Internationalization Process and Strategies of a Start-up Service Company, a case study of HeartMath Scandinavia AB

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Västerås 2009-09-07
Abstract

Date: September, 2009

Title: Internationalization Process and Strategies of a Start-up Service Company, a case study of HeartMath Scandinavia AB

Course: Business Administration

Program: Master Thesis EFO704

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Problem: What is HeartMath AB’s strategy in their internationalization process?

Purpose: The aim of this thesis is to investigate the real life processes and strategies that companies adopt in going international and compare it to generic and taught internationalization models and theories.

Method: Information was gathered from interviews, books and online data bases.

Conclusions: From the analysis it was concluded that new business startups use the generic business models in the process of going international. In most instances they do this unknowingly. They combine two or more models in different ways to achieve their aim of going international. There were also instances when it is necessary for firms to combine two conflicting ideas to achieve what they want to achieve.

Keywords: Internationalization, Uppsala Model, Born global/INV, Entry Mode, Strategy, isomorphism.
Acknowledgement

Over the period of conducting this research and writing this paper, the authors have encounters lots of constraints and difficulties. Without the helping hands of certain people, the authors may never have been able to accomplish their mission. Therefore, the authors would like to dedicate this acknowledgement page for those that have contributed in no small way to the authors’ dream of writing this dissertation and finishing their advanced degree program.

First of all, the authors would like to express gratitude to God who in his infinite mercy gave us the grace to start and finish this project. We also specially show our appreciation to our supervisor Nyström Sven-Åke, who us guided throughout the process of this project, and also all the other lecturers who in no small way prepared us for this final moment through the years. Our appreciation also goes to the authors’ main opponents from group 2316 for their point of views which were, indeed, very valuable for this paper.

The authors would also like to give their special thanks to Mr. Anders Nilson, the Chief Executive Officer of HeartMath Scandinavia AB and Mrs Jenny Nilson, Head of Operations of HeartMath Scandinavia AB, for their time and great cooperation and opinions which were valuable materials for this paper.

On a final note, the authors would like to thank family and friends too numerous to mention for all their support. – You know who you are we say thank you very much. To Mrs. Mercy Okonkwo, Ifeoma, Chuka, Mr. & Mrs Oluduro, Mrs. Olaoke, Jife Oghene, Mrs Nwaise, Olumide, Bunmi, Bimbo and ‘Femi Olayanju. We collectively say thank you and may God continue to shower his mercies on you all.

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1 Introduction

In this chapter we will introduce the basics and background of the work. The topic will also be defined and a brief introduction of our case study company will be done.

1.1 Background

“Globalization is on everybody’s lips; a fad word fast turning into Shibboleth, a magic incantation, a pass-key meant to unlock the gates to all present and future mysteries. For some, globalization is what we are bound to do if we wish to be happy; for others globalization is cause for unhappiness. For everybody, though, globalization is the intractable fate of the world, an irreversible process” Bauman (1998; p.1).

Dimitratos P and Plakoyiannaki E (2003) defined both international innovation propensity and international risk attitude. The former they said refers to the natural inclination of a firm to generate new and creative ideas, products, or processes designed to service foreign markets whereas the later referred to the level of willingness of the firm to undertake significant and risky resource commitments in foreign markets. Therefore a firm considering internationalization must have both real intentions and be mostly proactive in coming out with innovative ideas.

The vast improvement in technology and increased efficiencies in the communication methods and means of transportation, according to Buckley & Ghauri (1999; p. 49) have contributed to the reduction in the cost of learning and the costs of control. These they credited as expeditors to the multinationalizing process.

Internationalization, according to Agndal H (2004; p. V) “is a concept that covers many different activities.” Therefore in researching the strategies start-up business uses to internationalize, both the upstream activities consisting of foreign purchasing and operations and downstream activities consisting of foreign marketing and sales in the foreign market needs to be addressed. The strategies are also influenced by the product and the mobility of the assets of the company. Daniels J. and Krug J. (2007; p. 270)
stated that “The fact that some assets are mobile across national boundaries immediately introduces a new element into the response of firms to the domestic policies pursued by governments. If it is economically feasible for a firm to produce a particular good or service in two or more countries, then it follows that the actual location chosen will depend on its (perceived) strategic value to the firm.” Finally, Buckley and Ghauri (1999 p. 64), in their book noted that changes in the significance of a particular locational costs and benefits is one of the reasons why firms are engaging in foreign direct investments.

1.2 Changing processes

The decision to internationalize and enter a foreign market is essentially a case of finding the right and cost effective strategy that will give the most return on investment. In other words the managers should be innovative as well as creative in making such decisions.

The traditional internationalization processes were characterized as a gradual and incremental process, following a stage development from the time of taking decision to implementation to the level of commitment. The decisions to go international were noted to be largely due to the lack of market information and uncertainty occasioned thereby, Johansson & Vahlne (1977).

In recent times the advances in technology and changing economic markets have brought about a new breed of international companies and a different kind of internationalization process. These are the companies usually referred to as the INV’s or born global firms. “The international new ventures or born global companies are business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” Oviatt B. & McDougall (1994).

In Madsen and Servais (1997) view, INV’s are firms that adopt an international or even global approach right from their birth or shortly thereafter. They further stated that research has shown evidence that more firms certainly are deviating from the traditional
point of view of internationalization process. The idea of a gradual and incremental process is not valid here.

Oviatt B. & McDougall P. (1994) again stated that in contrast to organizations that evolve gradually from domestic firms to Multinational Enterprises, these international new ventures begin with a proactive international strategy.

In today’s world of stiff competition, the strategy and processes a start up firm applies to open up new markets could be the fine line that will divide success from failure.

1.3 The Case Study

Our case study, HeartMath Scandinavia AB is a start up Swedish licensor with their affiliate company based in the United States. HeartMath Scandinavia AB, with close cooperation with the parent company in the U.S. stated that they are working to effectively inform, and educate their clients in Scandinavia, Baltic region and Poland. Using what they referred to as world-leading and unique research methods.

The company started in 2007 with several interesting assignments to inform, educate and guide individuals, businesses and organizations with tools to both reduce stress and be at their peak performance levels.

Research and development takes place at HeartMath U.S. research centers in the U.S. According to HeartMath Scandinavia AB, they are also building a unique E-Learning system to support individuals with tools designed to be self-help. HeartMath Scandinavia AB is presently training and licensing other consultants in their field of operation both in Sweden in particular and other Scandinavia and Baltic regions in general, (www.heartmath.com).

1.4 Problem Statement/Research Question

Over the years different researchers have developed various models of company internationalization processes and strategies. These models albeit correct however cannot
be necessarily valid for every firm. Therefore what will work for a firm amongst other factors will be determined by the circumstances peculiar to that firm. Understanding the processes and strategies the firm has employed thus far in their bid to internationalize will help in the analysis of the situations of the firm.

Building on the strategies and the processes that HeartMath AB has used thus far to open up new markets. The question will then be:

*What is HeartMath AB’s strategy in their internationalization process?*

To address this main research question, we also developed other strategic questions.

- How is HeartMath AB’s internationalization process related to the established generic models?
- What influenced HeartMath AB to adopt their style of internationalization model?
- What are the challenges faced by the company in internationalizing their operations?

### 1.5 Purpose

The purpose of this study is to investigate the process of going international and strategies of HeartMath Scandinavia AB, and compare it to some selected and different generic internationalization models and theories. These models include the Uppsala Model of Internationalization, the Network Theory and the Institutional Theory.

### 1.6 Target Group

This work is written with SME’s and entrepreneurs in mind who are thinking of internationalizing or are in the process of internationalizing their operations. By using a peculiar case study we are hoping to present a real life problem in a real life situation, which other SME’s or entrepreneurs could easily relate to in the course of their day to day business operations.
1.7 Limitations

The limitation to the conduct of this study is mostly in the tight time schedule under which we had to produce this work. However, this study is also limited to new start-ups or fairly new businesses with minimal resources and so may not be a representation of the entire internationalization process of all businesses. In this case we are referring to large multinational corporations.

The project is also limited to making comparisons and therefore is not an in-depth analysis of the choices open to a service company.

1.8 Thesis Disposition

The disposition part gives the readers a brief summary of the thesis and the chapters included in the research. It is divided into 6 chapters;

This thesis was written following this order:-

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Figure 1: Research Disposition
Source: Authors Diagram
1.9 Summary to Chapter One.

In summary, this chapter dealt with the overall preamble to our work. First we started with an introduction of the background to our work. Then we gave an introduction to our main subject matter which is internationalization, noting that this term deals with how firms make commitment decision to invest across borders. Then we also talked about the change that is going on in the world of firm internationalization. From the gradual change of the traditional incremental internationalization process to the new born global firms phenomenon. In this chapter we also discussed our problem statement and research questions and also the purpose for which we are conducting this study. Then we discussed our target groups which are the people we hope our work will be of benefit to. Finally in this chapter we discussed our research disposition that is an overview of the entire thesis.
2. Theoretical Framework/Conceptual Framework

For this chapter we will discuss the concepts models and other relevant terms using the source literatures or articles and journals we choose for the study.

2.1 Literature Review

Most of the literature used in writing this work was sourced from the Malardalen University Library. We also sourced for journals and other academic materials from the online data bases like ELIN@Malardalen and Jstor. ABI/Inform was also extensively used to source for information.

2.2 Meaning of Internationalization

Literarily, internationalization simply means bringing something under international control or to make something international, however, Johansson J. & Vahlne J-E (1977) described internationalization of the firm as a process in which firms gradually increase their international involvement. According to Agndal (2004; p. 2) internationalization can be defined as the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other firms.

2.3 Reason for Internationalization

Buckley and Ghauri (1999; p.9) noted that the decision to look abroad is actually a specific one. They went further to say it is a decision to look at the possibilities of a specific investment in a specific country, not a general resolution to look around the globe for investment opportunities.

According to Root (1994; p.1) manufacturing and service firms companies may enter international markets for several reasons; maybe because home markets are stagnant or foreign markets are growing faster, some follow their domestic customers who are going
international - a common reason among service firms such as advertising, computer services, engineering, and insurance, some companies may go abroad in search of greater sales volume or in order to reduce unit costs of manufacturing overheads thereby strengthen their competitiveness at home as well as foreign markets.

Engwall L. & Wallenstal M. (1988) argued that internationalization of manufacturing firms have shown that they tend to start their foreign operations in countries that are culturally close to their own and then gradually move to more alien ground. They went further to state that for a service firm, it would be expected that their internationalization will assume a similar pattern. However in contrast to this, an empirical test of major Swedish banks did not support this hypothesis. Instead these banks tended to concentrate their internationalization efforts to important financial centers’. Thus they have not only chosen to establish themselves in places where many international banks are already working, but they have also tended to follow each other in a pattern of tit for tat.

According to Ghauri & Cateora (2006; p. 268) the growth of the firm is the main driver of internationalization, however, Root (1994; p. 1) argued that the conscious impulse behind a company’s initial entry into foreign markets is almost always the prospect of profit on immediate sales. Agndal H. (2004; p.7) in explaining what he called innovation-related approach to internationalization, noted that there can be external and internal influences on internationalization. That means that internationalization is driven partly by actors outside the firm, unsolicited contacts, environmental pressures and the characteristics of the decisions maker.

### 2.4 Entry Mode/Strategy for Internationalization

Once a firm makes a decision to enter a foreign market it must choose a mode of entry because each mode of entry has different implications on the degree of control a firm can exercise over the foreign operation, the resources it must commit and the risk it must bear. For Kennedy (2005; p. 121) the idea of choosing a foreign market mode of entry lies at the centre of any international strategy and the choice that is made is an important
determinant of the possible success of the foreign business. Root (1994; p. 3) concurred to this when he suggested that “to say that a company cannot afford to plan an entry strategy is to say that it cannot afford to think systematically about its future in world markets.

Root (1994; p. 3) also observed that market entry strategies include decisions on:

- The choice of a target product/market;
- The objectives and goals in the target market;
- The choice of an entry mode to penetrate the market;
- The marketing plan to penetrate the market; and
- The control system to monitor performance in the target market.

Pitelis (2007) saw it from a different point of view he stated that a firm that was contemplating expansion, may have the option of horizontal, vertical or conglomerate expansion, domestically or cross-border. He went further to say that this decision is based on existing knowledge, resources and advantages and its implementation represents simultaneously a locational, internalization and ownership-related advantages or disadvantages as the case may be. The idea here is that the manager’s decision is based on the interaction of the three factors of location, ownership and internalization of resources (OLI).

For Agndal (2004; p. 45) the different modes of selection could be categorized into Downstream modes and Upstream modes. Downstream consisting of direct exporting, sales joint venture, and sales subsidiary and upstream consisting of direct importing, contract manufacturing, and franchising, licensing, operations joint venture.

According to Kennedy (2005; p. 121), like their manufacturing counterparts, service firms have a range of entry modes to choose from e.g. contractual modes, licensing and
franchising, or via direct foreign investment, joint ventures and wholly owned subsidiaries.

Root (1994; p. 6) in his book stated that the traditional modes of entry can be classified into three broad categories these being -

Export entry modes comprising of
- indirect,
- direct agent/distributor,
- direct branch/subsidiary,
- other

Contractual entry modes comprising of
- licensing
- franchising
- technical agreements,
- service contracts
- construction/turnkey contracts
- contract manufacture
- co-production agreements
- other

Investment entry modes comprising of
- sole venture: new establishment, acquisition
- joint venture: new establishment/acquisitions
- Other

These entry modes differ in applications and factors that influence their use. They also have their advantages and disadvantages associated with each. We will here now explain some of these entry modes that will be relevant to our study.

2.4.1 Licensing

Licensing is an arrangement whereby a firm (licensor) agrees to give another firm (licensee) the right to an intangible property. Intangible property in this case including amongst others patents, copyrights, trademarks, inventions, formulas. This right is
usually granted for a specified time frame and subject to the payment of royalties from the licensee, Hill (2007).

Root (1994) on the other hand noted that company’s decision to license abroad maybe as a result of several reasons, one of which being simply to get incremental income on technology that has already been written off against domestic sales. A cross licensing could also be used by the licensor to acquire the research output of a foreign company in return for that of the domestic company.

Johanson and Forsgren (1992; p. 61-64) said that licensing usually is not regarded as a principal alternative when entry modes are being considered. However it is used mostly when direct foreign investment is not feasible or not attractive. They went further to say that licensing agreements should go beyond the short term but aim at establishing a long term relationship between the licensor and the licensee.

According to Försgren and Johansson (1992; p. 64), Thurman in his book notes that licensing in a Business network will require a more specific approach. This they say is especially needed when parties to the network are situated in countries with major differences in political or cultural environment, the exchanges between them could likely be different and more difficult than what will obtain from parties within similar environment.

Licensing mode of entry has its advantages, which to a service company lies in the fact that the licensee puts up most of the capital cost required to get the foreign operations going, Hill (2007). According to Root (1994; p. 86) licensing entry mode is most advantageous when the primary product of a company is service oriented. The disadvantages of this mode of entry are mostly the loss of tight control and the risk associated with licensing your trade secrets to a foreign company, Hill (2007).
2.4.2 Franchising

Franchising and licensing are similar in very many aspects, however the major difference being that the franchiser does not only sells intangible property to the franchisee but also insists that the franchisee agrees to abide by strict rules as to how it does business. Most times the franchiser will assist the franchisee to run the business on an ongoing basis, Hill (2007).

In his book, Root (1994) further stressed that in franchising the franchisee does business under the franchiser’s trade name and follows the policies and procedures laid down by the franchiser. Bradach (1998; p. 3) agrees that in franchising the franchisee purchases the right to operate a unit under a business chain’s brand name. He further noted that typically, the franchisee agrees to follow certain operating guidelines; this is to preserve the value of the brand. The franchisee also pays the chain operator a royalty fee based on revenue.

According to Doherty A. (2007), firms that are considering using franchising as an entry mode to internationalization, usually have been practicing or using franchising in their home markets. This he notes may explain their motivation to accept this method of internationalization process. Javalgi, et. al. (2003) in their summary stated that service firms are becoming more international and that whereas FDI seems to be the historic expansion route of service firms. Franchising enable smaller service firms with fewer management and capital resources, to gain an international presence.

Franchising like licensing has its advantages which includes a reduction in the cost of opening a new foreign market. This is because the cost is shared between the parties involved and also the franchiser has a say on the management as well. According to Hill (2007) the disadvantages of this mode of entry is not as pronounced as those of licensing but of note is that franchising could inhibit the repatriation of profits to the franchiser’s home country.
2.4.3 Joint Venture

Sometimes two or more independent firms come together to set up another firm with a joint interest. This type of joint activity is what is referred to as a joint venture. Root (1994 p. 146) notes that a joint venture entry takes place when an international company shares in the ownership of an enterprise in a target country. This they do with either local private or public interest. Kent (1991) stated that “A joint venture is much like a partial merger. That is, a joint venture is a shared equity enterprise wherein the participants have committed less than all of their resources”. He further said that “one effect of the limited pooling of resources is to preserve most of the organizational autonomy of the participants, while permitting them to enjoy whatever benefits may accrue from coordinated activities”. Joint ventures are usually on a 50/50 ratio basis but there have been instances where the participating ratio changes by a mutual understanding of the firms involved.

Root (1994; p.149) also suggested that the most critical part of joint venture entry is the choice of local partner. He also said that managers should start by defining what the interest of the company is in the target market. They should also understand the strategies and objectives of the prospective local partner.

In a joint venture the reduction in cost, risk and political considerations as well as a benefit of a local partner’s knowledge of the host country are some of the motivating factors for adopting this mode of entry. Whereas conflict of interest, loss of firm control and risks of exposing trade secrets can militate against the adoption of joint venture.

2.5 The Optimal Entry Mode

Choosing the best process or strategy to internationalize a business will involve some form of profit contribution analysis of the different options available to the firm. According to Root (1994; p. 162) the profit contribution of a foreign market entry mode is the net revenue it will earn for a company over the strategic plan. This implies that
managers will have to compare all the profits that can accrue to the firm directly or indirectly before choosing any particular entry mode over the others. However Buckley and Ghauri (1999; p. 186-188) notes that the combination of control and integration is very important when considering the best entry mode; hence they propose the use of transactional cost analysis to determine the efficiency of the possible modes of entry into a foreign market. They also noted that when considering a high control entry mode, the efficiency of the entry mode will depend on four determining factors. These they mentioned and explained as:-

1. Transaction-specific assets: investments (physical and human that are specialized to one or a few users or uses;
2. External uncertainty: this is the unpredictability of entrant’s external environment;
3. Internal uncertainty: this is concerned with the entrant’s inability to determine its agents’ performance by observing output measures;
4. Free-riding potential: agents’ ability to receive benefits without bearing the associated costs.

They suggested that these four factors should be considered and positively associated to the entrant’s degree of control to determine their long-term efficiency. See figure 2
Roots (1994; p.) on the other hand suggested a comparison matrix for comparing the different entry modes. In it different entry modes are weighed against a set of variables. This is to determine the most suitable entry mode for a given market. See Table 1.
Table 1: Comparison Matrix for Entry Modes.
Source: Roots (1994)

<table>
<thead>
<tr>
<th>Entry Mode</th>
<th>New Establishment</th>
<th>Investment Acquisition</th>
<th>Joint Ventures</th>
<th>Mixed</th>
</tr>
</thead>
</table>

Morschett D. *et al.* (2008) stressed on a framework of three variables comprising potential influence factors, to compare and analyze the optimal entry mode for an after sales service company. He said that this variables could be grouped into - transaction-Specific variables, firm-specific variables and country-specific variables. With each variable having its distinct characteristics and an analysis of these three variables could help managers make the best decisions for entry mode to either a national or international market.

### 2.6 International Investment Theories/Models

Here we will discuss the models and theories we intend to relate to the internationalization process and strategy of our case study.

#### 2.6.1 Uppsala Internationalization Model

According to Johanson and Vahlne (1977) this model posits that the internationalization of a firm is a process in which the firms gradually increase their international involvement. They went further to note that the time and order of such firms in their internationalization seemed to be related to the psychic distance or cultural distance between the home and the host country. Dimitratos P. and Plakoyiannaki E. (2003) described firms that follow this pattern of internationalization model as international risk-averse firms. Such firms they noted can be perceived as firms that follow the incremental
mode of expansion, after their expansion in the domestic market. Such firms make commitments in foreign countries in small steps as experiential knowledge is acquired. The Uppsala model according to Mtigwe (2006) is a refine form of the incremental theory which posits that internationalization is a stage process, a gradual unidirectional process.

Uppsala Model’s fundamental reasoning is that change is incremental and this is so because commitment decisions to a new market can only be made when the firm has some knowledge of the market thereby keeping the risk factor at a low level. This knowledge is experimental and can only be gotten through gradually committing to the market and gaining the experience. Johanson and Vahlne (2003) puts it thus “lack of knowledge about foreign markets and operations is the main obstacle to internationalization and knowledge can mainly be developed through experience from operations in those markets”. They also noted in Johanson and Vahlne (1977) that the model assumes that the state of internationalization affects perceived opportunities and risks which in turn influence commitment decisions and current activities. They also assume that market knowledge and market commitment: (which is how much resources that have already been committed to a market), can affect the direction that commitment decisions will take as well as the way that current activities are performed. See figure 3
The Uppsala model notes that in the process of internationalization, there are problems of identifying opportunities and how to allocate or commit resources in an internalization process.

2.6.2 Network theory/Model

According to Johanson and Vahlne (2003) business networks are a set of interconnected business relationships, in which each exchange relation is between businesses firms conceptualized as collective actors. Gulati et al. (2000) described networks as encompassing a firm’s set of relationships, both horizontal and vertical with other firms which can be suppliers, customers, competitors and other entities including relationships across industries or countries. They went further to say that networks include strategic alliance, joint ventures long time buyer-supplier partnerships and a host of similar ties.

For Oviatt and Mcdougall (2005) networks help entrepreneurs to identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies. Holm et al. (1999) concluded that through interaction in business network relationships, firms in business markets organize and share an unbounded structure of interdependence and this enable them to achieve greater value than they would have achieved if they did not engage in relationship development. Mtigwe (2006) notes that the major contribution of network approach to internationalization is its recognition that firm internationalization is never a solo process, but that it is a product of relationships that are both formal and informal. Fligstein (2002) in his review argued that Starks in his book thinks that hierarchy is disappearing in firms. He further stated that it is the interdependence of firms and their need to learn from one another, what he calls "heterarchy" that drives the network form forward.

Business networks in application also has its draw backs which could negatively influence its use one of which Gulati et al. (2000) noted is the fact that it can lock firms
into unproductive relationships and also preclude them from forming alliances with other viable firms.

2.6.3 Institutional Theory

This theory posits that a firm is affected by the environment in which it operates in. Ghoshal and Westney (2005; p.47) in their book pointed out that institutional theory begins with the premise that organizations are social as well as technical phenomena, and that their structures and processes are not shaped purely by technical rationality. In other words informal structures within the operational environment exert a level of influence on the direction the firm will take in their internationalization process. These influences put pressures on and force the firm toward ‘isomorphism’. Ghoshal and Westney (2005; p.47-48) further defined isomorphism from Zucker (1987)’s point of view, as the adoption of structures and processes prevailing in other organizations within the relevant environment.

According to Ghoshal and Westney (2005; p.48) Dimaggio and Powell proposed three categories of institutional isomorphism. These they called normative, mimetic and coercive isomorphism with each influencing the direction of the firm differently.

Normative isomorphism is where influence is being exerted by professionals; whereas coercive isomorphism is where a higher powerful authority like the government is the source of the pressures and mimetic isomorphism is where firms mimic other firms that are seen to be successful. It could also represent where the firm imitates itself to reproduce a successful action or style it adopted earlier. Ghoshal & Westney (2005; p.48) Firms operating in a highly competitive environment experience pressures from within and internationally. This influences them to adapt, adopt or mimic depending on the type of isomorphic pull that it experiences.
2.7 Conceptual Framework

Here we will explain our use of the concepts and models. For our conceptual framework we intend to relate the three concepts of Uppsala model, Institutional theory and Networks theory to our case study in real life application. Therefore we will first examine the internationalization process of Heartmath AB their strategies and later analyze their operations with the above mentioned models. See figure 4.

![Conceptual Framework Diagram]

Figure 4: Conceptual Framework
Source: Authors Diagram
2.8 Summary to Chapter Two

This chapter discussed the relevant theories and models. First the authors tried to explain the meaning of internationalization. (It was noted that internationalization basically is commitment by firm to an international market.) Following that we looked at why firms internationalize their operations. Then we discussed the modes and strategies for internationalization. These modes were explained from different perspectives and some of them which we think are relevant to our study were further explained. In chapter two we also discussed how to recognize the best mode of entry which in most cases can be firm specific. Following this we talked about the models that will be used to compare our case study’s internationalization process. Finally are conceptual framework was drawn to show how we intend to relate our concepts to our case study.
3. Research Methods/Approach

This section describes the methodological choice we have used in this paper. It is an overview of the (research/approach, choice of topic, data collection method, and literature search and research type.

3.1 Framework of Method

This paper will use theoretical framework of existing internationalization theories such as Uppsala Model, Network Theory/Model and Institutional Theory/Model in our analysis. See figure 5 below

![Figure 5: Methods Framework](source: Authors Diagram)
The figure above represents a framework of the method we employed in the process of writing up this study.

3.2 Choice of Topic

Fisher (2007; p. 31) stated that there are a number of factors that needs to be taken into account when choosing the subject for a master’s project. These factors stated includes – interest and relevance, durability, breadth of research questions, topic adequacy, access, Micro-politics, risk and security and finally resources. Each of these factors has its own contributory effect to the general outcome or quality of the project.

The rationale behind the choice of topic was as a result of the authors’ interest in internationalization of companies and the processes. In the past we have had some series of courses with direct and indirect links to internationalization, which we found interesting. To further motivate us to write about the topic, we were introduced to Anders Nilsson who was the president and sales head of HeartMath Scandinavia AB. After series of meetings with Mr. Anders Nilsson, we agreed to look into the company’s internationalization process and compare it to generic internationalization models. Also the fact that it would be possible for us to get first hand empirical information from the firm was also a big motivation on its own. We conducted interviews with Mr. Anders Nilsson and also searched for suitable literatures in order to get more data for our choice of study.

3.3 Research/Approach

According to Ghauri et al. (1995; p. 83) research methods refer to the systematic, focused and orderly collection of data for the purpose of obtaining information from it, to solve/answer our research problems or questions. There are two types of research approach, qualitative and quantitative. Qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data. It is inductive, constructionist and interpretive. Bryman (2004; p. 266). Qualitative
research method according to Bryman and Burgess (1999; p. 142) permits the evaluator to study selected issues in dept and detail. Quantitative research entails the collection of numerical data as exhibiting a view of the relationship between theory and research as deductive, a preference for a natural science approach (and of positivism in particular) and as having an objectivist conception of social reality. This research can be characterized as linear series of steps moving from theory to conclusions, and its measurement process entails the search for indicators. Bryman (2004; p. 62-81). Quantitative also require the use of standardized measures so that the varying perspectives and experiences of people can be fit into a limited number of predetermined response categories to which numbers are assigned. Bryman and Burgess (1999; p. 143). The major difference between qualitative and quantitative research is not ‘quality’ but procedure. In qualitative research, findings are not arrived at by statistical methods or other procedures of quantification.

Qualitative research is thus common in social and behavioral sciences, and among practitioners who want to understand human behavior and functions. It is suitable for studying organizations, groups and individuals. Ghauri et al. (1995; p. 85) Illustrated in the table below are the differences between qualitative and quantitative research methods.

<table>
<thead>
<tr>
<th>Qualitative Methods</th>
<th>Quantitative Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Emphasis on understanding</td>
<td>• Emphasis on testing and verification</td>
</tr>
<tr>
<td>• Focus on understanding from respondent’s/informant’s point of view</td>
<td>• Focus on facts and/or reason of social events</td>
</tr>
<tr>
<td>• Interpretation and rational approach</td>
<td>• Logical and critical approach</td>
</tr>
<tr>
<td>• Observations and measurement in natural settings</td>
<td>• Control measurement</td>
</tr>
<tr>
<td>• Subjective ‘insider view’ and closeness to data</td>
<td>• Objective ‘outsider view’ distant from data</td>
</tr>
<tr>
<td>• Explorative orientation</td>
<td>• Hypothetical-deductive; focus on hypothesis testing</td>
</tr>
</tbody>
</table>
• Process oriented
• Holistic perspective
• Generalization by comparison of properties and context of individual organism

<table>
<thead>
<tr>
<th>Process oriented</th>
<th>Result oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holistic perspective</td>
<td>Particularistic and analytical</td>
</tr>
<tr>
<td>Generalization by comparison of properties and context of individual organism</td>
<td>Generalization by population membership</td>
</tr>
</tbody>
</table>

Table 2: Comparison of the Quantitative and Qualitative Research Methods
Source: Ghauri et al. (1995; p. 84)

Since our study is about learning the process or procedures of internationalization of service firms, we can say that qualitative research method is most suitable method of research for it.

### 3.4 Data Collection Method

Data collection method needs to be reliable. The reliability according to Saunders et al. (2003) refers to the extent to which your data collection technique or analysis procedures will yield consistent findings. Reliability of the data collected can be assessed by posing the following questions:

1) Will the measure yield same results on other occasions?
2) Will similar observations be researched by other observers?
3) Is there transparency in how sense was made by the raw data?

Fisher (2007; p. 61) noted that in designing a project it is important to make a general decision about the research method to be used. In other words all available method should be considered and some form of elimination process used to find a suitable method or methods that will be used.

According to Saunders et al. (2007; p. 322), “there are two main approaches to data collection; primary data and the secondary data”. He further explained that, primary data is collected basically when a particular purpose arises whiles secondary data are already...
collected data which has been published and for which new researchers can rely on as a source of information.

### 3.5 Primary Data

Primary data are first-hand information gotten for a research. This could be in the form of an interview, records written and kept by people involved in, or who bear witness to an event. Burns (2000; p. 485) For the purpose of this work we have used interview as our source of primary data.

In the diagram below are the types of interview and their differences according to Ghauri et al. (1995)

<table>
<thead>
<tr>
<th>Structured</th>
<th>Unstructured</th>
<th>Semi-structured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structured interviews are used with an emphasis on fixed response categories and systematic sampling, and loading procedures combined with quantitative measures and statistical methods.</td>
<td>The interviewer is there just to give lead questions and to record the responses in order later to understand ‘how’ and ‘why’. The questions and answers are unstructured and are not systematically coded beforehand.</td>
<td>Semi-structured interviews differ as topic and issues to be covered, sample size, people to be interviewed, and questions to be asked have been determined beforehand.</td>
</tr>
</tbody>
</table>

Table 3: Types Of Interviews Compared  
Source: Ghauri et al (1995; p. 64-65)

But for the purpose of our work we will be using semi-structured interview and discussions with the president and sales head of Heartmath Scandinavia AB, Mr Anders Nilsson. We also prepared our questions beforehand. The reason for this is that after looking at the merits of the three different types of interviewing. We found semi-structured interview to be most suitable in helping us to have an in-depth knowledge and understanding of the activities performed by Heartmath Scandinavia AB.
3.5.1 Interview

For our interview we chose the face-to-face method of conducting the interview. According to Sapsford and Jupp (1996 p. 94-95) face to face interview can be conducted either using a standard schedule or in a free format. In the standard scheduled arrangement the questions are same for all respondents whereas in the free format the interview varies for each respondent and it is more like a natural conversation. In free format the interviewer probes and controls the pace of the interview with leading questions.

The interview was conducted on the 16th of April 2009. We chose the CEO of heartMath Scandinavia, Mr. Anders Nilson as our interviewee, this is because we conducted a case study and we felt the most information we needed could be provided by him as the Chief Executive Officer and owner of the company. We believe therefore the reliability of the information provided will be true.

3.6 Secondary Data

By secondary data, we mean data from existing information such as published books, articles, internet search engines etc. One of the benefits of collecting secondary data is that it saves time and cost for the researcher since the researcher uses existing information. Another major advantage of this process is that it serves as guide and aid on how to conduct the research. Saunders et al. (2003; p. 201-202)

According to Ghauri *et al.* (1995; p. 56) one of the main disadvantage of using secondary data is that these data are collected for another study with different objectives and may not completely fit ‘our’ problem.

To support our study, we used articles published by well known researchers through the data base of Mälardalens University.
3.7 Literature Search

In this paper, we reviewed and present different literature studies, theories and research, which gave an insight about internationalization, especially of service companies. We found it essential because these theoretical ideas and empirical results are used in order to conduct our study, assess the outcomes and draw conclusions.

As part of our research process, searching for relevant literature that are of important use for generating research ideas to support the development of our study. As stated earlier this search was found in different literature sources, such as articles in academic and journals contained in EMERALD data base in Mälardalens University, and search engines such as ELIN@Mälardalen, ABI/Information and Samsöök which enabled us to access academic review articles. We also used the Internet with search tools like Google Scholar and search engine for online publications. In the process of carrying out this research, we used words like ‘internationalization processes’, ‘globalization’, ‘start-up service firms’ etc.

3.8 Method critique

Bryman (2004:284) noted that research works can be too subjective. Therefore findings can be influenced by the researcher’s mostly unsystematic views. What the researcher sees as being significant and important usually is based on the relationships personal or otherwise that the researcher strikes up with the subjects that are being investigated.

The authors therefore reiterate as stated in our limitations, that this research albeit specific cannot be used to generalize and make an assumption that it will be true for all enfant service firms.

3.9 Reliability of Data

The reliability of data if collected will yield consistent findings, similar observations would be made or conclusions reached by other researchers. If the data collected does not
serve the purpose of collecting it, then it is termed to be irrelevant to the investigation. The authors therefore believe that the data were collected and presented would be true when collected and tested by a second or third party under the same circumstances.

3.10 Summary to Chapter Three

In this chapter the authors first explained the process of choosing a suitable topic which will be both interesting and relevant. Then we considered the research method to use. Here it was explained that the methods could be either qualitative or quantitative. Afterwards we selected the data collection method to use. We used both primary and secondary sources for collecting our data. On criticism we noted that even though our work is true for our case study, there could still be some bias when compared to other cases.

Finally we also added to the chapter a diagram or framework outlining the research method we used.
4. Empirical Data

This part consists of the collected data from Heartmath Scandinavia AB. We will present our findings and subsequently use these for our analysis. As explained earlier in chapter three the data for this chapter was supplied firsthand by the CEO/President of Heartmath Scandinavia AB.

4.1 Overview of Case Study

HeartMath Scandinavia AB. was conceived according to Mr. Anders Nilsson as an offshoot of his experience in 1998, while in Cyprus. He said there he met Pia Nilsson who is a specialist physical health trainer and also a golf coach. She introduced him to a technique that works with the heart and can improve overall work performance and human well-being. Following this initial encounter with the HeartMath concept he continued to learn and improve on his knowledge of the HeartMath techniques.

HeartMath Scandinavia AB was however officially incorporated September 1st 2007 in Sweden. They maintain an operational head office in Vasteras Sweden. The firm is an independent company with a licensed agreement to work and sell some of the products and services of HeartMath USA. It is one of the eight international licensee firms, granted license by HeartMath USA to use their name around the world. HeartMath Scandinavia AB’s international License extends through Scandinavia and the Baltic regions.

4.2 Operation

HeartMath Scandinavia AB’s operation is to a large extent dependent on IT and Telecommunication services. This according to the president and CEO of the organization is as a result of the type of services they provide. He also noted that their organization operates a decentralized structure. The operations centers on five permanent employees who provide specialized support to their network of clients and suppliers all over Scandinavia, the Baltic and the USA. Each staff operates independent of the other
and provides support that is routed through a central call center. This call center is open 24 hours of the day. See Figure 6

![Operational Chart Of Heartmath Scandinavia AB](image)

According to the CEO of HeartMath Scandinavia AB, their firm is specialized mostly on IT based healthcare services. They sell computer software that can be used as a self help improvement program. They also organize trainings for company executives and athletes on how to improve their performances and overall well-being. The services they provide enable people to transform stress and better regulate emotional responses and harness the power of heart/brain communication. This they do using what they described as unique scientific methods. HeartMath also sell literatures to support the IT services and recently they introduced a new service the E-learning program.
The E-learning program is an internet based service. It is healthcare services provided online to their clients. Most of these products are supplied by the parent company in USA at a discount to them. See figure 7.

![HeartMath Services Diagram](source)

**4.3 Network**

In the area of Networks our respondent stated that HeartMath Scandinavia AB operates mostly as a licensor firm. To this date they have 50 licensees to whom they provide with support and training on a regular basis. These Licensees are located both in Sweden and Denmark. Our respondent also noted that between these licensees the firm has an estimated customer base of between 200 to 300 clients. See figure 11 below. This he said is increasing rapidly as a result of the type of product and services they are selling which according to him is cheap, unique and affordable.
Mr. Anders also stated that their network is organized in such a way that, the firm can maintain some level of control. According to our respondent the licensor made sure the licensees give a steady feedback on their progress and also work within the limits of their contract. It is also a prerequisite that all products must be ordered directly from the licensor by the licensee on behalf of their respective customers.

### 4.4 HeartMath’s Internationalization Process

Our respondent said that the motivations behind the firms internationalization drive were amongst others, the potentials for growth in their business from expanding their market. They also figured that internationalizing could be a good way to measure the success and well-being of their business. Furthermore he stressed that its internationalization process is an imitation of HeartMath firms in other countries who have moved across borders and seemingly were successful.

HeartMath Scandinavia today maintains a presence in eight countries within the Scandinavia and the Baltic region. Actively HeartMath Scandinavia AB is more aggressive in Sweden and Denmark but also maintains a passive presence which is gradually increasing in the other six countries. From the interview our respondent
stressed that one of the reasons why HeartMath is not very active in these six countries is because they are yet to create a reliable network within those territories.

On why the firm chose these set of countries and Denmark most especially our respondent noted that these countries are the most culturally similar to Sweden and so they believe that adaptation will be easier and quicker. He also noted that proximity was also a factor in their choice of these countries. Interestingly our respondent pointed out that even though distance was a factor but it was not much of a factor as most of their services are IT/telecommunications based. Therefore they can afford to control their operations anywhere in the world without necessarily been there.

Again in their initial steps to internationalize their business they adopted a strategy of first putting out a website and waited for feedback and response. The first response and enquiries came from Denmark. Therefore it was only natural for them to start their expansion from there.

Another point of note is the HeartMath Scandinavia’s gradual growth in their internationalization process. In response to this our respondent agreed but stated that they are adopting the incremental approach because of a couple of reasons amongst which are;

- The company needs to get enough expertise and human capital before moving quickly into their chosen markets.

- The financial capabilities that will enable them to move as quickly as they would wish to do are presently not available.

- They have learnt from experience that it is easier to move gradually and learn as they move.

In contrast to this, HeartMath Scandinavia AB said they intend to increase the rate at which they internationalize and be able to launch simultaneously in multiple countries. To this end they are developing their E-learning program. This they hope
will afford them the opportunity to launch multi-nationally within the shortest possible time.

4.5 HeartMath’s Mode of Entry

HeartMath Scandinavia AB before adopting an entry mode to an international market first considered the financial implications and human capital resources available to them. After these considerations they choose to work with a network of independent consultants. The idea according to our respondent is to create some kind of pyramid or ripple effect. In other words, increasing the market share of the firm’s while using minimal amount of resources. To achieve this they will license a set of consultants in foreign markets, who will be required to pay a specified registration fee. After that HeartMath Scandinavia will train them and offer then firsthand support.

Mr. Anders Nilsson also noted that after the training the commitment on the part of HeartMath Scandinavia will be to allow these licensee trainers to use the firm’s techniques and sell also their products. These consultants will then deal with the end consumers. By adopting this type of contractual entry mode, the firm believes it will maximize its available resources.

Our respondent also stated that HeartMath Scandinavia uses the licensing entry mode as their preferred mode of entry into international markets. He stressed on the issue of control of their licensees. In his view they are looking the best control method to monitor their licensees. According to him the licensing entry mode was the most cost effective. This is because the cost of establishing in the new markets usually is borne by the licensees.

Even though at the moment licensing seemed to be their preferred entry mode, HeartMath is continually looking at other options to see if they can be more efficient. Most especially as regards control and cost effectiveness.
4.6 Challenges

The respondent asserts that one of the challenges they have encountered in their process of internationalization is in the area of drafting a suitable agreement that will work for them and the licensee trainers within their network. This he concedes as a result of the lack of experience and also the issue of finding a middle point of agreement on financial aspect of the relationship. According to him they are yet to find the most cost effective way to internationalize their operations.

On logistics he concludes that this has not been much of a challenge as the business is mostly IT based. Communication is easy and the products can be shipped with ease.

4.7 Institutional Effects and Competition

HeartMath Scandinavia AB according to their CEO provides a unique service which puts them ahead of their potential competitors. At the moment the company stated that competition has not been much of a problem or influence on any of their internationalization decisions. Our interviewee went ahead to state that the company speculates a three year growth period devoid of competition. However he noted the influence of government policies like the high incidence of tax which could be counted as contributory factor to some decisions they took but then again, “we are used to it”, according to him.

Our respondent also related their strategy to that of HeartMath Netherlands, he stressed that HeartMath Scandinavia is modeling their strategy to that of HeartMath Netherlands which has been in existence two years before them. According to our respondent this strategy has mostly been successful. The Dutch strategy was mostly to maintain a loose licensing structure without keeping an elaborate staff, while expanding by issuing licenses with well laid out contracts to protect their intellectual rights.
4.8 Summary to Chapter 4

In this chapter we discussed our findings. We first introduced the concept and reasons behind the incorporation of HeartMath. Then we noted how HeartMath organizes their business. In the chapter we noted that HeartMath Scandinavia AB uses licensing as their preferred entry mode. Also of in the chapter the effects of other companies to some of HeartMath’s decisions were explained.

Some of the challenges that HeartMath Scandinavia face in their internationalization was discussed and finally the effects of competition, which according to our respondent was very minimal presently, were noted.

Finally to get this data we focused our interview on mostly the core internationalization process of the company; however we also sought to know about the general organization of the firm. See appendix 1.

We designed the questions in this way because of the need to answer our research question whilst achieving our purpose of doing this research. This purpose we had earlier stated to be a comparison of a real life situation to the taught theories and models.
5. Analysis

In writing up of our analysis we will discuss our case study from two perspectives. First we will analyze HeartMath Scandinavia’s entry mode. Second we will discuss the elements of the generic processes that we found in the company’s internationalization process.

We would also attempt to answer our problem statement within the limits of our literature review and conceptual framework

5.1 Heartmath Scandinavia and their Entry Mode

The choice of entry mode is a fundamental part of company internationalization. Therefore it is very essential for the firm engaging in the internationalization process to choose an entry mode that is both cost effective and most advantageous to them.

According to Kennedy (2005; p. 121) firms choosing mode of entry must first consider the implications for the degree of control it can exercise over the foreign operation, the resources it must commit and the risk it must bear. From our empirical findings we can understand that HeartMath Scandinavia considered the financial implications and human capital resources available to them before embarking on and choosing an entry mode for their internationalization process.

From our investigation HeartMath Scandinavia choose to use the licensing entry mode for their internationalization process. Charles (2007) defined licensing as an arrangement whereby a firm (licensor) agrees to give another firm (licensee) the right to an intangible property. Intangible property in this case including amongst others patents, copyrights, trademarks, inventions, formulas. Following this therefore, we could understand from the empirical data that HeartMath Scandinavia issued licenses to their consultants whom they granted the right to use their techniques and sell their products.
The authors in their opinion found some similarities between HeartMath Scandinavia’s actual implementation of licensing entry mode and the opinions expressed in our literature review.

First in order to assert control over its licensees, HeartMath Scandinavia made it mandatory for the licensee consultants to use their techniques, buy the products that they intend selling to the end consumer from them and also give a report/feedback on their performance. More so, when the licensee consultants register initially for training and buy these products directly from them they were also able to gain profit contribution from the sale of their products. Root (1994; p. 162) stated that choosing the best process or strategy to internationalize will involve some form of profit contribution to the internationalizing firm. This profit contribution of a foreign market entry mode is the net revenue it will earn for a company over the strategic plan.

It should however be noted that licensing entry mode usually is a loose arrangement and so does not provide strict control mechanisms. From our literature review Charles (2007) notes that one of the disadvantages of licensing is mostly the loss of tight control, which could lead to the firm running the risk of losing trade secrets.

Second, in order for HeartMath Scandinavia to reduce its financial commitment they decided to train the licensee consultants on how to use their techniques and sell their product. According to them it would be more expensive for them if they were to engage in FDI. This and the dearth in their human capital resource informed their use of the licensing mode of entry. Licensing as an entry mode according to Johanson and Forsgren (1992; p. 61-64) is used mostly when direct foreign investment is not feasible or not attractive. Roots (1994; p. 86) also stated that firms whose end product is service (which cannot be exported), finds licensing or franchising as being more attractive mode of entry than using subsidiary or branch. This is reflected in our case study, as their primary product is service oriented.
Third, they were able to reduce their financial risk commitment because, according to them the licensee consultants were the ones that put up most of the capital and cost required to get the foreign operations going. This idea was buttressed by Charles (2007) in our literature review. He stated that licensing mode of entry has its advantages, which to a service company lies in the fact that the licensee puts up most of the capital cost required to get the foreign operations going.

5.2 Findings Linked To Theories and Models

We will now try to relate our finding to the theories and models in our literature review. This is to see how all or some of the elements of the concepts were used by the company in their internationalization process.

5.2.1 HeartMath Scandinavia AB and the Network Theory

From our investigations we observed that HeartMath Scandinavia created a network comprising of a supplier and 50 licensee clients. These Licensees in turn created an extension of the network to include over 200 customers. Johanson and Vahle (2003) from our literature review stated that business networks are a set of interconnected business relationships, in which each exchange relation is between businesses firms conceptualized as collective actors. Here therefore we could observe HeartMath Scandinavia’s use of an extensive network in their internationalization process.

Also to support this observation is Gulati et al. (2000) who described networks as encompassing a firm’s set of relationships, both horizontal and vertical with other firms which can be suppliers, customers, competitors and other entities including relationships across industries or countries.

Looking at HeartMath Scandinavia’s network, we could observe that the firm formed networks of relationship both horizontally and vertically with other firms and customers. See figure 11.
Oviatt and McDougall (2005) from our literature review noted the importance of networks, when he said that networks help entrepreneurs to identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies. We found from our empirical data HeartMath Scandinavia sought for international investment opportunities by first putting out a website and observed where their feedbacks were coming from. The feedbacks they got from their network indicated to them where their strongest strength was and where they should invest in. This clearly is in conformity with the network theory as explained in our literature review.

5.2.2 HeartMath Scandinavia and Uppsala Model

In internationalizing their business, HeartMath Scandinavia moved cautiously. According to our respondent their internationalization process was incremental. He attributed this to the lack of adequate human and financial capital. This shortfall therefore required that the company will increase incrementally while learning and gaining experience at the same time. This is a reflection of Johanson and Vahlne (1977) position on the Uppsala model. According to them the model recognizes that the internationalization of a firm is a process in which the firms gradually increase their international involvement. Dimitratos P. and Plakoyiannaki E. (2003) further noted that firms that use this incremental mode of internationalization often make commitments in foreign countries in small steps as experiential knowledge is acquired.

Johanson and Vahlne (1977) in their observation also noted that the time and order of such firms that engage in this type of incremental internationalization, seemed to be related to the psychic distance or cultural distance between the home and the host country.

Our respondent stated that their choice of Denmark was because it was the country that was most culturally similar to Sweden and also the closest in proximity. Therefore naturally it was their first option to explore. Following this we deduced that the similarity
in HeartMath Scandinavia’s choice of Denmark as its first market to explore could be likened to the fundamental reasoning of Uppsala model.

HeartMath Scandinavia However exhibited some elements of contradiction with the Uppsala model. According to our respondent with their E-learning programme, they hope to launch simultaneously in multiple countries within a short period. This is in contradiction to the Uppsala Model notion of movements in increments. This type of multi-country launching according to Oviatt B. & McDougall (1994) is traits that are exhibited by what they described as the born global companies. They stated that these are business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. Madsen and Servais (1997) also recognized this changing trend when they stated that research has shown evidence that more firms certainly are deviating from the traditional point of view of internationalization process which is based on incremental commitment.

5.2.3 HeartMath Scandinavia and Institutional Theory

The environment plays a vital role in shaping the activities of a firm. This is noted by Ghoshal and Westney (2005; p.48) when they pointed out that institutional theory begins with the premise that organizations are social as well as technical phenomena, and that their structures and processes are not shaped purely by technical rationality. In other words informal structures within the operational environment exert a level of influence on the direction the firm will take in their internationalization process.

In investigating the effects of the environment on HeartMath Scandinavia we observed that the firm designed their strategy to mimic that of HeartMath Netherlands. We could also trace a link from some decisions the company took to government tax policies in Sweden. In Ghoshal and Westney (2005; p.48) views these types of action are within the category of the two isomorphic pulls of mimetic and coercive isomorphism. The mimetic character is when HeartMath Scandinavia, according to Mr. Anders Nilsson imitated HeartMath Netherlands’ internationalization strategy. HeartMath Netherlands
has been in operation two years prior to the establishment of HeartMath Scandinavia and it adopted the licensing mode of entry as its strategy to going international. This strategy has mostly been considered successful. This notion that this method worked in the Netherlands according to our respondent was part of the reasons why HeartMath Scandinavia AB decided to mimic the strategy.

The coercive isomorphism has been the influence of government policies like the high incidence of tax which could be counted as a contributory factor to some decisions they took but then again, “we are used to it”, according to Mr. Anders Nilsson.

The last of the three categories of isomorphic pull according to Ghoshal and Westney (2005; p.47) is the normative isomorphism. We could not find any trace of it in our case study, partly because of the small size of the management of the organization.

Ghoshal & Westney (2005; p.48) further noted that firms operating in a highly competitive environment experience pressures from within and internationally. This they say can influence them to adapt, adopt or mimic depending on the type of isomorphic pull that it experiences.

There were however no immediate effects of competition on most of the decisions taken by HeartMath Scandinavia AB. Our respondent explained that this was as a result of the firm providing a unique service which at the moment has no immediate competition. According to him their projection for competition is for another three years. Therefore they do not factor in the effects of it in the decisions they are taking presently.

5.3 Summary to Chapter Five

This chapter analyzed the empirical data using information from the literature review and concepts within our framework. In this chapter we found some relationships that exist between the empirical facts and the concepts. Some of the contradictions were also pointed out and the disagreements between the empirical facts and theoretical concepts highlighted.
6. Conclusion

In this chapter, the authors will draw a conclusion of the research. We will base our conclusion on the three factors of, our purpose of study, the research question and analysis of the empirical data. The conclusion will also aim at summarizing the entire research work.

Internationalizing a business requires tact, finesse and innovativeness. This work set out to investigate a real life start-up service company and compare their international process with the academic taught theories. This we achieved by making a logical comparison of our case study’s internationalization process to three selected generic internationalization theories. The practical application of these theories and models were also shown in the process.

Both service and manufacturing companies can adopt the same internationalization process when starting a new business. Just as we have seen, HeartMath Scandinavia used elements of the traditional generic models or processes to internationalize, even though it’s a service company.

In the course of our investigation we found relationships and similarities between some of the actions being undertaken by our case study and the taught generic theories of internationalization. It will however be noted that in some instances our case study deviated from the fundamental ideas of the theories to suit the circumstance under which it was operating in.

Our research was able to interpret the internationalization process of a start-up service company and show that in general, most companies without knowing it follows a well documented pattern of behavior. We were also able to show that even though firms follow these patterns most often they bring in elements of two or more conflicting ideas to their internationalization process.
Internationalization requires that firms constantly experiment with a couple of ideas until they can find the best idea that suits them. As shown in the research firms do this because of the interplay of different factors.

HeartMath Scandinavia AB after experimenting chose to internationalize via licensing this they explained was because it was both cost effective and also offered them the best option to control their licensee consultants.

In Final conclusion, from our research, we could understand the relevance of some of the class taught internationalization theories to an entrepreneur and or a firm today, especially firms that are thinking of expanding their market commitment internationally.

7. Further Study

This work was based purely on and limited to the activities of our case study. Licensing which is the main strategy employed by our case study is a vast area of study. As a recommendation therefore researchers on internationalization may further explore in more in-depth analysis the licensing mode of entry to foreign markets.
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Appendixes

Appendix 1: Interview Questions

Interviewee: Mr Anders Nilson- CEO HeartMath Scandinavia AB.

Interviewers: Mr Francis Oladele Oluduro and Mr. Ikechukwu Ifediora okonkwo

Date: 16th April 2009

Time: 13:00 – 16:00

Introduction/Background Information

We are students of International Business Management and Entrepreneurship of the Malardalen University Vasteras and we kindly request for your assistance in the conduct of this academic exercise.

This activity is purely for academic pursuit and so will be handled as such. All information obtained will be treated with strict confidentiality.

For the purpose of this interview we would like you to introduce yourself sir/madam and state your relationship to Heartmath Scandinavia AB.

Interview Questions.

1. Can you give us the background and inspiration or reason behind the setting up of Heartmath Scandinavia AB?
2. When was Heartmath Scandinavia AB established?
3. What is the relationship between Heartmath Scandinavia AB. and Heartmath USA?
4. What is the organizational/ Management Structure and operations of Heartmath AB?
5. What type of services and products does Heartmath Scandinavia AB. provide or sell to their customers?
6. Why did Heartmath Scandinavia AB. decide to invest in expansion across borders?
7. How many countries is Heartmath Scandinavia AB. presently operating in?
8. Why did Heartmath Scandinavia AB. choose these countries?
9. What was HeartMath’s entry Modes to these markets?
10. What influenced Heartmath Scandinavia AB. to choose to enter foreign markets through this/these modes?
11. Has Heartmath Scandinavia AB. met with difficulties in this internationalization process?
12. If so what are some of the difficulties that Heartmath has met in this process?
13. Do you have any strategic alliances or network with other firm(s) in your process of internationalizing? E.g. suppliers, customers, competitors, joint venture etc.
14. If so what type of relationship exists between Heartmath Scandinavia and others within this Network?
15. How does this networks influence the activities of the firm especially as it concerns their internationalization process?
16. Does the environment that Heartmath operates in influence some of the decisions the management take in the firm? I.e. government authority, imitators etc.
17. If yes what type of influence? And does this influence also relate to the firms decisions on internationalization?
18. Does Heartmath Scandinavia have competitors in the area where they operate in?
19. If yes what is the nature of the competition?
20. Who is/are HeartMath’s competitors?
21. What are the effects of this competition to your decision as it concerns your internationalization process?

Appendix 2: Tables and Figures

Table 1: Comparison Matrix for Entry Modes
Table 2: Comparison of the Quantitative and Qualitative Research Methods
Table 3: Types of Interviews Compared
Figure 1: Research Disposition
Figure 2: Transaction Cost Framework for Analyzing the Efficiency of Entry Modes
Figure 3: Uppsala Model
Figure 4: Conceptual Framework
Figure 5: Methods Framework
Figure 6: Operations Chart of HeartMath Scandinavia AB
Figure 7: HeartMath Services
Figure 8: HeartMath Scandinavia’s Network Structure