



*Timing in internationalisation: Automobile component suppliers entering emerging markets.*

KLUSSMAN, Wolfram Axel Frederic.

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**Timing in Internationalisation:**

**Automobile Component Suppliers**

**Entering Emerging Markets**

**Wolfram Axel Frederic Klusmann**

**A thesis submitted in partial fulfilment of the requirements of**

**Sheffield Hallam University**

**for the Degree of Doctor of Business Administration**

**May 2013**



## DEDICATION

---

This thesis is dedicated to my parents Gertrud – who died suddenly early in my doctoral studies – and Lothar Klußmann. They both always taught me the importance of a good education.

The thesis is also dedicated to my wife Anke, my daughter Justine Hinrika and my son Finn Frederic, who – too often – have had to accept my absence.

My special thanks go to my major supervisors, Dr. Daniel O'Hare and Jamie Rundle, for their understanding, guidance and encouragement, as well as to my Director of Studies, Prof. Dr. Isobel Doole, for her advice and constructive criticism during supervision. My thanks also go to the DBA programme manager, Dr. Murray Clark, and to Liz Brearley for their organisational talent. The DBA process would have run a lot less smoothly without the shared experiences of Dr. Caroline Cole, Dr. Steve Chase and Dr. Oliver Couch. Last but not least, my thanks go to the staff of Leibniz University, Hannover, where I made extensive use of the library and attended several lectures, with special thanks to Dr. phil. Thorsten Paprotny and guest professor Dr. Hartmut Rosa for their inspiration.

#### CANDIDATE'S STATEMENT

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I confirm that this thesis is my own work and has not been undertaken in collaboration with any other organisation.

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## ABBREVIATIONS

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I, II, III, ...	Focus-Group Companies, anonymised
A, B, C, ...	Interviewed Persons, anonymised
BBS	BBS Automotive Technology AG, a wheel company in Schiltach, Germany (BBS stands for Baumgartner, Brand, Schiltach)
BRIC	Brazil, Russia, India, China
BYD	Build your Dreams (Chinese car manufacturer)
CEO	Chief Executive Officer
EUR	Euro (currency)
GTI	Gran Turismo Injected
IAA	International Automobile Fair (Internationale Automobil-ausstellung)
IBM	International Business Machines (company)
BIDS-L	Brand - Information – Direct – Speed - Learning
IMF	International Monetary Fund (United Nations)
IT	Information Technology
M	Million
MAXQDA	Software for Qualitative Data Analysis
OEM	Original Equipment Manufacturer (vehicle manufacturer)
PSA	Peugeot Société Anonyme (Peugeot/Citroen vehicles)

TIER	A TIER-1 Supplier has a very high position in the supply chain and delivers directly to the vehicle manufacturer / assembler of the components.
US	United States
VDA	German Association of the Automotive Industry (Verein der deutschen Automobilindustrie)
VW	Volkswagen (car manufacturer)

## Abstract

This research focuses on researching the variables that impact on time in internationalisation processes within the automotive supply industry, and thus for companies further down the supply chain. This is regarded as important, since time is a critical success factor when doing international business in that specific industry (keeping milestones, being ready on time for new vehicle launches in a small window of opportunity etc.). The theories around internationalisation are out-dated, while the global environment is changing ever more rapidly. This supports the idea that a gap in knowledge exists, and explains the wish of the researcher to take a fresh look at internationalisation, specifically at the timing aspects involved. Following an interpretive inductive analytical approach from a neo-empiricist standpoint, the researcher conducted 12 interviews with 5 companies within the industry. The companies comprised all the companies in that sector of industry, listed by the Federal Reserve Bank of North Germany. The outcome of the triangulated data collection and thematic analysis is the BIDS-L-Model (Brand, Information, Direct, Speed, Learning), symbolizing the variables that influence time in the internationalisation process, in chronological order. This model not only fills the gap in knowledge but also, when applied in practice, it will fundamentally change the way suppliers further down the supply chain architecture their internationalisation process, thus leading to massive improvements. The next step is to apply the model using 4 pillars. Firstly, the researcher will teach the model in his role as associate university lecturer. Secondly, he will publish it, e.g. in the Newsletter of the German Association of Automotive Industry, which reaches 600 member companies; and thirdly, he will offer consultancy to small and medium enterprises to help them to achieve successful timing of their internationalisation process. Finally, the

researcher will apply the model in his leading Marketing role for Asia in the strategy planning process.

## 1 INTRODUCTION

---

The introduction will lay the foundation of the research with explanations of the researcher's motivation and the evaluation criteria for the research.

Then, since the industry sector of the automotive supply industry is different from other industries, a section on the sector specifics follows. The importance of the time factor in the industry is emphasized in the following section. Last but not least, an overview of the research's contribution to practice and knowledge is given.

The purpose of this research is to examine and analyse the timing appertaining to automobile component suppliers entering emerging markets during a process of internationalisation. The research question which drives the research may be summarised as follows:

"To what extent does timing impact on automobile component suppliers entering emerging markets?"

To define the research question further, it should be noted that there is a plurality of views on what time really is, so the research therefore concentrates on the variables which influence time.

"Some scientists talked about motion 'through time', others about change 'in time'. Some social scientists located time in the capacity for memory and intent along the axis of past, present and future, others in the routine and repetitious nature of everyday life. Some insisted that all time is necessarily social time and related this to clocks and calendars, whilst others asserted

that power and control are the irreducible aspects of social time” (see Adam, 1991, p.6, an acknowledged expert in research in the area of time.)

There is no single definition of time in science. The element of “timing” in this research should therefore be understood as related to the variables influencing the timing. It is also of interest how these could possibly be influenced or handled in order to improve the time component, based on the ideas of Hartmut Rosa :

“I gave up working on what time is, to concentrate on how time changes” (Rosa, 2012).

Or, more precisely in the sense of the present research: what variables change the timing of an international approach?

## 1.1 MOTIVATION FOR RESEARCH

---

This section will give an insight into the motivation of the research in order to provide an understanding of the researcher’s basic interest which drives the research.

The starting point for the research journey was a personal interest stemming from two decades of professional experience in international management positions with responsibility for a nine-digit US dollar turnover. The researcher has worked as a junior assistant manager in Japan. Other experience includes leadership and project management roles in marketing projects related to countries including Russia, India, China, Korea and the United States. The researcher’s latest assignment has meant taking a leading role in the global change control process, involving regular dealings with business contacts in plants, both in Europe and worldwide.

While managing these projects, it was necessary to deal with international contacts on a daily basis and lead diverse teams around the globe, resulting in long-lasting friendships with people in leading positions.

In day-to-day business life, automotive customers send requests for quotations for new vehicle platforms; such requests frequently require fast or at least timely decisions so that project milestones can be met. Thus, time plays a major role in the researcher's business environment of the automotive supply industry.

In summary, all of this collective experience led to the researcher's interest in timing and internationalisation, which is also reflected in the researcher's own published books. It was also intended that the knowledge gained by the researcher should be taken further to a higher level of understanding. So the personal motivation from work experience and books published can be seen as the starting point of the research journey.

The next section will evaluate the criteria for the research.

## 1.2 EVALUATION CRITERIA FOR RESEARCH

---

This section will explain the evaluation criteria for the research, namely credibility, dependability, confirmability and transferability.

With regard to the evaluation criteria for the quality of this research, reference will be made to the widely-recognised researchers Gill, Johnson and Clark (2010, p. 228) by using credibility, transferability, dependability and confirmability as criteria. Since the research does not use variables in a cause-and-effect logic, as would be the case, for example, when testing pharmaceuticals in a laboratory, the criteria for quantitative research appear to be unhelpful in the present context.

Credibility is achieved by giving feedback during the course of the interviews, thereby checking understanding by using summarisation techniques for clarification. During the data collection phase, the researcher always repeated the main basic statements to confirm them. In addition, the interview transcripts were sent to the interviewee for confirmation.

Transferability is achieved by providing full transparency in the research approach, allowing other researchers to use the data and findings to judge their applicability. The interview transcripts will, therefore, be shared with the scientific community on the internet after the thesis has been published at <http://www.4shared.com/folder/HeSrZLUr/InterviewTranscripts.html>.

Dependability is achieved by also providing transparency during the research so that replication would, in principle, be possible (Gill, Johnson, Clark, 2010, p. 64). It is the researcher's conviction that the answers would have stayed the same if the same persons had been asked again under the same circumstances.

Confirmability is achieved by means of a critical attitude, which implies explanations as to why a specific choice on methodological decisions has been made in preference to another. The triangulated approach in this thesis very much supports the idea of confirmability.

So, if self-critical explanations and transparency are given at all times, then these are sufficient – together with the feedback loops during the interviews supporting the credibility – to meet the evaluation criteria of scientific research.

The sector specifics of the automotive supply industry will now be discussed, in order to set the scene.



### 1.3 SETTING THE SCENE : THE AUTOMOTIVE SUPPLY INDUSTRY AND SECTOR SPECIFICS

---

This section will explore the specialities that accompany research dealing with companies further down the supply chain in the automotive industry. This is important because there may be some differences compared to other industrial areas and especially to the consumer sector, which again has an impact on the transferability of the knowledge to other industrial sectors.

The automotive supply companies in the supply chain deliver components to the vehicle manufacturer, who assembles the different components to form a complete vehicle. There is a hierarchy in the supply chain, referred to as TIERS to distinguish them. TIER 1 is the direct supplier to the vehicle manufacturer, TIER 2 is the supplier to TIER 1, and TIER 3 delivers to TIER 2.

The automotive industry and its supply industry are of great importance in the German industrial landscape:

“The automotive industry is – in absolute categories – number 1 concerning employment, productivity, investments, exports/imports and activities concerning innovation, research and development” (Legler, H. et al., 2009, p. 1).

The market character of vehicle manufacturers and automotive suppliers could be termed “oligopsony” (see Hermeier and Friedrich, 2007, p.14), with a few buyers – the vehicle manufacturers – facing high competition between a large number of suppliers. It is very difficult for the suppliers in such a market to “diversify their customer base” (cf. Gillette, 2003). In that kind of market, the power is with the few, i.e. the OEMs.

In its search for speed to allow innovations and production quantities to achieve economies of scale, the automotive supply industry as part of the automotive industry has to overcome saturated traditional markets in Europe and seek new business opportunities in growing markets; Europe too needs some resources to address the current business, and there still might be the chance to gain market share from competitors by adding additional value, which should not be underestimated. Currently, in the year 2013, growing automotive markets can only be found outside Europe, in the US and Asia. Another aspect is also very important: although the automotive supply industry is bringing innovations to the automotive OEMs and taking over more and more assembly steps - together with the associated risks - the supply industry suffers from pressure on prices due to the buying power of the OEM customers and, therefore, it is forced to look for solutions to relieve this pressure, probably by expanding into emerging markets to benefit from labour-cost advantages or to broaden the customer base and make use of economies of scale. As Matthias Wissmann, President of the Automobile Industry and a respected international authority in the automotive industry, stated on IAA India Day 2010: "Our companies will expand their engagement there" (press release, 30 September 2010: at vda.de). The relatively "high potential market demand, calculable risks, political, economic and monetary stability as well as a favourable cost base" (Deresky, 2003, p. 226) have made it possible for countries outside the traditional "triad of USA, Europe and Japan" (see Dicken, 2007, p. 38, a leading researcher in the area of globalisation) to "participate excessively" in today's economy (Richards, T. and Clark, M., 2006, p. 42). These other countries are commonly referred to by the abbreviation "BRIC" (Agtmael, 2008, p. 285), which stands for Brazil, Russia, India and China. Agtmael, (2008), a widely-published author in the area, is regarded as the first researcher to use the idea of the emerging markets in the early 1980s (see also Rahman Z. and Bhattacharyya S.K., 2003, p.

363). Although the abbreviation refers to four countries, it is mostly China and/or India which the literature focuses on when discussing an emerging market and future growth. Even following the world economic crisis of 2008/2009 eastern markets, particularly China, are growing above average in comparison to the western industrial nations (IMF 2009, p. 33), which leads to the impression that there is “no way around China and India” (*Die Zeit*, 1.5.2009, p.5).

“Commentators are interested in seeing whether it is China or India that will dominate the global trading structures of the twenty-first century” according to Doole and Lowe , leading researchers in the area of international marketing (2008, p. 66).

The speed of economic development may be slowed down by factors like the assimilation of environmental conditions, a global shortage of raw materials or the revaluation of currency (*Handelsblatt*, 27.6.2010). However, the potential market demand and growth in those countries for the automotive industry and the automotive supply industry is considerable.

Tying together the loose ends explored above, the causal chain might look as follows: the need for innovations requires high investment in research and development by the supplier; together with the power of the vehicle manufacturer and his pressure on prices, this leads to the necessity to optimize costs at the supplier side.

“Apart from increasing competition in every market, globalisation provides organisations with the opportunity to find synergies and reduce costs” (Mondragon, A., Lyons, A., Michaelides, Z. and Kehoe, D. , 2006, p. 552).

The global platform strategy requires from the vehicle manufacturer the presence of suppliers at the particular facility, who follow the vehicle manufacturer to their markets. This is in line with the idea of supplier parks in

proximity to “the site of the final assembly” (see Lyons et. al., 2006, p. 1096). The traditional markets in western Europe tend to be saturated, with high growth rates in emerging markets such as Brazil, India, China and Russia. The cost pressure, the necessary global presence and the saturated traditional markets in turn force the automotive supplier to expand into new, emerging markets (cf. Hermeier and Friedrich, 2007).

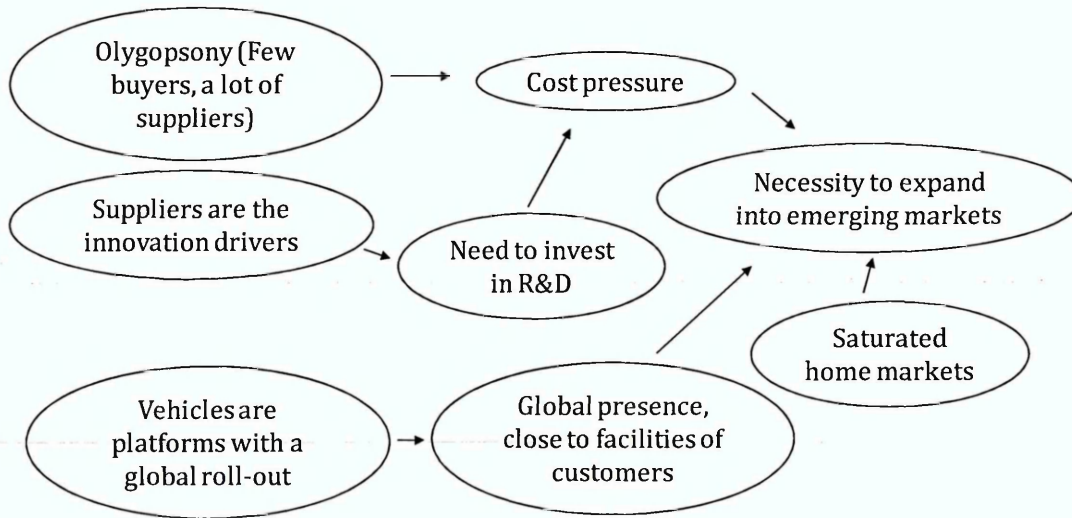


FIGURE 1: THE NECESSITY TO EXPAND IN THE AUTOMOTIVE SUPPLY INDUSTRY

The above section demonstrates that the issue of temporal acceleration in relation to internationalisation is an enduring issue in today’s business life in the automotive supply industry, which makes it an interesting subject for scientific research and shows the importance of time in internationalisation processes in the industry. Although the research is limited to the automotive supply industry, it is highly likely that it could be applied not only to similar B2B industry sectors, such as suppliers further down the supply chain for other vehicles including trains, planes and boats, but also for example to wind turbines and solar trackers, elevators, industrial robots or assembly lines.

The next section will look at the impact of time in the automotive supply industry and its importance.



## 1.4 TIME AND INTERNATIONALISATION IN THE AUTOMOTIVE SUPPLY INDUSTRY

---

This section will look at the importance of time and its acceleration which, according to Hartmut Rosa, plays an important role in today's business in technological developments, rate of change and pace of life.

Time is already seen as a very important factor in business today, and is even considered as important as other production factors (see e.g. Schenk 1991, and Baba, 2009). Business in general, and the automotive supply industry in particular, are affected by increasing acceleration in several dimensions. Following the argument of Rosa, a leading researcher in the area of time (2005, pp. 124-137; see also Borscheid, 2004), there are three dimensions of acceleration in today's life and business environment.

The first dimension is the acceleration in **technical developments**. The time between technical innovations is getting smaller – there is a clear increase in the rate of innovations per time unit, for example, shown in the increasingly shorter time span for new vehicle platforms or facelifts:

“Manufacturers are under constant pressure to meet specific customer requirements in the shortest time and at the lowest costs possible” (Lyons et. al., 2006, p. 1095).

A hundred years ago it was said “there will be a time when you will have the world in your pocket” (Brehmer, A. 1910). We have now arrived at this point; today when you arrive in Paris by car and you ask the car's on-board computer if you will need an umbrella that day, it can tell you. Technological and logistical developments mean it is now quite normal to conduct conference calls from the car with people in the US and India at the same time, and to receive automotive spare parts from China within a few days. Whereas a business letter sent “around 1400 from Bruges to Riga needed 39 days in

summer and 47 days in winter to arrive” (Lindemann, 1978, p. 18), today it is possible to send electronic mail with a spare part order for the vehicle within seconds to any point on the globe which has access to the internet or connectivity via satellite (Flocker, 2008). Some on-board computers on trucks even communicate with the fleet owner to announce the next planned workshop stop and order the necessary spare parts upfront. Innovations in the automotive supply industry are thus essential to be able to compete and survive. In the majority of cases it is the supplier who is responsible for the engineering content in the car, very seldom the car manufacturer. The suppliers are the “innovation driver” (see Hermeier and Friedrich, 2007, p. 19). Nevertheless, nearly all vehicle manufacturers keep this secret in order to prevent damage to their brand (see the chapter “Brand” below).

The second dimension according to Rosa (2005) is the acceleration in **change rates**, e.g., social change, which is affecting the automotive industry. Organisational changes, for example, are becoming increasingly shorter. In the 20th century it was considered somewhat exotic to have people from Africa and India as business partners within a company or as workers on the shop floor, but in the 21st century it has become natural to have internationally diverse teams with different cultural backgrounds. The same high change rate applies to the time between facelifts of vehicles or even new platforms, which have become a great deal shorter. As a consequence, car manufacturers are forced to work with global platforms to realize those short development times (see Piech, 2002, a respected international automotive authority). The existence of global platforms and the worldwide roll-out of new vehicle models requires suppliers to have a worldwide presence, “close to the facility of the customers” (Hermeier and Friedrich, 2007, p. 11 and p. 17). The increasing speed of globalisation also brings with it risks due to the close interconnectivity of the global financial markets (Krugman, 2009, a widely acknowledged critical expert in the field of globalisation), but

it has also made it possible to enter new markets and thereby improve business.

According to Rosa (2005), the third dimension affected by acceleration is the increase of the **pace of life**, to which the automotive industry itself contributes by providing mobility concepts and even a “mobility guarantee”, such as “Mobilo” from Mercedes-Benz (see [www.mercedes-benz.de](http://www.mercedes-benz.de)) or “LongLife” from Volkswagen (see [www.volkswagen.de](http://www.volkswagen.de)). Also, the frequency of business travel to distant emerging markets is part of that pace of life.

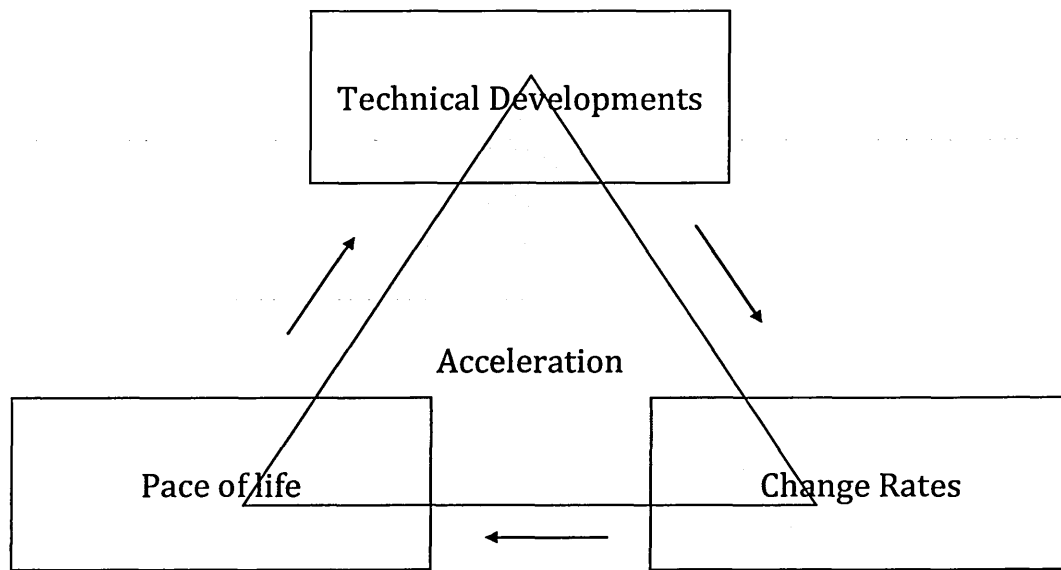


FIGURE 2: ACCELERATION CONCEPT (BASED ON H.ROSA, 2005)

According to Rosa, these three dimensions influence each other in that technical innovations lead to acceleration in change rates, leading to acceleration in the pace of life, which in turn leads to acceleration in technical innovations – a never-ending story, which is why the automotive supply industry needs to cope with this acceleration in all three dimensions, i.e. technical innovations, change rates in the organizations as well as the increasing pace of life of their employees, structures and processes. Time is an ever-present, important factor in the automotive industry for its suppliers further down the supply chain.

The research will now go on to look at the contribution to knowledge.

## 1.5 CONTRIBUTION TO KNOWLEDGE

---

This chapter will explain the contribution to knowledge, being mainly a fresh look at the internationalisation process and the researcher's intention to fill the gap identified in the Literature Review.

After a four-year study of the relevant literature, several issues occur, as also described in more detail in the Summary of the Literature Review. One is the pluralism of contrasting theories in internationalisation and the missing focus on the time factor. The second problem is the over-simplistic nature of most theories, which do not match the complex reality. The third problem is the fact that the theories are not up to date, and therefore cannot cope with the ever-faster changing global business environment. Fourthly, there is also little research applicable to suppliers further down the supply chain.

There is thus a gap in - or lack of - knowledge with regards to the explanatory power in the light of actual developments in the emerging markets and also with regard to the explanatory power in light of the particular industrial sector for suppliers further down the supply chain, with both providing a unique framework for this research. The present research will contribute to filling this gap by thoroughly exploring this area inductively and adding a new explanatory model, thereby clearly contributing to knowledge.

The thesis will now look at the contribution to practice.



## 1.6 CONTRIBUTION TO PRACTICE

---

This section will explain the contribution of the research to practice, which is a better understanding of the whole internationalisation process, especially for suppliers further down the supply chain.

The BIDS-L model that emerged out of the field data has a significant impact on the way suppliers set up their international supply chains. The model both explains the way this is done, and also what internationalisation means for suppliers further down the chain. At the same time the model represents in an ideal form what needs to be considered to make the business successful. When taking into consideration the single elements of the model, the supplier will have a competitive advantage in comparison to those not using the model.

It makes a key difference to have the brand correctly positioned and equipped with the right personality. It makes a difference if global opportunities are monitored continuously and correct, relevant information is collected to decide about the strategic fit of the move and thereby save time later on. It makes a difference that the country is directly and quickly approached in a proactive move with products that have a pioneering, convincing technological capability. Finally, it makes a difference if the correct Learning Process is instituted by allowing – or even forcing - continuous learning by exchange, regular travel to enhance face-to-face meetings for the exchange of tacit knowledge, and a mix of expats and local staff.

Because of the potential applicability of the research, it has received full support from the President of the German Association of the Automotive Industry [VDA], Matthias Wissmann (see Appendix), and it has already been confirmed that the basic research findings will be published in the VDA

newsletter, sent to 600 member companies in Germany. However, there was no financial support and the research was carried out completely independently.

The research has been carried out solely in the automotive supply industry. It is difficult to generalise it to other industries, except those with similar characteristics in the B2B industry further down the supply chain. These could be suppliers for other vehicles such as trains, planes and boats, but also for windmills and solar trackers, elevators, industrial robots and assembly lines.

The following section will further clarify the structure of the thesis.

## 1.7 STRUCTURE OF THE THESIS

---

This section provides a short overview of the structure of the thesis. The thesis is divided into 5 basic chapters.

As shown in Figure 1, the Introduction, Chapter 1, starts with an introduction to the research question and further explores the motivation of the research. It also gives an overview of the area of research, the automotive supply industry and its need to internationalize, as logical process step 1. This sets the scene for the further course of the research.

In a second step in Chapter 2, the research journey will then take a look at the relevant literature available on internationalisation, especially searching for explanatory power with regard to the impact of time, numbered in the Figure as step 2 / chapter 2. Out of the literature review emerged the suspicion that there seems to be a chronological gap between the creation of theories and today's global business environment.

There will then be a caesura between the second and third steps, leaving those theories behind, to allow an interpretive inductive approach and new themes to emerge. This is indicated in Figure 1 by the bold line between step 2 and step 3, to demonstrate that the knowledge collected so far will not feed into the following considerations.

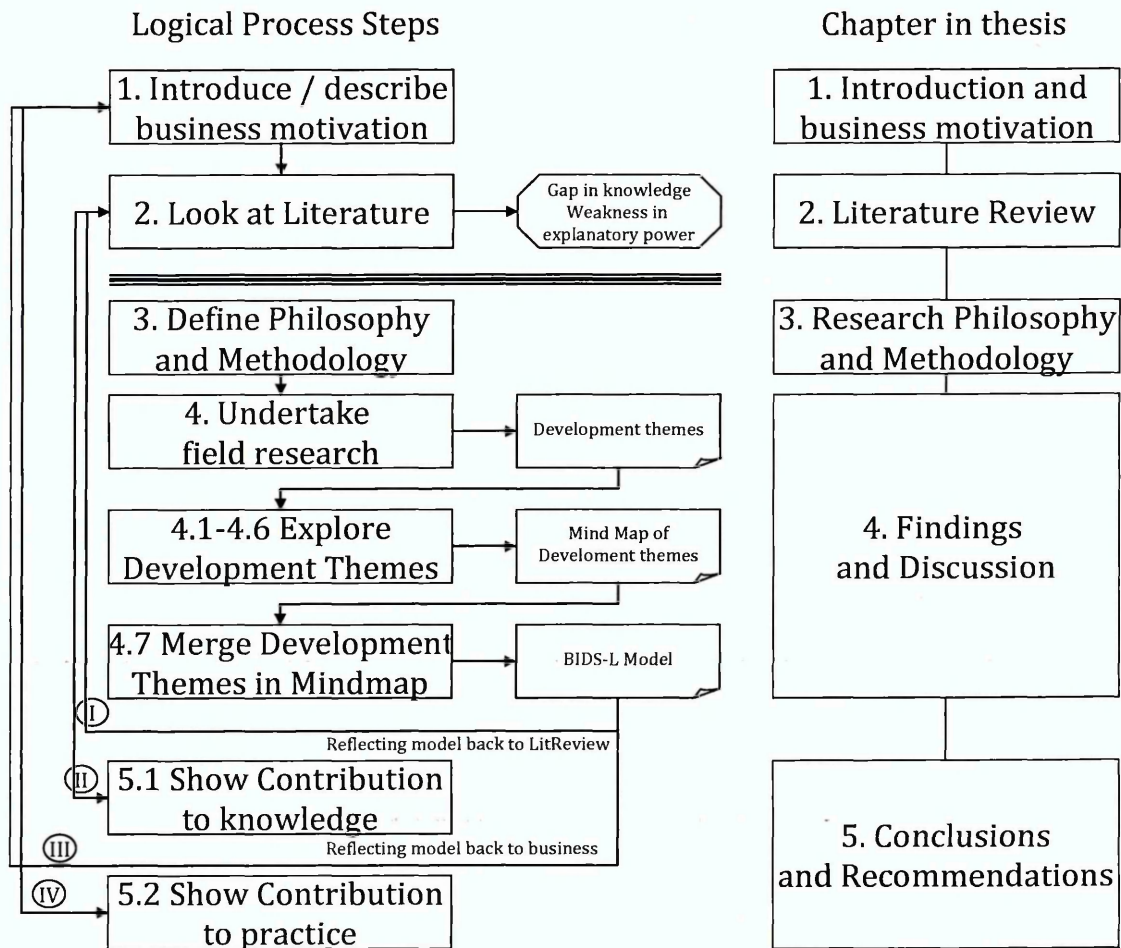


FIGURE 3: THE STRUCTURE OF RESEARCH

In the following part of the research - described in the third step of the Philosophy and Methodology chapter as a preparation for the further research in Step 4 - the researcher defines his understanding of epistemology and ontology and argues why neo-empiricism is seen as the base for the subsequent recurrent theme of the research. The research methodology of induction and the method of an interpretative inductive analytical grounded approach then necessarily builds upon the researcher's epistemology, followed by explanations of the data analysis, all explored in Chapter 3. Again, the research will draw a clear line between the Literature Review and the following field research, and thus follows the requirements of the grounded approach.

Out of the data analysis of the field data emerged the BIDS-L Model (Brand - Information - Direct - Speed - Learning), which will be described in Chapter 4, the Findings and Discussion chapter. The single elements or theme blocks of the model are then further explored to show the empirical evidence of the field data and the model, thereby answering the research question by taking a fresh look at this area.

Finally, drawing the research journey in the fifth step to a successful end, Chapter 5 (Conclusions and Recommendations) reflects on the successful achievement of the research goals. By relating the model to the existing theories in the Literature Review (substep "I" in the graph above), it appears that it is not similar to the existing explanation approaches (substep "II" in the graph above), thereby representing a new model which contributes to furthering knowledge in this area.

By reflecting on the model in regard to the research motivation from business practice, as described above, (substep "III" in the graph above), it appears (substep "IV" in the graph above) that there is a great deal of appreciation in the business world – represented by the German Association of Automotive Industry – that this model helps by influencing time in the internationalisation process in business life, thereby contributing to knowledge.

## 2. LITERATURE REVIEW

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The Literature Review will take a close look at the relevant literature of internationalisation theories and group them in relation to the time factor to form the theoretical corpus of the first approach. The existing internationalisation theories are grouped into driver-related ones, those which relate to the processual architecture and the country-specific behaviour. It was shown that a gap exists, since the theories cannot cope with the latest developments in emerging markets due to their age and oversimplification. Cognizance is accorded to the credibility of academic sources and prevailing literature is discussed in the light of the research question:

“To what extent does timing impact on automobile-component suppliers entering emerging markets?”

As the basis for further steps in the research, the literature was scanned for internationalisation theories and then grouped around three basic themes of interest, which are expected to impact on timing. Those three themes form the theoretical corpus of the Literature Review.

The **first theme**, which is of importance at the beginning of a move, explores the driver or motive for international engagement from a cross-country perspective in relation to time, because this has a considerable impact on it. It is assumed that, depending on the complexity of the motive of the engagement, the process may take place quickly or slowly. The shortest amount of time required would be expected in the case where, for example, an office is opened simply to “be there” in order to satisfy the demands of image, as a point of sale, or as an office to collect market information. If, for example, the motive is cost saving, e.g. by outsourcing production steps for the current home market, the required time would be longer, depending on the vertical range of the manufacturer – i.e. how many production steps are to be carried

out abroad. The driver of market demand requires a deeper involvement and even more time, as first market knowledge needs to be created and products need to be developed in order to meet specific market needs. The motive is key in relation to time.

The **second theme**, being the core of the move in the cross-country perspective, explores the processual design or architecture of the approach. Depending on the existence of “roadblocks”, the processual approach could be a slow, gradual stepwise approach, a “leaping” approach or a fast direct approach, depending on the underlying assumption of the severity of any roadblocks, for example, in the form of cultural or communicative distances.

The **third theme** to investigate from a country-specific perspective once the company has entered a country is the area of what impacts the company’s behaviour time-wise. Would it be a more proactive or reactive positioning, which in turn would have a direct influence on time?

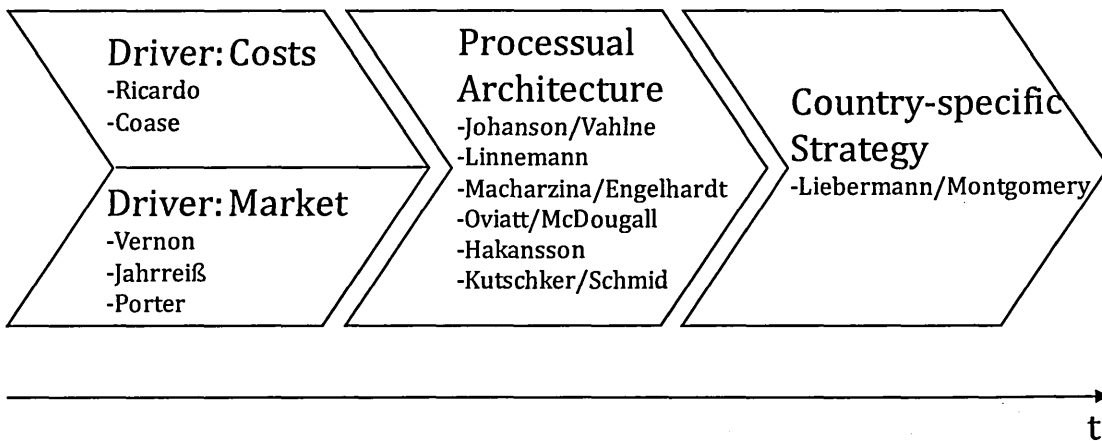


FIGURE 4 : THEORIES AND TIMELINE

Following an overview of the Internationalisation Theories and their relation to time.

Driver Costs	Ricardo:	Comparative Cost Advantage	If the <b>driver is cost</b> , a supplier base needs to be built up. The process is expected to be faster then if it would be Market Demand because just new suppliers need to be found and released
	Coase:	Transaction Cost	
Driver Market	Vernon:	Lifecycle	Only Mature <b>Products</b> mean time saving, since no new products need to be developed, but the old off-the-shelf products can be given a second life
	Jahrreiß:	Market Demand and Market Growth	If the <b>driver is market</b> demand, the process is expected to take considerably longer, because logistics, distribution channels and probably FDI in greenfield production needs to be considered
	Porter:	Diamond Model	Could impact on Time, depending on the significance of this "Model for the competitive advantage of nations" in the company's decision making process. But more relates to countries' rivalry, not necessarily from companies' perspective.
Processural Architecture	Johanson/Vahlne + Linnemann:	stepwise learning	The more probable, the smaller the distance factor // <b>stepwise learning takes time</b>
	Macharzina/Engelhardt	GAINS	GAINS approach means <b>radical move</b> , so the company does not have to move until misfit, then fast adaption - no time consuming process
	Oviatt/McDougall	born global	Born global means fast and radical global presence - no time consuming process
	Hakansson	Network Theory	<b>Using a network</b> could save time by covering own weaknesses
	Kutschker/Schmid	3E	3E, company goes through <b>different phases</b> of small and big changes, influence timing in the company's self understanding
Country-Specific	Lieberman/Montgomery	Pioneer/Follower	<b>Pioneer approach has impact on time, is faster than Follower</b> , but is it an advantage ?

TABLE 1 : THEORIES AND RELATION TO TIME



## 2.1 TIME-DETERMINING PARAMETER: DRIVERS AND MOTIVES

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The following section will look at the body of knowledge around drivers and motives for an international move, because these impact on time, as discussed above.

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### 2.1.1 DRIVER: COSTS

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This section will explore the literature in relation to costs, which, with the exception of transaction cost theory, are unfortunately oversimplified.

Exploring the first question of a cross-country move and the theme of the driver behind that further, one conceivable driver could be cost saving in order to increase profitability.

The automotive supply industry was, and still is, apparently driven by conflicting factors - for example, a demand in increasing quality expectations from customers, on the one hand, and the requirement of decreasing price over time, on the other; see also Meffert (2008, p. 308), and, in the area of globalisation, Dicken (2007, p. 292) and Monczka et al. (2009). Further respected researchers such as Carter, Maltz et al. (2010, p. 353) have stated:

“Relentless competitive pressures are driving the accelerating trend toward sourcing of materials and components from outside home markets”;

and they have also noted the world economic crisis of 2008/2009 as a driver for cost pressure. So when companies still wish to follow the “drive for profit” (Dicken, 2007, p. 107), they have to manage their production factors and overall resources carefully. The factors of production and resources will be used “at the sites or in those projects where they provide the highest contribution to achieving the targets of an enterprise” (Siebert, 2000, p. 27).

This appears to be the main reason that the automotive supply industry has become orientated towards low-cost countries during the last century, in order to improve their host-nation-market position through cost-competitive products. Aglietta argued that “the transfer of production to a low-cost country would be a solution for competitiveness within a company’s strategy” (Aglietta, 1987 in: McAuley, 2007, p.215). The trend for cost reductions and the enticement of low-cost countries as the “promised land” are the drivers for Pacek’s over-enthusiastic statement that “it pays to manufacture there and it is possible to manufacture good-quality products far more cheaply” (Pacek, 2007, p. 79) without further differentiation regarding concrete regions or products or markets – which may be criticised as over-simplification at this point. Although Pacek admitted that some aspects of production in emerging markets might be complicated, at the same time he judged concerns to be completely unfounded (Pacek, 2007, p. 78). Critics argued that a large part of the cost savings gained from the labour-cost advantage, which is in fact only a small part of the total costs, will be swallowed up by the increasing prices of energy and the logistic costs. This is the reason why such transfer decisions, which are based purely on cost reductions, are taken “more carefully today than they were a few years ago”, as stated by a leading consultant (Fuss, 2008, p. 12).

Examining the body of knowledge available in this area, the driver for cost reduction leads to the following theories.

David Ricardo (1772-1823), a British economist and leading researcher, was the first person to look at the theory of trade between national economies, with the simplification of looking at only two countries in his publication *On the Principles of Political Economy and Taxation* in 1817. He developed the model of comparative cost advantage. According to this model, a country concentrates on the production of a product which has a relative cost advan-

tage in comparison to another country. The work factor of production is – as a further simplification – at the centre of this consideration. Ricardo's model offered the basis for further developments of theories; however, it was classified as unsuitable for explaining transnational trade sufficiently. He simplified his model too much by presupposing only two countries, with absolute competition and unlimited demand (c.f. Perlitz, [2000, p. 70], an authority in the area of international management).

A more general approach to describing the drivers was developed by Coase in the 1930s with his widely published and accepted theory of transaction costs, first published in *The Nature of the Firm* in 1937. Transaction costs are those which must be charged on top of the purchase price of a product in order to actually receive the product. Therefore, transaction costs include such items as supplier selection, contract negotiations, training, product tests and claims handling, which do not appear at that level or at all if another organisational form like internal production is used - see also Downes and Mui (1998, p. 46). A comparison of the transaction costs for obtaining a product on the free international market with the transaction costs that arise internally makes it possible to decide which the more cost-effective variant is – production by the company itself, or outsourcing. If the transaction cost theory is related to transnational trade, then international direct investments make sense when the transaction costs arising are lower than the actual internal transaction costs. For Teece (1981), this is the case if “raw-material-oriented direct investments are concluded in order to achieve an advantage in respect to securing supply and lowering the transaction costs in comparison with actual internal costs” (Teece, 1981, p. 3). However, the weak point in the transaction cost theory, which is criticised in the literature, is its lack of an exact calculation, although there might be examples from the researcher's point of view in which those calculations are possible.

Simon (2007), a current researcher and expert in the area of internationalisation processes, has doubts concerning the explanatory power of the above theories, since they all have deficiencies, suffer from oversimplification and, because of their age and the rapidly changing environment, give rise to the suspicion that they may no longer be up-to-date.

So, if the driver is costs, the target is simply to compare all costs arising from all possible alternatives to the current situation. The process is assumed to be less complex and thus faster than if the driver were market demand.

The next section will look at market demand as another driver of the move.

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### 2.1.2 DRIVER: MARKET DEMAND

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This section will explore the literature relating to market demand.

Another conceivable driver could be to open up market potential. While facing “economic crisis” (Krugman, 2009, p.12) and “saturated traditional markets” in the triad (Dicken, 2007, p. 38, confirmed by Jobber, 2004, p. 844), on the one hand, and a “growing demand in the emerging markets”, on the other, further market development through geographical expansion of the current or new customer base became the main focus of the automotive supply industry (see the widely acknowledged experts in marketing, Kotler, 1999 and Agtmael, 2008, p. 282). So, not only new customers can be addressed, but also current customers, especially those customers in the automobile-supply industry, expect support for their international strategy (Jobber 2004, p. 844). VW became one of the world’s biggest automobile manufacturer in 2011, due mainly to its success in emerging markets, especially China (*Focus*, 28.6.2010; *Wirtschaftswoche*, 26.10.2011), and obviously it makes sense for the automobile-supply industry to follow that growing demand or even enter a potential market proactively.

The driver to enter completely new markets requires much higher involvement and more time than expanding in established markets, since market knowledge needs to be acquired, and the market needs to be segmented and targeted with the right product mix. All of these activities take a long time. This gave rise to market-related internationalisation theories.

Raymond Vernon (1913-1999), a widely published author in the area of life-cycle theory, for example, took the position that only mature products are right for foreign markets. He first introduced his theory of the product life-cycle in a journal article in 1966. According to his original theory, products

go through three phases during their "life": market launch, followed by growth and finally maturity (see Vernon, 1966, p. 199). Applying his theory to international trade, no exports take place during the first phase of the product introduction, since production is intended to satisfy the local home market and "no comparable sufficient production technologies are at the company's disposal abroad" in the host country (Perlitz, 2000, p. 81). The product is still in the stabilisation phase; the production process is not yet stable and needs highly qualified workers. In the second phase, growth, the product is increasingly standardised and the production process stabilises itself. The share of low-qualified employees increases, as do the exports and direct investments in markets of comparable industrial countries. Other countries enter into competition for this product and achieving a monopoly-type profit becomes increasingly difficult to generate. In the third phase the product is standardised to a great extent, going hand in hand with cost pressure. Only then, at this point of the product lifecycle, does production decrease massively in the home market, while production grows in emerging markets driven by direct investments. As a consequence, this also means that only mature products are produced and introduced abroad. The mature products are then imported from there back to the home market to satisfy the – albeit shrinking – demand. So from Vernon's perspective, internationalisation is basically intended to increase chances to continue selling already mature products, which – gradually over time – are subjected to cost pressure due to increasingly comparable products from the competition on the market. Kutschker and Schmid criticised Vernon's model for only making a distinction between the USA, other comparable industrial countries and developing countries (Kutschker and Schmid, 2005, p. 433), which is again an "oversimplification" (see Simon, 2007, p. 60). Therefore, this model does not provide an explanation for internationalisation based on national peculiarity. Perlitz (2000) further criticised that the model does not allow "a future

view," since neither the course nor phase length of product lifecycle can be predicted for a country. As such, this model allows only "ex ante" analysis (Perlitz, 2000, p. 83).

Market size and market growth are also seen as the main reasons for direct investment in the site theory of Jahrreiß (1984), a researcher in the area of direct investment theory. He identified several reasons for direct investments in his empirical studies; according to Jahrreiß, the main reason for direct investments abroad are market-related variables like market size and market growth. Others include factors such as access to knowledge or international diversification (Jahrreiß, 1984, p. 93 and p. 257).

The theory which combines both drivers of costs and market as well as other determinants is the diamond model by Michael E. Porter, the acknowledged leading authority on marketing-related issues. Originally, Porter (1990) examined why some countries are more successful than others in certain lines of business and on which regulation factors this depends. However, Porter's examination could also be understood as the underlying drivers, which are important for a company when choosing a specific country. Porter developed four factors and placed them in a diamond-shaped layout (hence this model is called the diamond model). The first element of this model concerns aspects of production, which describe the state of production, product availability and so on. This element refers to Ricardo's model. The second element comprises the conditions of demand which describe the domestic demand for this product, its character and intensity. Porter named the related and supporting branches as a third factor, namely the existence of necessary subcontractors or similar competitive lines of business within that country. This element refers to transaction cost theory, particularly to Teece's interpretation with respect to the benefits to be gained from a stable supply of raw materials. The last element in Porter's diamond model com-

prises strategy, structure and competition, encompassing the environment in which the organisation can develop and the special competitive situation in that country. This element refers to Vernon's theory of the product lifecycle and the increasing cost pressure in a mature stage, forcing foreign direct investments. "All of these factors determine the success of a country in the face of international competition" according to Porter (1990, p. 5), and can also be understood as the critical success factors at play when a company chooses a certain country over another, because it fits best into their strategy.

Critics of the theory accused it of concentrating on national borders and thereby accepting them as relevant. However, competition is all about competing with transnational corporations, not countries, as stated by Ohmae (1990), a widely cited author in relation to globalisation. The approach nevertheless explains to some extent how far departments within a company are outsourced to different countries, since there are different advantages to be found locally, e.g., in regards to IT in India. However, the theory tends to concentrate on the country view concerning what could be done to improve the competitiveness of countries, and has less explanatory power regarding the international moves of business enterprises.

It could be argued that another conceivable driver could be to lower risks through engagement abroad. Being active in emerging markets also means spreading - and thereby lowering - entrepreneurial risks. Enterprises which perform in global markets are concerned less about locally distinctive recessions than enterprises which just focus on countries that are apparently heading directly into a recession (see e.g. Rahman, Z. and Bhattacharyya, S.K. 2003, p. 362; also Gupta, 2004, p. 62 and Zimny, 2008). But this can only be realized when doing substantial business with those countries, so it is comparable with the motive of market demand.



The real underlying drivers and motives still remain unclear in the pluralism of current theories, and there are also doubts regarding the explanatory power of this branch of theories since they all have their deficiencies (c.f. Simon, 2007). In the researcher's view, these deficiencies probably arise due to the problem of oversimplification in an attempt to create a general law or at least extend credibility. Looking at the pace of the developments in emerging markets, the researcher has also the suspicion that the theories – which are now 20 or more years old – may no longer be up-to-date.

So, if the driver variable is market size and growth, the target is to critically scan the global market, and carry out market analysis and market segmentation. The process is assumed to be more complex, and hence slower, than if it were purely cost-saving.

The next section will look at theories related to the processual architecture of the internationalisation move.

## 2.2 TIME-DETERMINING PARAMETER: PROCESSUAL ARCHITECTURE

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The following section will look at the body of knowledge exploring the processual architecture of the international cross-border move and how that could impact on the research question, the role of time, because possible assumed roadblocks influence the processual design, and those roadblocks need to be removed, overcome or bridged in another way.

When exploring the processual architecture depending on possible roadblocks during a cross-border move, it is of interest whether the approach is a direct one - thinking that roadblocks in the form of distances do not exist or can easily be handled – or the opposite, where the approach is a gradual, stepwise approach, which has serious implications as far as time is concerned. The buzzword “speed to market” apparently indicates the approach that is generally recommended by standard business literature. “Speed-to-market for new products is a key element for success and growth in today’s global marketplace”, (Constanza, 1996, p. 2). However, since speed is also connected with a serious resource commitment and it remains unclear whether being fast is an advantage at all, it is very important to further investigate the credibility and descriptive power of that statement. Unfortunately, when looking at this facet of the internationalisation movement, a number of competing theories emerge.

Jan Johanson and Jan Erik Vahlne, probably the most-cited researchers in the area of internationalisation processes, placed the main emphasis in their theory about international activities of enterprises on a more behaviouristic method and assumed a “gradual approach towards international activities, building on collected knowledge and experiences”, (Johanson and Vahlne,

1977, p. 26 ff.). That is similar to Linnemann (1966), an economic expert, who stated that “international trade is more probable the smaller the distance factor is”; this in turn he defined as the sum of transportation costs, transportation time, and economic knowledge about the country as well as artificial hindrances like customs (Linnemann, 1966, p. 25). Johanson and Vahlne first concentrated on entrance mode, describing how enterprises first garner experience in the export business, before entering into joint-venture relations or even their own green field operation. However, they also extend their view of the market, saying that enterprises “compensate the high risk of one market with the low risk of another market” (Johanson and Vahlne, 1977, p. 30), thus expanding the view from entry mode to also expanding step by step geographically through those countries in which the psychic distance is much less significant. Johanson and Vahlne described this as a psychic distance chain (Johanson and Vahlne, 1990, p. 13), which becomes increasingly larger the further away the market is. Psychic distance is the barrier of culture or language, which distances the home-country person from the host-country person and that needs to be overcome or dealt with, which is the reason that such a business might become more difficult with a high psychic distance. Therefore, companies would only gradually – step by step – venture forward with exports in markets which are geographically and culturally “closer”, before they open a sales branch at the location and finally a wholly owned or leased production centre in a market geographically and – based on general assumptions – also culturally further distant. The stepwise approach is described as an establishment chain (Johanson and Vahlne, 1990, p. 13); the model is therefore also known as the learning theory, step model or Uppsala model, since Johanson and Vahlne both taught at the University of Uppsala. The Uppsala model contains four aspects – two elements of state and two of change – that play a role in the gradual internationalisation process. It views market knowledge and market resource

commitment as static aspects, and decisions to commit resources and the performance of current business activities as change aspects.

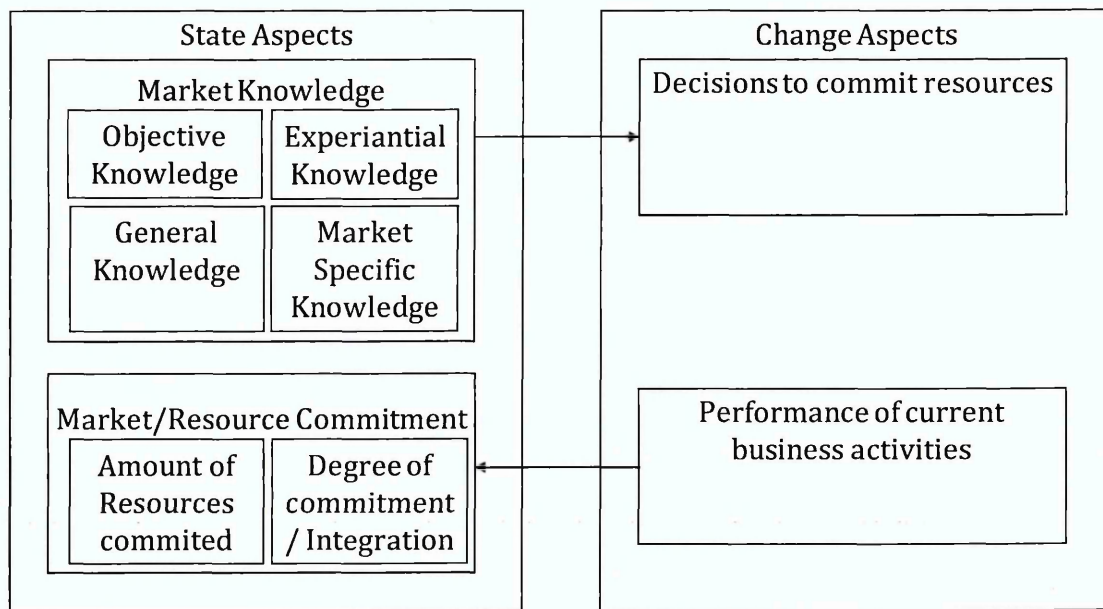


FIGURE 5: MODEL OF JOHANSON AND VAHLNE

Johanson and Vahlne defined market knowledge as one state aspect, since this represents what is known about the market. They divided this market knowledge into four categories: Objective Knowledge, Experiential Knowledge, General Knowledge and Market-Specific Knowledge. Objective knowledge in their understanding is the knowledge that can be easily transferred in training to another person, whereas experiential knowledge has an individual touch, feeling and emotion that everybody needs to experience for him/herself. In addition, general knowledge is what is known in general by most people in a discipline, for example, generally known marketing tools; market-specific knowledge refers to a knowledge area that is closely related to one or more special market, that someone experiences when dealing with a country. Again, that market-specific knowledge could be objective knowledge like economic data, or experiential knowledge like culture and behav-

in special circumstances. Market knowledge as a whole would, according to Johanson and Vahlne, influence the change aspect of “decisions to commit resources to a certain country” – increasingly or decreasingly, depending on the knowledge. In return, the change aspect of performance of current business activities in that country influences the state aspect of resource commitment, because promising performance is easily supported by additional resources. All elements are connected and the whole process is understood as constantly turning and gradually moving forward, like the driving axle of a locomotive, connected with the other axles via a coupling rod, not able to jump, but gradually moving through the countries, collecting market knowledge, influencing decisions to commit resources, influencing performance of business activities and so on.

Critics of the model include Johanson and Vahlne themselves, who admitted that it takes only some aspects of internationalisation into account. "Of course, the internationalisation model is extremely partial, deliberately excluding many relevant factors" (Johanson and Vahlne, 1977, p. 23). In addition, in a peer-reviewed academic paper Holtbrügge criticised the sequential process of internationalisation on the grounds that it does not take into account the fact that steps can be skipped, for example, by a faster knowledge transfer with a joint-venture partner (Holtbrügge, 2005, p. 21). Also the "born global" approach of Oviatt and McDougall, who are much-published authors in the area of the born global phenomenon, in which an enterprise is already situated in an international landscape at the time of its foundation or soon after, contradicts the gradual research model of Johanson and Vahlne (Oviatt and McDougall, 1995).

The engagement in culturally and geographically closer markets does not necessarily imply an easier way than a more radical approach to a culturally more distant country, since according to the critical researchers O'Grady and

Lane (1996, p. 309), cultural proximity could lead to a situation in which risks are simply underestimated in a neighbouring country.

The network theory, originally developed by Hakansson in 1982, simply expresses that a firm uses its network of suppliers, customers and political contacts to internationalise in order to gain access to market knowledge and “bridge possible existing distances”, as cited by Chetty, Blankenburg and Holm (2000); uses advantages “in cooperation with others”, as formulated by Rutahoby and Jaensson (2004); to “improve insufficient sites” abroad, as described in the research of Bjorkman and Forsgren (2000); and/or to “overcome its own resource problems” (Young et al. 1999). It is a theory which explains more how a move could be made easier and less how the process of a move is designed. But, in accepting that distances exist and that gaining knowledge is important, it shares some basic assumptions with the ideas of Johanson and Vahlne.

The two respected economists, Macharzina and Engelhard, who attempted to draw conclusions from real phenomena of international enterprises, put forward a different argument. Their approach is known as the GAINS approach (Gestalt Approach of International Business Strategies). Their theory assumes the company to be a complex entity of human beings, machines, processes, information and culture which are inter-connected with each other and with their environment. According to the theory of evolution, “only those entities which are able to adapt to their environment have a chance of survival” (Price, I. and Shaw, R., pp. 141-142). Therefore, the theory consists of static and dynamic phases in a company’s life and not of continuous, pre-defined steps, as denoted in Johanson’s and Vahlne’s model. The enterprise is in a static state until a mis-fit is identified, which leads to a dynamic change process with a quantum-leap character to compensate for the identified mis-fit. After that, the cybernetic entity of the business returns to a

static state, until a new mis-fit is big enough to force the entity to adapt by moving (see Macharzina and Engelhard, 1991, p. 29 ff.). Based on this theory, companies mount a revolutionary attack on an emerging country or even on several at once in a “denationalised hyperglobal” (Ohmae, 1990) world and settle down again after their objectives have been met and a balance with their surroundings has been achieved. This approach bears strong similarities to the sprinkler strategy, according to which companies approach several or all markets at the same time if a necessity to do so has been identified (Kutschker and Schmid, 2005, pp.966-969; see also Meffert and Poeschl, 2002, p. 407).

The behaviouristic approach and its revolutionary character can also be found in the “born global” theory, which represents a challenge to the traditional Scandinavian School. It concentrates on the phenomenon of companies that are relatively new in the market and make “substantial business in multiple countries early after the company’s foundation date”. (see Oviatt and McDougall, 1994; also Knight and Cavusgil, 1996, and Autio, 2000). This phenomenon is called “born global”. Consisting of young professionals “not averse to facing risks” (Knight, 2004) and whose thinking is in line with Ohmae’s (1990) denationalised borderless world, these companies enter multiple markets in flexible and different ways, with “psychic distance playing a minor or even no role” in their approach (Moen and Servais, 2002). As a rough time frame, several studies defined “3 years for those companies to internationalise after their foundation” (Oviatt and McDougall, 1994; see also Moen and Servais, 2002, Zahra et al. 2000, and Knight, 2004).

The automotive supply segment requires a substantial resource commitment towards customer-oriented product development and massive know-how, adequate production capacity, quality assurance, brand awareness, loyalty and customer care. There is a suspicion that these requirements in



the automotive supply business seem to be in contradiction with the requirements of a “born global” firm (not older than 20 years, slim administrative effort and a majority of young and flexible employees who think in a “borderless” manner). However, it is only a suspicion that the born global theory would not work in the automotive supply industry. After all, it is a real phenomenon occurring in today’s business world. The born global theory represents the opposite extreme in comparison to the stepwise learning theory.

Following Johanson and Vahlne who, as representatives of the Scandinavian School, stand for gradual learning through regional and culturally close countries, Macharzina and Engelhard, standing for a revolutionary step and then settlement with few or no further activities, and Oviatt and McDougall, with their born global theory in which companies internationalise 3 years after their foundation, we will now make a final attempt to explain the international move using the “eclectic model” of Kutschker and Schmid.

Kutschker and Schmid (2005) integrated the Uppsala model of an evolutionary development and the GAINS approach of Macharzina/Engelhard of the quantum leap to formulate their “bridging 3E model” (first published by Kutschker, 1996), in which they identified three different phases, namely evolution, episode and epoch (Simon, 2007, p. 89 ff.). They tried to cover the complexity of timing in internationalisation with an eclectic model. The evolution phase draws parallels between organisational process development and variation in biology, characterised by selection and adaption. In this phase, the organisation is in a state of continuous but minor change and improvement. In the episode phase, small milestones mark the steps of change in the internationalisation process, whereas in the epoch phase, fundamental changes are happening which cause changes that have a deep impact on the structure of the organisation - for example, mergers and acquisitions or



joint ventures, “which could last and impact for decades” (Kutschker and Schmid, 2005, p. 1080 ff.). It could be argued that the 3E approach is seen as a desperate attempt to cover the truth with an eclectic theory by only allowing each phase to happen now and then, and is oversimplified in separating activities from one another into different phases, preventing parallel or simultaneous activities.

The impact on time in internationalisation is essential. A stepwise learning approach requires a lot of time, a revolutionary approach requires less, and the born global phenomenon requires least time.

After having scanned the theoretical landscape, it is not altogether clear how companies internationalise and what is therefore the variable that impacts time, as the theories stand in opposition to one another. All the theories fit in with the tradition of having “deficits in explanatory power” (Simon, 2007), partially by “oversimplification” (Simon, 2007, p. 60) and – as the researcher suspected when looking at the pace of global developments – antiquation.

The research continues now by looking at aspects of country-specific behaviour.

## 2.3 TIME-DETERMINING PARAMETER IN COUNTRY-SPECIFIC BEHAVIOUR

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The following section will look at the body of knowledge around a company's possible behaviour from a country-specific view, meaning once it has moved to another country.

Concerning country-specific timing, a company can either have a proactive approach, even up to occupying a pioneering position, or a more reactive approach, whereby it follows the necessities of the market when no other option is possible. Looking at this critically, it is an oversimplification to pigeonhole a company as a pioneer or follower, which is the reason for describing a role as "more proactive" or "more reactive". Still, within these poles of a very proactive and very reactive position, there may be various gradations of little proactivity in regard to e.g. market, but more reactive in regard to e.g. product. However, it is necessary to introduce the proactive and reactive approach and the pioneer and follower positions in order to create clarity.

A great deal of the literature deals with pioneers and followers, with differing definitions of what should be understood by the label of a pioneer. Since "multiple competitors in the same product category ... classify themselves as pioneers" (Lieberman and Montgomery, 1988), it seems necessary to introduce clear definitions. The much-published authors in relation to the pioneering and follower concept, Golder and Tellis (1993, p. 159), give the following definitions:

- Inventor: someone who originally developed a new ground-breaking technology

- Market pioneer: the first mover in its product segment in the order-of-entry from a historical perspective to enter into a foreign market, independent of existing local competitors. A market pioneer might be different to a market leader, which simply owns the highest market share.
- Product pioneer: someone who is constantly driving technological innovations or simple improvements to generate differentiators and unique selling positions
- Market follower: all companies entering a market after the market pioneer
- Product follower: someone who is not interested in driving developments or technological differentiators due to the high development costs, but simply produces already available products in the markets in a similar or comparable way to the original product pioneer, but under different branding

The timing aspects will be briefly explored in the following paragraphs.

A pioneering strategy simply means being first in the market. Such a strategy has the advantage of putting the company in a position to “set the pattern of consumer preference” (see Liebermann and Montgomery, 1988; later confirmed by Carpenter and Nakamoto, 1989) and “industry standards” (see Tegarden, Hatfield and Echols, 1999). Pioneers can build entry barriers for followers, have a better chance of creating brand recognition and can start earlier to build customer relationships (Kutschker and Schmid, 2005, p. 959).

The brand is assumed to have a significant role for pioneers. As long as the pioneer does a satisfactory job for the customers, it is assumed that they will stay with the first brand introduced for a certain period, up to several years. A switch to another brand in the automotive industry always involves extra

costs for product release, vehicle tests and homologation, document exchanges, adapting and installation costs and others. So the first-introduced brand seems to be quite important, which is the reason for taking a closer look at this issue in the course of the research.

A good relationship is especially important in Arabian and some Asian countries like Japan for creating profitable long-term business relations. Research has shown that “pioneers profit from a higher return on investment” (Lambkin, 1988; see also Hippel, 1988, p. 59). An early presence and a high degree of influence are especially “relevant for risk-averse customers” according to Schmalensee (1982), a researcher in the area of the pioneering and follower concept.

For example, in the automotive supply industry, the product release is executed prior to the final product launch with considerable administrative effort. A relationship between early presence and a higher level of profit in China is claimed to have been found in a study by Pan and Chi (1999).

The pioneer strategy can be criticised for implying high costs for market maintenance and high risk because the first in the market cannot glean knowledge from the past experiences of others. Another negative impact is the “free-rider effect” (Liebermann and Montgomery, 1988; see also Kutscher and Schmid, 2005, p. 960), which allows followers to profit from the massive investments of pioneers, e.g., in infrastructure, and riding on their wave for free. However, there is still a dispute about the relationship between country-specific timing and advantages created thereby. It may not be as easy as it seems and cannot be reduced to just this one reason. Whereas some researchers claimed that 70% of the reviewed studies showed “positive effects between order of entry and market share” (Szymanski, Troy, Bharadwaj, 1995), other research work argued that a market-share advantage was based only on pioneering advantage. This is said to be more sug-

gestive than definitive by Kalyanaram, Robinson and Urban (1995, p. 215). Others criticised the fact that non-surviving pioneers are excluded from most research, and that the failure rate of followers is not as bad as may often have been reported (Golder and Tellis, 1993).

A contrasting approach to the pioneer is that of the follower – following quickly or somewhat later. Since those who enter the market “are not necessarily those who succeed in the long run” (see Arnold, 2004, and Tellis, Golder and Christensen, 2001), followers can “learn from the mistakes of the pioneers and profit from a better-developed infrastructure” (Mitchell, Shaver and Yeung, 1997; also Yan, 1998). They profit from a more stabilised market and better market information and can adapt to the previously set standards, which means savings in cost. A criticism of this approach is that the follower has to enter an existing customer-supplier network and “build trust” in order to win customers by providing a unique selling position (Kutschker and Schmid, 2005, p. 961). A number of studies ascertained that followers “do not achieve as high a market share as pioneers” (Kalyanaram and Gurumurthy, 1998, p. 3).

The impact of the pioneer or follower position on time – and hence on the research question - is essential. A pioneering approach takes much less time, if the homework in the form of the right product for the right market is done in comparison to a follower approach, in which the approach can be characterised as “wait and see”, taking more time in total.

The research continues now with the summary of the Literature Review.

## 2.4 SUMMARY OF LITERATURE REVIEW

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The summary section concludes the explored body of knowledge, looking for plausibility and up-to-dateness of the theories.

Having studied the literature on internationalisation, the researcher sees several emerging problems. One is the **pluralism of contrasting theories**; for example, the revolutionary GAINS approach and the stepwise learning approach take opposing positions. The second problem is **oversimplification**. Johanson and Vahlne themselves critiqued their model as oversimplified. To make sense of the world, it is necessary to simplify, but that must not lead to oversimplification, which diminishes the model's explanatory power. Simplification to make sense of the world and make a model generalizable on the one hand, and the explanatory power and complexity to come as close as possible to reality, always have to be balanced in science (Willower and Uline, 2001, p. 460). The third problem is the **up-to-dateness** of the theories. Johanson and Vahlne first published their theory in 1977; the GAINS approach, which in contrast showed a radical change, was published in 1991; and the country-specific theories of pioneer or follower of Lieberman/Montgomery were published in 1988. To make the problem of up-to-dateness even clearer, the researcher discussed political persons and issues: in 1977, Jimmy Carter was President of the United States, in 1988 it was Ronald Reagan and in 1991 the Soviet Union still existed. That should make clear how "old" those theories really are, and should underline the view that those theories might not be able to cope with the emerging market developments in the years 2009-2012.

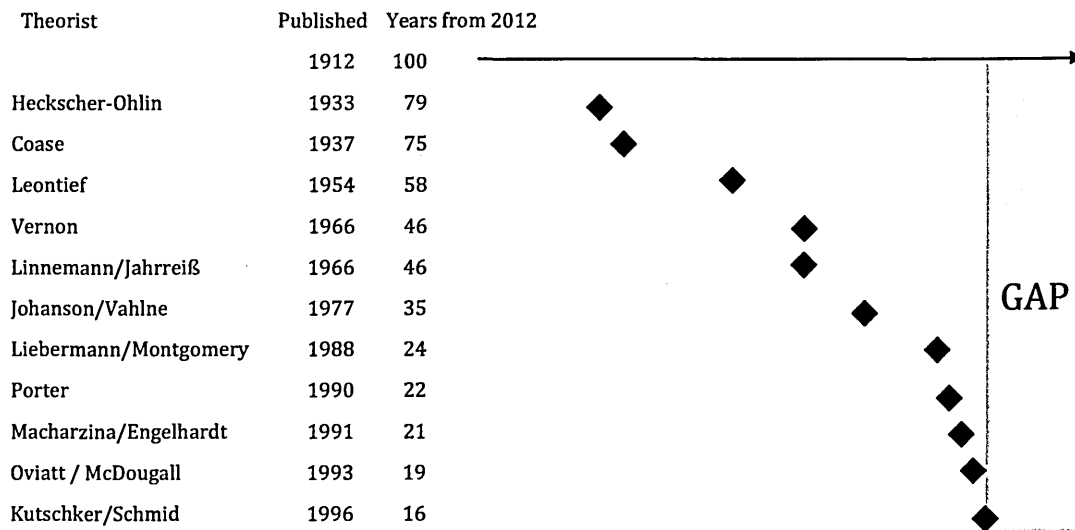


FIGURE 6: THE 100-YEAR HISTORY OF THEORIES AND GAP UNTIL TODAY

Axinn and Matthyssens observed in 2001 that “...existing internationalisation theories are inadequate to explain ... the behaviour actually observed in firms today... These theories, and the vast body of literature that has evolved to explore and test them, have changed over time; but probably not enough. Today, firms are internationalising in greater numbers than ever before and they are internationalising faster than ever before... As a result, we must critically assess whether these established theories are still able to grasp the observed internationalisation practices of firms today”. (Axinn and Matthyssens, 2001, pp. 436-437)

Since then, technical innovations as well as social and political changes have changed the global environment, which in turn have impacted on the credibility of the existing theories.

The business world appears to be constantly becoming “more and more global” (Papadopoulos and Martin, 2011) with increasing speed over the last few decades. However, science has not taken account of this speed or why this gap emerged, so it is necessary to take a fresh, up-to-date look at this development.

A rudimentary search of the Emerald Management Xtra Database for the number of articles published with the country names Brazil, Russia, India or China in the title highlighted that the real interest in those countries has grown tremendously since 1990 as a consequence of the pace of their own economic development. This supports the current view that theories developed during or before that year are perhaps not relevant to today's global business environment.

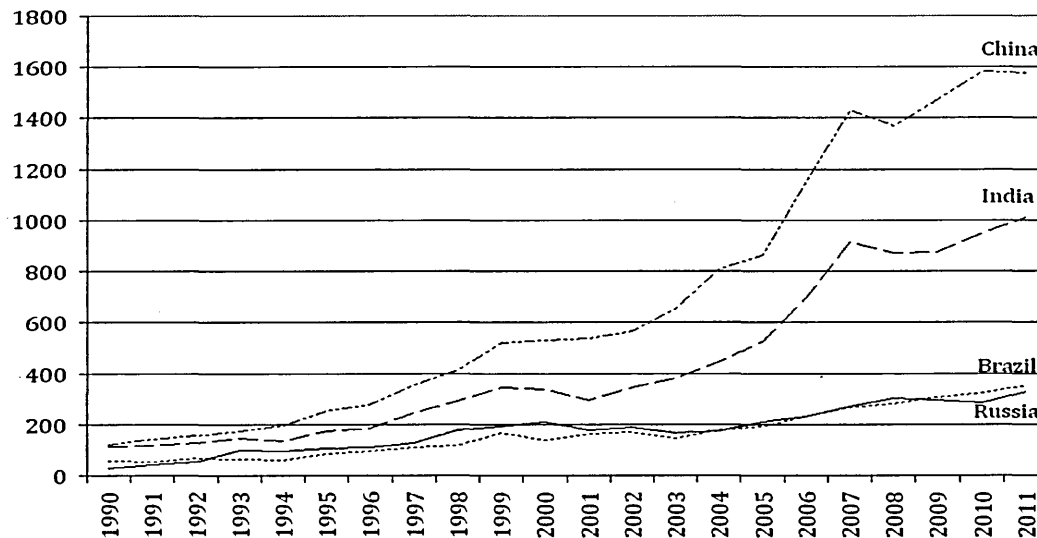


FIGURE 7: NUMBER OF ARTICLES RELATED TO EMERGING MARKETS

There is another hint that the pace of the global environment - especially in the emerging markets - is increasing; this is the growth of the Gross Domestic Product of the emerging markets after liberalisation. The growth is not linear, but exponential (see world development indicators from worldbank, 2011). It thus supports the idea that the speed of economic development in these countries behaves over- proportionately with increasing speed.

The fourth factor making this research useful is the fact that research has very rarely been done for automotive suppliers further down the supply chain. When looking at research in the B2B Industry sector, most research focuses on companies with whom people have frequent contact, such as the



direct vehicle manufacturer (e.g. General Motors, Toyota) – but seldom the supplier further down the supply chain, delivering the seats, the brakes or the batteries. But since those are the innovation drivers, employing the same number of people as the vehicle manufacturer themselves, it is clearly an important industry sector.

So, after having reviewed the literature, there appears to be a substantial gap in the body of knowledge explaining the behavioural aspect of companies in general, and the timing aspect of internationalisation in the automobile-supply industry towards emerging markets in particular. This is in line with Krugman (2006, p. 15), who states that there is a “gap in the models presented by literature and today’s reality”. This gap will be addressed during the on-going research.

### 3. RESEARCH PHILOSOPHY AND METHODOLOGY

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The following chapter outlines the philosophical considerations for this thesis. It explores the individual “philosophical baggage” (Kincheloe and McLaren, 2005) of the researcher, consisting of epistemological and ontological thinking, to make clear through which lens the research has been seen. The chapter also explores the philosophical approach of neo-empiricism, because this logically forms the following methodology of a grounded analytical interpretive approach. These considerations are individual and vary from researcher to researcher. This is the reason why it cannot be taken for granted in each piece of research, but has to be explained. These explanations are important in order to understand the further course of the research and the methods used.

#### 3.1 PHILOSOPHICAL CONSIDERATIONS

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This section serves as an introduction to the importance of dealing with research philosophy.

The results of scientific work can only be embedded in, or reflected by, the existing scientific consensus as to whether the approach of the research and the underlying assumptions are defined in their full transparency. If we regard an individual piece of scientific work as a Lego brick, we can check in this way how it fits into the existing available system of scientific knowledge in order to develop the system further. Continuing the analogy, scientific knowledge – or a house of Lego bricks – is developed further by defining the shape of the brick and putting it in the right place. It is of course also possible that the brick will not fit into any place in the foundation which already exists, but rather will disassociate itself from the available system in the

sense of the current body of knowledge in a special way. However, even in this case, we must first define the shape of the brick in order to be in a position to judge it. The power of research paradigms, following the widely acknowledged authority in the area of philosophy, Kuhn (1963, p. 347), is also so solid due to the fact that they are not questioned critically enough, but rather accepted and taken for granted. Therefore, an introductory epistemological discussion for a thesis on this level "is indispensable" (Arndt 1985, p. 19). At the same time, through critical self-reflection the scientist prevents his research from being "contaminated by unintentional influence" (Johnson et al., 2006, p. 139) on the object of research by being aware of this danger. On the one hand, the attitude of the scientist towards the ontological and epistemological position needs to be emphasised in order to recognise how certain assumptions are made and which intention is targeted with the scientific work. It is all about revealing "the hand behind the text" (Johnson 2000, p. 59). On the other hand, the relevant methodologies – here, the grounded interpretive analytical approach - logically arise from individual epistemological and also ontological assumptions of neo-empiricism. So these levels of epistemology and ontology as well as methodology and method form a solid hierarchy, consistent in itself, following the argumentation of Vollmer (1986b, p. 179) or the leading researcher in the area of research philosophy, Crotty (1998). It is claimed and recommended that the manager's position should reflect their own ontological and epistemological position, not only for good scientific research but also "for good management practice in general" (Dixon, 2002, p. 476).

Ontology describes our view of the world and seeks the answer to numerous questions such as: "What does and can exist? What are the conditions necessary for its existence? What might be the relations of dependency among things that exist?" (Dixon, 2002, p. 460). Everybody has their own view of the things around them and sees the world through their own ontological

glasses. Somebody could, for example, regard the world as a completely ordered system in which events have a causal connection. An effect could always be explained by a cause in this ontology – as in positivism. It would be a completely different position to consider the world as chaos in which no causal connections are valid, as in postmodernism.

The theories on how we can achieve knowledge in a world which in turn is defined by our ontological assumptions, are summarised by the term epistemology (McAuley, 2007, p. 28 ff.).

Considerations of epistemology and ontology are a part of philosophy and stretch far back into history, all the way to the beginning and origins of ancient philosophy. Heraclites and Parmenides argued about ontology and the right way to achieve knowledge (Weischedel 2001, p. 21 ff.) and the widely acknowledged researcher and author Paprotny (2003, p. 36), as well as Vogt (2003, p. 24). The different viewpoints have survived the last 2500 years of human history and are still discussed in different facets today. The controversy about it has lasted “many centuries, and the critical path alone is still open” (Kant, 1970).

The emerging philosophical stance of the researcher can be labelled as neo-empiricism. The research continues by further exploring neo-empiricism.

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### 3.1.1 NEO-EMPIRICISM

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This section explores the philosophy of this piece of research and introduces its concept.

The researcher’s understanding follows the ontology of an ordered world, which really exists and does so independently of us. The reason for this way of thinking is that the researcher was introduced to electronic data process-

ing quite early in life: his father, who was an IT department manager, would take him to work at weekends where he would see cards being punched, on which the data was stored in the early days of computers. In 1984, the researcher became the first child in his 5th-year class in school to own a home computer and write software in simple languages like BASIC. With this introduction to the IT world, the researcher learned to see the world as being at least partially mathematically controllable to the extent that machines could be told what to do and they would do it. The logically-formed ontology is based on the view of an ordered and predictable universe, at least within definable borders.

The thesis also follows the belief in an objective epistemology - that knowledge can be generated by sensory-based observation, although this is not without criticism since the world is not always achievable immediately and directly by sensory experience, because there is still a step of interpretation of the sensory experience. A lot of criticism is recommended; see, for example, the “statistical correlation between storks and the birth rate” by Matthews (2000). Another example are the Hawthorne studies, in which it was not factors like light or the duration of breaks which influenced work productivity, but the personality of the foreman. This is the reason why this research, as can be seen in the following paragraphs, does not follow the traditional mainstream of a positivist epistemology. A citation from Du Bois-Reymond characterizes the positivist perspective – in which practical achievements weigh more than intellectual thoughts about the existence and meaning of life – quite well:

“Prosaic as it sounds, it is nonetheless true that Faust, instead of going to the court, issuing unsecured paper money and descending to the ‘Realm of the Mothers’ in the fourth dimension, would have done better to marry

Gretchen, raise his child honestly and invent an electrical machine or air pump" (Du Bois-Reymond, 1883, p. 23).

A rather more qualitative approach, with an interpretive analytical approach with a critical data collection is used to capture the aspect of "verstehen". This is based on the philosophy of neo-empiricism.

The philosophical direction of realism is based on the work of René Descartes. He was also tired of the non-scientific, religious influences of the Middle Ages and focused – as a child of religious wars – on pure "mathematical logic" (Schwanitz, 1999, p. 328). That is, it should be noted, very different from Einstein's position, who stated: "Forasmuch as the sentences of mathematics refer to reality, they are not safe and forasmuch as they are safe, they do not refer to reality" (Einstein, 1921, p. 2/3).

Descartes attempted to capture the world solely by intellect. Descartes was of the opinion that humans are already born with certain knowledge. He was the first to develop the separation between researchers and the thing being researched (Descartes, 1960). In this way he theoretically made it possible for a researcher to step away from the thing researched and to reflect on the world around him from an isolated and putatively objective position. This is called Cartesian Dualism. However, in turn "every sensory impression and experience might deceive him" (Frenzel, 1960, p. 24), which is grounds to be constantly critical so that it still has to be "proven by agreement with the actual world" (Johnson, 2000, p.14). He gave three examples showing why the senses can not be depended on: Firstly, he identified illusions, e.g. optical illusions; secondly, it might be that he is only part of a deity's dream; or, thirdly, he could be part of an external large-scale manipulation of his sensory impressions (Baggott, 2007, p. 122). Consequently, Descartes doubted everything which could not be somehow proved, even his own existence. However, in the end he had the thought of his own doubt, and thus he had at

least this thought, meaning that he himself had to exist. For him, that was the only thing that could be proved to exist, which led to the famous phrase and his first principle "I think, therefore I am" (Descartes, 1960, p. 53; see also Kanterian, 2004, p. 96 and Schwanitz, 1999, p. 329).

Summarising the researcher's beliefs, ontology consists of a world which exists externally and independently from the researcher. The world is turning and organisational processes are going on – with or without specific human beings. It is also possible to consciously step back and not be a part of the thing going on, the thing being researched.

The researcher believes in objective epistemology. The senses are reliable. The electrical impulse on the nerve reaching the brain while watching the appearance of e.g. a "chair" is most likely the same for every brain in this world. The interpretation that this object is a "chair" and not a strange construction out of metal and wood is carried out in our brain through our experiences and memories. It is therefore essential for scientific work to pay special attention to full transparency and traceability of the methods used during interpretive analysis.

There is, of course, a small possibility that we are all only living in a dream of a higher entity; or that we do really exist, but everything around us is just a solipsistic illusion (solipsists think that only they are real, everything else is an unreal illusion); or that we really exist but only as brains in a nutrient tank. However, all of these theoretical considerations are in no way practicable. According to Popper, these totally speculative thoughts "can be neglected" (Popper, 1989, p. 199) because there is no choice, but this of course does not affect the critical voices inside which – instead – need to be trained and heard. In order to reach the world as it is represented to us, we not only have logical rational analysis and experimental observation as tools at our disposal, but also interpretative analytical attempts to come closer to de-

pendable motives and causes. Complete transparency of the scientist's motives is indispensable in order to ensure credibility. This transparency is provided by giving insight to the philosophical self-reflections of the researcher, neo-empiricism.

The research continues by further exploring the interpretive inductive analytical approach.

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### 3.1.2 INTERPRETIVE INDUCTIVE ANALYTICAL APPROACH

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The approach of radical inductive representatives like Mill or Bacon ascribed the creation of new broader knowledge only to an inductive approach, because deductivism can only derive from what was formerly known by inductivism (see probably the most often-cited authority in the area of research philosophy, Popper, 1979, p. 7, or see also one of the leading research authorities, Johnson, 2000, p. 21 ff.), which is the reason for the inductive approach of this research.

"...all inference, consequently all proof, and all discovery of truths not self-evident, consists of inductions, and the interpretations of inductions: that all our knowledge, not intuitive, comes to us exclusively from that source" (John Stuart Mill, 1868).

Bacon clearly stated that man only knows as much as he can through experiments or observation; "beyond that he could know nothing" (Bacon, 1870, p. 83). A further indication that we give meaning to our world by observations is so-called sensory deprivation. In tests it was demonstrated that the brain simply cuts the nerve connection to the sense organs if it receives no more useful information over a long period of time, for example, "if a cat's eye was covered up" (Baggott, 2007, p. 196).



The philosopher Hume concluded that it was not possible for us to attain knowledge other than through sensory perception, and also that we could only draw conclusions based on observations made by “using sensory perception, but not about underlying suspected legitimacies” (Hume, 1973a, p. 92 and Hume, 1973b, p. 152).

“Like our eyes – our intellect lets us see and be aware of all other things” (Locke 1968, p. 22). The following shows his clear belief in the induction principle:

“The undeniable bases of our knowledge of life and nature are individual facts which the intellect uses to draw conclusions which again could lead to constant rules of knowledge and therefore also to practical life” (Locke 1978, p. 36).

However, for the researcher, as well as for the respected leading philosophers and scientists Xenophanes, Hume, Einstein and Bohr, the question still remains unanswered as to whether humans can ever completely understand the whole world in its complete complexity; to take one example, to define the theoretically created space-time, today’s theoretical physics requires no fewer than eleven dimensions (Baggott, 2007, p. 312).

“There was never a man and there will never be one who discovers the truth on earth from the gods. Because even if he thought completely correctly about the right things, he would not know it. Man is only capable of imagination.” (Xenophanes, Fragment 34, 500 B.C., in: Vollmer, 1985a, p. 17; see also Heigl, 2004, p. 12 and Vogt, 2003, p. 27).

Therefore, it seems appropriate to view the theories derived from the inductions according to Reichenbach’s school of thought with a degree of certainty to make them useable in practice. Hans Reichenbach, assistant and friend of Albert Einstein and later a prestigious physics lecturer, introduced

into his philosophy Aristotle's momentum of probability in a modernised approach for inductive statements and hypotheses in order to support the approach of induction (Reichenbach 1931, p. 368). In his opinion, a statement becomes increasingly probable the more it is supported by empirical evidence. Popper introduced to Reichenbach the idea of the "degree of confirmation" (Popper, 1989, p. 198), which was in turn later adapted by Carnap, even though Popper criticised the attempt to introduce probability in connection with a hypothesis. If they are not understood as absolute legitimacies which are either valid or invalid, but as more or less probable ways to business success, we increase the practicability of the theories and reduce the risk of decisions being made in uncertainty. Müller (1989) also followed the approach that "science should concentrate on the declaration of realities in order to predict as probable what has already appeared earlier relatively frequently under comparable conditions" (Müller, 1989, p. 7). The arguments of the realist are not mandatory, but sensible (Vollmer, 1985 a, p. 14). Those who "demand a strict proof in empirical sciences will never be disabused by experience" (Popper, 1989, p. 23). So, even if induction does not allow us to draw general conclusions for all conceivable cases, this does not exclude the possibility that:

"... in the absence of better information, we base our expectations of the future on our knowledge about the past, both psychologically and from the point of view of research strategy. Every organism does this when it adapts to certain constant environmental conditions; it happens in conditioned reflexes; it is the basis of all learning from experience. Thus, in addition to the logical aspect, the induction problem also has biological, psychological and methodological ones" (Vollmer, 1985 a, p. 24).

So therefore, even though it was rejected by Popper, it is necessary and completely acceptable from the researcher's and other scientists' points of

view to introduce probability and expand the value of theories by adding, in addition to the two values of true and false, a value of probability, particularly for the induction-based theories already referred to.

The principle of induction cannot establish any system of “absolutely protected, incontrovertibly true sentences” (Popper 1989, p. 12). The black swan, which is a symbol of the refutation of assumptions based purely on observation, represented a general threat to induction. The white swan theory is inevitably valid as long as observations are made in – and limited to – Europe. A single Australian black swan is enough to invalidate a theory based on thousands of white swans; see in this respect the much-published author Taleb (2007). It is just not possible to absolutely verify beyond a shadow of a doubt “an observation as being general” (Franz, W. 1989, p. 29). Since it is not possible to check all of the swans in this world, the theory “cannot be verified but only falsified” (see Popper, 1979). Nevertheless, knowledge based on induction can be regarded as the truth – in fact, it might be the truth – as long as it is not falsified. And that is how most of the people make sense of their world - by discovering similarities and connections with a significant accumulation with induction of observations, with a certain interpretative character. These significant accumulations can no longer be coincidences. A “coincidence would be too improbable” (Popper 1979, p. 151). The non-coincidental similarities lead to a theory, which must “represent legitimacy” in a certain way (Popper 1979, p. 151). Without this kind of legitimacy and reliable theories, practical behaviour would be “unthinkable” (Popper, 1989, p. 199).

Prepared with the above argumentation, the researcher sees the best chance of approaching the truth, in a clearly defined framework of credibility, as being on the basis of a neo-empiricist philosophical stance, letting the truth emerge inductively from the primary collected data while increasing prob-

ability and therewith credibility and dependability by using a triangulated approach. This will be described further in the following section.

### 3.2 CONSIDERATIONS OF RESEARCH METHOD

The following section starts building the logical link between the research philosophy which has been introduced above, and the necessary research method connected with it.

Research Philosophy	Research Methodology
Descartes Dualism : External World, objectively and value-free accessible by the researcher	Interviews, in which the researcher, as a scientist and professional, acted purely as an asking machine, not influencing the research partner. Same answers are expected if someone else asked the same questions to the same person.
Descartes: We cannot trust our sensory experiences. It may be misleading	Triangulation. Interview with 2 from each company, validated with a document analysis
Wittgenstein : Only what is open to sensory experience counts (everything else is metaphysics)	Inductive approach to gather data. Let data from the real world speak. Open questions, room for experiences and examples in the interview. Open, mechanical coding with MAXQDA. Leaving existing literature totally aside in the analysis phase.
Hume: No finite number of observations can generate a universal law. If B follows upon A, there does not need to be a causal relation.	Outcome and goal is not a universal law. But a pattern giving a hint of a theory in a clearly defined area (German automotive supply industry towards emerging markets), with a grade of probability (rated as high, since researcher reached a point of saturation, nothing new emerged).
Neo-empiricism	Realism - regarding the world as independently existing, research is based on data and facts, but needs to be explored qualitatively, by an interpretive inductive analytical approach.

TABLE 2: RESEARCH METHODOLOGY BASED ON RESEARCH PHILOSOPHY

Building upon the epistemology and ontology described above, the philosophical approach which seems closest to the researcher's viewpoint, tends to have a neo-empiricist approach as its basis. It follows the idea of a more in-

ductive approach in order to gain a fresh look at knowledge, which is indeed required by the research at hand.

The approach is grounded. Grounded theory starts to “collect data with the intention of future exploration” to look for codes, concepts and categories (Glaser and Strauss, 1967). Its purpose is to build a faithful theory which “illuminates the researched subject” (Hussey and Hussey, 1997). So, in accordance with this grounded approach as described in detail in the Data Analysis Chapter, the interview transcriptions were coded to identify anchors. Then, those codes with similar content were grouped in the code tree, representing the so-called “concepts” in the grounded theory. Those concepts then form the emerging theme blocks - the “categories” - which are used to form the explanatory model in a constant within-case and cross-case comparison. This process will be further explored in the Data Analysis Chapter.

The grounded approach at hand does not follow that of the “hardliners” of Grounded Theory, who recommended “not to start with a framework” (Strauss and Corbin, 1996) in order to prevent the results from somehow being predefined, forced or contaminated, even it was merely the given framework in which data collection was to take place. The researcher sees it as helpful to at least define the framework, research question and field manual during the preparation process for the data collection, although the field manual is seen only as a rough guideline to make it possible to expand emerging themes – thereby following the idea of a grounded approach.

The inductive character of the approach used in the research at hand bears similarities to analytical induction; however, what differs is the circularity within the process of “formulating a universal relationship” (Johnson, 1998). Analytical induction starts with a case that is studied and a hypothesis is formulated to fit the facts. Then the next case is investigated and the hy-

pothesis is reformulated and adapted, if necessary, to fit both cases and so on until it turns out that new cases will not lead to a further reformulated hypothesis.

The methodological approach has similarities to the case-study methodology, but not in the full complexity required in case studies, as described by the widely acknowledged authority in the area of case studies, Yin (2003), and also by Gill, Johnson and Clark (2010, p. 224 ff.) and Sutrisna and Barrett (2007). This is in line with other authorities in the area of research methods, Cassell and Symon (2004, p. 323 ff.). The case-study methodology is intended to collect a great deal of empirical data around a phenomenon from a very limited number of cases, which in that sense differs from the approach taken here. The case-study methodology requires a comprehensive understanding of all complex company activities, which would be too much with its “rich, thick data” (see Horn, 2009, p. 205). The rich and complex data is “exacerbated when involving multiple case studies, which can seem overwhelming, difficult to grasp all at once and impractical for cross-case analysis.” (Sutrisna and Barrett, 2007, p.165)

Similarities exist with the definition of what case studies are. In fact, one can be of the opinion that each company represents a small case:

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real context; when boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” (Yin, 2003)

Also the process of a case study begins, according to Robson (1993), with the “development of a conceptual framework, the definition of a research question, the sampling strategy and the definition of the methods for data

collection”, which is is somewhat similar to the research process followed here.



### 3.2.1 RESEARCH METHODOLOGY

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The following section explores issues covering the research methodology.

There is a close relationship between the research philosophy outlined above and the methodological route followed, because they build on each other.

To further build logically on the philosophical considerations, the approach will be triangulated to increase the credibility of the research. The research collected primary data during semi-structured interviews with at least 2 people from each company of the focus group. Secondary data from a document analysis was used in an attempt to falsify the primary data and thereby enhance its credibility.

The research continues by further exploring the triangulation of the methods.

This section introduces the concept of triangulation in scientific research as the preferred approach of the research in this thesis, logically following the research philosophy of neo-empiricism.

Going back to the roots of the epistemological baggage previously discussed, sensory perception is rated as the only secure foundation of knowledge and, therefore, it is necessary to increase dependability. A good example from Smith (1975) is that of blind men touching only one part of an elephant. If all sensory experiences are brought together, the description would match that of an elephant much more accurately (Smith, 1975, p. 273). This is why the data should be collected using a mixture of data-collection methods. By doing this, the data collection will always be grouped around the same scope of research, the same phenomenon, following the reputable source of Collis and Hussey (2009, p. 85). There are different ways to mix the data collection methods, depending on the aim of the study.

One way the different methods could be used is to seek correspondence of results and thereby increase credibility. If increased credibility is the intention, then the data from the different methods is usually “equally weighted” and the data is collected in a roughly similar timeframe (Creswell, 2007, p. 85). If the data from different sources corresponds, it would mean an improvement of validation (Horn 2009, p. 134 and Grey 2009, p. 214). At the same time it would be interesting to think about the reasons for contradictions in the results. Greene et. al. (1989) a respected researcher in the area of mixed methods, referred to this way of mixing the data-collection methods as triangulation. Critically reflecting on this, Jick (1979, p. 609), a much-published author, and also Bryman and Bell (2007) remarked that, thanks to triangulation, dependability could be improved, but the validation would not necessarily be improved, because the more mixed the data collection is, the

more difficult it will become for another researcher to repeat that piece of research. The intention is therefore to ease repeatability in case other researchers would like to do so, by ensuring full transparency throughout this research. However, it is more difficult to repeat this mixed-methods research than to carry out research using a single-method approach in a purely positivistic and deductive manner.

Another reason for employing mixed methods is to achieve clarification of the results; such mixtures are called complementarities; see Greene et al. (1989) and Grey (2009, p. 214). Other methods aim to broaden the research or feed the data of the former method into the next method (Greene 1989). These are not appropriate here since those methods are used when the scope has not yet been defined.

The dominant reason for mixing the data is to increase credibility through triangulation, but since every data collection method produces slightly different kinds of data and has its strengths and weaknesses regarding the character of the data, the use of different collection types – e.g. the triangulation of interviews as done here – also allows new data which has not yet emerged to fill gaps, like pieces of a jigsaw, and also gives the data collection a flavour of a complementarities approach.

The research will not only triangulate the data collection methods, but also triangulate the sources of the data, as first published by Denzin (1978) and later by Easterby-Smith, Thorpe and Lowe (2001, p. 146), again to increase credibility. If the data taken from different sources in different ways corresponds (or is not falsified), the research is raised again to a higher level of credibility. A triangulation of the researcher, in the sense of a group of researchers investigating the same thing from different angles and then discussing their findings (see Denzin, 1978), would exceed the limits of this research in respect of time and cost, and is therefore beyond its scope.

Denzin (1978) further distinguished between “between-methods triangulation” and “within-methods triangulation”. He understands “between-methods triangulation” as methods that triangulate between qualitative and quantitative methods. His “within-methods triangulation” refers to triangulation within qualitative methods or within quantitative methods. Looked at critically, his further distinction between “within-methods” triangulation and “between-methods” triangulation is an attempt to force everything into boxes, resulting in over-simplification (see also Blaikie, 2010). However, even if those labels are used, quantitative and qualitative methods are in any case not necessarily seen as rivals, but as “complementary” (Jick, 1979, p. 602), overlapping and “both equally appropriate”, depending on the research (Bryman, 2008). This supports the idea not to separate them further.

The following research will primarily consist of an interview with “informants” (Jick, 1979) from the focus group in order to gather primary data. The interview data will not be gathered a second time by “questioning the same person at a later time”, as Podsakoff (1986, p. 539) discussed, because data defects would not be eliminated by simply repeating the interview, a point which Podsakoff (1986) also criticised. Therefore, the interviews will be repeated with another informant from the same company, following the approach of Van Bruggen (2002, p.476) in order to reduce random errors and thereby increase dependability. However, informants may still tend to “cast past behaviour, decisions, motives and interests in a positive perception, by simply forgetting about the past” (Golden, 1992, p. 848), “omitting and adding parts or rearranging sequences” (Schwenk, 1985, p. 500). So the interviews will be triangulated with a document analysis to overcome these weaknesses, as also proposed by Kumar et. al. (1993, p. 1645). Official company documents are not contaminated by individual perspectives (see Pennings, 1973, p. 687), but provide factual information over a longer period of time into the past or into the future. The document analysis could not falsify

the data which emerged in the interviews during constant comparison, following the grounded approach; so the data which emerged from the interviews increased in credibility.

Having concluded that the research should follow the route of triangulation of data-collection methods from different sources with a flavour of complementarity, these methods will now be described in more detail.

The structure of the field research is as follows:

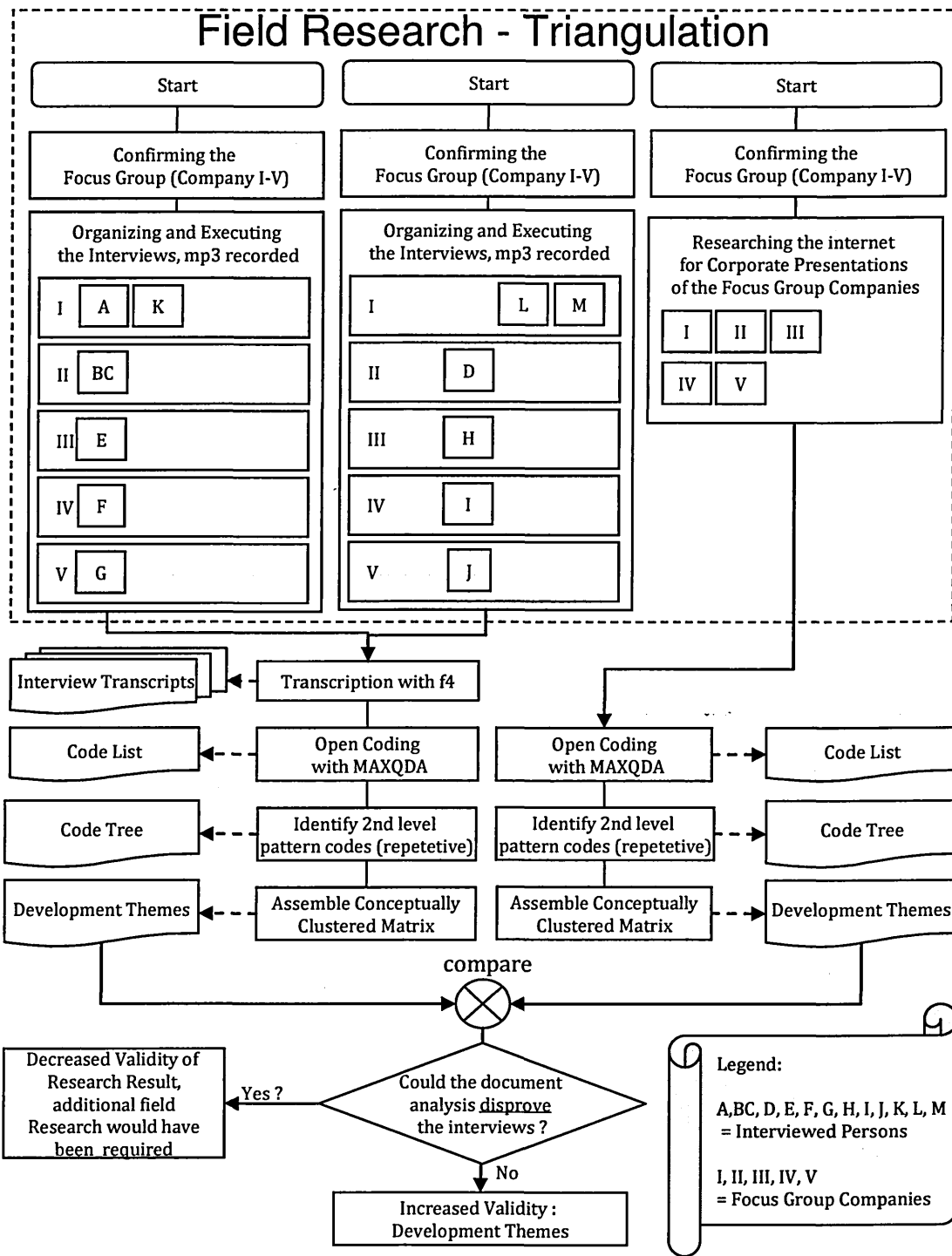


FIGURE 8: STRUCTURE OF FIELD RESEARCH

This section introduces the focus group which was chosen, and from which the field data for this research emerged.

The need for sampling is in general necessary because a large population would require a long period of time to deal with, which could exceed the limits of doctoral research (see Horn, 2009, pp. 110-113). This research is by definition limited to companies in the automotive-component-supply sector, so the companies in the focus group are all globally active corporations. The database from which the population is taken is the annual publication of the Federal State Bank of North Germany of the 100 biggest companies in Lower Saxony, North Germany, categorised by business sector (NordLB, 2011). Reflecting on this critically, the list is sorted by sales, so the scope of the research will target primarily bigger companies with sales of more than 300 M Euros. Small companies are not listed in that database and are therefore outside the scope of the research, as are companies from other industrial sectors.

All companies that were labelled as being an automotive supplier or are connected to the field were selected. These totalled five, and are described below.

Company I is listed by the Federal State Bank of North Germany as being one of the top 100 companies in Lower Saxony, and is thus part of the sample. According to the company presentation available on its website, Company I has about 10,000 employees in 31 countries with 18 manufacturing locations in 10 countries, of which 4 are located in China, 3 in India and 1 in Brazil. It sells its brake components and safety and stability systems to the global commercial truck and bus market and also for cars in niche markets worldwide. One of its strategic pillars is “global capability”, explained in the

company's presentation as a connection to customers in every region. The company reports its highest annual growth rate in Asia with a special focus on activities in China. It is expanding its manufacturing footprint in India, where it is already profiting from its presence with a high density of sales and service stations. Interviews were held with 4 high-level experts in the company. Person A is a business unit project buyer, Person K is a global leader in the business unit aftermarket, Person M works in business process improvement and Person L is marketing leader of a business unit in the company. All interviews took place in meeting rooms at the company.

In the corporate presentation, Company II describes itself on its website as a "worldwide leader in the cable industry". Operating in 40 countries across the world, the company produces a broad spectrum of cables for infrastructure, industry and building applications and also, in an automotive business group as a subsidiary company, cables and harnesses for automobile applications.

The company is listed in the Federal Reserve Bank's database but, as shown in the course of the research, the Hannover-based company only produces industrial cables. The company headquarters are located in North-Rhine Westphalia, 115 kilometres west of Hannover. The business unit responsible for automotive cables and harness is located in Bavaria, 500 km south of Hannover. This is the reason for the two interviews with three people: the first interview was held in the company's headquarters with two people at the same time: the CEO of the company, Person B, and the BU Leader for Industry and Telecommunication, Person C. The second interview was held in the automotive business group in Bavaria with the Director of the Automotive Business Group, Person K. Both interviews took place in the company's meeting rooms, but at two different locations: the company headquarters and the automotive division. Interviews in different regions of Germany



were very welcome, since this diversified the focus group and further enhanced the credibility and dependability of the data. This incidentally also made it necessary to look at two company presentations in the document analysis: one from the parent company, the other from the automotive business group.

Looking at the facts reported in the company presentation, Company III has locations for production and R&D in 193 countries. It is organised in the automotive group (chassis and safety, powertrain, interior) and the rubber group (tyres and rubber products), which represent its product portfolio. A little under half of the total sales comes from outside Europe, in Asia, NAFTA and other regions worldwide. Interviews were held with 2 leaders from each group at the company headquarters to cover both groups: the sales leader from the rubber group, Person E, and the Senior VP for Electronic Plants and Logistics from the automotive group, Person H. Both interviews took place on the company's site, with Person E in his office, and Person H (after several postponements) in a meeting room.

Company IV is a globally active supplier of automotive seats, interior and exterior systems and emission-control technology. A little less than 40% of its sales are made outside Europe and it has 12 international manufacturing locations in China, Russia, US, India and Korea and 4 new ones in preparation, of which 3 are planned in China (for PSA, Daimler and Volvo/Geely) and 1 in Romania (for Ford). In relation to substantial future growth, the company is mainly oriented towards North America and Asia, with the focus of the latter being on China and Korea. Interviews were held with 2 leaders at the company headquarters from the automotive seat division. One interview was with the CEO of that division, Person F, and the second interview was with the Development Director of the same division, Person I. Both interviews took place in the interviewees' offices.

Company V is divided into 3 divisions. The first is called “Building Efficiency”, with 500 branch offices in 150 countries and 4500 employees in China. The second is named “Automotive Experience”, with 200 plants worldwide and 11,500 employees in China. “Power Solutions” is the third division with 35 plants worldwide and 380 employees in China. The company serves international customers like Daimler, Ford, GM, Honda, John Deere, Mazda, Nissan and Toyota. The company thus has an international background. The division located in North Germany and thus within the scope of this research is the Power Solutions division. Interviews were held with a high-level expert in business process improvement, Person G, and with the Vice President for Emerging Markets, Person J, at the company’s headquarters. Both interviews took place in the interviewees’ offices.

The next section will further explore the method of conducting the interviews.

The following section describes the first method which was used to collect field data from primary sources. To follow the approach of triangulation, 2 rounds of interviews – round A and round B – were conducted with each company in the focus group.

The interviews aimed to collect data on “understanding, opinions, ... attitudes, feelings and the like” (Arksey and Knight, 1999, p. 2). The interviews were semi-structured, which means that the questions on areas of interest were written down in a logical order that made sense, and basic questions were pre-defined in the field manual, as recommended by Hermanns (2008, p. 362 ff.): see Appendix. The field manual was designed to collect both opinions and attitudes as envisaged by Schnell (1999, p. 304), and past experiences and future expectations related to the research question. Following the recommendations of Eisenhardt (1989) and Yin (1994), all of the questions were open in order to allow new insights and new ideas to emerge and also to expand on the executives’ views, motives and experiences. The flexibility of open qualitative interviews together with the possibility of reacting in a problem-oriented manner served the goal of dependability (c.f. Laatz, 1993, p. 104).

Questions in the interview were based on the interviewees’ past experiences and future expectations and evolved during the interview, e.g. “What is your role or connection with Internationalisation?”, “What projects have you faced?”, “Did you encounter any hurdles on the way?”, “Is it different from one country to another or are there similarities?”, “If so, which?”, “Tell me more”, “Can you give me an example?”, “Did I understand you right that ...?”, “Do you have any idea how it could be improved?” and the like. In fact, the pre-defined questions were used only quite rarely; the interviewees were all

high-level experts with broad experience, and they liked to talk and share their experiences.

Of course, during the course of the interview, not all areas that were addressed by the pre-defined questions were touched on. This can be seen from the fact that the Conceptually Clustered Matrix has some empty cells, because not everybody said something about every Concept (although most did). The semi-structure of the interview allowed it to be flexible and to let ideas evolve, creating an opportunity for the interviewee to reflect on the answers given and to touch on areas in relation to the research questions that might not have been thought of before, a point widely acknowledged by all reputable authors such as Horn (2009, p. 125), Laatz, (1993, p. 105), Friedrichs (1973, p. 227), Schnell (1999, p. 355), Flick (1999, p. 112) and Friebertshäuser (2009, p. 376). Continuous reference to the field manual during the research process is even considered “malpractice” during open interviews (Hopf, 2008, p. 359). The fact that it is more difficult to analyse answers to open questions than closed questions (Robson, 1993) is acknowledged, acknowledging at the same time that the data is much richer than if the questions had been closed. However, the interview technique is the best one for obtaining rich primary data about motives and objectives straight away, as acknowledged by Easterby-Smith, Thorpe and Lowe (2001, p. 85 ff.), which are not censored and filtered away by a press communication agency.

The interviews were carried out face to face in the interviewee’s office. The office environment was preferred in this case in order to allow easier access to further information for referencing that the interviewee wished to provide or look up, in line with Gill, Johnson and Clark (2010, p. 133), which actually happened. The interviews were conducted with experts to ensure the credibility of the research. Experts are defined as those who have “responsi-

bility for the design, implementation or control of a solution” (Meuser and Nagel, 1991, p. 443) or who have privileged access to information about people or decision processes. So the group to focus on consisted of CEOs, VPs, directors and high-level experts. It was intended that the 2 people from each company should be experts, but still differ in terms of level of management seniority and area of responsibility to increase trustworthiness. The interview partners were initially contacted either as a result of networking or because their names had been identified in the annual reports. All inquiries for interviews were supplemented with a supporting letter both from the university and from the president of the VDA – the German Association of the Automotive Industry, which is attached to this thesis. Some CEOs indicated that they receive a lot of inquiries for interviews, but in this case arranged for an interview since they had been impressed by the supporting letters. That gives this thesis a unique insight and a high level of understanding. The interviewees participated voluntarily and information was given to them about the independent goals of the research. Participants’ interests of confidentiality were respected throughout the entire research process. By following these rules, full compliance with the ethical guidelines from the ESRC Economic & Social Research Council was ensured at all times (see [http://www.esrc.ac.uk/\\_images/Framework\\_for\\_Research\\_Ethics\\_tcm8-4586.pdf](http://www.esrc.ac.uk/_images/Framework_for_Research_Ethics_tcm8-4586.pdf) (May 18th, 2012)).

The time between the interviews was planned to be short, all being held in the first half of 2011 in order to prevent external factors like current economic news influencing the opinion of the interviewee. The 12 interviews all took place face to face and lasted 40-70 minutes each, and were recorded electronically with a Phillips voice recorder. The 12 mp3 audio files were then manually transcribed by the researcher by listening to the files at least twice. All 12 typed transcripts together comprised 101,576 typed words of rich field data, which was a time-consuming process. It is important to note

that, additionally, a copy of each transcript was sent back to each of the interviewees for the purpose of credibility and dependability. None of the interviewees had further remarks or requests for changes after having received the transcripts.

The next section further explores the method of document analysis.

This section describes the second method used in this study, which was document analysis during desk research, scanning, coding and analysing the company's presentations. The section on document analysis will make it clear that the documents' content was used in an attempt to falsify the data emerged from the interviews.

When looking for a sequence of events, the results of a document analysis are expected to be better in comparison to surveys or interviews, which "require a correct recall" of past events (Sheatsley, 1983, p. 195). "...documents can offer at least partial insights into ... managerial decisions and actions..." (Brymann, 2007, p. 566). Also, the overall company orientation can be better reflected through official company documents that have been seen, checked and corrected by several departments, such as the heads of the company, the legal department and public relations. This "can help researchers to look more closely at ... processes and developments in organisations and can help in interpreting informants' "rewriting" in later verbal accounts" (Foster, 1994). To be precise, the document analysis had been used to triangulate the field data in the sense of disproving it, not to help to interpret verbal accounts. So the companies' press archives were searched via the internet for company presentations. The search engine used primarily was AltaVista as recommended for scientific research by research authorities Easterby-Smith, Thorpe and Lowe (2001, p. 168) to find the company presentations which could reveal a company's orientation or self-understanding. Other document types like annual reports are seen as not helpful since it is expected that they will predominantly contain statistics. Document types like press releases are dedicated to one special event like a new product release

and, therefore, are also not good enough for obtaining data on the company's general orientation and self-understanding.

The documents had passed through many hands before publishing – e.g. the management board, lawyers and the public communication agency – so it was to be expected that they would not contain errors, and would be clear and comprehensible. Therefore, the criteria of credibility and dependability were regarded as being satisfied. Company presentations are open to the public, and thus fulfil the criterion of transferability.

The company presentations were analysed in the same way as the interview transcripts: they were uploaded to MAXQDA, carefully scanned and inductively coded. The thematic analysis of the interviews formed a basis for coding. But nevertheless the researcher also allowed new concepts to emerge. The codes were the basis used to see whether the document analysis could disprove the findings from the interview. So the aim was not to find supportive evidence, but rather to look for anything that contradicted statements made in the interview. The structured approach to analysing that secondary data did justice to the research criterion of confirmability.

The research will now explain in detail the data handling and analysis process.



This section describes the data-handling process in order to give transparency to the whole process, which was undertaken during and after the interviews to arrive at reliable scientific field data to work with further.

The 12 mp3 audio files for the interviews were transcribed personally by the researcher to ensure further confidentiality and a close connection to the interview content. The program used for transcription of the audio files was the free transcription software f4, published by Dr. Dresing & Pehl GmbH, 35037 Marburg, using the transcription rules of the respected international author and expert in qualitative data analysis, Kuckartz (2007, p. 43) in combination with Meuser and Nagel (1991, p. 445). Kuckartz (2007) defined 10 rules for analysis with qualitative data analysis software; see below. Meuser and Nagel (1991) argued that a complicated transcription system is not necessary for expert interviews since they should contain common shared knowledge and experience. Paralinguistic elements like breaks during sentences, noises made during thinking and so on are not part of the analysis and, therefore, do not need to be transcribed in the scope of this research.

1. Transcription was done word by word, without summarising and without typing dialects, since they are not in the focus of this research
2. The spoken language and punctuation were slightly adapted to the written language.
3. Information that would allow conclusions about the person to be drawn was anonymised
4. – 8. Longer breaks or laughs etc. were not transcribed (for the reason given by Meuser and Nagel (1991) referred to above)

9. Paragraphs from the interviewer were marked "I"; those of the interviewee with a clear abbreviation such as "B4"

10. In order to improve readability, each change of speaker was shown by a blank line by pressing the return key twice

In the further course of the research, the transcriptions were analysed using MAXQDA for software-based qualitative data analysis. A comparison of QDA software available today has shown that all programmes today like NVIVO, atlas.ti and MAXQDA provide comparable features; see also

[www.quarc.de/software/overview\\_table.pdf](http://www.quarc.de/software/overview_table.pdf) (last visited on May 7<sup>th</sup>, 2013).

MAXQDA also performed well in the direct comparison against atlas.ti and NVIVO from Lewins and Silver (2007), which further encouraged the researcher to use MAXQDA. There are programmes providing a stronger emphasis on statistical calculations. Nevertheless, MAXQDA is reported to have a clear layout and a sophisticated retrieval system, which are the basic necessary technical functions required in this research. There will be dissociation from statistical calculations of correlations due to the fact that it is against the basic research philosophy, having a critical standpoint on realism. "Correlations do not necessarily mean the existence of a causal relationship", (Gill, Johnson and Clark, 2010, p. 220).

The researcher was trained in MAXQDA by the software company in a webinar which took place on July 7<sup>th</sup>, 2011.

This research follows Lamnek's three steps (2005, p. 402 ff., similar to the reputable sources from Miles and Huberman 1994, p. 91) to analyse the interview transcripts. This is in line with the grounded approach and the classic thematic analysis (see also Braun and Clarke, 2006, p. 93)

The first step according to Lamnek is a single analysis of the whole single transcription by coding with the target to develop a condensed version of

the text. This phase places emphasis on the central elements and the exclusion of elementary parts of the text (resulting in a shortened text). A condensed version of the text is generated by inductive coding in a mixture of free coding, using a name or sentence for the paragraph that fits best and NVIVO coding, using a representative phrase from the paragraph.

The second step according to Lamnek as the core is generalising analysis. This phase looks for similarities in the interviews, and attempts to show differences between the interviews and builds types in order to find regularities in a constant comparison of the data. The generalising analysis was done by first grouping all available codes into a code tree and grouping the codes into concepts, depending on similar patterns. In order to be able to perform a constant comparison according to the grounded approach, the research makes use of the conceptually clustered matrix (see Miles and Huberman, 1994). The matrix “brings together items that belong together ... or relate to the same overarching theme.” (ibid. p.127). It allows a very good comparison across rows and across columns. According to Miles and Huberman, it is “a very good idea to add a short quote” (ibid. p. 129) – which the researcher has done. The quote had to be translated since all interviews had been conducted in German.

The similar pattern of the codes, in which all codes are grouped, then form the concepts (using the term of grounded theory) as the first column in the conceptually clustered matrix. These were the 5 concepts of “Brand”, “Information/Decision Theory”, “Psychic Distance”, “Speed/Proactivity” and “How to achieve”. The interviewed persons, labelled as “A”, “B”, “C”, “D” and so on, form the rows of the matrix.

Then, for each transcription, lists of all codes and the according text segment within one concept were generated by MAXQDA. Based on 12 interviews and 5 concepts, that resulted in 60 lists. These lists were scanned and the

answers put in the conceptually clustered matrix, together with a representative quote. This was done for each interview transcription and each concept step by step, but first, separated by company I, II, III, IV and V. The 5 conceptually clustered matrices per company (see following tables) allowed a **within-case analysis** and comparison of the field data for each company separately. After that, all data was put together in one conceptually clustered matrix to allow a **cross-case analysis**.

The last step according to Lamnek is control, in which the complete transcript is continuously used together with the original recording to check whether the central elements are those which would be found after double or triple checks. There were several control steps within the research. One was to listen to the recordings over and over again, another control step was to send the transcripts back to the interview partners. The code list and text elements were also read several times before and after the establishment of the conceptually clustered matrix to make sure they were grounded in the field data.

This was seen as the most effective way to look at the transcriptions and accumulate the necessary information in a grounded type of approach., following again the path from the interview transcripts to the conceptually clustered matrix, and the single conceptually clustered matrix for each company, which form the basis for the BIDS-L Model which emerged.

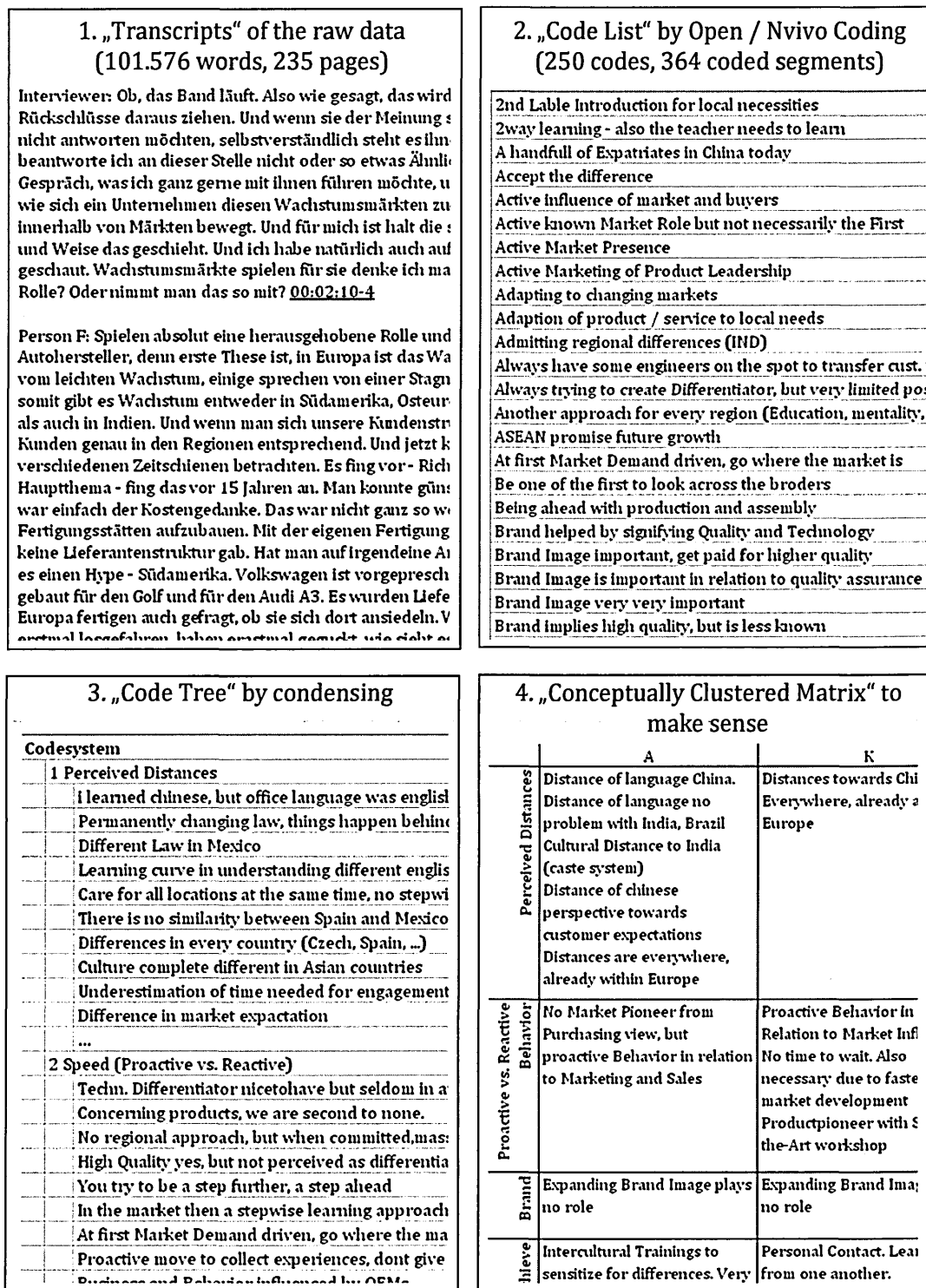


FIGURE 9: OVERVIEW OF DATA-HANDLING PROCESS OF THE FIELD DATA

## Within-Case Analysis Company I

Company I	A	K	L	M
<b>Perceived Distances</b>	Distance of language China. Distance of language no problem with India, Brazil Cultural Distance to India (caste system) Distance of chinese perspective towards customer expectations Distances are everywhere	Distances everywhere, already across Europe	Distance of language to China Distance of language no Problem with India Cultural Distance to India (keeping promises) Cultural Distance to China (Negotiation behaviour) Distances everywhere	Distance of language China, also, but better, India Distance of language no problem with Brazil Cultural Distance to India (Pushing decisions) Distance political Situation to Russia Distances everywhere
Characteristic citation	<i>"From the cultural, you do not have to go to Asia or South America, it would be enough to look over to France or Poland in relation to our working style or the attitude to approach things to find a complete different approach – you do not have to go around the world for that, it is an issue in the neighborhood already..."</i>	<i>"So they are- in these countries - more internationally orientated than in European countries. When you speak to colleagues here in Europe, in western European countries, you speak to a Frenchman, a German, an Englishman, a Spaniard and they also think in terms of French, German, Dutch or southern European at most. Our colleagues in China, I really think, feel more global than many in western Europe." „Because market conditions are different. Countries are different in size, political structures are different, economical structures, the power of vehicle manufacturers are different, many parameters are different."</i>	<i>"I think they are very different. Especially Japan is completely different. Really completely different from China. And Korea is different again. Korea is different from Japan and different from China. And India is different again. They all have their rules and laws and also their style of doing business"</i>	<i>"Whether I have my first experiences in Europe or as European in Asia is, i think, more or less the same. You will be spoiled everywhere."</i>
<b>Issues (Proactive/Reactive Behavior)</b>	No Market Pioneer from Purchasing view, but proactive Behaviour in relation to Marketing and Sales	Proactive Behaviour in Relation to Market Influence. No time to wait. Also necessary due to faster market development. Product pioneer with State-of-the-Art workshop	Product Pioneer in Relation to Product Quality to justify a higher price. At the beginning without competition.	Proactive Behaviour in Relation to Market Entry
Characteristic citation	<i>"In Asia you can also show initiative, because there are independent manufacturers with whom you have not worked in the past, either because they didn't exist yet or simply because you did not know them."</i>	<i>"We absolutely do not have time to wait"</i>	<i>"And the reason we got the business is differentiation by performance. The pumps are highly efficient and very good in power consumption...at the beginning, there was literally no competition"</i>	<i>"Necessarily entering these countries as quickly as possible. If it is with small sales offices for example or with a distribution hub, but necessarily entering to collect experiences. Otherwise, if we do not have a team of employees on site, we do not collect the experience. Then we are not only second but quite far behind."</i>

TABLE 3 : WITHIN-CASE ANALYSIS COMPANY I PART 1

Company I	A	K	L	M
<b>How to achieve</b>	Intercultural Training to sensitize for differences. Very important, to understand expectations and needs. Local Presence since control from Europe relatively limited. Also for relationship management and the right business behavior (Karaoke Bar) Regular stays from interacting persons from Europe. Send Employees back and forth for half a year. Attitude for cultural openness Continuous Exchange	Personal Contact. Learning from one another. Attitude towards cultural openness. Respect. Adaption to local certainties	No intercultural Training since BU is too small Learning by being present locally on the spot frequently, training on the job, dialogue. It doesn't work without expatriates. Learning from each other	Intercultural Training very helpful Attitude towards cultural openness
Characteristic citation	<i>"There must be the will to admit something different. There are many people who say, the front is where I am standing and the way I do it is the best. There must be a certain cultural openness. To develop that would be difficult to develop in 80% of the employees."</i>	<i>"I was there, they were here...talk with the local employees personally and also privately in the evening, otherwise you have no idea about the markets and cannot join in a conversation."</i>	<i>I have send many people, or at least some, to these countries already. They have made their experiences and you really make them when you are there. You do not get experience on the phone. You need to be on the spot. And that is simply the best training you can get. Well, I do not think intercultural training makes sense, well, maybe it makes sense but the best is training on the job, really being on the spot. Be with the customers, present there, get into a dialogue, locally. Also to see the country and know the local problems. That is simply different. You can probably train that to a certain degree but if you are there it helps a lot.</i>	<i>"Listening, writing down, going through it together. I need to get together with my partner, otherwise, I have no chance".</i>
<b>Decision Drivers / Information</b>	Decisions are based on economic factors	Decisions are based on economic factors	Decisions are based on economic factors	Decisions are based on economic factors
Characteristic citation	<i>"...and that is, as I said, only a business case calculation, investments and so on..."</i>	<i>"We used to produce our parts in Europe. And then we started to build a plant in Poland. Then we started to build a plant in China. And we did the transfer to Poland for a good reason. Presumably because it is cheaper to produce there or because there is also a growth market, where we want to be present. But those decisions might change again in a few years. Suddenly the market is not the growth market any more and then other markets are suddenly the growth markets."</i>	<i>"Simply business, simply growth. Sales growth. Where is the highest increase in growth with new customers."</i>	<i>"...business case for business case must be checked..."</i>
<b>Brand</b>	Brand image plays a less significant role for end user	Brand implies high quality in B2B, but is less known to end user	Brand helped by signifying Quality and Technology	Brand plays no role for truck drivers, the system just has to work properly

TABLE 4 : WITHIN-CASE ANALYSIS COMPANY I PART 2

## Within-Case Analysis Company II

Company II	BC	D
Distance due to legal uncertainties in China (Regulation), Russia (ownership structure) and Tunisia (political system) Distances everywhere		Distance due to legal uncertainties in China (intellectual property) Distance in communication style (USA) Mental jump to USA, next mental jump to China Distances everywhere
Characteristic citation	<i>"And the mentality of the people in Germany is different from France, is different from that in Norway, is different from the Czech Republic, is different from China. I personally see more differences to people in East Westphalia than to colleagues in Nigeria... That is the same on all continents. That is, I have more experience concerning Africa. If you go to West Africa, country by country, for many people Africa is one continent. Africa is not Africa. The differences from one country to another country are so big, it is unbelievable....it makes no sense to say for example, I'll start in South Africa and go to Ghana and then Nigeria, that is nonsense. That they are simply other keyboards on which you have to play."</i>	<i>We then let it converge after half of the time [with the USA], which caused some surprise among some employees in the company about, let's say, the cultural differences... It is clear, to come back to your question some time ago, for us the USA was a mental leap forward. I am sure that China will be again another dimension of this mental leap forward.</i>
Proactive Behaviour Product Pioneer Differentiating know how	Proactive Behaviour, not waiting Product Pioneer, differentiating know how	Not a Market Pioneer, not the first But rather proactive in comparison to others in his industry Product Pioneer with differentiating know how
Characteristic citation	<i>I think today, no one can afford to wait until somebody else makes the experience. Because then, you concede a headstart that you have to catch up with, and that is clearly more difficult than being present right from the beginning. Maybe you will get a bloody nose, that is part of it, but I think you should act and not react. Many people are of the opinion, that [the production] is relatively simple. That is not the case. You can do so many things wrong, which lead at the end of the day to a product failure. And that can be then very dangerous....if you deliver cables to the automobile industry...and one of these cables are used to connect energy to the windscreen wiper motor...and this cable is defect...its raining...and you are on the highway with 180km/h. That means because you delivered such a piece of cable in such a car, you take the risk that Mercedes has to recall 100.000 E-Class Cars into the workshops.."</i>	<i>Pioneers sometime have honour and glory and a medal, but in fact I like it when the situation is already a little clearer if you do the market entry...But there are absolutely well-known companies who showed no activity in this direction - who obviously clearly say, we do not want to take this step at this point in time, not yet or whatever. We are talking about a completely a different technical level, we would not be competitive from pricing point of view. There are others, as suppliers, as German automotive suppliers you have a technological level, a quality level, that is reflected in the cost level, which you would not get paid by a Chinese manufacturer.</i>

TABLE 5 : WITHIN-CASE ANALYSIS COMPANY II PART 1



Company II	BC	D
	Not necessarily a local presence, depends on the business case Achieve by exchanging employees, openness, continuous learning	Achieve by local presence and local employees, exchanging employees, regular contact, intercultural training
Characteristic citation	<i>The core is to do the homework and more important than that, to not only understand the cultural differences but also to accept them... How does it help to say, ok, i have done my homework, i have understood, and despite that i will go there and will lead a business somewhere with my western European management philosophy, which does not have much connectivity to it. You need to accept it. That is the core. If you do not do that, then, i think you will lose... Expatriates as such is good, yet also expensive, but it is not working without... That is one thing. The Knowhow Transfer from right to left. On the other side, what i judge as also important; those people come back. That means they bring their knowhow about the local conditions back to West Europe... and therewith is created an understanding, in any corporate headquarter, how do these markets work, how does the culture work in these countries. So for me, it is also a two-way learning process.</i>	<i>I would say latest at the point in time of the decision making process, you should be present with your own location for example in China, otherwise you have relatively little chance.... A Team of Expatriates in China would propably destroy the whole project from the costing point of view. When you take part in an engagement abroad... it is ne cessary to transfer know-how. So have to travel abroad, even in times of global communication, trips do not become redundant and the more successful you are, the more trips you need to do.</i>
	Economically Driven Process Follow the demand, the potential, the customers	Economically Driven Process
Characteristic citation	<i>That means where do we see growth potential ? We simply follow the caravan, our customers. In the meantime it is clear that we also have to leave that country because it simply became to expensive for us.</i>	<i>For us was definitely important; we had at the time we decided to enter the market in the U.S.; I'd say yearly sales between 5 and 7 million in the United States, wich we see as threatened due to the currency relationship... And, yes, the whole has to make some sense. It makes no sense for us to go into a market with homeopathic little turnover... I could imagine for example, that we; at the end of this, let's say 10 years time, look around thoroughly, how are the costs of production in Vietnam, how are the production costs in the Philippines or else, that something will develop like now in China... This is our model which we practice today in Europe or in North America. We do not necessarily produce in our market, but we produce where costs are relatively low.</i>
	Brand Image very very important, to be known in the market and considered as a supplier but also an employer	Brand important. China force for local 2nd Label
Extra: Building on Experiences	Experiences help, but not necessarily in a stepwise geographical manner	
Characteristic citation	<i>I just think an international company, which has been international for many years, should simply hves the skill and certain experiences, methods, of approaching a new situation in a new country... Whether you can say, the experience in Eastern Europe matches those of China, I do not think you can say that. I just say there is evidence of experience of an international corporation. And with this experience you know how to approach a new country in the most suitable way, taking into account the cultural differences and the customs in the particular country.</i>	

TABLE 6: WITHIN-CASE ANALYSIS COMPANY II PART 2

## Within-Case Analysis Company III

Company III	E	H
<p>Market entry Market entry</p>	<p>Perceived Distances between all countries in relation to Product and Product Requirements, Culture and Language</p>	<p>Distance to China in Negotiation Style Distance towards locally different customer expectations Distances towards every country</p>
<p>Characteristic citation</p>	<p><i>They have a completely different mindset, that i have to approach completely different. And this approach through the Czech Republic to Russia for example does not work anymore. Russia is completely independent. The Czech Republic is on their way to the EU. That worked in the past, that does not work anymore... That we need for every country another approach for the start of an industry or sales or whatever, that is very normal.</i></p> <p><i>I : Are there from your point of view cultural differences between the countries ?</i></p> <p><i>Yes, sure.</i></p> <p><i>I: So you would yet make a difference between countries ?</i></p> <p><i>Yes, you can say that for sure.</i></p>	<p><i>No, that is rather different....</i></p> <p><i>I : Always a little different ?</i></p> <p><i>Yes....I would not say, well, which country am I going to?, and get my cookbook out and adjust my behaviour to it.</i></p> <p><i>I: Can you say there is a cultural difference between the nations ?</i></p> <p><i>Yes, that definitely exists.</i></p> <p><i>For that (geographic approach through countries) everything goes too fast.</i></p>
<p>Product Pioneer Market entry Market entry</p>	<p>Product Pioneering If and when Market entry depends from business case</p>	<p>Technological Leadership Unique Selling Positions Product Pioneer (self-labelled as follower because unequal inventor) Proactive Strategic global Market Development</p>
<p>Characteristic citation</p>	<p><i>And you can in those markets like China, when the new Audi is presented, which is actually no longer unveiled in Hanover, but in China. This means you also have to offer first-class technology to the market place so that the Chinese at all ... they know exactly what exists. And if you come up with an old thing then they will not buy at all. Even state-of-the-art they do not buy any more. They want to see the best of the best and the latest development. In many cases.</i></p> <p><i>Principally for the premium products we deliver here. Like the tube, which has little permeation for air conditioning systems. We have a belt that is particularly long-lasting, a tooth belt that lasts a car's lifetime and does not need to be changed at 90,000. All these things.</i></p> <p><i>If we get the data at all, if we have the database, if we need to be present locally and so on, how do you approach that at all.</i></p>	<p><i>...The specific expertise that you can present, where you are trying to gain an advantage. That is very clear.</i></p> <p><i>... And then you have to make this product somehow a bit tasty to the customer. So you have to deliver advantages over the previous model, what are the benefits you want to achieve with it. What we do today: fuel consumption. So weight. And things like that. Also, consumption of resources. Then ease of assembly. Clearly, these are all things with which you try to create unique characteristics to make it tasty to the customer. Logically you also watch what the competition is doing. And they behave in the same way.</i></p> <p><i>... we have many products where we are absolute pioneers. All that what for example, yes, much of the products of X we are really far ahead. There are things of course, where you are follower. So the X happens to have invented the ABS ... And we are the one who follow and offer products, functionality the same or maybe even better. But, we're just not the inventor of this system.</i></p> <p><i>... because you have to have certain areas where you are absolutely the leader, the technology leader in the market, or the innovative leader in the market. There is no other way around.</i></p>

TABLE 7 : WITHIN-CASE ANALYSIS COMPANY III PART 1

Company III	E	H
	<p>Local Service Network</p> <p>Face to Face exchanges</p> <p>Intercultural Training</p> <p>Two-way ongoing learning process</p>	<p>Continuous Alertness</p> <p>Expatriate System</p> <p>Global Plant Manager Training Program</p> <p>Local Teams</p> <p>Intercultural Training</p> <p>Open Mind</p> <p>Technology Network for know-how</p> <p>Employee exchange</p>
Characteristic citation	<p><i>I do not drive to every location once or twice a year any more - maybe only every 2 years. Because I say, the guys are showing up so often.</i></p> <p><i>Company H told me an example. The horn. The old Bosch horn, I would say. Not even two-tone. They started, said, oh, in X over here, that's way too expensive. Moreover, the Germans want a dual-tone, we no longer produce that, we let this manufacture at our new plant in India produce it, and also directly for the market there. The Indians were utterly amazed that did not work at all in India. Because the Indians honk all day. So it seems every movement is triggered by a honk ... So that the horn was broken after 3 weeks. What did the Indians do? They adapted the product. They developed a horn which comes close to the Indian conditions and has been so good and so cheap that they were able to re-import it to Europe</i></p>	<p><i>Winners are those, who can react really fast in both ways. To follow an increase in demand quickly, but also adapt quickly to a decrease in demand.</i></p> <p><i>We should not believe that we as Germans from Germany could delight the world. With our ideas we have, we have indeed to even change sometimes a little and see what takes place elsewhere.</i></p> <p><i>We have 5000 development engineers in X. So that's relatively - there is hardly a company with such a concentration in Germany. There we also try to always continue to internationalize. So there are very many people from abroad. They're from China, from our development centers first working there for a few years.</i></p>
	<p>Growth opportunities</p> <p>Business Case driven</p>	<p>Business Demand is the driver, culture would not play any role at all</p>
Characteristic citation	<p><i>You want to grow it. Then you cannot say, I do not have the capacity. You have to think what you need for growth. And then it is bestowed. Then it will come. If one takes that investment in hand.</i></p>	<p><i>That [culture] plays in principle no role. I would say, in principle what plays a role, the ostensible reason or the main reasons that we have when we go to a site is very simple: our client is there. We have a reasonable conditions ... These are the main reasons. The cultural and intercultural issues, we simply overcome by trying to adapt to them. And we would not even look at this at first.</i></p>
		<p>OEMs force suppliers to remove their branding (no co-branding)</p>

TABLE 8 : WITHIN-CASE ANALYSIS COMPANY III PART 2

## Within-Case Analysis Company IV

Company IV	F	I
	<p>Brazil and Russia (economic situation)</p> <p>Russia (language)</p> <p>India (working style, fluctuation in personnel, culture, religion)</p> <p>China (working style with a higher identification, customer expectations, even between regions within China)</p> <p>Distances everywhere in the world</p>	<p>Time Distance in the world</p> <p>China and India (Culture and Mentality, Not denying, Language dialect)</p> <p>India (customer expectations)</p> <p>Brazil (economil situation / political stability)</p> <p>Distance even within regions (India)</p>
Characteristic citation	<p><i>China and India - very different. Very different...From Japan or China you can learn nothing...China only works in China...To put South Korea ahead in relation to China makes no sense... Believe it or not, cultural differences don't only exist in these countries. It is brutally difficult to build a plant in the US, which you would not expect at first. Huge cultural differences. But even in Europe cultural differences should not be underestimated. The French, the Germans, are more distant than many other nations.</i></p> <p><i>...in the meantime the speed - i do not know if you have been to China...is not comprehensible. So, if you have not seen that, with what speed things change. With what perfection. You will not believe...if you see Europe. Where has been build a car plant in the last 10 years ? ...and Volkswagen in China has build in the last 5 years 6 new plants. And there are some with the size of Wolfsburg.</i></p>	<p><i>The understanding at all for what they do there [India]. And what they do or what it is really what matters. What does a crash mean if you have never sat in a car.</i></p> <p><i>I do not think [it makes sense to approach a country geographically]. What we do is simply follow the demand.</i></p>
	<p>Not the Inventor, but a proactive product differentiator</p> <p>Not the first, but still proactive in the Market</p> <p>Level of product pioneering is influenced by OEM</p>	<p>Proactively in regards to product and technology, although level of pioneering technology influenced by OEM</p> <p>Go where the market need is, then proactively develop the business when locally present</p> <p>Developing a new market would require a robust inner company structure, which a relatively new company does not have</p>
Characteristic citation	<p><i>...if I did not do that now, another competitor would settle...we kick off the activities in those countries alone.</i></p> <p><i>But we also have a local country organisation who should understand the market, who should look where to build synergies. How does the car market look...which supplier does what with whom.</i></p> <p><i>These defined weaknesses. That is a know-how...I would see us as leader..., technologically. We are a european, engineering driven. Here... we have 800 development engineers...they [competition] were faster in those locations.</i></p>	<p><i>We have a development office with more then 350 people in India...in principle, everything is invented. [You get business...] by still thinking about a few smart things that others may not have worked out at the moment as intelligently...An example.</i></p> <p><i>...the difference here is simply that you have...a strengthened glass fiber polyamide [instead of metal]... So you get an ergonomic contour to the body you do not get so easily with metal. And then you can make it very slim ... And that is again something where you can go off with and where the customers say, yes, ok, they're doing something. And when they go in that direction and make self initiated innovations, then we trust them to understand their bread and butter business. It's also a certain sign that you just tried to move forward. And not simply to rest the business on what you handled already for 20 years. So innovation is essential.</i></p> <p><i>When we went into these countries in the past, we went there because our customers were in principle already there ... If we are already there, how can we, what we do now in relation to production, ...also expand...</i></p>

TABLE 9: WITHIN-CASE ANALYSIS COMPANY IV PART 1

Company IV	F	I
<p>Business case</p> <p>Business case</p> <p>Business case</p>	<p>Intercultural Training</p> <p>Expatriates, but mainly local staff / management team</p> <p>Exchange of Employees : Germans over there and local staff to train in Germany</p> <p>Respect and Openness</p> <p>Continuity</p>	<p>Keeping local contact around the globe, network</p> <p>Long-term continuous business approach</p> <p>patience and perseverance</p> <p>Expatriate system, Employee exchange (learning culture, know-how and language from each other)</p>
Characteristic citation	<p><i>...and in China we have a handful of expatriates. Not more. We also always have expatriates, always local staff, and now and then a couple of expatriates. But in the crowd I do not want to go with 5 people from my accounting and controlling to Brazil and get this right...the bulk of the employees are local people and I think it's vital to have penetration here. And you also have to have continuity here. Normal expatriates come for two or three years and then go back again. We also need to have a little continuity in business development and stability, and you get that with local employees...</i></p>	<p><i>The building process only works that way, everywhere I've watched it. First send people over there, expatriates. So really people that are sent from Europe for 2-4 years. And who build it up. Otherwise I can not imagine that. The way is then really too rocky. If those people in turn are used here in the appropriate place to facilitate mutual communication... then that will work</i></p> <p><i>...every now and then fly over for a week or two...</i></p>
<p>Business case</p> <p>Business case</p> <p>Business case</p>	<p>Business Growth</p> <p>Be able to serve global demand</p> <p>Business case-driven</p> <p>Customer is asking for settlement</p>	<p>Business Growth, satisfy demand with existing customers with a local presence (Customer is asking for settlement)</p> <p>As 2nd step, develop business with new local customers</p> <p>Business case-driven</p>
Characteristic citation	<p><i>Suppliers who were producing these products in Europe have been asked if they would settle there</i></p> <p><i>And so there is growth in South America, East Europe or Asia. And in China as well as in India. And if you look at our customer structure, our customers are growing in exactly those regions.</i></p> <p><i>...how do we build training programs that we get Chinese to Europe for several months, possibly to build a network.</i></p> <p><i>And that is actually more of a strategic decision. Purely from a business case</i></p>	<p><i>Yeah, so we have now actually orders or production for pure local Chinese car manufacturer. Exactly.</i></p>
Business case	Brand image plays no role for end-consumer due to OEM branding	Brand Image builds trust in ability to produce the right quality

TABLE 10 WITHIN-CASE ANALYSIS COMPANY IV PART 2

## Within-Case Analysis Company V

Company V	G	J
	Distances everywhere (Mentalities, Speed in Execution, Dialect in Language) Distances even between countries like Spain and Mexico	China (Mentality, Business Behaviour more complex. Long-term Relationship / Friendship) Russia (Political and legal stability, thing happening behind the scenes) Distances everywhere, e.g. across Asia
Characteristic citation	<i>The only similarity between the Spaniards and Mexicans is the language. And even that not completely. Apart from that, they are completely different.</i>	<i>Yes, there is a huge difference... There are the Cultural differences, business differences are so completely 360 degrees different, it makes absolutely no sense [to gradually approach]. And I was there in the legislative history and in the decision phase, when we have said we should go to China in the Automotive segment 96, 97 - there's the simple logic chain: potential in the future, do we want to go, and if so, then purely go.</i>
	Pioneering Position in the Market Proactive approach, since speed is crucial	Quality is a differentiator in the Market, further proactive developments in start-stop technology. If committed to a market, proactive behavior Breakthrough Innovations are seldom in automotive and influenced by OEM Although, Product Pioneer in several product segments
Characteristic citation	<i>You try to be one step further in the market, be one step ahead  So there are objectives, and if you start with one first and then gradually the others, then you're just too slow. You must take all at the same time. However - that is already adapted to the individual sites. But still all the same. So gradually that's too slow.</i>	<i>I do not think it makes sense to somehow regionally approach any of the destinations, but, if I am committed, as in Russia, to massively drive forward the business, the first step is to have a local team  I think we can say without boasting, that we right to be there [in this segment] ..., no-one can show us how it is done better. Both in terms of development, in terms of production, in terms of quality, for craftsmanship, so the whole feel for it..., when they go off the line, e.g. in China, no-one can show us how it is done better.</i>

TABLE 11 : WITHIN-CASE ANALYSIS COMPANY V PART 1

Company V	G	J
	<p>Intercultural Training (general or country-specific)</p> <p>Local Teams (due to acceptance / language issue)</p> <p>Regular Contact</p> <p>Openness and Respect</p> <p>Learning from each other, long term engagement</p>	<p>Training on the job (less intercultural training)</p> <p>Expatriates for bringing technology expertise when localizing</p> <p>Local Teams and Experts for helping with local regularities and rules</p> <p>Learning when in the market, Continuous learning</p> <p>Long-term Relationship, Cultural Adjustment, Partnership, Local Presence</p>
Characteristic citation	<p><i>That was 2 days...you learn about differences between groups...So if you're going to another country to work there, you will get a special training.</i></p> <p><i>So very 6 weeks, you should have visited a plant.</i></p>	<p><i>And when I localize, I need the experts from the home base, Hannover, to help with the set-up, if it is the plant, if it is logistics.</i></p> <p><i>We want to go for a paced approach where we say, let's start small, perhaps with a distribution center. Then we might make a fill and form, and only then will we take the final step in the market if we - if we believe we understand the market and how the business runs, maybe a complete ...plant</i></p> <p><i>But I can go through the learning curve only when I am there. I can not do that remotely. Therefore, this regional approach to convergence makes no sense to me.</i></p>
	Process Performance (including safety and environment)	<p>Business Potential (see I.),</p> <p>Business Growth</p> <p>Local Footprint also desired by customers</p> <p>Continuously watching the global environment to stay competitive</p>
Characteristic citation	<p><i>If so, then you have decided on this location, then this site is also developed to a level that we have in the other sites as regards safety, environmental and process performance.</i></p>	<p><i>That means you have to watch again and again, how do I get my footprint adjusted to remain competitive.</i></p> <p><i>So the idea is always, what can we do to build local footprint to get into a much fast growth curve</i></p> <p>Brand image is valuable (to get paid for brand and quality)</p>

TABLE 12 : WITHIN-CASE ANALYSIS COMPANY V PART 2

Company I	J	G	I	F	H	E	D	BC	M	L	K	A
<b>I. Perceived Distances</b>	China (Mentality, Business Behaviour more complex. Longterm Relationship / Friendship) Russia (Political and legal stability, things happening behind the scenes) Distances everywhere, eg. across Asia	Distances everywhere (Mentalities, Speed in Execution, Dialect in Language) Distances even between countries like Spain and Mexico	Time Distance in the world (Culture and Mentality, not denying Language dialect) India (customer expectations) Brazil (economic situation / political stability) Distances even within regions (India)	Brazil and Russia (economic situation) India (working style, fluctuation in personnel, culture, region) China (working style with a higher expectations, customer identification, even between regions within China) Distances everywhere in the world	Distance to China in Negotiation Style Distance towards locally different customer expectations Distances towards every country	Perceived Distances between all countries in relation to Product and Product Requirements, Culture and Language	Distance due to legal uncertainties in China (intellectual property) Distance in communication style (USA) Mental leap to USA, next mental leap to China Distances everywhere	Distance due to legal uncertainties in China (Regulation), Russia (ownership structure) and Tunisia (political system) Distances everywhere	Distance of language China, also, but better, India Distance of language no problem with Brazil Cultural Distance to India (Pushing decisions) Distance political situation to Russia Distances everywhere	Distance of language no problem with India Cultural Distance to India (keeping promises) Cultural Distance to China (Negotiation behaviour) Distances everywhere	Distances everywhere, even across Europe	Distance of language no problem with India, Brazil Cultural Distance to India (caste system) Distance of Chinese perspective towards customer expectations Distances are everywhere
<b>II. Speed (Proactive vs. Reactive Behaviour)</b>	Quality is a differentiator in the Market, further proactive developments in start-stop technology. If committed to a market, proactive behaviour Breakthrough Innovations are seldom in automotive and influenced by OEM, although Product Pioneer in several product segments	Pioneering Position in the Market Proactive approach, since speed is crucial	Proactive in regards to product and technology, although level of pioneering technology influenced by OEM Go where the market need is, then proactively develop the business when locally present Developing a new market would require a robust inner company structure that a relatively new company does not have	Not the Inventor, but a proactive product differentiator Not the first, but still proactive in the Market Level of product pioneering is influenced by OEM	Technological Leadership Unique Selling Positions Product Pioneer (self-labelled as follower because unequal inventor) Proactive Strategic Development	Product Pioneering If and when Market entry depends on business case	Not a Market Pioneer, not the first But rather proactive in comparison to others in his industry Product Pioneer with differentiating know how	Proactive Behaviour, not waiting Product Pioneer, how differentiating know how	Proactive Behaviour in relation to Market Entry	Product Pioneer in relation to Product Quality to justify a higher price. At the beginning without competition.	Proactive Behavior in Relation to Market Influence. No time to wait. Also necessary due to faster market development. Product pioneer with State-of-the-Art workshop	No Market Pioneer from Purchasing view, but proactive behaviour in relation to Marketing and Sales
<b>III. How to achieve</b>	Training on the job (less intercultural training) Expatriates for bringing technology/expertise when localizing Local Teams and Local Teams and Experts for helping with local regularities and rules Learning when in the market, continuous learning Long Term, Relationship, Cultural Adjustment, Partnership, Local Presence	Intercultural Training (general or country-specific) Local Teams (due to acceptance / language issue) Regular Contact Openness and Respect Learning from each other, long-term engagement	Keeping local contact around the globe, network Long-term continuous business approach patience and perseverance Expatriate system, Employee exchange (learning culture, know-how and language from each other)	Intercultural Training Expatriates, but mainly local staff / management team Exchange of employees : Germans over there and local staff to train in Germany Respect and Openness Continuity	Continuous Alertness Expatriate System Global Plant Manager Training Program Local Teams Open Mind Technology Network for knowhow Employee exchange	Local Service Network Face to Face exchanges Intercultural Trainings two-way ongoing learning process	Achieve by local presence and local employees, exchanging employees, regular contact, intercultural training	Not necessarily a local presence, depends on the business case Achieve by exchanging employees, openness, continuous learning	Intercultural Training very helpful Attitude towards cultural openness	No intercultural Training since BU is too small Learning by being present locally on the spot frequently, training on the job, dialogue. It will not work without expatriates. Learning from each other	Personal Contact. Learning from one another. Attitude towards cultural openness. Respect. Adaption to local certainties	Intercultural Training sensitive for differences. Very important. To understand expectations and needs. Local Presence since control from Europe relatively limited. Also for relationship management and the right business behaviour (Karaoke bar) Regular stays from interacting persons from Europe. Send Employees back and forth for half a year. Attitude for cultural openness Continuous Exchange
<b>IV. Decision Drivers / Information</b>	Business Potential (see I). Business Growth Local Footprint also desired by customers Continuously watching the global environment to stay competitive	Process Performance (including safety and environment)	Business Growth, satisfy demand with existing customers with a local presence (Customer is asking for settlement) As 2nd step, develop business with new local customers Business Case driven	Business Growth Be able to serve global demand Business Case driven Customer is asking for settlement	Business Demand is the driver, culture would not play any role at all	Growth opportunities Business Case driven	Economy-driven process Follow the demand, the potential, the customers	Decisions are based on economic factors	Decisions are based on economic factors	Decisions are based on economic factors	Decisions are based on economic factors	Decisions are based on economic factors
<b>V. Brand</b>	Brand image is valuable (to get paid for brand and quality)		Brand image builds trust in ability to produce the right quality	Brand image plays no role for end-consumer due to OEM branding	OEMs force suppliers to remove their branding (No >= branding)		Brand image very important to be known in market and considered as supplier but also employer	Decisions are based on economic factors	Brand plays no role for truck drivers, the system just has to work properly	Brand helped by signifying Quality and Technology	Brand implies high quality in B2B, but is less known to end user	Brandimage plays less significant role for end user

TABLE 13 : CROSS-CASE ANALYSIS



## 4. FINDINGS AND DISCUSSION

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The Findings and Discussion chapter brings together the categories that emerged during the thematic analysis to form a model that closes the identified gap in knowledge and will help to improve internationalisation processes in practice. The single elements of the model are discussed in detail in the light of new literature. Following the grounded approach, different categories emerge out of the within-case and cross-case analysis, that are now combined to form a model to make sense of the data. In the following section, the model will be presented. The different elements are then further explained and discussed in the light of new literature to make it easier to make sense of the field data. Finally, the model will be discussed in relation to the body of knowledge that was described in the Literature Review.

### 4.1 THE BIDS-L MODEL

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This section will put together the categories from the field data to the BIDS-L Model.

During the constant comparison of the data in the five within-case and the one cross-case analysis five categories emerge as being of importance. These are “Brand”, “Decision Making”, “Distances”, “Speed and Pro/Reactivity” and “How to achieve”, as summarized in the attached mind-map.

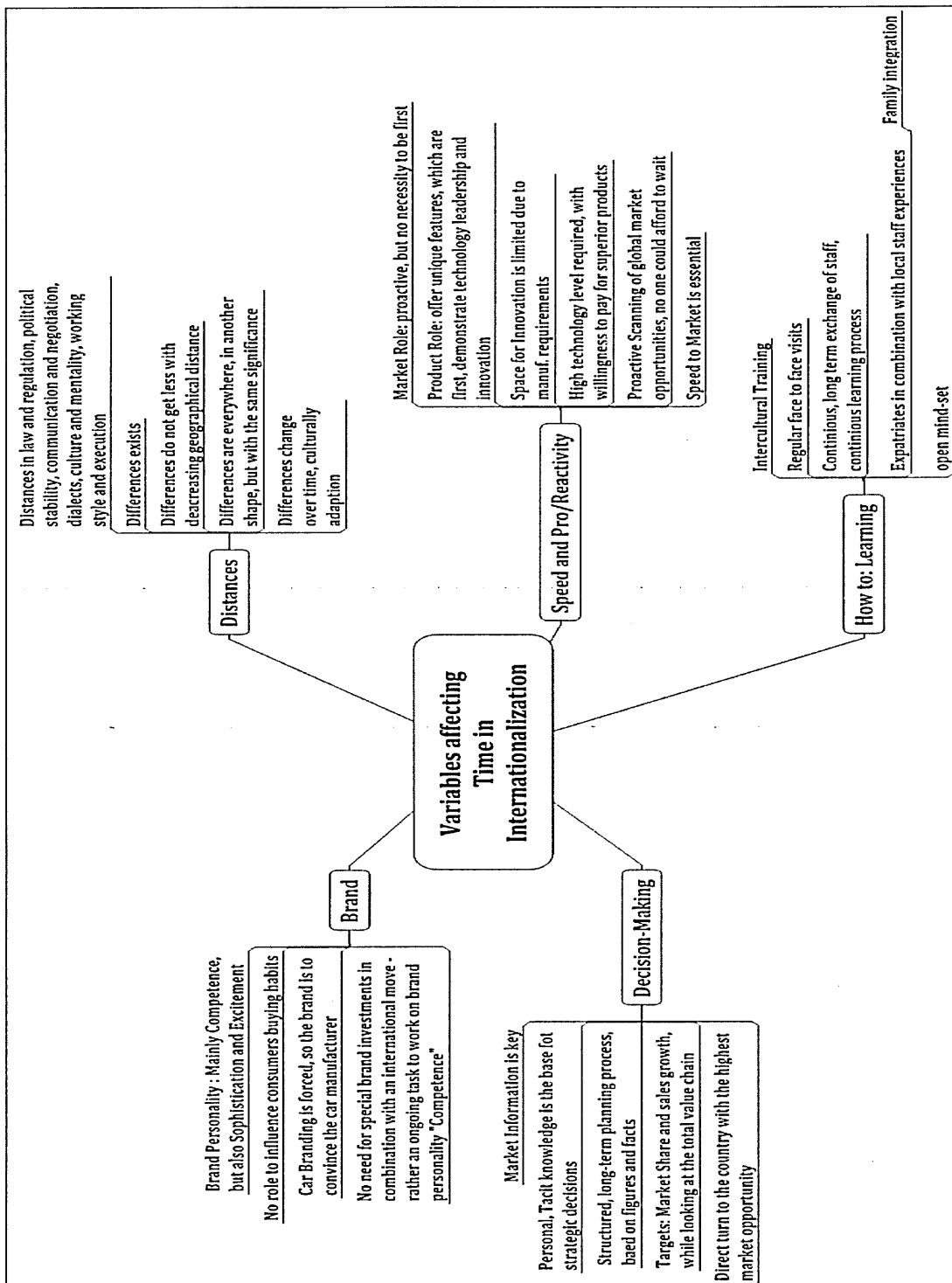


FIGURE 10: MINDMAP OF EMERGING THEMES

The **Brand** reputation, to convince the customer and differentiate oneself from the competition, is seen as the first category that needs to be present as a time-influencing variable.

The key element in the whole Decision Making Area is **Information**, as further expanded upon below. Information and comparison with the company's targets are key when facing emerging markets and new business opportunities, to make the right decision and also to save time. Information is the first key variable which itself stands at the beginning of every international move. This is because it is also the key element in the decision model of Bamberg and Coenenberg (2004). The decision to internationalize and the choice of where to go are based on information, which needs to be available in "good enough" quality and quantity, meaning "appropriate in relation to the importance of the decision" (Eisenführ and Weber, 2003, p. 5). These decisions have an enormous influence on the whole following sequence and later investments, which is the reason they are based on facts and figures. A good information base is therefore necessary to make the right decisions. When that information leads to the right actions, for example, which country and which market segment should be targeted, it saves time because it limits the need for costly and timely corrections in the future, and all actions are in line to achieve the company's targets. A considerable number of internationalisation moves from companies return to their original production location in Europe and Germany just because they did not have the right information before making their decision, for example about administrative processes in the target market abroad, about price levels and customer expectations, about Human Resources and Logistics (see also Hage, 2007). Decisions are choices between different alternatives and that choice can only be made when it is weighed against company targets, which is the reason why targets – the second core element – are so important. The driver or target of the companies was reported in the field research to be profit maximisation using both levers: expand into new markets, and lower costs. It emerged from the field data that not only generally available information about a country, infrastructure and political as well as market conditions should be collected

for the decision making process; “insider” information, also known as “tacit knowledge”, about culture, motivation of people, their way of thinking and so on - that can be collected only from personal experience – also plays an important role. So information is key for making the right decision. Information represents the continuous monitoring of global business opportunities and collection of market information to generate business growth. That is the reason why the model contains “Information” as the representative distinctive signifier in the broad field of the decision-making process.

In the whole discussion about Psychic Distance, it emerged that it does exist, but everywhere on the globe, so it should not change the way the emerging market is approached (e.g. in a stepwise approach). The psychic distance needs to be addressed, but after all, the target market should be approached directly. That is the reason why the model contains the element of “**Direct**” as the representative distinctive signifier in the broad field of the Psychic Distance discussions.

**Speed** matters, and speed is key to meeting the small window of opportunity. If the company is not present at the right time for the product launch in a proactive manner with a pioneering – or at least differentiating - product, it has to wait for the next window of opportunity, which might not open up for another 3-5 years. Speed and proactivity during internationalisation are seen as essential; speed in the sense of being in a proactive product pioneering position to convince the OEM customer of the supplier’s technical capabilities and demonstrate technological leadership and the potential for innovations. Technical capabilities are also essential to create unique features in the product to positively differentiate it from the competition as much as possible, although the space for innovations in “running bid” invitations is limited due to the specifications demanded. A product pioneering position is widely seen as favourable because the primary target segment from the

European automotive supply industry in emerging countries is the luxury and premium segment, and customers in this segment are generally willing to pay for “made in Germany” hi-tech; in fact they expect the latest hi-tech when it comes from Germany. Speed is also essential in the sense of having a proactive rather than a reactive role when acting in the market, in order to profit from business potential and approach potential customers proactively before the competition does; see also the paragraph above about the direct approach. Therefore, the market environment was and is generally scanned proactively and continuously for potential customers, but also scanned for new market segments which demand different product requirements. An important aspect combined with this need for speed is to accept that there might be two or more speedy processes which may overlap and run in parallel towards the same country, so it is not one continuous fast and direct move towards one target market, but instead multiple direct moves towards several target segments within one market, if there are several identified based on the required information mentioned above. So “Speed” is the next element in the model.

**Learning** is the catchword to summarise all the elements named in the context of how the companies would like to achieve what they said they want to achieve as a variable. So after directly facing the target market together with a product pioneering position and proactive market alignment, only then does the long-term learning process begin. That long-term learning is realised by constantly reminding the people involved to keep an open mind towards differences, supported by intercultural training. A complementary concept of expatriates and local staff employment – interwoven in a close network to participate from one another in a partnership, possibly a joint venture - ensures compliance with the company’s rules and targets as well as a knowledge transfer. In regard to the expatriate concept that is widely recommended, it has to be clarified how far the family can be integrated at

an early stage and how the return of the expatriate will be organized – to ensure that the whole costly expatriate program will not fail because the expatriate returns home early. On the other hand, based on the local staff, much easier communication with local authorities is possible, together with a better understanding about administrative processes and better market connectivity and customer understanding. That creates a win-win situation for both partners, the ideal basis for a long-lasting joint venture. Regular personal communication on the spot – adapted to the specific market characteristics, and with supporting body language and facial expression – ensures effective communication, thereby overcoming the weaknesses of phone calls or email communication. The exchange of people for some weeks during projects also supports the bidirectional process. This learning process, starting once the decision has been made to internationalise based on the information collected, is a long-lasting, continuously on-going process for both sides in order to further improve the win-win situation. That is the reason why the model contains “**Learning**” as the representative distinctive signifier in the broad field of the area of “How to achieve”. The “L” is separated from the other letters by a dash, symbolising that this step is an ongoing, continuous, never-ending issue which must be addressed.

These now represent the variables that influence time in the internationalisation process of automotive supply companies when facing emerging markets. It is called the BIDS-L Model, standing for the 5 categories Brand, Information, Direct, Speed and Learning:

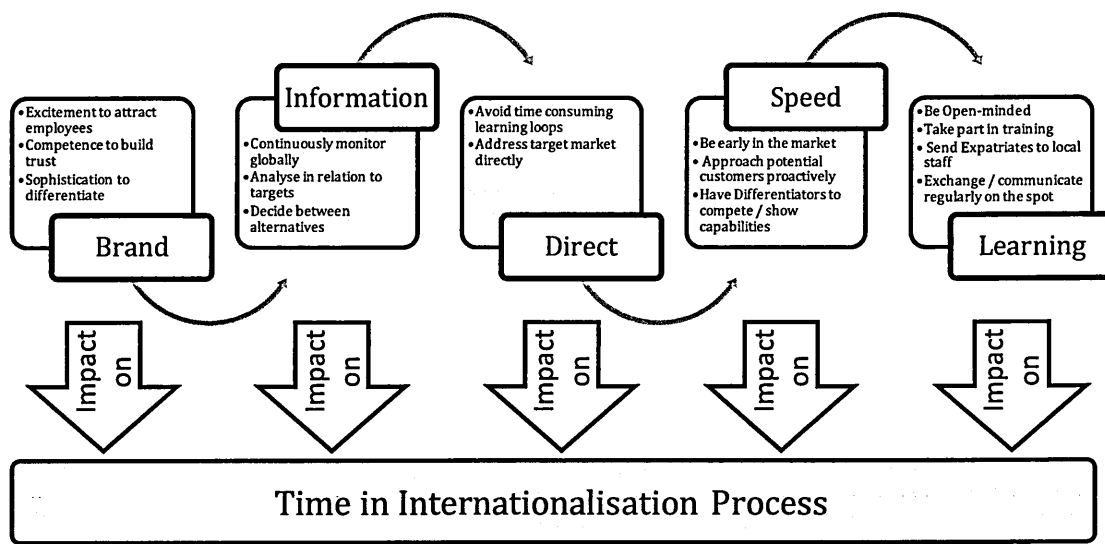


FIGURE 11 : THE BIDS-L MODEL

It is a processual concept, starting with the element of Information at the early project stage and - having approached the market directly and with the necessary speed and proactivity - proceeds with the learning element, a continuous and ongoing necessity. The single elements will be detailed further below.

The model supports the complexity of global environment in the 21<sup>st</sup> century, thereby overcoming the criticism of oversimplification for the theories formed in the last century. The inductive building blocks which emerge are – surprisingly enough – closely related to Axinn and Matthyssen's statement that:

“the concept of internationalisation must be widened. It nowadays implies a mixture of complex learning processes, organising cross-border knowledge and resources, integrating cross-cultural perspectives in internal and external networks, managing the global/regional portfolio and blending global/regional shareholder value with local customer value perspectives.” (2001, p. 446)

That is in line with Fletcher (2001) and Aziz and Wong (2011), who stated that internationalisation is a “**multidimensional**” process. And the multidimensional areas are comparable with the building blocks emerging from the field data.

Learning processes, organising cross-border knowledge and resources are linked with the “How to” section, but the aspect of learning also has references to the “Decision-Making” chapter, because a good decision requires an input of good information, obtained during a learning process. Cross-cultural perspectives in internal and external networks are linked to the “perceived distance” chapter. Portfolio questions are addressed in the “Pro-



/Reactivity” section. And finally the area of shareholder value is addressed in the discussion about targets in the “Decision-Making” section.

Since each of the emerging categories touches on a knowledge area that deserves a thesis of its own, the necessary level of detail and a condensed view towards the overarching research question have to be balanced while exploring these different theme areas.

The research continues by further exploring the single elements of the model, first the brand.

#### 4.2 BUILDING BLOCK: BRAND – THE “B”

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This section explores the area of the brand, because it emerged from the field data during the interviews as being important and relevant in regard to the research question. So the field data will be reflected against existing, new literature in that specific area.

The issue of brand image has been rated as important for the interview partners to consider. The brand image could be a significant variable to impact time, e.g., if it is necessary to build up a recognised brand – which would slow down the process if an additional marketing campaign has to be started to make the brand known – or if an already existing recognised brand helps to speed up business. The brand issue is also relevant in the idea of pioneering, because it has been widely reported that the pioneer has the advantage of establishing and launching their brand first, putting them in a better position against the competition. “Branding is an important marketing element that not only influences consumer perceptions of a product but ultimately their purchasing behaviour” (Fetscherin and Toncar, 2010, p. 167; see also Hermeier and Friedrich, 2007, p. 21). The change to another brand, which is made known to the public later by a follower, is then more unlikely. The loyalty towards the brand pays off due to returning customers. If that is true, it

is very important to build up a strong corporate brand to increase the awareness level among consumers, which takes considerable time and budget. Intel, for example, invested at the beginning of its marketing campaign about 250 M USD to force the “Intel inside” brand awareness, which is more than most of the automotive supply companies generate from total annual sales (see Hermeier and Friedrich, 2007).

So the first issue that has to be addressed is: what should be understood when speaking about a brand? Kotler (2000, p. 404) wrote that a brand is “a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors”. A brand basically can be related to the company, in which case it is referred to as a “corporate brand”, or related to a product, referred to as a “product brand”. However, a brand needs to be much more than just a symbol to differentiate it from the competition; see also Wise and Zednickova (2009, p. 8). In the B2C sector, the brand image and logo communicate emotions such as a “feel-good” factor, happiness and pride that the consumer might experience through owning a product from that company. The field data echoed the idea that the brand plays a slightly different role in the B2B sector in general and in the automotive supply industry in particular. Since the consumer – the vehicle manufacturer – is a business entity in themselves, at least the corporate brand in the automotive supply industry should communicate certain values, namely quality, safety, technical competence and innovation. According to Aaker (1997), the respected authority in the area of brand and brand personality, a brand generally represents a certain “personality” and thus psychologically influences a consumer’s behaviour. Further, following this brand personality concept, which was published by Aaker (1997, p. 352 ff.), the “personality” could consist of 5 core elements: Sincerity, Excitement, Competence, Sophistication and Ruggedness. According to this concept, a specific brand is cho-

sen because it stands for a specific brand personality, which matches the wishes of the consumers.

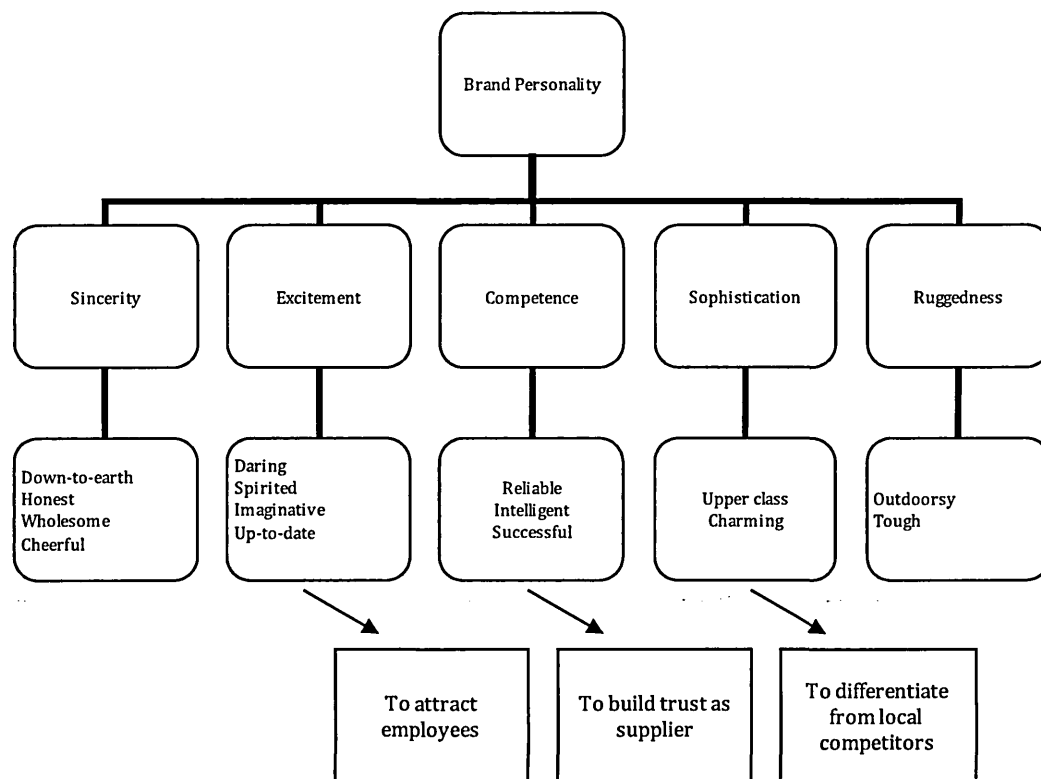


FIGURE 12: BRAND PERSONALITY (SEE AAKER 1997)

Reflecting that concept in light of the field data, the brand is widely seen as being important – with regard to three specific characteristics in the personality framework :

First, the brand is seen as being essential to represent **competence** in the automotive supply industry, delivering reliable and intelligent products successfully, i.e. at good value.

“You need a brand, especially in the sense that you are not noticed as having a negative image. If you look at a reputation ruined by poor production qual-

ity, then I would say it is actually the worst thing that can happen.” (Person I).

This is echoed by Ille and Chailan, who stated that the brand image is a critical success factor for “international reputation” (Ille and Chailan, 2011, p. 84). That idea is further supported by Kapferer, who came to the conclusion that reputation “becomes a key factor – if not the principle factor” when choosing a company (Kapferer, 2012, p. 83). As the field data reveal:

“[The brand] has certainly played a role, because we, of course, with the brand or with our experience in commercial vehicles in safety systems, brake systems can persuade the customer, that we, in technology – where it really matters - such as brakes when it is about protection of life and limb, ..., that we have decades of experience, and that impresses the customer. This is maybe not only thanks to the brand itself, but because you can show what market we come from, what kind of market role we play, and this suggests that we can deliver quality”. (Person L, Marketing Leader)

The brand is also described secondly as being important with regard to **sophistication** – to differentiate a European manufacturer from local competitors in emerging markets:

“Right now, I would say, we are growing with a strong brand and quality. And both the Russian and Turkish consumers are willing to spend more on brand quality.” (Person J).

But differentiation has its limits. The field data also echoed that car manufacturers try to prevent a supplier from differentiating too much and thus prevent the position where a supplier is delivering products with unique and at the same time essential features, because that would make the car manufacturer too dependent on such a supplier. In that case, the car manufacturer would try to build up a second supplier in order to lower his de-

pendence on the first. That is also another characteristic of the brand in the B2B supply industry in comparison to consumer goods in the B2C industry.

The third important area affected by a strong brand image is the ability to be attractive on the job market and attract high-class employees that are also willing to stay for longer periods, because of their pride in working for a company with an **exciting** brand personality. This was reflected in the field data:

“ ...also for people when they are sent from Europe to such emerging markets. To keep local people at it is just a learning process. The first thing is, in my view, very important: that you create a decent brand.” (Person BC).

The idea of becoming an “employer of choice” was also the aim of the brand image campaign of company J in 2007, as reported by Wise and Zednickova (2009, p. 4).

The personal qualities of sincerity and ruggedness were not mentioned as being important in connection with the brand. A corporate brand personality is important to attract the automotive manufacturer and present a certain impression of competence and sophistication and, at the same time, of being an exciting employer for potential employees. The brand in the automotive supply industry towards the OEM literally plays no role with regard to influencing consumers’ buying habits. The field data shows that no consumer would buy a car because the tyres were made by, say, Continental and not Michelin. The situation is even more critical. Most of the automotive manufacturers insist on having their own logo on the supplier’s product, and not the supplier’s logo, not even “ingredient co-branding” (Blackett and Boad, 1999, p. 13), which means having both logos on the product. So corporate brand is very important, whereas the product brand matters much less in the automotive supply industry regarding the OEM.

Intel is often cited as an example of a company that successfully managed to have the “Intel inside” logo on a lot of computers. However, that is another industry and Intel spent a lot of time and money on that corporate campaign; this would be prevented by car manufacturers, due to reasons of brand inflation. While the OEM was proud in the past to have a Bose sound system and Recaro seats in the vehicle, interestingly enough they demanded that those brands from Tier 1 should disappear from the delivered product and be replaced by the OEM’s brands. This means putting the OEM in the position of standing for product quality and innovation and avoiding the impression that the vehicle is a patchwork of components from numerous suppliers. So the role of the brand is more about convincing the OEM customer of the company’s own capabilities rather than communicating emotions to the end-consumer.

“There used to be BBS rims. Golf GTI with Recaro seats. That is gone almost everywhere. It hardly exists any more. But it is a trend” (Person F).

This echoes the findings of Hermeier and Friedrich. Because about a third of all “new car components are engineered and produced by suppliers” (2007, p. 65), the automotive manufacturer fears a “brand inflation and image risk” (2007, p. 49) if it becomes known to the public. There are exceptions of a few brands, in the case where the automotive manufacturer with a lower brand image could enhance their own brand image by offering high-class brands, which is then called “complementary competence co-branding” (Blackett and Boad, 1999, p. 13). According to Hermeier and Friedrich (2007), only for the so-called aftermarket, in which the vehicle owner buys and replaces parts, would it make sense to build a strong brand to influence consumer decisions. It is basically an advantage to establish a strong brand to convince the direct OEM customer – the car manufacturer – of the competence and quality of one’s own products and be an attractive employer as

well as influencing consumer behaviour in the later aftermarket. However, this applies not only with regard to a foreign market entry, but everywhere, even in the European home market of automotive suppliers.

Summarising the section above, the field data showed that it is essential to have technological competence and to communicate those values so that the OEM is selected for the next vehicle platform, thereby building a strong corporate brand in the long run. So it is a never-ending task to work on the competence, sophistication and excitement of the supplier's corporate brand personality. "The success of a brand develops over years with a clear strategic target course", (see Wissmann ,2012).

The research will continue with discussions of the Information and Decision Making Process as another element of the model.

#### 4.3 BUILDING BLOCK: INFORMATION IN THE DECISION-MAKING PROCESS – THE “I”

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This section explores the area of the decision-making process that emerged from the field data during the interviews as being important and relevant in regard to the research question. The section will emphasize the role of information in the decision making process on the basis of Bamberg's decision theory .

The decision-making process and the targets behind an internationalisation move have an impact on time and are therefore relevant to the research question. It makes a difference if e.g. the move is driven by the idea of entering a culturally similar country, because the experiences gained there would allow this step as communicated in the stepwise learning approach, or if the move is purely driven by the business case decision, in which – independent of any emotional feeling – alternatives are weighed against each other and the decision as to the best solution is based simply on where the market potential is highest.

It emerged from the field data that the decision is based on continuous, ongoing collection of information to monitor global business opportunities and make out a business case (summarising all sub-functions like purchasing, marketing, production, logistic issues) to meet the company targets of business growth.

The business case includes information from all other single business functions like purchasing, production, logistics, sales and marketing on a sub-level.

According to the decision theory model of Bamberg and Coenenberg (2004, p. 1 ff.) as reputable sources in the area of decision theory, the core element in the decision-making process of a company – as a prerequisite for any



purposeful future action – is in fact the information system that organises, receives and processes information (e.g. about global business opportunities).

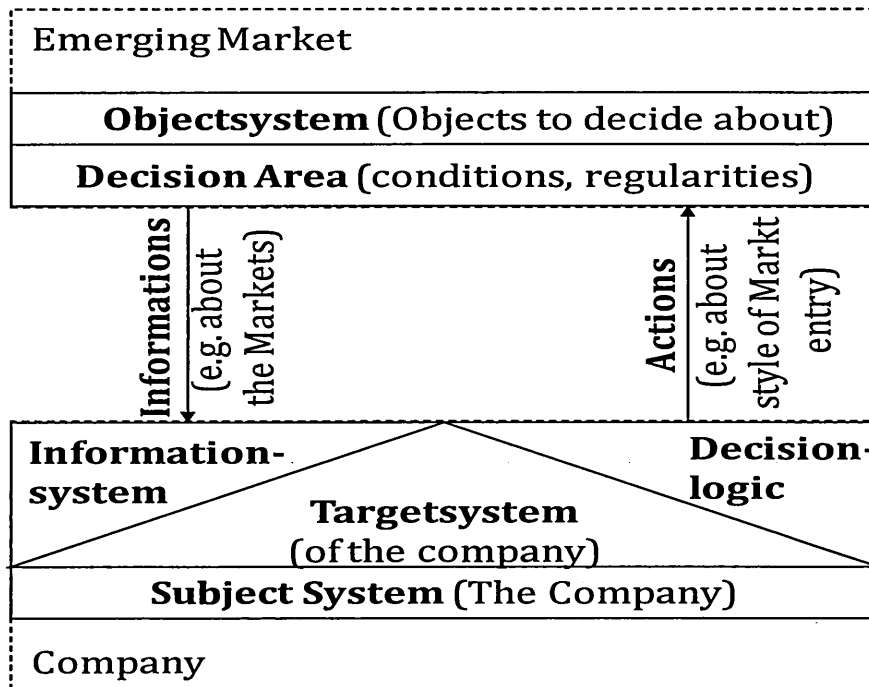


FIGURE 13: MODEL OF DECISION-MAKING (SEE BAMBERG 2004)

The better the quality and quantity of information, the better it is for the company, because the decision turns from a risky decision to a safer one. Correct and precise information is key at the beginning of the whole internationalisation process in order to make the correct, precise and fast decision. "Fast" also because it is assumed that the better the information at the beginning, the lower the risk of corrections later on in the process, because the information that has been collected and processed is "good enough" to make the decision. An example would be entering a market and making expensive, long-term investments in plant and staff – just because everybody is there – and recognising after a year that the product range of the company does not fit any the market segment needs.

Action arising from the decision model cannot be good if the input data in the form of information is insufficient or even incorrect. This underlines the importance of the information system.

In reality, however, there is a limit to the information which is available; above that limit it would require a great deal of effort to obtain more information, and it would not be justified by the value of the result. The effort invested in getting information needs to be “appropriate in relation to the importance of the decision” (Eisenführ and Weber, 2003, p. 5). That information flow is comparable to Cavusgil et al’s (2004) “initial screening stage”, in which “low-cost, widely available secondary sources of comparative information about countries would offer the necessary information” (Papadopoulos and Martin, 2011, p. 134) to act further.

The field data revealed that there is a certain amount of information about the markets, to give an example of the information systems in the companies. The information about the markets that emerged from the field data concerning the development of the emerging markets in general is that the NAFTA region, specifically Mexico and USA with the division of production in Mexico and sales in the US market, has been underestimated. So this was also, besides the BRIC countries, a very important growth market for the automotive supply industry at the time this research was undertaken. With respect to the BRIC countries, **Brazil** protects itself with high customs duties and a company essentially has to be present in the country when planning to sell there. Exports are simply too expensive and therefore not competitive in the automotive supply industrial sector. This means that production needs to take place there due to the high import duties. Since the world economic crisis of 2008/2009, **Russia** has played a relatively minor role in terms of both market opportunity and production. It is simply not a large market. Although there are many people living there and the country is

large, there are not many consumers with sufficient economic means to buy vehicles from the West. There are also very few local manufacturers that build cars and therefore very few opportunities for cooperation, while the infrastructure is simply not good enough to produce in Russia for other markets. It simply takes too long to transport parts across the border. In terms of infrastructure and transportation time, other countries such as Romania or the Czech Republic are still closer to Europe than Russia. All of these reasons led to the view that Russia is currently playing a relatively minor role for the automotive supply industry. It has still not made a sustained recovery after the global economic crisis.

The accepted wisdom about **India** is that the political structure is the reason that India is today about 10 years behind developments in China:

“India is a conglomeration of (almost) democratically governed private realms, nothing more. Today, there's nothing that is acceptable. There is no efficient state railway, it's all chaos, ancient scrap that is constantly breaking down somewhere. They have no suitable highways; they have no acceptable airline; no acceptable railroad; they have nothing at all. They can do a lot, but they are still at the beginning. I have been watching it for 8 years, for 10 years I have been watching it, and nothing happens, nothing real. In China, you can say there is really something going on. They have made a strategic decision, we are going to create new highways. And we're going to build new railways. High-speed trains. From A to B. That is a concrete thing, and they push their plans through. Mountains are moved, houses are pushed aside, as in France with the TGV years ago. While the people over here go to court over their little gardens. ... and the Chinese are going on vigorously, pushing forward their plans ruthlessly ...” (Person E, Sales Leader)

India has a very rugged political structure with a lot of governors, who are said to tend to think about their own advantage first. This leads to a situa-

tion where very little of the population contributes to and benefits from economic growth. There are a few super-rich people, but also a huge number of poor people who do not really participate in economic life. The high quantity of governors leads to the situation that decisions regarding infrastructure, for example, can be implemented only very slowly. Road construction, railway and airport planning, environmental legislation etc. is implemented so everything is executed very slowly, because the governors wish to safeguard their power in the districts, and they all need to be aligned. This lack of execution and adaption to the changing global environment and lack of participation of the wider public in economic life and growth as well as other experiences during stays in that country led the speaker to the perception that India is 10 years behind China in terms of economic growth.

**China** is a very special phenomenon. China combines the directive of the Communist Party to implement decisions very quickly, even against resistance, with a modern industrial environment. See also the above quotation, or:

“We will build a dam tomorrow – then they build a dam. I can give an example. This was the first time we were there in Shanghai, when our joint venture partner went with us to a construction site. High streets. 20m further, there were houses. And he says, “The homes will be gone tomorrow and the road will be built 100m further on”. The speed is – when you drive around Frankfurt you see a few skyscrapers.... If you go through Shanghai, you drive hour after hour, you can always turn around 360 degrees and you only see skyscrapers. Then the roads are good too. You think you are in Manhattan or Los Angeles or San Francisco. The only difference is, the roads in China are better than those in the United States; at least, in the major metropolitan areas.” (Person F, CEO)

If it is decided that a dam will be built, a dam will be built and then an entire village will be relocated – there will be no lengthy discussions. China is very rigorous in its decisions and fast in its execution, which aids economic growth. Whether it is good for the people is another issue. And in China, the broad population of Chinese people also take part in the economic development. People are moving to the cities, which are growing at an incredibly rapid rate. The cities have a high inflow and the people there work and earn. They can afford more and so wage levels are increasing. And that is why China cannot and does not want to be the centre of low-wage production, as it was seen for years. The rising wage levels led to some scenarios where goods were imported to China from Malaysia or Taiwan. The Chinese do not want to be an outsourcing centre; they instead expect to be able to use high technology in their country. It was noted several times during primary data collection that China seems to skip stages of development. It also does not want what is no longer manufactured in Europe, only to be revived in China, as is often the case in Africa. There are still car models sold in Africa that are no longer produced in Germany or France. This is not possible in China. The new Audi Q3 was not even showcased in Frankfurt, but in Shanghai, because the latter is the biggest market; it was the same for Lamborghini's first SUV Urus, first unveiled to the world in Beijing (see Grundhoff, 2012). New car models are presented in China, which in turn presents the latest state of the art, equipped with the newest technology. This supports the contention that a product pioneering position and differentiators are important variables in the process. China for example, is pushing for the new Euro 6 engines. It can skip development stages as a result of its economic power and speedy execution, and through collaborations and partnerships in which companies must join with local providers if they want to sell there. As a result, China achieves technology and know-how transfer ensured from the Chinese point of view, e.g. in the cooperation between Daimler and BYD, VW and FAW, and

Volvo and Geely. It is also a requirement to have at least one local Chinese brand, to prevent the country being overrun by American or Western European products. All of these are intended to serve the aim of implementing technological knowledge in China and ensuring continuous technological development. The ASEAN states have been identified as future growth markets, and also as “the next emerging markets”: first, because there are a lot of people acting as potential consumers; second the economy is developing, albeit at very low levels; and third, local car manufacturers and suppliers, e.g., in Thailand already offer the potential for cooperation; see, for example, the Daimler Presentation “Global Growth with Global Excellence”.

The above market information that emerged from the field data has been referenced here in order to:

- a) show and prove that information does exist and is important,
- b) give an overview of the future development of the emerging markets and show that internationalisation is not a one-off process but is continuous, thereby demonstrating the contribution to enduring practical relevance of this research and
- c) support the idea of having differences in every country, which makes a stepwise approach a time-consuming process that adds no value. However, the existence of the difference itself implies the necessity of dealing with it by using one of the available tools that emerged from the field data: the “How to” building block. So the learning cycle only starts once the target market has been identified, based on the business case.

Further following the decision theory introduced at the beginning of this chapter, the above market information is processed in the company and a decision-making logic follows based on the company targets. A decision is a choice between different alternatives. The sum of the alternatives repre-

sents the decision area. A decision is only rational when it is orientated towards the company's targets, which is the reason why targets – the second core element – are so important. An insight into the targets and decision-making logic of the automotive supply companies is revealed by the field data and further explored. That is because targets drive the company's move and are therefore relevant to the research question.

One target echoed by the field data is the usage of market potential to generate market and sales growth.

"... just business, just growth. Sales growth. Where is the largest growth with new customers ... And if you now decide to participate in these growth markets in some way, then you really first have to do a proper analysis of which country you should enter first. I don't think it makes any sense now to be on the road everywhere. However, you should now look at one country which has the most promising potential. And then you have to do a thorough check by using appropriate market studies and competitive analyses or suppliers, what is already in place and do we have any chance at all, and then go – selectively." (Person L)

The field data also reflected a structured planning process within the companies, based on current and future market potential with a forecast of a few – mostly five - years. This means it is by no means an intuitive approach, or running after a trend, nor is it a stepwise learning approach or done to satisfy a pride in leadership.

"We have a planning department, which is called strategy and planning. All they do is try to get a picture of the next 4 years. That is actually the base - that you think about how vehicle production will change. From the vehicle production, our business units are required to demonstrate the position of their business - will they gain market share, will they grow with the market?

It is also clear that we want to gain market share. And that is our planning from top to bottom.” (Person H)

These driving forces can be reflected in the target system of the shareholder value approach in literature, showing the need to generate value for the stakeholders by maximising profits (see Wöhe, the leading authority in the area of economics, 1993, p. 130). Also the reduction of costs is considered to be a constant and continuous management task (Hooley 2007, p. 308 and the reputable Kotler, 1999, p. 222). The theory can be traced back to Alfred Rappaport: most large-scale enterprises, including the companies from the present research, are quoted on the stock exchange, since by using this type of business, they can generate and organise more capital more easily just by issuing new shares. Of course, the shareholders who invest their capital in shares expect the highest possible return for their investment. If this return on investment is lower than the interest return on other investment possibilities on the market, the shareholders could just as well lend their money to the bank for the standard interest rate instead of investing it in more risky shares (Rappaport, 1983, p. 30). To be able to pay this expected interest return but also have enough capital for the preservation and renewal investment, the principal interest and therefore primary objective of the enterprise is to gain the highest possible profit by generating sales growth. So the complete entrepreneurial effort in this approach is focused on profit maximisation; see also respected researchers in the area of Change Strategies, Darwin, Johnson and McAuley (2002, p. 274). From this there follows a rigorous approach that every management decision must be benchmarked against the benefit for the shareholder, since shareholder maximisation is the top and primary goal of the company and every business activity.



So market and sales growth is key, but not at any price, as reflected by the field data. Companies look at the total value chain and all cost-influencing variables and wage potential cases before making a decision:

“The entire value chain must fit.” (Person L)

“Due to the financial issues that are of course behind such an investment, , the economic need is always at the forefront, or maybe the business opportunities that arise. I think the theme of the cultural situation plays a rather minor role. Because, as we have already said, I believe we are able to handle the cultural differences in such a way that they work fairly well.” (Person C)

This shows a broader approach than just hunting for ways of maximising profits, giving support to the view that the company is embedded in more than just the shareholder (c.f. McAuley et. al., 2007, p. 78, Figure 2.6). The interview partners echo that it is necessary to bundle and balance different goals, as in the balanced scorecard approach. This approach is based, as the name suggests, on a balanced conglomeration of various partial objectives, which are nevertheless integrated into one complete, united strategy. One area is the financial one, which measures whether the actions are leading to a measurable business performance. Besides that, however, there are other areas which must be looked at similarly, such as the whole area of the customers, in which the objective is to inspire the customers with fitting solutions and to build up valuable customer relationships in order to guarantee financial reflows in the long run. Improved, innovative and, according to McAuley, “primarily efficient business processes in the organisation’s section” (McAuley, 2007, p. 13) must contribute to that, which is the third segment of the scorecard. Last but not least, investment in employees and in information technology plays a decisive role in the perspective of learning and growing, which is the fourth area of the balanced scorecard, widely published by the often-cited authors Kaplan and Norton (1996, p. 24 ff.). This

approach is a relatively complex one which, however, shows that an enterprise is driven by a plurality of challenges to be successful. From the critical perspective, it is better to have a complex target system which includes track and trace of financial figures. Other theories follow the assumption that a solid financial business result will be the automatic outcome, and not a partial goal, if only the customer relations are managed carefully and resources are used wisely. (Kaplan and Norton, 1996, p. 32).

Summarising the chapter above, the primary driving force for an international move is to identify market potential by collecting and analysing information and to increase profitable sales by making the right decisions based on this information. The decision-making logic in the companies consists of a critical look at the overall business case, meaning that all costs incurred (purchasing, logistics, manufacturing etc.) and sales (marketing quantities and prices) are collected and compared, together with the evaluation of the strategic fit, in order to determine which move will have the highest value for the company. The field data reflected the fact that cultural issues, emotional reasons or others play no role, or only a minor one, in the decision-making logic today, in contrast to decades ago, when those differences might have played another role, but that also seems to have changed over time.

If a decision is rational only if it follows the companies' target system, and if the target system of the companies has profit maximisation at its core, then there is literally no other decision premise than, based on a situation analysis, directly and immediately turning to the most promising country. A decision to turn to a regionally neighbouring country because of lack of experience must therefore be regarded rather as an emotionally driven decision – above all it is unfounded and not reflected by the field data because of distances which exist everywhere.

The research will continue with discussions of the direct approach despite psychic distances as another element of the model.

#### 4.4 BUILDING BLOCK: DIRECT APPROACH DESPITE PERCEIVED DISTANCES – THE “D”

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This section explores the area of perceived distances that emerged from the field data during the interviews as being important and relevant in regard to the research question. The section will emphasize the direct approach within the internationalization move, although distances exist which, however, change over time.

When dealing with distances, the first question is whether they exist, how they can be got hold of, and how they can be grabbed. There have been attempts to operationalise these distances mathematically by researchers such as Kogut and Singh (1988), Fletcher and Bohn (1998) and Sethi et al. (2003) based on Hofstede's (1980) widely acknowledged concept. Sethi et al. (2003), for example, used cultural distance in their simulation models as a statistical variable with a specific mathematical value. Kogut and Singh (1988, p. 422) created an algebraic equation for cultural distance. Nevertheless, this approach has been criticised because Hofstede did not “take into account political or legal issues” (see Dow, 2000), and it is against the present epistemology to define mathematical variables since this will inevitably lead – according to the researcher's understanding – to a certain level of oversimplification when trying to translate the multi-faceted and individually perceived issue of cultural distance into a number.

So other researchers' approaches, such as Klein and Roth (1990) and Sousa and Bradley (2005) simply “asked” decision makers for their perceived distance. This primary data is also said by Dow and Larimo (2009) and White-

lock and Jobber (2004) to be a much “better source” to contribute to this framework. It is also better when one takes into account that respected international commentators like Petersen and Pedersen (1997), Child et al. (2002), Sousa and Bradley (2006) and Dow and Karunaratna (2006) think that distance is very closely related to personal experiences among managers. This is why interviews are seen as superior to calculations or indicators in this matter and, therefore, they are utilised as the basis for this research.

The interviews in this research were arranged to find out about any kind of experienced or expected distance towards one or several countries in the internationalisation phase in the cross-country perspective. Here, “distance” should be understood in the sense of a distinction or significant differentiation between the countries. If such a distance exists, it has to be bridged somehow, or at least dealt with, and the very existence of the distance, as well as the kind of bridging undertaken, will have a considerable impact on time in the cross-country internationalisation process. If no perceived distance exists, the process is expected to run accordingly faster and more directly. It is also interesting what kind of distance is perceived – if there is one at all – towards which country, and how the interview partners specifically think it should be handled.

The coded field data in this research were condensed into a conceptually clustered matrix following the reputable sources of Miles and Huberman, (1994, p. 127 ff.). When looking at this matrix, which reflects the condensed field data in the context of perceived distances and if they exist at all, all of the interviewees report distances in different dimensions. The dimensions emerging from the field data covered the areas of

- Law and regulations, political stability.
- Communication and negotiation, including dialects, and
- Culture and mentality, working style (incl. time zone) and execution

There are several attempts to define culture. Culture should here be understood as the “beliefs that particular groups use to understand the world” (Nisbett, 2003). Mentality has a rather behaviouristic character and can therefore be understood in the sense of Kroeber and Kluckhohn (1952) as “different cognitive blueprints for people from different nations, resulting in different patterns of behaving and believing”.

The areas identified are close to the definition of psychic distance by Johanson and Vahlne (1977):

- Linguistic differences and translation difficulty.
- Cultural factors – societal norms, level of individualism or collectivism, values and customs.
- Economic situation – existing trading links, infrastructure, local conditions, competition and investor confidence.
- Political and legal system – government stability and risk of instability, import tariffs, legal protection and taxation levels.

The identified areas also bear similarity to the indicators developed by Dow and Karunaratna (2006) and later validated by Dow and Ferencikova (2010), referring to culture, language, education, industrial development, political systems, religion, and time zone.

There is also an approximation of the field data towards the four factors identified by Brett (2006), denoting communication, trouble with accents and fluency, attitude towards hierarchy and authority and differing underlying norms for the decision process as challenging areas for multicultural teams. Some of these factors could be found in Hofstede’s research (2001), reflecting, e.g., the hierarchy issues in his dimension of power distance, and norms for decision processes in his dimension of uncertainty avoidance. His two other dimensions cover individualism vs. collectivism as a basis for

communication and masculinity vs. femininity. Mead analysed Hofstede's study in which he analysed and interviewed 116,000 employees of the IBM Company in 1980 regarding their cultural differences. Mead outlined three portfolios, based on Hofstede's study, comparing for example India and Germany. In the first portfolio, with the criterion of uncertainty avoidance on one axis and power distance on the other, it was recognised that Indian culture can be characterised, according to Hofstede, as one with a large power distance and weak uncertainty avoidance (Mead, 1998, p. 36). This means that social status and hierarchical levels play a significant role in India, so that subordinates tend not to get involved in the decision-making process and, on the other hand, risks are accepted as a part of life, without being able or willing to prepare for them by performing risk assessments. In contrast, German culture is characterised as having small power distance and strong uncertainty avoidance. This means that a solution to a problem can be found through agreement even across hierarchical levels, and that risk analyses and proactive actions are performed in order to avoid risks in the future. While comparing the second set of cultural features consisting of individualism, on the one hand, and power distance, on the other, it was recognised that Indian culture tends to have again a larger power distance and a trend towards collectivism in comparison to Germany (Mead, 1998, p. 39). This underlines the situation described above of important social status and hierarchical levels, but simultaneously there is a good chance of there being a high degree of loyalty to the group one is part of. German culture in comparison has a rather small power distance and a trend towards individualism. So personal and individual satisfaction needs are conceded to the individual, and individual performances and achievements are particularly emphasised. In Hofstede's third and final portfolio with the criterion of uncertainty avoidance on one axis and masculinity on the other axis, it was found that – beside the previously discussed difference towards uncertainty avoid-

ance – both the Indian and German cultures established a “high rate concerning masculinity” (Mead, 1998, p. 40). In such cultures the allocation of gender roles is more distinctive and power plays a significant role, which is different to countries such as, for example, the Scandinavian countries. Critics of Hofstede put forward several points to attack the study. Firstly it is a relatively old study from three decades ago. Secondly it is limited to just one kind of industry and also assumes the country borders “are congruent with the culture limits” (Mead, 1998, p. 41). However, at least it was admitted that nobody had carried out such a comprehensive cultural examination before, which was also confirmed by other scientists (Mead, 1998, p. 44). The field data that emerged from the research participants reflects and confirms the cultural differences found in Hofstede’s study.

In contrast, there is less similarity between the areas that emerged from the field data and, for example, the 7 categories identified by Hampden-Turner and Trompenaars (1995):

- Universalism versus particularism;
- Analysing versus integrating;
- Individualism versus communitarianism;
- Inner-directed versus outer-directed orientation;
- Time as sequence versus time as synchronisation;
- Achieved status versus ascribed status; and
- Equality versus hierarchy.

There is also little in common with the 9 indicators described by Brewer (2007) and House et al. (2005). They listed:

- power distance (acceptance of separation)

- in-group collectivism (loyalty)
- institutional collectivism (group thinking or individual thinking)
- uncertainty avoidance (seeking for predictability)
- future orientation (long-term view)
- gender egalitarianism (gender equality)
- assertiveness (degree of being assertive)
- humane orientation (are people caring)
- performance orientation (reward for performance)

Those indicators seem to be relevant for the psychologically deep social understanding, but were not reflected in the field data as being relevant in all of their points, at least from the business context point of view.

Dow and Larimo (2009) and Whitelock and Jobber (2004) also criticised those groupings because they completely ignore any individual touch of perception of cultural distance. The following table emerged from the exploration of the field research findings in light of the new literature:



Johanson and Vahlne (1977)	Hofstede (2001)	Brett (2006)	Dow and Karunaratna (2006)	Klussmann (2012)
Cultural Factors	Uncertainty Avoidance	differing underlying norms for the decision process	Culture, education, religion, time zone	Culture and Mentality, Working style (incl. time zone) and Execution
Linguistic differences and translation difficulty	Individualism	communication trouble with accents and fluency	language	communication and negotiation including dialects
Political and Legal System	Masculinity		political systems	Law and Regulations, Political Stability
Economic Situation	Power Distance	attitude towards hierarchy and authority	industrial development	

TABLE 14: OVERVIEW PSYCHIC DISTANCE SEGMENTATION

So in the following section, the groups of perceived differences from the researcher's field data will be further explored.

The reported differences in law and regulations from country to country are dependable, since they are either self-given by the government or ordered by the king or dictator. Political stability varies from country to country depending on the situation within a geographical area, e.g., influenced by contemporary political movements, for example, during the 2011 Arab Spring, which caused a great deal of instability in the Middle East and Northern African countries, namely Egypt, Morocco, Tunisia (see Ashley, 2011).

The reported distances in communication and negotiation that the interview participants felt were echoed by Adler, a respected authority in the area of organisational behaviour, who stated that communication among people from different cultural areas "always contains misunderstandings, caused by incorrect assumptions, incorrect interpretations and incorrect evaluations"

(Adler, 2002, p. 76). That is probably due to the fact that most cross-cultural communication is done via phone or mail. In that kind of communication, there is an important element missing: body language. Body language and facial expression are important parts of a communication process, since they allow and ease the decoding of the spoken words or documents.

Differences also exist when communicating about documents. While some people from one culture consider a clearly formulated, legally faultless contract document as such and follow it uncompromisingly, people from other countries see the same document as a non-binding memo in need of individual interpretation (see Faure and Rubin, 1993, p. 9-12). There is simply the need for communicative feedback. The same point was echoed by researchers in relation to a culturally dependent direct communication style in the sense of the open, honest wording of e.g., Germans, versus the indirect communication styles employing cautious wording with a “between-the-lines” meaning as in e.g., Japanese, which is referred to by respected authorities in that area like Limaye and Victor (1995), Brett et al. (2006) and also lately Xiao and Boyd (2010). International business negotiations occupy a prominent place in considerations of intercultural communication. Faure and Rubin also saw a clear “influence of cultural backgrounds on cross-cultural negotiations” (ibid., 1993, p. 8), confirming the perceptions of the research participants. Hofstede (2001) also saw a clear connection between communication and cultural differences. Differences in power distance from one country to another, for example, influence the expected status of the negotiation participants sitting opposite one another. This refers to the degree of collectivism, which differs from one country to another and has an influence on the expected construction of a trusting relation of the negotiation participants based on partnership. The factor of masculinity has an influence on the role of power and force in the negotiation, and the degree of uncer-

tainty avoidance has an influence on the consideration of doubts or the structural course of a negotiation (see Hofstede and Hofstede, 2005, p. 339).

Culture and mentality, working style and execution are reported by the research participants to represent differences in cross-national business activity, whose importance – according to Schneider and Barsoux – is often underestimated (Schneider and Barsoux, 2003, p. 3 ff.). The research participants in this study named, for example, the caste system in India as having a relation to the power-distance criteria of Hofstede (2001) or the “attitude towards hierarchy” of Brett (2006). The experts interviewed also reported a different “attitude towards customers”, which is reflected in the behaviouristic definition of Kroeber and Kluckhohn (1952) above. They also reported a “slow speed of execution in India”. This was echoed by Hoecklin (1994), Harris et al. (2004) and Xiao and Boyd (2010, p. 550), who stated: “It is generally considered that people from different cultures have different views on the world and hold different assumptions about life and work, so they behave differently”. Gupta (2004) supported the theory of the importance of culture by remarking that it impacts very much on the effective coordination of the activities in the international team – more than on technological development. How far colleagues “know, understand, like and trust each other has a greater influence on job performance and results than the transmission of the next work packages in a matter of seconds” (Gupta, 2004, p. 91).

The data shows that differences between countries exist in different dimensions. This contradicts Ohmae’s (1990) view of a denationalised homogeneous world or the general view in which “nationality has lost its importance completely” (see also Francesco and Gold, 2005, p. 146). However, it is in line with Schneider and Barsoux (2003), who rejected the notion of a denationalised world with the argument that, even in cosmopolitan cities, people with similar cultural backgrounds group together, e.g., “in Chinatown or Lit-

tle Italy” – and in that way take care of their traditions. No other development could therefore be expected across the entire globe. The pressure for integration would lead to stronger fragmentation and the wish for individualisation. This idea is especially important in relation to product marketing, regarding whether a product could be sold worldwide off the shelf or with just minimal adaption, or if individualised products are required for each market. Schneider and Barsoux (2003) argued against management being a universal science, by stating that even medicine is practised geographically and culturally very differently, depending on whether it is in China, Africa, Europe or somewhere else. It must therefore be assumed also that management is always influenced by local cultural flows around the globe and could therefore not be a globally valid science (Schneider and Barsoux, 2003, p. 5), as is always taken for granted in positivistic research. It is a little more subtle than this. It might be a global economy according to reputable sources like Dunning (2000) and Axinn and Matthyssens (2001) in the sense of trade channels, transportation and technical communication possibilities, especially in the automotive supply industry. However, there are at the same time regional differences in the sense of cultural backgrounds and consequently differences in “behaviour and believing”, as once postulated by Kroeber and Kluckhohn back in 1952, and still valid. So, accepting that distances do exist, the research will further look at where those distances are perceived and if there is an order between countries.

Now the next issue to explore after having found evidence of the existence of the phenomenon is where distances are perceived from a cross-country perspective. After China and India, the third most often named region, where the interviewed people perceive a distance, is, surprisingly, Europe, their home continent. This was recognised in the context that distances do not exist only between Germany and emerging markets thousands of kilometres

away, but that they also exist between nations within Europe, e.g. between France and Germany or even different regions within Germany:

“...well, I am sometimes more distant to colleagues in the eastern part of North Rhine-Westphalia...” (Person B, Chief Executive Officer).

That was echoed by the respected commentators Limaye and Victor (1995), who emphasised that most countries have domestic cross-cultural differences :

“French and Flemish Belgians; Francophone and Anglophone Canadians; Ibo, Hausa and Yoruba Nigerians; Chinese, Malay, and Indians in Malaysia and the 16 government-recognised cultural and linguistic groups in India”.

And although that diversity is known, most studies focus on a single-country orientation, e.g. how small and medium-size Finnish enterprises operate in Japan (Ojala and Tyrväinen, 2009) or how UK construction companies operate in China (Xiao and Boyd, 2009). This might play a role in a specific research context, but when just a single-country perspective is being researched, the perceived distances may play an overemphasised role. In contrast, the present research looks at perceived distances towards emerging markets around the globe and thereby obtains a wider, more realistic view of this complex phenomenon.

Also, culturally or historically close countries were rejected by interview partners as not having any similarities, e.g. between countries in Africa or between Spain and Mexico. Bearing in mind the statements that “there would be more problems while dealing with people from another area in Germany than with people from Africa”, or that “the Chinese are seen as being more international in terms of thinking than colleagues from other parts of Europe”, differences are reported to exist between all countries in the world (which, incidentally, was the second most often made statement). So

first it seems that differences are perceived as existing, and the significance of that existence does not seem to become less with increasing distance to the home country or from one country to another geographically close country.

“This is the case on all continents. That is, I'm a bit more experienced concerning Africa. If you go to West Africa, country by country by country – for many people, Africa is a continent. Africa is not just Africa. The differences vary from country to country so hugely, it's incredible ... It makes no sense to say, for example, I'll start in South Africa and then go to Ghana, and then to Nigeria, that is nonsense. These are simply different keyboards on which you have to play” (Person B, Chief Executive Officer).

That is contrary to voices like the marketing authority Kotler, who emphasised general business culture and underestimated potential risks in an international engagement, by saying they “can” be geographically very different (1999, p. 367-368). The truth is that they definitely *are* very different. It was admitted that this is different from region to region and it could be a risk if it is not addressed, but according to the field data, there is a risk with every international move, so that it basically does not matter in the eyes of the decision makers who were interviewed. The findings also run counter to the ideas of Johanson and Vahlne (1977), with cultural distances getting gradually bigger the further away the country is from the home country. This led Johanson and Vahlne (1977) to think that it would make sense to go through a learning cycle by geographically moving step by step away from the home country. That stepwise approach and the psychic distance concept have been widely cited since their formulation and are still being promoted, first by Johanson and Vahlne (1977 and 1990) and later by Bell (1995), Shoham and Albaum (1995) and Dow (2000), a widely recognised expert on cul-

tural distances. Later citations have been made by Ellis (2007), Alexander, et al. (2007) and lately by Dow and Ferencikova (2010), just to mention a few.

The approach that countries with distances perceived as low should be addressed first is not supported by the field data for the automotive supply industry; rather the opposite seems to be the case. This scepticism is in line with O'Grady and Lane (1996, p. 309), who criticised the stepwise cross-country learning cycle based on the psychic distance phenomenon by saying that cultural proximity is not necessarily an advantage – although the nuance in his argumentation is a little different. The reason why a learning cycle based on psychic distance does not make sense is not cultural proximity or distance, but its existence in all countries, making it an irrelevant factor at least within the process of selecting the country or market. That again is in line with Stöttinger and Schlegelmilch (2000), who also questioned the psychic distance concept as an explanatory model, citing examples in which US managers perceive a higher distance to their most important trade countries whereas, on the other hand, they only do a small amount of business with countries with a low perceived distance. Thus they found no evidence of the “negative correlation between psychic distance and export volume” (Stöttinger and Schlegelmilch, 2000, pp.171-172)

Another aspect is the suspicion which emerged during the research that perceived distances might change over time:

“So the first years, when people were up there in Changchun, or when I was there the first few times ... in China, which was in the early 90s, everything was still a little bit different. It was still a little difficult to gain a foothold and it was a bit of an adventure. Today everything is reasonably controlled ... There were no cars at that time, there were only bicycles. And there were hardly any people who spoke English. There was a completely different culture. Today Chinese culture has indeed developed in the direction that they

have just opened up to the West. They are no longer a People's Republic but a People's capitalism, something of that kind. And people adapt quickly to such a situation. Previously, the first time I was there, everything was grey and blue. Today, everything is colourful. So this is quite different. Quite different." (Person H, Senior VP)

The frameworks formulated to describe the gradual approach emerged during a time when geographically more distant markets were also more difficult to reach and enter. Companies in the 70s did not have the access to knowledge they have nowadays, 40 years later. Internationalisation was categorised in the 70s as the "Third Industrial Revolution" (Leighton, 1970), which makes it clear how new and challenging international business was. At that time, there were also considerably "fewer companies doing multinational business" (Gammeltoft et al. 2010, p. 254). The first indicator for the psychic distance phenomenon was the "geographic distance" (Carlson, 1974). So in the 1970s, psychic distance might in fact have influenced internationalisation decisions in a cross-country dimension. However, there are some indicators that the world has changed since then. This was hinted at in a statement from 2010: "We are at a time in which globalisation is part of our daily life" (Xiao and Boyd, 2010, p. 549). Other reputable researchers like Oviatt and McDougall (1994 and 1995), Bell (1995) and Autio (2005) also supported the idea that **psychic distance in the cross-country perspective has decreased over time.**

Those findings, that the perceived distances are changing over time – also because people's experiences change and thus the individually perceived distances – and that today they are seen by the interviewees as different in every country and even between districts, leads to the suspicion that a geographically-based stepwise learning cycle would not be a reasonable framework for explaining internationalisation behaviour in the automotive supply



industry in the 21st century. The reported differences do not appear to have any ranking in relation to impact across nations. The differences exist everywhere on the globe. From what the interview partners said, it cannot be concluded that there is some way to learn and grow with experiences when following a specific path across pre-defined nations, like water taking the line of least resistance. Rather, from the field data the opposite seems to be the case. Since differences can be found literally everywhere on the globe, it would not make sense to think about a learning effect when walking over the global map in the sense of approaching the target market stepwise through countries in the neighbourhood. It was admitted that international experience helps when facing a new engagement abroad, since this increases the manager's experience and so reduces the perceived distances, but in the sense of having an open mindset and being flexible in facing differences. Specific examples were reported, e.g. that it would not make sense to approach an Asian country through another one, since China, Japan, Korea and India are all completely different in terms of business style. Or another example was given, that it would not make sense to approach Russia by infiltrating it through Eastern Europe via the Czech Republic or Poland (see also the above quotation in relation to Africa). That is said not to work, especially because today no one could afford to wait to gain experience due to the ever faster changing world, because the result would be a step behind the competition. This was also echoed by Axinn and Matthyssens (2001) and Forsgren (2002), who argued that the small window of opportunity might prohibit a time-consuming experimental learning approach.

On the other hand, all of the interviewees declared that the only driver for an engagement abroad is business potential and business growth. Not being active in the target market means losing time, which the interviewees said was unaffordable. The difference in culture might be there and be perceived, but can be handled by tools which will be explored later.

Reflecting critically on the field data, it was assumed that the country names and distances mentioned would be related to personal experience, dependent on the people they met, on the frequency of their trips and on the direction of their business and position. This is in line with Sousa and Bradley (2006), who also argued that distance is more or less “defined by the individual’s perception between the home and host country”. Individual perceptions increase in credibility and dependability when reflected in the opinions of others. And there was, interestingly enough, coherence in the basic statements, which increased credibility.

The research concentrates on multinational companies in the automotive supply industry. Those companies might have access to a higher level of knowledge and experience of internationalisation and might therefore perceive distances as being much less significant than small and medium-size enterprises in that industrial sector. However, as was stated in the introduction, companies in the automotive industry are forced to have a global presence and thus a certain size, so it is to be expected that today’s small and medium-sized companies will join with other medium-sized companies or be bought by global supply companies in order to be able to provide the required global services, and thereby also get access to the above-mentioned knowledge and experience in a mid-term process.

Summarizing the chapter about the discussion of “psychic” distances, a **direct** approach is seen as key in the automotive supply industry, because once the target market segment is identified on the basis of information like cost advantages, market size, market growth, a good infrastructure for production and a favourable competitor situation, it does not make financial sense to wait for any kind of experience that could be gathered in the meantime. The target market is addressed fast and directly – to make use of the favourable competitor situation and not lose it by waiting, trying to capture

a market pioneering position. There are clear differences or distances between cultures – even within one country – and the automotive supply industry is well aware of those cross-cultural differences. But those differences – making a distance – exist everywhere in the world, so that there is no sense in a stepwise learning approach; rather, the opposite is the case. Waiting for experience at this point in time would create an unfavourable follower position. The differences just have to be accepted and addressed. It might have been true in the 1970's, when the emerging markets like China started to open up, that the differences were perceived as overwhelming in comparison to cultural differences in Europe during that time, and that the stepwise learning might have been a possible alternative to consider. But cultural differences change over time, and today's situation allows a much better handling of those differences since the people and their regular travel habits enable better adaptation to differences. They still exist, but between all countries on the globe – in different forms, but with the same significance. So the cultural differences only play a minor role in comparison to the competitor advantage of a direct approach. The focus-group companies are aware of distances in law and regulations, political stability and communication and negotiation including dialects, culture, mentality, working style and execution. However, since those distances are expected to be present in all nations – in different forms but with the same high significance – companies from the automotive supply industry see no sense in a stepwise approach and address the country of interest directly.

The research will continue with discussions of the speed in the dualism of pro- and reactivity as another element of the model.

#### 4.5 BUILDING BLOCK: SPEED IN THE DUALISM OF RE- & PROACTIVITY – THE “S”

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This section explores the area of company behaviour in approaching the target country / market with the emphasis on time, because that area emerged from the field data during the interviews as being important and relevant in regard to the research question. The section will emphasize the need to fast move fast and play a proactive role both in the market and product dimension.

The target is to find out if the character of the company's activities is more a proactive or a reactive one. The inductive character of the whole research leaves room for a completely different kind of character to emerge from the data. It is also of interest whether that kind of activity is seen as having any kind of special relationship to the product, the market, or both or neither. It is important to find out the answer to this question in order to clarify the time aspect in the internationalisation process from the country-specific perspective. Concerning the country-specific perspective, the interviewees sometimes referred to the product and sometimes the market in their statements, so in the following discussion it makes sense to separate the country-specific perspective into product and market views in order to be more precise.

Concerning the style in which they approach a country and how they develop the market, there were enough answers suggesting a very proactive position, but it was denied that it is necessary to be the very first to enter just for the sake of being first. Admittedly, there can always be only one who is first, but for market development it is of more interest what the whole approach looks like.

First, concerning the product, the research participants stated that it is very much necessary to offer products with unique features which they are the first in the market to offer. Any kind of differentiation from the competition in the form of a unique selling proposition is necessary in order to compete and win business from the local competition. The research participants are convinced that they set industry benchmarks with most of the products in their product portfolio, and thus focus on the premium segment in order to differentiate. They are working with a high-level engineering workforce on previously unknown breakthrough design improvements like lightweight and thinner seats using new materials, or performance improvements like the most efficient vacuum pumps where there is currently no competition. They admit that the space for revolutionary innovations in the running series is relatively limited in the automotive supply industry due to the quite precise set of requirements demanded by vehicle manufacturers.

Nevertheless, the generation of technical differentiators for current business and technical innovations for the future is seen as key, for two reasons: to gain brand recognition, and to have a unique selling position compared to local competitors from low-cost countries. That would represent a clear product “pioneer position” according to Lieberman and Montgomery (1988). This by the way also supports the statement that the suppliers are the engineering and innovation drivers. None of the research participants see themselves in a simple reactive or copy position, in which mature products are just cloned and sold to save money on R&D, which is a follower position according to Lieberman and Montgomery. Furthermore, in contradiction to Vernon’s lifecycle, which states that only mature products are offered in new markets, the research participants do not distinguish between emerging markets and home markets when speaking about the level of technology. This reflects the change the emerging markets have gone through. It was stated that the highest technology level needs to be offered to China because

the people there know exactly what is available on the world market, and they would only be willing to pay for technologically superior products.

Second, concerning the market, it emerged from the replies that it was not considered important to be the very first to enter a market. They do not always strive to be the first in every market, but just to be there, despite all odds. It very much depends on the market potential and the total business case, whether and when they enter the market. Sometimes a 2-step approach is employed, in which first a new market is entered which consists of existing customers – a known market potential – and only in a second step are new opportunities and new customers looked for in that market. Developing a completely undeveloped new market would be unattractive. There was unanimity among the interview partners that overall speed very much matters in today's business. The global environment is reported to be proactively monitored for business opportunities by special teams; market potentials should be approached as soon as they are identified; no one could afford to wait since otherwise competitors would be ahead.

That contradicts Macharzina and Engelhardt's GAINS approach – see Literature Review - in which they stated that the company “only moves if a mis-fit is identified and settles down again if an alignment to that identified mis-fit has been done”. Continuous monitoring of the environment and speed when once committed are stated as key to competing, supporting Constanza's (1996) “speed-to-market” argument.

Summarising the above section, the idea seems to emerge from the field data that the variables concerning product should be characterised by a pioneering position (according to Lieberman and Montgomery), and the variables concerning market role should be characterised by a proactive position to influence the internationalisation process in the automotive supply industry, and that also the speed to market (potential) plays a significant role.

The research will continue with discussions of how all this could be achieved as another element of the model.

## 4.6 BUILDING BLOCK: LEARNING AS THE WAY TO ACHIEVE –

### THE “L”

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This section explores the areas of the themes that were mentioned during the interviews as being necessary and helpful for an international move to achieve in time what was planned. Those themes also represent variables which have a temporal influence, which was mentioned as being important in regard to the research question. The section will describe the whole learning process that is necessary as an ongoing, continuous process with exchange programs, intercultural training and regular personal communication.

It emerged during the interviews that the way the companies intend to achieve and realize their plans for an engagement abroad also impacts on time, because even after identifying variables that influence time like locally specific psychic distance, the tools to overcome or bridge these hurdles could save time or extend the process. Thus these tools are related to the research question.

Intercultural training, regular visits and a continuous, long-term exchange of employees and experiences are referred to frequently in the interviews.

When the two-way learning process is understood in the sense of a continuous, long-term exchange of experiences, it is in fact the tool most often mentioned.

This is in line with DiStefano and Maznevski (2000), leading researchers in the area of teamwork organisation, who recognise that, in today's economic situation, an increasing amount of close integration of international business teams and supra-national teamwork is required (DiStefano and



Maznevski, 2000, p. 45). In order to prepare for this, intercultural training is regularly used by companies to prepare people for their cross-border activities. The training is generally a 1- or 2-day session, in which an instructor prepares several people in a mixture of teaching and group work to learn about the different culture and become familiar with pitfalls in everyday situations. It aims to improve “cultural awareness and interpersonal skills” (Zakaria, 2000, p. 492). Depending on the audience, the training can be focused to be more efficient, e.g., if a team is to be prepared to deal with China, the training should be “China-specific”, as proposed by Selmer (2005, p. 79). Preparation specifically for expatriates needs to be different in the sense of being more intense and using more focused learning materials. This training is considered to be a good tool to overcome and lessen culture shock (Zakaria, 2000, p. 495), which is defined by Adler (1997) as being the state of “confusion and frustration” when being “bombarded” by too many new impressions and “uninterpretable cues”.

Although not every company might be actively engaged in intercultural training, since they think “good people always manage” (Selmer, 2005, p. 79), it emerged from the field data that intercultural training is widely recognised as being necessary and helpful, thus supporting Bhagat and Prien’s statement of 1996:

“As international companies begin to compete with each other in the global market, the role of cross-cultural training becomes increasingly important”(Bhagat and Prien, 1996, p. 216).

The training can also enhance skills and can, according to Barker, “improve efficiency of work” (see Barker, 2004); so there is a need for that kind of training, echoing another authority in team management, Holtbrügge et al. (2011, p. 206). However, the intercultural training cannot of course solve all the problems that will occur during cross-cultural interactions; the tool is

limited in its effects. An additional tool to help cross-border activities is to personally send managers for regular, face-to-face contact. That is reflected in the field data and echoes Xiao and Boyd (2010, p. 559):

“I have already sent a lot of people – or some people - to those countries. They have had their own experiences, and you can really only make them when you are on the spot. You don’t have that on the phone. You have to be on the spot, that's really the best training one can have. So I think it makes no sense to have intercultural training – or rather, it does make sense, but it works best with on the job training, really to be on the spot. Be with the customer, do a presentation and get into a dialogue, once you’re there. Also, to see the country in order to recognise the local problems. It's just different.” (Person L).

That reflects the ideas of Turnbull and Welham (1985, p. 34), who state that personal experience will lead to “improved customer orientation and reduce the psychic distance”.

Face-to-face contact is regarded as important for several reasons. Holtbrügge et al. (2011) described today’s cross-border email communication that has to be “coded” in one culture and “decoded” in another, which could lead to misinterpretation and delay. Body language and facial expression enhance understanding in communication; see Chapter 4.1. There is also a much better chance of “informal communication” (Holtbrügge et al. 2011) when meeting personally, which could be of more importance than formal, widely available information. This is also echoed by the field data:

“You must see them and you have to talk to the people, you have to ask your questions, you must talk with local employees personally and also talk privately in the evening, otherwise you have no idea about the markets and cannot join in a conversation.” (Person K).

Andersson (2002, p.100) described coherence between complexity of relations and the necessity of geographic presence, which leads to an additional reason for the necessity to be on the spot: the specialist nature of the automotive supply industry. The high engineering content of sophisticated products requires close collaboration between the business partners during all phases of the business interaction: sourcing, development, manufacturing and marketing. The products need explanation and demonstration, which can best be done when personally present. To bridge that specialism of the industry, one exercise described by Xiao and Boyd is the "initiation of cross-cultural projects" (2010, p. 559), in which both sides learn from each other in close interaction. That is reflected in the field data:

"That the people also come over here for a few months to join a project, and then go back again and continue working there on this project. Then you can normally be confident that those people understand ." (Person I)

Another important theme was a mindset showing cultural openness to overcome distances, e.g., in communication. That was echoed by Adler (2002), who is a respected international researcher in the area of international organisational behaviour, who drew attention to the two snares of stereotyping and thinking in categories, which one must avoid when communicating across cultures. She recommended that communication partners should accept that there will be a lack of understanding or variability at first until understanding and agreement is proven, rather than presupposing mutual understanding or agreement until a misunderstanding occurs (Adler 2002, p. 94). That is echoed by the research participants in their thinking that the misunderstandings and problems in communication can be overcome by an open mindset, or by the simple use of a certain respect towards other nationalities. Francesco and Gold (2005) argued in the same way, proposing that a tactful approach be adopted when a judgment on job performance of

people from different cultural areas has to be made. If, in Russia or Mexico, criticism is voiced in front of the group instead of indirectly, one-to-one, then “a resignation could be the result” (Francesco and Gold, 2005, p. 152), in order to protect against loss of face. Xiao and Boyd (2010) framed the open mindset in the following way: “We need to accept and work with the modes of thinking, values, and communication practices different from our own”. Zakaria labelled the open mindset as being “flexible and open to changes” (2000, p. 506).

An expatriate program in connection with local staff was another theme which was frequently referred to:

“The opening up of new markets worked like this, everywhere I've been watching it. First send people over, expatriates, people that are sent from Europe for 2-4 years. They should build it up. Otherwise I cannot imagine [how you would do it]; the road would really be too rocky” (Person I).

The expatriate has the task of bringing knowledge and experience into the partnership, whereas the local team would be responsible for communicating with local authorities, supplying knowledge about the local market etc. and thus reducing risks and time. This concept of complementarity that emerged from the field data is echoed, for example, by Millar and Choi (2008, p. 465). The concept also has similarities with Mead (1998), a researcher in international management, who also indirectly favoured:

- a) a person from the home base in the host country, because Mead pointed out that the cultural basis defines how claims from the geographically remote headquarters are interpreted, and
- b) a local team, because pressure on conformity from the home country's headquarters can lead to ethical problems, inefficiency and possibly demotivation (Mead, R. 1998, p. 34), ≈.

So the expatriate can bring the company's expectations and technological expertise to the host team. They in return gain high-value "tacit knowledge" (Crowne, 2009, p. 135), which cannot be taught or easily transferred and has a personal touch, but could be the basis of core strategic decisions. That knowledge is characterised as having a personal touch, influenced by personal experiences, feelings and emotions, and differs from knowledge that is widely available, for example, in the form of market figures and facts. The local host team ensures connectivity and the right customer relationship management; Perlmutter terms this the EPRG model, first published by Perlmutter (1969) and later by Perlmutter, Douglas and Wind (1973). The concept is often cited, for example by Harris and Moran (1996), Moran, Harris and Stripp (1993) and later Perlitz (2000, p. 138). It is a mixture of an ethnocentric leadership model, in which strategically essential positions of the branch office are assigned at least partially to some employees from head office, or at least its nationality, in the form of expatriates from the home country. This is mixed with a regio-centric workforce model in which positions of the local team members – and, of course, also leadership positions – are staffed by people from the host country, due to the perceived uncertainty about the other markets as well as the cultural distance in the form of "perceived differences in the cultural backgrounds" (see Albaum, Duerr and Strandskov, 2005). Culture and nationality are still significant in this ontological worldview. In the decentralised polycentric approach, it is admitted that foreign cultures have their own way of achieving a target, set by the host company. Processes from the host company are not duplicated one-to-one and forcibly implemented at the foreign site. So since it is a common view that there is a close "link between the effectiveness of communication and the culture" (Faure and Rubin 1993, p. 8), it is the local team, staffed by people from the region, that takes care of customer and market relations. The mixture of ethnocentric and polycentric organisation is intended to

overcome potential coordination and control problems of a merely polycentric orientation, in which reporting structures, project tracking and all organisational processes might differ too much from the host nation's processes to achieve common goals.

The expatriate program is also a "costly program", (see also Wentland 2003), especially for small and medium-sized companies, and this is confirmed by the field data:

"So, let's say a whole team of expatriates in China would probably kill the whole project from the cost side." (Person D).

That is the reason that those companies are being very thorough in launching their expatriate program, while supporting the basic idea.

A critical aspect is that some expatriates may also fail. Harzing and Christensen, experts in the research area of expatriate programs (2004, Table 1, p. 616 ff.), deny high failure rates, although they have worked out in detail the different categories of failure, since failure does not necessarily only mean returning before the official assignment ends. Besides the "premature end to the assignment", they distinguish "under-performance" or "repatriation problems" – meaning problems reintegrating the former expatriate. Bhanugopan and Fish place the expatriate and his work at the centre of their explanation of the reasons for failure, e.g., "inability to adapt to culture, not fitting personality to circumstances and inability to cope with complexity" (Bhanugopan and Fish, 2006, p. 450). Interestingly enough, Avril and Magnini, also acknowledged researchers in the area, put the spouse at the centre of their explanation as being the primary determinant of failure because of their feeling of "alienation" (Avril and Magnini, 2007, p. 57). Further research by Leskovich confirmed a shift from expatriate-centred reasons to spouse-centred reasons causing an early return (see Leskovich, 2009, p. 5),

which is the reason for making sure the family has been integrated into the preparation process at an early stage and taking care of their cultural adaptation.

In the section above, the researcher explored the variables that could impact on time in the dimension of realisation. Cultural training and an open mindset, combined with regular face-to-face meetings on the spot to allow better communication due to integration of body language and informal communication, together with the complementary concept of some expatriates and local staff, seem to significantly impact on time in the sense of speeding up internationalisation processes.

The research will now look at the results from the document analysis in an attempt to falsify the data.

## 4.7 RESULTS FROM DOCUMENT ANALYSIS

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The section will try to falsify the data that emerged from the interviews. As will be seen, it was not possible to do this, which leads to higher credibility of the data.

Following the triangulation method and the grounded principle of constant comparison, after having conducted a minimum of 2 interviews at each of the companies from the focus group, the next mixed method used was a document analysis based on the corporate presentations made by each of the companies in the focus group as above. The document analysis aimed to disprove the findings from the interviews, because according to the principle of induction, findings can be regarded as the truth, as long as they are not falsified.

Company	Document Name	Year	Source
I	Corporate Overview	2011	company website
II (automotive section from Company II)	Website Company Presentation	2011	company website
II (parent company)	The global expert - Press Background	2011	company website
III	140 years of history - Corporate Presentation	2011	company website
IV	From 2010 to 2014 - Growth and sustainable profitability	2011	company website
V	Fact Sheet	2011	company website

TABLE 15 : LIST OF DOCUMENTS ANALYZED

The company presentations were downloaded from the company's website in pdf-format and loaded into MAXQDA for further thematic analysis. All the documents were scanned several times and those segments related to the categories which emerged from the interviews were NVivo coded. This was done following the deductive element in grounded theory by constantly



comparing the categories with the new data. While coding and going through the documents several times, the researcher was also open to new categories that might inductively emerge. The codes which emerged from the company presentations were grouped into speed-related and timing-related statements, which included statements on continuous change and improvement. Further codes relate to market leadership or product leadership statements, value generation and, finally, how a company positions itself to achieve it. Abstracts of the documents, codes, code tree and conceptually clustered matrix are attached in the following graph.

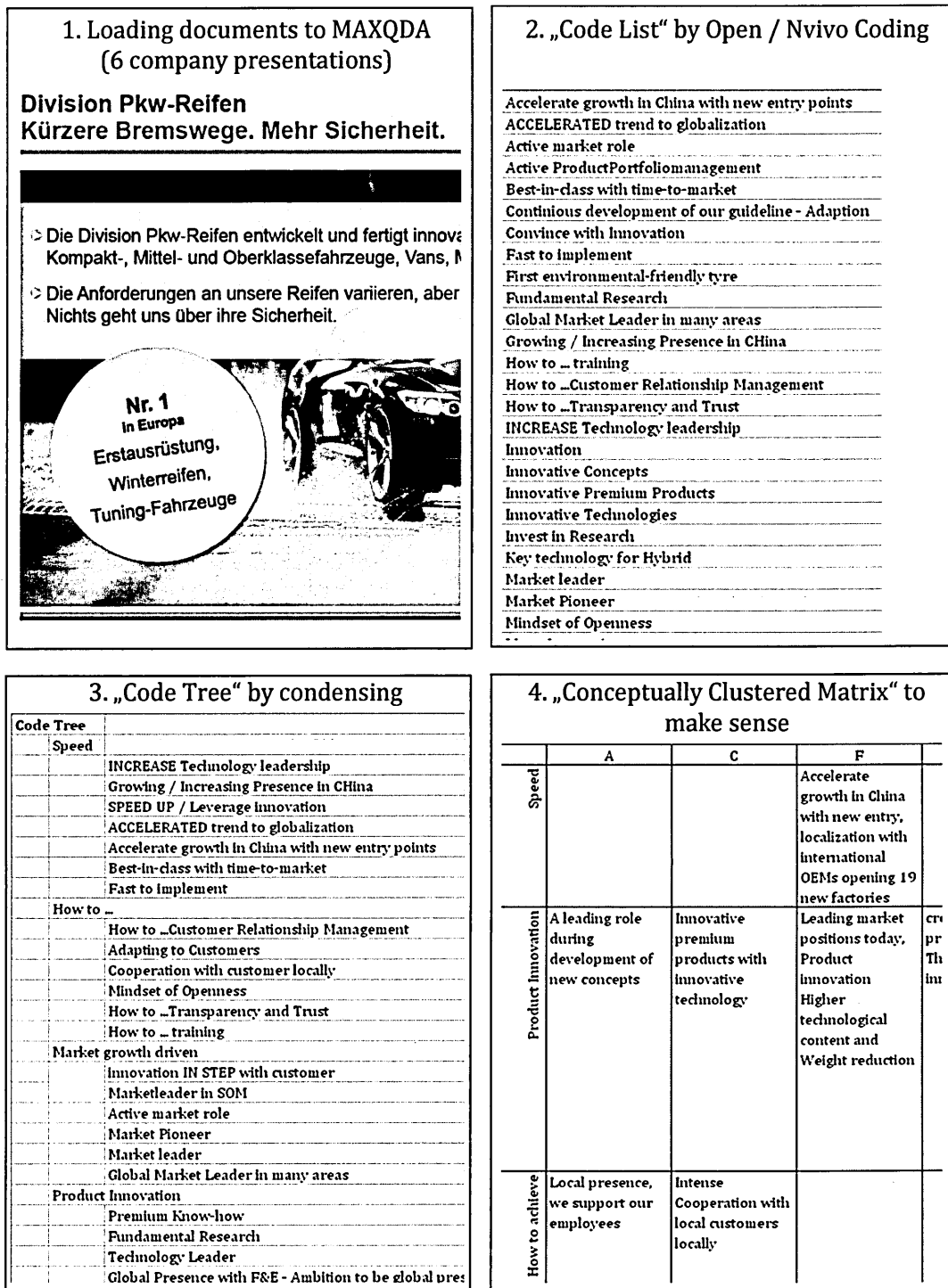


FIGURE 14 : OVERVIEW DATA-HANDLING PROCESS OF DOCUMENTS AND CONCEPTUALLY CLUSTERED MATRIX

All 5 companies in the focus group described themselves as being in a market leadership position as either market leader, global market leader in many areas, or even market pioneer. The statements made in the corporate presentations indicate that the entire focus group considers it key to be in an active market role when approaching and acting in a market. No hint could be found of any of the companies playing a reactive market role.

Similar themes emerge in relation to product and technology leadership, which was often discussed together with several examples of the company's latest product innovations touted as being either unique or number one in the market. It was explicitly detailed that innovation is necessary in order to convince customers. In one case, a company used the expression "we are involved in the development", which leads to the suspicion that its development activities are in reality more of a reactive nature – following a trend rather than actively setting a technology benchmark. For credibility purposes, this issue was clarified with the corporate marketing leader of that company personally. He replied that his choice of wording had been misleading; the company was **"the"** technology leader in the industry with an "overwhelming number of instances of being the first". So these suspicions proved to be incorrect. So the theme is that technological leadership and innovative products are key to success. No evidence was found that any of the companies played a reactive technological role in the sense of not innovating.

In relation to speed, the majority of the companies noted that "speeding up", "leveraging", "time to market" and "accelerated growth" play a role in the corporate presentations. So it could not be proved that speed does not matter; rather the opposite seems to be the case. From scanning the documents, it could also not be demonstrated that the activities could be characterised as anything other than being related to continuous improvement, continu-

ous monitoring or continuous adaptation to a changed environment. Also, in relation to the driver of the companies' activities, the documents were scanned to see if anything aside from "market growth" or "generating value" were described – but without success. All of the companies identified either the former or the latter as being their driver.

The way the companies would like to achieve what it is they want to achieve was seldom noted in the documents. The majority of the companies detailed customer relationship management and connectivity to the local customer as key. Training and a mindset of openness were alluded to only once – training in one document; mindset in another.

	I	II (Parent Company)	II (Automotive Section from Company II)	III	IV	V
II. Speed / Proactive vs. Reactive behaviour	Leverage global operations/expertise, driving speed. seeks to lead the world in the creation and supply of products and systems, INNOVATION/ TECHNOLOGY LEADER	Reduce Time to Market. development of smarter products, Launch of innovative design, Continuous innovation in products, solutions and services, employee development and engagement,	A leading role during development of new concepts	Innovative premium products with innovative technology	Accelerate growth in China with new entry, localization with international OEMs opening 19 new factories. Leading market positions today, Product innovation Higher technological content and Weight reduction	create quality products, Through our innovations
III. How to achieve	Adapting to surrounding, connect with every customer in every region, Mindset of openness	Training and Support, local support teams, Customer Relationship Management, develop transparency and trust	Local presence, we support our employees	Intense Cooperation with local customers locally		
IV. Decision Drivers					Market growth driven	Increasing Market share, Customers include almost every automaker worldwide

TABLE 16 : DOCUMENT ANALYSIS

Thus the document analysis could not disprove (or falsify) the ideas emerging from the interviews that the following facts are part of the approach:

- 1) a direct approach towards the business area which promises market growth or to generate the highest value,
- 2) an active role in the market,
- 3) technology leadership to create innovative differentiators and
- 4) the intention of continuing the activities in the sense of adaption and improvement

It could also not be disproved that the tools for achieving it, such as intercultural training, regular visits and stays in the sense of customer relationship management as well as an open mindset, were not favoured.

The failed attempt to prove the opposite further consolidates the ideas emerging from the interviews.

## 5. CONCLUSIONS AND RECOMMENDATIONS

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The Conclusions and Recommendations chapter draws the research journey to an end with a summary of the contributions of the research to knowledge and practice and a reflection on the evaluation criteria and the whole research journey. Finally, the chapter critically looks at the research done and discusses the limitations of the research and its future potential.

The intention based on the researcher's epistemological understanding was to develop professional understanding and thereby contribute to knowledge and management practice by taking a fresh look and fill the identified gap. Especially in the decade after the millennium in which the emerging markets are reported to have become more important than ever, very little research has been carried out in relation to timing in the automotive supply industry for suppliers further down the supply chain – an industrial sector of huge importance both in Germany and worldwide (see Chapter 1). At the same time – as also shown in Chapter 1 – the world and consequently the global economic environment is constantly changing. So the research at hand closes a gap, a gap which was identified in the Literature Review in Chapter 2. This gap relates to research and knowledge, on the one hand, and the actual current business environment, on the other. The aim of closing this gap has been successfully achieved with the insights given by the research at hand. The exploration informs by giving an insight into the internationalisation process on a level that will change the way suppliers build up the supply chain.

The BIDS-L model is able to explain the role of time-influencing variables in the multidimensional internationalisation process, as it was formulated in the original overarching research question. The inductive approach made it possible to let all those themes emerge that were identified by the research

participants as being of importance in relation to time. The researcher, following his epistemology, took himself out of the research process as far as possible., and it must be conceded that the researcher was – in a sense – surprised at the richness of the facets that led to the model. It must be recognised that the key objectives of the research have been more than achieved.

## 5.1 CONTRIBUTION TO KNOWLEDGE

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The section will summarise the contribution to knowledge, the gap-filling BIDS-L model, which helps to understand how suppliers further down the supply chain internationalise.

There is a plurality of partly-competing theories which attempt to give an insight into international moves of companies, for example, the stepwise learning approach of Johanson and Vahlne or the revolutionary GAINS approach of Macharzina and Engelhard. The present research took a fresh look at the current global development in that specific industrial sector by exploring individuals' perceptions, past experience and future expectations towards the subject. That insight alone would already contribute to knowledge.

But a gap was also identified in knowledge between the ever-changing global environment and the development of knowledge in the area of internationalisation and time-influencing variables in the automotive supply industry. This gap has been successfully filled by the research in hand. Out of the field data collected by the researcher a new model emerged to explain the variables that impact on the multi-dimensional process, the BIDS-L model.

In the further course of this chapter, the BIDS-L model – on the right-hand side of the page – will be mirrored against the existing theories on the left-hand side of the page. This is done in order to find out if one of the existing theories is proved by the BIDS-L model or if the BIDS-L model stands separate, representing new explanatory power in the light of economic developments in the 21<sup>st</sup> century - which is actually the case.



In the following table the theories of Ricardo and Coase are compared to the BIDS-L Model:

Theories of Ricardo and Coase	BIDS-L Model
<p><b>Ricardo</b> – comparative cost advantage. A country concentrates on the production of a product, which has a relative cost advantage in comparison to another country.</p> <p><b>Coase</b> – transaction costs. A comparison of the transaction costs for obtaining a product on the free international market with the transaction costs that arise internally makes it possible to decide which the more cost-effective variant is. If the transaction cost theory is related to transnational trade, then international direct investments make sense when the transaction costs arising are lower than the actual internal transaction costs.</p>	<p>In the BIDS-L model, the D represents the direct approach towards the target market, which has been identified on the basis of having a cost advantage towards today's current cost situation. Consequently, Ricardo's cost advantage and Coase's transaction cost theory are both reflected in the BIDS-L model, but still not as the only part.</p>

In the following table the theories of Vernon and Jahrreiß are compared to the BIDS-L Model:

Theories of Vernon and Jahrreiß	BIDS-L Model
<b>Vernon</b> – driver for internationalisation is basically to increase chances to still sell already mature products, which came under cost pressure.	Vernon's assumption, that only mature products from their lifecycle point of view are sold to foreign markets, has been disproved by the field data research, so Vernon has also been rejected from the theoretical landscape.
<b>Jahrreiß</b> – main reason for direct investments abroad are market-related variables like market size and market growth.	The target market, which is addressed directly in the BIDS-L model, is identified not only on cost criteria, but also predominantly on criteria like current and future vehicle production, thereby reflecting Jahrreiß' criteria of market size and market growth as main drivers. Also reflecting the approach of Porter, the criteria together are the underlying basis for such decisions, meaning aspects of production like related and supporting branches as well as market aspects including competition.

	As participants said: “The whole value chain must fit” – the whole business picture must make sense.
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In the following table the theories of Porter and Johanson and Vahlne are compared to the BIDS-L Model:

Theories of Porter and Johanson/ Vahlne	BIDS-L Model
<p><b>Porter</b> – why some countries are more successful than others in certain lines of business and on which regulation factors this depends. Examination could also be understood as the underlying drivers, which are important for a company when choosing a specific country.</p> <p>First aspects of a model to look at production, product availability conditions of demand for this product, related and supporting branches strategy, structure and competition.</p>	<p>The BIDS-L Model has similarities because it consists of more than just one factor, like Porter's diamond model. But the factors are still somehow different because the explanatory direction of the two models is different.</p> <p>Porter's model looks at the factors which are important when choosing a country; the BIDS-L model looks at factors which are important when looking at the time of an internationalisation process, regardless of the country.</p>
<p><b>Jan Johanson and Jan Erik Vahlne</b> – gradual approach towards international activities, building on collected knowledge and experience. Psychic distance is the barrier of culture or language, <u>Market knowledge</u> as one state aspect, divided this into four categories: 1. Objective Knowledge, 2. Experiential</p>	<p>Information is one important part in the BIDS-L model to feed into the decision-making process. If we understand information as captured data and knowledge, it has similarities to Johanson and Vahlne's understanding of objective knowledge, that can be taught. Information together form and</p>

<p>Knowledge, 3. General Knowledge, 4. Market-Specific Knowledge</p> <p>..influence the change aspect of “decisions to commit resources to a certain country”.</p> <p>The change aspect of performance of current business activities influences the state aspect of resource commitment.</p>	<p>expand knowledge, which is the reason that information and knowledge are still confined as being important and thus are part of the BIDS-L Model. Nevertheless, the assumption by Johanson and Vahlne that there are state and change aspects which turn and feed themselves gradually is disproved by the field data and replaced by the direct/ fast approach, wherever it makes sense.</p>
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In the following table the theory of Hakansson is compared with the BIDS-L Model:

Theory of Hakansson	BIDS-L Model
<p><b>Hakansson</b> – network theory. A firm uses its network of suppliers, customers and political contacts to internationalise in order to gain access to market knowledge and bridge possible existing distances, uses advantages in its cooperation with others, improves inadequate sites abroad and/or overcomes its</p>	<p>First, Hakansson accepts Johanson and Vahlne’s assumption of the existence of distances. Second, he formulated the network theory to bridge those possible differences. The field data proves the existence of differences, although present all over the globe with the same significance, not being gradually</p>

own resource problems.	higher or lower as Johanson and Vahlne assumed. Nevertheless, the network theory finds similarities in the Learning aspect of the BIDS-L model, which stands for long-term learning between – in the best case – expatriates from the home country and local staff from the host country, both inwoven in a network with the home company, joint venture, market and local authorities.
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In the following table the theory of Macharzina and Engelhard is compared with the BIDS-L Model:

Theory of Macharzina and Engelhard	BIDS-L Model
Macharzina and Engelhard – GAINS approach (Gestalt Approach of International Business Strategies). Enterprise is in a static state until a mis-fit is identified, leads to dynamic change process, then again in ongoing static leisure.	A key element of Macharzina and Engelhard's theory is that the company moves from static leisure towards a radical change and back to static leisure. This was disproved by the field data. There are many indicators that the process of identifying a target market, approaching and learning in the market is a continuous, long-term and, in particular, an overlapping process. It is possible

	<p>that while being present in a target market and starting to learn and realise goals, new markets are being identified in parallel for the next move. There were no hints of a state of static leisure, which is a reason to reject the theory.</p>
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In the following table the theory of Oviatt and McDougall is compared with the BIDS-L Model:

Theory of Oviatt and McDougall	BIDS-L Model
Oviatt and McDougall – companies that are new on the market make substantial business in multiple countries soon after the company's foundation date.	The automotive supply industry is an engineering-driven technology-leading sector, requiring substantial knowledge and experience. International moves require substantial resource commitments, e.g. to carry out a new vehicle release at the same time in all the car manufacturer's plants worldwide. The research supports doubts that there is any company in the automotive supply industry that acts globally just 3 years after foundation, which is the reason to reject this approach for this industrial sector.



In the following the theory from Kutschker and Schmid is compared with the BIDS-L Model:

Theory of Kutschker and Schmid	BIDS-L Model
<p><b>Kutschker and Schmid – 3E model;</b> three different phases, namely evolution, episode and epoch.</p> <p>Evolution phase: continuous but minor changes and improvements.</p> <p>Episode phase: small milestones mark the steps of change.</p> <p>Epoch phase: fundamental changes are happening</p>	<p>The field data discovered that the internationalisation process contains of continuous, probably overlapping elements. In those processes, there might be phases which represent fundamental changes to the company, alternating with phases representing only minor milestones. But a sharp differentiation into 3 different stages would represent an unrealistic and unnecessary oversimplification of the process. There is no support for that idea in the field data, which is the reason to reject this idea from the theoretical landscape.</p>

In the following table the theory of Lieberman and Montgomery is compared with the BIDS-L Model:

Theory of Liebermann and Montgomery	BIDS-L Model
<p><b>Lieberman, Montgomery</b> – Pioneer / Follower. The brand is assumed to have a significant role for pioneers. Stay up to several years with the first brand introduced.</p>	<p>The field data reveals that it is essential to adopt a very proactive market role to be early in the market and be able to make use of market potential, although not necessarily a market pioneer role. It further emerged from the field data that it is necessary to be innovative with new products, marking a technological leadership position and convincing customers of one's engineering capability. Those two roles of proactive market role and product pioneering role merge to form the idea of "Speed" in the BIDS-L model. So the BIDS-L model also reflects elements from Lieberman and Montgomery.</p>

Both costs and market demand have been reported as playing an important role. The interviewees referred to the saturated European market as well as to the enormous cost pressure in the specific industrial sector. Off-mic, i.e. not on the audio recording, one CEO labelled it as “brutal”. Nevertheless, Vernon’s Lifecycle theory, which states that “only mature products will be offered in new or emerging markets” (ibid., 1966), is not supported by the field data. Indeed, the opposite is the case. Emerging markets, especially China, are fully aware of new technologies and customers are willing to pay for superior quality. Moreover, new car models are shown first in those markets. So there is a very strong need to take over a product pioneering position, following the concept of Lieberman and Montgomery, thereby rejecting Vernon’s concept in relation to internationalisation.

The BIDS-L model also rejects the stepwise learning approach from Johanson and Vahlne, since it makes no sense with distances existing everywhere with the same significance and it would put the companies in a very uncompetitive situation if the target market were not addressed immediately, as described above.

The direct character of the cross-country approach has similarities with the GAINS approach with its revolutionary, direct approach, although the GAINS approach assumes that it is a one-time move as a result of a mis-fit, after which the company gets back into balance, similar to a standstill – c.f. Holtbrügge (2005). But the field data has shown that it is an on-going process, proactively continuously scanning the market environment and deciding on new market opportunities, based on market information, e.g., vehicle production. So since it is a continuous on-going process in the BIDS-L model, which is different from the GAINS approach.

The field data also gives no reason to think in three different stages like “Epoch, Evolution and Episode”, as the Kutschker and Schmid model of interna-

tionalisation suggests. The process that emerged from the field data – leading to the BIDS-L model – is based on information and decision in parallel and overlapping loops, not in serial stages. In those decision loops, the company focuses on new market opportunities, which requires a considerable amount of resources to be able to globally serve the customers.

In the automotive industry, there is a trend towards mergers and acquisitions between companies, since small or medium-sized companies rarely survive. The automotive supply market is dominated by several global players. So the “born global” concept of Oviatt and McDougall, that new companies venture into new markets only 3 years after their foundation, might be valid, but not in the industrial sector researched. And that is especially true when taking into consideration that a supplier has to convince the vehicle manufacturer that he is able to provide technologically reliable solutions. That could be difficult for young start-ups.

So there are some similarities between the existing theoretical landscape and the BIDS-L model that emerged from the field data, but no congruency. The model is unique in its multidimensionality, again “widening the concept of internationalisation” according to Axinn and Matthyssen (2001, p. 446). Due to its multidimensionality, it overcomes the problem of oversimplification and is able to match the complex reality. It thus successfully contributes to knowledge.

This model - resulting from the research process under the guidance of the independent researcher - adds to the existing body of knowledge, because it is clearly different in its completeness from the body of knowledge available today and discussed in the literature review. It is a new Lego brick, added by the researcher, helping to further build the house of scientific knowledge elements. Since the new model is separated from today's body of knowledge

in the area of research, the research undertaken by the researcher considerably contributes to knowledge.

The research will now discuss the contributions to practice and issues around the applicability of the model.

## 5.2 CONTRIBUTION TO PRACTICE

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This section will summarise the contribution to practice - the gap-filling BIDS-L model - which will change the way suppliers will set up their supply chain and thus help to improve the whole industry.

The implications for senior management are considerable, which is underlined by the agreed publication of the key elements of this work by the VDA to its 600 membership companies.

Every international move requires a significant amount of resources in regards to time, money and human resources. By adding the multidimensional BIDS-L model to management practice, every international move could save a lot of these resources, which would mean that the process could go faster – which is an advantage over the competition – and use far fewer internal resources, which is an advantage for the company's assets and thus contributes to the interests of every stakeholder, including shareholders and employees. But the opposite is also true: The less use is made of the BIDS-L model, the greater is the danger that the time will be unnecessarily extended, or even of failure during an international move in practice. For example, if the management board has too little information to make the right decision when and where to go, no business plan, no vehicle production forecast, no market segmentation, no cost-benefit calculation – then the likelihood increases that the project will be extended unnecessarily or even fail,. If the country of interest is not directly addressed, but a neighbouring country instead - because the management board thinks it necessary to gain experience in an allegedly culturally closer country first - then the competition will be first in the market originally targeted, and will gain market share that will be difficult to get back. That would also extend the whole international move. If the company is not proactive in the market, but is satisfied

with the current customer base and locations abroad, then it ignores new opportunities to make a profit, prolonging the time until investments are amortised and thus prolonging the success of the move. If the company's products are not able to convince the vehicle manufacturer of the company's ability to produce technically reliable and innovative products of high quality – in the best case with a unique selling proposition as a differentiator – then it will be increasingly difficult to compete with local competitors, again unnecessarily prolonging the time until market success, or even preventing market success being attained. If the cultural differences are ignored and the new market is entered like the Spanish conquest of Mexico, 1519-21, rushing into the country with an egoistic mindset in an attempt to convince the host country with one's own culture and existing off-the-shelf products, then communication with local authorities and understanding of local customer needs will become very difficult and make the road to a successful business very rocky, resulting in a more prolonged and less successful move than it could have been. It emerged from the field data that the mindset and a willingness to learn are essential; while not renouncing one's own personality, it seems important to accept and be open to differences. If regular business trips to those countries and expatriate programmes are not approved due to the initial costs, then the whole process can be expected to slow down a great deal due to the lack of communication and execution of decisions because of misunderstandings or the mis-communication in that culture. Learning from each other is essential. So the BIDS-L model's contribution to practice is significant.

Some of the aspects mentioned above may sound obvious, but observation of the behaviour of some companies during their international moves shows that the BIDS-L model can contribute a lot in practice.

That implies an obligation on the researcher to further apply the model to practice in four ways:

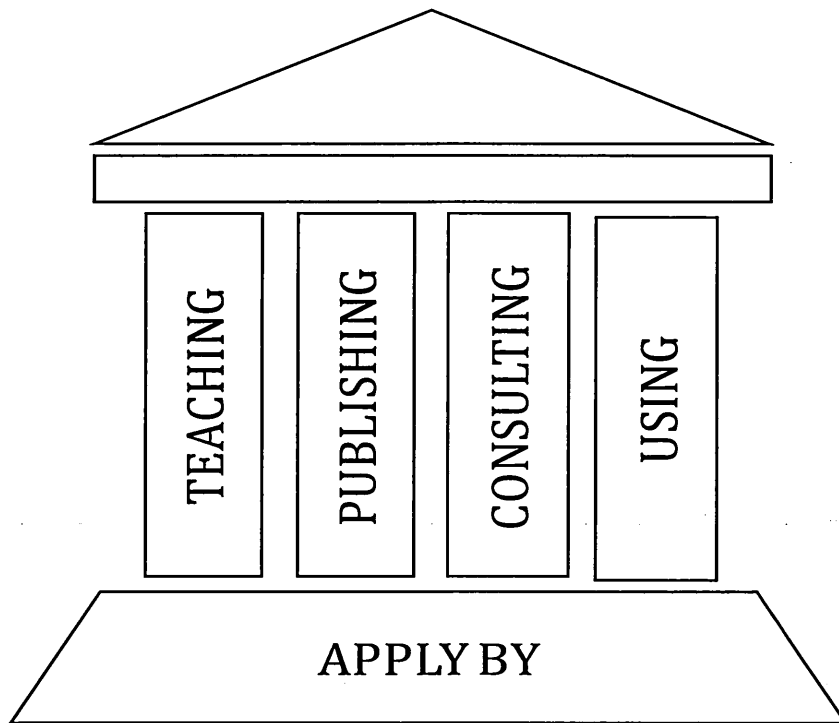


FIGURE 15: APPLYING THE MODEL IN PRACTICE

**TEACHING** the model to MBA students. The Researcher is working as an associate university lecturer and integrated the essentials of his research into his lecture last semester. The researcher is convinced a multiplier effect can be achieved for those young professionals who are expected to obtain positions in middle management soon, equipped with the correct background knowledge on internationalisation.

**PUBLISHING** the model. Unless it is published, the model will not be known to the relevant public. An agreement has already been reached with the press department of the German Association of Automotive Industry to publish an abstract in its newsletter, which reaches about 600 member companies in the industry. This rare opportunity gives the researcher the chance to



disseminate the findings across the automotive and automotive supply industry and so possibly be responsible for improving current and future international moves and for positively influencing the success of the German automotive supply industry today and in the future - which is more of a contribution to practice than could have been hoped for at the beginning of the research journey. It also hints at the commercial attractiveness of the findings of this thesis. It is also planned to publish the thesis in order to make the relevant information known to other relevant industries. These could include all the suppliers in the B2B industry further down the supply chain because of their similar characteristics, such as suppliers for other vehicles like trains, planes and boats, but also for wind turbines, elevators, industrial robots and assembly lines.

CONSULTING small and medium enterprises is the third pillar of application. The researcher will combine his published information with an offer to guide enterprises on their way of internationalisation if they wish to do so. Companies will also be approached proactively.

USING the model in practice. As the researcher himself is in a leading marketing position for Asia within the Strategy Plan 2013-2018, the concept will be of course a basis for future strategic movements and will be applied in practice.

The research will now critically reflect on the evaluation criteria that were set at the beginning.

### 5.3 REFLECTION ON EVALUATION CRITERIA

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This section reflects on the evaluation criteria which were set at the beginning, and concludes that all the criteria have been met.

Reflecting back on the evaluation criteria for the trustworthiness of this research, “credibility, transferability, dependability and confirmability” as the criteria for qualitative research have been referenced according to the widely acknowledged authorities Gill, Johnson and Clark (2010, p. 228).

Since the research philosophy is neo-empiricism, resulting in a more qualitative piece of research, the evaluation criteria for quantitative research are not applicable, but those above for qualitative research.

Credibility during the interviews was achieved by always reflecting essential answers and asking for further clarification, thereby giving feedback and checking understanding. In addition, after the transcription process was carried out by the researcher personally, after listening to the audio recordings at least twice, the interview transcripts were sent to the interviewee for confirmation, with feedback. The overall triangulated approach, showing a certain coherence in the tendency of statements given within the focus group, further increased the credibility criteria to the researcher’s full satisfaction.

The whole research journey is documented transparently in the thesis, thus allowing other researchers to follow the research trail. It is transparent which choices have been made during the research and on which epistemological and ontological assumptions they have been made. Other researchers are able to judge the further applicability of the research data. The interview transcripts will be shared for that reason with the scientific community on the Internet, after the thesis has been published, at:

<http://www.4shared.com/folder/HeSrZLUr/InterviewTranscripts.html>. As a result, the criteria of transferability are more than satisfactory fulfilled.

The transparency also fulfils the criteria of dependability so that replication would, in principle, be possible, referring to Gill, Johnson, Clark (2010, p. 64). It is the researcher's conviction that the answers would be the same if the same people were asked again under the same circumstances, so that dependability is assured.

A critical attitude is part of the underlying research philosophy of neo-empiricism. The method - starting with a critical reflection on the researcher's standpoint in philosophy and methodology, continuing with a challenge and even an attempt to disprove or falsify the primary data arising from the interviews by using secondary data from a document analysis in a critical triangulated grounded type approach, and ending with reflecting the answers through different lenses of current literature - does more than satisfactory justice to the requirements of the research criterion of confirmability.

Reflecting back on the research criteria once set, all the criteria have been fulfilled, leading to the conclusion that this research is fully trustworthy.

The research will now reflect on the research journey.

## 5.4 REFLECTION ON THE RESEARCH JOURNEY

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This section will reflect on the long, rich research journey that changed the researcher fundamentally in the dimensions of learning and growing.

During the research period of more than four years, the researcher has been introduced to research philosophy, especially the areas of epistemology and ontology. Although already taught in general philosophy, the researcher developed through these studies a critical position towards the taken-for-granted knowledge widely presented in science as well as business life.

Again this critical position enabled the researcher to ask questions that have not been thought about before.

During the research period, the researcher scanned widely the literature around and beyond the subject of interest by reading dozens of books and hundreds of journal articles, in the process developing a much-improved understanding of the subject area.

It was mentioned when explaining the researcher's motivation for this research that the knowledge gained should also be taken further to a higher level of understanding. It can be claimed with justification that this has been achieved. The researcher went through a long-term learning process, requiring patience and perseverance, resulting in a much broader insight into the area researched and adjacent areas and – at the same time – in a much more critical view of sensory experiences. It was a long and hard journey, but it was worth it. During the research journey, the researcher has published 6 books and 1 journal article and finally became an associate university lecturer – parallel to his fulltime job in a leading marketing position.

One issue arose from the fact that English is not the native language of the researcher. English language teaching has always been part of the school and academic training of the researcher, beginning with 8 years of English lessons at undergraduate level, a student exchange with the United States as well as the UK, and training throughout his study of Industrial Engineering and the MBA programme. English is part of the daily business environment of the researcher. Still, there were obstacles in understanding some subject-specific academic literature, in particular epistemological and ontological books, that had to be overcome. That is also the reason why the thesis was checked twice for typos and grammatical errors. The language barriers to be overcome formed another significant challenge for the researcher.

The research and outcome of the thesis was therefore presented to the academic community at two German universities in 2012 to embed the research in the academic landscape. It was first presented in a 90-minute lecture to 50 Students and academic staff with the support of the Dean, Prof. Dr. Michael Kulka, under the guidance of Prof. Dr. Karin Wagner at HTW University in Berlin on November 22nd 2012. Secondly it was presented in a 60-minute lecture to 100 Students and academic staff with the support of the Dean, Prof. Dr. Heinz-Dieter Quack, under the guidance of Prof. Dr. Axel Lippold at Ostfalia University in Salzgitter on December 6th 2012. Some questions that were raised were answered to the audience's complete satisfaction. The questions led to minor adjustments in the thesis for the reason of clarity. Overall, the academics present were very satisfied with the research and outcome, and very happy with the rich, interesting lecture.

The research journey continued in January 2013, 3 months before the viva, with a role as associate university lecturer at the University of Applied Sciences, FHDW in Hannover, Germany.

Finally the research journey will drawn to a successful conclusion by looking at the limitations and outlook.

## 5.5 LIMITATIONS AND FUTURE OUTLOOK

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This section critically evaluates the whole research journey and discusses prospects for the future.

Finally, drawing the research journey to a successful conclusion, the researcher reflects on the strengths and limitations of the research. There is obviously a strong contribution to knowledge as well as management praxis, as described above. Nevertheless, every piece of research also has its limitations. If any kind of scientific denied the presence of limitations, it would simultaneously be accompanied by the suspicion of scientific inadequacy and lack of credibility.

The first issue relates to the participation of the interviewed persons. The researcher was mindful that the research participants might have participated only because of the reference letters, and that these might have influenced the answers. However, it is the researcher's conviction that the letters should be regarded only as an "entrance ticket", not as a factor influencing the answers. There is no motive for, or proof of, a causal connection between the letters and the direction of possible answers.

The second issue to think about is the audio recordings during the interviews. Audio recordings are normally necessary to make it possible to refer to them later, thus increasing scientific credibility. However, some of the CEOs, presidents and directors interviewed said that their answers would have been even more open if they had not been recorded. But since the audio recording was an essential part of the scientific approach, the researcher decided to record all the interviews. It is the researcher's conviction that the answers would possibly have been clearer and more precise with more practical examples, but the direction of the answers would not have been

different. It is the level of mutual agreement between all the interviewed CEOs, presidents and directors from all the involved companies, which underline the suspicion that the type and direction of the answers is true. Without audio recordings, some more practical examples or even company names would have been mentioned, but this is irrelevant to the findings that had already emerged from the field data. That actually happened once, when the researcher switched off the recorder; the interviewed CEO then gave a very dramatic example of what he had said before – which in addition leads the researcher to the conviction that the audio recording simply prevented “dramatic” examples being given, but did not prevent the truth from emerging.

The third reflection on the thesis relates to research philosophy. The research – as the researcher understands it – is not intended to generate a general universal rule or law. That would be against the ontological and epistemological self-understanding. But, since a certain level of agreement or consensus has been reached in the field data, it is credible to say that the BIDS-L model in the automotive supply industry is the most promising way to influence time-related variables and thus be faster, giving a high probability of greater success.

The fourth issue for reflection relates to the focus group. The research concentrates on companies from the industrial sector of automobile-component suppliers. During the field research, it was revealed that those automotive supply companies in fact differ in size and location, which again positively influences credibility. However, after all, that industrial sector is different from other industrial sectors, due to its specifics - see Introduction Chapter - especially when compared to, for example, the consumer goods industry, so the research results might not be valid for another industrial sector. That would open up the possibility of testing the BIDS-L model in a different but



similar industry such as suppliers for other vehicles (trains, planes, boats) or wind turbines and industrial applications like robots.

The fifth reflection relates to the emerging markets, mentioned in the Literature Review. In the Literature Review the research follows the focus on the emerging markets of Brazil, Russia, India and China, since those have been the most-often named emerging markets in literature today, the beginning of the 21st century. In this thesis, it emerged that it is necessary to look at more than one emerging market to be able to compare perceived distances between them. Otherwise, it would not be possible to come to a comparison and conclude, based on findings from the field data, that distances are perceived between every country in a different form, but have the same significance, so that a stepwise learning approach does not make sense. If only one country had been looked at, for example, the international moves between Germany and China, then this would not have been possible. The inductive approach in addition opened up the possibility to look behind the scenes of what is meant by emerging markets without any pre-assumptions. It emerged inductively that

a) the North American area – with the US representing a considerable market demand with, for example, Mexico as a location for production – is an underestimated market when looking at new growth and production opportunities. It also emerged that

b) new emerging markets are appearing on the global map, besides Brazil, Russia, India, China and – in the case of the automotive supply industry – North America. The new emerging markets are countries like the 10 Future Focus Markets mentioned by Daimler in their presentation: Algeria, Argentina, Columbia, Malaysia, South Korea, Syria, Thailand, Ukraine, Venezuela and Vietnam (Daimler Presentation “Global Growth with Global Excellence”, 2012; see link in Bibliography). Ideally, since this thesis looks at more than

one emerging market, the BIDS-L model does not relate to any country-specific variable, so that it is universal enough to also be valid when approaching other countries as "new" emerging markets, or any other new market that will appear in the future.

While the research clearly adds to knowledge and management praxis, future research will provide proof of the model. That, together with the distribution of the findings to the 600 membership companies of the German Association of the Automotive Industry, will provide practicality for the model and bring this concept further to life.

## APPENDIX

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## REFERENCE LETTER FROM THE VDA

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Matthias Wissmann

Präsident

**VDA**

Verband der  
Automobilindustrie

Behrenstr. 35  
10117 Berlin

Tel. +49 30 297242-110  
Fax +49 30 297242-601

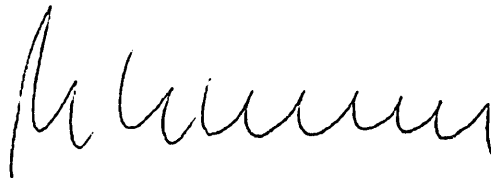
wissmann@vda.de

18. Januar 2011

Sehr geehrte Damen und Herren,

Herr Klußmann führt ein Forschungsprojekt zum Internationalisierungsverhalten von Unternehmen der Automobilindustrie durch. Wir begrüßen dieses Vorhaben und möchten Sie bitten, Herrn Klußmann in seiner Forschungsarbeit zu unterstützen.

Mit freundlichen Grüßen



It is the aim of this guidance to give the interviewer an overview about the subject and prevent any area being missed. It serves as an orientation. The sequence of questions does not need to be followed. If some questions do not fit, they could simply be skipped or supplemented.

General behaviour

Creating a relaxed atmosphere, including towards voice recording

Interested Listener (eye contact, body language)

Conscious naivety, No judgements about what is said

Wait in breaks (phase for thinking)

Paraphrase, use replies for further clarification

Ask for clarification to avoid misunderstanding

Allow digression as long as they relate to the subject

Before the interview

The interviewer introduces himself; academic background, hands over business card for reference and building trust

Organisational things, timeframe [Set the timer]

Mention the recording tool

Ensure anonymity

What you tell me will be handled confidentially. Everything stays anonymous, even if it is later written about; no-one can be traced from what is

written in the interview, so you can say whatever comes into your mind and whatever you would like to tell me. Of course, if a question is uncomfortable to you, you do not have to answer.

Clarify questions from the interviewee concerning project and interview upon request

Switch on Voice Recorder

Show a world map with Brazil, Russia, India, China highlighted

Theme block I - Introduction

What is your position ?

How long have you been in the company ?

What is your role in doing business with emerging markets ?

Theme block II – General issues with BRIC and Cross National Timing

When looking at the emerging markets of Brazil, Russia, India and China , how important do you rate them as a market for your products or as a sourcing possibility ?

What do you think of emerging markets for your future business ? Will they grow further, or are other countries of more importance to you ? Why ?

Theme block III – Cross-national Timing

With which countries out of the 4 are you doing business ?

Looking at the countries you do business with, have you experienced problems doing business with those countries ?

Why ?

Is it caused by

...language or communication problems

...cultural differences (values)

...economic differences (local infrastructure, investor confidence)

...political differences (stability, legal situation e.g. piracy in China)?

If so, how critical would you judge the problems to be? Are there differences between emerging markets concerning these problems? [If so, a learning model might be more promising]

How do you think a distance [if it exists] can be bridged ? (Learning by training or learning by doing)

Do you have a system of expatriates ? (expatriates means learning in both directions, supporting the stepwise approach)

Do you venture forward strategically, building on past experiences? What is your fluctuation in personnel? How do you prepare and train people for international tasks? Is that training mandatory or done upon request? (if trained, differences are admitted, if training is mandatory, it is seen as high, if upon request, it is rated as rather low)

Is there a database about that knowledge? Do you train your staff in dealing with Chinese / Indians ? (if they admit this, they admit a distance)

It's sometimes said that geographic borders do not play any role any more in today's business. What is your opinion about that? How do you come to that thinking? [hyperglobal view]

Do you have a system of continuous improvement? [GAINS approach of continuous evolving cybernetic system]

#### Theme block IV – National Timing

How important do you rate the importance and the chance to “set consumer taste” in a new market? (Advantage of First)

Did you take any action to set a pattern for consumer preference? (Advantage of First)

Did you take any action to set industry standards? (Advantage of First)

How would you rate your brand recognition in those countries? (Advantage of First)

Did you arrange any special activities to improve customer relationships? (First can start activities first)

Did you aim at targets in the market or long-term or short-term? Did you benefit from the experience of earlier entrants? Did you have contact with them or consult them before becoming active?

Do you have a system or regular meetings to talk about lessons learned after projects?

Where do you get market information from if needed? (Advantage of Followers)

How do you rate trust between supplier and customer in those countries (Very – high – medium – low – very low – not at all)? Why?

Did you consciously target a first or a follower strategy? Why?

Finalisation



We have now reached the end of the interview – is there anything you would like to add?

END OF FIELD MANUAL

## CURRICULUM VITAE

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Name: Wolfram Klußmann

Date of birth: 23<sup>rd</sup> February 1973

Place of birth: Hannover, Germany

Marital status: Married, 2 children

### School / Higher Education

1979 – 1983 Elementary School in Sievershausen

1983 – 1985 Secondary School in Hämelerwald

1985 – 1992 Grammar School in Uetze and school leaving exam in  
Economics, Mathematics, German and English

1991 – 1992 Study of Computer Science at the community college in  
Peine - graduated with certificate, grade “very good”

1992 – 1993 Distance Study, Financial Mathematics at the ILS in Ham-  
burg – graduated with diploma, grade “good”

1995 Instructor course at the Chamber of Industry and Commerce,  
Hannover - graduated with certificate, grade “good”

1997 – 2003 Distance Study, Industrial Engineering and Manage-  
ment”, University of Applied Sciences Berlin, graduated with diploma, grade  
“good”

2003 – 2005      Study of Environmental and Quality Management, University of Applied Sciences, Braunschweig (accredited by the Ministry of Science and Culture); awarded degree of MBA - Master of Business Administration

2009 -              Dissertation at Sheffield Hallam University, UK

## Profession

- 1992 – 1993      Military Service, commended for excellent performance
- 1993 – 1995      Apprenticeship to industrial salesman, commended for excellent performance by the Chamber of Commerce,. Sales manager for the junior company Metallix
- 1995 – 1996      Salesman at WABCO (Westinghouse Air Brake Company) in Hannover, Project Leader for the Volkswagen “L80”-project
- 1996 – 1997      Junior Assistant Manager at SEIKO Instruments, Tokyo, Japan – supported by the Federal Ministry of Education, Science, Research and Technology
- 1997 – 2000      Salesman at WABCO, Frankfurt/Main (Admission to the company’s internal personnel development program)
- 2000 -2004      Salesman at WABCO, Hannover (safety leadership trainer - commended by chairman and chief executive officer, Six-Sigma Project Leader)
- 2004 – 2007      Product Marketing Engineer, WABCO, Hannover (with global responsibilities for different product groups)
- 2008 - present      Product Manager for Brake Actuators for WABCO, Hannover (Leading Global Change Control in 2 Business Enterprise Marketing Departments)

## Publications

- Klusmann, W. (2009) *Strategische Unternehmensführung* (Eng.: Strategic Management), Hamburg : Igel
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- Klusmann, W. (2010) *Japanische Lebens- und Arbeitskultur* (Eng.: Japanese work and life culture), München : AVM
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