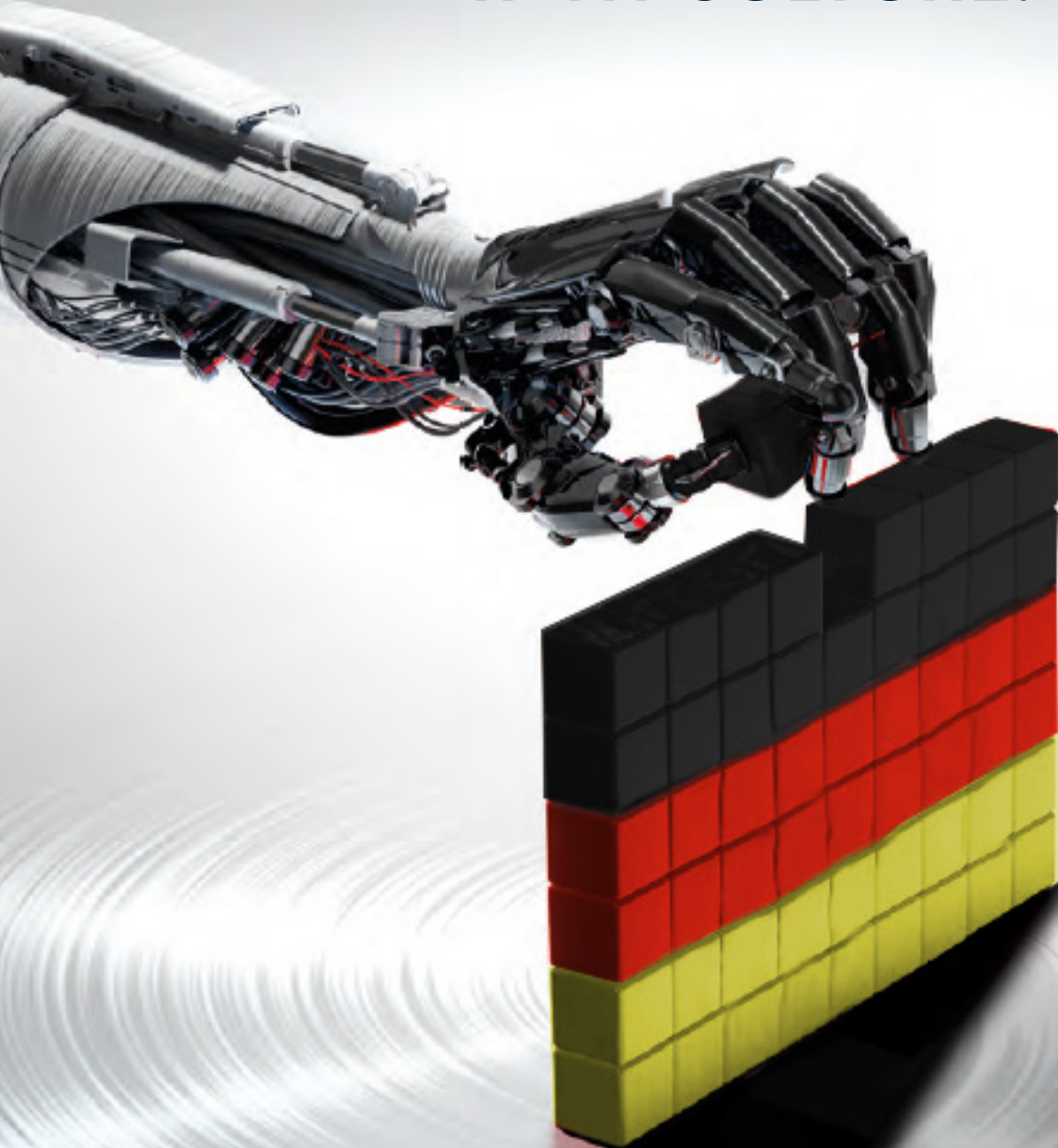


MASTER THESIS

# SUCCESSFUL FOREIGN MARKET ENTRY BY COMPARING BUSINESS MODELLING WITH CULTURE.



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**KEYWORDS:** MARKET ENTRY MODES, CULTURAL DIFFERENCES, COMMUNICATION, BUSINESS MODELLING, CHANNELS, CUSTOMER RELATIONSHIPS, VRIO.

## PREFACE

This thesis was written as a final task in the Master Business Administration at the University of Twente. From the beginning of this master, I was in contact with ESPS. Previously I worked at this company, and we have agreed together with any research project when I would begin the Master's in Business Administration. In the beginning, I was not sure if I wanted to follow this master or another one, but after some careful thoughts, I decided to follow the master Business Administration. My interest in various fields and therefore courses is very broad. That makes it sometimes difficult to make choices about which courses to follow and for all to find a possible specialization for writing a thesis. The offer of ESPS was still available, so I went to ESPS and asked them about the subject they want to investigate exactly and what that could mean for my thesis. As soon as that was clear, I started looking after the direction for this thesis. Eventually I came towards the direction of business information management. At that time, I did follow the course E-strategizing and was looking for a thesis supervisor. Ton Spil was in that days the professor of that course and sounds to me as a quiet person with much of experience within the field of business information management. I approached Ton Spil with a very vague proposal which eventually have led towards the development of this master thesis. My first supervisor was found, but I needed to find a valuable second one. I wanted to create a kind of model that can be used by businesses when they want to enter foreign markets. Business modelling gets special attention within this research that is why I did choose for Björn Kijl as a second supervisor. Björn Kijl has a lot of experience when it came to business modelling and could add value towards this thesis.

For completing this master thesis, I want to thank my supervisors for their enthusiasm and support towards this research. The smooth process together with the appointments was experienced as very pleasant. They provided me all the time with the feedback I needed, gave me new insights and made sure I did not get stuck. Very special thanks for hopefully the last project that I have to obtain before graduating for the BA master.

In addition, my supervisors by ESPS were very pleasant to work with. Björn van der Graaf and Rudie Wolbert are the two men were I shared the office with at ESPS. They provided me with the best possible information and were always there to help me, also when I got very bad and sad news. During this difficult period, they asked always how it went and were always there when I wanted to talk. They were in for some jokes and provided much coffee and chocolates.

A special thanks goes to Ilse Büter who helped me throughout the entire master thesis period and provided all valuable sources for this research and after all the feedback I needed. Not the entire process within ESPS was very smooth, but she kept me awake and sharp to get to my goal and that is graduating for this Master. Overall, it was a pleasant stay at ESPS.

Next to all my supervisors, I cannot forget all the respondents of the interview who made the whole research possible. Without them, this research would not have been possible. The respondents gave me valuable information which eventually turned out into the conclusions made within this thesis.

At last, of course I want to thank my family and especially my parents and lovely friend for their kindness even when I was not so kind sometimes. They are the persons who made it all possible for me and who were there for me in the good times as well as in the bad times. Support was always there which means a lot to me. My friend helped me with the layout of this master thesis where I am very grateful for.

Without you all, I could not have reached this!

Eline Albers

## ABSTRACT

ESPS from Almelo wants to enter the German market successfully in order to do this they asked me to perform a research about this subject. The objective of this study is to gain insight in the cultural differences that exist between doing business within Germany and doing business within the Netherlands; which actions should a business have to take to successfully enter the German market. Can culture be compared with business modelling theory to explain the successfulness of a foreign market entry of such a business? To answer these questions it is important to find an answer to the research question: "In what way should a business alter its marketing strategy to successfully enter markets abroad, taking into account cultural differences in doing business into account?" Special importance is given towards the literature of foreign market entry, culture, communication, business modelling theory where channels and customer relationships are discussed and at last, the theory of the resource based view, VRIO and preferred customer relationships. Comparing this literature results in an explanatory model which can possibly be used by firms when these firms want to enter market abroad.

In order to investigate if this model can be validated to use by other businesses there is research conducted in the form of literature research and interviews. This study can be regarded as a qualitative research in which semi structured interviews are held with fifteen respondents. These respondents can be separated within five internal and ten external respondents. Among these ten external respondents were three German companies, two professors, two Dutch companies, one cross border business (umbrella organization) and two students who are added later towards this research to test differences between generations.

In order to show the result of the interviews which are taken there is provided a case study considering the change ESPS has to make considering the differences between doing business within Germany and doing business within the Netherlands. After that, the analyses of answers given by the respondents within the interviews will follow. What can be stated when comparing these answers with the already existing literature? Is it possible to use and combine these different subjects in order to create a model which can be used by businesses that wants to enter (foreign) markets?

The most important findings from the coupling between the literature and the interview findings are that hierarchy will affect the way business are done within Germany. One should communicate within a formal manner and use formal forms of address to keep distances and be courteous, the right communication channels have to use of new media will differ between cultures, these different channels have to be used within different markets in order to build customer relationships and eventually to get to a preferred customer status which will be dependent for getting a (sustainable) competitive advantage on a foreign market.

The question is whether the proposed model can be used by a business that wants to enter a (foreign) market. It can be assumed that this model will be appropriate to use, because often relevant concepts are used. Only in the case of culture there is concept used which is developed many years before, but on the other hand these Hofstede perspectives are one of the most famous definitions regarding culture. Therefore it can be concluded that this model will be relevant to use that provides a solution for firms that want to enter (foreign) markets successfully.

Possible limitations of this research can be that interviews are based on perceptions and there will be given answers which can be biased. Considering this research there will only be looked at the right side of the business model, especially towards channels and customer relationship which can be related towards the business modelling theory of Osterwalder and Pigneur (2010), but there can be other differences considering this business model canvas. Differences within regulations about bank guarantees are not done within this research yet. For future research, this could be of particular interest.

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## LIST OF ABBREVIATIONS

1.	DNHK	Duits Nederlandse Handels Kamer
2.	CBS	Centraal Bureau voor Statistiek
3.	VRIO	Valuable, Rare, Inimitable and Organization
4.	IS	Information Systems
5.	IT	Information Technologies
6.	SME	Small and Medium Sized Enterprises
7.	GTAI	German Trade and Invest
8.	n.d.	No Date

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## 1. INTRODUCTION

*Exports\* to Germany increased slightly in 2015*

*\* Export of the Netherlands to Germany.*

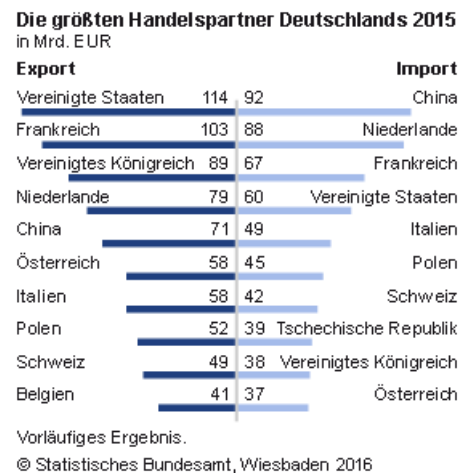
My attention was drawn to this headline in the Financieel Dagblad newspaper of Tuesday, February 23, 2016. It could be strange or even alarming for a country such as the Netherlands that its exports slightly increased in 2015. Such an increase of exports from the Netherlands to Germany may seem relatively positive, but the opposite can be assumed when looking at figure 1. German imports have increased in recent years, whereas Dutch exports to Germany have barely increased.

Visser and Prinsen (2013) as well as Ambassade van het Koninkrijk der Nederlanden ter Berlijn (2013) stated that: "Germany can be seen as the most important trading partner of the Netherlands, a quarter of Dutch export goes to Germany". Even according to the Centraal Bureau voor de Statistiek (CBS), EUR 104 billion worth of products passed from the Netherlands to Germany via export in 2014 (CBS, 2015). This can be a good reason for regarding the Netherlands as one of Germany's most important trading partners (Duits-Nederlandse Handelskamer, 2016). If viewed the other way around, the Netherlands is also an important trading partner for Germany, as shown in figure 2.

Why is it then that exports slightly increased in 2015? Why do businesses from the Netherlands face difficulties with trading or working with businesses from a country such as Germany?



**Figure 1: Germany's imports and exports**  
(Statistisches Bundesamt, 2016)



**Figure 2: Germany's trade partners**  
(Statistisches Bundesamt, 2016)

Globalization has led to many changes in the world: borders are open (which makes transport easier) and practically everyone around the world can communicate with everyone else. This has also changed the way of doing business (Whittington and Mayer, 2002; Scholte, 2005). The range of competitors has exploded within years, due to the completely shortened travel and delivery times; competitors are now all over the world (Crane and Matten, 2010). "Every organisation needs to deal with this complex and changing environment, which is characterised by high levels of uncertainty, competition, innovation and knowledge creation as indicated by Al-Debei, El-Haddadeh and Avison (2008); Bouwman, Vos and Haaker (2008); Al-Debei and Avison, (2010) and Morabito (2014). When going abroad, companies encounter circumstances such as different regulations, cultures, hierarchies, languages, habits, norms and values (Lechner, 2003, Nakos and Brouters, 2002; Johanson and Wiedersheim-Pau, 1975). These significant differences are some of the greatest challenges for companies operating abroad today (Czinkota and Ronkainen, 2007), and they can eventually determine their success. This is why the resulting barriers must be overcome during companies' expansion processes (Nakos and Brouters, 2002; Knight, 2000, Westhead, Wright and Ucbasaran, 2001).



The opportunities for companies to go abroad and expand their markets are today becoming increasingly attractive. Companies have the ability to generate more revenue and customers (Hessels, Overweel and Prince, 2005). Expanding their markets and growing internationally has to do with entry modes. Businesses can use two different types of entry modes to go international: equity based and non-equity based. Pan and Tse (2000) give some more explanation about these different types of entry modes: "Within equity-based modes, the choice is between wholly owned operations and equity joint ventures, while within non-equity-based modes, the choice is between contractual agreements and export." It is assumed that the non-equity based modes are of major importance for the current research.

A company's success within a new market directly depends on the entry mode decisions it takes (Nakos and Brouthers, 2002; Mayrhofer, 2004; Morschett, Schramm-Klein and Swoboda, 2010). When countries have legal restrictions, firms seek legitimacy as well as efficiency by choosing a less integrated mode of entry (Delios and Beamish, 1999). According to Hollensen (2007), "Each entry mode can be linked to a corresponding level of integration in the foreign market, where the lowest level of integration is export." Within this research, the focus is on export, because this will be the most important foreign entry mode for the company named ESPS.

Export can be divided into indirect and direct export (Peng and York, 2001). In indirect export, a business makes use of an intermediary (Li, 2004). Compared to indirect export, direct export has higher risks. That the risk for indirect export is lower than for direct export relates to price that have to be paid to the intermediary for the information that the intermediary can generate (Johanson and Wiedersheim-Paul, 1975; Hessels and Terjesen, 2010).

In relation to these export modes, it is positive that Germany and the Netherlands are located next to each other, have good infrastructure, have somewhat similar languages and face many trade opportunities (Visser and Prinsen, 2013; Remmen, 2015). The fact that Germany is near to the Netherlands does not imply that the trade procedure followed will be the same in both countries. Viewed from a social perspective, the Dutch and German populations are both sober with reliable reputations (Visser and Prinsen, 2013). A first glance may not reveal so many differences, but this is one of the most common mistakes that is made (Remmen, 2015). It can be assumed that looking more in depth will prove that doing business in Germany is actually different from doing business in the Netherlands in many ways.

If a company wants to export to Germany without failing in its first attempt, it must conduct good research in advance. The most important part of the earlier cited newspaper article also states this:

*"Despite several Dutch trade missions that have occurred in Germany in recent years, the skills of the Dutch business community in Germany are not sufficiently put on the map," says Günter Gülker, director of DNHK in a statement. He recommends that the government have to develop a strategy for the important export-oriented Dutch market (de Boer, 2016).*

On the contrary, Germany's language, culture and regulations differ greatly in comparison to what is found within the Netherlands. This is primarily because Germany is a larger country and therefore focuses more on its interior (Visser and Prinsen, 2013). The opposite is true for the Netherlands, which focuses more on other countries given that it is particularly small and has to survive among its larger neighbours. Many companies in the Netherlands therefore need to be more focused on foreign countries than German companies do. As a result, Dutch companies have to adapt more to German companies than vice versa; this could also be one of the reasons that problems arise when Dutch and German companies do business together. As is apparent from the research carried out by Gersdorf and de Lange (2015), a few Dutch businesses misjudge the German market: "Dutch companies have a reputation for being impatient and ill-prepared, which is why accidents occur." Ab van der Touw, Chairman of the Duits Nederlandse Handels Kamer, pointed out earlier that *"a tripling of exports to Germany is possible with a better approach and better mutual understanding"*.

This can especially be seen in an article entitled "Germans are the most complicated customers in the world", which was published in the Die Welt newspaper on February 25, 2015 (Gassmann, 2015). The research of Gassmann (2015) indicates that German customers have the highest standards in the world.





**Figure 3: What the Germans appreciate (Gassmann, 2015).**

According to an exclusive study of *Die Welt*, consumers in Germany expect quick and easy business processing, expert advice, fast troubleshooting and cheap prices in all areas. The study also mentions that Germans very quickly become frustrated when things go wrong. Changing suppliers is a logical consequence of this mind-set, and it is very difficult to regain a customer under such circumstances. The study of Gassmann (2015) concluded that “The Germans expect in all dimensions significantly more from their suppliers than customers in other markets in order to be satisfied.” This is why consumers in Germany can be regarded as particularly spoiled and as the most complicated customers in the world.

### 1.1 GOOD RESEARCH IS NEEDED WHEN EXPANDING TO GERMANY

The potential problems that can arise when a company wants to enter a foreign market are not invisible. The ESPS robotics company, which is located in Almelo (the Netherlands), approached this researcher to investigate the best possible ways to enter the German market. Why do businesses from the Netherlands experience so many difficulties when trying to successfully enter the German market? Why can a seemingly simple step be so challenging?

The aim of this research is to investigate (together with ESPS) the differences between doing business in the Netherlands and Germany and to eventually determine how a Dutch company can adapt to successfully enter the German market and other geographic markets.

This paper provides findings about cultural differences between the Netherlands and Germany, which can complicate business undertaken between the two countries. These cultural differences are pointed out by looking at the perspectives of Hofstede’s theory (namely power distance, uncertainty avoidance, masculinity-femininity and individualism-collectivism) (Hofstede, 1981). Special focus is given to communication, which can be related to culture (Lustig and Koester, 2005). Communication is important for both determining meanings and negotiating; a good relationship across borders depends on the level of communication within that relationship (Dijkstra, 2008; Lustig and Koester, 2005; Lechner, 2003; LaBahn and Harick, 1997; Hall and Hal, 1990).

Communication can be related to the channels that will be used to reach new and pre-existing customers and suppliers (Osterwalder and Pigneur, 2010). The communication through different channels affects the customer relationships that a company can build. Channels and customer relationships can both be related to the nine building blocks of the business model canvas developed by Osterwalder and Pigneur (2010). This is why business modelling also plays an important role within this research.

Lastly, it knowing the competencies of ESPS is also important for this study. What kinds of value can such a company provide on a foreign market such as the German market? How can such a company distinguish itself from other companies in that market? To get more insight into the businesses of ESPS,

the study applies the Valuable, Rare, Inimitable and Organization (VRIO) framework and thereby widely discusses customer relationships.

The ultimate goal of this research is to provide a new sort of model that can be used when a business wants to expand to a foreign market. In this model, different aspects of an organization are linked to the right side of the business model canvas of Osterwalder and Pigneur (2010). Of particular importance are the Hofstede perspectives, which are used to look at the effects that culture can have on using the right side of the business model. The question is which effects different cultures can have on a business and the market strategy that it will ultimately use to enter foreign markets successfully.

## 1.2 FROM ACADEMIC RELEVANCE TO THE RESEARCH QUESTION

Several researchers have studied business models and related topics, including Osterwalder, Pigneur and Tucci (2005), who studied the origin, present state and future of business models; Teece (2010), who studied the relationship between business models, business strategy and innovation; O'Reilly (2007), who studied business models for the next generation of software; and Chesbrough (2013), who studied the open business model. Nonetheless, the combination of business models and foreign market entry modes still remains unclear. For future research, it is suggested that the combination of particular cases and business models be studied more extensively. Given that globalizations has increased over the years, exporting has been viewed as a means of foreign market entry and sales expansion for firms; as such it is a significant area of research interest in marketing (Cavusgil and Kirpalani, 1993; Samiee and Anckar (1998). This study provides the reader with new evidence related to adapting to cultural differences by changing parts of the business model canvas of Osterwalder and Pigneur (2010) when using export as a foreign entry mode. This information establishes an important new theory base on which other researchers can further build. New insights are offered, not only for researchers but also for managers of companies that have no experience with going abroad. This study suggests that differences in language, culture, hierarchy, dealing with customers, payment methods and other channels which have to be used are important factors that a firm must consider before entering a market abroad. Much data is provided about the process of internationalization, which knowledge is needed and the options a company has for making a business model. However, gathering data about the combination of the internationalization process and business models is a task for future research. These reasons explain why this research yields more insights into the subject being explored.

When specifically considering business models, it is especially important to look at the right part of the business model canvas of Osterwalder and Pigneur (2010). This is explained within a model later in this study. All of these points are important in order to successfully do business abroad. The relationship with customers is different; there are other channels, but the segment of customers can also be changed. Within this research, there is a focus on these issues. What does ESPS have to do to enter the German market successfully? It is important for ESPS to be aware of certain differences between countries with respect to conducting business. The differences can be serious, and one has to deal with customers in a different way. Nevertheless, Germany is today seen as conservative, while the Netherlands is becoming more modern. How can one deal with this as a business? Another question relates to the extent to which innovative methods (e.g., communication methods) that are already frequently applied in the Netherlands can be utilized. Companies in different cultures apply different communication methods (Aladwani, 2003; Davison and Martinsons, 2003; Montealegre, 1998a). Within the Netherlands, for example, social media is being increasingly used in different industries; Facebook and LinkedIn are social media platforms that can be important in processes such as recruitment and selection, as well as for disseminating information both internally and externally. To what extent can these new methods be used when one wants to enter markets abroad? The above issues are important observe. The main question of this research is thus as follows:

*In what way should a business alter its marketing strategy to successfully enter markets abroad, taking cultural differences in doing business into account?*

To investigate this research question and to come to appropriate conclusions, one has to consider which factors are of great importance for the decision that ESPS will take. The questions that have to be answered before the main question can be answered appropriately are discussed in section 1.3.

### 1.3 SUB QUESTIONS

#### KNOWLEDGE QUESTIONS

- What is the market that ESPS wants to enter in the future?
  - What are ESPS's potential customers and competitors in Germany?
- What are the future state and vision for companies operating in the same technical area as - ESPS in the German market?
- What cultural differences between doing business in Germany and the Netherlands should be seriously taken into consideration when entering a market abroad? (formal to informal)
- How should business modelling theory be adapted for export?
- Which ways of communicating with potential customers and other businesses in the same technical market as ESPS are possible if the Netherlands and Germany are compared?
- What is the best possible way of communicating and what kinds of channels can be used within the German market in which ESPS wants to operate, bearing in mind the differences that exist between Germany and the Netherlands?

#### EMPIRICAL QUESTIONS

- How can ESPS adapt to the researched differences between doing business in the German and Dutch markets, vis-à-vis its specific industry?
- How can the business model canvas of Osterwalder and Pigneur (2010) be adapted to form a coherent model for markets abroad?
- How does ESPS need to change one of the parts on the right side of its business model canvas to successfully enter the German market?
- How can this information be translated into a general model that can be used to conquer a market?
- How should ESPS change its communication to enter the specific German market successfully?

### 1.4 OUTLINE OF THE THESIS

To investigate the proposed research question and to come to appropriate conclusions, this study is structured as follows. In chapter 2, which concerns theory, more information is given about foreign entry modes, culture, communication, business models (with a special focus on channels and customer relationships), the resource-based view, the VRIO framework and preferred customer relationships. Chapter 3 sheds more light on the methodology used within this research. First, an explanation of the research design is presented; second, the selection, sample, measurement and data collection techniques are outlined; and finally, the study's data analysis component is widely discussed. Chapter 4 presents a short case study of ESPS by reporting on the answers given to interview questions. The fifth chapter analyses the data by comparing the literature to the answers to the interview questions. At the end of each subchapter within chapter 5, short sub conclusions are also provided. These sub conclusions lead to the ultimate conclusions presented in chapter 6. The study's limitations and recommendations for future research are then presented in chapter 7.

## 2. THEORETICAL FRAMEWORK

To provide a possible answer to the proposed research question, it is important to get more insight into subjects that are of great importance for this research. In the next section, special attention is given to the different foreign entry modes that businesses can choose. To investigate the effect that culture can have on foreign market entry and therefore the success of a business within a new market there is given first a more detailed explanation of the concept of culture; the Hofstede's perspectives is presented thereafter. An important aspect of culture is communication. To get more insight into the connection between communication and culture, the research focuses on communication and specifically highlights three parts thereof: language, non-verbal expressions and the use of norms, values and symbols. More light is then shed on business modelling theory, channels and customer relationships. At the end of the theoretical framework, the resource-based view and the VRIO framework will be discussed.

### 2.1 FOREIGN ENTRY

Entry mode decisions have become very important within international research on both business-to-consumer and business-to-business markets in recent years. These decisions can have crucial implications on firms operating in foreign markets and their competitive advantage (Wind and Perlmutter, 1977; Erramili and Rao, 1993; Root, 1987, Davidson, 1983, Hill, Hwang and Kim, 1990). The success of a business within a new market, often a foreign one, depends directly on the entry mode that business has chosen (Nakos and Brouthers, 2002; Mayrhofer, 2004; Morschett et al., 2010). This is why businesses' decisions about which mode to use to enter markets is very important (Mitra and Golder, 2002; Ojala, Kinnunen, Niemi, Truberg and Collis, 2015). This choice is often a decisive factor in the eventual welfare of such businesses (Lee and Lieberman, 2010). When businesses want to expand their markets, it is important to consider the knowledge available about a foreign market's economic and cultural environment. This will eventually affect the probability of entering such a market (Mitra and Golder, 2002). A business can generate that knowledge from the similarities that may exist between their home market and the markets they may wish to enter (Golder, 2000b).

Much research has been conducted about the differences between a business's domestic culture and the culture of the foreign market when a business wants to enter other markets. Businesses enter countries that seem to have more similar cultures more often than countries that have more cultural distance. This is supported by several empirical studies (Bilkey and Tassar, 1977; Hadjikhani, 1997; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). However, these statements have also been criticised. Cultural differences can affect negotiations (Campell, Graham, Jolibert and Meissner, 1988; Graham, 1985), brand image strategies (Roth, 1995) and decision making in the area of marketing (Tse, Lee, Vertinsky and Wehrung, 1988). In terms of entering foreign markets, the number of decision makers constitutes a significant difference between countries. A possible positive difference can be that the more decision makers are involved, the more networks such decision makers can access. This leads to gaining more experience and eventually enables knowledge to be generated (Clercq & Bosma, 2004). All of this can lead to the conclusion that foreign market entry is not influenced by cultural similarity between countries (Benito & Gripsrud, 1992). It is important to note that according to Granovetter (2005), it would be a mistake to examine companies outside the context in which they operate.

Entry modes have been defined as: *"An institutional arrangement that makes possible the entry of a firm's product, technology, human skills, management or other resources into a foreign country"* (Root, 1987 p. 5).

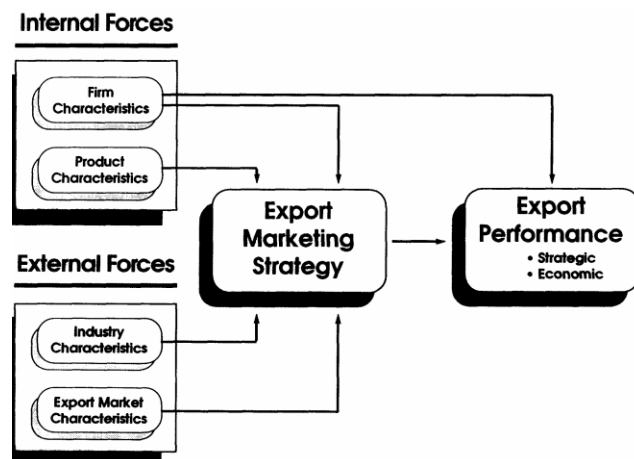
When legal restrictions exist within a country, firms seek legitimacy as well as efficiency by choosing a less integrated mode of entry (Delios and Beamish, 1999). As supposed before Hollensen (2007) mentioned that: "Each entry mode can be linked to a corresponding level of integration in the foreign market, where the lowest level of integration is export." The study of Hollensen (2007) looks at the connection between entry modes that is why the integration level of a business is very important in order to determine which entry mode has to be chosen. It determines the involvement of that business

within the foreign culture.

According to Hollensen (2007), three different modes for entering a (foreign) market exist:

1. Export modes
2. Intermediate modes (contractual modes)
3. Hierarchical modes (investment modes)

All existing entry modes vary significantly when looking at the associated benefits and costs (Sharma and Erramilli, 2004). Within this research, it is only relevant to look at export; as such, other modes are not mentioned further.



**Figure 4: Export marketing strategy**  
(Cavusgil and Zou, 1984)

Exporting is most commonly used when expanding into foreign markets. Businesses have two options when they select this mode of entry: direct export and indirect export (Peng and York, 2001). According to Hessels and Terjesen (2010), direct exporting is the path that businesses most commonly take when they want to enter foreign markets.

Indirect export can be classified as follows: “whereby small firms are involved in exporting, sourcing or distribution agreements with intermediary companies who manage, on their behalf, the transaction, sale or service with overseas companies” (Fletcher 2004, p. 290).

Indirect export is selected due to the knowledge gaps that can exist when businesses go abroad; to fill these knowledge gaps, they can make use of intermediaries (Li, 2004). These intermediaries can help in identifying customers (Balabanis, 2000), linking individuals and organizations (Peng and York, 2001, p.328), reducing uncertainties and other risks associated with operating in foreign markets, and managing businesses’ transactions (Fletcher, 2004, p. 290).

Compared to direct export, indirect modes involve lower levels of risk, control and resource commitment (Johanson and Wiedersheim-Paul, 1975). However, indirect export can have drawbacks as well as benefits. For example, the costs of indirect export are higher than for direct export, as transaction costs and rent extractions have to be paid to use an intermediary (Acs and Terjesen, 2006). By making use of an intermediary, a business also loses some control over the process of foreign market entry (Blomstermo, Sharma and Sallis, 2006).

As Hessels and Terjesen (2010) have stated, “Small and medium-sized enterprises (SMEs) that have clear competitive advantages from their home market may be less likely to need to rely on intermediaries.” This can be one of the reasons why a business chooses direct export as a foreign entry mode. The research of Gupta and Govindarajan (2002) also provides an explanation by stating that national culture affects strategic choices regarding how to enter and operate in international markets. It is thus of particular importance to shed more light on culture and the cultural differences that can exist when operating abroad. In the next section, culture is defined and further explained to gain the knowledge needed to both undertake and understand this research.

## 2.2 CULTURE

First, companies need to consider that foreign market entry also involves risks (He, Brouthers and Filatotchev, 2013). Major challenges can arise due to physical distance, cultural differences and different competitive situations between business partners from different countries (Bello, Cherlariu and Zhang, 2003; Leonidou, Samiee, Aykol, and Talias, 2014; Racela, Chaikittisilpa, and Thoumrungroje, 2007; Zhang, Cavusgil, and Roath, 2003). In the last decade, cultural differences have become a more important factor for companies that are considering expansion (Kogut and Singh, 1988; Mitchell, Smith, Seawright and Morse, 2000; Mitra and Golder, 2002). A business has to adapt to cultural differences to enter a foreign market successfully. These cultural differences are defined as: “a pattern of assumptions, value and beliefs whose shared meaning is acquired by members of a group” (Hofstede, 1980). This comprehensive concept consists of the multiple factors, including hierarchy, language, communication styles and ways of doing business. As stated by Bianchi, Cunningham and Taylor (2014): “Values are at the core of culture, differences in values have important implications for organizations operating across borders because culture can determine the way companies manage and develop their relationship between exchange partners.” The research of Moberg and Cederholm (2009) as well as of Pan and Zhang (2004) shares these assumptions. Within the study of Moberg and Cederholm (2009), it is assumed that the process of two parties reaching a mutual intercultural agreement can be complicated by cultural misunderstandings. Next to that states the study of Pan and Zhang (2004) that cultural differences can be some of the main barriers to successful international operations.

Each country has its own unique environment, which defines the way in which firms conduct business and attract customers (Scott, 1995). Cultural differences can increase or decrease managerial effectiveness using firm-specific advantages in a particular location (Hofstede, 1989; Dunning, 1993). The research of Brouthers, Brouthers and Werner (2008) and Sirmon, Hitt and Ireland (2007) suggests this also: “Institutional differences between home and foreign market can make it easier or more difficult for firms to harvest value from firm-specific resources.” Furthermore, it is very important to successfully adapt to each country’s unique environment the first time, as every chosen entry mode is hard to change and can have long-term effects on a company’s business once implemented (Chang and Rosenszweig, 2001; Brouthers and Hennart, 2007). As stated by Brouthers and Brouthers (2000): “Cultural context helps to define profit potentials and/or the risks associated with a specific market entry.” A company normally adapts or localizes to a host country’s cultural characteristics to be of value there (Edwards, Colling and Ferner, 2007). In the case of business, this means localizing to the cultural characteristics of the country it wishes to enter. The research of Björkman and Lu (1999) has shown that as cultural demand could indeed hinder the transfer of practices from the home country to specifically China (in their case), businesses have to adapt to local culture. This can be referred to as cultural distance: “it indicated the difference in culture between a home country and each individual target country” (Kogut and Sing, 1988; Hofstede, 1989).

Choosing a foreign market entry mode is an important strategic decision that companies have to take. Entering markets with small cultural differences will result in low levels of country risk (EC, 2010; Gubik, 2011). According to the research of Datta, Hermann and Rasheed (2002) and Hill et al. (1990), this difficult and complex strategic decision is the most important decision that a company must take within its process of internationalization.

Hofstede (1980) has developed a conceptualization of national culture that is widely used in business and management research; he defines culture as: “*the collective programming of the mind that distinguishes one group of another*”. Using questionnaires that asked about workplace issues in relation to attitudes, belief and actions, Hofstede created a classification scheme to measure cultural differences and similarities. He conducted his survey in 72 countries and classified 40 of them; he later collected data from 10 additional countries.

The work of Hofstede is often mentioned as one of the most important theories of culture, which is why it so often used within papers and other studies. However, much criticism of the theory has also been offered. One of most frequently cited criticisms of the theory is its lack of generalizability, due to “the sampling approach, the level of analysis, comparisons of political boundaries to culture and the validity of the constructs” (Smith, 1992; McSweeney, 2002; Magnusson, Wilson, Zdravkovic, Zhou and Westjohn, 2008). However, the lack of generalizability is not the only point of criticism. Nyaw and Ng (1994) found that Hofstede’s measure of

culture is very limited for predicting ethical beliefs across nations. Researchers such as Sivakumar and Nakata (2001) and Rarick and Nicekerson (2008) also criticize the homogeneity of the cultures that were studied. In addition, the point that Hofstede conducted only research within one firm receives much criticism, as it only sheds light on the culture within one country and no comparisons with cultures in other countries are provided (Smith, 1992, p.41). Furthermore, Hofstede's uncertainty avoidance scale only contains a behavioural variable. As a result, it measures more the feelings in a workplace than cultural values (Winch and Millar, 1997).

Despite this criticism, Hofstede's theory of culture is the most used in research. As Gallivan and Srite (2005) have stated: "It is impossible to discuss research on national culture without mentioning the contribution of Hofstede (1980, 2001), whose findings have spurred hundreds of cross-cultural studies in both the information system and cross-cultural management literatures." It is not just Gallivan and Srite (2005) who have argued this; their sentiments are echoed in the work of Sondegaard (1994) and Ford, Connely and Meister (2003). Sondegaard (1994) stated that: "Despite such criticisms, Hofstede's impact on management research has been substantial." According to Ford et al. (2003), "cultural dimensions form the conceptual backbone of much cross-cultural management and Information System research". This is why Hofstede's dimensions are further used in this research.

According to Hofstede, four dimensions of culture can be distinguished:

1. Power distance
2. Uncertainty avoidance
3. Masculinity – Femininity
4. Individualism – Collectivism

Each of these dimensions was measured numerically (Hofstede, 1980). A few years later, respectively in 1984 Hofstede and Bond added a fifth dimension, namely the short-term/long-term relation. Further explanations of these four perspectives as they relate to this research are presented below. For a more detailed description of Hofstede's perspectives, see Appendix 1.

#### POWER DISTANCE

Hofstede (1980) defines power distance as: "the level of acceptance of the unequal distribution of power within a society, it is the inequality of humans in terms of prestige, influence, wealth and status in each culture". The important question is how this equality is treated within one country as compared to another (Hofstede, 1980; Aquilon, 1997; Davis and Ruhe, 2003). It addresses the acceptance of the power distance by people who are less powerful within a society. A society can be divided into normal, relatively equal and extremely unequal cultures. Relatively equal cultures are often related to small power distances while extremely unequal cultures are often linked to large power distance cultures (Hofstede, 1993).

#### UNCERTAINTY AVOIDANCE

According to Hofstede (1980), uncertainty avoidance can be defined as: "the extent to which members of a culture feel threatened by uncertain or unknown situations". No one can predict what will happen next or forecast what will occur in the future; this uncertainty can be more threatening for one than for another (Armstrong, 1996). A good question to ask is whether a society prefers structured situations to unstructured situations. Societies can handle and tolerate uncertainty in different ways and can be divided into weak uncertainty avoidance cultures (which prefer unstructured situations) and strong uncertainty avoidance cultures (which prefer more structured situations) (Hofstede, 1980; Aquilon, 1997; Davis and Ruhe, 2003).

#### MASCULINITY – FEMININITY

Hofstede (1980) defines the masculinity-femininity dimension as follows: "the extent, to which a culture emphasizes self-assertion and materialism (masculine), or modest behavior and concern for people (feminine)". In masculine cultures, roles between men and women are clearly separated, there is a stronger hierarchy and decision making is more centralized (Aquilon, 1997). Social needs dominate productivity in feminine cultures, which is why emotions play a larger role therein (Adler, 2002; David and Ruhe, 2003).



## INDIVIDUALISM – COLLECTIVISM

Hofstede (1993) defines the individualism-collectivism perspective as “the extent to which people in a country prefer to act as individuals or groups. Individualistic cultures focusing more on own interest and that of people close to them” (Hofstede, 1980). Tasks are more important than relationships in individualistic cultures (Hofstede, 1993; Nisbett and Myamoto, 2005). The opposite is true for collectivism perspectives; here relationships are more important than tasks and the emphasis is on the group, which expects support (Hofstede, 1993; Wiengarten, Fynes, Pagell and de Burca, 2011).

## 2.3 COMMUNICATION

One aspect of cultural misunderstanding has to do with communication (Schein, 1993; Lechner, 2003). Communication is a very important aspect of a culture, a often-faced problem and a necessity for achieving success in relationships across borders (LaBahn and Harick, 1997; Dijkstra, 2008). The research of Hall and Hall (1990) proved this a few years ago. Hall and Hall (1990) stated that culture is communication and communication is culture, which is why communication is particularly important when reviewing culture. A business must understand the needs of its customers both nationally and internationally; this is only possible if it understands what these individuals are communicating. Companies must not underestimate the role of communication within cultures.

Both verbal and nonverbal communication helps to differentiate between groups (Moran, Abramson and Moran, 2014). Communication between different cultural types of groups is called intercultural communication, which can be defined as “A process whereby individuals from different cultural backgrounds attempt to share meanings” (Lustig and Koester, 2005). “The sender was regarded as the one responsible for the success of communication because one has the responsibility for the contents of the message,” according to Lewis (2003). Cultural factors can complicate, prolong or even frustrate negotiation (Cohen, 1997). For example, how people tend to show emotions and the directness they use in their actions both vary among cultures (Salacuse, 2003). It is therefore very important for a company to consider such cultural differences if it wishes to be successful in the German market over the long run.

Communication can eventually lead to improved commitment, cooperation and coordination as well as high levels of trust and performance (Anderson and Weitz, 1989; Coote, Forrest and Tam, 2003; Leonidou et al., 2014; Nes, Solberg and Silkoset, 2007; Phan, Styles and Patterson, 2005; Zhang et al., 2003). As a result, communication in a cross-cultural context is highly relevant in relation to foreign market entry (Voss, Johnson, Cullen, Sakano and Takenouchi, 2006).

Intercultural communication is further explained in this research. It can broadly be classified into three categories: the language itself, non-verbal expressions, and norms, values, symbols and their use (Shadid, 2008).

## LANGUAGE

Language does not primarily involve the fact that communication partners can often barely communicate with one another; it instead deals with the indirect effects of language (Shadid, 2008). One’s native language influences many things, including one’s thinking and reasoning skills and the style in which he or she communicates (Shadid, 2008). A person will never speak a foreign language as well as a native language (Blommaert, 2010). The reasons why native speakers can never be seen as perfect speakers include the fact that partial competencies play a role in the languages a person speaks (Blommaert, 2010; Rymes, 2008). If people cannot think or speak in their native language, it is difficult for them to verbalize everything. This phenomenon has to do with speech dominance; one language is being developed better and faster than another (Muller, Kupisch, Schmitz and Cantone, 2006). This is also the case with a native language. One only can develop an understanding of numbers and abstract matters when one has mastered the language needed to discuss them (Nortier, 2009).

In some circumstances, one individual can understand another better than in reverse; this reflects an asymmetric relationship in the mutual intelligibility of the two partners. For example, Dutch people can understand Germans better than Germans can understand Dutch people (Gooskens, Van Bezooijen and Van Heuven, 2012). The more the language backgrounds of non-natives agree, the less effort they must make to understand each other (Revell, 2007; Tan and Castelli, 2013).

When it comes to negotiations language, it can be particularly difficult if two companies or persons from different countries want to communicate with each other (Blommaert, 2010; Langeveld, 2012; Muller et al., 2006). When one individual communicates with a foreign language that is common to both (often English), both individuals have difficulties verbalizing their thoughts (Van Mulken 2010; Langeveld 2012). When one of the individuals tries to speak a language that is different from his or her native language, this person is trying to adapt to the other person's culture. In this case, the person who is willing to adapt to the other culture is always disadvantaged in comparison to the person who can keep communicating in his or her native language (Muller et al., 2006; Van Mulken, 2010; Van Mulken and Hendriks, 2012). These different circumstances have been investigated by Van Mulken (2010) and Van Mulken and Hendriks (2012). In their research, they looked at the effectiveness of communication in different situations. The first possibility was that one individual uses his or her native language while the other uses a second language. In this case, a German and a Dutchman had to solve a puzzle within a chat session. It appeared that they did better when one spoke in his or her native language and the other adapted to it then when they both communicated in English (van Mulken, 2010). When they both used English, they shared certain disadvantages when searching for the right words and communicating their correct meanings. Langeveld's (2012) research confirms this. When a native Spanish speaker verbalizes his or her thoughts in English, for example, that person may use a particular word with an intention that is quite different how the listener interprets it – even if they are both speaking in English (Langeveld, 2012). If people can communicate in their native language, they can help their non-native speaking partners to search for the right words and thus get the best possible interpretation of what is being communicated. This is why they understand each other better than when everyone communicates in English (Van Mulken, 2010; Langeveld, 2012).

#### NON-VERBAL EXPRESSIONS

Within intercultural communication, non-verbal expressions can also complicate particular cases (Shadid, 2008). For instance, cultures differ regarding the manner and extent to which gestures are used. This is also the case for eye contact, touch behaviours, emotional and facial expressions during conversations, and related preferences (i.e. what is desired) (Lustig and Koester, 1996; Hall, 1976; Rogers, Hart and Miike, 2002).

Non-verbal expressions are very important within the literature, that is the reason why one can make distinguishes between contact cultures and non-contact cultures (Martin, Judith and Nakayama, 2000; Carnes, 2015).

Martin and Nakayama (2000) indicates that: "A contact culture is when there are cultural groups in which people tend to stand close together and touch frequently when they interact together, while a noncontact culture is when cultural groups tend to maintain more space and often less touch than contact culture" (Martin and Nakayama, 2000). In his research, Watson (1970) stated that "contact cultures engaged in more gazing and had more direct orientations when interacting with others, less interpersonal distance and more touch"; this is confirmed by the research of Lee and Marsella (2006).

#### NORMS, VALUES, SYMBOLS AND THEIR USE

Cultures also differ with respect to norms, values, symbols and the use thereof. Good examples are the way in which people experience joy and sorrow and how a society handles supernaturalism (Salacuse, 2003). How one structures one's environment and time is also important. Time sensitivity is different everywhere (Davis and Ruhe, 2003). This includes the time someone takes to establish a contract. In one culture, being on time a liability; in others, it is viewed with more flexibility. Another aspect that one has to keep in mind is the number of activities in which one is engaged (Shadid, 2008). In some cultures, it is common to work on different activities; in others, working in this way is a sign of a lack of attention (Burgoon, 1985).

It has been shown that communication can be related to culture. Communication is explained due to its great importance for firms entering new markets. It is important for reaching the customer segment a firm wants to serve and delivering a particular value proposition, as well as for eventually cultivating a customer relationship. Companies can undertake communication using different channels. These reasons explain why communication can be related to a company's business model, which is explained in the next section.

## 2.4 BUSINESS MODELLING

A company has to consider how to interact and communicate with customers and other businesses within foreign markets. Which channels can it use? This can be related to businesses modelling and Porter's five forces model for market entry (Porter, 1980). A company eventually needs to modify elements of the marketing mix when operating in countries with different cultures (Davidson, 1980). According to Golder (2000b), "These modifications increase costs and risks as the difference between cultures increases." O'Reilly and Tushman (2004, p. 80) further stated that:

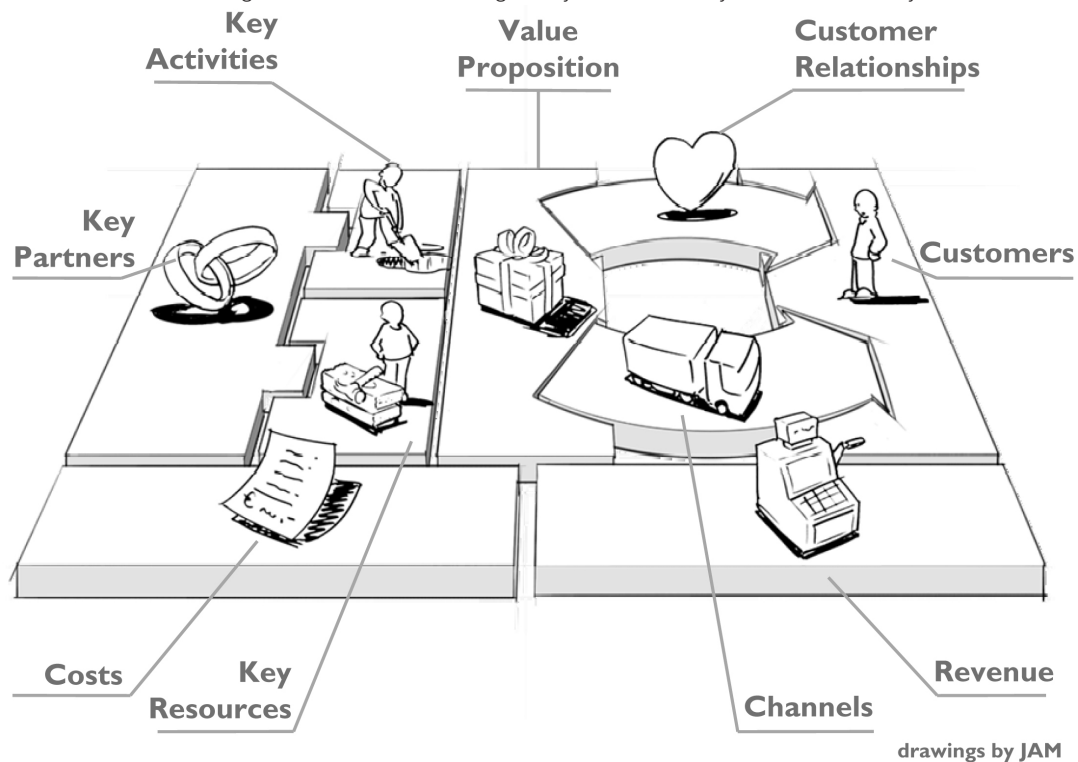
*"It is important to have two different types of business for organizations to become ambidextrous/ symmetric, one organisation who is exploiting existing capabilities for profit and the other one focused on exploring new opportunities for growth." Ambidextrous organizations can be defined as: "organizations where the breakthrough efforts were organized as structurally independent units, each having its own processes, structures, and cultures but integrated into the existing senior management hierarchy" (O'Reilly and Tushman, 2004, p. 76).*

In other words, in a world that is always changing businesses need to constantly innovate their business model to remain successful in the long run. It is important to explore what one understands with a business model and how it can be used. As stated by Margretta (2002): "A good business model answers Peter Drucker's age-old questions: Who is the customer? And what does the customer value? These questions can be related towards the seven strategy questions of Simons published in 2010. It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how one can deliver value to customers at an appropriate cost?" However, this description is not totally complete. In recent years, much research has been conducted about business modelling, which provides a clearer view of business models in general. There are several definitions of business models. For instance, they can be seen as statements (Stewart & Zhao, 2000) or as representations (Morris, Schindehutte and Allen, 2005; Shafer, Smith and Linder, 2005; Osterwalder and Pigneur, 2002; Timmers, 1998). George and Bock (2009) also propose viewing a business model as a type of architecture, while Amit and Zott (2001) define it as a structural template and Afuah and Tucci (2001) classify a business model as a method.

Timmers (1998) stated that a business model is more an architecture of the information flow from a product or service and a possible source of revenues. A more general definition is that of Amit and Zott (2001), who describe a business model as *"the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities"*. In this definition, they look at the perspectives of design content and design themes; design content examines in detail the activities that have to be performed, while design themes refer to the drivers of value creation. The link between these two concepts is important here (Zott and Amit, 2009).

According to Chesbrough (2013), business models are necessary and essential for transforming ideas and technologies into economic value. The idea is that open business models become more important than closed business models. Closed business models only make use of internal ideas and knowledge, although open innovation and making use of external ideas and knowledge is coming increasingly important within today's society (Chesbrough, 2013; Diez and Kramer, 2013). A business model should not only be developed; it must also be managed properly – which is an activity that is risky and has a particular uncertainty (Chesbrough, 2013). One of the most commonly used definitions of a business model in recent years is that of Osterwalder and Pigneur (2010), who describe a business model as *"the rational of how an organization creates, delivers and captures value"*. The business model canvas developed by Osterwalder and Pigneur (2010) is one of the most used frameworks for defining the elements that a business model contains and embodies more than just making money and attracting customers. The business model canvas can be used to project pictures of how an organization works using nine components that capture value, as shown in figure 5. It is a comprehensive description of how a business can attain value using different aspects of its business activities. This compared towards the easy access of this method to analyse a business model (Driessen, 2015) clarifies why the business model canvas of Osterwalder and Pigneur (2010) is chosen for this research.

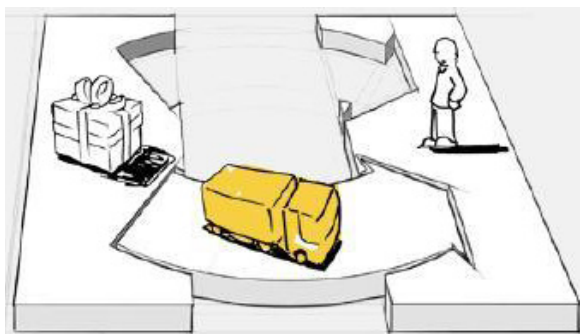
Osterwalder and Pigneur (2010) have defined nine building blocks that are of particular importance for a business; these building blocks describe the logic way of how money will be earned by a business.



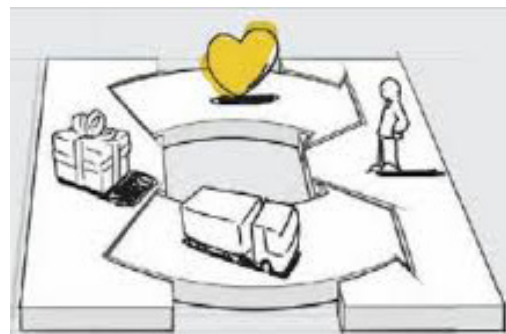
**Figure 5: The business model canvas (Osterwalder and Pigneur, 2010)**

One needs a self-explanatory business model that can be understood by everyone. Maurya (2012) states that a company's product is not the product; instead, the business model is. This is particular important for companies to keep in mind when they want to enter foreign markets.

Entering foreign markets concerns not only a particular value that a company can deliver; it also relates to the way in which this company communicates and reaches its customer segment to deliver such a value and eventually obtain a good customer relationship. Clarifying, communicating and delivering a value proposition are of particular importance when entering new markets. If they fail, a company cannot conduct business in a wholly positive and valuable way. Good communication within markets and towards customers can be related to the nine building blocks of the business model canvas developed by Osterwalder and Pigneur (2010). Two building blocks are of particular importance to this research: channels and customer relationships.



**Figure 6: Channels (Osterwalder and Pigneur, 2010)**



**Figure 7: Customer relationships (Osterwalder and Pigneur, 2010)**

### 2.4.1. CHANNELS

According to Osterwalder and Pigneur (2010) channels describing: “How a company communicates with and reaches its customer segments to deliver a value proposition” (Osterwalder and Pigneur, 2010). These value propositions can be delivered to customers through good communication as well as through distribution and sales channels. Channels can be divided into a company’s own internal channels and partner channels. A distinction can also be made between direct and indirect channels. A company’s internal channels are often direct, although they can also be indirect. Examples of direct internal channels are in-house sales forces and websites. Indirect internal channels may include partner stores, which are channels that allow a company to “expand its reach and benefits from partner strengths which lead to lower margins”, as noted by Osterwalder and Pigneur (2010). Direct internal channels more costly to put in place than indirect internal channels, but they enable higher margins to be earned. A company needs to balance the use of its own direct and indirect channels to offer the best possible customer experience and generate the most value to maximize revenues.

According to Osterwalder and Pigneur (2010), channels can perform the following five functions (or channel phases) within a business:

:

- |    |              |   |
|----|--------------|---|
| 1. | Awareness:   | “Create <i>awareness</i> of services or products.”                  |
| 2. | Evaluation:  | “Help potential customers <i>evaluate</i> products or services.”    |
| 3. | Purchase:    | “Enable customers to <i>purchase</i> .”                             |
| 4. | Delivery:    | “ <i>Deliver</i> value to Customers.”                               |
| 5. | After sales: | “ <i>Ensure</i> post-purchase <i>satisfaction</i> through support.” |

Examples of channels include “in-person or telephone; on-site or in-store; physical delivery; the internet (social media, blogs, e-mail, etc.) and traditional media (television, radio, newspaper, etc.)” (Osterwalder and Pigneur, 2010). Some of these channels are free, while others are paid. Free channels will always be there to use and will keep working even in different situations; examples are social media and blogging (Maurya, 2012).

Technology has changed rapidly in recent years, and technological innovations and changes have been widely adopted within business environments (Osterwalder, 2004). Every company makes use of some technological innovations (some more than others), although technology – and especially information technology (IT) – can no longer be ignored. The use of technology can be related to a company’s country. For example, companies in the Netherlands make more use of technology and IT than firms in Nigeria. This relates not only to the country itself; it actually relates more to the culture that has been adopted within that country. The place of technology and IT within a culture can vary (Gallivan and Srite, 2005). In the past few years, increased interest has been paid to the adoption and use of IT, which can be influenced inter alia by national culture (Aladwani, 2003; Davison and Martinsons, 2003; Montealegre, 1998a). In research about national cultural, communication technologies have recently been receiving the most interest (Ford et al., 2003).

The adoption of technological innovations within some countries has meant that companies are communicating with their customers in a dramatically different way in the last few years. Companies can use the multiple channels that are provided to them to reach customers in new and innovative ways. Such channels include e-mail, websites and social media (Osterwalder, 2004; Hennig-Thurau, Malthouse, Friege, Gensler, Lobschat, Rangaswamy and Skiera, 2010). The shift from printed to digital media also influences businesses. Edgecliffe-Johnson (2008) stated that, “These developments do threaten established business models, but according to Henning-Thurau et al. (2010) the rise of new media also creates extensive opportunities for new business models at the same time.”

The channels that are eventually chosen are of particular relevance for the customer relationship component of the business model canvas developed by Osterwalder and Pigneur, which is why customer relationships are further explored in the next section (2010) (Hennig-Thurau et al., 2010).

### 2.4.2. CUSTOMER RELATIONSHIPS

Even though attention has been more frequently paid to customer relationships in recent years, reaching an agreement on the definition of that term has proven difficult (Payne and Frow, 2005). One of the most used definitions of customer relationships is that of Osterwalder and Pigneur (2010), who define customer relationships as “the types of relationships a company establishes with specific customer segments” (Osterwalder and Pigneur, 2010). An important question for a business to keep in mind is the primary purpose of customer relationships. This purpose can change over time, for example in case of technological innovations like the introduction of Information Technology. According to Osterwalder and Pigneur (2010), “Organizations must clearly define the types of relationship customers prefer.” Osterwalder and Pigneur (2010) distinguish several possible categories of customer relationships, including:

1. Personal assistance: *“employee-customer interaction”*
2. Dedicated personal assistance: *“dedicating customer representatives to an individual client”*
3. Self-service: *“company maintains no direct relationship with customers”*
4. Automated services: *“mix of sophisticated form of self-service with automated processes”*
5. Communities: *“direct interaction among different clients and company”*
6. Co-creation: *“personal relationship, where the customer has direct input in the outcome of a product/service of a company”*

Within such customer relationships, communication and trust are two main concepts that are important for supplier-customer relationships, especially in the event of risk, uncertainty and interdependence (Kapp and Barnett, 1983; Mohr and Nevin, 1990; Morgan and Hunt, 1994; Mayer, David and Schoorman, 1995; Kramer and Tyler, 1996). According to McAlexander, Schouten and Koenig (2002), “Firms are increasingly trying to use online communities to enhance their customer relationships.” This use of technological innovations (e.g., new media) gives rise to problems with managing customer relationships, as someone can always react to the other; this is also known as the “pinball effect” (Hennig-Thurau et al., 2010). The use of technological innovations eventually depends on the national culture within a country (Aladwani, 2003; Davison and Martinsons, 2003; Montealegre, 1998a). Companies can normally actively or reactively influence their customer relationships by using instruments such as loyalty programs and public relations (Hennig-Thurau et al., 2010). These influences can be perceived differently within each country and culture. When a company wants to enter foreign markets, it is important that it understands this search behaviour and search advertising in general, as well as effect of both on customer loyalty. It can be assumed that knowledge about search behaviour and search advertising in general eventually will determine the success of customer relationships in regard to different cultures and markets (Hennig-Thurau et al., 2010; Aladwani, 2003; Davison and Martinsons, 2003).

Customer relationships within a business-to-business marketing area can also be viewed from a resource-based view. According to Gouthier and Schmid (2003), “The resource-based view has a high theoretical potential for analysing service customers and customer relationships.” Grönroos (2002), Hakansson and Snehota (1995) and Bharadwaj, Varadarajan and Fahy (1993) also confirm this within their research. Only Grönroos (2002) confirms this statement without analysing it in relation to the resource-based view; all of the others look to the relation of service customers, customer relationships and the resource-based view perspective. In their research, Gouthier and Schmid (2003) state that “the more intense the relationship is, the more the customer is losing its purely external character and tending to be partially integrated within the focal firm”. This is why the next section looks at the resource-based view in general and the VRIO framework that has subsequently been developed by Barney (1991).



## 2.5 THE RESOURCE-BASED VIEW, VRIO AND PREFERRED CUSTOMER RELATIONSHIPS

The competitive advantages of firms within national or foreign markets are based on different resources (Wernerfelt, 1984; Barney, 1986; Conner, 1991; Peteraf, 1993). Small and medium-sized enterprises (SMEs) often lack the knowledge, resources and market power to generate value, which is needed to become sustainable within foreign markets after a while (Fujita, 1995; Coviello and McAuley, 1999; Knight, 2000; Hollenstein, 2005). These SMEs are often resource oriented, which is why the resource-based view is considered within this research. Only the assets available to firms can be considered as resources (Gouthier and Schmid, 2003). According to Day and Wensley (1988), “superior skills and resources will eventually depend the ability of a business to more or do better than its competitors”.

The resource-based view has its origin in the competitiveness of firms by applying a bundle of tangible and intangible resources to generate competitive advantage. The key within this theory is that resources are important for attaining superior and sustainable firm performance (Wernerfelt, 1984; Rumelt, 1984). In 1991, Barney was the first scholar to develop a further theoretical explanation that expanded on the resource-based view. A resource must be valuable, rare, inimitable and non-substitutable (VRIN) in order to create a competitive advantage that can eventually be regarded as sustainable (Peteraf and Barney, 2003). After a while, some doubt emerged concerning this theory. When a company has VRIN resources but unskilled people who cannot manage them properly, the usefulness and benefits of these VRIN resources are affected (Katikalo, Pitelis and Teece, 2010). This is why VRIO was created (Barney, 1995, 1997). A business can create a sustainable competitive advantage when it is creating more economic value than its competitor (Peteraf and Barney, 2003). In order to create this competitive advantage, a business needs to adopt Barney’s (1997) theory of the VRIO approach: “VRIO focuses on specific resources and highlights that competitive advantage is based on valuable, rare, inimitable resources and organization” (Barney, 1997). As stated before by Gouthier and Schmid (2003), all assets that are available to companies can be regarded as resources. According to the classical assumption and as concluded by Foss (1999) and Mathews (2002), resources are very mobile. Can customer relationships also be regarded as resources in this case? Some researchers confirm they can. According to Sanchez and Heene (1997), firms can distinguish between firm-specific and firm-addressable resources. In this case, suppliers can be regarded as firm-addressable resources (Gertler, 2008). If suppliers can be seen as firm-addressable resources, they receive privileged treatment by business partners, which can eventually contribute to a sustainable competitive advantage if they fulfil Barney’s criteria about the VRIO framework (Barney, 1991; Zsdisin, 2003; Schiele, 2005):

1. A business has to offer a **valuable** resource to other businesses or customers.
2. A business has to be **rare**; for example, only a few comparable suppliers that can deliver the same kind of product or service exist.
3. The product or service of a business must not be easy to **substitute or imitate**.
4. The **organization** must have the ability to provide the right set of capabilities for producing such products or delivering such services.

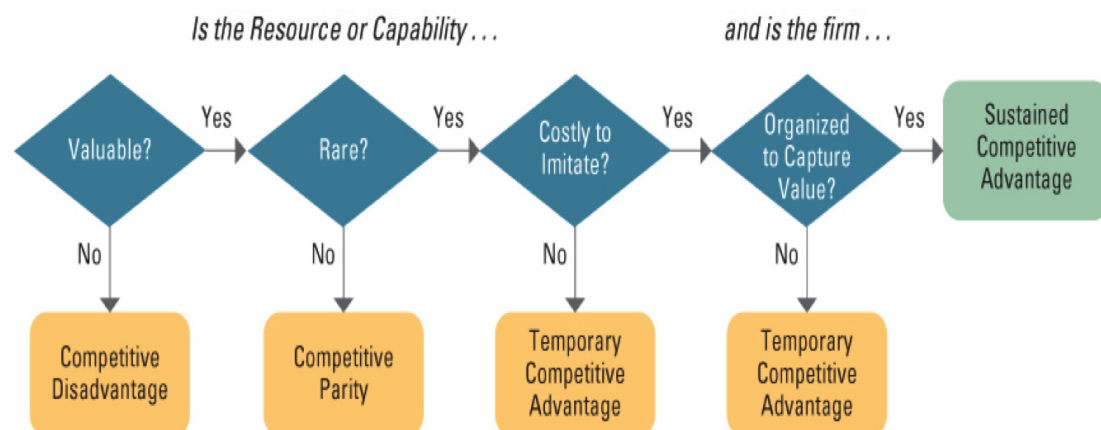


Figure 8: The VRIO framework (Barney, 1995)



### 2.5.1 VALUABLE

A resource first has to be of value, which occurs when “it exploits opportunities and neutralizes threats in the environment with above normal returns” (Barney, 1991). In addition, a resource also needs to generate opportunities and neutralise threats of the environment (Priem and Butler, 2001). These opportunities can be addressed when using the right resources and getting access to adequate capabilities. These capabilities can in turn lead to advantages produced by resources (Amit and Schoemaker, 1993). Resources can eventually create value for businesses, but before this can be achieved, they have to allow a business to implement strategies that will improve its efficiency and effectiveness (Cardeal and Antonio, 2012). According to Barney and Arikan (2001), firms are valuable resources if they “enable a firm to develop and implement strategies that have the effect of lowering a firm’s net costs and/or increase a firm’s net revenues beyond what would have been the case without these resources”. Several authors confirm these definitions. For example, Collis and Montgomery (1995) state that “valuable resources contribute to the production of cases customers wants to buy for a specific price”. When distance can be overcome (e.g., by making use of IT), global sourcing can reduce the costs of purchased goods and increase quality in the case of technology sourcing; this in turn can lead to an outstanding profit for other companies (Steinle and Schiele, 2008). However, according to Bowman and Ambrosini (2007), resources have to be defined in the broad sense, as they must include all activities and capabilities. A few years before the VRIO approach was developed, Day and Wensley (1988) and Porter (1980) showed that a business’s skills and are of great importance for creating sustainable competitive advantages relative to its competitors. Against firm specific assets, product-specific assets are also very important. These assets can eventually affect the positional competitive advantage of businesses, which will influence the choices they have to make for their export market strategies (Hoops, Madsen and Walker, 2003). Will these strategies be offensive or defensive in nature?

Value can be of temporary competitive advantage, and a resource is as strong as its weakest link. A resource that generates a sustainable competitive advantage therefore requires equal amount of the four main VRIO characteristics (Barney, 1991). Only these resources give businesses the possibility to employ the most important value-creating strategy.

### 2.5.2. RARE

There are plenty resources in this world, each with its own value. To be of real value for creating a sustainable competitive advantage, however, a resource has to be rare. This means that the resource has limited availability (Miller and Spoolman, 2011; McConnell, Bure and Flynn, 2011; Mankiw, 2008). It is difficult to acquire such resources, which is why their prices increase. In other words, obtaining these resources is special (Barney and Zajac, 1994). Normally speaking, a resource’s price gives a clear view of its value and rareness (Barney 2002; Dierickx and Cool, 1989). Rare resources are resources that are controlled by small numbers of (competing) firms (Barney and Hesterly, 2012).

### 2.5.3 INIMITABLE

The third characteristic of a resource that generates value for a business is that it is not imitable, or exhibits inimitability. Resources can generate value, but if creating more value is not rare, the resource can be bought anywhere and hence its price and competitive advantage will both be lower (Barney and Clark, 2007). However, a resource can only be a sustainable competitive advantage if it is inimitable, which means that resource and imitations thereof cannot be easily fabricated (Peteraf, 1993; Barney, 1991; Barney, 2002). Resources that are costly for competing firms to obtain or develop can also be regarded as inimitable (Barney and Hesterly, 2012). Other researchers state that some businesses have more skills available to perform certain activities, due to their access to unique resources (Peteraf and Barney, 2003). Differences sometimes exist between resources that are owned by a firm, which can result from difficulties that firms experience with resource trading. This creates heterogeneity between resources, which allows firms to profit more from their resources than other businesses can profit from their own resources (Barney and Hesterly, 2012). Inimitable resources can impede the processes of duplication and substitution (Kozlenkova, Samaha and Palmatier, 2013).

These resources are often very specific and difficult to fabricate due to historical conditions, social complexity or causal ambiguity (Barney and Clark, 2007). One firm has developed and tested the architecture of a resource and often controls it (Barney, 1991). Due to the great value of capturing such resources, businesses often seek patents to protect their rights to produce the original product, which “gives the business the exclusive right to (try to) prevent others from commercially making, using, selling, importing or distributing a patented invention without any kind of permission to do so” (Lemley & Shapiro, 2005). Not just products or services can be regarded as valuable (firm-specific) resources; customer and supplier relationships can also be viewed as firm-addressable resources (Sanchez and Heene, 1997; Steinle, 2005). According to research conducted by Steinle and Schiele (2008), “buyer-seller relationships are embedded in the social system of a cluster, these have social and technical boundaries which is very difficult to imitate”. Achieving a preferred customer status is very difficult when one is located outside a cluster or when one is trying to enter a cluster; this often limits global sourcing options for a business (Dyer and Singh, 1988; Trent, 2005). It is therefore of special importance for a supplier to become attractive to the buyer (Schumacher, Schiele, Contzen and Zachau, 2008).

#### **2.5.4. ORGANIZATION**

Finally, sustainable competitive advantage can only be created when a business or organization has the capabilities and possibilities to produce what can be regarded as: “intermediate products between primary resources and the firm’s final products” (Amit and Schoemaker, 1993; Barney and Hesterly, 2012). As Pan, Tan, Huang and Poulsen (2007) state in their research: “The way firms operate and interrelate to their strategic and non-strategic resources stems the competitive advantage eventually.” The alignment of managerial practices is of particular importance. When a business has valuable, rare and inimitable resources but they are not well handled, it is imaginable that a sustainable competitive advantage is not ultimately created (Barney, 1991; Amit and Schoemaker, 1993); a possible explanation is a management that does not have the capabilities to create a viable product or service. In addition to being aligned, these management practices must also be integrated within the business culture to be of value for the company. Thereafter the company must develop a routine to produce such a sustainable product/service. These routines can be seen as the backbones of protecting a firm’s valuable resources; in this context, the organization can act as an adjustment factor (Barney, 2002; Ray, Barney and Muhanna, 2004; Barney and Clark, 2007).

## 2.6 THE MODEL USED FOR THIS RESEARCH

Now that all of the literature has been explained, it is important to translate and integrate the information within a model that can eventually be used in this research. Within this model, it is assumed that a company wants to enter a (foreign) market and that entry mode decisions will affect the success of that business in a foreign market (Nakos and Brouthers, 2002; Mayrhofer, 2004; Morschett et al., 2010; Mitra and Golder, 2002; Ojala et al., 2015). When a business has knowledge of the economic and cultural environment of its new market, the foreign entry will be affected positively, although the company has to keep in mind that market entries involve risks (Mitra and Golder, 2002; He, Brouthers and Filatotchev, 2013). Challenges can arise due to cultural differences; these differences have become more important when entering foreign markets and are viewed according to the perspectives developed by Hofstede (1980) (Bello et al., 2003; Leonidou et al., 2014; Racela et al., 2007; Zhang et al., 2003; Kogut and Singh, 1988; Mitchell et al., 2000; Mitra and Golder, 2002). The previously discussed literature can be translated into the following part of the model.

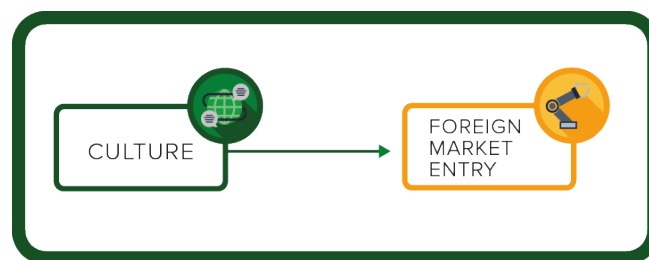


Figure 9: Influence of culture on foreign market entry

The most often cited cultural misunderstanding has to do with communication (Schein, 1993; Lechner, 2003). Communication within different countries is necessary for companies to achieve success in relationships across borders, although it often entails problems (Hall and Hall, 1990; LaBahn and Harrick, 1997; Dijkstra, 2008). Communication is undertaken using channels that define how value propositions are delivered to customers and how a company reaches new customers (Osterwalder and Pigneur, 2010). Using the right channels can be seen as a particular solution for successfully entering a foreign market.

Not only channels can be regarded as possible solutions; the value propositions that are delivered by using different channels (based on the VRIO framework in this research) are also potential solutions. When both firm-specific and firm-addressable resources are valuable, rare and inimitable and the organization has the right capabilities to achieve a competitive advantage, a business can eventually sustain a competitive advantage (Barney, 1991; Peteraf and Barney, 2003; Hollenstein, 2005). Building up a customer relationship can be regarded as such a valuable resource (Gouthier and Schmid, 2003). When a business can cultivate a (preferred) customer relationship, this resource can be regarded as rare and inimitable – which can eventually help the firm to attain a sustainable competitive advantage. Communication plays an important role within such relationships, and channels may influence the building up and sustaining them (Bharadway et al., 1993; Hakansson and Snehota, 1995; Gönroos, 2002; Gouthier and Schmid, 2003). This can be represented as follows:

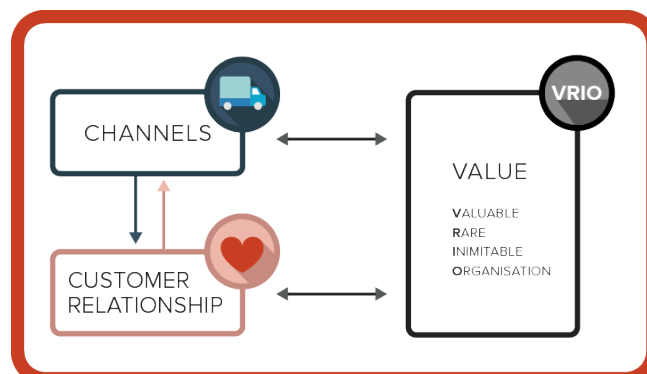


Figure 10: Solution part of the created model

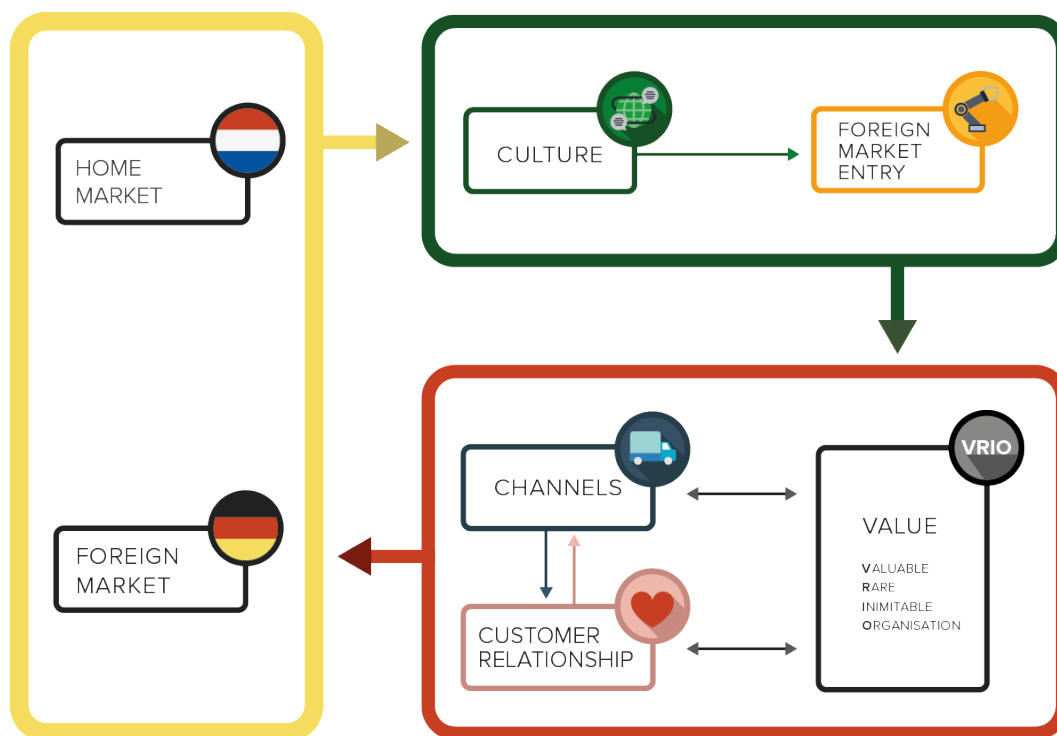
The ultimate question that has to be answered is thus:

*In what way should a business alter its marketing strategy to successfully enter markets abroad, taking cultural differences in doing business into account?*

To present a marketing strategy for successfully entering a foreign market while taking cultural differences in doing business into account, all the gathered information within the theoretical framework about foreign market entry, culture, business modelling, channels, customer relationships and the VRIO framework can be linked and translated within the model shown in figure 11.

Here it is important to mention that this model is not causal but rather explanatory.

Regarding the literature discussed within this research, lead towards this model.



**Figure 11: Model created by comparing the different elements of the theoretical framework**

### 3. METHODOLOGY

Now that the theory on foreign market entry, culture, communication, business modelling and VRIO has been explored, this section explains the methodology used for this research. The research design outlines how the purpose of this research is achieved.

#### 3.1 RESEARCH DESIGN

The Dutch firm ESPS wants to successfully enter the German market. To help it do so, it has commissioned this study to investigate the export modes of entry. ESPS would like to understand the cultural differences between doing business in Germany and the Netherlands that it must seriously take into consideration when entering this new market. What is the best possible way for ESPS to communicate and what kinds of channels can it use in the German market, bearing the differences between Germany and the Netherlands in mind? These particularly important questions have to be answered. To do so, the research is divided into two parts. The first part is a literature study of the most relevant topics, while the second consists of interviews that are conducted as part of this study.

##### LITERATURE STUDY

Foreign market entry modes, culture, communication, and the relation that exists among these three topics are all relevant for this research. The study's ultimate goal is to provide ESPS with a new kind of model that it can both use to enter the German market and transform into a more general model when it wants to enter other foreign markets. To provide such a model business, this research also widely discusses modelling. With regard to communication, channels and customer relationships are more important than the other building blocks of the business model canvas developed by Osterwalder and Pigneur (2010). Channels and customer relationships can also be related to culture, as has been shown in the literature review presented above. Culture is further divided into the different perspectives mentioned by Hofstede (1980). To eventually translate the literature and information into a model for ESPS, it is necessary to know more about ESPS. What does ESPS stand for? What value can it deliver and what is its ultimate goal? Barney's (1991) VRIO framework is investigated and explained to gain these insights. The framework provides the most information about ESPS's actual business. The theory also clarifies the main components of a business that will generate success and eventually sustainability. To apply the VRIO framework and adapt the theory to ESPS, internal interviews are conducted using questions that explore these four components of the business. The results reveal more about the company's vision for entering a foreign market such as the German market. What will its competitive advantage be compared to its competitors in the German market? What could eventually create a sustainable competitive advantage and by that a successful factor for entering this foreign market?

All of this information stems from academic papers that have been found using Google Scholar. The information has been analysed utilizing the literature review method developed by Wolfswinkel, Furtmueller and Wilderom (2013). The model used to search for literature, which was developed by Wolfswinkel et al. (2013), can be seen in Appendix 2, figure 15. According to Webster and Watson (2002), well-explicated and rigorous literature has a higher chance to get published. In other words, it can be assumed that literature that is easily found is often well explicated and rigorous. For each subchapter of the literature review, articles about interesting topics were searched for first. Each subchapter can be linked to the concept of culture. The eventual goal of this research is to investigate what influence culture has on a firm's foreign market entry. Can business modelling theory be adopted in this case? Moreover, what influence do a firm's characteristics have when it enters a foreign market, keeping cultural differences in mind? This led to foreign market entry, culture, communication, business modelling, channels, customer relationships and the VRIO framework being used as keywords for searching for articles in the literature articles. Each term was searched for individually, but combinations of terms were also used; for example, "culture and communication" and "culture and customer relationships". Google Scholar results in thousands of hits when conducting such searches. All doubles were filtered out; thereafter, the sample was further refined by looking at each article's title and abstract. This resulted in a list of good articles on the subject, with some surprises. The next step was to refine

the sample based on the articles' full texts. The last step was to look at forward and backward citations. In this method, the main articles used for a literature review are listed, with the most valuable citations and information subsequently being used for the research. New articles sometimes emerged from previous iterations. These articles were sometimes clear and already visible, although in some cases they came as a surprise. These articles covered topics such as the resource-based view, the VRIO framework and the combination with (preferred) customer relationships.

## INTERVIEWS

The second part of the research, which can be regarded as the qualitative component of this research, involved conducting interviews. According to Belk, Fischer and Kozinets (2013), "Qualitative approaches are excellent for measuring variables and also great for looking at patterns of association between social psychological variables and specific behaviors." Interviews can be classified as structured, semi-structured and unstructured (Zuidgeest, Boer, Hendriks and Rademakers, 2008).

Structured interviews generate the most validity, but as they are often very closed there is no room left for asking further questions and eventually obtaining the most information as possible. Semi-structured interviews are more open, although somewhat lower in terms of validity. To get the most valuable answers, semi-structured interviews were selected for this research. Semi-structured interviews create the possibility to request further clarification when necessary or obtain more information from a respondent (Belk et al., 2013).

The interviews consisted of about twenty questions. These questions were based on the studied literature and the insights ESPS wants to gain about differences between doing business in the Netherlands and doing business in Germany. The theoretical framework eventually serves as a control mechanism for validating the answers that are given on the interview questions (Yin, 2009). The goal of this research is to distil themes and issues from the responses to the interview questions and identify appropriate conclusions about the selected topics. One question asked respondents to define the importance of the German language on a scale from 1 to 5 (where 1 indicates that the German language is not important and 5 indicates that it is very important).

The answers given by the first respondents were later used to develop additional questions. These questions were all open questions that were developed by linking the theory to possible difficulties and differences that can exist between doing business within the Netherlands and Germany. Before the interviews were conducted, all questions were critically checked by the researcher's supervisor at ESPS to ensure that the right things were asked to come up with appropriate conclusions for this research. In total, 15 diverse respondents were interviewed. These respondents can be divided into German companies, Dutch companies, professors, umbrella organizations, students and internal ESPS staff members. The selection of these respondents is explained in the next section. The information gathered through this research can be used to undertake analyses and shape conclusions, which in turn can be used to form a model that was for eyes in the overall beginning.

### 3.2 SELECTION, SAMPLE, MEASUREMENT AND DATA COLLECTION

To get a broad insight into the differences that exist between doing business in Germany and doing business in the Netherlands, it is important to select a wide range of respondents who can provide the most valuable information, especially concerning the German market and their own experiences. In order to obtain this information, decisions had to be made about who to select as respondents. Construct validity can be generated by using multiple sources of information (Yin, 1994), which is why this research utilized a literature review and interviews with 15 respondents as its main sources. As the sample for this research was randomly chosen, the conclusions are generalizable, which in turn increases the validity of the research (Gerring, 2012). All of the randomly selected firms and persons are homogenous, due to their experience within the Dutch and German markets. This homogeneity makes them representative of the entire population (Babbie, 2004). Homogeneous samples are often small, which is also the case within this research; 15 respondents were included.

The research data used in this thesis is drawn from 15 main respondents:

1.	Donaldson	German Company
2.	MT. Derm	German Company
3.	IVAM	German Company
4.	Conway Nederland B.V.	Dutch Company
5.	VIRO	Dutch Company
6.	Holger Schiele (University of Twente)	German Professor
7.	Janet Antonissen (Fontues Hogeschool)	Dutch Professor
8.	EUREGIO	German/Dutch Company
9.	Student 1	German Student
10.	Student 2	Dutch Student
11.	Ahmet Eskitark	ESPS (Quality Manager)
12.	Karel Otten	ESPS (System Integration Manager)
13.	Björn van der Graaf / Rudie Wolbert	ESPS (Sales Manager/Account Manager)
14.	Edwin Jongedijk	ESPS (Managing Director)
15.	Ton Pothoven	ESPS (General Manager)

The researcher first had to negotiate with ESPS to obtain information about possible German companies that are already customers and want to provide valuable information regarding this study. At the moment, ESPS is already supplying two German customers, namely Donaldson and MT. Derm. The third German company, IVAM, is a networking partner of which ESPS is a customer. These three companies that operate in the German market all have different perspectives. The *Donaldson Company, Inc.*, is a vertically integrated filtration company that is engaged in the production and marketing of products used to improve performance efficiency and air quality. In contrast, *MT. Derm* is the market leader for beauty treatment equipment and specializes in the area of inserting substances into the skin. Finally, *IVAM* helps companies, governments and civil society organizations to achieve their sustainability ambitions; as such it can be regarded as a more general company that does make business happen for other entities.

In addition, ESPS also named two Dutch companies as possible valuable sources of information for this investigation, both of which have a great deal of experience within the German market. The first business is *Conway Nederland B.V.*, which sells products and functional models for assembly automation. As it has a broad range of suppliers and customers who are located within Germany, it has enough experience with doing business in Germany to be a valuable resource. The second Dutch source is *VIRO*, which is an international engineering firm that specialises in engineering and project management. As *VIRO* launched a facility in Germany a few years ago, it has experiences with both the German and Dutch markets and can be regarded as a source that can really elaborate the differences in doing business within these markets/countries.



The sixth and seventh sources are two professors. One is specialized in purchasing and procurement (*Mr Schiele, University of Twente*), while the other has done much research on cultural differences between the Netherlands and Germany (*Mrs Antonissen, Fontues College*). The latter is also an intercultural trainer on cultural differences between Germany and the Netherlands. These two resources could both provide valuable information for this research and confirm or decline the researcher's own thoughts concerning cultural differences.

The eighth source was then *EUREGIO*, a transnational organization that helps German and Dutch individuals when they want to relocate to or operate in the other country. It has substantial experience with differences that exist between Germany and the Netherlands, especially in relation to things that may benefit or be problematic for individuals going from one country to the other.

To have a clear view of the differences between doing business in Germany and the Netherlands, two students who have some experience working in both the Netherlands and Germany were also interviewed. Both are students from the University of Twente, but *student number 1* is of German origin while *student number 2* has Dutch nationality. Why were two students included? In all of the interviews, respondents indicated that there are particular differences between older and younger people in companies. It was assumed that two younger respondents could prove this information, which is why they were included as main respondents for this research.

Respondents 11 through 15 are all *internal staff members of ESPS*. These individuals all have different functions within ESPS and can provide general information about the company, its vision and possible competitive advantages of the firm, as well as information about the firm's current German market. These internal staff members of ESPS are very diverse, from normal employees towards the General Manager of the company.

All of the interviews conducted included about 20 questions. As supposed earlier, some extra questions were added later in the process; these questions were subsequently also answered by the first respondents. This led to 23 questions being answered by all 15 respondents. An hour was reserved with each respondent for the interview. All interviews that could be conducted face to face were; the remaining six interviews were conducted via telephone, simply because the distance involved was too far in each case.

The interview questions were semi-structured and open ended in order to get valuable insights into the respondents' experiences. Semi-structured interviews have less validity than structured interviews, but they are open for and allowing new ideas which can result from respondent's answers (Edwards and Holland, 2013). Furthermore, while the questions are determined in advance, the order in which they are asked can be modified. Explanations can also be given, which creates an opportunity for parts of a question to be clarified so that the answer given is relevant. This kind of interview facilitates every question being answered (Edwards and Holland, 2013; van Teijlingen, 2014).

### 3.3 DATA ANALYSIS

The 15 conducted interviews were all analysed, for the results of the analysis see Appendix 3. The literature was used to formulate some hypotheses. As supposed earlier, all interviews were based on the link between theory and the possible difficulties and differences that can exist between doing business in the Netherlands and Germany. The answers provided were analysed using the method of Miles and Huberman (1994). Recurring patterns and themes can be seen within interviews. According to Miles, Huberman and Saldana (2013), it is important to be able to “(a) see added evidence of the same pattern and (b) remain open to disconfirming evidence when it appears”. Answers provided to interview questions were analysed and assigned positive, neutral or negative values. A positive value (+) was given if the respondent’s answer was positive regarding a particular term or hypotheses. When the respondent did not mention anything about a particular term or hypotheses or only mentioned something in general, this answer was given a neutral value (0). Finally, a negative value (-) was assigned when the respondent said negative things about the term or hypotheses being analysed.

Analysing these answers can help conclusions to be drawn about interesting topics within this study. The 15 respondents, who included 10 very diverse external respondents who were randomly chosen by ESPS and the researcher together with observing differences more easily, will raise the validity of this research (Babbie, 2004). The study’s validity can certainly be viewed as high for internal purposes, although it can be assumed that this research might also be of value for external purposes. The number of interviews (15), which included 5 interviews with ESPS staff members and 10 interviews with external respondents, constitutes a representative sample of at least the technical sector. According to Guest, Bunce and Johnson (2006), the data saturation achieved in this case increases the validation of the research. It can be assumed that the differences experienced by the respondents will also apply to other technical businesses that want to expand their markets into Germany. However, by using various respondents it can perhaps be assumed that the generalizations can be drawn wider than only the generalizability for technical businesses. Out of the 10 external respondents, 5 have overall experience in the German market and not specifically experience in the German technical market; this increases the validity of this research even further. Whether this can really be adopted may be doubted and needed further research. What can be assumed is that this research can be used as a starting point for other businesses than only the technical ones to conduct a comparable research to investigate the cultural influence on the successfulness of a foreign market entry for them.

#### 4. CASE STUDY: RELATING ALL OF THE TOPICS TO ESPS

Now that literature about all of the different topics has been reviewed and research has been undertaken by conducting interviews, it is time to apply the acquired knowledge to the company for which this research is done. The first step within this process is to present the results of the interviews. Within this chapter, the results of all of the interviews are described in detail. The answers given to the interview questions are divided into differences that exist between the Netherlands and Germany in relation to the different concepts explained within the literature chapter, including foreign market entry, culture, communication, business modelling, channels and customer relationships. This chapter begins with more information about the company for which this research is conducted, namely ESPS.

### **ESPS**

The ESPS company is an example of a business that wants to expand its market and grow internationally. It offers a complete range of tailored, reliable solutions for industrial automation and service. These solutions are based on tried-and-tested techniques and components.

At the beginning, ESPS was part of Texas Instruments; it became an independent company through a management buy-out in 2005. Because of these roots, ESPS has over 50 years of experience in supporting companies in their production activities, working in 24/7 production environments and collaborating with well-known partners.

The abbreviation ESPS stands for:

Expert in robotics  
Smart integration  
Proven technologies  
Service excellence

As part of Texas Instruments, ESPS gained many contacts. It is already operating in different markets, such as Bulgaria, China and Mexico. Accordingly, ESPS does have some experience with expanding its markets to other countries, although it does not know what the best possible strategy is for expanding its business into its neighbouring country of Germany. Its ultimate goal is to enter the German market successfully and enter markets abroad more easily in the future in order to build long-term relationships.

To investigate what ESPS has to do in order to successfully enter the German market, internal and external interviews were conducted to get more insight into the differences that may exist between doing business in the Netherlands and doing business in Germany. The results of the interviews are provided in a case study regarding ESPS. The same order used in the literature review is also applied to this case study, which is why foreign market entry is the first topic addressed below.

#### 4.1 FOREIGN MARKET ENTRY

The foreign market entry components of the interviews provide answers concerning which entry mode ESPS should choose, why it is expanding its market into Germany and how ESPS will define the German market it will enter. These answers are explained in further detail below.

From the beginning of this research, it was clear that ESPS wants to enter the German market using the export mode of entry. This was confirmed during the interviews conducted with the five internal ESPS staff members. All five internal respondents stated that export was the most appropriate entry mode if ESPS wants to enter the German market. Germany is geographically near to the Netherlands and therefore to Almelo, which makes export easier and less costly than other modes of entry. Furthermore, ESPS is very convinced about their decision. However, all of the external respondents believed that establishing a facility in Germany would be the best possibility for generating the most value in the German market. These respondents mentioned that while exporting would be the easiest way to enter the German market, they assumed that creating an establishment would generate more value over the long run if ESPS wants to get feet on the ground.

In such an established facility it is easier to get people who speak German, which in turns creates networks that are more valuable. Furthermore, German companies are geographically more positively located. The pre-decision of ESPS to use export as its foreign market entry mode (as opposed to another foreign market entry mode, such as starting an establishment within Germany) can be a limitation of this research. A recommendation for future research can be investigating the possibility of different foreign entry modes that a business can choose. This is explained in more detail in the limitations and recommendations section of this dissertation. For now, export is continued to be viewed as ESPS's selected foreign entry mode.

The reason why ESPS has chosen to enter the German market is volume expansion.

The company is particularly interested in the market of businesses that want to automate their processes to reduce costs and do not have specific technological challenges that impede the automation process. The answers to the question about defining the market that ESPS wants to enter in Germany were all the same, although a broad definition about the market was given. The five internal respondents defined the market of interest to ESPS as all businesses within 300 km of Almelo (the site of ESPS's headquarters) that wish to automate their business process techniques.

When asked questions about defining potential competitors for ESPS, some internal respondents did not have much insight as to who the competitors within the German market may be. Others stated that all companies that have the same ambition, can offer the same as ESPS and operate in the same market could be regarded as potential competitors. That some or most of the competitors are not yet visible for ESPS can be explained by the fact that the German machinery market is one of the largest markets in Europe; according to German Trade and Invest (GTAI) (2016), "Germany remains the world's largest machinery supplier with a machinery trade share of over 16%." It can therefore be assumed that there are many competitors in the German market that are not currently visible for ESPS. As such, the company needs to undertake deeper competitor research to get a clear view of its potential competitors in the German market.

An important point to mention within this case study in relation to the foreign market entry is that cultures can also differ between German businesses. Germany is a large country with a broad range of businesses; some are more internationally oriented, some are regarded as daughter firms of other international organizations, some are family-owned businesses and some are SMEs that do not have so much orientation towards international businesses. Considering these different businesses and their cultures, some diversity may be experienced within the respondents' answers.

Most respondents agreed with the assumption that cultural differences will exist when business is undertaken between the Netherlands and Germany. These cultural differences can eventually influence the success of a firm's foreign market entry, in this case the foreign market entry of ESPS. To get a clear view of possible cultural differences, respondents' answers with regard to culture are discussed in more detail in the next section.

## **4.2 CULTURE**

All respondents were asked about their experience with cultural differences between doing business in the Netherlands and doing business in Germany. Most provided the same answers with regard to culture. The differences experienced between doing business in the two countries relate to hierarchy, flexibility within rules, the rank of employees in meetings, time sensitivity, contracts, corruption and the difference within the level of masculinity-femininity within a country. These differences are explained in more detail below. This section differs from the literature review because questions are asked about subjects which emerged from the literature studied and answers given on interview questions; these are:

- Hierarchy
- Flexibility within rules
- Rank of employees during meetings
- Time sensitivity
- Contracts
- Corruption
- Masculinity - Femininity

## HIERARCHY

Overall, 14 of the 15 respondents experienced that the hierarchy in German companies is much greater than in Dutch companies; one respondent (Mr Schiele) presented the reverse. It was proposed that a top-down approach is used in the Netherlands while a horizontal approach is used in Germany. It was indicated that people come to decisions jointly in Germany; everyone is entitled to express his or her opinion and vote on the best decision. A certain decision may then be taken when it receives the most votes. In contrast, at the University of Twente in the Netherlands, the program director makes his or her own decisions, which are then filtered to other employees. No one else actually has some authority to say something about the decisions taken. According to Mr Schiele, the German approach will create higher participation among employees and motivate them to perform certain tasks. It is thus argued that the parties abide by the decisions taken and are very loyal to leadership as a result of feeling like they have participated in the decision-making process.

According to the other 14 respondents, hierarchies are stronger in Germany, although their strength differs among firms; a shift in the extent to which hierarchy is of importance within German companies can also be seen. Donaldson thought that this was due to differences that exist between family-owned businesses and more modern businesses. IVAM explains this shift by mentioning that one company is larger than the other and therefore needs more structure to perform well. According to EUREGIO, another possibility could be that one firm is more risk averse than another. Within most of the German businesses, much value is attached to the existing hierarchy. In addition, EUREGIO also indicated that hierarchy is of particular importance within a business; this in order to know in which way has to communicate and to whom. According to EUREGIO, it is of greater importance to know what a hierarchy serves than to know that it is stronger than other businesses (abroad). For example, hierarchy does not serve the reputation of employees, but it serves as a mechanism to get to the decision makers more quickly, so that decisions can be taken fast.

At this juncture, roles are clearly defined and decision takers are more visible, which decreases the time needed to come quickly to a decision as a company in order to adapt to a fast and ever-changing market. To come to decisions quickly and work together well, both businesses have to define clearly, which individuals play which roles. German companies love clarity and visible structures. If they understand who has what function within ESPS, they will know who to contact if they are interested in doing business with the company. A clear job description on business cards or in emails will be sufficient.

In comparison to German companies, ESPS has a much weaker and flatter hierarchy; this is assumed by all internal and some external respondents. The German respondents experienced this flat hierarchy as loose and friendly and see a firm in which everyone is standing next to each other. While EUREGIO shares this assumption, it was noted that all employees also know who the boss is and act thereon. Some respondents related this flatness to the volume of companies in the Netherlands, which is lower than the volume of German companies; others related it more to the culture in the Netherlands, where doing business is becoming increasingly informal. These respondents also thought that stronger and more rules may exist in a strong hierarchy in comparison to weaker hierarchies; this assertion is explained in the next section.

## FLEXIBILITY WITHIN RULES

In Germany, people prefer tight regulations and try to avoid taking risks. Tight regulations are assumed to be more common in Germany than in the Netherlands. The boss is the boss in German companies, and it is expected that decisions will be taken by this individual. The respondent EUREGIO suggested that a German needs rules to be able to work properly; one should be aware of what needs to be done to eventually be willing to perform as expected. This respondent assumes that this could be related to *Gründlichkeit* (thoroughness) and *Ordnung* (order), which are commonly used terms. Germany is much more rule-oriented, while according to Mrs. Antonissen, flexibility is assumed in relation to information and procedures in the Netherlands. A German will always be more inclined to play things safely and therefore will strictly follow the rules. Contracts provide a good example of this: according to the respondents, Germans will always try to avoid risks while Dutch businesses will be willing to

take more. According to VIRO, this is why German contracts contain much more information and many more rules than Dutch contracts; the Germans wish to cover all possible risks that may arise during business. When problems or conflicts arise, one can always refer back to the original contract to point to the rules that were created at an earlier time. As a result, German businesses can always refer to contracts to show the rules that are made at the start of collaboration. According to VIRO, EUREGIO, Mrs. Antonissen and Conway Nederland B.V., strictly following the rules is related to the hierarchy that exists within a business; a hierarchy is there to monitor if tasks have been undertaken and to know who is responsible for them. Using strong hierarchies make it easy to see who is not taking any responsibility. The responsibilities of different individuals within a firm influence both their tasks and their rights. These concepts are explained in further detail in the next section.

#### RANK OF EMPLOYEES DURING MEETINGS

All external respondents note that when it comes to a first visit or meeting with a German company, it is important to be aware of who will be present. If a manager from a German company is present at the first or further meetings, ESPS must also provide someone who has the ability and responsibility to take decisions. According to Donaldson, it is not specifically necessary to provide a manager; it is just important that the individual who attends the meeting has the authority to take decisions within the firm. According to Mrs. Antonissen and Donaldson, if ESPS fails on this front, the German company may wonder how important the arrangement is for the Dutch company. In these circumstances, the risk that ESPS will not be taken seriously by German companies arises. According to Mrs. Antonissen, this issue can determine a company's failure or success within a negotiation. Moreover, she gave the example of a Dutch company that was being taken over by a German company. The managers of the German company were present while the Dutch company had sent staff members who had been assigned to the project – who did not seem to be of interest to the German managers. The German company eventually stopped the acquisition because they had the feeling that the Dutch company was not taking it seriously. This is why EUREGIO states that it is important in early stages to provide a manager when a German company does the same. Once contact has been better established, for example, when the project is in progress or being completing, the attendance of a manager is no longer necessary. For ESPS it must be clear that German companies often send managers at the beginning and end of negotiations, as decisions may need to be made; ESPS needs to anticipate this phenomenon.

Another important point mentioned by the respondents is that in the Netherlands, it is normal that anyone who is present during negotiations has right to speak; even a trainee has this power. It is important for ESPS to take into account that speaking rights works very differently in Germany. As the manager is the one who takes decisions, contradicting or arguing with him or her when decisions are being taken or negotiations with other businesses are being held is considered inappropriate. Twelve of the respondents indicated that these are differences between doing business in the Netherlands and doing business in Germany.

Donaldson stated that few people are involved in negotiations and that these individuals hold higher positions within the business. Individuals with lower qualifications may sometimes be allowed to attend meetings or negotiations with other businesses, but it is expected that they only observe. This respondent suggested that discussions with people from higher ranks are not perceived as normal, due to loyalty towards employers/managers.

In contrast, Dutch individuals find it quite normal to be critical of their colleagues' work and provide feedback; this is often seen as encouraging and positive feedback is viewed as a way to improve the quality of employees' work. In other cultures, one has to be very careful when giving feedback to people with higher positions within a firm; this also applies to Germany. As long as an opinion is not solicited, it is expected that one will not interfere in the work of one's colleagues – especially not in the work of one's supervisor or manager.

The answers given by the internal respondents reveal that this difference has not already been observed concerning ESPS's meetings with German companies. Only Mr. Wolbert indicated that the presence of a manager or another person with authority to make decisions would depend on the current

phase of the negotiations. If it wishes to anticipate this important difference mentioned by almost all of the respondents, ESPS needs to consider this factor when planning meetings with German businesses. The differences concerning the rank of employees or the level of discussions are not the only factors that determine why businesses fail or succeed within foreign markets; time sensitivity is also very important to keep in mind when planning business meetings with German companies.

#### TIME SENSITIVITY

Time sensitivity can be defined as the time that is required for negotiators to come to a deal or contract, although it can also be regarded as the level of negotiators' punctuality (Salacuse, 2003).

The first form of time sensitivity mentioned in this research is punctuality. All respondents, both internal and external, indicated that Germans are very punctual. All external respondents indicated that it is very important to arrive on time when visiting German customers; in the Netherlands, some punctuality or being on time is also appreciated, but it may not be as necessary. Within ESPS, it is also very common that a meeting that is scheduled, say at 3:00 p.m., will start somewhat later due to other work that has to be finished. In the Netherlands, many respondents have experienced that when a meeting is scheduled at 3:00 p.m., it does not necessarily mean that it actually starts at that time. Most often participants still have to get coffee or will start informal conversations with each other before the actual business meeting starts. Germans do not appreciate this; a meeting scheduled to start at 3:00 p.m. actually starts at 3:00 p.m. On time means on time. If there is no time for coffee, ESPS needs to know that it is better to start the negotiations on time than to be friendly and offer drinks. If ESPS wants to offer coffee no matter what, it has to be prepared in advance; this also shows good preparation, which German businesses prefer. According to the respondents, German businesses are themselves always well prepared; this shows their professionalism.

The other form of time sensitivity is the time needed to conclude a contract or deal; no clear answer about this subject was given by the respondents. Some respondents thought that Dutch businesses want to conclude contracts faster, while others mentioned that it is the German businesses that want to make deals as quickly as possible (as it is often assumed that time is money). Some respondents even indicated that they had not experienced any differences between the Netherlands with Germany in relation to this subject. As a result, there is no consensus about the time needed to draw up a contract, although Mr Schiele made a logical argument as to why more time is needed to conclude contracts in the Netherlands than in Germany. In the Netherlands, no final decisions are taken after a negotiation, while taking final decisions after a negotiation is regarded as very normal in Germany. Once a negotiation is concluded there is taken a decision about possible solutions that can be delivered. In Germany, it is not normal to change parts of the decision that is taken or the contract that is drawn up. Some of the respondents have experienced that in the Netherlands, anything in a contract can always be changed, even once decisions are taken or that contract has already been signed according to Mr. Schiele. This is further explained in the two following sections: contracts and corruption.

#### CONTRACTS

When asked how contracts are drawn up, seven respondents indicated that they did not have experience in the field of contracts; two even mentioned that they did not see contracts at all, either Dutch or German. All other six respondents who did have experience with contracting and contracts stated that a Dutch contract starts with a more general picture, to show some company pride; thereafter, specific aspects of the product/service being dealt with are outlined. In contrast, German contracts often already start with specifics. This can be related to the fact that Germans prefer clarity; coming to the point is very important in Germany, even when doing business. Not all respondents indicated this difference within contracts; there were also nine respondents who thought that no differences exist between Dutch and German contracts. Here it is important to mention that these respondents indicated that they do not see contracts very often.

Overall, ESPS must make sure that everything in a contract has a clear meaning and is important for doing businesses. Why some issues are mentioned within a contract must be clear, and the document must come to the point; information that is not useful or interesting should be avoided. At the moment, ESPS offers contracts that begin very formally and address general points before specifications.



Everything required in the contract needs to be included; this relates to the respect for agreements made in Germany. For example, a delivery time of four months should mean four months, not five. This difference is further explained in the section on corruption.

#### CORRUPTION

This is a separate concept and big word, and the related question was difficult for many respondents to answer. The majority therefore provided different opinions about this subject. It is clear that there is no consensus about what is regarded as corruption. This question may not be entirely relevant for ESPS at first glance, but when looking more in depth it could be regarded as an interesting question if corruption is given another meaning. A large portion of the respondents thinks that corruption more commonly takes place in Germany. This is because Germany is regarded as the larger country and there is simply more room for corruption, although respondents also stated that a contract in the Netherlands is surrounded by more space to make adjustments that are also approved. The rules in a contract are sometimes not met, which allows companies to still make a few minor adjustments if they are not included in the pre-existing contract when these adjustments are well communicated in advance. This is an important point! In Germany, this is not regarded as normal and is not often done. As such, ESPS has to think carefully about issues such as what to include in contracts and how feasible these contracted deadlines are. Everything included in a contract must be properly fulfilled once deadlines have passed. Mr Schiele said that it might be better to be restrained and modest then to pretend everything will be successful and be very sure of one's business. Some confidence is good, but being realistic is better. It is preferable to indicate a success rate of 90% and then deliver 96% than to enter a success rate of 96% and deliver an actual rate of 90%. ESPS has to be more modest within the German market about their performances than it probably has to be in the Dutch market. It is important to bear in mind that agreements made in earlier stages are not deviated from in Germany.

#### MASCULINITY – FEMININITY

All nine Dutch respondents had the opinion that Germany is more masculine than the Netherlands. In Germany, almost all senior positions are filled by men, but that was not the only point mentioned; the respondents also noted that status, fame and money are also very important within German society. Looking at companies and the people who work there, one will hardly find cheap cars, suits or office equipment. Car brands are important status symbols for Germans; this applies to both the older and younger generation (Automobilwoche, 2014). This is why one is more likely to encounter a Mercedes, Audi, BMW, Porsche or Volkswagen in Germany than for example a Skoda or Renault. According to some respondents, car brands radiate not only having wealth, but also professionalism. In Germany, it is believed that appearance says a great deal about a company's abilities and successes. In relation to these status symbols, it is important for ESPS to look as professional as possible; coming to business meetings with an inexpensive Skoda can be regarded as a reflection of ESPS's possibilities and performance as a company.

According to Conway Nederland B.V, seeing the differences between masculinity and femininity also depends on the area where one is located in Germany. For example, a few stated that in southern Germany, women are expected to do the dishes while men are there to bring in money; these societies are more masculine than, for example, those found in northern Germany. The north of Germany is more similar to the Scandinavian countries; people there are regarded as equal and femininity is higher than in the south of the country. According to some respondents, this view of a masculine culture has been moving increasingly towards a more feminine culture over the years. The femininity is not as advanced as in the Netherlands, but shifts are being experienced. The selection of Angela Merkel as the German Chancellor has been the first step towards this change; many respondents noted that she is often seen as its figurehead. It is not necessary for ESPS to send only men to business meetings, for example, but it is important for the company to keep in mind that Germany has a more masculine society that prefers status, money and respect above other things. This can be seen in different contexts, including luxury cars and watches.

It is not just the above cultural differences that can be related to Hofstede's perspectives; communication can also be considered a cultural difference that can affect the success of a business when entering a (foreign) market. Interview questions pertaining to communication and the answers given thereon are discussed in the next section.

### 4.3 COMMUNICATION

Within communication, a country's language is particularly important. Next to language, ways of communicating and the use of formal forms of address, body gestures, hand gestures and emotions are also important according to the respondents. These different aspects of communication are explained within this section.

#### LANGUAGE

First, all Dutch respondents indicated that speaking German is particularly important when one wants to enter the German market, although it has to be noted that the importance of speaking German has also changed – or will change – over time. The respondents mentioned that German is important within most of the businesses, but particularly for the older generations within these firms; some respondents noted that this has to do with generational differences. Mrs. Antonissen stated that people between the ages of 20 and 35 have much more experience with English than the older generation, which attaches more value to the German language. Younger individuals have been raised with English and follow studies in this language. English is also becoming more important than ever before in Germany. The language difference experienced between generations is the reason why two more respondents were chosen, in this case two students who could possibly provide evidence for the statement of Mrs. Antonissen. Both student respondents have seen or experienced themselves the differences in the level of English that these different generations speak.

According to all of the German respondents, another possible explanation for the shift in the importance of the German language can be that the real importance of German depends on the business itself. Donaldson believes that speaking German is not necessary but can be a huge advantage. Donaldson generally start conversations and/or meetings in English, to avoid communication problems. Every person who holds a higher position within this firm is able to speak good English. It must be noted that Donaldson is an international business, which may explain why Donaldson has more experience with English. This is also the case for MT Derm and IVAM. The former prefers German, although they are able to switch to English when speaking German with foreign firms proves problematic. Similarly, IVAM also has a great deal of experience with different firms from assorted countries; assumed was that family-owned businesses assign the most value to the German language, while other less conservative firms attach less value to German and an increasing value to English. The importance of German was rated as 3 or 4 overall on a scale from 1 to 5, where 1 indicates that the German language is not important and 5 indicates that it is very important.

Nevertheless, according to some respondents who have particular experience in the German market, the SME sector is lagging behind other companies when it comes to speaking English. German is still regarded as the number one language; it is often assumed that knowledge of English is limited within most of the businesses operating in Germany. Given that ESPS is an SME that will generally do business with other SMEs, it is very important that its staff members have a good command of German, as indicated by most of the respondents.

#### COMMUNICATION IN GERMANY COMPARED TO COMMUNICATION IN THE NETHERLANDS

Many Dutch respondents (nine) indicated that communication in the Netherlands could be regarded as more direct than communication in Germany. Respondents noted that Germans use business arguments and logical argumentation to convince others, without using as much emotion. Germans will not show their emotions within communication, even when they are angry or there are conflicts; Germans always try to be polite and kind. Some respondents described the communication in Germany as detached and courteous, whereas Dutch communication is often regarded as somewhat cheeky. When asked which country could learn from the other, all fifteen respondents indicated that the Dutch could learn from the Germans in relation to communication. Mrs. Antonissen provided a useful anecdote as example of these differences in communication being experienced. There are two dialogues: one in Dutch, the other in German. In both cases, individuals are asked if they want coffee. In Dutch, the conversation is Do you want coffee? Yes. Sugar? Milk? Yes. Some candy? Yes. In contrast, the Germans often answer I would like to have a coffee, please. Yes, sugar will be fine. Thanks a lot. And some candy? No thank you, my dear. Looking at these two very different conversations reveals that Germans experience Dutch people as incredibly rude. While Germans do have much appreciation for Dutch people, they would appreciate less direct language – certainly when doing business.

While the Dutch prefer oral communication, Germans are more oriented towards written confirmation, as indicated by Mr Schiele. Next is the use of humour, which can be considered a painful subject in the relationships between German and Dutch businesses. Dutch people use humour and satirical remarks in different cases, also when doing business. Germans are not humourless and sometimes appreciate a little joke, but one must be careful when using humour in different contexts. Humour in certain situations can be experienced as wrong and often not be appreciated. When using humour, one runs the risk of offending someone and seeming disrespectful (while respect is of great importance in Germany). Communication in Germany can therefore be regarded as very polite and –when doing business – very formal. This is also reflected in the forms that Germans use to talk to others, as shown in the next section.

#### THE USE OF FORMAL FORMS OF ADDRESS

The previous section revealed that all fifteen respondents mentioned that people in Germany still communicate in a very formal manner. Politeness is extremely important in Germany. However, according to the German respondents, the more informal setting created by Dutch people will sometimes also be appreciated if they keep the standards about using *Sie* in the German language in mind. While *Sie* and *du* both mean “you” in English, the former is more polite; Dutch makes a similar distinction between *u* and *jij*. In the English language, however, different forms of “you” do not exist. This is why Donaldson, for example, prefers to speak English with foreign customers to ensure there are no differences in the forms that both parties use. In English, one uses “you” in different situations, for example when an individual is talking to someone he or she does not know, who is much older or who is very familiar. This is different in Germany and the Netherlands, where speakers have to choose respectively between *Sie* and *du* or *u* and *jij*. All fifteen respondents indicated that in Germany, the polite form is appreciated and often necessary when doing business. In this case, people are far more formal in Germany than in the Netherlands, although a shift can be experienced regarding this subject. The EUREGIO respondent stated that Germans use the formal form more than Dutch people do, but not as much as some Dutch people would think. In Germany, there are also relationships where one can use *du*, but *Sie* must be used if this is not clarified in advance.

Mrs. Antonissen has also experienced this shift. She was guiding a student intern at Vodafone in Germany, who right from day was allowed to address her supervisor a *du*. In addition, Mr Schiele indicated that a change is visible in Germany regarding the use of *Sie*. He asserted that Dutch people often try to communicate too formally in Germany, where the formal form is now being less used. According to Donaldson, the use of the formal form varies by company, although this respondent has experienced that people are increasingly using *du*. Nonetheless, *Sie* is still considered the cleaner and more polite form. Donaldson indicated a preference for using *Sie*, as the distance between individuals remains guaranteed. Distance is very important in Germany. In this regard, Donaldson claimed that it is important to show that one company is not the same as the other; they are instead two different companies that are business partners. In this case, distance is present even if the relationship between the two companies is very good. This indicates the level of professionalism, which is a kind of status symbol in Germany.

For ESPS it is important to understand that using *Sie* is polite and often preferred, and that other less formal forms may only be used when this has been specified. It must also know that using the formal forms such as *Sie* can be seen as a way to maintain enough distance between two business parties. All three German respondents indicated that this is the number one reason for using *Sie*. One respondent advised using *Sie* in all circumstance in order to avoid making mistakes.

Not only the language, ways of communicating and the use of formal forms of address can differ; other possible differences relate to the use of body gestures, hand gestures and emotions. These issues are explained in the next section.

## BODY GESTURES, HAND GESTURES AND EMOTIONS

Eight respondents indicated that emotions are used more in communication in the Netherlands, while Germans are regarded as showing fewer emotions. In Germany, one can be convinced by business arguments and logical argumentation; quality and technical details are number one in sales calls, and communication is directed more towards a product and less towards feeling alone. According to Mrs. Antonissen, this can be explained with two different concepts: *Sach* orientation and *Beziehung* orientation. While Germany is regarded as being more business (i.e. *Sach*) oriented, the Netherlands is viewed as being more as relationship (i.e. *Beziehung*) oriented.

As supposed before, communication in the Netherlands is very direct and informal, while communication in Germany can be regarded as less direct and more precisely formal. If there are conflicts within Germany, one always tries to remain kind without showing anger – no matter how large the conflict is. Within the Netherlands, one is more direct in such situations and is not afraid to show emotion and anger or say things how they are.

Communication can be particularly important when it comes to reaching new customers and building relationships; this can be related to business modelling. Business modelling, channels and customer relationships are explained in more detail in section 4.4.

## 4.4 BUSINESS MODELLING

As explained in Chapter 2, business modelling can be used when looking at specific parts of a business in order to create and transport value. As also noted in that chapter, this research focuses on Osterwalder and Pigneur's (2010) definition of a business model: *"the rationale of how an organization creates, delivers and captures value"*. When entering foreign markets, it is important that companies communicate correctly by making use of the best possible channels to reach the best customer segment. When they can reach the best possible customer segment, they will be able to cultivate customer relationships that can be of particular value. This study's literature review highlights channels and customer relationships, which is why these two concepts are also mentioned in the next two sections.

### 4.4.1 CHANNELS

This section presents the answers to the interview questions concerning the communication channels that ESPS uses in the Dutch market and those that could be of value to the company in the German market. The communication channels that ESPS currently uses are explained first, followed by the communication channels that should be valuable in the German market.

#### COMMUNICATION CHANNELS USED BY ESPS

Internal respondents mentioned different communication channels that ESPS makes use of, namely:

- Telephone calls
- E-mails
- Meetings
- Business journals, plus other publications that are not often used anymore
- The Internet
- Websites
- Social media platforms, such as LinkedIn, YouTube, Twitter and Facebook
- Robot Experience Center
- Business partners
- Exhibitions

According to all internal respondents, business partners are the most important channel for reaching new customers and building up customer relationships with other businesses in the Dutch market. Next to that, ESPS frequently uses meetings, telephone calls and e-mails as channel to communicate with their customers. Another possibility where ESPS can meet potential and existing customers is the firm's

Robot Experience Center, where the technologies that ESPS uses and knowledge that already exists about robotics and machinery equipment can be viewed. Another possible channels mentioned by the internal respondents is social media, which has been receiving increasingly more attention in recent years. The company is active on Facebook, Twitter, LinkedIn, YouTube and is producing vlogs to interact with its potential customers and business relations.

#### COMMUNICATION CHANNELS THAT ARE SUPPOSED TO BE VALUABLE IN THE GERMAN MARKET

According to the internal respondents, the thinking is that almost the same communication channels that are used in the Dutch market could be of value in the German market; only business partners cannot be regarded as such a valuable channel as in the Dutch market, simply because known business partners are not working with or familiar with companies in the German market. Only Staubli could be regarded as a business partner for ESPS in the German market. While this firm could already be a valuable channel if ESPS wants to enter the German market, one business partner is still a low margin.

According to the general manager of ESPS, it is important to build business partner relationships, because business partners are the most important source and channel for ESPS on the Dutch market. Looking at social media, the internal respondents did assume that social media will be used with lesser frequency in the German market and as such, it could be considered that the more conservative channels would be of greater value there. Some external respondents confirmed this thought, but other respondents also stated that German companies certainly do make use of social media. One example is MT Derm, which produces tattoo needles. Facebook is the company's most important channel for reaching its customers, simply because the tattoo needle industry produces and shares information and pictures through social media platforms.

Other external respondents assumed that German companies would make use of social media, but not as a communication channel. The use of social media as a communication channel will depend on the market in which a business is present. It can be assumed that businesses make more use of social media within business-to-customer markets, simply because they have to reach their customers in different ways. A business in a business-to-business (B2B) market makes more use of conservative channels, as it has to find other businesses that also do not utilize social media. However, the B2B market may also be experiencing a shift towards using social media in Germany. Large B2B businesses make somewhat more use of social media than before, with Facebook, YouTube and Twitter being the most used platforms. This use of social media on the B2B market only remains limited to the more large businesses; these businesses are possible also more internationally orientation. (Friend of Brands GmbH, 2011).

Some respondents also explained that an international orientation drives some businesses to use more social media than others. Mrs. Antonissen assumed that the use of social media would – like the importance of the German language – even be dependent on the generation and volume of a firm. Logically some respondents assumed that younger generation firms would make more use of social media than older generation firms, which are often family-owned businesses. However, it is not just the generation that is working within a firm that determines social media usage; the volume of business is also an influence. Businesses that are more internationally oriented also make more use of social media, because it is a relative cheap channel to reach as many people as possible throughout the whole world. As SMEs are not usually internationally oriented and do not have to reach a very large customer segment, most of the time they use less social media.

The ten external respondents indicated that it is important to get in contact with German businesses by being present at exhibitions, which are regarded as the most important channels for finding new customers in the German market. Mrs. Antonissen stated that the value of being represented at exhibitions is often underestimated. She indicated that most of the people who approached her to help her firm enter the German market more easily were not informed about all of the different exhibition possibilities in Germany. While many know about famous large exhibitions such as the Hannover Messe, they often do not know about more specific and some smaller exhibitions.

All of the five German respondents confirmed the importance of exhibitions; this is where networks are built up, which is why exhibitions can be regarded as the most important channel in Germany.

If businesses already have a relationship, channels such as telephones and e-mail are the most important tools. Meetings often take place among different businesses. In addition, conferences can also be regarded as important in Germany. According to all of the German respondents, brochures and business journal publications are also very important. People can search online for a business, but brochures enable potential customers to more quickly obtain relevant information without having to search the whole Internet for it. A brochure can be a tool for getting name recognition and lingering in people's minds. In this respect, the German channels can be regarded as more conservative, while the Dutch channels lean somewhat to using social media to prove what a company is able to do (Both Social, 2014).

In this context, ESPS needs to consider that being present at exhibitions will certainly be appreciated in the German market. At the moment, ESPS participates in one or two exhibitions in Germany, but it can be assumed that this is not enough and that it has to search for more small exhibitions where it can position itself well. According to the respondents, the preferred and most often successful first contact involves face-to-face interaction instead of a telephone call. Telephone calls are often experienced as an invaluable way to generate new customers. According to Mrs. Antonissen and Mr Schiele, first contacts by telephone have a much lower success rate than first contacts that are face to face. Of course, conference calls and business meetings are also very important channels for keeping in contact and building up relationships with German companies when there is already a customer relationship. These channels will be experienced as professional, which is often preferred in Germany. In the next section, a more detailed description is provided of the differences that exist between doing business in the Netherlands and doing business in Germany vis-à-vis customer relationships.

#### **4.4.2 CUSTOMER RELATIONSHIPS**

All fifteen respondents regard building up relationships with suppliers and customers as very important, especially in Germany. Networks can be regarded as ESPS's main resource for attracting new customers in the Dutch market, as shown in the previous section.

Some internal respondents assumed that entering an established network for acquiring new customers on the German market was going to be a difficult issue, simply because it is hard for a foreign company to join such networks.

According to the ten external respondents, networking is the most important source of new customers. To find its first customers in the German market, ESPS needs to be present at events (e.g., exhibitions and conferences) where companies make face-to-face contact. This kind of contact is preferred in Germany, because one already develops a first impression of a business, whether good or bad. When this impression is good, collaboration between ESPS and the German business may follow. If ESPS then provides good, professional and valuable work that is experienced as outstanding by a German business, ESPS can be seen as taking some first steps into a valuable new network. If these first steps are taken, it will be easier for ESPS to search for new customers as it will have already delivered successful work to other German businesses. This will in turn influence word-of-mouth advertising, which is very important for firms wishing to establish in Germany.

The success of ESPS in the German market will eventually depend on its ability to enter a valuable network. According to some respondents, the most value will be added if ESPS can develop customer relationships with one or more German companies and some of these relationships can be viewed as preferred customer relationships; success in this area will eventually determine the firm's overall success. To move towards a preferred customer relationship, it is important to keep in mind differences that exist between doing business in the Netherlands and doing business in Germany; firms also have to consider different orientations of businesses in both countries. These different orientations are explained in further detail in the next section.

#### **BUSINESS ORIENTED – RELATIONSHIP ORIENTED**

Germany could be considered a more industrial country, whereas the Netherlands is more of a trading country. Ten Dutch respondents experience that they are more oriented towards building relationships with other businesses, while German businesses are more oriented to the business itself. This problem is often faced when Dutch businesses are entering or have already entered the German market.

Building good relationships is considered just as important in Germany, but it is more important to do good business and make good deals. In this regard, German companies are lagging behind Dutch companies in terms of building relationships; these relationships can mean more knowledge sharing between firms, which could lead to more innovation. Respondents often mentioned this as the main reason why Dutch businesses are more innovative than German companies. German businesses are often too focused on evolving a target, which is why innovation is often lost from sight; jobs have to be done more than hundred per cent well. A Dutch business also has set targets, but it can look left and right in order to be as innovative as possible; to this end, team work and partnerships are regarded as very motivating. Many German businesses like to cooperate with businesses from the Netherlands due to these firms' innovativeness. Building relationships within networks is increasingly considered as valuable, which is an example of something that Germans have observed in Dutch companies. According to the respondents, ESPS must have thought of this; robotics and automation processes are very innovative, and German companies often like to work with interesting and innovative businesses. The majority of respondents also noted that one must be well aware that Germans are result oriented; building a relationship is thus a nice touch, although the ultimate goal of such a relationship is to add value and improve results. Quality is always standing in first place, no matter how good a relationship with other businesses can be. It is even more important than price, which is especially true for technical products; this was noted by Mrs. Antonissen, EUREGIO, Conway Nederland B.V., Donaldson and MT Derm. As such, in Germany it is better for ESPS to offer a high quality product that is more costly than a cheaper product with lower quality. What ESPS can eventually offer can be explained in more detail by looking at the resource-based view, and especially the VRIO framework. What will the business culture of ESPS look like? How will ESPS both achieve and sustain a competitive advantage in the German market? All of these questions are answered in the next chapter, which explores the resource-based view and the VRIO framework.

#### **4.5 THE RESOURCE-BASED VIEW AND THE VRIO FRAMEWORK**

To get more insight into the ESPS firm itself and the possible competitive advantage that it could sustain in Germany, the business culture of ESPS must be highlighted. How will competitive advantage be achieved and how will ESPS ensure that it can sustain such competitive advantage when entering the German market? The business culture of ESPS is discussed first, followed by the VRIO framework and differences relating to pragmatic and theoretical perfection.

##### **THE BUSINESS CULTURE OF ESPS**

What does one understand with business culture? Business culture contains all of the values, visions, working styles (Pelligrini and Scandura, 2006), beliefs and habits of a business; in this case, those of ESPS. According to the internal respondents, the business culture of ESPS can be defined as being in development. At the moment, ESPS is actually working on transitioning from being a service supplier to being a systems integrator. The company is still somewhat searching within that transition. Some respondents mentioned the open and informal culture of ESPS. There is an open door policy and in that respect, ESPS is very accessible. When doing hard business, ESPS can also be a real business, playing the game hard but correctly in order to generate value and making money. Internally, everything is experienced as very informal. This is also what the firm tries to both show and offer to its customers. Listening to customers and delivering 24/7 service are regarded as the most important factors for sustaining good relationships with customers.

It is assumed that this informality has to become more formal if ESPS is to succeed in the German market. In the beginning of its customer relationships, ESPS tends to be very business-like; for Dutch companies, however, it often quickly moves to a more informal form of doing business. The respondents even indicated that this is a normal way of doing business in the Netherlands, although one has to be very careful with this way of doing business in other countries. According to the German respondents, this more open and looser way of doing business is appreciated, but ESPS should know when it has to initiate the formal component of doing business. They note that the switch between the informal and formal parts



of doing business has to be experienced. Donaldson indicated that it would be better to invite someone for dinner to continue the informal part of doing business at a later stage when this is experienced as very pleasant. For a business, it is better to start the formal part of doing business than to continue the informal talk for too long. Germans like openness, but they prefer accuracy, objectivity and rigor. After first meetings have taken place, further face-to-face contact is very important; however, mail and telephone traffic is also appreciated. In the end, the goal of ESPS is to build good relationships with its customers and suppliers and to be successful; this is true for both the Dutch and German markets and can be eventually depend on the firm's ability to gain a competitive advantage. A further explanation of this is be given in the next section.

#### VRIO: WHAT DOES ESPS STAND FOR AND HOW WILL IT SUSTAIN ITS COMPETITIVE ADVANTAGE?

The product that ESPS offers is not rare; the internal respondents felt that the technical content was easy to imitate. The firm focuses on the smart integration of existing technologies, which indicates that the techniques it uses are already available and can be sourced from other business partners or customers. The moment another business knows where to find the same smart way of working, from a technology perspective it would not be difficult for that business to enter the market. The power of ESPS should be based primarily on the relationships it has with its business partners. Robot vendors or suppliers are actually the parties providing partial solutions, but they also have a certain market where certain customers are already served. The respondents think that ESPS can achieve a competitive advantage over others first by maintaining very good relationships with the parties with which it perform the integrations. The second important point mentioned is the Robot Experience Center, which can function as an important channel for showing ESPS's experience, knowledge and capabilities. This demonstration environment showcases these different aspects and enables people to already develop a first impression of what ESPS can build. The confidence that the organization thereby can create is of great importance for a business such as ESPS. Confidence and face-to-face contact are perceived as very well liked in Germany; it can therefore be assumed that the success rate of channels such as the Robot Experience Center and meetings can be higher than first meetings with each other by making use of telephone calls, as indicated by Mrs. Antonissen and Mr Schiele.

Another point that was important for deciding to eventually enter the German market is that Twente is relatively near to firms in Germany, including those located in Düsseldorf and Munster. It is easier for ESPS to visit business partners and customers in Germany than to visit technical businesses in China, for example. In this case, ESPS can have a geographical advantage over other businesses. It is important to keep in mind that German companies are theoretically much stronger than Dutch companies are. For instance, in Germany one is well aware of the facts about a particular theory or specialization, whereas in the Netherlands one is more superficially aware of multiple theories. This may be related to the pragmatic perfection sought in the Netherlands and the theoretical perfection sought in Germany.

#### PRAGMATIC-THEORETICAL PERFECTION

During the interviews it was particularly noted that all of the respondents who have knowledge and some experience in the German market continually indicated that theoretical and professional perfection are of great importance in Germany. According to EUREGIO, a German is professionally very strong – much stronger than a Dutch individual. While the Dutch have more superficial knowledge in many different areas, Germans are theoretically strong in a particular area. It is important for ESPS to address this by presenting those involved in negotiations with sufficient knowledge about different robot and machine techniques and related features. It is extremely important to have knowledge and be able to speak in detail with each other at all different levels during negotiations; this is especially important for coming to a possible agreement, deal or contract. If ESPS is partly incapable of this, a German company could decide that ESPS is not professional enough in such situations and not take the firm seriously. A good possibility for showing theoretical and professional perfection is to make use of the company's Robot Experience Centre. Within this Center ESPS is able demonstrate its capabilities and their knowledge about products and integrating technologies. ESPS could consider planning first meetings with German companies at its own office. By showing their Robot Experience Center they create a huge competitive advantage in comparison to other businesses that do not have such experience centres, a nice touch is that German companies often want to see where they are paying for which can be shown within the Robot Experience Center for example.

## 5. DATA ANALYSIS

### FOREIGN MARKET ENTRY



### 5.1 FOREIGN MARKET ENTRY

The first important question that had to be answered was if ESPS had already decided on an entry mode for entering the German market. As supposed earlier, this decision will eventually determine the success of a business in a foreign market (Nakos and Brouthers, 2002; Mitra and Golder, 2002; Mayrhofer, 2004; Morschett et al., 2010; Ojala, Kinnunen, Niemi, Truberg and Collis, 2015). One can read that all of the different entry modes offer benefits and costs (Sharma and Erramili, 2004). All respondents did mention exporting as the foreign entry mode chosen by ESPS, which is why this research has only focused on export modes. This option, which can be divided into direct and indirect export, is also the most frequently used method for entering a foreign market (Peng and York, 2001). In the interviews, respondents made it clear that ESPS utilizes both kinds of exports to expand its volume. The market segment can be considered as all businesses within 300 kilometres of Almelo that are interested in automating their processes. To find its first customers, ESPS uses indirect export with the help of an intermediary (Fletcher, 2004), namely MKV consults; this intermediary helps ESPS by making initial contact with five potential German customers and undertaking all of the preparatory work.

The reasons why ESPS has opted for an intermediary may include to overcome knowledge gaps that exist in relation to expanding its market to Germany (Li, 2004); to identify customers and provide the link between these businesses and ESPS (Peng and York, 2001); and to reduce uncertainties and other risks that can emerge when entering the German market, which is the overall motivation (Fletcher, 2004). These benefits of indirect export come at a specific price; the downsides include that the costs are higher than when direct export is used and that ESPS loses control of the process of foreign market entry. This is why ESPS should not rely on indirect export alone. This can be explained by the research of Gupta and Govindarajan (2002), which suggests that national culture has an effect on strategic choices made about entering and operating in international markets.

Once some first contacts have been made for ESPS, it is important that ESPS takes control again and switches from indirect to direct export. This will eventually lower costs for the business (Acs and Terjesen, 2006). It can be assumed that the strategic decisions that ESPS will make will be affected by national culture (Björkman and Lu, 1999), which is why culture has been discussed previously and is used in the data analysis section of this dissertation.

#### SUB CONCLUSION

It can be concluded that ESPS has chosen export as its foreign market entry mode for entering the German market. It will use direct export, but as MKV consultants will act as its intermediary it will also use indirect export. Whether export is the right mode for ESPS to choose for successfully entering the German market can be questioned, seeing as other possibilities have not been not explored. This could be a limitation of this research. For future research, it could be useful to investigate the success of a business when entering a foreign market by comparing the use of different foreign entry modes.



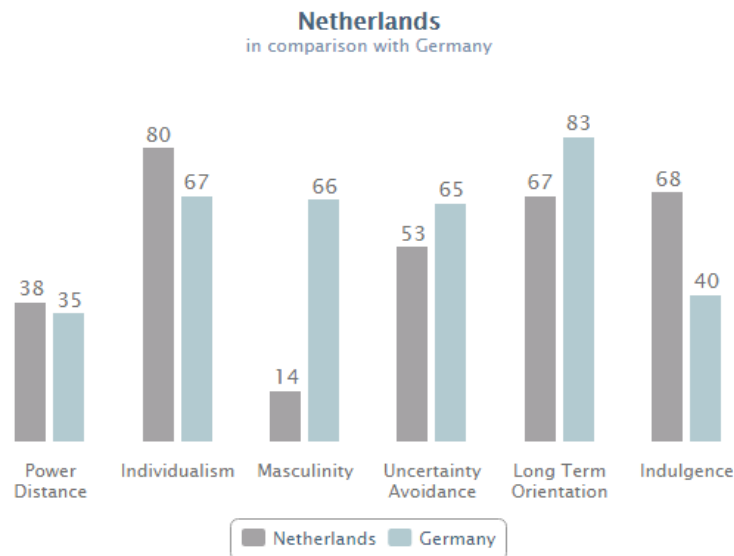
Figure 12: ESPS uses an intermediary to enter the German market



## 5.2

## CULTURE – HOFSTEDE'S PERSPECTIVES

Foreign market entry involves risks (He, Brouters and Filatotchev, 2013), which is also true for ESPS. Cultural differences have become more important when considering expansion (Kogut and Singh, 1988; Mitchell, Smith, Seawright and Morse, 2000; Mitra and Golder, 2002). Each country has its own unique environment that defines the way in which firms conduct business and attract customers (Scott, 1995). The comparison of Hofstede's perspectives between the Netherlands and Germany, which can be found in figure 5, sheds some light on this. The scores of individualism – collectivism are not considered, as none of the interview respondents mentioned this perspective as a difference. The respondents' answers can be related to the perspectives of Hofstede (1980) and are divided into power distance, uncertainty avoidance and masculinity – femininity.



**Figure 13: Comparison of the Hofstede perspectives between the Netherlands and Germany (Hofstede, Hofstede and Minkov, 2010)**

### POWER DISTANCE

From looking at figure 9, it can be assumed that the power distance between Germany (35) and the Netherlands (38) is not significantly different. Germany can be regarded as having a somewhat smaller power distance than the Netherlands. Stronger hierarchies within companies are often related to countries with larger power distances (Davis and Ruhe, 2003). All respondents except Mr Schiele mentioned that the hierarchies within German firms are much stronger than those in Dutch firms. This can be considered contradictory when looking at the scores given within figure 9. The only possible explanation for the difference between the scores of Germany and the Netherlands in regard to the power distance index indicated by Hofstede, Hofstede and Minkov (2010) and the respondent's indicating of a higher hierarchy within German firms is that a more horizontal approach to decision making is found in Germany. According to Mr Schiele, the decision-making strategy in the Netherlands is different and regarded as more top-down, which explains the higher power distance found in the Netherlands compared to Germany. In large power distance cultures, authorities are expected to take decisions without considering the beliefs of others, these authorities have to act truly, correct, and give clear instructions to others (Hofstede, 1980; Aquilon, 1997; Davis and Ruhe, 2003). Why is it then that the literature and all of the respondents suggest that the hierarchy is much stronger in Germany than in the Netherlands? This can possibly be explained by looking at Hofstede's uncertainty avoidance perspective (1980).

## UNCERTAINTY AVOIDANCE

A strong uncertainty avoidance culture prefers structures and formal rules; these rules are followed strictly and authorities are expected to act truly and correct (Aquilon, 1997). These rules are created to fight against uncertainty and avoid risky situations (Hofstede, 1980; Davis and Ruhe, 2003). As was first indicated by all respondents, Germans are more risk averse than for example the Dutch; they prefer stronger rules and more clearly defined responsibilities. Responsibilities are very clear within strong hierarchies, which can explain the stronger hierarchy and more formal form of business in German companies that the respondents mentioned. According to Hofstede, Hofstede and Minkov (2010), the Netherlands is considered to have a weaker uncertainty avoidance culture (53) where there is more space for flexibility within rules, which was mentioned by 10 of the 15 respondents. In contrast, Germany is often defined as a stronger uncertainty avoidance culture (65). The Netherlands does not have a very weak uncertainty avoidance culture, but it is weaker than for example Germany. Other respondents did not mention this or mentioned it in only a general way, although no respondents stated that the rules are stricter in the Netherlands. The stricter rules in Germany can logically be related to the higher hierarchy (which needs stronger rules) and the higher uncertainty avoidance (which protects people from possible risks) (Davis and Ruhe, 2003). When one looks at the ranks of individuals who are present at meetings, it can be assumed that the stronger hierarchy results in individuals with higher ranks being present as they often have the authority to take decisions. When this is not the case, individuals with lower ranks are forced to ask for their manager's permission, who in turn needs to ask for his or her manager's permission, and so on; this was mentioned by 12 of the 15 respondents, including Donaldson. Some respondents (again including Donaldson) did comment on this, mentioning the shift from a stronger hierarchy to a weaker hierarchy in German companies. Donaldson has experienced the problem of asking permission within all different layers of a strong hierarchy; this respondent claimed that Donaldson was not effective as a company, which is why it is altering its hierarchy to be somewhat flatter. Other respondents have also experienced this shift from a strong to a somewhat flatter hierarchy. As a result, it can be assumed that the data sourced from Hofstede, Hofstede and Minkov will be out-dated over the years; countries and their cultures will differ due to different circumstances (Davis and Ruhe, 2003, Metcalf, Bird, Shankarmahesh, Aycan, Larimo and Valdelamar, 2006).

The shift towards a flatter hierarchy will not affect the perceived time sensitivity between Germany and the Netherlands when looking at both the time that is needed to conclude a contract and the punctuality within both countries (Salacuse, 2003). There was no consensus about the time needed to enter into a contract; only Mr Schiele offered a possible explanation as to why Dutch companies take longer to conclude contracts than German companies. It has to be said that while this could be an explanation, it cannot be confirmed using the answers of other respondents; this could be a possible recommendation of a topic for future research.

About punctuality, all respondents were very clear: 12 of the 15 respondents mentioned that Germans are far more punctual than the Dutch. This can be related backwards to following rules strictly within a stronger uncertainty avoidance culture (Hofstede, 1980; Aquilon, 1997; Davis and Ruhe, 2003; Hofstede, Hofstede and Minkov, 2010).

The other two points mentioned in the case study presented in chapter 4 were the form of contracts (beginning very general and working towards agreements that are more specific or already starting with the specific part of a contract from the beginning) and corruption. There was no clear consensus as to what can be viewed as normal for either issue. Interestingly, six of the Dutch respondents thought that German contracts are very specific from the start, whereas Dutch contracts often contain a more general introduction. Unfortunately, this cannot be confirmed in this research. As a result, it can be assumed that the way in which contracts are drawn up will eventually have no effect on the success of a foreign market entry form (for example, for ESPS).

The corruption question was seen as very difficult, and most of the respondents could not answer it before receiving further explanation. Thereafter, 8 of the 10 external respondents mentioned the differences between what Mr Schiele referred to as final decision making and no final decision making.

It can be assumed that Germany and the Netherlands differ significantly in this decision making. In Germany, clear decisions are made and included within a contract; final decision making is preferred, after which parts of the contract can no longer be easily changed (Jansen and Komorowski (DNHK), n.d.). It is assumed that it is necessary to ensure there is good communication about things that should be included within contracts that companies must adhere to, as nothing can be easily changed by either party after such decision making in Germany. When something in the contract must be changed, for example to have a longer delivery time, the change will not be appreciated – but the change can be achieved so long as there is good communication.

Next to the differences that can relate to the uncertainty avoidance perspective there can also be differences in relation to a country's masculinity or femininity.

#### MASCULINITY-FEMININITY

There is a significant difference between the levels of masculinity of these two countries; Germany (66) has a much higher level of masculinity than the Netherlands (14). Not all respondents mentioned these differences of higher masculinity in Germany. Some of the respondents even thought that the Netherlands could be considered as having a more masculine culture. It should thus be questioned if the respondents understood what these two concepts mean. Most of the respondents defined these two concepts as equality between men and women. After receiving more explanation, some respondents altered their definition. In total, 11 of the 15 respondents thought that Germany is more masculine than the Netherlands. According to Hofstede, Hofstede and Minkov (2010), this is correct. Some respondents perceived Germany as more masculine because there are more men in higher positions, while others stated that people in Germany are more focused on power and status (Jansen and Komorowski (DNHK), n.d.). This can be seen in status symbols, which are important in Germany. A German does not drive a cheap car; Mercedes, BMW, Audi and Volkswagen are the most common car brands bought (Automobilwoche, 2014; Visser and Prinsen, 2013). Mrs. Antonissen explained that while status is also important in the Netherlands, people there are more sober regarding to status symbols. It can be assumed within this research that Germany is more a masculine culture. Although the effect of masculine cultures on doing business is not clear.

#### SUB CONCLUSION

Overall, it can be concluded that market entry involves risks, especially in the form of the cultural differences that can exist. A business needs to bear these differences in mind. What has been made clear in this research is that one of the largest cultural differences between doing business in Germany and the Netherlands is that German businesses have a much higher hierarchy. As has been shown, the difference in the hierarchy strength cannot be explained by the power distance, but rather by the strength of the uncertainty avoidance in the two countries. Germany (65) has a stronger uncertainty avoidance culture than the Netherlands (53). This stronger uncertainty avoidance culture explains Germany's stronger business hierarchies; stronger rules; more clearly defined responsibilities; and more risk-averse behaviour. The strength of hierarchies in German firms also eventually explains why individuals with higher ranks (most often managers) are more often present at meetings and why they have the authority to take decisions. These hierarchies in Germany are shifting to become flatter, due to the inefficiencies experienced within these systems. This shift has no effect on the time sensitivity of Germans. Punctuality is – and will continue to be in the future – very important for German businesses. Other cultural differences may relate to the level of masculinity within both countries. Germany can be regarded as more masculine, while the Netherlands is regarded as more feminine. In Germany, more men have higher positions within firms and power and status are more important than in the Netherlands; this is especially true of cars, which are seen as important status symbols in Germany. The real effect of this masculine culture on doing business in Germany cannot be made clear, an exception on this statement is the effect of status symbols on doing business in Germany.

### 5.3 COMMUNICATION

#### LANGUAGE

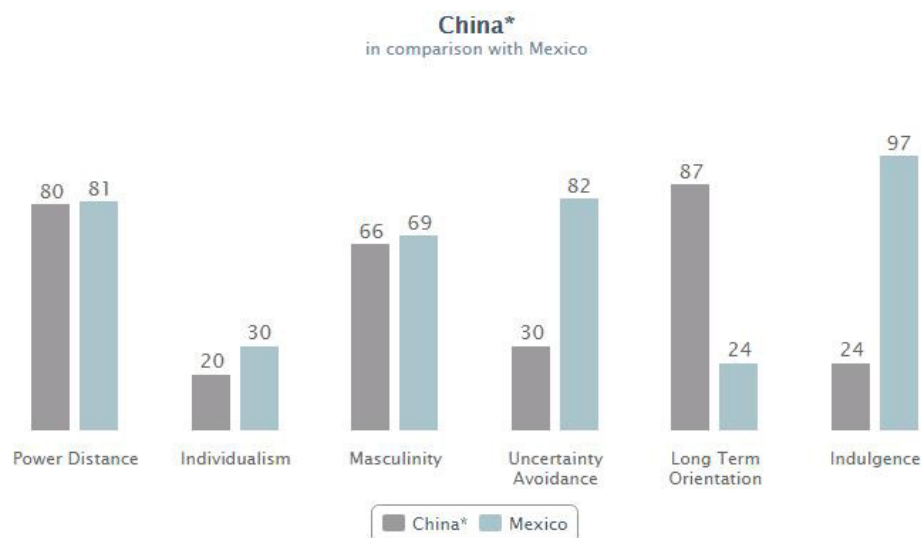
In relation to the importance of the German language for doing business in Germany, all respondents were very clear: 11 of the 15 respondents assigned a grade of 3 (using a scale in which 1 indicates the unimportance of speaking German and 5 indicates the importance of speaking German). Conway Nederland B.V. even gave a 6. Some respondents did not give a grade, because they were not sure; on the one hand they thought German is important, while on the other hand they thought Germany is increasingly adapting to the international business environment and thus embracing the importance of knowing English. It can be assumed that speaking German is particularly important for doing business with German SMEs (Visser and Prinsen, 2013). This was also confirmed by nine of the respondents, who noted that while people speak and give attention to English in international companies, German is very important in small and often non-international firms due to the older generation of employees' limited ability to have business conversations in English. These cultural differences related to communication could frustrate negotiations (Cohen, 1997). According to Blommaert (2010) and Langeveld (2012), language can be a particular difficulty within negotiations; if someone does not have enough knowledge of German, it is better to speak English (when possible) – but speaking German creates huge advantages. This statement was confirmed in the literature. When parties have to verbalize in a language that is unfamiliar to both, the results are lower than when one party tries to speak in the native language of the other party (which is not his or her own) (Van Mulken, 2010; Langeveld, 2012). It is important to keep in mind that ESPS always has to clarify what it means no matter what the language of communication is; the sender is the one responsible for the success of communication (Lewis, 2003). Communication can eventually affect commitment, cooperation, coordination, high levels of trust and performance in a positive way (Anderson and Weitz, 1989; Coote, Forrest and Tam, 2003; Leonidou et al., 2014; Nes, Solberg and Silkoset, 2007; Phan, Styles and Patterson, 2005; Zhang et al., 2003), which is why all of the respondents indicated that one has to be careful with the forms of address that are used in conversations.

#### THE USE OF FORMAL FORMS OF ADDRESS

All of the 15 respondents mentioned the importance of taking care with the forms of address one uses. In Germany, using Sie is perceived as courteous and proper in business situations. In the Netherlands, respondents noted that people use first names much too often. Using Sie is also indicated as the form to use when distance between each other needs to be established. Overall, it can be assumed that using the right form of address will create more distance between individuals, which is perceived as the more formal style of communication (Shadid, 2008) that German businesses prefer.

#### THE USE OF BODY LANGUAGE, HAND GESTURES AND EMOTIONS

The use of body language, hand gestures and emotions depends on the uncertainty avoidance levels of both countries. Germany has a stronger uncertainty avoidance culture than the Netherlands, according to Hofstede, Hofstede and Minkov (2010). It can thus be said that body language is used less to express feelings and that showing emotions is not favoured (Davis and Ruhe, 2003). The answers given by the respondents cannot confirm this. All of the respondents gave different answers, and no clear consensus answer could ultimately be identified. This can possibly be explained by the fact that Germany and the Netherlands do not have very different uncertainty avoidance scores on the index of Hofstede, Hofstede and Minkov (2010), as shown in figure 12. With a score of 65, Germany can be regarded as having a somewhat stronger uncertainty avoidance culture than the Netherlands (53), but this difference is not as strong as for example the difference between Mexico (82) and China (30). Germany (65) has a strong uncertainty avoidance culture, although Mexico's (82) is stronger. Furthermore, while the Netherlands has a somewhat weaker uncertainty avoidance culture (53) than Germany, it is not as weak as China's (30). It can be assumed that the differences between Mexico and China will be far more visible than the differences between Germany and the Netherlands. This could possibly explain why some respondents stated that Germans use more body language and show more emotions, whereas other respondents stated that the Dutch do these things more often.



**Figure 14: Comparison of the Hofstede perspectives between China and Mexico (Hofstede, Hofstede and Minkov, 2010)**

#### SUB CONCLUSION

Communication will eventually determine a firm's success in a foreign market. With this subchapter, it can be concluded that language is an important aspect of communication. In Germany, it is still important to have knowledge of German, especially when one wants to do business with SMEs and family-owned firms (as they often have less experience with the international market and therefore also with English). The more a business is directed towards the international markets the more experience such a business has with English. According to the respondents, the importance of German also differs by generation. Older generations were not raised with an education of the English language, whereas younger generations are in touch with English on a daily basis (e.g., at school, on television and via social media). Businesses have to express what they want to achieve, in either English or German; the most important thing is that their message is received correctly.

Another important aspect of communication is the form of address to use. Care is needed when using du as the form of address. To avoid making mistakes, a business can always use Sie in Germany; this is both more polite and necessary for maintaining sufficient distance.

Due to the effect of communication on the success of a business in a foreign market, it is important to know which communication methods have to be used in that foreign market. Intercultural communication will always differ from communication with and in a home market (Lustig and Koester, 2005). That is why the chosen channels are explained as they relate to the business model canvas of Osterwalder and Pigneur (2010).



## 5.4 BUSINESS MODELLING



### 5.4.1. CHANNELS

From the internal interviews, it was clear which channels ESPS normally uses in its home market (with business partners as the most important channel). These respondents indicated that different channels have to be used in the German market, especially when considering IT. The adaptation of IT is different in different cultures (Gallivan and Srite, 2005). Some respondents mentioned the reluctance of Germans to use IT in business, which explains why firms do not often use social media as a communication method for reaching new customers or communicating with existing customers; only larger businesses in Germany use social media as a channel. According to 12 of the 15 respondents, Dutch businesses use social media as a communication channel more often than German businesses. One exception has to be reported, namely MT Derm. This company produces tattoo needles; as the tattoo world is very active on Facebook, the company attaches the most value to this platform. Some respondents had experienced a shift in the use of social media in Germany, but more in the business-to-consumer market than in the B2B market. It can therefore be assumed that the most important channels for reaching new customers are not free or web based (Maurya, 2012).

Businesses can use multiple channels to reach and communicate with new customers, including e-mail, websites, social media, telephones, meetings, conferences, business journals, brochures and exhibitions (Osterwalder, 2004; Hennig-Thurau, Malhotra, Frieger, Gensler, Lobschat, Rangaswamy and Skiera, 2010). According to the respondents, German businesses attach the most value to exhibitions and more traditional forms of communication channels, such as telephones, meetings and e-mail. Exhibitions are important for getting a good first impression of new customers; thereafter, meetings and telephone/e-mail traffic are appreciated. The Dutch largely have a verbal orientation, while Germans appreciate written representations (Jansen and Komorowski (DNHK), n.d.). Mrs. Antonissen and Mr Schiele mentioned the same: making a first contact by telephone would have lower success rates in Germany. It can therefore be assumed that communication channels that entail face-to-face contact are the most valuable channels to use in the German market.

#### SUB CONCLUSION

It can be concluded from this that in the Netherlands, business partners are normally the most important channels for establishing contact with new customers. This channel does not apply in Germany, simply because a business entering a new market often does not have business partners in that market. Other channels have to be used to reach new customers in Germany, and face-to-face contact will have higher success rates than telephone contact. Exhibitions and other conservative forms of communication (e.g., mail, meetings) have the most value in the German market. The rise of new media has created more possibilities for reaching new customers. Dutch businesses are using social media more than businesses from other countries, including Germany. A shift in firms' use of social media is being experienced in Germany, and large firms in the business-to-consumer and B2B markets are using social media more frequently than before.

According to Edgecliffe-Johnson (2008), can threaten new media established business models, although extensive opportunities for new business models are also being created at the same time (Hennig-Thurau et al., 2010). The channels that will eventually be chosen will greatly influence the customer relationship part of the business model canvas developed by Osterwalder and Pigneur (2010)



### 5.4.2. CUSTOMER RELATIONSHIPS

A surprising point mentioned by the respondents in this research pertained to the differences between business orientation and relationship orientation in the Netherlands and Germany. The Dutch can be regarded as primarily relationship driven, while Germans are more business oriented; the first goal of the latter is to make good deals and generate revenue, and relationships do not appear to be very important. An increasing amount of attention is being given to the relationship part of doing business in the Netherlands. In addition, the literature research also revealed that getting a preferred customer relationships with some suppliers becomes more and more important for global sourcing research (Schiele, 2012; Slowinski, Hummel, Gupta and Gilmont, 2009; Wagner, 2009; Steinle and Schiele, 2008). According to the respondents, the Germans are also becoming aware of this shift towards preferred customer relationships, especially vis-à-vis at the level of innovation. German companies believe that innovation is important and that they are lagging behind in this area; as a result, German companies are likely to work with Dutch companies that are considered more innovative (Visser and Prinsen, 2013).

#### SUB CONCLUSION

Overall, it can be concluded that Germany is more business oriented and views quality as the most important concept. German companies are not very oriented towards relationships, but they experience the gap between the Netherlands and Germany regarding the innovativeness of businesses within these two markets. As a result, German companies like to work with Dutch companies in order to obtain the innovativeness that these relationships result in. This cooperation can ultimately create more (sustainable) competitive advantage for these firms. The next section offers more insights into the VRIO framework that could be applied to ESPS.

VRIO

VALUE

VALUABLE  
RARE  
INIMITABLE  
ORGANISATION

### 5.5. THE RESOURCE-BASED VIEW, VRIO FRAMEWORK AND PREFERRED CUSTOMER RELATIONSHIPS

All respondents indicated that the business culture of ESPS could be defined as changing from a service supplier into a system integrator. The firm could be considered an open organization with an informal character but sufficient knowledge about robotics and machinery. On the one hand, this research should focus on Porter's five forces model, which he introduced in 1980. Are there threats of new entrants or substitute products and services? What is the bargaining power of suppliers and what is this power for buyers? Porter's five forces are important to keep in mind, although it is assumed that the product that ESPS can deliver could be decisive and of more value to investigate. ESPS integrates already existing proven technologies and next to that they deliver 24/7 services. Instead of analysing all different aspects of the Porter's five forces, it can be of more value to investigate the business itself; a good insight of the position of this company within a German market can be developed. Another important thing to mention is the insight into the competitive advantage ESPS can establish. How can this competitive advantage eventually be sustained to become successful in the German market.

The integration of proven existing technologies is what ESPS will deliver to the German market; it has the both knowledge and the capabilities to deliver this product/service. Without organizational capabilities, ESPS could have a very good product. However, this is not enough to sustain a competitive advantage over the long run, especially in a foreign market (Amit and Schoemaker, 1993; Barney and

Hesterly, 2012). In addition to offering a robot with extended value, ESPS also integrates robots sourced from different suppliers. The integration of these proven technologies results in a product that does not exist anywhere else. According to the internal respondents, it could be that when other businesses also find ways to integrate proven technologies within their systems, the product delivered by ESPS will no longer be regarded as inimitable. The technologies from different companies are all proven technologies; that is their strength. Once it completes a product, ESPS provides services whenever there are complications or errors within the systems. In an effort to deliver the best possible product, ESPS also provides workshops and training modules. In order to make machines with sourced robots and deliver these proven technologies, ESPS has established long-term relationships with its suppliers. This is why ESPS can deliver its products for a low price and is relatively flexible. The long-term relationships that ESPS can establish could provide a resource that is often difficult to imitate and can be regarded as firm addressable (Sanchez and Heene, 1997; Steinle, 2005). Before such relationships can be developed, ESPS needs to adapt to the German market and perform very well in order to attract attention from German businesses; possible relationships can be built thereafter. However, how can ESPS build up such relationships in the German market? This question remains difficult to answer and needs some further research in relation to cultivating a preferred customer relationship. A possible answer is given in chapter 6 (Conclusion). Dyer and Singh (1988) and Trent (2005) also indicated that the difficulty of achieving a preferred customer relationship often limits businesses' global sourcing options. According to Schumacher et al. (2008), it is of great importance to become attractive to the buyer as a supplier; this also applies to ESPS.

#### SUB CONCLUSION.

**VALUE** – The value that ESPS can deliver is the integration of existing proven technologies. After these technologies have been delivered, its predominant competitive advantage can be the 24/7 services that it guarantees. The company has sufficient knowledge and capabilities to deliver what is expected by most customers.

**RARE** – In addition to the products and service that ESPS delivers, the firm also has the possibility to show its integration of proven technologies in the Robot Experience Center. This facility can be used for workshops and trainings, although such support will also be delivered on site at other businesses when machinery is being delivered.

**INIMITABLE** – The inimitable aspect is that after providing workshops and trainings, relationships with other business that are often difficult to access can be built up. These relationships are difficult to imitate for other businesses. Established long-term customer relationships could lower prices and increases flexibility in attaining important resources for ESPS. The customer relationships can be regarded as firm-addressable resources that are difficult to imitate.

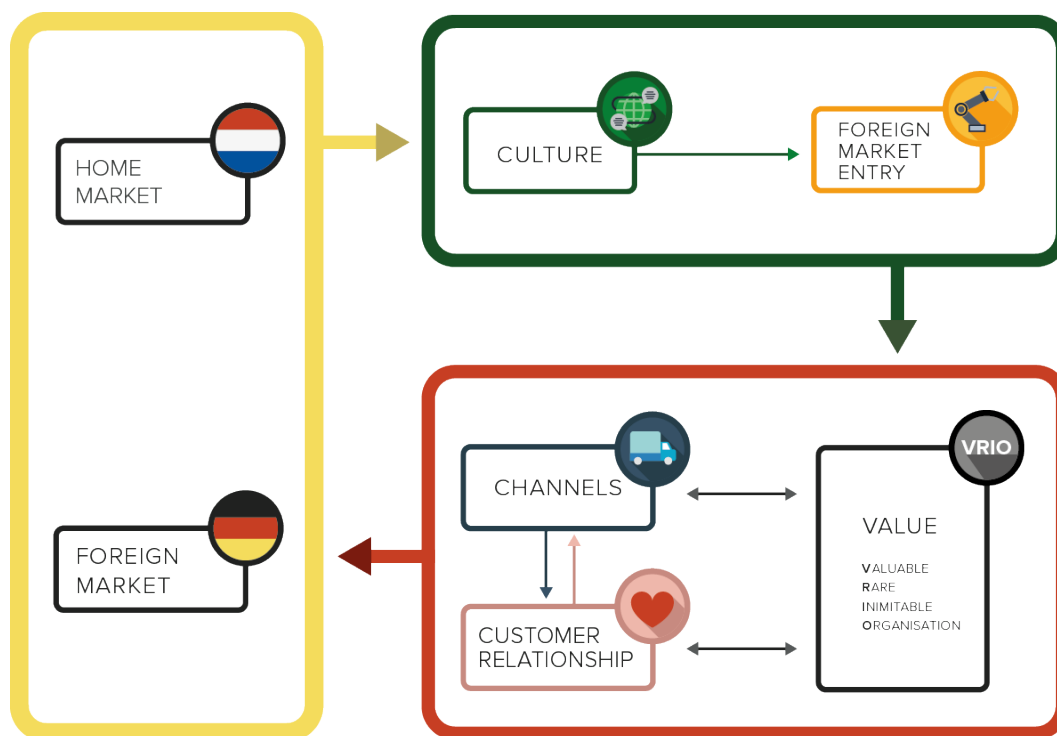
**ORGANIZATION** – The organization has the right capabilities to attain a valuable, rare and inimitable resource in case of customer relationships and delivering a valuable product. To obtain such relationships, it is important for ESPS to first adapt to the German market. If German companies experience the effort of ESPS, they will be more willing to work with it. This is because they experience advantages by working with Dutch companies in the form of techniques that are more innovative than, for example, what German companies can offer.

## 6. CONCLUSION

The purpose of this study was to find an appropriate answer to the established research question; this answer is given in the form of a model that can be used by a business such as ESPS to enter (foreign) markets. This model can be regarded as an altered version of the business model canvas of Osterwalder and Pigneur (2010) compared with the VRIO framework that was developed by Barney (1991). The main research question is as follows:

*In what way should a business alter its marketing strategy to successfully enter markets abroad, taking cultural differences in doing business into account?*

The qualitative research approach used in this study shed some more light on the considered concepts (namely foreign market entry, culture, communication, business modelling, channels, customer relationships and the VRIO framework) by reviewing existing literature. Different aspects of the literature review were then linked to each other, which resulted in the following model.



**Figure 15: Model created by comparing the different literature perspectives**

A total of 15 interviews were conducted to test whether the model is appropriate to use, to see if the different concepts discussed within the theoretical framework can be linked to each other and to gain more insights into the possible differences between doing business in the Netherlands and doing business in Germany.

The question is whether it is appropriate to use the different concepts from the literature and relate them within the model presented in figure 15. Different entry modes exist for companies that want to enter (foreign) markets; each has its own benefits and disadvantages (Sharma and Erramilli, 2004). Successful foreign market entry depends on the entry mode decisions that firms make; these decisions can have crucial implications for their competitive advantage when operating abroad (Nakos and Brouthers, 2002; Mayrhofer, 2004; Morschett et al., 2010; Wind and Perlmutter, 1977; Erramili and Rao, 1993; Root, 1987, Davidson, 1983; Hill, Hwang and Kim, 1990).

In this study, the chosen entry mode is export. The firm ESPS uses both direct and indirect export (the former because it utilizes intermediaries such as MKV consultants). It chose export as its foreign market entry mode even before this research began, which is why this study did not look to other foreign market entry modes. As supposed earlier, this could be a limitation of this research. A recommendation for future research is thus to conduct this study using more than one foreign market entry mode.

Culture also influences communication between businesses from different countries. Blommaert (2010), Langeveld (2012) and Muller et al. (2006) have mentioned that language can frustrate negotiations between companies from different countries. It is therefore very important to choose the right communication channels for reaching possible or already existing customers (Osterwalder and Pigneur, 2010) and building strong relationships or even obtaining (preferred) customer relationships (Osterwalder and Pigneur, 2010; Aladwani, 2003).

Culture can be analysed using Hofstede's perspectives on culture (1980). These perspectives explain many of the cultural differences, including uncertainty avoidance and masculinity-femininity. The largest cultural difference that businesses have to take into account is the strength of hierarchies within companies, where the hierarchies in German firms are much stronger than those in Dutch companies. This can explain some of the other cultural differences. Strong hierarchies exist within stronger uncertainty avoidance cultures; in these cultures, people are more risk averse, rules are stronger and more clearly defined responsibilities exist. This also explains the attendance of higher-ranked individuals in meetings, as well as their responsibilities and decision-making authorities. Germany is experiencing a shift towards flatter hierarchies, like the hierarchies within businesses in the Netherlands; this because of the looser and very pleasant work force that is experienced, but for all in order to avoid inefficiencies. Reporting to higher-ranked individuals takes time and is therefore more inefficient.

Uncertainty avoidance cultures can explain differences in culture between doing business in Germany and the Netherlands; the masculinity and femininity levels in both countries also reveal some differences. Germany can be assumed to be more masculine than the Netherlands, which could explain Germans' preference for status symbols (such as car brands).

A firm has specific resources, which could relate to the resource-based view and especially to the VRIO framework developed by Barney (1991). To gain a sustainable competitive advantage, a business needs to have resources that are valuable, rare and inimitable and the organization needs to have the right capabilities. These resources could be divided into firm-specific resources and firm-addressable resources (Sanchez and Heene, 1997; Hoops, Madsen and Walker, 2003). An example of a firm-addressable resource is a preferred customer relationship; the VRIO can therefore be linked to the right side of the business model canvas of Osterwalder and Pigneur (2010). These resources, which are experienced as the perfect VRIO resources, are obtainable by ESPS. The company already delivers proven existing techniques and pays special attention to service; it could also use training and the Robot Experience Center, which can be defined as firm-addressable resources, to obtain customer relationships. Firm-addressable resources are difficult for other businesses to imitate and can eventually create a sustainable competitive advantage for ESPS.

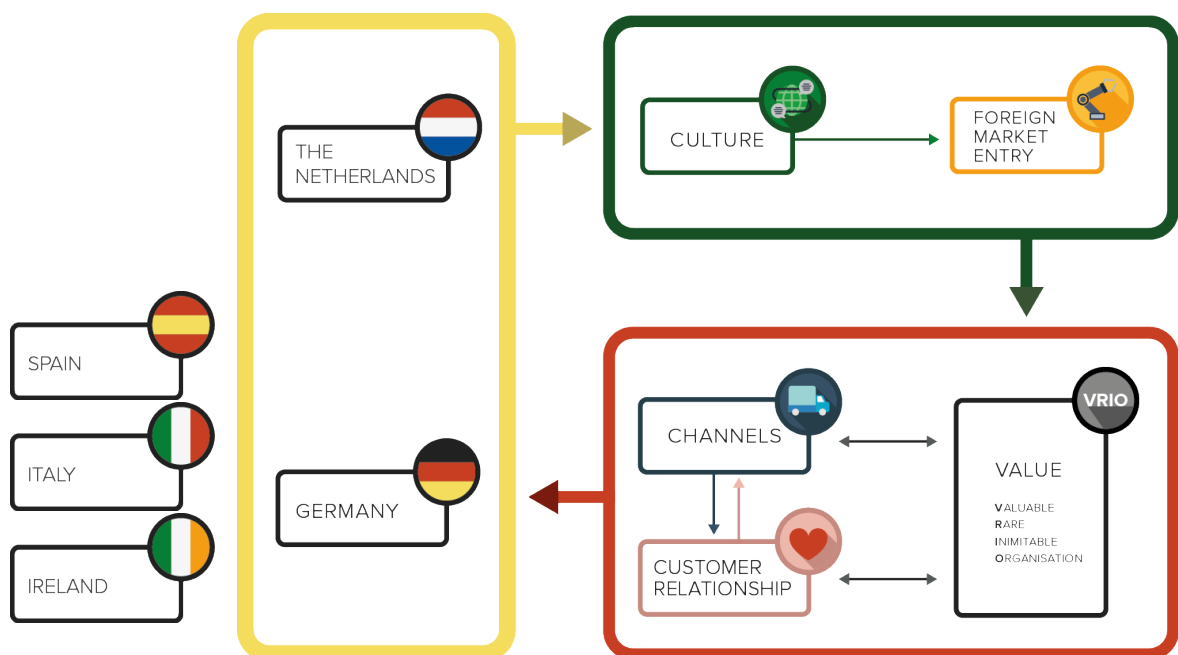
The channels and customer relationships that will be used can eventually be regarded as the solution for entering a foreign market successfully. In this research, exhibitions and more conservative channels (e.g., telephones, mail and meetings) are the most important for reaching new customers and cultivating customer relationships with businesses in the German market. Social Media is extensively more used in the Netherlands than in Germany, although a shift can be experienced within Germany. Bigger companies are more adopting social media as a valuable channel to reach new customers or to communicate with already existing customers. This trend is just not as developed as in the Netherlands.

The use of different channels and obtaining customer relationships will vary for each market and culture and can be researched using Hofstede's perspectives. The customer relationship that can ultimately be built makes or breaks the success of a business when entering a foreign market.

An important question is whether it is appropriate to use these different concepts. The foreign market entry theory is relevant and often used within literatures studies that look at culture (Mitra and Golder, 2002). While theory about the VRIO framework is relatively new, it is good for investigating a company's inside abilities and how they will lead to a (sustainable) competitive advantage (Hollenstein, 2005; Gouthier and Schmid, 2003; Knight, 2000).

The more interesting question within this research is whether Hofstede's perspectives (which were developed in 1980) are still relevant. Hofstede's work is often extensively used in research concerning culture, even though it received much criticism. The most relevant criticisms mentioned can be found in further detail in chapter 2.2 (Culture and Communication), but in short they include a lack of generalizability (Smit, 1992; McSweeney, 2002; Magnusson et al., 2008), the fact that measures of culture are very limited in predicting ethical beliefs across cultures (Nyaw and Ng, 1994) and the often criticized homogeneity of cultures (Sivakumar and Nakata, 2001; Rarick and Nicekerson, 2008). However, according to Ford et al. (2003) and Gallivan and Srite (2005), it is impossible to mention culture without referring to Hofstede's perspectives, as it is still the most used theory of culture in research. It can therefore be assumed that Hofstede's perspectives are still relevant to use, although a recommendation for future research is to perform this research with other theories about culture and ascertain if there are differences.

When attention is turned to the appropriateness of using the business modelling theory of Osterwalder and Pigneur (2010), it could be assumed that other building blocks of this theory could also be used. This is particularly true, but for the scope of this research other building blocks were omitted to focus specifically on the best channels and customer relationships to use to enter a foreign market successfully. Looking at figure 16, it can be assumed that the left side of the model can be aligned with the value proposition component of Osterwalder and Pigneur's (2010) business model canvas, while the channel and customer relationship part can be assumed as the right side of a business model canvas of Osterwalder and Pigneur (2010) and could serve as a solution for entering (foreign) markets. Eventually this model should be usable for comparing cultural differences among all countries and providing solutions in the form of channels and customer relationships, as supposed within figure 16.



**Figure 16: Model can be used for different countries**

## 7. DISCUSSION: LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

### 7.1 LIMITATIONS

A limitation could be that the work of Hofstede, which dates to 1980, may be regarded as somewhat old and out-dated. According to Javindan and House (2001) and House, Javindan, Hanges and Dorfman (2002), "In recent years, there were more and more studies applied in the field of culture; such as the global leadership and organizational behaviour effectiveness research (GLOBE) project". According to Wiengarten et al. (2011), Trompenaars and Hampden-Turner (1998, 2000) and Schwartz (1994) have also developed less relevant models of national culture. For future research, it could be possible to investigate these differences using other models to define national culture.

When talking about culture, Mr Schiele notes that differences may exist between culture and folklore. Folklore is everything that people create or have created, which reflects a daily development process. In contrast, culture can be defined as: *"the collective programming of the mind, which distinguishes the members of one group or category of people from those of another"* (Hofstede, 1984). A possible limitation of this research is that is something that has been considered culture in reality may actually instead be folklore.

In addition to the two points mentioned above, it could be that while Germany has a national culture, different areas of Germany also have sub-cultures that describe the people who live there. For example, there may be modern Germans in the north and very conservative Germans in the south. The same could also be true for the Netherlands. Comparing the German and Dutch cultures can be somewhat biased if different subcultures exist. Hoffman, Geldorf and Koning (2014) did conduct a study about differences between cultures and people; they assumed that: "not cultures but people do meet each other." Everyone has different characters and beliefs. This means that while someone may be seen to adhere to one culture in Germany, in reality people react differently and prefer different things due to their beliefs and attitudes.

It could also be noted that both countries have been affected by the many immigrants who have entered them in recent years. These immigrants also need to go to school, graduate and eventually find jobs. They can even alter what is regarded as the German culture. In this case, both the Dutch and German cultures may increasingly be re-shaped into more international-based cultures. Both countries have multiple religious and ethnic cultures living together; these demographic changes and the increasing societal diversity can be defined as super diversity, according to Vertovec (2007) and Hoffman, Geldorf and Koning (2014). Sarma (2012) also studied super diversity within societies, that research indicates that growing super diversity cannot easily be explained by looking at the ethnical definition of culture and identity; "it shows more how layered, context sensitive and changeable people socially are in organizing and identifying themselves." Super diversity can have an impact on doing business and defining culture in this regard; as a result, it could be assumed that there will be more diverse and complex cultures within countries such as Germany and the Netherlands.

Another possibility is to relate limitations to the interviews that are conducted; here one of the most known limitations is that interviews are often based on perceptions. All variables that are investigated within this research can be seen as perceptions and therefore defined as subjective. In addition, when a respondent faced some differences between doing business in the Netherlands and doing business in Germany, one could say that no differences were actually involved – it was just this individual's perception. Questions which involve perception can be manipulated as a result of a sensitivity to lies. Another possible explanation is that a respondent did not want to acknowledge any differences for a variety of possible reasons. One reason could be that the German respondents were all German customers of ESPS, apart from IVAM (in this case, ESPS is a customer of IVAM). It could be assumed that their answers were biased due to their loyalty to their companies. In Germany, one is very careful about giving negative statements or feedback to companies in order to avoid conflicts (Visser and Prinsen, 2013). It could be that these companies do not want to risk their relationship and therefore gave the answers they thought would be polite and kind towards ESPS. The fact is that these interviews with German customers (namely MT Derm and Donaldson) and business partners (IVAM) were arranged with people inside ESPS. Once these companies agreed to participate in this study, they needed to grant permission to contact them and subsequently schedule interview appointments. As such, all of them were aware of the fact that this research was conducted from within ESPS. Their answers could as a



result be biased, which could form a limitation of this research.

Another reason might be that answers to these questions may involve personal opinions about circumstances, instead of experiences with a subject. This can make questions inappropriate to use, which would be a significant limitation of this study.

Another limitation could be that biases arise due to the fact that some people did have to verbalize in a non-native language. The interviews were conducted in three different languages: Dutch, German and English. Translating answers adds a risk of losing the correct meaning, which can form biases (Van Mulken, 2010). According to Langeveld (2012), "Individuals always find it harder to answer a question in a non-native language than in their native language." When a German respondent answers in English, this person may use a word with another intention than what is interpreted by the interviewer.

It was assumed in this research that both countries and markets were different with all other things mentioned being equal (*ceteris paribus*). There can of course be differences within subjects that this research considers as being equal. A good question to ask is whether different perceptions about the technology that can be used in automation techniques exist. A limitation can be that answers given to this question could be biased (for example) because Dutch and German respondents have different views on what is regarded as automation technology.

## 7.2 RECOMMENDATIONS FOR FUTURE RESEARCH

Some possible recommendations for future research can be that a study should not only focus on export as a foreign entry choice, but also on more than one foreign entry mode; this research focussed only on export as a foreign market entry choice. Other interesting modes to enter (foreign) markets could be available that are not mentioned in this study. All foreign market entry modes can be compared within that case, with the correct and most successful foreign market entry mode being chosen for entering markets (abroad).

For future research, it is also important to mention cluster theory. Technical markets are often strong and frequently feature the clustering of firms (Steinle and Schiele, 2010). When reviewing preferred customer relationships clustering theory is also an often faced concept within literature studies. It could be assumed that preferred customer relationships will have an effect on clustering within markets and the other way around. It would be interesting to test this assumption.

The third point worth mentioning is that there could be other differences that this study does not indicate but which could be of particular importance, such as different regulations. Not all respondents mentioned many differences, including in relation to different regulations that need to be taken into account. For future research, it may be of interest to also investigate differences concerning regulations. One can suppose the regulations used most often, but regulations on matters such as the safety of workers in a technical area are often overlooked. How is this safety be regarded in the workplace and what does a business within a particular country do to ensure this safety, for example when it loans a worker to a business in another country? It is important to clarify things such as regulations and safety matters before starting a relationship with a business from a foreign market. The risk of losing money or even workers will decrease in such circumstances.

In addition, regulations about bank guarantees could also be taken into account in future research. Some respondents requested investigating the differences that could exist. It is briefly mentioned in this research that these differences can exist, but obtaining deeper insights into this subject could be an important part of future research. In Germany, it is normal to include bank guarantees in contracts; in the Netherlands, however, this is often avoided. This could be a possible research subject if the financial differences between two countries are being investigated. Taking other building blocks (e.g., example revenue streams and cost structures) from the business model canvas of Osterwalder and Pigneur (2010) into consideration could therefore also add value to future research. Instead of only looking at the right side of the business model canvas (i.e. channels and customer relationships), these other building blocks could provide different – and perhaps more – insight into differences that can exist between markets in different countries.

Finally, it could be useful for future research to test these assumptions within different industrial, institutional and economic contexts.

## APPENDIX 1

### POWER DISTANCE

*Large power distance cultures* have power more separated in comparison to smaller power distance cultures. People are accepting unequal distribution of power. Strong hierarchies do exist and strong norms and values characterize these cultures. Weaver (2001) stated for example that: “Organizational superiors are treated as somewhat inaccessible, irreproachable, and entitled to their organizational power.” There is more respect for authority; because of the strong authority, subordinates want to be told what to do; this can be related to theory X of McGregor (1960). This results in more distance between employees and managers. Managers are seen as those with much power, emotional distance for employees is higher; that is why they will experience more intimidation by managers (Aquilon, 1997). This autocratic leadership and power results in a decision making which is very centralized (Davis and Ruhe, 2003). According to Davis and Ruhe (2003) have power to be shown by powerful people. Other characteristics of large power distance cultures can be: a wide salary range, low participation, “the boss is right,” privilege, status symbols and at last people place emphasis on titles and ranks.

*Small power distance cultures*, people are less accepting unequal distributions and power; inequality is minimized. There is less emphasis on authority; which would lead to more corporation, participation and harmony within the society and on the work floor (Weaver, 2001). Superiors and subordinates are more willing to treat each other as equal, which can explain the unimportance of status symbols and the sometimes completely ignorance of it (Davis and Ruhe, 2003). Because of the minimal inequality, employees and subordinates negotiate with each other about new ideas and opportunities; decisions will be made on the basis of these negotiations and not by managers alone (decentralization). That is not all; there is more openness towards discussions with superiors and actions of superiors can be questioned. Overall employees are less dependent on superiors and there is more transparency (Aquilon, 1997; Francesco and Gold, 1998). That is why in these cultures there is potentially less corruption, which is investigated by Francesco and Gold (1998). Because of greater attendance towards employees, one will be earlier with reporting suspicious circumstances comparing to cultures with more distance between superiors and employees. Often employees in large power distance cultures do not see such things and when they see it, they are frightened to report abuses (Davis and Ruhe, 2003).

### UNCERTAINTY AVOIDANCE

*Strong uncertainty avoidance cultures* are characterized by persons that are afraid of ambiguity and uncertainty. Preference for structure and formal rules is high; one is searching for solutions that are more rigid. Rules are strictly followed and authorities are expected to be true and correct. As Aquilon (1997) stated: the religious beliefs are more absolute, representing “the Truth; Laws are stricter, punishment harder.” Technology is there to prevent uncertainties from nature and laws are there to prevent uncertainties from people. Conflicts should be avoided within the hardest form; people with deviant behaviour and unpredictable ideas will not be tolerated (Davis & Ruhe, 2003). People are busier and relatively aggressive; emotions are stronger and people are talking more with body and hands (Aquilon, 1997). The word nationalism is often related to cultures with strong uncertainty avoidance, people hold on to what they have and feel more certain when belonging to a particular group (Hofstede, 1980). The strictly rules results in a bureaucratic perspective with a centralized decision making (David & Ruhe, 2003). Job security is for example more often seen; also, career planning can be a procedure which gives more certainty. All things employees do within a company will be tightly controlled to make sure that nothing goes wrong (Davis & Ruhe, 2003).

*Weak uncertainty avoidance cultures* are more accepting uncertainty. People are more open for risk taking. Even ineffective rules satisfy emotional needs. Within these cultures, people are more relaxed, relatively slow and lazy; body language is used less to express their feelings compared to people from strong uncertainty avoidance cultures. Even showing emotions is expected as a social dislike when someone does this in public. People are not dependent on rules and do not hold themselves by for example nationalism; according to David and Ruhe (2003): “nationalism is less pronounced and is there more tolerance for protest and other such activities.” People are overall less stressed and resistant to change is in this circumstances a unique thing. On the work floor structures and formalities are not often used words. In addition, precision and punctuality is not as strict as it is in strong uncertainty avoidance cultures (Metcalf et al, 2006).

## MASCULINITY – FEMININITY

*Masculinity cultures* are characterized by more aggressive and assertive behavior. They are more focused on competing and performance. According to Hofstede (1980) masculine individuals are: “though-minded, egotistical, materialistic and prepared to resolve conflict through force rather than consensus.” Success and money are very important within such societies; the emphasis is on material things. A competitive role with emphasis on big incomes and possibilities to make promotion is often reflected by a masculine culture. Roles between men and women are clearly separated (Hofstede, 1980; Aquilion, 1997). It is expected from the men to be tough unlike women who have to be softer (Davis and Ruhe, 2003). Women are not expected to work and when they will be working, it is expected that they often will fill in the lower positions. Decision making is more centralized, because of the strong hierarchy between managers and employees. Working will be within fixed roles, where it is clearly described what have to be done and by whom (Hofstede, 1980).

*Femininity* is more orientated on relationships; quality of life is favored and welfare of others is concerned. The emphasis is on modesty. Feminine cultures are more directed towards equality, solidarity and quality of work life. Looking at the work floor within feminine cultures people like to have good relationships with their colleagues but also with their managers. Emotions play a bigger role. People are more concerned about each other’s feelings, condition and welfare; “social needs could dominate over productivity” which resulted from the research of Adler (2002). Now women and men can have the same functions and women have the possibility to climb the career ladder. Managing can be done by men as well as women, they together have to make decisions and work with each other to be successful. The work is more decentralized compared to masculinity cultures. Everyone is the same within an organization, so everyone is willing to corporate and negotiate with each other. Instead of money and status are time-off, improved benefits and symbolic rewards particular important within a feminine culture according to Francesco and Gold (1998).

## INDIVIDUALISM – COLLECTIVISM

*Individualism cultures* are more focused on own interest and on that of people close to them. Tasks are more important than relationships (Nisbett and Myamoto, 2005). Individual needs are valued over group and/or broader society needs; such as free time, freedom in work and independence from superiors (Yukl, 2013). Individual perceptions by age and gender can be very different when comparing cultures (Nisbett and Myamoto, 2005). Within individual cultures there are generated higher levels of trust (Simpson, 2006). Individuality’s are more trusting outsiders than people from within the group (Irwin and Berigan, 2013). For individual cultures applies that the in-group ties are very weak. That is why trust within the group is also much lower than within collective cultures (Yukl, 2013).

*Collectivism cultures* are more emphasized on the group, support is expected. People will not have their own opinion, but it will all depend more on the group. Within this culture it is sufficient to be together, verbal communication and the exchange of information is of lower importance (Hofstede, Minkov and Hofstede, 2014). Relationships are more important than task orientation (Wiengarten, Fynes, Pagell and de Burca, 2011). Within this perspective is trust of great importance (McNeil, 2016); membership and loyalty to groups will be valued as extreme important within collective culture (Yukl, 2013). In these cultures there are strong in-group ties which resulted in strong trust within the group but the opposite is true for outside the group. Trust outside the group is very low within collective cultures (Irwin and Berigan, 2013). If people will become more dependent of their employer than collectivism is more at issue. In this case training, work circumstances and the availability of talent currently plays a bigger role (Hofstede, Minkov and Hofstede, 2014).

## APPENDIX 2

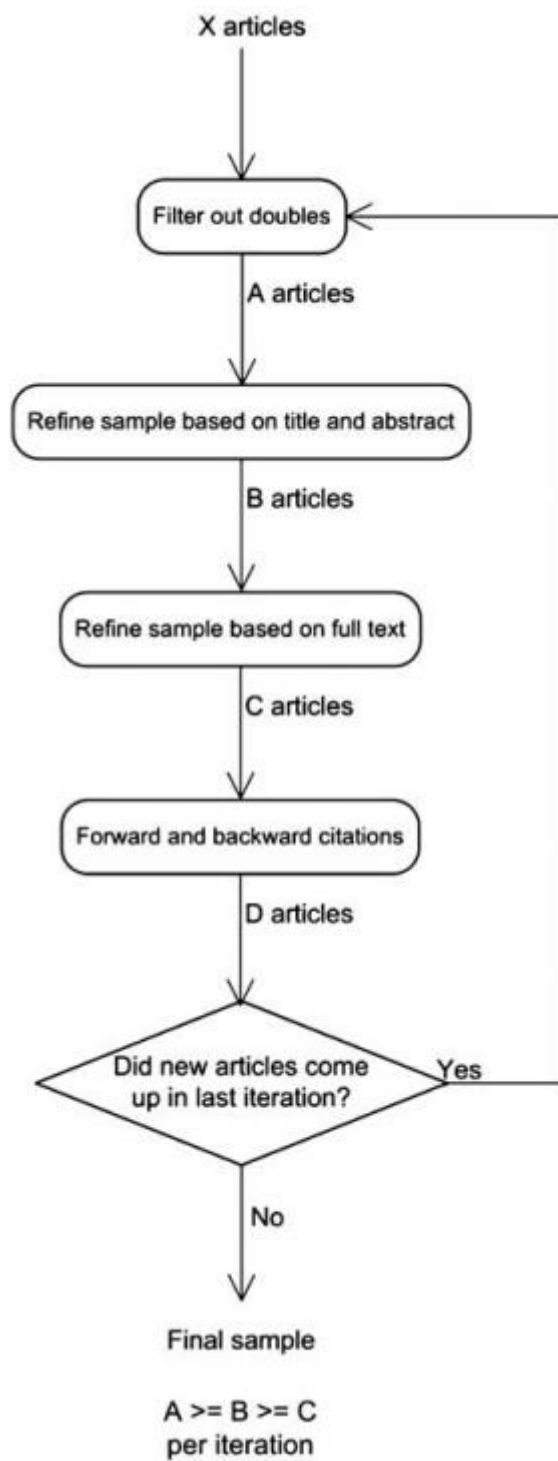


Figure 17: Literature Review (Wolfswinkel et al., 2013)

## APPENDIX 3

	Foreign Market Entry		Questions about:	
			Entry Mode	Reason why ESPS has chosen for export
1	Donaldson	German Company	0	0
2	MT. Derm	German Company	0	0
3	IVAM	German Company	0	0
4	Conway Nederland B.V.	Dutch Company	0	0
5	VIRO	Dutch Company	0	0
6	Mr. Schiele (University of Twente)	German Professor	0	0
7	Mrs. Antonissen (Fontues Hogeschool)	Dutch Professor	0	0
8	EUREGIO	German/Dutch Company	0	0
9	Student 1	German Student	0	0
10	Student 2	Dutch Student	0	0
11	Mr. Eskitark	Internal (Quality manager)	+	+
12	Mr. Otten	Internal (System Integration Manager)	+	+
13	Mr. van der Graaf / Mr. Wolbert	Internal (Sales Manager/Account Manager)	+	+
14	Mr. Jongedijk	Internal (Managing Director)	+	+
15	Mr. Pothoven	Internal (General Manager)	+	+

+ More directed towards export, the reason to choose for export is volume expansion

0 Did not mentioned anything about this subject, or said something about export and other foreign entry modes

	Culture	Questions about:							
		Cultural differences	Hierarchy	Flexibility within rules	Rank of employees during meetings	Time sensitivity	Contracts	Corruption	Mas-Fem
1	Donaldson	+	+	+	+	+	0	+	+
2	MT. Derm	+	+	+	0	+	0	+	+
3	IVAM	+	+	+	+	+	0	+	+
4	Conway Nederland B.V.	+	+	+	+	+	+	+	+
5	VIRO	+	+	+	+	+	+	+	+
6	Mr. Schiele (University of Twente)	+	-	+	+	+	+	+	+
7	Mrs. Antonissen (Fontues Hogeschool)	+	+	+	+	+	+	+	+
8	EUREGIO	+	+	+	+	+	+	+	+
9	Student 1	+	+	+	0	+	0	0	+
10	Student 2	+	+	+	0	+	0	0	0
11	Mr. Eskitark	+	+	+	+	+	0	0	0
12	Mr. Otten	+	+	+	+	+	0	0	+
13	Mr. van der Graaf / Mr. Wolbert	+	+	+	+	+	+	0	0
14	Mr. Jongedijk	+	+	+	+	+	0	0	0
15	Mr. Pothoven	+	+	+	+	+	0	0	+

+ indicates that there are experienced differences

0 Did not mentioned anything about this subject, or said something in general

### *Hierarchy*

- + Germany companies higher hierarchy
- the Netherlands higher hierarchy

### *Flexibility within rules*

- + Germany stronger and more rules

### *Rank of employees during meeting*

- + Managers are presented in Germany than it is expected from the other party to do that also
- 0 No managers needed, nothing mentioned, or no experience with this subject

### *Time sensitivity*

- + Germans are more punctual

### *Contracts*

- + German contracts begin already very specific
- 0 no experience or opinion

### *Corruption*

- + More room for changing contracts within the Netherlands
- 0 No experience

### *Mas-Fem*

- + Germany more masculine
- 0 No opinion, or is doubting

	Communication	Questions about:			
		Language	Communication style	Formal forms of address	Body gestures, hand gestures and emotions
1	Donaldson	3	+	+	-
2	MT. Derm	1	+	+	-
3	IVAM	3	+	+	-
4	Conway Nederland B.V.	6	+	+	+
5	VIRO	2	+	+	-
6	Mr. Schiele (University of Twente)	4	+	+	-
7	Mrs. Antonissen (Fontues Hogeschool)	4	+	+	-
8	EUREGIO	3-4	+	+	-
9	Student 1	3	+	+	-
10	Student 2	?	+	+	+
11	Mr. Eskitark	1	+	+	+
12	Mr. Otten	3	+	+	+
13	Mr. van der Graaf / Mr. Wolbert	3-4	+	+	+
14	Mr. Jongedijk	?	+	+	+
15	Mr. Pothoven	4	+	+	+

#### *Language*

Numbers from 1 to 5 are indicating the importance of the German language on a scale from 1 to 5. Where 5 is very important and 1 unimportant

#### *Communication style*

+ indicates that Germans are more indirect

#### *Formal forms of address*

+ Germans are more formal

#### *Body gestures, hand gestures and emotions*

+ Germans use more of it

- Dutch use more of it

	Business Modelling	Questions about:			
		Channels ESPS uses	Channels of value in Germany	Customer Relationships	Business Oriented-Relationship Oriented
1	Donaldson	0	+	+	+
2	MT. Derm	0	+	+	+
3	IVAM	0	+	+	+
4	Conway Nederland B.V.	0	+	+	+
5	VIRO	0	+	+	+
6	Mr. Schiele (University of Twente)	0	+	+	+
7	Mrs. Antonissen (Fontues Hogeschool)	0	+	+	+
8	EUREGIO	0	+	+	+
9	Student 1	0	+	+	+
10	Student 2	+	+	+	+
11	Mr. Eskitark	+	+	+	+
12	Mr. Otten	+	+	+	+
13	Mr. van der Graaf / Mr. Wolbert	+	0	+	+
14	Mr. Jongedijk	+	0	+	+
15	Mr. Pothoven	+	0	+	+

#### *Channels ESPS uses*

+ Everyone assumed the same channels, both social and conservative

0 not asked this question

#### *Channels of value in Germany*

+ The same channels as in the Netherlands are of value in Germany, only the Netherlands makes more use social media

#### *Customer Relationship*

+ Very important

#### *Business Oriented – Relationship Oriented*

+ Relationship oriented, Germany was before more business oriented

	Resource Based View	Questions about:	
		Business culture ESPS	Pragmatic-Theoretical perfection
1	Donaldson	0	+
2	MT. Derm	0	+
3	IVAM	0	+
4	Conway Nederland B.V.	0	+
5	VIRO	0	+
6	Mr. Schiele (University of Twente)	0	+
7	Mrs. Antonissen (Fontues Hogeschool)	0	+
8	EUREGIO	0	+
9	Student 1	0	+
10	Student 2	0	+
11	Mr. Eskitark	+	0
12	Mr. Otten	+	0
13	Mr. van der Graaf / Mr. Wolbert	+	0
14	Mr. Jongedijk	+	0
15	Mr. Pothoven	+	0

*Business culture ESPS*

0 Question not asked

+ The same things mentioned about the business culture of ESPS

*Pragmatic – Theoretical perfection*

+ Germany more focused on theoretical perfection

0 Did not mentioned anything about this subject



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