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Developing an Internationalisation Strategy for Siers Telecom B.V.

What strategy does Siers Telecom B.V. need to follow to successfully internationalize to Germany?

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Nederlandse Samenvatting

Dit onderzoek is uitgevoerd in opdracht van Siers Telecom B.V., voorheen Hako-electronics, en zal tevens fungeren als afstudeeropdracht.

Deutsche Glasfaser, onderdeel van de Reggeborgh Groep, staat op het punt om grote aantallen glasvezelaansluitingen te realiseren in Duitsland, waarbij het Nederlandse aannemers nodig heeft die kennis en ervaring hebben opgedaan door het verglazen van Nederland in de afgelopen jaren. Voor Siers Telecom brengt deze in potentie zeer lucratieve internationalisatie een aantal aandachtspunten met zich mee doordat een eerder, mislukt, Duits project van de Siers Groep nog vers in het geheugen zit. Er moet een strategie worden ontwikkeld om de internationalisatie tot een succes te leiden. De hoofdvraag luidt dan ook: '*Welke strategie moet Siers Telecom B.V. volgen om succesvol te internationaliseren naar Duitsland?'*

Om tot een strategie te komen, zal eerst zowel de interne omgeving als externe omgeving in kaart moeten worden gebracht. Hierna kan een gedegen SWOT-analyse worden uitgevoerd om vervolgens een daadwerkelijke strategie te formuleren gebaseerd op de informatie die de SWOT-analyse oplevert. Er is in dit onderzoek dus sprake van een emergente strategie.

Theoretische modellen en concepten die worden gebruikt om de externe omgeving in kaart te brengen zijn respectievelijk een PESTEL-analyse, Porter's vijf krachten-analyse (1980) en een analyse van de culturele verschillen tussen Duitsland en Nederland gebaseerd op Hofstede's culturele dimensies (1980). Porter's value chain (1985) wordt gebruikt om de interne omgeving in kaart te brengen.

De methodologie van data collectie bestaat uit het grootste gedeelte uit interviews met de meeste relevante partijen, waaronder;

- Het Duits-Nederlandse consulaat, Freddy B. Heinzel
- Deutsche Glasfaser G.M.B.H., Peter Kamphuis
- Jan Dekker: een expert op het gebied van glasvezeltechnologie
- Mike de Leeuw, commercieel directeur van Siers Telecom B.V.

Na de data-analyse in de vorm van een gedegen SWOT-analyse wordt de emergente strategie ontwikkeld. Interne sterktes en zwaktes worden tegenover externe kansen en bedreigingen gezet om een daadwerkelijke strategie te creëren. Deze strategie wordt in de vorm van aanbevelingen gepresenteerd aan Siers Telecom, waarin priorisering naar de internationalisatie wordt gemaakt. Deze aanbevelingen met prioriteit staan hieronder:

- Het grote verschil tussen de economische staat van de verschillende landen moet worden uitgebuit om een 'win-win' situatie te creëren.
- Verschillen in het belastingklimaat tussen Nederland en Duitsland moeten verder worden onderzocht, aangezien sommige van deze belastingverschillen daadwerkelijk een positief resultaat op de winstmarge kunnen hebben.
- Siers Telecom B.V. moet zorgen dat door de gehele organisatie het Nederlandse legislatieve opportunisme verdwijnt, en zich aanpassen aan de striktere Duitse wets normen.
- De Duitse partner (Heming), moet worden gebruikt als façade om de bescherming van de Duitse economie jegens buitenlanders te omzeilen.
- Siers Telecom B.V. moet meer investeren in marketing, om potentiële toekomstige orders binnen te halen.

- Capabele werknemers moeten worden geïntroduceerd in het gehele internationalisatieproject, om de zwakte van afhankelijkheid van een klein aantal werknemers te reduceren.
- De dreiging van het delen van cruciale informatie met een potentiële concurrent (Heming) moeten worden weggenomen. Dit kan door langdurige joint-ventures op te richten met de Duitse partner, of simpelweg de potentiële concurrent overnemen.

Door het constateren van de relatief subjectieve input van de data-analyse moet een extra aanbeveling aan Siers Telecom B.V. worden gemaakt. Deze constatering komt voort uit het feit dat er interviews worden gedaan met klanten van Siers Telecom B.V., waarbij mogelijk sociaal gewenste antwoorden kunnen zijn gegeven. Een pilot (test-case) van een klein aantal glasvezelaansluitingen wordt aanbevolen om de uiteindelijke aannames en data te testen en verifiëren. Tijdens deze pilot moet worden gekeken of de aangenomen kansen en bedreigingen daadwerkelijk aanwezig zijn, en Siers Telecom B.V. zal desnoods de uiteindelijke strategie moeten aanpassen middels een vervolgonderzoek.

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1. Introduction

This research will serve as a final assignment for the graduation of my education, which is Business Administration. When it comes to graduating a rather externally focussed bachelor education program, like Business Administration, the preference of the University of Twente also lies in executing the bachelor thesis externally. The underlying assumption is that relevant business experience will be gained while carrying out the bachelor assignment (MB, 2013).

This research will be carried out in commission of Hako-electronics B.V. (Siers Telecom), located in Oldenzaal. A short introduction of the organization, alongside with general information about the various activities carried out by the organization will be given below.

1.1 Short introduction of Hako-electronics

Hako-electronics, with her 130 employees, can be acknowledged as a professional, progressive and specialized organization in the nationwide telecom business, since her establishment in 1971. The main business activity at the time (1971) was constructing, owning and maintaining copper networks, in order of various telecom providers. Today, the most important business activity is 'glazing' whole cities and business areas, where the definition of 'glazing' contains all the activities surrounding the instalment of glass fibre connections in those cities or business areas. Next to installing these glass fibre connections, another business activity relies on owning and maintaining the installed optic (glass) networks.

50% of Hako-electronics in terms of shares were acquired by the Siersgroep in 1993, the other 50% of the shares in 1998. This delay in acquisition was caused by the fact that Hako had two owners at the time, each holding 50% of the shares. When the Siersgroep showed its interest in the company only one of the owners was willing to sell his shares, while the other held on to his part of the ownership until 1998. While one can understand this ownership structure might be a foundation of arising problems for future business activities, this was certainly not the case because the Siersgroep acquired the right to make the final decision on any aspect concerned with doing business. From 1998 onwards Hako-electronics became a full daughter within the Siersgroep, adding that Hako-electronics does operate as an independent organization within the whole network.

A further remark concluding this short introduction is the conversion of the organization's name in June 2013 from 'Hako-electronics B.V.' to 'Siers Telecom B.V.' The justification behind this name change lies in the fact that the board of directors of the Siersgroep thinks name synchronization will improve collaboration between individual components within the network. Also, with this name synchronization, the positive reputation of the Siersgroep can be of contribution to (former) Hako regarding doing business with other companies.

In purpose of completeness and punctually, the organization central in this research will therefore be indicated with Siers Telecom B.V in the following parts, instead of Hako-electronics.

1.2 Problem Statement

"The current glass fibre market is nearly sated in the Netherlands. The only lucrative activities left in the business are owning and managing whole optic (glass) fibre networks" (de Leeuw & Nijenhuis, 2013). The glass fibre bubble in which companies made millions disappeared completely. One connection used to yield around hundred euro's, whereas today companies installing these connections will have to settle for around twenty euro's per connection. In the Netherlands the only lucrative parts of the glass fibre business are owning whole optic networks, as quoted.

Germany is on the verge of ordering glass fibre connections for large areas, where the emergence of the same sort profitable bubble gives potential for the companies involved. Reggefiber, part of the investment company Reggeborgh, is taking the leap to start in Germany with the desire to realize a minimum of 250.000 connections before 2014. There is a huge opportunity for contractors to take part in building and creating this new and upcoming profitable industry, similar to the situation several years ago in the Netherlands. However, it is Reggefiber who decides which contractors are the best to suit their needs and therefore will receive the order to realize the connections.

One of the contractors which exploited the glass fibre bubble in the Netherlands is Siers Telecom B.V, mentioned in the introduction and central in this research. The realization of numerous connections has not only resulted in a financially very healthy organization, but also an outstanding reputation was set in the business. Important relationships were created with essential order-providing parties like Reggefiber, by showing the high level of skill present at Siers Telecom. Today, this strong relationship results in Deutsche Glasfaser, part of Reggefiber, granting Siers Telecom a large part of the to be installed connections in Germany. A requirement set by Deutsche Glasfaser is the collaboration with a German company, Heming GMBH, situated within the range of the to be installed connections.

This potentially very lucrative internationalization does bring some points of interest to be looked at. The past has shown that activities carried out in the Netherlands cannot simply be copied to Germany and expecting the same results. Various cultural, economic, social and juridical aspects surrounding business activities differ between the two countries. These differences resulted in the exit of 'Siers kabel- und ruhrverlegung GMBH' , a full daughter and (failed) internationalization-project of the Siersgroep in 1998.

With this knowledge and experiences in mind, a new strategy needs to be developed within a fairly short time period. The purpose of this research is to get a full clear view of all the aspects needed to successfully internationalize to Germany for a contracting utility company, like Siers Telecom. After developing this complete overview of the market and all other aspects, further analyses of Siers Telecom can be done to make case-related conclusions and recommendations. The central question of this research therefore aligns with the main question Siers Telecom is asking itself, and any possible outcomes should serve as helpful guidelines;

"What strategy does Siers Telecom B.V. need to follow to successfully internationalize to Germany?"

One may assume the definition of success in this context would be success in terms of profitability, but this needs to be verified. A quick interview (which can be found in Appendix A) with the commercial manager of Siers Telecom shows that 'successful'

internationalization is defined in terms of profitability and reputation. The internationalization project needs to place Siers Telecom 'on the map' for potential future projects, and the project has to break even at the minimum.

1.3 Research Structure

To answer the formulated research question, a clear and thorough research structure is needed. A useful structure developed by (Perry, 2002) combines various existing literature about the basics and styles of theses-structures. "Theses should have a unified structure" (Easterby-Smith, Thorpe, & Lowe, 1991), and can be visualised in the model below (Figure 1). This is also the model used to conduct this research, and will be further explained in the following parts below. "It must be noted that the label of 'chapters' have to be seen as individual core components in a generic sense, and the actual number of chapters and their responding indication-number may differ from the model" (Perry, 2002, p. 5).

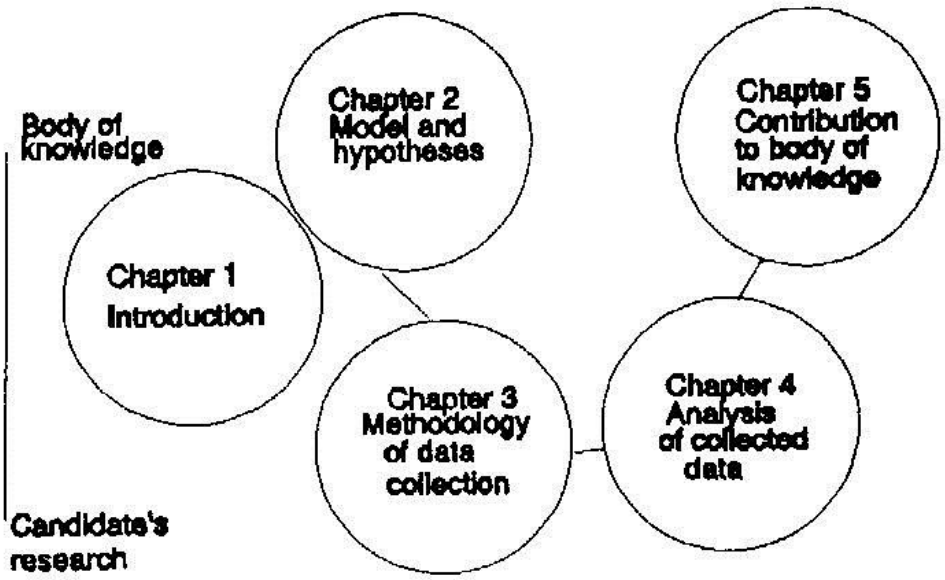

Figure 1; Model of the chapters of a thesis

1.3.1 Introduction

''Chapter 1' introduces the core research problem and shows the path the researcher will follow until a conclusion can be formulated' (Perry, 2002, p. 13). In this research the 'Introduction' is contains three smaller sections; 1.1 (Introduction), 1.2 (Research Problem) and 1.3 (Research structure). Firstly, a formal introduction of this research and its reason of existence is given, followed by a short introduction of the organization concerned with this research; Siers Telecom. The second section is the Research problem that concludes with a central research question and sub-questions. The last part shows the research structure this research will follow and use.

1.3.2 Model and hypotheses

"The second 'Chapter' aims to build a theoretical foundation upon which the research is based by reviewing the relevant literature to identify research issues which are worth researching because they are controversial and have not been answered by previous researchers" (Perry,

2002, p. 20). As this research focusses on a rather case-related subject (i.e. Siers Telecom internationalizing to Germany) existing literature containing general internationalization issues, preferable regarding to Germany, needs to be addressed. Also, strategy-forming literature needs to be addressed, as the ultimate goal of this research is formulating a strong strategy for Siers Telecom. Several conceptual/theoretical dimensions surrounding internationalization(-issues) discovered in existing literature will be used to form a new theoretical framework, which in turn will be used in later chapters. In this research this second 'chapter' can actually be found in chapter 2, and will be referred to as 'literature review'.

1.3.3 Methodology of data collection

''Chapter' 3 describes the major methodology used to collect the data which will be used to answer the hypotheses/question(s)" (Perry, 2002, p. 28). Babbie (2010), defines methodology as 'the science of finding out; procedures for scientific investigation' (Babbie, 2010, p. 4). The methodology in this research will be built in a way that another researcher could replicate the research, resulting in the same data and conclusions. In this research this part of the research structure will be referred to as Methodology of data collection, and can be found in actual chapter 3.

1.3.4 Analysis of collected data

''Chapter' 4 presents patterns of results and analyses them for their relevance to the research issues or propositions/hypotheses' (Perry, 2002, p. 33). In this research, the Analysis of the collected data can be found in chapter 4.

1.3.5 Contribution to the body of knowledge

''Chapter' 5 is the most important chapter of the thesis, for after ensuring the methodology and research processes are sound, the examiners will spend much time studying this chapter' (Perry, 2002, p. 37). In this chapter the central research question will be answered and practical recommendations will be given, as this research purpose is finding the best strategy for Siers Telecom to successfully internationalize to Germany. In this research, the development of the strategy can be found in chapter 5. The model developed by Perry (2002) suggests that limitations of the research and future research should also be noted. In this research, these can be found in chapter 6, with an additional conclusion of the research.

2. Literature review

2.1 Strategy

There are various definitions of a 'strategy', listed by various authors. Boddy (2008) informs that a strategy is concerned with deciding what business an organisation should be in, where it wants to be, and how it is going to get there (Boddy, 2008, p. 244). Boddy also states that a structured approach to strategy can benefit all organisations, in terms of reducing uncertainty, linking long term and short term, clarifying purpose and enabling control.

According to Wickham, a strategy has to represent the way in which the entrepreneur will achieve his vision (Wickham, 2006, p. 359). He also states that the potential to make a vision into reality will be dependent on the possibility of creating a strategy to deliver it, and if it is to be successful it must be based on a sound *knowledge of the environment* in which the organisation finds itself, the *conditions within its marketplace*, particularly in terms of the

competitive pressures it faces, and of its *own internal capabilities, competences and weaknesses*.

Combining these concepts, a central model can be developed which shows how the eventual strategy is created. Firstly, the external and internal environment of Siers Telecom needs to be mapped, where the tools to investigate them can be found within Business Administration literature, (listed in sub-chapter 2.2 and 2.3). After a thorough analysis of the internal and external environment, a SWOT-analysis will be conducted after which a strategy will be emerging from the conclusions of said SWOT-analysis. A visual display of the central model used in this research can be found below.

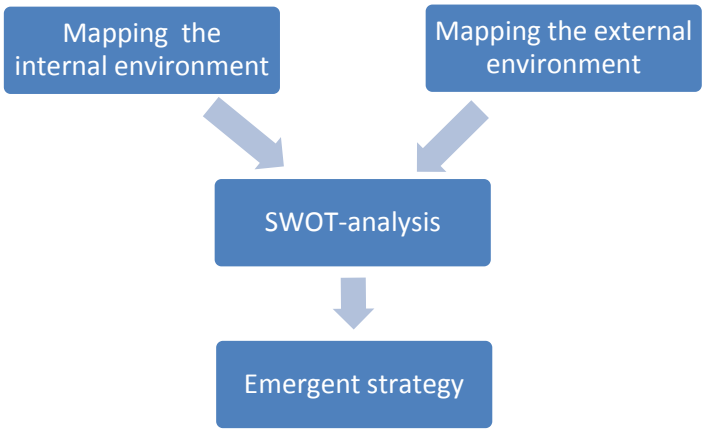

Figure 2; Development of the strategy

The next step is to find and explain the tools to accurately map the external and internal environment, which can be found in the next sections. An explanation of the SWOT-analysis can be found after. The actual mapping of the two separate environments can be seen as sub-questions, which are being worked out in the analysis of the collected data (chapter 4):

- How does the external environment of Siers Telecom looks like?
- How does the internal environment of Siers telecom looks like?

2.2 Tool(s) for mapping the external environment

PESTEL-Analysis

A great tool in order to retrieve this *sound knowledge of the environment* in which Siers Telecom will find itself in, is the PESTEL-Analysis. 'This tool helps identifying and listing forces in the wider world than can shape management policies' (Boddy, 2008, p. 96). The forces that will be examined are listed in the form of political, economic, socio-cultural, technological, environmental and legal factors, and are visualised in the model below (Figure 2).

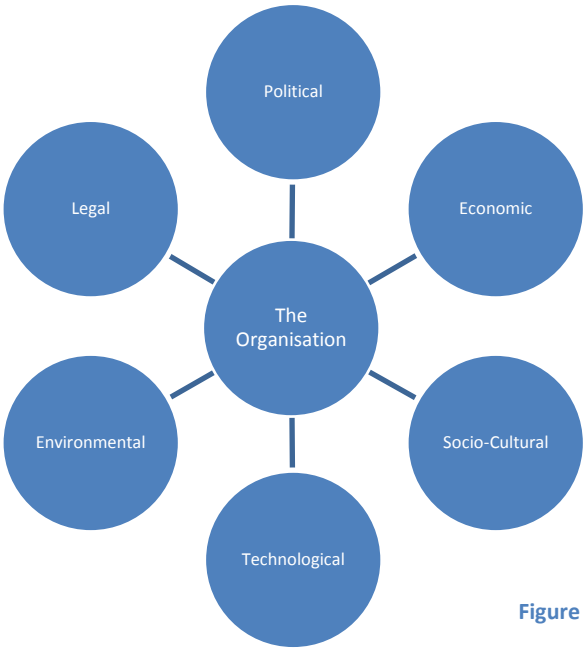

Figure 3; Pestel-Analysis

The strength of a PESTEL-analysis lies in the fact that all possible factors are being assessed, and thus a very complete view should be generated. A potential weakness of a PESTEL-analysis is that the broadness of the analysis might result in individual companies not being able to reflect own capabilities on the analysis. Seeing this research' reason of existence is finding the best strategy for a firm-specific case using market-wide data, a PESTEL-analysis alone will not suffice.

Hofstede's cultural dimensions

Existing literature on the field of international collaboration between organisations list the importance of cultural differences between organisation's countries of origin, and the impact these differences can have on the collaboration (Samiee, 2011), (López-Duarte & Vidal-Suárez, 2012).
Geert Hofstede's cultural dimensions (Hofstede, 1980) is a useful tool in order to get a clear view of these potential cultural difference between The Netherlands and Germany. Originally, there were four dimensions, but Hofstede informs "a fifth Dimension was added in 1991 based on research by Michael Bondwho conducted an additional international study among students with a survey instrument that was developed together with Chinese employees and managers" (Hofstede, http://geert-hofstede.com, 2012). The five dimensions are measured to map how people in different countries vary in their attitudes towards them (Boddy, 2008, p. 130). These five cultural dimensions are: Power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and long-term and short-term orientation, and are visualised in the model below (figure 3).

On behalf of accurateness of this research a further distinction to cultural differences between Twente (Nederland, Siers Telecom), the region where the organisation concerned in this research is located, and Germany will be made. This because of the existing possibility that the cultural dimensions will differ between organisations in different regions within the same country.

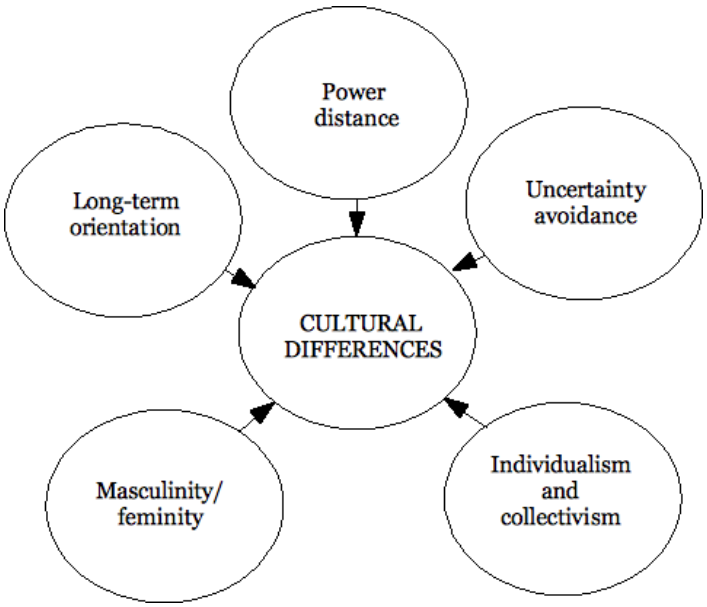

Figure 4; Hofstede's cultural dimensions

"The results of Hofstede's model are a useful starting point for those working internationally to think about the culture in which they operate, and to reflect their own cultural biases" (Boddy, 2008, p. 133). Another advantage of using Hofstede's cultural dimensions within this research is the fact that it can serve as a support for the socio-cultural component of the PESTEL-analysis mentioned before, and should provide threats for the eventual SWOT-analysis.

Porter's five forces

The *conditions within its marketplace*, particularly in terms of the *competitive pressures* within the industry need to be mapped as well in order to produce a solid strategy. Porter's Five forces analysis (Porter, 1980) is a useful technique for identifying and listing those aspects of the five forces most relevant to the profitability of an organisation at that time. Porter thus believes that it is the collective strength of the five forces that determines industry profitability (Boddy, 2008, p. 93).

These five forces are visualised in the model below (Figure 4): the threat of new potential new entrants, the intensity of rivalry among competitors in the industry, the power of buyers, the power of suppliers and the threat of substitutes products that can perform the same function.

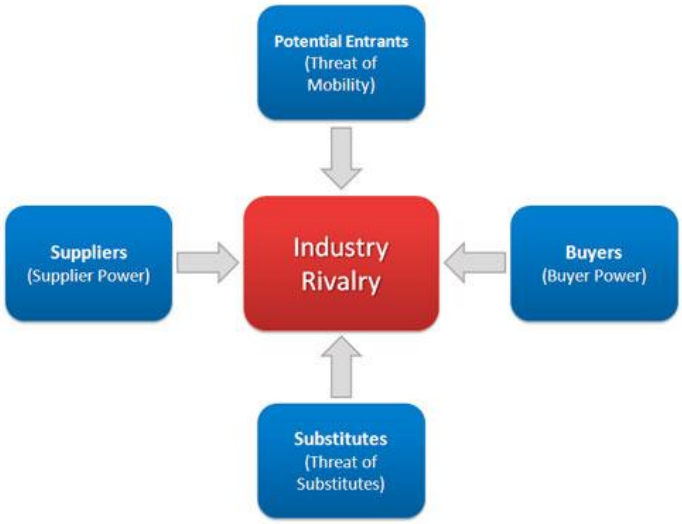

Figure 5; Porter's five forces model

"A combination of a PESTEL-analysis and a five forces analysis should ensure that all the major influences in the external environment are being recognized" (Boddy, 2008, p. 193).

2.3 Tool(s) for mapping the internal environment

The value chain

A great tool to map the internal environment of the organisation is the value chain by Porter (1985). This theory shows the primary activities of an organisation, and combines them with the support activities to identify the companies' individual strengths and weaknesses. A value chain divides a firm into the discrete activities it performs in designing, producing, marketing and distributing its product. "It is the basic tool for diagnosing competitive advantage and finding ways to enhance it" (Boddy, 2008, p. 249). A visualisation can be found below (figure 5).

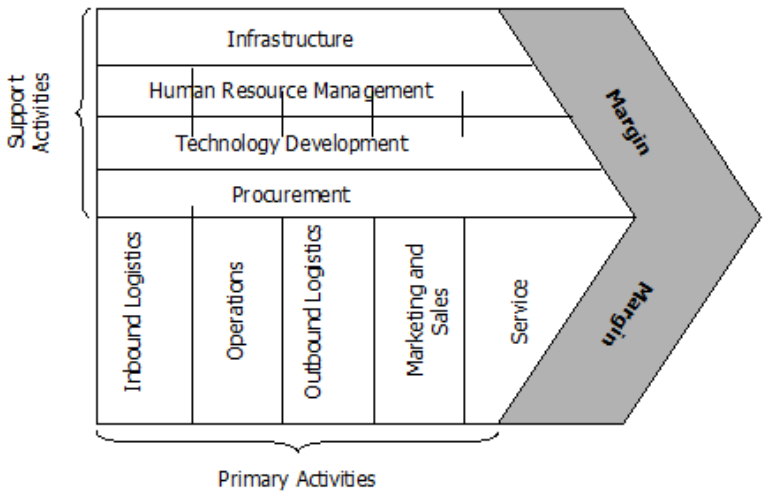

Figure 6; The value chain

2.4 SWOT-Analysis

"Strategy follows from finding a 'fit' between external environment and *own internal capabilities, competences and weaknesses"* (Boddy, 2008, p. 250). Therefore, after the external and internal environment has been mapped, a SWOT-analysis will be conducted to link the wider macro-environmental *opportunities* and *threats* to Siers Telecom's own *strengths* and *weaknesses*.

However, there are two main dangers in a SWOT exercise (Johnson, Whittington, & Scholes, 2011, p. 160):

- *Listing.* A SWOT exercise can generate very long lists of apparent strengths, weaknesses, opportunities and threats, whereas what matters is to be clear about what is really important and what is of less importance. Therefore, prioritisation of issues matters.
- *A summary, not a substitute.* SWOT analysis is an engaging and fairly simple tool. It is also useful in summarising and consolidating other analysis like PESTEL and five forces. There are two dangers if it is used on its own. The first is that, in the absence of more thorough analysis, managers rely on preconceived, often inherited and biased views. The second is again the danger of a lack of specificity. Identifying general strengths, for example, does not explain the underlying reasons for those strengths.

The dangers of using the SWOT analysis on its own will be eliminated by combining the previously mentioned analysis' with the SWOT-analysis. The danger of listing will be solved by conducting a good prioritisation, which will be explained in the Methodology of data collection (Chapter 4).

3. Methodology of data collection

For the various tools and concepts that were listed in the theoretical framework data needs to be collected in order to come up with a strategy for Siers telecom. The best and most logical way is to separate each of these theories, after which the methodology of data collection can be presented for each theory. But first a clarification of the nature of this research needs to be made, where a distinction between *qualitative* and *quantitative* must be made.

The literature on methodology distinguishes between *qualitative* and *quantitative* research methods. 'Qualitative methods are those that are oriented at the discovery of qualities of things, that is, the properties of objects, phenomena, situations, people, meanings and events. Qualitative research methods are particularly important if one intends to study people, groups, organizations and societies' (Van Aken, Berends, & Van der Bij, 2010, p. 129). 'In contrast, quantitative methods are oriented at the number or amount of these qualities' (Van Aken, Berends, & Van der Bij, 2010, p. 129). Other authors' distinctions between qualitative and quantitative are listed below;

Babbie (2010) defines *qualitative* research as follows:

- The nonnumeric examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships. This is the most typical of field research and historical research. (Babbie, 2010, p. G8)

Gerring's (2012) definitions to *qualitative* research add the following:

- An analysis with a small number of observations (small –N) (Gerring, 2012, p. 433).

- A narrative-based analysis rather than one based on math. For example, field research, open-ended interviewing (Gerring, 2012, p. 433).

Babbie (2010) defines *quantitative* research as follows:

- The numeric representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. (Babbie, 2010, p. G8)

Gerring's (2012) definitions to *quantitative* research add the following:

- Large –N, Statistical. (Gerring, 2012, p. 433)
- Many comparable observations are analysed statistically. (Gerring, 2012, p. 433)

To combine the authors on the definition of qualitative research, it can be concluded that the qualitative nature of a research sets and limits the methodology to be non-numerical, and thus more narrative based with a relatively small number of observations. This research can be seen as qualitative, since its purpose is to discover underlying meanings and patterns in relationships in order to come up with a successful strategy. Also, the rather small number of observations corresponds with the nature of qualitative research.

The next step is to produce qualitative methods to generate data for every individual theoretical tool and/or concept that is being used in this research. After that, remarks can be made on behalf of the level of reliability and validity this research holds.

3.1 External environment

3.1.1 PESTEL-Analysis

Methodology of data collection concerning the PESTEL-analysis is listed below, where every individual component is split up in purpose of clarity and completeness.

Political and legislation(law) factors

Political and legislation factors are important when internationalizing, as the legal framework differs from country to country (Boddy, 2008). Political and legislation information needed to conduct the PESTEL-analysis will be acquired through visits to the Dutch consul in Germany. An open-ended questionnaire will provide the data needed to map the important political and legislation factors, and how they differ between the Netherlands and Germany.

The emphasis of the questions about the various political factors lies on the potential difference in regulations like taxation policies and environmental regulations. The questionnaire can be found in the appendix (Appendix E: Interview Dutch consul).

Economic factors

Important economic factors like labour cost, unemployment rates and interest rates will be requested from government websites and visits to the Dutch consul in Germany. While these factors might be interesting to track, the most useful feature is the presence of competitors within the glass fibre-branch. In this research these economic competition factors needed to conduct the PESTEL-analysis will be acquired through the previously mentioned five forces-analysis, which is a tool to investigate the potential profitability for an organisation. A broader

description of the methodology of the five-forces analysis can be found in sub-chapter 4.1.3 (Porter's five forces analysis).

Socio-Cultural factors

Firstly, specific potentially important demographics are requested from government websites. But perhaps the most important differences lie in the social-cultural part of doing business as a Dutch company in Germany. A clear view of the cultural differences between doing business in the Netherlands and doing business in Germany can be mapped with Hofstede's Cultural Dimensions. Power Distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and long-term versus short-term orientation can be of influence when collaborating with a German organisation. A broader description of the methodology Hofstede's cultural dimensions can be found in sub-chapter 4.1.2 (Hofstede's cultural dimensions).

Technological Factors

The technological environment needs to be mapped to see what can be expected in this branch of work, and if fundamental technological adaptions need to be made to successfully do business. An interview with work-provider Deutsche Glasfaser, daughter of Reggefiber, will provide information about the current, and more important the potential future level of technology within the glass fibre-branch and general environment. The interviewee in this case will be Jan Dekker, a contact between Siers Telecom and Deutsche Glasfaser concerning glass fibre technology. The open-ended nature of the interview should provide this research with information about new product(technology) potential, or alternative means of providing services. The questionnaire can be found in the appendix (Appendix F: Jan Dekker interview).

Environmental Factors

On the first sight, environmental factors might not influence the internationalization at all, since the neighbouring countries share about the same climate and geographical structure. Still it needs to be investigated what the environment has to offer, or demands for that matter. Environmental factors, like resources, energy supplies and differences in climate will be acquired through means of internet, and in the interview with Jan Dekker listed before. The questionnaire can be found in the appendix (Appendix F: Jan Dekker interview).

Legislation factors

See Political and legislation (law) factors.

3.1.2 Hofstede's cultural dimensions

The advantages of using a respected and widely used model like Hofstede's are that numerous research already has been done, even by the author himself (Hofstede, http://geert-hofstede.com, 2012). The internet provides access to this research to cultural differences between Germany and The Netherlands, complete with graphs and summaries. The only aspect that has to be investigated for this research is whether the conclusions of the previous research done by Hofstede are valid for the organisation concerned, Siers Telecom. This will be done by testing the conclusions made by Hofstede himself, by validating them with Siers Telecom through the means of a standardized questionnaire. This questionnaire can be found in the Appendix (Appendix G: Hofstede cultural dimensions validation).

In addition, an international convention will be attended about doing business in Germany, where the difference between Germany and the Netherlands will be highlighted. This will also serve as a good comparison to validate the existing literature about differences in cultural dimensions, made by Hofstede.

3.1.3 Porter's five forces

Acquiring information for the five forces analysis is most efficient when one organisation which oversees the whole industry is consulted. In this case the overseeing organisation would be Deutsche Glasfaser, which is providing the glass fibre connections for contractors like Siers Telecom. An open-ended interview with Deutsche Glasfaser should map the threats of potential new entrants, the intensity of rivalry amongst competitors of contractors, the power of suppliers and the power of substitutes. The reason of the absence of the power of buyers (customers) in this list, is because Deutsche Glasfaser is in fact the customer and work-provider of Siers Telecom, and the rest of the contractors for that matter. Thus, to map the power of buyers (customers), Deutsche Glasfaser is certainly not the right candidate to interview in terms of impartiality. Instead interviews will be held with Siers Telecom concerning the power of the customer. The questionnaire with Deutsche Glasfaser can be found in the Appendix (Appendix H: Interview Deutsche Glasfaser four forces). The questionnaire with Siers Telecom can be found in the Appendix (Appendix I: Interview power of buyers (customers)).

3.2 Internal Environment

3.2.1 The Value chain

Acquiring information to map the internal environment will be done by setting up interview(s) for the management of Siers Telecom to get a clear overview of the organisations own strengths and weaknesses. The questionnaire(s) based on the value chain by Porter (1985) can be found in the Appendix (Appendix J: Interview internal Strengths & Weaknesses based on the value chain).

3.3 SWOT-analysis

The methodology of data collection for the SWOT-analysis consists of two separate parts. Data for analysing the external opportunities and threats will be provided by the previously mentioned PESTEL and five forces-analysis. On top of that, Hofstede's analysis of the different cultural dimensions of Germany and the Netherlands will add any potential opportunities and/or threats. Data for the internal strengths and weaknesses will be acquired through interviews with the management of the concerned organisation (Siers Telecom) based on the concept of the value chain by Porter (1985).

The 'listing' problem mentioned in the theoretical framework addressed that prioritising of the strengths, weaknesses, opportunities and threats is needed to avoid long lists of unimportant data. This research prioritises any potential strengths, weaknesses, opportunities and threats directly in relation of the internationalisation.

3.4 Reliability, Validity and sampling

3.4.1 Reliability

'Reliability is a concept that seems to be easy to grasp but nevertheless difficult to define' (Van Aken, Berends, & Van der Bij, 2010, p. 158). A simple definition of reliability is given by Yin (1994): 'The results of a study are reliable when they are independent of the particular characteristics of that study and can therefore be replicated in other studies' (Yin, 1994). 'The methodological literature recognizes four potential sources of bias: the researcher, the instrument, the respondents and the situation' (Van Aken, Berends, & Van der Bij, 2010, p. 158). The instruments used in this research are for the most parts interviews, which depends more upon the personal characteristics of the interviewer. The personal characteristics of undersigned have a strong connection with the organisations concerned due to family name.

To increase the reliability of this research there will be an explicit introduction in the beginning of every interview stating the neutral position of the researcher in the execution of this research, adding that socially desirable will nothing but harm the research.

The reliability of the instruments will be increased by verifying the collected data from the interviews with data collected from the internet.

The reliability of the respondents will be increased by interviewing the highest 'ranked' individual concerned with the internationalisation, overseeing the whole process and relatively representing most areas of the research-problem.

The reliability of the situation will be increased by firstly making sure the interviews take place on the interviewees terms and conditions, to make sure they feel comfortable. Common interview circumstances will be realized to reduce any unique circumstances that might influence the reliability of the collected data.

3.4.2 Validity

'The abstract definition of validity will become more comprehensible when discussed through different types of validity : construct validity, internal validity and external validity' (Van Aken, Berends, & Van der Bij, 2010).

Construct validity

'Construct validity is the extent to which a measuring instrument measures what it is intended to measure' (De Groot, 1969). For this research this means the interviews should completely cover every concept generated in the theoretical framework. A potential danger lies in the fact that an interviewee might not understand the question, after which an invalid answer is generated. This forces the interviews used for this research to be clear, easy to understand and to completely cover the concepts mentioned in the theoretical framework.

Internal validity

'Internal validity concerns conclusions about the relationship between phenomena, in a sense that no other plausible competing explanations about the relationship are present' (Van Aken, Berends, & Van der Bij, 2010). 'Studying the problem area from multiple perspectives can facilitate the discovery of all causes' (Van Aken, Berends, & Van der Bij, 2010). To maintain a high internal validity in this research the targeted problem area is mapped using as much

theories, techniques and tools as possible. The PESTEL-analysis for example, is a tool to study multiple perspectives and thus contributes to maintaining a high internal validity.

External validity

External validity refers to the generalizability of research results and conclusions to other people, organisations, countries and situations. "External validity can be increased by increasing the number of objects studied" (Van Aken, Berends, & Van der Bij, 2010). Van aken et al. also mention that external validity is often of less importance in business problem-solving projects, as they usually focus on one specific problem. Therefore the external validity in this research can be considered as relatively low, as the case-specific research question was developed for one specific organisation (Siers Telecom).

3.4.3 Sampling

The sampling-method used to conduct this research is based on purposive (or judgmental) sampling. Babbie (2010) defines purposive sampling as 'a type of non-probability sampling in which the units to be observed are selected on the basis of the researcher's judgment about which ones will be the most useful or representative' (Babbie, 2010). Respondents are picked based on their (highest) authority-position within the external and internal environment, to cover the relatively biggest part of the problem-area.

4. Analysis of collected data

The analysis of the collected data can be found below, where the individual theoretical tools to map the external and internal environment have been split up for clarity. All of the actual collected data can be found in the appendix.

4.1 External Environment

The earlier-mentioned sub-question 'How does the external environment of Siers Telecom looks like?' will be worked out in this part of the research by analysing the data collected from the interviews set up in order to conduct the theoretical tools.

4.1.1 PESTEL-Analysis

Data for the PESTEL-Analysis is collected through various earlier-mentioned sources. The analysis of every individual component can be found below, after which any potential threats and/or opportunities can be found in the SWOT-analysis.

Political factors

According to Heinzel (2013), advantages of both countries being part of the European Union, and also geographically neighbouring show when mapping and analysing political factors. The political systems do not really vary in terms privatisations or other regulations like environmental, health & safety etc. Both governments are relatively stable and also no trade-barriers are established whatsoever. A point of interest lies in the taxation policies of Germany and The Netherlands, where differences in beneficial tax-deduction options can provide a win-win situation for Dutch organisations working in Germany.

Economic factors

Both inflation rates and consumer confidence are better in Germany, with consumer confidence showing the biggest difference (TradingEconomics, 2013). Germany's consumer confidence is indexed at 38.5, while the confidence of the consumer in the Netherlands are at minus 32. The importance of an index such as consumer confidence can be found in its definition; consumer confidence is an indicator designed to measure the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. How confident people are about the stability of their incomes determines their spending activity and therefore serves as one of the key indicators for the overall shape of the economy. If consumer confidence is higher, consumers are making more purchases, boosting the economic expansion. On the other hand, if confidence is lower, consumers tend to save more than they spend, prompting the contraction of the economy (TradingEconomics, 2013).

Other rates such as the unemployment rate also favour Germany, where the declining trend has stagnated at 5.4% in April 2013, while in The Netherlands the index shows an increasing trend, placing it at 8.2% in April 2013 (TradingEconomics, 2013). When analysing these rates and their trends, it becomes clear Germany is on its way to emerge from the economic crisis, or better said able to diverge negative rates into positive rates. On the contrary, it becomes clear The Netherlands are struggling to shift the economic crisis around and cannot yet manoeuvre itself into positive rates, according to the actual rates and trends.

To link this to the debate of profitability for organisations, it is obvious Germany has the best economic environment of the two countries. This statement can also be backed-up with another index rate, namely the rate of business confidence within the two countries. The business confidence index is an indicator designed to measure the degree of optimism on the state of the economy that business owners are expressing through their activities of investing and spending. Decreasing business confidence often implies slowing economic growth because business owners are likely to decrease their investment. The idea is that the more confident business owners and managers feel about the economy, their companies, their jobs and incomes, the more likely they are to make investments and purchases (TradingEconomics, 2013). The business confidence in The Netherlands remains at minus 4.2, while the neighbouring country Germany has a positive rate of 5.7.

All of these rates combined show organisations, investors and customers within the German economy are more likely to make capital investments and the overall costs of inflation and unemployment to organisations are relatively lower in Germany, and it can thus be concluded that Germany has the better business environment of the two.

Socio-Cultural factors

At first, the most notable demographic difference would be the sheer difference in population. Germany with her 81,305,856 people (July 2012), vs. The Netherlands with 16,730,632 (July 2012) (IndexMundi, 2013). Aside from the difference in size and population, the demographic density is more than double in The Netherlands in comparison with Germany due to the relatively smaller volume of land (IndexMundi, 2013). This means bigger distances have to be travelled when operating in Germany, but another remarkable notification is that some interviewees noted that on average more people live in an individual house in rural areas in Germany in comparison with the Netherlands. Families tend to cluster together, be it for economic or social reasons. This means more people can be provided with glass fibre connections with less actual connections in terms of sheer numbers.

Differences in the values the society holds are worked out in the analysis of Hofstede's research, which can be found in sub-chapter 5.1.2.

Technological Factors

According to Dekker (2013), Germany is relatively on the same level as The Netherlands in terms of general technology like telecommunication, internet, infrastructure. However, from the interviews it becomes clear Germany is miles behind in comparison with the Netherlands in terms of glass fibre technology. In Germany, only the bigger cities have been partially glazed, while rural areas are still using copper networks. The cause of this fall behind in terms of using available (glass fibre) technology is because of a lack in competition between telecom providers. Simply put, there was no financial need to switch over and invest in glass fibre networks, even though glass fibre is far superior to copper in terms of data-traffic capabilities.

There is nothing in the foreseeable future in terms of new product potential which could create new markets or new competition. Nothing is faster and more capable than glass fibre, even Wi-Fi, going through nothing but air has it limits due to overground obstacles and therefore connection problems. Moreover the quality of glass can be increased over and over again, setting the minimal survivability of glass fibre to at least 50 years (Dekker, 2013). The future of data-traffic simply depends on glass fibre in terms of customer demand and data-capacity. However, the development of new applications for glass fibre is what determines the potential growth and explosiveness of the branch. New applications like gaming (online), 3D-television and security need to be developed to boost the demand for glass fibre. When those services are provided by their respective industries, the profitability of glass fibre will rise dramatically (Dekker, 2013). Therefore, these new services will be a game-changer in terms of availability of work for contractors, the absolute end of copper-networks.

To add, the longer the development of these new applications take, the longer the survivability of substitute products like copper will be. For example, in the end of the nineties people thought the limit of copper networks was about 10 megabyte in terms of data-traffic, now this is already increased/stretched to 1 gigabyte. Providers of the copper networks keep inventing new innovations to stretch the capabilities of copper.

Environmental Factors

There aren't too much differences in environmental factors simply because Germany and the Netherlands are neighbouring countries. Water and energy supplies are all at hands, and should not pose a problem. A minor geographical difference that has some sort of influence in doing business would be the difference ground structure. Germany's soil has a different setup than soil in The Netherlands, therefore work activities like digging could take more time, or less for that matter.

Corporate social responsibility is a rather new concept in Germany, and receives less focus than CSR in the Netherlands. Therefore it should not have a significant effect on doing business in Germany.

Legal Factors

The biggest difference in legal factors lies in the principle of legislation established by the two countries. In Germany, the law is a thing which cannot be neglected in any circumstance if an

illegality occurs. In The Netherlands, some of these illegalities like speeding 10 km/h are not being fined, but just sent off with a warning. This kind of lack in bureaucracy, and handling with own insights is absolutely impossible in Germany. This difference in legal systems results in more opportunism in The Netherlands in terms of bureaucracy in comparison with Germany. Law in the Netherlands in some cases can be interpreted to the organisations own interests. In Germany the law will always be executed and cannot be interpreted in other way than it is designed.

Also, there is of some sort of protection of the own economy and favouring parties of the same origin in contrary of favouring parties with different origins, on a business level (Heinzel, 2013). Especially outside the big cities, more regionally, this trend is present of favouring German organisations when doing business. This form of self-protection results in even stricter controlling and executing the law. For example, certificates need to be present at all times, and detection of small health & safety measure flaws can shut down the whole operation.
Other general rules and laws oblige organisations to be enrolled in the trade-register before commencing to work in Germany and the organisation needs to have certificates for many individual activities like installing, welding and gluing. Another interesting point for organisations working in Germany is the 5% withhold regulation. This means for every transaction, the work-provider has the ability to hold back 5% of that transaction as a form of bail.

4.1.2 Hofstede's cultural dimensions

Culture is distinct from human nature (features that all human beings have in common) and from an individual's personality (their unique way of thinking, feeling and acting). It is a collective phenomenon, shared with people in the common social environment in which it was learned (Boddy, 2008, p. 127). The comparison between cultural dimensions of Siers Telecom and the nation of Germany should highlight any potential bottleneck(s) in terms of doing business in Germany and collaborating with German organisations. But first, an analysis of Hofstede's individual cultural dimensions must be carried out, which can be found below, after which any threats and/or opportunities can be found in the SWOT-analysis.

Power Distance

This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us. Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally (Hofstede, Cultural Dimensions, 1980).

Highly decentralised and supported by a strong middle class, Germany is not surprisingly among the lower power distant countries (score 35). Co-determination rights are comparatively extensive and have to be taken into account by the management. A direct and participative communication and meeting style is common, control is disliked and leadership is challenged to show expertise and best accepted when it's based on it (Hofstede, http://geert-hofstede.com, 2012).

Power Distance is certainly present in the Siers Group and Siers Telecom, especially within the older management. However, this distance is accepted within the whole company with a positive form of down-to-earthiness, since the management tries not to fall back to their

position and power, but rather uses normal communication and treats everyone equal. So to summarise, the power distance is accepted, but in practice this distance isn't really present. Every employee is expected to make decisions on their own, to speed things up and to be as efficient as possible.

An interesting remark coming from the interviews is the fact that the interviewees unanimously agree that employees in Germany lower in the hierarchy cannot and do not make decisions on their own, and will always consult a direct supervising chefs when a problem occurs, after which these chefs will consult their chefs, slowing down the whole process.

Uncertainty Avoidance

The dimension Uncertainty Avoidance is defined as the way a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings anxiety and different cultures have learnt to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and rather tries to avoid them as much as possible is reflected in the Uncertainty Avoidance score (Hofstede, Cultural Dimensions, 1980).

Germany is among the uncertainty avoidant countries (65). In line with the philosophical heritage of Kant, Hegel and Fichte there is a strong preference for deductive rather than inductive approaches, be it in thinking, presenting or planning: the systematic overview has to be given in order to proceed. This is also reflected by the strict law system mentioned before. Details are equally important to create certainty that a certain topic or project is well-thought-out (Hofstede, http://geert-hofstede.com, 2012).

Uncertainty avoidance is somewhat present, specifically at the directors of the Siers Group, and the current director of the whole family business. They like to avoid uncertain or new situations, and stick with old familiar ways of doing business as much as possible. However, throughout the whole organisation people are hired and expected to be creative and search for opportunities, even if the situation might be somewhat uncertain. As mentioned before, at Siers Telecom, employees are expected to improvise and use own initiative. On the contrary, employees in Germany are mostly reluctant to move without instructions or rules.

Individualism vs. Collectivism

The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people´s self-image is defined in terms of "I" or "We". In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to 'in groups' that take care of them in exchange for loyalty (Hofstede, Cultural Dimensions, 1980).
The German society is a truly individualistic one (67). Small families with a focus on the parent-children relationship rather than aunts and uncles are most common. There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. This is defined by the contract between the employer and the employee. Communication is among the most direct in the world following the ideal to be "honest, even if it hurts" – and by this giving the counterpart a fair chance to learn from mistakes (Hofstede, http://geert-hofstede.com, 2012).

At Siers Telecom, the trend tends to be a more collective one rather than individualistic. Employees also enjoy the social aspects of work outside the actual work, such as being with

colleagues and joking around. Contractual design doesn't mean that much as it does in Germany, and while communication is direct, it tends to be more helpful and supportive than blunt honest criticism.

Masculinity vs. Femininity

A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organisational behaviour.
A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine) (Hofstede, Cultural Dimensions, 1980).
With a score of 66 Germany is considered a masculine society. Performance is highly valued and early required as the school system separates children into different types of schools at the age of ten. People rather "live in order to work" and draw a lot of self-esteem from their tasks. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices (Hofstede, http://geert-hofstede.com, 2012).

At Siers Telecom, the masculine and feminine aspects tend to vary on different hierarchical levels throughout the organisation. Employees working in the field, digging and realizing connections combine feminine aspects like looking out for each other and valuing the quality of life, but also use assertive and direct behaviour to make deadlines and deliver quality in their services. However, when everything goes well and deadlines are being made, the work-executing employees tend to show feminine behaviour. The employees working at the offices contain some feminine parts like quality of life when working on the same division, but the office directors try to maintain more masculine values like assertiveness to optimize the achievements of the whole organisation.

In general, Siers Telecom shows a more feminine business culture in contrary of Germany, which has a masculine culture. This might result in conflict when collaborating with real 'masculine' German organisations.

Long-term and Short-term orientation

The long term orientation dimension is closely related to the teachings of Confucius and can be interpreted as dealing with society's search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view (Hofstede, Cultural Dimensions, 1980).

The Germans score 31, making it a short term orientation culture. Societies with a short-term orientation generally exhibit great respect for traditions, a relatively small propensity to save, strong social pressure to "keep up with the Joneses", impatience for achieving quick results, and a strong concern with establishing the Truth i.e. normative (Hofstede, http://geert-hofstede.com, 2012).

With Siers Telecom, the orientation differs with different activities. Short term activities and projects can be coped with due to hiring external expertise, long term orientation is held with the internal mature organisation by constantly watching how the environment changes and making plans according to the change. But on average, the orientation is about the same as it is with German organisations, rather short-term and aiming to get quick results.

4.1.3 Porter's five forces

According to Porter (1980), the ability of a firm to earn an acceptable return depends on five forces – the ability of new competitors to enter the industry, the threat of substitute products, the bargaining power of buyers, the bargaining power of suppliers and the rivalry amongst existing competitors (Boddy, 2008). The analysis of the five individual forces can be found below, after which any potential threats and/or opportunities can be found in the SWOT-analysis.

Threat of potential new entrants

The extent of this threat depends on how easily organisations can overcome barriers to entry into the industry (Boddy, 2008). In this case this extents to the threat of potential new contractors that could compete for the realization of glass fibre connections.

While there are no actual legal/governmental barriers blocking entry to the German glass fibre business, the threat of new entrants remains quite low, as the experience and capital investments for material and expertise needed to successfully operate in the glass fibre business are simply too big and takes a while to develop. The Dutch contractors about to work in Germany, like Siers Telecom, already know how things work due to having 7 years' of glass fibre experience. This means any potential new German entrant will need to build up about 7 years of experienced to even come close to the level of experience and expertise to compete on a technical level, let alone optimize internal processes of the organisation. Meanwhile the other existing contractors will continue to improve their processes and skills. On top of that, the firm relations and contacts, for example those of Siers Telecom, go back entire decades. This is yet another barrier almost impossible to overcome by new entrants in the industry.

Combining the factors needed to compete in the glass fibre industry; being able to make capital investments, expertise, experience and contacts, the actual threat of potential new entrants to the glass fibre industry in Germany can be assessed to be relatively close to zero.

Intensity of rivalry amongst competitors

The intensity of rivalry amongst competitors has a major influence on the profitability of an industry, where strong competitive rivalry means lower profitability (Boddy, 2008). In this research the competitors are the various different contractors competing for the orders to realize glass fibre connections in Germany.

There are five German contractors working for Deutsche Glasfaser, plus four contractors from the Netherlands. This number is sufficient in terms of volume that Deutsche Glasfaser wants to be carried out, and thus all of these contractors are competing for orders to realize glass fibre connections. In the Netherlands, the situation went as follows; after the connections are realized, whole local areas are distributed to be controlled and managed by individual contractors who also realized the assigned connections, whom will get payment in return. The management of these distributed local area's will take about 5 years, after which whole regions will be distributed to individual contractors. Prices for building connections started at 1400 Euros, and were forced down to 640 Euros recently by work-providers.

The initiator of glazing the rather rural areas in Germany thinks the situation is fully comparable as glazing the Netherlands was 7 years ago. In the Netherlands, real competition between contractors only started when the prices started to plummet, about 2 years ago. The

reason for this is simply because before the downfall of prices enough work was being distributed between them. There was no need to be real competitive because of the relatively fast market growth in the beginning. Reflection to the upcoming glazing in Germany, there won't be any real competition between contractors the first 2-3 years, as sufficient orders will be distributed. In Germany the competition will however pick up a bit faster as the actual technology, expertise, experience and IT-capabilities of the contractors already improved through time, which also means initial prices per individual connection will not start out as high as they did in the Netherlands, and prices-drops will happen faster and more frequently (Kamphuis, 2013).

In terms of quality of the different contractors, the German contractors tend to have more difficulties in maintaining and providing the quality Deutsche Glasfaser demands. They are new with the way of glazing and how the work has to be delivered. The deliverance requires a change in IT-capabilities as well, which the Dutch contractors already have and know how to use. This means the Dutch contractors have a huge advantage, as frequently mentioned before. The Dutch contractors also have the benefit of knowing how we want the work to be delivered, so the organisation doesn't really have to be re-organized in terms of IT or planning. All of this means the competition should be higher among Dutch contractors than it will be between Dutch and German contractors, because of the sheer gap in expertise and experience between them.

However, there is one catch. German contractors have the absolute advantage that Deutsche Glasfaser always wants to do business directly with a German party, which is essential. This because of the contractual preferences and other legislative eases. Dutch contractors therefore have to team up with a German partner, or start their own GMBH.

Power of Buyers (customers)

Buyers (customers) seek lower prices or higher quality at constant prices, thus forcing down prices and profitability (Boddy, 2008). The buyers in Germany, or customers, in this specific case of internationalisation can be narrowed down to one, Deutsche Glasfaser. Deutsche Telecom is another investor in glass-fibre, but only operates in the bigger cities.

The low number of customers, one in this case, provides Deutsche Glasfaser with much power, as they contribute large parts of the output of contractors. For Siers Telecom for example, Deutsche glasfaser purchases 100% of the output. The lack in competition between providers, resulting from this low number means they can single-handedly create competition between contractors when they initiate a drop in prices. However, there is some sort of a mutual dependence between Deutsche Glasfaser and its contractors because the small number of qualified contractors in the business.

Power of Suppliers

Conditions that increase the bargaining power of suppliers are the opposite of those applying to buyers (Boddy, 2008). The suppliers in this case are the various sub-contractors, which not only supply materials to Siers Telecom, but also perform outsource-activities within individual projects such as technical drilling, paving and such.
The amount of material-suppliers working for the various contractors is big, especially in Germany. This immediately means the power of these subcontractors is relatively low, as the contractors can switch to another subcontractor when something doesn't really go as they want it to go. Switching costs are relatively low when switching to another material supplier.

Switching gets more complicated when talking about a supplier who realises activities outsourced by the contractors. Outsourcing activities within projects often means the contractors do not have the expertise themselves, and these sort of suppliers exist in lower numbers, comparing to material suppliers.

To conclude, the power of material suppliers is relatively low. The suppliers of certain outsourced activities can hold more power.

Threat of potential substitutes

In Porter's model, substitute products refer to products in other industries that can perform the same function, for example using cans instead of bottles. Close substitutes constrain the ability of firms to raise prices, and the threat is high when buyers are able and willing to change their buying habits. Technological change and the risk of obsolescence pose a further threat (Boddy, 2008).

As said in the PESTEL-analysis (5.1.1) the substitute product copper, which can also transport signals over large areas is almost obsolete. Glass fibre surpasses copper in every aspect, from material cost to actual speed. Coppers fatal-blow will arrive when new applications like gaming and 3D-television is enabled through glass fibre.

4.2 Internal Environment

The earlier-mentioned sub-question 'How does the internal environment of Siers telecom looks like?' will be worked out in this part of the research by analysing the data collected from the interviews set up in order to conduct the theoretical tool listed below.

4.2.1 The Value chain

The value chain is a tool to map the strengths and weaknesses of an organisation, by checking primary activities and support activities of an organisation.

Strengths:

1. Firm infrastructure

In terms of the whole organisations' infrastructure and way of organizing, a sort of inconsistency can be detected which started 7 years ago when the company started to grow immensely. Siers Telecom needed sheer numbers in terms of employees during the explosive growth of the glass fibre market. However, the actual competences of these potential employees were not thoroughly looked at because people were simply needed in terms of numbers. When the market started to saturate pricing-wise, Siers Telecom found out in some cases that some employees were hired without fitting competences and unable to innovate their processes so that the organisation could cope with the drop in prices. There was simply not enough critical assessment of these potential employees in terms of core capabilities and ability to perform, adjust and/or change and innovate. However, the external environment demanded from Siers Telecom to change to a leaner and meaner organisation to cope with the drop in prices. Recently, about 2 years ago, a re-organisation of this internal infrastructure and human capital in terms of capabilities and innovation took place. Over the following years, Siers telecom became leaner and meaner, and a better cooperation with the other organisations within the Siers Group was established. This synergy recently started to show

the fruits of this labour, which means the whole organisation is starting to be able to really cope with any fluctuation in prices.

2. Operations and Service

In general, both internal and external parties praise the amount of humbleness, technical expertise and experience Siers Telecom holds and delivers, in comparison with other contractors. These sources of competitive advantages have in fact contributed to the upcoming possibility of internationalisation, where Deutsche Glasfaser expects Siers Telecom to be in control of every area where technical expertise is needed within a collaboration, not only in processes but also in the field. To give concrete examples, planning and engineering should be guided and initiated by Siers Telecom.

To add to the collaboration, it is considered a strength that Siers Telecom already has a partner to collaborate with and thus a direct gateway to Germany.

3. Service-innovation

As said, the real foundation of the Siers Group is that everything needs to be of the best quality, which used to provide orders on its own in the past. Today, everything is more price oriented, and a new model has already been developed to give the customer the ability to choose which risks he wanted to pay for, to give him the opportunity to choose his own level of quality he wanted to get (and thus pay for). This is an example of a new way of service developed recently, enhancing the way the product is offered.

Weaknesses:

1. Human resource management

An existing problem which can be seen as a weakness is that Siers Telecom does not have enough independent employees that are being trained in order to learn skills from older crucial employees/directors. At the moment there's a real danger of too much dependence on some persons. For example, it is quite possible whole business processes will stagnate when a certain director falls away due to getting get sick for a longer period. Adding to that, the two directors of Siers Telecom have indicated that the span of control is nearly full. Days longer than 8 hours are more rule than exception, which indicates the need for more skilled employees to take up more responsibilities.

The good thing is that the whole organisation recognizes this potential danger and tries to find ways to avoid this dependence. Examples are hiring horizontal integration in form of external expertise, and vertical integration with internally educating employees to occupy certain functions higher in the organisation. Both of these processes are initiated by the company, but it takes time. It's hard to find realistically affordable external expertise for specific tasks, and it certainly takes some time to educate and train talented employees, especially since the concept of scouting these talented employees started just two years ago (de Leeuw & Nijenhuis, 2013).

2. Marketing

Siers Telecom never used any form of marketing the last 7 years, as weird as it may sound. A reactive position was maintained, unwillingly, simply because there was enough work to be

found (and done) and the directors figured it wasn't really needed. Other parties, such as competitors, have been doing marketing at a consistent base and are assumingly ahead on Siers Telecom at this part (de Leeuw & Nijenhuis, 2013).

Another weakness in the area of marketing emerged from the earlier-mentioned humbleness of the organisation. This humbleness sometimes results in a show of virtue, which the organisations directors are aware off. However, words from the external environment also address this potential weakness towards operating in Germany (i.e. Peter Kamphuis, Deutsch Glasfaser). This humbleness is considered a good thing fundamentally by internal and external parties, but could pose a threat when operating too softly/carefully instead of acting vigorously. For example, Deutsche Glasfaser needs Siers Telecom to really push their German partner to meet deadlines, but at this moment they do not know if Siers Telecom has got the persuasiveness and courage to really bluster at the partner to actually speed things up.

4.3 SWOT-analysis

After analysis' of both the external and internal environment a SWOT-analysis can be made. A further important notification is that all the strengths, weaknesses, opportunities and threats are based on the upcoming internationalisation.

4.3.1 Strengths

Firm infrastructure

Recently, about 2 years ago, a re-organisation of this internal infrastructure and human capital in terms of capabilities and innovation took place. Over the following years, Siers telecom became leaner and meaner, and a better cooperation with the other organisations within the Siers Group was established. This synergy recently started to show the fruits of its labour, which means the whole organisation is starting to be able to really cope with any fluctuation in prices.

Level of expertise and experience

Both internal and external parties praise the amount of technical expertise and experience Siers Telecom holds and delivers, in comparison with other contractors. These sources of competitive advantages have in fact contributed to the upcoming possibility of internationalisation, where Deutsche Glasfaser expects Siers Telecom to be in control of every area where technical expertise is needed within a collaboration, not only in processes but also in the field. To give concrete examples, planning and engineering should be guided and initiated by Siers Telecom.

Siers Telecom already has a German partner

The fact that Siers Telecom already has a partner to cooperate with can be considered as a strength. The partner, Heming GMBH, provides a direct gateway to Germany, which also means the setup costs of Siers Telecom are relatively low.

Product and service developments

Siers Telecom has and uses the ability to develop new models of product and service setup, according the customer needs. Such as giving the customer the ability to choose which risks he wants to pay for, giving him the opportunity to choose his own level of price and quality.

These kind of developments enhance the way products are offered, and positively influences the customers perception of the provided service.

4.3.2 Weaknesses

Dependence on certain employees

Siers Telecom does not have enough independent employees that are being trained in order to learn skills from older crucial employees/directors. At the moment there's a real danger of too much dependence on some persons. Whole business processes will stagnate when a certain director falls away due to getting get sick for a longer period. Adding to that, the two directors of Siers Telecom have indicated that the span of control is nearly full.

Lack of marketing

Siers Telecom never used any form of marketing the last 7 years, which resulted in a lack of marketing techniques nowadays. A rather (unwillingly) reactive position is maintained, simply because there was enough work to be found (and done) and there was no need for real marketing. Other parties, such as competitors, have been doing marketing at a consistent base and are assumingly ahead on Siers Telecom at this part (de Leeuw & Nijenhuis, 2013).

Persistent humbleness

The humbleness of the organisation sometimes results in a show of virtue, which the organisations directors are aware off. Even the external environment also address this potential weakness, also towards operating in Germany (i.e. Peter Kamphuis, Deutsch Glasfaser). This humbleness is considered a good thing fundamentally by internal and external parties, but could pose a threat when operating too softly/carefully instead of acting vigorously.

4.3.3 Opportunities

Taxation differences

Although this might seem as a rather small opportunity, the Dutch-German consul did recommend looking into it to potentially take advantage of the differences in tax deduction between the Netherlands and Germany. Especially because large revenues are involved with the business activities, and they need to be taxed.

State of the German economy

The German economy overall is in a far better shape than the economy of the Netherlands. Germany is on its way to emerge from the economic crisis, while the Netherlands are struggling to shift the economic crisis around and cannot yet manoeuvre itself into positive economic rates. To conclude, actively doing business in Germany is more lucrative than it is in the Netherlands.

Development of new applications in the near future

The development of new applications for glass fibre will determine the potential growth and explosiveness of the branch according to Dekker. New applications like gaming (online), 3D-television and security will boost the demand for glass fibre even more. When those services

are provided by their respective industries, the profitability of glass fibre will rise dramatically (Dekker, 2013). Therefore, these new services will be a game-changer in terms of availability of work for contractors, the absolute end of copper-networks. This means potential revenue-increases will be at hand for already established organisations, active in the industry.

Dominant position in the collaboration

In terms of quality of the different contractors, the German contractors tend to have more difficulties in maintaining and providing the quality Deutsche Glasfaser demands. They are new with the way of glazing and how the work has to be delivered. The deliverance requires a change in IT-capabilities as well, which the Dutch contractors already have and know how to use. This means the Dutch contractors have a huge advantage, as frequently mentioned before. The Dutch contractors also have the benefit of knowing how we want the work to be delivered, so the organisation doesn't really have to be re-organized in terms of IT or planning. Having the upper hand in the collaboration could move Siers Telecom in the position of acquiring the partner it collaborates with to directly get control of a GMBH for example.

4.3.4 Threats

Legal differences and protection of the economy

The biggest difference in legal factors lies in the principle of legislation established by the two countries. In Germany, the law is a thing which cannot be neglected in any circumstance if an illegality occurs. The law will not always be executed in the Netherlands, there is more opportunism in terms of bureaucracy. This difference of opportunism in the legal system results in mistakes and thus threats for Dutch organisations working in Germany. Especially when taking risks or when organisations do not worry about the consequences.

To add, the protection of the own economy and favouring parties of the same origin in contrary of favouring parties with different origins, on a business level (Heinzel, 2013) makes it near impossible for Dutch organisations to operate in the same way it operates in the Netherlands. Self-protection of the economy results in even stricter controlling and executing of the law. For example, certificates need to be present at all times, and detection of small health & safety measure flaws can shut down the whole operation.

The lack in using one's own discretion in Germany

German employees lower in the hierarchy cannot and do not make decisions on their own, and will always consult a direct supervising chefs when a problem occurs, after which these chefs will consult their chefs, slowing down the whole process. This poses a serious threat for the upcoming collaboration, where expectancies about using one's own discretion may differ.

Sharing knowledge with a potential competitor

German contractors have the absolute advantage that Deutsche Glasfaser always wants to do business directly with a German party, which is essential. This because of the contractual preferences and other legislative eases. Dutch contractors therefore have to team up with a German partner, or start their own GMBH. However, the danger of teaming up is sharing knowledge with what could be a potential competitor after the collaboration is done. Siers

Telecom must find a way to keep the knowledge within the company but also use it to their advantage when collaborating with a German partner.

There is only one customer present in the glass fibre business

The low number of customers, one in this case, provides Deutsche Glasfaser with much power, as they contribute large parts of the output of contractors. For Siers Telecom for example, Deutsche Glasfaser purchases 100% of the output. The lack in competition between providers, resulting from this low number means they can single-handedly create competition between contractors when they initiate a drop in prices.

4.3.5 SWOT-analysis table

The summarizing table of all the strengths, weaknesses, opportunities and threats, can be found below.

SWOT-analysis	Strengths	Weaknesses
Internal environment	• The ability to develop new products and services • Siers Telecom already has a German partner • Relatively high level of expertise and experience • Strong firm infrastructure, and the ability to re-organise	• Persistent humbleness can prevent acting vigorously • Lack of marketing • Dependence on certain employees
	Opportunities	**Threats**
External environment	• Dominating the collaboration • Development of new applications in the near future will boost the business • The overall state of the German economy is relatively good • Taxation differences can result in more profits	• Legal differences and protection of the economy • The lack in using one's own discretion in Germany • Sharing knowledge with a potential competitor • Only one customer present in the glass fibre business, with relatively high power

5. Developing a strategy

Normally, the next step after a thorough SWOT-analysis would be linking the various strengths, weaknesses, opportunities and threat to each other, like a matrix, to develop a strategy. This strategy should make the most of the organisations internal strengths and external opportunities, but also enhance potential weaknesses to reduce or even avoid external

threats. A useful way of doing this is to use a TOWS matrix, where each box of the TOWS matrix can be used to identify options that address a different combination of the internal factors and the external factors (Johnson, Whittington, & Scholes, 2011).
However, due to the rather extreme qualitative nature of this research, the collected data tends to be quite subjective. Formulating a strategy for such a big step for Siers Telecom based on this rather subjective data, would be naïve and dangerous. Verification of the acquired data before actually taking the step to Germany is nearly impossible, as the approached parties who provided the data are already authorities in the business. The only tool to see if the acquired data, and thus test the presence of the opportunities and threats, is launching a pilot. Realizing a relatively small amount of connections, in collaboration with the German partner Heming GMBH, should be sufficient to test the accurateness of the acquired data and the data analysis of this research. Siers Telecom's management agreed with this idea of launching a pilot, as the setup costs for such a relatively small project are minimal and could provide valuable data.

Therefore, two different strategies will be set up, one will be an action plan to test the presence of the opportunities and threat during the pilot. Another strategy will be set up, assuming the acquired data in this research is correct.

5.1 Strategy during pilot

The action plan to be conducted during the pilot will be listed below. This action plan will test if the assumptions about the external environment, specifically with its potential opportunities and threats, are correct.

5.1.1 Verifying of the opportunities

Dominating the collaboration

Testing if Siers Telecom has the upper hand in the collaboration will start from the very beginning. The customer (Deutsche Glasfaser) expects Siers Telecom to take the lead in every single aspect except the actual realization of the connections, i.e. digging and installing. Siers Telecom will be the shot-caller if the guidance of Heming through all the technical and administrative work is accepted by Heming.

Development of new glass fibre applications

The development of new glass fibre application provides an opportunity for Siers Telecom in a way that it will boost the growth of the business. The problem with the verification of this opportunity is that developers need to be addressed. Normally, innovative developers will never reveal any information to avoid unwillingly sharing valuable knowledge with competitors.

State of the German economy

Checking the assumed better state of the German economy, relative to the economy of the Netherlands can be done by simply checking and comparing material prices, employee prices, investment climate, etc. However, since these assumptions were made based on actual rates, it is expected the assumptions on behalf of the state of the German economy are correct.

Taxation differences

A tax lawyer needs to be addressed during the pilot to check whether the differences in taxation policies could provide profits, as they are expected to provide. This can be done by ordering the organisations jurist to sort it out, or an external expert can be addressed.

5.1.2 Verifying of the threats

Legal differences and protection of the economy

From the Dutch-German consul it became clear that protection of the own economy is normally done by strictly enforcing the law on foreign organisations. In the collaboration it is a German party which will act as the face of the organisation. This means there will probably be no consequences of the protection of the economy. To verify the threats legal differences pose, registers should be addressed about Dutch organisation being fined, where the severity of the punishment for the violation should be compared to a like-wise situation in the Netherlands. Also, foreign organisation in general should be addressed to hear their experiences with the differing German law.

Lack in using one's own discretion in Germany

Field research needs to be done to check if German executive employees are able and are given freedom to perform and make decisions based on one's own discretion. The director of Heming needs to be addressed about his mind-set about hierarchy and if his employees need to address their direct supervisor before action can be taken. Simple interviews or questionnaires can be taken of the actual employees to falsify his statements.

Sharing knowledge with a potential competitor

This is the most interesting threat Siers Telecom has to deal with. The question is whether Siers Telecom wants to provide Heming with all the technical expertise and internal processes, even if they do not yet know the collaboration will last. If there is a threat of sharing crucial knowledge, this threat will be dealt with according to the strategy in the next sub-chapter. However, during the pilot it needs to be verified if it is indeed necessary to share crucial knowledge at all.

Siers Telecom will firstly have to check which quality standards the customer demands for the pilot. After that, a research of Heming expertise needs to be done. If Heming, (as expected), lacks technical expertise and knowledge to innovate processes to make the demand of quality, it is clear that crucial knowledge simply has to be shared in order to satisfy the customer's needs. If this isn't the case however, i.e. Heming possesses sufficient know-how to make customer demands, further knowledge and expertise will not have to be shared by Siers Telecom. This will mean profits for the pilot will be relatively lower as efficiency will not be optimized. The question if these lower profits can be taken for granted in order to maintain certain knowledge within the organisation, has to be made by the directors.

Only one customer

During the pilot, Siers Telecom will need to observe if it can attract potential other customers than Deutsche Glasfaser. For example, Deutsche Telecom can be addressed to see if they could be interested in investing in glass fibre outside the bigger cities. If this isn't the case however, and it gets clear Deutsche Glasfaser will be the only customer in the near future, Siers Telecom needs to check how this relatively big power of the mentioned customer affects the drop in prices. The situation in the Netherlands seven years ago can serve as a good comparison-model for this case.

5.2 Strategy for the internationalisation, assuming correct data

The actual strategy for the internationalisation will be based on the earlier-mentioned TOWS-matrix. Data will directly come from the SWOT-analysis, and can be found below. The various combinations will be elaborated afterwards.

SWOT-analysis	Strengths (S)	Weaknesses (W)
Internal environment	1. The ability to develop new products and services 2. Siers Telecom already has a German partner 3. Relatively high level of expertise and experience 4. Strong firm infrastructure, and the ability to re-organise	1. Persistent humbleness can prevent acting vigorously 2. Lack of marketing 3. Dependence on certain employees
	Opportunities (O)	**Threats (T)**
External environment	1. Dominating the collaboration 2. Development of new applications in the near future will boost the business 3. The overall state of the German economy is relatively good 4. Taxation differences can result in more profits	1. Legal differences and protection of the economy 2. German employees lack the ability to use one's own discretion 3. Sharing knowledge with a potential competitor 4. Only one customer present in the glass fibre business, with relatively high power

TOWS-matrix	Strengths (S)	Weaknesses (W)
Opportunities (O)	• S4-O2 • S3-O1 • S1-O3 • S4-O4	• W1-O1 • W2-O2 • W3-O1
Threats (T)	• S4-T1 • S2-T1 • S1-T4 • S4-T4	• W1-T2 • W2-T4 • W3-T4

5.2.1 Strengths (S) –Opportunities (O); Strategic options

Options that use strengths to take advantage of opportunities are elaborated here.

Ability to re-organise (S4) - New glass fibre applications in the near future (O2)

The glass fibre market will be boosted significantly when the eventual new applications for glass fibre will be introduced. More connections will be needed to suffice the users demands, and more orders will be spread among contractors. The ability of Siers Telecom to re-organise to negative and positive conditions gives them some sort of edge over the competition to fluctuate with the demands. Flexible out-sourced labour should be hired to cope with increasing demands, but also scouting for new employees should from this moment on be commenced to use when the actual new applications make their introduction.

An important remark on this behalf is that the mistakes of the past should be kept in mind, in a way that new employees should only be recruited when their skills and capabilities match the demands of Siers Telecom.

High level of expertise & experience (S3) – Dominating the collaboration (O1)

The overall praised high level of expertise and experience should be used to get a dominant position in the collaboration with the German partner (Heming). This dominant position will not only provide decisive power to Siers Telecom, but is also needed to guarantee customer satisfaction. The customer (Deutsche Glasfaser) will not accept the current (German) way of delivering projects, and deadlines will presumably be too tight for German contractors to make on their own. Obtaining a dominant and regulator-position within the collaboration can thus be considered as needed, from a business and customer point of view.

Ability to innovate products & process (S1) – Good state of the German economy (O3)

The fact that the Netherlands are miles behind Germany in terms of economic recovery does not necessarily mean that Siers Telecom should only focus on keeping the internationalisation in Germany, i.e. do all the business activities in Germany. A trade-off between activities could result in a win-win situation. Buying resources to realize technical innovations, or processes for that matter, should be done in the country where obtaining these resources costs Siers Telecom the least. In most of the cases this country will be the Netherlands. Introducing the innovations should primarily be focused on Germany, where the state of the economy should result in the relatively biggest margins.

Strong infrastructure (S4) – Taxation differences (O4)

The differences in taxations discount between the two countries can be converted into actual profits by Siers Telecom's according to the Dutch-German consul. Siers Telecom's solid infrastructure in terms of quality systems has resulted in strong relations with external experts on various areas of expertise. External fiscal jurists should be selected to examine how these taxation discounts of the two countries work, and if they can be obtained by Siers Telecom. The relatively large amounts of revenue concerned in the glass fibre business, in combination with additional discount(s) could result otherwise unknown potential profits.

5.2.2 Strengths (S) –Threats (T); Strategic options

Options that use strengths to avoid threats are elaborated here.

Firm infrastructure and the ability to re-organise (S4) – Legal differences and protection of the economy (T1)

The German legal system is stricter and more controlling than the legal system in the Netherlands, which holds more opportunism. The need for the organisation to cope with this difference can be done by re-organising the organisation in such a way that every employee is aware of this fact. Organisational-wide trainings or presentations for all concerned with the internationalisation is a good start to dispatch the opportunism the employees tend to have when looking at rules and obligations. Throughout being active in Germany this awareness needs to be maintained, as the threat of being fined or shut down will be present forever.

Sies Telecom has a German partner (S2) – Legal differences and the protection of the economy (T1)

The fact that Siers Telecom has a German partner to collaborate with can be seen as a strength, and can be used reduce the threat of the legal differences and circumvent the protection of the German economy towards foreign organisation. Firstly, Siers Telecom has to conduct Heming to absorb and adapt a method to deal with the legal differences, which would be the same method as all the German contractors use to deal with the legal system. This means assigning Siers Telecom's own jurist to frequently visit Germany would be a good beginning.

Circumventing the protection of the German economy should be done by using the German partner as a façade for every activity that requires contact with the German external environment. Hiring a Dutch-German employee for the internationalisation, as advised by the Dutch-German consul, should deal with this threat when using Heming as a façade is not feasible due to practical reasons.

Ability to innovate products and processes (S1) – Only one customer present, with relatively high power (T4)

The threat of only having one customer means there is a certain dependence of that customer (Deutsche Glasfaser), as losing that customer would be fatal for Siers Telecom's activities in Germany. Constantly innovating both products and processes to work more efficient should build a mutual trust, since the customer will see Siers Telecom does everything to cater to him. Actually initiating the call for the customer to drop in prices, since you can show you can cope with it and outplay the competition is the ultimate form of satisfying the customer and at the same time guarantee new projects for the future. A pro-active mind-set in terms of innovating and showing the customer that you constantly improve as an organisation is therefore essential to cope with the threat of having only one customer.

Firm infrastructure and the ability to re-organise (S1) – Only one customer present, with relatively high power (T4)

Another strength that reduces the threat of the relatively high amount of customer power is that Siers Telecom has the ability to re-organise to cope with price-fluctuations. Flexible, out-sourced workers should be hired and discarded when needed.

5.2.3 Weaknesses (W) –Opportunities (O); Strategic options

Options that take advantage of opportunities by overcoming weaknesses are elaborated here.

Humbleness (W1) – Dominating the collaboration (O1)

Although expertise and experience should give Siers Telecom the dominant role in the collaboration, the in some cases weakness of humbleness maintained throughout the organisation could prevent it, and must therefore be balanced. Reducing this weakness can simply be done by raising awareness with the directors and executive personnel that in some cases humbleness needs to be discarded in order to force certain needs through in favour of the customer, even it means the relationship with the German partner will receive a dent.

Lack of marketing (W2) – New glass fibre application in the near future (O2)

The lack of marketing in general can be considered a real weakness in this highly manipulative branch, but also towards the introduction of new glass fibre applications in the near future. The introduction of these new applications will significantly increase the demand for glass fibre, which in turn results in increasing orders to be distributed among contractors. Siers Telecom needs to increase its marketing activity if it wants to lay claim to bigger shares of these orders. However, actually increasing marketing activities does demand more interaction and evaluation with the customer.

Dependence on certain employees (W3) – Dominating the collaboration (O1)

To reduce the weakness of dependence on certain employees concerned with the internationalisation, more capable employees need to be introduced in the internationalisation-project. The result will that business processes and the collaboration and activities in Germany itself can continue when for example the project-executer falls ill. This example not only counts for the internationalisation, but also for important functions of Siers Telecom in general. More scouting for capable employees needs to be done, know-how needs to be shared with these employees to avoid stagnation and incentives need to be given to these talented employees to eliminate brain-drain. The definition of brain drain in this case is the loss of skilled intellectual and technical employees through the movement of such employees to more favourable geographic, economic, or professional environments.

5.2.4 Weaknesses (W) –Threats (T); Strategic options

Options that minimise weaknesses and avoid threats are elaborated here.

Humbleness (W1) – German employees lack using one's own discretion (T2)

Discarding humbleness is needed to puncture the solid hierarchical beliefs German employees hold and cling to. The German employees need to be pushed to make decisions on their own to positively influence the efficiency, instead of always turning to their direct supervisor before continuing work. A further distinction must be made to which decisions they are expected to make on their own, and what types of decisions they need to address to their supervisor. This can all be done by the means of a simple presentation or conversation with the concerned employees.

Lack of marketing (W2) – Only one customer present, with relatively high power (T4)

See S1 – T4 on the previous page. The ability of constantly innovating both products and processes can be used as a marketing tool to reduce customer power and the threat of having

one customer. A pro-active mind-set in terms of marketing can bind the customer to Siers Telecom, or even better attract new potential customers.

Dependence on certain employees (W3) - Only one customer present, with relatively high power (T4)

In essence this threat can be dealt with in the same way as W3 – O1, on the previous page. Only this particular threat is concerned with the dependence of certain employees maintaining and taking care of the relation between Siers Telecom and the customer, Deutsche Glasfaser. Skilled employees, specifically socially skilled, need to be introduced in the relation Siers Telecom – Deutsche Glasfaser to reduce dependence on certain employees and the risk of losing the customer when losing these certain employees.

5.2.5 The threat of sharing knowledge with a potential competitor

The threat of sharing knowledge with a potential competitor after the collaboration is done, or fails for that matter, cannot be reduced or overcome by using Siers Telecom's own strengths or reducing their weaknesses. The fact that know-how simply needs to be shared in order to satisfy the customer is assumed to be unavoidable, verified with all the external parties concerned and Siers Telecom. The only way to take away this threat therefore lies within the other end of the equation, which is making sure the partner simply does not become a competitor, or does not get the chance for that matter. Two ways of dealing with this threat are elaborated below.

Acquisition of the German partner

One way to protect Siers Telecom's core competence, which is expertise, is by simply acquiring Heming. However, all concerned parties remarked this should not be done immediately but rather after Siers Telecom made sure it can adopt a German culture and has built experience on the German market. Also Heming's financial situation needs to be researched in order to assess the profitability of this potential step.

Joint venture

Joint ventures are used by organisations to cooperate in developing products or services. One attraction of this method is that it limits risk, and it gives the opportunity for organisations to learn and experience the (new) market (Boddy, 2008, p. 260). Protecting the expertise via means of a joint venture would mean a contractual engagement for a very long period.

Combing these two alternative strategies to avoid the threat of sharing knowledge to a potential competitor seems to be the most interesting. In this case it would mean setting up a joint venture for a certain period of time, after which an actual acquisition will be realized. Knowledge will be maintained within the organisation through the eventual acquisition, and the joint-venture construction in the beginning gives Siers Telecom the opportunity to learn and experience the market, and the financial status of the German partner to see if an acquisition should be realised. If this is not the case, extending the contractual engagement for a joint-venture seems to be the only way to make sure the expertise will remain within Siers Telecom.

A positive fortuity is the fact that the pilot to verify the data collected in this research can in fact be considered as a joint-venture for a relatively short period of time. Siers Telecom

should make use of this time to discover everything it needs about the market and the partner, after which the directors can conclude whether it is a good idea to acquire Heming, or simply further extend the joint-venture for future projects.

6. Conclusion, limitations and future research

The concluding remarks of this research, alongside its limitations and possibilities for future research will be listed below.

6.1 Conclusions

It can firstly be concluded that internationalising to Germany is indeed a logical and correct decision of Siers Telecom, as there are no potential threats that cannot be overcome. Several strategic options were developed after thoroughly mapping the external and internal environment, and can be combined to contribute to one single strategy for the internationalisation. A prioritisation has been made to the strategic options most threatening to the internationalisation of Siers Telecom, and those which utilize the greatest opportunities. The options with prioritisation are listed in cursive.

- Employees should always be recruited based on skills and capabilities, even in times of relatively big market growth.
- The upcoming collaboration with the German partner (Heming) should be guided (dominated) by Siers Telecom, not only from a business perspective but also from a customer's satisfaction perspective.
- *The different economical states of the two countries should be combined to create a win-win situation, where for example materials are obtained in the relatively cheapest economy.*
- *Differences in taxation-discounts between the Netherlands and Germany need to be investigated, to increase profit-margin.*
- *Dutch opportunism on behalf of the legal system needs to be discarded by means of an organisational-wide presentation or conversations, after which total awareness of legal differences needs to be maintained.*
- *The German partner (Heming) should be used as a façade to circumvent the protection of the German economy.*
- Both products and processes need to constantly be innovated, not only to increase individual margins, but also to cater to the customer (Deutsche Glasfaser) in terms of initiating a drop in prices.
- 'Humbleness' needs to be discarded in order to force certain needs through, in favour of the customer.
- *Marketing activity needs to be increased.*
- *Capable employees need to be introduced in the internationalisation-project to reduce the weakness of dependence on certain employees concerned with the internationalisation.*
- Scouting for capable employees needs to be done, know-how needs to be shared with these employees to avoid stagnation and incentives need to be given to these talented employees to eliminate brain-drain.
- *The threat of sharing knowledge with a potential competitor has to be dealt with. This can be done by engaging in long-term joint ventures or total acquisition.*

6.2 Limitations

As mentioned before, the qualitative nature of this case-specific research results in rather subjective data because some of this data is acquired with parties directly concerned in the internationalisation. Launching a pilot is the best way to conclude if the data in this research is correct, and it gives a good opportunity for Siers Telecom to experience the market and the players involved. Also, because of the time-restriction, some of the statements of the interviewed parties cannot be verified and are assumed to be correct. The earlier-mentioned pilot also deals with the time-limitation of this research.

6.3 Future research

Future research implications could be conducting a research of the same sort in other countries, (Poland, Latvia) on the verge of glazing areas. Another potential future research possibility on behalf of Siers Telecom would be a research to conclude the decision whether to acquire the German partner after a certain period of being active on the German market. This research could lie parallel to the pilot launched by Siers Telecom.

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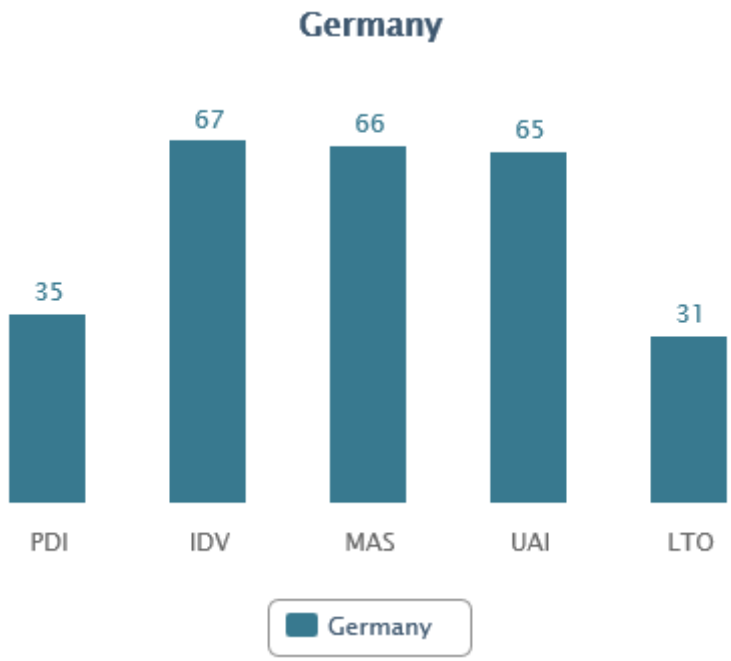
Appendix

A: Interview Mike de Leeuw, definition of 'successful'

"In the context of this case-specific research problem, how would successful internationalization be defined according to you?"

- I would define 'successful' in the most simplified way, which means this project, on its own, needs to have a positive financial result while establishing a solid foundation for future projects.

B: Hofstede's Cultural differences: What about Germany?



If we explore the German culture through the lens of the 5-D Model, we can get a good overview of the deep drivers of German culture relative to other world cultures.

Power distance

This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us.
Power distance is defined as ***the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.***

Highly decentralised and supported by a strong middle class, Germany is not surprisingly among the lower power distant countries (score 35). Co-determination rights are comparatively extensive and have to be taken into account by the management. A direct and participative communication and meeting style is common, control is disliked and leadership is challenged to show expertise and best accepted when it's based on it.

Individualism

The fundamental issue addressed by this dimension is ***the degree of interdependence a society maintains among its members.*** It has to do with whether people´s self-image is defined in terms of "I" or "We".
In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to 'in groups' that take care of them in exchange for loyalty.

The German society is a truly individualistic one (67). Small families with a focus on the parent-children relationship rather than aunts and uncles are most common. There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. This is defined by the contract between the employer and the employee.
Communication is among the most direct in the world following the ideal to be "honest, even if it hurts" – and by this giving the counterpart a fair chance to learn from mistakes.

Masculinity / Femininity

A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organisational behaviour.
A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. ***The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine).***

With a score of 66 Germany is considered a masculine society. Performance is highly valued and early required as the school system separates children into different types of schools at the age of ten. People rather "live in order to work" and draw a lot of self-esteem from their tasks. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices.

Uncertainty avoidance

The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. ***The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these*** is reflected in the UAI score.

Germany is among the uncertainty avoidant countries (65). In line with the philosophical heritage of Kant, Hegel and Fichte there is a strong preference for deductive rather than inductive approaches, be it in thinking, presenting or planning: the systematic overview has to be given in order to proceed. This is also reflected by the law system.
Details are equally important to create certainty that a certain topic or project is well-thought-out.
In combination with their low Power Distance, where the certainty for own decisions is not covered by the larger responsibility of the boss, Germans prefer to compensate for their higher uncertainty by strongly relying on expertise.

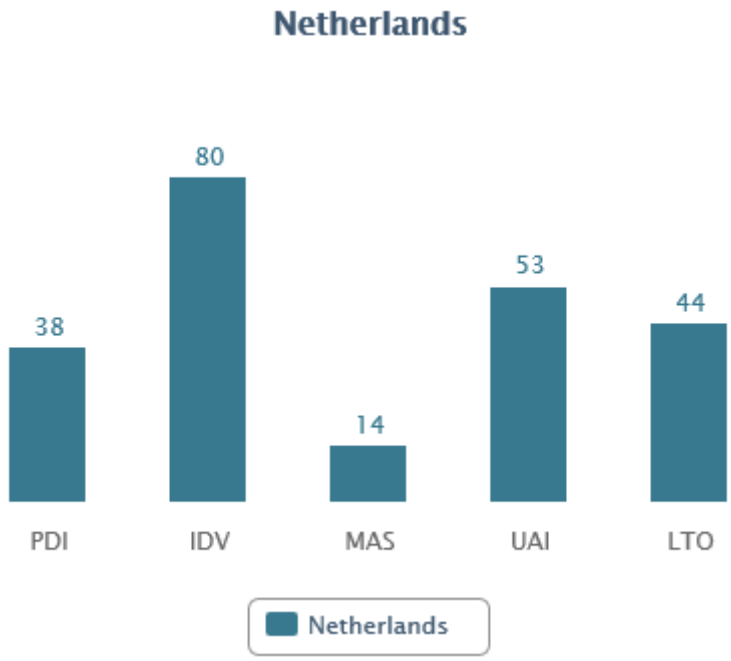
Long term orientation

The long term orientation dimension is closely related to the teachings of Confucius and can

be interpreted as dealing with society's search for virtue, ***the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view.***

The Germans score 31, making it a short term orientation culture. Societies with a short-term orientation generally exhibit great respect for traditions, a relatively small propensity to save, strong social pressure to "keep up with the Joneses", impatience for achieving quick results, and a strong concern with establishing the Truth i.e. normative. Western societies are typically found at the short-term end of this dimension, as are the countries of the Middle East.

C: Hofstede's cultural dimensions: What about the Netherlands?



If we explore the Dutch culture through the lens of the 5-D Model, we can get a good overview of the deep drivers of Dutch culture relative to other world cultures.

Power distance

This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us.
Power distance is defined as ***the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally***.

The Netherlands scores low on this dimension (score of 38) which means that the following characterises the Dutch style: Being independent, hierarchy for convenience only, equal rights, superiors accessible, coaching leader, management facilitates and empowers. Power is decentralized and managers count on the experience of their team members. Employees expect to be consulted. Control is disliked and attitude towards managers are informal and on first name basis. Communication is direct and participative.

Individualism

The fundamental issue addressed by this dimension is ***the degree of interdependence a society maintains among its members***. It has to do with whether people´s self-image is defined in terms of "I" or "We".
In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist societies people belong to 'in groups' that take care of them in exchange for loyalty.

The Netherlands, with a score of 80 is an Individualistic society. This means there is a high preference for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only. In individualistic societies offence causes guilt and a loss of self-esteem, the employer/employee relationship is a contract based on mutual advantage, hiring and promotion decisions are supposed to be based on merit only, management is the management of individuals.

Masculinity / Femininity

A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organisational behaviour.
A low score (feminine) on the dimension means that the dominant values in society are caring for others and quality of life. A feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. ***The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine)***.

The Netherlands scores 14 on this dimension and is therefore a feminine society. In feminine countries it is important to keep the life/work balance and you make sure that all are included. An effective manager is supportive to his/her people, and decision making is achieved through involvement. Managers strive for consensus and people value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation and Dutch are known for their long discussions until consensus has been reached.

Uncertainty avoidance

The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways. ***The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these*** is reflected in the UAI score.

The Netherlands scores 53 on this dimension and thus exhibits a preference for avoiding uncertainty. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. In these cultures there is an emotional need for rules (even if the rules never seem to work) time is money, people have an inner urge to be busy and work hard, precision and punctuality are the norm, innovation may be resisted, security is an important element in individual motivation.

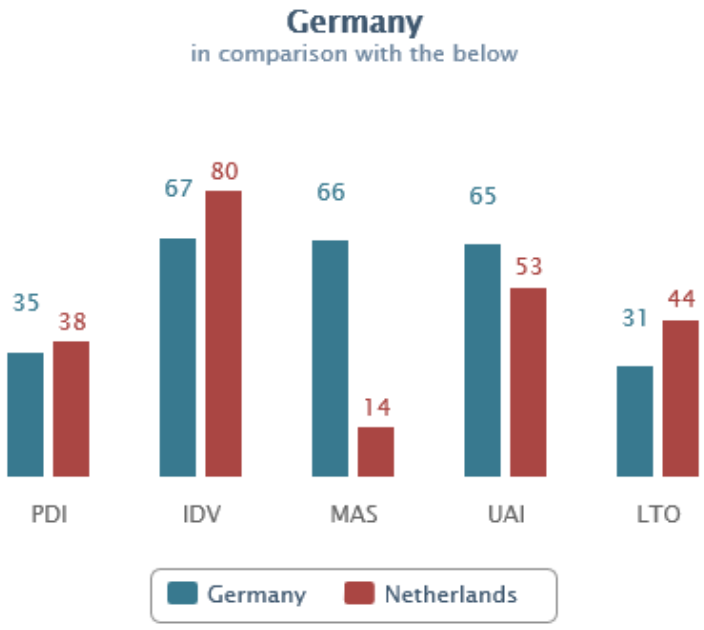
Long term orientation

The long term orientation dimension is closely related to the teachings of Confucius and can

be interpreted as dealing with society's search for virtue, ***the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view***.

The Dutch score 44, making it a short term orientation culture. Societies with a short-term orientation generally exhibit great respect for traditions, a relatively small propensity to save, strong social pressure to "keep up with the Joneses", impatience for achieving quick results, and a strong concern with establishing the Truth i.e. normative. Western societies are typically found at the short-term end of this dimension, as are the countries of the Middle East.

D: Hofstede's cultural dimensions: Comparison graph



E-J: Interview Section

E: Interview Dutch consul in Germany (Political & Legislation factors)

1. *What is the biggest difference between Germany and the Netherlands in terms of legislation?*

Well, the biggest difference lies in the principle of legislation established many years ago (200). The law is a thing which cannot be neglected in any circumstance if an illegality occurs. In The Netherlands some of these illegalities like speeding 10 km/h are not being fined, but just sent off with a warning. This kind of lack in bureaucracy, and handling with own insights are absolutely not possible in Germany. To clear up, there is more opportunism in The Netherlands in terms of bureaucracy in comparison with Germany. In Germany the law will always be executed, no matter the weight of the offense/case.

2. *What are the differences in taxation policies? Are there any threats for Siers Telecom (or opportunities) on this behalf?*

There are some differences, but they do not pose any threats, but rather need to be dealt with. On the other hand, these differences even provide some opportunities for Dutch organisations working in Germany because they can make use of the most beneficial taxation aspects of both sides and thus avoid negative aspects. These opportunities exist because of the business-protection of double taxation. Organisations can really make use of this sort of 'flaw' in the taxation policy if they play it right.

In addition I can really recommend to make use of this opportunities through hiring an employee, internally or externally who deals with this. Also with subsidies for that matter.

3. *What are the differences in environmental legislation? Are there any threats for Siers Telecom (or opportunities) on this behalf?*

Well there are differences in terms of environmental subsidy, mostly on the technical part. For example the German 'lazy stairway' is simply the norm. You can not deviate from this norm, even if you are used to something different as a Dutch organisation.

4. *What are the most experienced mistakes made by Dutch organisations operating in Germany?*

The difference in opportunism in the legal system results in mistakes and thus threats for Dutch organisations working in Germany. Especially in taking risks or not worrying about the consequences.

5. *What risks are Dutch organisations exposed to when operating on their own, in Germany.*

No one will admit it, but there is of course some sort of protection of the own economy and favouring parties of the same origin in contrary of favouring parties with different origins, on a business level of course. Especially outside the big cities, more regionally, this trend is present of favouring German organisations when doing business.

6. *Is such a collaboration a necessity to perform as a Dutch organisation in Germany from your experience?*

Of course not in terms of legislation, as in legally demanded from Dutch organisations by German law. But it is strongly recommended to look for a German partner for service-organisation, because in this case u need to know a certain market. As a Dutch organisation you do not yet know this market, and acquiring this knowledge takes time and actual experience within the market. The best way to do this is indeed collaborating with an experienced German party who knows every single aspect of the market.

In terms of acquiring the experience I would say a Dutch organisation needs to have experienced good and bad times, or have experienced all seasons, metaphorically spoken.

7. *At what point(s) are such collaborations likely to fail, (legislation-wise)?*

A failure in collaboration is mostly due to communication flaws, which is likely to be the result of cultural differences. Or flaws in financial norms and standards, for example the definition of bankruptcy, or capital definitions etc.

8. *Can you foresee weak points in Siers Telecom's organisation on behalf of politics and legislation? (i.e. knowledge, creativity, un-awareness?)*

I do not foresee any threats or real weak points for Siers Telecom in terms of different legal systems because they already have shown initiative in trying to understand the differences and asking for help where needed. This means they are aware of the possible threats and I would say this kind of caution will only help Siers Telecom in doing business abroad.

However, this level of caution needs to be maintained throughout the whole process of internationalising and beyond. A good strategy would be even hiring employees purely mapping and managing this aspect. More than one is advised to avoid illness-problems. Documenting findings is crucial in the process, because all German organisations do this. This has a cultural background, but also a technical to be prepared when a lawsuit may occur for example. This also means verbal assumptions and engagements are not done in Germany, everything needs to be documented, even the smallest things. Personal trust is not used in Germany, everything is done out of rational facts and details.

The informal aspects of doing business in The Netherlands needs a bit less focus in Germany when dealing with some organisations. You need to balance things out a bit more in Germany, the social aspect or informality needs to be in balance with the actual documenting of everything.

And I would advise some sort of training for the employees who are about to carry out work in Germany. Not only technical details but also socio-cultural training to fully optimize their capabilities.

9. *What do you reckon would be the best route to success for Siers Telecom in Germany, in terms of collaboration? Creating an own GMBH?*

If an organisation has access to acquiring a well-known German partner, the best way to success I think would be collaborating before acquiring some sort of share instead of creating an own GMBH. Because creating such a GMBH does not mean you also house the experience and cultural aspects needed to successfully do business. This risks concerned with starting an own GMBH are much bigger, I would rather advise seeing a collaboration through before deciding anything.

In the case of Siers Telecom you need to get clear if you really want to acquire the organisational partner after a collaboration, especially in terms of financial background. If you would decide after such a collaboration to still start a GMBH, a problem arises in terms of customers, sub-contractors etc. You cannot force them to switch to your newly established GMBH and leave the previous partner.

F: Interview Jan Dekker (Technological & environmental Factors)

1. *To begin with, what's your role in the whole situation issued with this research?*

I have established my own business since 2002, where I focus on selling consult and developing innovations for fibre to the home projects. Not only in The Netherlands, but globally I present the opportunities of glass fibre to certain organisations. My relationship with Siers Telecom is supporting them with certain technical glass fibre issues, as they decide to let some of them be solved externally by hiring me. This grants Siers Telecom time-winning, and provides me with work. I also work for other organisations like casanet, precursor of Reggefiber.

2. *What is the level of glass fibre technology in The Netherlands like?*

Well, first a difference must be made between home-past and home-connect. Home-past is the realization of a complete glass fibre network without homes being connected to it, which will be potentially connected in the future. Home-connect is the realization of complete glass fibre networks with actual connections to homes. The Netherlands is one of the leading countries in terms of home-connect, and also home-past wise one of the leading countries.

3. *What can you say about this level of technology in comparison with the glass fibre level in Germany?*

Germany is still in its infancy in terms of glass fibre, what's about to happen is only 2-3% of the infrastructure. I think the development of the glass fibre branch will be about the same as it was in The Netherlands, with a few exceptions. It would be naïve to think the development would be completely the same and that contractors can simply repeat the 'trick' they did in The Netherlands. You've got to be careful in terms of German mentality, culture, geographical differences, as it differs in every country. Also, the expertise simply does not exist in the German organisations. Most of the organisations say they have got the expertise and knowledge regarding glass fibre, but this is definitely not the case.

To avoid these problems, Dutch contractors need start their own GMBH or acquire a German organisation to combine the knowledge of the Dutch with the German culture and way of doing business.

4. *Regarding Glass fibre, is there any new product potential that could create new competition? If yes, what and how so?*

There isn't anything at the moment that is faster and more capable than glass fibre, even Wi-Fi, going through air has it limits and problems. The quality of glass keeps getting better and better, and I don't see any new product being created within the next 50 years.

5. *How does the future of Glass fibre technology look like?*

The future of glass fibre globally can simply not be stopped anymore in terms of customer demand and data-capacity. They only thing which really determines the growth and explosiveness is the development of new application for glass fibre. New applications like

gaming (online), 3D-television, security need to be developed to really boost the demand for glass fibre. When those services are really being provided by their respective industries, the profitability of glass fibre will rise dramatically I reckon. I do not know if these services will be realized in 2-3 years or within 5 years. However, these new services will be a game-breaker in terms of work for contractors, the end of copper, and competition between providers instead of competition between contractors.

To add to this, the longer it takes to these new applications to be developed, the longer the survivability of substitute products like copper is. An example, in the end of the nineties people thought the limit of copper networks was about 10MB, and now it is already 1 gigabyte. They keep inventing new innovations to stretch the capabilities of copper, although it does have some sort of limit which can never compete glass fibre. Also, a growing problem is that the price of copper is increasing over time, while the material costs of glass fibre are way lower than copper.

6. *Does Siers Telecom need to make fundamental technological adaptions to successfully do business in Germany?*

I just think they need to be alert, and not assume things will be the same as it was in The Netherlands.

7. *Are there any differences in climate that might affect Siers Telecom in doing business in Germany?*

Of course geographical difference have some sort of influence of doing business in terms of temperature, ground structure. Germany soil has a different setup that the ground in The Netherlands, but nothing drastic in my opinion. They best thing to do to deal with this is collaborating with a German partner who knows the situation.

Also the setup of the houses is different in comparison with the Netherlands, as in rural areas German families tend to live together in the same house.

8. *Is there any difference in energy supplies that might affect Siers Telecom in doing business?*

Well, the differences are the biggest in terms of legislation. Everything takes more time to deal with in terms of bureaucracy.

9. *Do you see opportunities (and/or threats) for Siers Telecom on behalf of innovations/technology?*

Threat-wise, not so much in terms of technology, but rather in terms of work providers and the lack of competition between them. I expect Deutsche Telecom to buy Deutsche Glasfaser after a certain period, after which Deutsche Telecom will probably stagnate the growth of glass fibre, as KPN did in The Netherlands. The underlying thought behind this is that those bigger companies try to stretch the survivability of their copper networks by killing of the growth of glass fibre. There is a real threat in this lack of competition between glass fibre providers like Deutsche Glasfaser.

In addition, the power of these providers is too big in my opinion. But as a contractor, if you play according to your own strengths this shouldn't pose to much of a threat. This means you need to outplay your competitors in terms of technical innovations and process innovations to keep up with the wishes of the providers.

Opportunities lie in the expertise of Siers Telecom, and other Dutch contractors for that matter. Work providers used to really set the price with every order, where contractors could not do anything but accept the work or reject it. But Siers Telecom and other Dutch contractors can really set the price in Germany, according to their expertise. They can walk up to the providers to show the price they will execute the work for instead of the other way around. Another opportunity simply lies in the fact that this is the beginning of glass fibre in Germany, and you can really be present at the creation of the whole glass fibre market. The moment of stepping in is now, if you step in later it will be costly. Also the possibility of expanding glass fibre to new countries is occurring, looking at Poland, France etc.

The biggest threat of every internationalization is the difference in culture. And the adaption to this new culture is determined by the employees of an organisation and their willingness and cleverness to change. For example, even the way of greeting could pose a problem in building relations/ acquiring work. Underestimating these differences is dangerous. Therefore the employees need to be trained on the cultural aspect in my opinion, where modesty is central. Hiring/buying external knowledge in this cultural aspect is a really good idea for this threat.

10. Do you see any weaknesses of Siers Telecom?

My biggest advise to Siers Telecom would be not to get greedy in terms of company growth and approach things in a modest way and stay alert. It's dangerous to increase the size of the company when you do not know how the market will develop over time. We just do not know for sure how the economic market will form itself, what do you do when it suddenly drops while your company is growing in size?

However, I do think the glass fibre market in contrary to the general market is rather predictable. The growth we experienced in The Netherlands will probably occur even faster in Germany.

11. And what are the strengths?

Modesty, down-to-earthiness, technical expertise and the itch to work. A collaboration with a German partner could really boost the ability to implement their own strengths.

G: Standardized interview Siers Telecom (Hofstede's cultural dimensions: conclusions validation)

1. *Do you agree with the indicated level of Power Distance developed by existing literature for your country, and does it reflect the level of power distance in the organisation?*

Power Distance is certainly present in the Siers Group and Siers Telecom, especially with the old management. I think in Germany however this distance is way bigger. In our company,

every employee can and is expected to make decisions on their own, to speed things up. In Germany, employee do not really make decisions on their own, and go to the chefs. An ironic aspect is that with the internationalization were mostly working with Dutch people occupying the managers-functions in German companies.

2. *Do you agree with the indicated level of Individualism developed by existing literature for your country, and does it reflect the level of individualism in the organisation?*

No this differs at Siers Telecom, where the organisation tends to be more collective. There isn't a every man for himself culture, this is the case in Germany I think.

3. *Do you agree with the indicated level of masculinity developed by existing literature for your country, and does it reflect the level of masculinity in the organisation?*

The masculinity and feminine aspects really differ on the different levels throughout the organisation. The people really working in the field, digging, are more looking out for each other and value more in quality of life. The offices contain some feminine parts like quality of life, but the managers also try to maintain some masculine values to balance things out.

4. *Do you agree with the indicated level of uncertainty avoidance developed by existing literature for your country, and does it reflect the level of uncertainty avoidance in the organisation?*

Uncertainty avoidance is really present with the directors in the Siers Group, and the current director of the family business. But throughout the whole organisation people are hired and expected to be creative and search for opportunities. And the employees are accepting change because when it comes down to it, they have to to grow with the organisation.

5. *Do you agree with the indicated level of long-term orientation developed by existing literature for your country, and does it reflect the level of long-term orientation in the organisation?*

The orientation also differs with different activities. Short term activities and projects can be coped with due to hiring external expertise, long term orientation is held with the internal mature organisation by constantly watching how the environment changes and making plans according to the change.

H: Interview Deutsche Glasfaser (four forces; Porter's five forces + SWOT-analysis)

1. *How would you asses the threat of new entrants in the glass fibre business concerning contractors in terms of cost-advantage, know-how, raw materials, entry costs?*

Relatively low, as the experience needed to successfully operate in the glass fibre business is simply too big and takes a while. The Dutch contractors already know how it works due to experiencing the same situation in the Netherlands. We need to really train the German contractors on the contrary. When we started in the Netherlands it also took while until these Dutch contractors learned how things worked and really became efficient etc. I think the situation is fully comparable.

2. *How would you asses the intensity of rivalry amongst competitors(contractors)? And how do you think this will be in the future?*

I think it will take a while before real competition starts between contractors, simply because there is so much work to be distributed between them at the moment (at the beginning). Reflecting to the situation in the Netherlands we can see competition between contractors for work only started until recently. I even think there might be more competition between the work providers like yours truly (Deutsche Glasfaser) and Deutsche Telecom, i.e. that contractors could potentially find it more interesting to work for another provider. To summarize, I think there won't be any competition between contractors the first 2-3 years, as we need to build up and glaze very big area's together and develop a central way of doing this in terms of technology, architecture and building. This will provide both parties, in a way that we can realize and envision more connections, and the contractors get stability and continuity in return. As said, in the Netherlands this took about 2-3 years before we reached this level. In Germany this might be a bit faster as the actual technology and IT-capabilities already improved through time, a bigger issue might be the government blocking or slowing down the realization of the connections. In the Netherlands this wasn't really an issue but did happen, we expect it to occur a lot more in Germany, as their legislation and politics are more strict. We already developed a sort of contract for the regions to limit (reduce) the amount of negative participation a government can have in the regions we operate. This will provide some sort of freedom for both us and the contractors. (This contract was created by PWC).

The first signs from the various governments are pretty good and they tend to accept it, because glazing area's provides a new utility for the citizens and therefore empowers the government political force, without the government paying for the utility.

3. *How many competitors are we speaking? And how would you asses the power of suppliers of those contractors, in terms of switching costs, number of suppliers?*

We've got 5 contractors working for us, plus 4 contractors from the Netherlands. This number is sufficient in terms of volume we need to be carried out. The amount of subcontractors working for our contractors is bigger of course, especially in Germany. This immediately means the power of these subcontractors is relatively low, as our contractors can switch to another subcontractor when something doesn't really go as they want it to go.

4. *How does the market maturation look like from a competitors point of view, i.e. pricing? Is it comparable to the situation in the Netherlands a few years ago?*

I assume the development of the glass fibre market in Germany will be the same as it was in the Netherlands. After the connections are realized, we distribute whole local area's to be controlled and managed by individual contractors who actually realized the connections, whom will get payment in return. The upside from this way of distributing is that contractors will be confronted with their own flaws they made realizing the connections, forcing them to change things for the realization of next potential connections. The management of these distributed local area's will take about 5 years, after which whole regions will be distributed to individual contractors.

First of all I think that the whole situation is almost completely comparable to the situation in the Netherlands a few years ago, otherwise we wouldn't even be here to initiate this project.

In terms of pricing, you can look at it from both side. On one side when we started in the Netherlands, the price for building connections started at 1400,-, and went down to 640,- recently. And because both contractors we as a organisation started to learn how to become more efficient, we will start at a lower initial price per connection in Germany. The margins stayed about the same for contractors, because of this increase in efficiency but drop in prices. The only differing aspect from that in the Netherlands is that we think the price will drop faster, and more frequently because of the increasing experience and efficiency of the contractors concerned. So I expect the effect of price-maturation to develop faster.

I cannot say much about the quality of the different contractors yet, as we just begun handing out orders and time will tell basically. What I can say is that German contractors tend to have more difficulties in maintaining and providing the quality we (Deutsche Glasfaser) demand. They are new with the way we want the work to be delivered, which is according to one final drawing of the region and the to be realised connections. This requires a change in IT-capabilities as well, which the Dutch contractors already have and know how to use. The Dutch contractors also have the benefit of knowing how we want the work to be delivered, so the organisation doesn't really have to be re-organized in terms of IT or planning.

On further remark, I do have to mention price and quality both share a 50% importance in priority. For example, if a connection costs 1000 euro's with a First time right (reliability) of 97% this means only 3% of the connections will be flawed. This will result in the development of this level to be some sort of benchmark, resulting in an contractual acceptance of our side if the contractors claims to be able to deliver a reliability of 100% if he gets 2000 euro per connection, even though this means this will costs us more. On the other side, if a contractor accepts 800 euro's per connection, which is very cheap in the beginning, but only can provide a 85% reliability in deliverance we will not agree and rather take the more expensive contractor.

The ideal First time right we reckon at this moment is 99-98%, which we will probably implement in Germany as well.

5. *What do you think are the strengths of Siers Telecom (Hako-electronics)?*

Firstly the general know-how and experience they've got, and the way they can implement this experience in partners to build an alliance.

6. *How would you asses the threat of substitute-products, (like copper wires etc.)?*

They substitute products like coax, going through copper wires, can survive a max of 5 years before it will become extinct in terms of use. It simply cannot compete with glass fibre. I think glass fibre will be around for the next 100 years before science comes up with something that is even faster than light, if there even is such a thing.

7. *What are the weaknesses of Siers Telecom (Hako-electronics)?*

A weakness in general will be the limited regional capabilities. This because Reggefiber tends to be rather unpredictable in terms of regions where we need contractors. Bigger companies like BAM and VolkerWessels can jump in more easily in sudden geographical changes in terms of connections to be installed. They can cover a whole nation more easily in contrary of Siers Telecom, due to size.

A weakness I foresee towards operating in Germany lies in the fact that Siers Telecom tends to be a very humble organisation. Which may result in operating too softly/carefully instead of vigorousness. I foresee Siers not really bluster at a person or organisation, which I think could be called a weakness in some cases.

8. *What do you think about the collaboration between Heming and Siers Telecom? What could you advice?*

Though I do not know every detail going on the collaboration, I do of course hear and see things from the side-line. (see 9)

9. *What role does Siers telecom have in this collaboration according to you? And what are the weaknesses of Heming?*

Siers operating in this collaboration is very comfortable for us, because they will guide the German partner to get up to the level and standards we want it to be, i.e deliverance, IT, visualising the connections online (KOKON) to get a clear overview of the connections. I think Siers Telecom should be in control of every area where technical expertise is needed, not only in processes but also in the field. To give concrete examples, planning and engineering should be guided and initiated by Siers Telecom. The Planning is of great importance because we need to get a very precise view of when we need to pay our contractors for the realized connections, so that we can prepare actions towards bank loans etc. We've got employees working for us who update the planning 24/7 for all our contractors, so that the cash flow is mapped as precisely as possible. We need to be predictable towards shareholders, customers waiting on their product, and our bank, because we are a company that invests a lot in infrastructure and such in terms of cash. You cannot expect them to cooperate if we address any needs in cash on the last moment, that's why Planning is such an important aspect. Towards the customer we need to be able to accurately make statement about when they will be able to use the glass fibre connection, on which we rely on the contractor to make a realistic planning, and keep to that planning. However, the German contractors are miles behind on this aspect, simply because they are not introduced with this kind of work yet. That's why we prefer Dutch-German collaborations.

The ultimate situation would be that these Dutch contractors learn to embed the German culture and way of doing things in their system before acquiring the organisation they collaborated with, or start an GMBH for themselves. The learning period is in my eyes very valuable because of the low risk it carries. This is also what we advise our contractors, to search for a German partner to collaborate with for a few projects, and when the results are positive to eventually acquire/take over the German partner. Because to clarify again, if there would not be any cultural, political, legal difference between Germany and the Netherlands, we would always just go for the Dutch contractors. They are better in every aspect of work concerning realizing Glass fibre connections than their German colleagues.

If Siers Telecom wants to be successful in working for Deutsche Glasfaser with Heming, they should take the leading role in Engineering, Planning and Project Management and predictability.

A real weakness of Heming for us is that they don't scale up as fast we want them to be in terms of work deliverance and general building capacity. And as said the lack of project management capacity, which Siers need to take care of with their experience.

10. What are the strengths of Heming?

Heming is a typical organisation that can deliver volume for us in terms of realizing connections. In terms of capacity it is very plausible that Heming will realize ten thousand of those connections. And they have the advantage that Deutsche Glasfaser always wants to do business with a German partner, which is essential. This because of the contractual preferences and such.

A general strength is that they know the German market and the area we want to operate in.

11. Do you see any threats in this collaboration?

When problems occur during the collaboration, they will occur because of the cultural differences. The difference in the cultural aspects are massive, and should not be underestimated. For example differences in hierarchy, employees working in the field executing the digs will only do things if their boss tells them to do it, and will not make decisions for themselves. Their Dutch colleagues will actually think for themselves and make critical assessments of certain situations, even if this means they must wander off the normal way of doing things. We prefer the Dutch way of operating, where people actually make assessments of situations without necessarily consulting endless chains of bosses higher in the hierarchy of an organisation before doing things.

12. How do you see the future in Glass fibre in Germany?

Pretty good. Germany is miles behind in terms of glass fibre and the broadband utility it delivers, even the financial papers conclude this statement: Germany needs to be glazed or else it will not be able to cope with the increasing Data-traffic. In terms of general economy Germany may be miles ahead, but in terms of broadband utility they are miles behind. Our analysis is that this situation emerged because there was no competition for the more rural area's in this specific branch. The bigger organisations only chose to glaze the bigger cities, and those cities are the only places where glass fibre connections are thus realized.

We stepped in this hole they left behind, aiming to glaze these areas. When we acquire some sort market share, i.e. 2%, bigger companies like Deutsche Telecom will still not be afraid but might be interested to acquire our company.

13. Where do you see opportunities for Siers Telecom, which are not currently used. i.e. tips and tricks?

The opportunities for Dutch contractors working for Reggefiber, like Siers Telecom, are big, because of the experience and expertise they've build up over the past years in the Netherlands. Especially for organisations sitting at the Dutch-German border an international leap seems very logical to me. How this potential will work out can be in different ways. You can make money just selling the expertise you have as a Dutch contractor, but you can also build up a company to own and manage everything up to realizing the connections yourself.

Because there are many connections to be handed out to contractors, these contractors can really be profitable when maintaining our preferred standards and growing along in terms of volume. That's why we always ask if their capacity increases along the way, and how many connections in terms of volume they suggest they can deliver us for the future years.
Even when Deutsche Glasfaser might be acquired by a bigger company, the contractors of DG will then probably be taken along in this acquisition in terms of work and connections to be handed out in the future as the volume output will still be needed.

14. What are your future plans?

The plan made by our shareholders is after the realization of minimal 200.000 connections to merge/sell the company to a bigger organisation, which will provide us with bigger possibilities in terms of capital. Without such a strategic alliance, the speed of realizing such many more connections will simply fall back.

15. Where do you see Siers Telecom and Deutsche Glasfaser in the future?

Via Heming I foresee a future between Siers Telecom and Deutsche Glasfaser. But unless Siers Telecom will found a GMBH for their own, this relationship will never really have a direct character, but via a German partner.

16. Where is Heming in this picture? Or does this has to be changed?

The relationship Heming – Deutsche Glasfaser is good, and will be worked out for the next years, assuming Siers helps and guides them. We see the positive things Heming can provide us with, but they still remain German, where I mean that we would like to see things speed up.

I: standardized interview Siers Telecom (Power of customers; Porter's five forces)

1. *How would you asses the power of the customer, which is Deutsche Glassfaser? And how does the future look like in terms of customer power?*

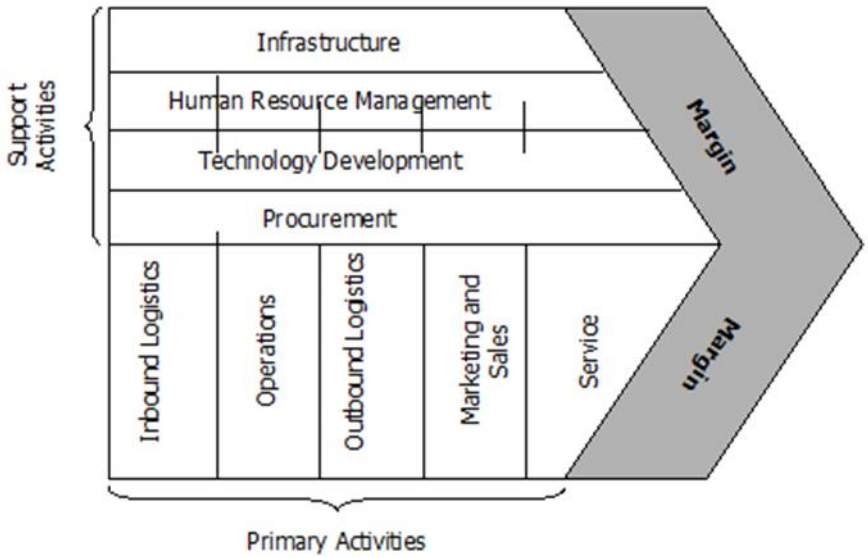
There is a mutual dependence between us, which we both realize, firstly because the small number of contractors in the business, about eight. Of which about 5 are really suited to work with Deutsche Glasfaser, as Dutch contractor. So there is quite a lot of margin to be gained being one of those 5 contractors. However Deutsche Glasfaser still has a monopoly-position, and the concept of roaming down prices from contractors will always be initiated after a certain period of time. This will also happen in Germany, that after a certain period DG expects and demands lower and lower prices from contractors. This concept of roaming down prices will be initiated way faster than it was in The Netherlands. As Siers Telecom, we could really make a profit out of this as the prices didn't drop really fast, (over a period of 7 years). I expect this won't be the case in Germany, where we will have to be more lean and mean to make the same margins because DG knows the contractors involved are experienced. And therefore I do think this is possible because our organisation is way more experienced by now. To sum this aspect up, it is essentially the force of the market which decides how fast the prices will drop. I do think because Germany is a bit more sophisticated in terms of housing, for example whole families live in the same house, the price in the beginning will start as high as it was in the Netherlands (in the beginning).

In the end I think Deutsche Glasfaser really knows that the contractors they're dealing with know what they are doing, as these contractors are the same they worked with glazing the Netherlands. They will provide these contractors with some financial space to get familiar in Germany, as they know they will get back results in return. If they play it hard from the very beginning, no contractor will commence the big leap that is internationalisation into Germany. This will include error-costs, risk costs etc, although this period of time will probably be shorter than it was in The Netherlands, due to experience. After this period is done, the concept of roaming down the prices will commence, at which the contractors will have the actual means to make their processes more efficient and to therefore also be able to cut off prices for Deutsche Glasfaser.

2. *How big is the output of glass fibre connections without Deutsche Glassfaser?*

To further clarify, without Deutsche Glasfaser there will not be any work in terms of glass fibre. Thus without DG, Siers Telecom will not be active in Germany. Making use of the good relationship between Siers telecom and Reggefiber, the glass fibre project in Germany could potentially lead to other business activities from Siers Telecom such as video overlay, or even activities for the mother-organisation. However, we need to build experience and knowledge of how things work in Germany and we see the glass fibre project as the perfect instrument to get a clear view. And the challenge of glazing Germany could provide many opportunities for the whole organisation, which I do expect to happen when we do this the correct way.
A further remark, when Siers Telecom is given the time and space to build a solid foundation in Germany and make some sort of margin, I believe this will be the beginning of a potential GMBH in Germany, which failed several years ago.

J: Interview internal strengths and weaknesses Siers Telecom (based on Porter's value chain)



1. *What are the organisation's strengths on the area of inbound logistics, in terms of the support activities?*
2. *What are the organisation's strengths on the area of operations, in terms of the support activities?*

3. *What are the organisation's strengths on the area of Outbound logistics, in terms of the support activities?*
4. *What are the organisation's strengths on the area of inbound marketing and sales, in terms of the support activities?*
5. *What are the organisation's strengths on the area of Service, in terms of the support activities?*

In terms of the whole organisations infrastructure and way of organizing, a sort of inconsistency (weakness) can be detected which started 7 years ago when the company started to grow immensely. Because orders kept coming in, Siers Telecom needed sheer numbers in terms of employees. However, real competences these potential employees had were not thoroughly looked at because we really needed people. When the market started to saturate in terms of pricing, we found out in some cases we had hired employees without fitting competences and unable to innovate their processes so that we could flow with these drop in prices. There was not enough critical assessment of these potential employees in terms of core capabilities and ability to perform, adjust and/or change and innovate. The external environment demanded from Siers Telecom to also change to a leaner and meaner organisation to cope with the drop in prices. The potential opportunities this aspect holds towards project Germany is that we really optimized this internal infrastructure and human capital in terms of capabilities and innovation, we became leaner and meaner and established a better cooperation with the other organisations within the Siers Group. This synergy recently started to show the fruits of this labour, which means we can confidently say we can cope with the constant drop in prices. I still foresee a challenge in the fact if we got enough independent employees we can train to hold their own and learn skills from older crucial employees/directors to avoid too much dependence on one person. For example, it is quite possible whole business processes will stagnate when a certain director falls away due to getting get sick for a longer period, (or worse). The good thing is that the whole organisation recognizes this potential danger and tries to find ways to avoid this. Examples are hiring horizontal integration in form of external expertise, and vertical integration with internally educating employees to occupy certain functions higher in the organisation. Both of these processes are initiated by the company, but it takes time. It's hard to find realistically affordable external expertise for specific tasks, and it certainly takes some time to educate and train talented employees, especially since the concept of scouting these talented employees started just two or three years ago. So to sum it up, we do have a very capable organisation, and employees for that matter, but still I do see major challenges and opportunities on that behalf.

Also, there lie many opportunities in the collaboration with sub-contractors and customers, on various aspects like technical, social etc. And I do think the collaboration with Heming will provide opportunities on the short term.

On the technical platform, looking at the situation we experienced in the Netherlands, we did not really innovate while doing activities in the beginning. Looking back, we needed to innovate our processes right away to cope with drop in prices. This is a really crucial aspect for the internationalisation to Germany, where we need to get leaner and meaner right away. Our experience gained from glazing the Netherlands therefore makes us the perfect partner for Deutsche to work with, as they know we can handle these situations. Being proactive in this business really pays off, as we can even go to Deutsche Glasfaser to show we innovated in such a way that we are willing to accept lower prices for individual connections, in return for

getting more connections to install for Deutsche Glasfaser. Competitive advantages through radical technical and/or process innovations is really an important thing to aim for and use.

Also, Siers Telecom is really fortuned to have Ge Nijenhuis (60) as one of the employees (and director). He's the one who really was the first pioneer in glass fibre technology and knows all the important parties concerned, on a social and business basis. He really could've made a fortune if he kept his knowledge for himself and sold it, but chose to share and develop it together with various parties. Nowadays his relationships and technical know-how really reels in orders. This of course brings along risks in the form of dependency, so we need to train other individuals to pass this knowledge and keep it in the organisation. We now have 2-3 guys that are learning from Gé to also house this knowledge.

Siers Telecom never used any form of marketing the last 7 years, as weird as it may sound. A reactive position was maintained, unwillingly, simply because there was enough work to be found (and done) and the managers figured it wasn't really needed. Other parties, such as competitors, have been doing marketing at a consistent base and are ahead on Siers Telecom at this part. Manipulating through informal social contact provided them with orders. Also when they created an innovation, they announced it big, to convince work-providers to choose them. Those 'tricks' of marketing to reel in business orders need to be developed and used by Siers telecom to get to the same level of the competitors on that behalf. The real foundation of the Siers Group is that everything needs to be of the best quality, which used to provide orders on its own in the past. Today, everything is more price oriented, and we had to develop a model to give the customer the ability to choose which risks he wanted to pay for, to give him the opportunity to choose his own level of quality he wanted to get (and thus pay for). This is an example of a new way of marketing we developed recently, and which begins to pay off.

Also the concept of the 'chain' is increasingly important. This means the whole chain of sub-contractors, the own organisation, and customer influence the eventual price. So trying to find innovations for organisation lower in the chain could provide a bigger margin for Siers telecom, which stands higher in the chain. However, this means you will need to get a clear picture of the whole environment and much experience.

Another rather positive thing is that one of our sub-contractors is already active in Germany, which means there's a familiar face in within a rather unknown environment. This also adds to the 'chain thinking', which is helping and adjusting each other wherever possible.

I can also say we really need to get more socially involved with the order-providers. This means informal contact is very important, and competitors focus on this aspect more than we do. This means it is another aspect Siers telecom needs to improve, because I think the social foundation, for example making sure the provider does not have to worry, and sits without frustrations when he chooses for your company, comes in just after the price in terms of importance.

I really think a lot of opportunities will present themselves, but the capabilities of employees will have to be increased in order to grab those opportunities. For example, I do think that the span of control from the two directors of Siers telecom is full. We regularly make days longer than 8 hours, which is no problem at all, but there is definitely need for more skilled employees. External expertise will not always suffice the organisation's needs. I think we need even more synergy to train the talents within our company in order to stay competitive and stay lean and mean throughout and after the internationalisation. This means shifting

these core employees throughout the whole organisation to guide whole processes will be the ultimate goal. ‘talent management’ is the key word on this behalf.