fair”, the CEO said.

Today Karl Andersson & Söner can be found in many countries around the world with the main focus on the markets close to Sweden, including Denmark, Norway, Finland, Germany, England and the Netherlands. The furniture’s can also be found in Turkey, Japan, Australian and USA but the CEO says that minimal or almost no effort have been made to promote the products in these markets, “It is a matter of demand that have created the opportunity for us to ship our products to these places, these places have always had preferences for Scandinavian Design.” Instead of agents, these products are being sold at different department store and showrooms in these markets. The CEO states, “Karl Andersson & Söner intends to grow gradually by learning more about specific markets and hopefully being able to engage in internationalization to a higher degree by being more present in different markets around the world.”

4.2.2 Knowledge Opportunities

In the case of Karl Andersson & Söner, their internationalization process began very early with exports that were enabled by the demand for their products in other markets. “We did not work actively with exports back in the 1950’s and our international customers at that time consisted of Swedish or Scandinavian emigrants. It was not until 2002 when we started to focus on a real internationalization strategy and to actively start selling products in new markets.” The CEO explains that the new generation in the family firm were the driving forces behind their internationalization strategy, “With the new generation of fam-
ily members in the board we recognized the opportunity of developing the foreign business’ activities as we felt that the firm was mature and that the management could share the responsibility and the challenges with internationalization.”

When Karl Andersson & Söner decided to expand their business internationally in the early 21st century they realized at an early stage the challenges with internationalization. They realized that opportunity development is founded upon both discovery and creation and decided to attend international fairs for furniture to gain knowledge and prepare for entering a new market. With the help of the industry association (TMF) they could participate at an international fair in Milano where they were able to show their products and it was here the learning process began. The CEO identified and summarized the challenges, “Our purpose was to identify trends and what kind of styles that are desired in the different markets compared to the domestic market.” The CEO explains, “We have learned so far that the preferences for furniture all over the world differs a lot, everything from material, style and even the complete product as we aforementioned.” The CEO continues to explain the importance of observing at how others do and learn by observing at these fairs.

The CEO’s main task at the fairs is to screen out and try to find ways that will help Karl Andersson & Söner to be successful in new markets. “My focus is on communication and observing what competitors do, what agents want and what is appealing for designers”, the CEO said. Even though some people would argue that the demand for Nordic Design is becoming more homogenous there are still differences in what kind of products people have in their home. “The storage cabinets for instance is one product that is welcomed in most homes in Sweden, while people out in Europe do not grasp the meaning of having such a product in their homes. If that is due to the size of the homes in bigger cities or if it is rooted in traditions is unclear but these differences are very important for us when entering a new market to avoid market failure”, said the CEO. The main reason why this kind of internationalization strategy has been adopted is because they want to grow slow and gradually and avoid backfires that can be costly for a company.

The fairs allow Karl Andersson & Söner to connect with people that have the expertise and knowledge of the different markets and that will help them in new markets, help that will hopefully result in less risk since they do not have to invest money in unpredictable
projects. Karl Andersson & Söner collect information from people in the interesting markets and then turns towards agents in the specific market to get the products out on the market.

4.2.3 Network Position

Networking is vital for the internationalization process for Karl Andersson & Söner as they learn and obtain knowledge from networks and as in this case, networks are created during the fairs.

Their products exist in different markets all over the world and are promoted in four different ways. In countries such as Australia and Japan that are far from the domestic market, the company has different firms that use showrooms to sell their products. The CEO explains, “The commitment to these markets are low, looking at markets that are closer to the domestic market we can identify more elaborated and detailed networks and it’s here where the agents are involved.” The agents that the company finds through the fair helps the company to sell their products to different markets. In these networks Karl Andersson & Söner do not hold a strong or central position as their commitment is low and other brands are in many cases more attractive to promote for the agents due to higher commission.

This problem, that the CEO pointed out many times throughout our interview is concerning and they are working together in networks with other Swedish firms in the same situation to make a greater impact. The result is the SDMW that is an initiative by the industry association (TMF) and they focus on designers instead of agents. The CEO explains, “The strategy is to invite designers from three specific markets and show them the history behind the Swedish design and let designers who have a big say when it comes choice of interior, be inspired and promote our products in their own way.” The goal is that when these designers visit the fairs again they will voluntarily approach the companies and together discuss how they can work together in the future. Within these three specific markets, which is England, Germany and the Netherlands the commitment is a bit higher and this is a way for these companies to get a fair entry into the market without having to pay high commissions to agents. To satisfy an agent in terms of money, the
CEO estimates that they need a turnover of at least 1 million euro in the specific market. He continues, “We have identified that relationships can be seen as an incitement for designers to promote the company’s products simply because designers don’t have solely monetary motives in mind as they often set the trends and inspire others in how they should furnish their homes.”

Karl Andersson & Söner have developed a strong relationship with the Finnish market, where they have hired a person with a Finnish background who has helped them a lot to intensify their commitment to the Finnish market and they have done that with success but it is more a coincidence than an outspoken strategy. “Worth mentioning is that this person was not initially hired for this specific position, where the person is now responsible for the Finnish market, and where the higher commitment in the market will hopefully lead to positive effects for the us”, the CEO said. According to the CEO this is not an optimal situation for every market since it is both time-and-cost-consuming even though it is a winning strategy.

4.2.4 Learning Creating Trust-Building

“Trust and relationships are very important for us at Karl Andersson & Söner due to our size and stage in the internationalization process, we can therefore not afford to be as self-sufficient in overseas markets as we are in the domestic market”, the CEO explains when asked about the importance of trust and relationships, “Our key into new markets is to build relationships and trust with already existing actors in the specific markets and this makes the company very dependent on external support to gain advantage.”

Agents could be effective according to the CEO but that is under some certain circumstances, and at the stage that Karl Andersson & Söner is today that is not the most effective option. The CEO explains the relationship by saying, “The relationship between the company and the agents are not equally beneficial for both parts as it looks today since we cannot pay enough money to motivate the agents to promote our products much more than we already do.” The very limited interaction they have with the agents is initiated at the fairs where they get in touch with the agents and then develop a communication which
is often poor due to a conflict of interests. The CEO explains, “agents often represent the brands where they receive the most commission for selling, Karl Andersson & Söner often represent a small fraction of the agents sale, the agent usually represents several firms and again due to our size and the commission that we pay, agents tends to prioritize other brands in their portfolio over us.” However, the CEO clarifies that if the firm is fortunate, they will increase their sell proportion of the agents sales and therefore increase the mutual trust between them.

Looking at the initiative with the SMDW, relationships are being built up with interior designers from specific markets that are invited to Sweden and learns about the history and background of the Swedish furniture industry instead of only the brand and its products, which is thought to be more fruitful. The CEO further explains, “The trust is built up over time and it invites the designers to voluntarily engage in promoting the products if an interest is created.” The CEO also mentions the importance of the relationships between the potential competitors and argues, “It is important to work together to succeed as we share this initiative together even though there are no guarantees for equally distributed success over time.” The CEO points out the important role that the industry association has for them, “The Industry association (TMF) have played an important role for the companies to succeed since the members are fairly similar in size and shape, and share common goals and together they can create more together than what they could achieve on their own.” The CEO continues, “The goal is to plant a seed among the designers in which it will make it easier to connect and link with them at the fairs.”

It is very clear that creating relationship demands effort and commitment for the firm and they are doing it all the time in their daily operations with the different stakeholders that they are interacting with which can be everything from competitors, customers and designers. When it comes to internationalization, most relationships are being intensified and developed at the fairs, apart from the SMDW where they invite interior designers.

### 4.2.5 Relationship commitment decisions

The degree of commitment and dedication in relationships is highly biased depending on
which market is being taken into account. Markets such as Japan and Australia do not require extensive relationships, and thus the commitment is almost zero according to the CEO. “These markets have evolved from certain demand, which have enabled exports, and they are separate from the internationalization focus that we developed in the early 21st century.” The CEO also mentioned that the markets in Europe involve high levels of commitment towards agents and designers, and thus these relationships are more valued and committed to according to the company.

The CEO emphasizes that it is at the SMDW where the company really show dedication and commitment by inviting designers for a weekend to try to strengthen the bond between the two parties. The CEO further elaborates “It can be seen as an investment, and for an investment to be good and fruitful one has to be committed.” This shows that the three markets that the company focuses on with this initiative is more prioritized and receives a higher level of dedication from the firm compared to the agents. The CEO also stresses the importance of the relationships with the industry competitors or companions as the CEO sees them since they have a common interest and goal to be as successful as possible in different markets. “It is especially important since smaller family firms cannot afford to enter markets with entry modes that are capital intensive and there is only one exception and that is the way in which we operates in Finland, however this was more a coincidence than a strategic move.” The CEO mentions that internationalization is a hard nut to crack as the “easy” ways are more capital intensive which the company does not have at the moment, so they have to choose the long road which implies less risks but also a longer road to success.
5 Analysis

In this section the findings are being connected with the frame of reference to get a deeper understanding of the findings. The findings are being elaborated to see if they align with the previous research made. This part is vital for the study and to be able to answer the research questions and draw connection between family firms’ internationalization process and the revised Uppsala model.

5.1 The use of external parties to develop knowledge opportunities in the internationalization process

There is a possibility that family firms have a shortage of knowledge as family firms tend to hire family members that has limited qualification and therefore lack international expertise (Gallo & Garcia-Pont, 1996). Additionally, in existing literature it has been derived that family firms are more risk-adverse (Fernandez & Nieto, 2006; Ward, 1998) and Jones et al. (2008) elaborates that family firms has a higher perceived risk in terms of investment as the family firms need to cope with two factor of risks, profitability and the risk of losing the control of the company. In light of this we consider that the selection of external parties that requires low investment is favorable for family firms. We recognize that both our case companies are utilizing external parties in form of agents as their source of opportunities in order to facilitate the process of gaining knowledge to new or existing international markets. However, in Karl Andersson & Söner’s case, they also use designers and the industry association (TMF) and they have found it more beneficial in the long-term compared to working with agents. Using external parties in form of agents, helps both companies to develop knowledge opportunities without any major size of investment which is aligned with the perception of Fernandez and Nieto (2006) that family SMEs has limited financial capital and are risk-avoidant. As no major investments are needed, then both companies can employ internally generated funds which is preferable for family firms (Graves & Thomas, 2008). Additionally, utilizing internally generated funds prevent the owners of family firms to lose their control of the company which is one variable of perceived risks in family firms (Jones et al., 2008).

Notably, both discovery and creation of knowledge opportunities with regards to the internationalization process of My Window and Karl-Andersson and Söner are principally
bound to the relationship with their external parties. As a result, and in coherence with Johanson and Vahlne’s (2009) proposition that knowledge opportunities are reliant on relationships and the expectation of those relationships, both Karl-Andersson and Söner and My Window are strongly compelled to their own agents in their particular foreign markets. This due to the fact that both companies make use of the agents in order to establish and discover new knowledge in their internationalization process. Henceforth, both companies are heavily dependent on their agents to establish new knowledge of foreign market. However, the investigated companies has different sources of new knowledge from other external parties, new knowledge opportunities that are shaped from the respective network tie of the firms. Henceforth, Crick et al. (2006) convey that network ties portray a valuable function for discovering new opportunities in the international market.

For instance, Karl-Andersson and Söner interact with foreign designers in order to gain new knowledge among what is appealing for the foreign market. Thereby, they can adapt to the foreign market with corresponding knowledge expertise in order to form partnerships with new agents that will provide the company with new foreign market opportunities. Hence, Basly (2007) discusses the importance of networking and the positive effect it has on established and new knowledge of foreign markets.

On the other hand, My Window pursue new knowledge opportunities from their network tie of the top management. Jack and Dodd (2005) argue that top management within family firms has substantial beneficial resources from family members outside the boundaries of the firm. Hence, the organizations’ knowledge opportunities can be positively influenced by the kin relationships of the top management.
5.2 Network Position – the role of relationships on the network position

In both of our cases we have identified strategies that have been implemented with one goal, to obtain a central position in a network in order to become an insider. This is according to Johanson and Vahlne (2009), who argues for the importance of being an insider of a network to gain the possible benefits of the insidership. We have also noticed that the internationalization process in both of the cases was dependent on establishing and developing networks and not on the competitive advantages of their products which is supported by Coviello and McAuley (1999). We have also noticed how both of our case companies followed the ideas of Blankenburg (1995) which explains that a firm becomes more of an insider as it gets more integrated to a network. Aronoff and Ward (1995) argues that family firms are frequently influenced by their relationships. Furthermore, Basly (2007) argue for the importance of networking in the development of the internationalization process for family firms. We have seen that in both our cases, different type of relationships and network have influenced their way of internationalization.

Schweizer et al. (2010) argues that the different roles of relationships in a network is important and thus have to be equally beneficial for both firms in the relationship, if that is not the case then it likely that firms will look for new relationships. Karl Andersson & Söner experienced this issue very early when trying to enter new markets. Primarily, the company used agents to promote and sell their products in new markets, however the company understood that their position in the agent’s network was not strong enough as it turned out to not be beneficial for Karl Andersson & Söner. According to the CEO at Karl Andersson & Söner, this is the case for several of the other companies in the same industry in Sweden that tried to engage in new markets. The CEO pointed out the intensive competitiveness within the industry as the main reason and as a result of this they had to reconsider their relationships as they do not achieve a beneficial position in the, which is according to what Schweizer, Johanson and Vahlne (2010) found in their study.

The result of this was the SMDW that Karl Andersson & Söner together with the industry association (TMF) and other firms that struggled with the same challenges started together. What they were looking for now was to build new networks with themselves in the center instead of trying to improve their relationships with their agents in the different
markets, as they see this option to be more feasible and aligned with the current stage of the company. This strategy also aligns with Blankenburg (1995) idea when they were trying to become more integrated in the networks. Karl Andersson & Söner focused on building networks in three markets, which align well with Zahra’s (2003) argument that family business managers want to maximize revenues from certain markets rather than pursuing internationalization into several markets. To have a better position in a network leads to more beneficial advantages with the partners and it is exactly what Karl Andersson & Söner are doing, incrementally, step by step (Schweizer et al., 2010). They also recognized the importance of having different relationships in a specific networks to get a more central position, this aligns well with what Jansson and Sandberg (2008) found in their research. Karl Andersson & Söner tries to develop an open network structure which is a network structure that is defined by Hilmersson and Jansson (2011), as a network structure that are loosely coupled and is mainly about exchanging information between several actors. When looking at Karl Andersson and Söner’s network in Finland, where they occasionally gained a deep position we can relate that to Chen and Chen (1998) who argues that the location of foreign direct investment is influenced by a firms business network. This position was obtained by having an employee from Finland who was given the responsibility to represent the firm in that industry.

My Window also realized the importance of being integrated in a network to become an insider and they achieved that by their commitment to their relationships, which in their case was the agents. In My Window’s case their relationships and their roles differs from Karl Andersson & Söner as they succeeded with their agents. My Window opened up a plant in Estonia after they had received a central position in that market which is related to both Agndal and Chetty (2007) and Hohenthal et al (2003) findings regarding the degree of internationalization when building relationships in networks. My Window use a certain strategy with their agents that have been proven to be very beneficial for them. It was easier for My Window to work with agents as they already had a good network position before approaching the agents due to their plant in Estonia. Another important factor for why My Window succeeded with their agents can be related to the role of their relationships with the agents. Relationship commitment was the incentive to work together and not solely monetary incentive as in the case of Karl & Andersson & Söner.
Hilmersson and Jansson (2011) discuss the difference between the two types of network structures, open and closed. In My Windows case we found that they have a closed network due to their commitment and close relationships to their agents. The network with high degree of integration in the network and strong ties with each other is focused on social capital that they have built through trust and norms according to Coleman (1988) findings. Karl Andersson & Söner on the other hand have a so called open network structure where they integrate with the agents without any higher degree of integration. The open network structure is more like an information sharing network which consist of weak and loosely tied relationships with agents and designers. Open network structure that aligns with Burt (1993) findings, that they are based on information with weak relationship. Looking at their network in Finland, it could be seen as more closed network as they have a high degree of integration due to one of their employee who works there which provides them with a competitive position.

Just as the network position is influenced by the commitment to relationships, Coviello and Munro (1997) found that networks influence the decision of a firm when it comes to entering a new market. It is very clear in our findings that both of our cases have tried to enter markets on the basis of their network and the role of the relationships. Looking at Karl Andersson & Söner when they decided to make an extra effort in the Finnish market, this was a result of having access to the finish markets through one of their employees. With her knowledge and experience of the Finnish market Karl Andersson & Söner became an insider in the network and thus could benefit from it. My window on the other hand had another way of establishing a central network position, which came from opening a production plant in Estonia. This resulted in good relationships with new partners in the new market which they were later able to strengthen even further which lead to engagement in new markets in many of the Baltic countries.
Johanson and Vahlne (2009) argue that trust is an essential element to the realization of relationships. Trust is essential for different reasons as it enables relationship progression (Morgan & Hunt, 1994), and it also contributes to progression in various business networks (Johanson & Mattson, 1987). By maintaining personal relationships and a high degree of commitment to loyal partners, firms will be able to build interpersonal trust with others and an increased propensity for cooperation (Roessl, 2005). My Window and Karl Andersson & Söner both work hard to maintain good relationships and high levels of trust, both within the company and with the external partners with whom the company works with, something that is crucial in order for the two family SMEs to maintain their long-term orientation. According to Claver et al. (2008), family firms can often be characterized by having a long-term orientation as a result of family influence, which is said to have a positive effect on internationalization. Furthermore, long-term orientation between partners will most likely help to create strong trust relationships (Pukall & Calabro, 2014). Notable is that upon conducting the interviews with the two CEOs, it was evident that trust is not merely something that emerges without effort, trust is something that evolves over time and is often brought forward as a result of two or more parties creating, learning, and together building something that will benefit them both. Trust between parties will often lead to sharing of information, where joint expectations are built between the parties involved (Madhok, 1995). Upon conducting the interviews with the two CEOs, it was evident that both firms have a long-term orientation when it comes to relationships and building trust with others, it is a process that takes time, and something that needs to be worked on in order to obtain successful results in the future. Trust can be seen as especially crucial within family firms, as it allows family firms to reduce transaction costs substantially during the early development stages (Steier, 2001). Ward (1998) argues that family firms tend to have a conservative attitude and being risk adverse, which is evident seeing as in order for both of the firms to avoid risk, they plan for the long-term and set goals for the future, working hard to make sure that their ideas and plans will be feasible and profitable in the future by building long-term relationships categorized of a high level of trust and learning, thus avoiding the risk involved in decision making and operations.
It is essential for a business to have a reputation for being trust-worthy partners, which can be achieved by building their behavior on reliable, long-term principles (Steier, 2001). As such, one can argue that having a long-term orientation and building trust are two components that go hand-in-hand, something that both firms have realized and work hard in order to uphold.

Johanson and Vahlne (2009) argue in their updated version of the Uppsala model that learning is associated with experimental learning in the process of current activities, and that learning plays a big role with regard to the development of knowledge, trust and commitment. My Window and Karl Andersson & Söner both work hard to make it possible for learning and development to take place on a daily basis, which together bring forward the possibility to establish a high degree of trust with whom the companies work with. The CEO at My Window highlighted that a great deal of learning takes place between the company and its agents in the various countries, where the CEO constantly wants to keep track of what is happening and if everything is working according to plan. McCollom (1988) states that family businesses are often characterized by intensive communications, where there is a great deal of exchanges that take place among the members. As a result, this makes it possible for sharing of knowledge and experience, which will encourage risk taking through investments in long-term value creation activities (James, 1999).

As stated by Luostarinem and Gallo (1992), family firms have the tendency to form and uphold long-term orientations when compared to other types of firms. This is an aspect that was apparent upon interviewing the two CEOs, where a long-term orientation was clearly shown within the two firms. The way in which the firms operated, built up their strategies, and competed in different markets were all according to a long-term orientation that the firms followed. Decisions were not always made for the purpose of short-term success, instead decisions were often made to become as efficient as possible, and give the company the chance to continue developing and growing in order to become even more successful in the future and years to come.

My Window continuously work hard to develop the relationships with the agents with whom they work and they strive to uphold a high degree of communication between the company, the agents, and the employees in order to make sure that everybody is aware of the current operations and plans for the future. This is how My Window operate to make
sure that they build trust for one another, which leads to a great deal of joint learning which makes it possible for a long-term orientation to be successful. Although Karl Andersson & Söner also show signs of a long-term orientation where they work hard with different designers and take part of different events and fairs throughout the year to build relationships, trust and learn from different parties, they show signs of having a different approach to this compared to My Window. This difference can be explained according to the arguments brought forward by (Fernandez & Nieto 2005; Ward, 1998), who states that internationalization within family firms has often been seen as an uncertain decision as family firms do not tend to have an attitude of risk-taking, which results in a less stressful approach to international expansion. While My Window work very closely with agents, Karl Andersson & Söner have a different view on agents, where they believe that it is hard to motivate agents that are not given as high commission as the competitors in the market may offer, which is why Karl Andersson and Söner have chosen to work closer with designers instead, where the two parties continuously share ideas, thoughts and a vision of how they can continue to develop and grow in the future. From this we can conclude that both the family firms investigated show signs of having a long-term orientation, where decisions are often made to build strong relationships and learn together with others in order to be successful for many years to come, where Karl Andersson and Söner showed stronger signs of avoiding risks as they often chose to avoid working with agents due to the difficulty in motivating these agents and receiving their full commitment, which is why their internationalization process more consisted of working with designers as opposed to working extensively with many different agents where the perceived risks involved in the relationship would be higher.

Moreover, Johanson and Vahlne (2009) argue that trust can be seen as an alternative for knowledge in the process of using a trusted agent to operate foreign business activities when the company has a shortage of market knowledge. The CEO at My Window argues that the company does not spend a great deal of time in conducting market research or focusing on developing broad knowledge about a specific market. Instead they rely on their agents to be highly knowledgeable in all of the aspects surrounding the specific market in which they operate in, including elements such as the local laws, regulations, language, customers, and ways of working in that country. Karl Andersson & Söner have a similar concept that they follow, in which they do not spend a great deal of time in trying to learn all the aspects surrounding a specific market or country, instead they work
tightly with agents, designers, and also attend different fairs to raise awareness for their products and meet potential future partners. The companies form strong relationships categorized by a high degree of trust where they rely on their partners to stand for the knowledge of different aspects within each market.

5.4 The role of risk-avoidance on relationship commitment decisions

In both cases, the internationalization process has developed when relationships and networks have been established with outside partners to a different level of commitment. Additionally, Lyman (1991) states that family firms will tend to work hard and be truly committed to their respective relationships with customers and suppliers. Both My Window and Karl Andersson & Söner have gradually committed themselves to various relationships with outside partners, where several aspects of the relationships differ between the companies. However, dependent on the size of investments, entry modes, structural changes within the organization and especially the degree of dependence to a given relationship, a firm is able to increase or decrease the degree of their commitment to the given relationship (Johanson & Vahlne, 2009). With regards to both cases, one can observe that the degree of relationship commitment in the international market of both cases have been heavily dependent on the investment size and entry mode of the market. Financial decisions and investments within family firms are characterized by the ownership structure as top management desire to maintain the control over the company and therefore family firms can be reluctant to external investor options (Hutchinson, 1995; Morck, 1996). Moreover, Karl Andersson & Söner’s and My Window’s international strategies and relationship commitment decisions are affected by the group of factors that Gallo and García-Pont (1996) mentions which are the attitudes of top management, the internal organization and the competiveness of respective firm. Additionally Jones et al. (2008) elaborates that top management of family firms has to cope with two types of risk when conducting their financial decision; the profitability and the risk of not being in control of the firm. From the empirical findings, it is evident that both family SMEs are constrained by the fact that family SMEs has limited financial capital and therefore Fernandez and Nieto (2006) argues that family firms can be considered as risk-avoidant. From the empirical
findings, the investment size and entry modes of both cases have coped with strategies that do not risk the profitability in the domestic market and maintains the ownership structure of the firm. Henceforth, both firms have decided for options that requires low risk while developing relationships, they have entered foreign markets by utilizing relationships and sold their products through different agents. Consequently, we observe that the findings of Fernandez and Nieto (2006) and Graves and Thomas (2004) who argues that firms are less inclined in risk-taking has an impact on the commitment of family firms.

In addition to their low risked entry mode and investments in the foreign market it is evident that the companies have dedicated more to their relationships in neighboring and Scandinavian countries. To illustrate, Karl Andersson & Söner have developed an internal operating agent in Finland to develop their relationships in the Finnish market as they perceive that the Finnish market is less risky for them. Hence, the CEO at Karl Andersson & Söner explains that the firm is more inclined to invest in the Finnish market than markets outside the Scandinavian countries as it easier for them to develop relationship and therefore the risk is reduced in comparison to other countries. On the other hand, My Window have not developed an internal operating agent in their international activity. However, My Window’s international strategy has been reliant on developing strong and trustful relationships with their agents where the CEO argues that it is less risky and therefore easier to develop relationships with agents within the Scandinavian countries in comparison to other countries in Europe. With these factors in mind, and with the risk-avoidance strategies of family firms in their internationalization practice, it is evident and particular for family firms that psychic distance is highly influential for the degree of commitment to the relationships and networks in the operating country. Johansson and Vahlne (2009) recognizes the role of psychic distance in developing relationship, however, our empirical findings together with that other studies compel that family firms are risk-avoidance (Fernandez & Nieto, 2006; Graves & Thomas, 2004) one can determine that family firms degree of commitment decisions are strongly influenced by the perceived psychic distance of the firm.

Karl Andersson & Söner and My Window implemented low risk strategies in their incremental internationalization process, however the firms differ in terms of being committed to their external relationships. Gallo and Garcia-Pont (1996) distinguish that family firms are influenced by their owners and the attitudes of the owners. Differences in relationship
commitment can be reflected as both CEOs work with different values. Karl Andersson & Söner is determined to invest in their relationship with designers as they recognize that a dedicated relationship with foreign designers will benefit the firm’s relationships with agents by the means of boosting the competitiveness of the firm. Additionally, Karl Andersson & Söner reason is that it is more trustworthy to interact with designers and not agents directly since agents are mainly concerned about monetary remuneration. Henceforth, Karl Andersson & Söner perceive that their investment in their relationship with designers is less uncertain than to invest in agents. My Window have implemented their international strategy upon establishing a strong direct relationships with trustworthy external agents who share the attitudes and values from the firm. Hence, they are primarily committed to their external agents as they share the values of the firm. Subsequently, the differences in commitment can be referred to Gallo & Garcia-Pont (1996) who states that family firms has considerable inclination to work with shared goals.
6 Conclusion

Our conclusion is presented in this section and demonstrates and discusses the answer to the research question.

Research Question:

How do specific features of family firms influence their international activities with regard to the network perspective of the Uppsala model?

Our results has allowed us to observe that the internationalization process of family SMEs has developed when relationships and networks have been established with foreign partners. Additionally, we perceive that the international strategy of the two family SMEs are reliant on the respective network relationships and that these relationships are an influential factor in the international activity. The respective network approaches are embedded in the specific features of family SMEs. From an Uppsala model perspective we have been able to consider how the specific features of family firms affect the Internationalization process of family firms. The ownership structure of family firms convey particular aspects that has to be considered when investigating the internationalization process of family firms. Henceforward, top management within family SMEs are more long-term orientated and risk avoidant as they have to cope with profitability through limited financial capital and a desire to maintain the ownership intact. Our study portrayed that risk-avoidance plays a crucial role in the international strategies of family SMEs. We convey that family firms seek to utilize external partners who requires low investment to develop their international activity by becoming an insider of a network. However, both our cases work towards establishing trustworthy relationships with the external parties as both firms are conveyed by their long-term orientation.
7 Discussion

This is the last section where we will present our thought that have not been incorporated in the other sections but still of importance. Issue that have been revealed during the process of the study will also be described and presented as suggestions for further research.

Prior to conducting the study we expected to find clear results that would show that the assumptions brought forward by the updated Uppsala model are in accordance with how family firms actually operate in their respective industries, and that there would be not apparent features that the model had failed to discuss. Seeing as the updated Uppsala model is not focused on family firms operating in any specific industry, we believed that although the two family firms included in the study operated in different industries, the results would still be the same. Networks were shown to play a big role for the success of the internationalization activities undertaken by both firms. Internationalization was strongly dependent on the established relationships that the firm had with different partners, where relationships and networks were crucial for the two family firms in deciding whether or not they would engage in internationalization activities, and where this would take place.

Furthermore, after conducting the study we realized that psychic distance, long-term orientation and risk-avoidance was more important factors for the firms in their internationalization activities than what we had initially thought. It was apparent that although these factors were not any of the more important factors highlighted in the revised Uppsala model, they were still discovered to play a big role in the way in which the two family firms made their decisions. This also effected the decisions that the firms made regarding which networks and relationships they chose to commit to and work hard on developing.

Before conducting the study we did not expect to find clear similarities between the two SME family firms as they operated in two different industries. However, the results show that although the companies differ slightly with regard to which relationships they were committed to, much of the findings are still the same between the two firms. Networks and relationships play a crucial role for both firms, where it is the relationships that the firms have obtained that contributes to the opportunities that arise in the respective markets for each firm.
7.1 Contributions

Apart from trying to fill the research-gap that exists within the research field, where we have tried to contribute to a better understanding of how the specific features of family SMEs affect the internationalization process of family SMEs from a network perspective. We also believe that this thesis has contributed to a better linkage between the assumptions brought forward by the model and how family firms actually operate in their respective industries. Our study should provide clear evidence of how networks, relationships, and specific factors of family firms have an effect on family firms in their internationalization activities, where we hope that our study can contribute to the assumptions brought forward by the updated Uppsala model, and also bring forward factors that should be given more attention with regard to family firms and their internationalization process.

7.2 Limitations

Although this study has in many ways discussed the links between the Uppsala model through a network perspective and family firm operations, there are still a number of limitations that can be discussed. First, one limitation of the study is that it only includes two family firms. Due to time constraints for this research, and the difficulty in finding Swedish family firms that had also engaged in internationalization activities, it was hard to broaden our research to more than two firms. Having more than two firms would allow us to go deeper into the subject and find potential patterns that would relate to specific firms, and would therefore be able to draw more accurate and valid conclusions. However, the conclusion brought forward by this study was never intended to generalize about all family firms, the goal was simply to look at how the two specific family firms included operate on a daily basis, and which factors have an effect on their internationalization process, both regard to the assumptions brought forward by the updated Uppsala model, and also through the observations that we have made from our interviews with the two CEOs. A separate approach that could also have been used would have been to focus only on a single family firm, thus making it more of a single-case study. The benefits here
would have been that we would have been able to go even deeper into the firm and the way in which it operates, and work towards developing a better understanding of the factors that have an influence on the firm and effects the way in which it works during the internationalization process. Focusing on a single firm would allow us to make more in-depth interviews with the CEO, and it would allow us to further investigate in detail the internationalization activities undertaken by the firm, and also the reason to why each decision was made. Factors surrounding knowledge, trust, network, and relationship commitment would be studied in more detail, where a more rigorous and detailed conclusion would be able to be drawn.

Finally, a limitation surrounding this study is that the two family firms included both operate in different industries from one another. Trying to focus on companies that were similar with regard to industry, age, and internationalization would allow us to limit the amount of external factors that could potentially effect the company operations.

### 7.3 Future Research

Possibilities for future research has been touched on in the limitations section, where adjustments could have been made to the way in which the study was conducted to make it possible for a more in-depth analysis. Upon conducting the interview with the different CEO’s, the main focus was to ask questions that would give us a better understanding of how the company operates, and which factors were important for them when they first decided to internationalize. Furthermore, an idea for future research within the topic would be to compare and contrast two different family firms, operating within the same industry, and where both firms have the same vision and internationalization tactics. This would allow us to investigate the topic with regard to two identical firms, thus seeing which specific factors contribute to any differences in the results, and if there are any factors that go beyond the assumptions stated in the updated Uppsala model that contribute to any of these changes. Our study has shown that there are factors that the updated Uppsala model fails to develop further, and which are not any of the core assumptions in the model. Risk avoidance, psychic distance and long-term orientation are three factors that we were able to find from our interviews that played a crucial role for the family
SMEs when making decisions surrounding their internationalization process. The findings showed that these factors were important for both firms, where using two firms from the same industry would allow for further investigation to whether these factors are the same for firms within the same industry.
8 Reference List


9 Appendix

9.1 Interview Questions

1. First of all, can you tell us briefly about the firm?
2. What are the characteristics of this firm?
3. What are the characteristics of being a family business?
4. Do you believe it differs, with a regular type of firm?
5. Can you tell us about the internationalization of your firm? When and how did it start?
6. How did you make your first sale abroad?
7. What would you say was the biggest influence and factors contributing to your internationalization?
8. Who stimulated the proposal of going cross-borders?
9. Who managed the process? Why was this person chosen?
10. Who decided within the company to go abroad?
11. Why did you go abroad?
12. Do you use different modes of entry in your internationalization? Why?
13. Did you receive any help when internationalizing or was it all done by the company itself?
14. Are you at this moment, expanding to other countries? Why?
15. Has the internationalization process of the firm changed overtime?
16. How did you create relationships abroad?
17. How important do you believe that relationships and networks were when you chose to internationalize?
18. Do you continuously develop relationships abroad? How?
19. Which are the firm-specific resources? Why?

20. How do you develop resources within the firm? More specifically to the internationalization process

21. How did you work with your resources when internationalizing? Did you develop all of your existing resources when internationalizing or did you keep the same concept and product even when you moved to markets outside of Sweden?

22. Before entering a new market, how do you structure your resources?

23. Where do you think the company will be in 5 years? Will it look the same as it does today?