MASTER THESIS BA

SUCCESSFUL MARKET ENTRIES FOR E-COMMERCE SMEs USING DYNAMIC CAPABILITIES

QUALITATIVE CASE STUDY

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Abstract

The research goal of this master thesis is to investigate the challenges and opportunities for small and medium enterprises (SMEs) in entering foreign markets in the context of digitalization, mainly focusing on e-commerce business models. The research aims to understand SMEs' challenges and opportunities in the digital era, particularly in expanding into foreign markets with e-commerce business models. Two main research questions are: 1) What are the drivers and barriers for SMEs entering foreign markets in the digital era? 2) How can an e-commerce business model be implemented in a new market outside the DACH (Germany, Austria, Switzerland) region successfully? The study employs a case study approach, focusing on firm-specific issues and utilizing semi-structured interviews to provide insights and guidance for SMEs seeking to navigate foreign market entry and e-commerce implementation. The research aims to contribute to understanding SMEs' challenges in the digital era and offer practical strategies for their internationalization efforts.

The theory section of this research delves into various aspects of foreign market entry (FME) strategies and modes, providing a holistic view of small and medium enterprises. FME modes, categorized into equity and non-equity options, present varying degrees of resource commitment and market proximity. It emphasizes the critical role of the FME decision in shaping a firm's engagement in a foreign market, highlighting that exporting would be the preferred solution for SMEs. The internal motives for FME are presented, and the possible risks identified, acknowledging these could lower the entry barrier. The thesis underscores the vital role of capabilities, particularly dynamic capabilities, in shaping successful FME, emphasizing adaptability and innovation within the Industry 4.0 context. Furthermore, it explores the relationship between business models and digital transformation, illustrating how these factors influence FME decisions and operational success. Ultimately, the research stresses the need for a tailored FME strategy aligned with a firm's capabilities and market dynamics, aiming for optimal fit and sustainable growth.

A qualitative case study is chosen to dive deep into the internationalization question of SMEs. This single case study approach provides insight into the business's underlying processes and decision-making to identify internal capabilities. A grounded theory approach is taken to gather data through semi-structured interviews, direct engagement, and analysis of secondary sources related to the chosen SME. The case company operates in the bedding furniture market and seeks expansion from the DACH region to other Western European countries. The data analysis follows a thematic analysis approach, aiming to identify patterns and overarching themes within the collected data to derive grounded insights into the FME process, business model dynamics, and required capabilities for successful expansion.

The interviewees highlight that exporting is the preferred mode for SMEs expanding into new markets, emphasizing control over the supply chain and replicating a direct-to-consumer model. Key drivers include product-market compatibility, financial growth goals, and leveraging established e-commerce capabilities. Tailored marketing and understanding customer needs are vital for success in new markets, contributing to increased profits for the firm. Additionally, the findings identify drivers for FME, such as ease of entry, financial strategy, market potential, and

adaptable product portfolios. Overcoming challenges like brand awareness and logistics is crucial for successful market entry, with adaptability being a critical factor in performance outcomes.

SMEs encounter new challenges when entering into unknown territory. The driving forces behind venturing beyond the familiar DACH region encompass firm and financial growth aspirations, ease of entry due to the SME's business model, and the potential in untapped markets. This expansion is anticipated to secure long-term profitability and resource stability for the home country market. However, identified barriers include constrained resource utilization, internal knowledge limitations, adapting to unfamiliar markets, and maintaining operations in these new territories. The study supports exporting as the most viable mode of entry for SMEs, aligning with their strategy and desire for operational control. Furthermore, the study proposes that successful market entry necessitates tailoring strategies to new market dynamics and understanding customer needs, ultimately enhancing profitability. For further research, the findings could benefit further investigation into enhancing marketing capabilities and resource mobilization to achieve superior performance. Additionally, it advocates for examining the influence of digital transformation and sustainability factors, ultimately calling for comprehensive studies in different industries and longitudinal analyses to validate the provided framework and explore uncharted aspects of SME internationalization.

Abbreviations

BM: Business Model

BMC: Business Model Canvas

BMI: Business Model Innovation

DACH: German-speaking Europe or Deutschland, Austria and Switserland

D2C: Direct-To-Consumer

FDI: Foreign Direct Investment

FME: Foreign Market Entry

FMEM: Foreign Market Entry Modes

MNC: Multinational Company

RBV: Resource-Based View

R&D: Research & Development

SEO: Search Engine Optimization

SME: Small Medium Enterprise

USP: Unique Selling Point

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1. Introduction

Most industries are currently undergoing digitalization. This megatrend is called Industry 4.0 (Ibarra, Ganzarain, & Igartua, 2018). This trend influences not only the early adaptors in the industry but also previously old-fashioned industries like furniture, manufacturing, and industries. For example, it has become much easier in the furniture industry to access and buy products than the conventional method of buying goods in physical shops. Moreover, digitalization has shaped many business practices, significantly contributing to developing a new generation of business models (Ibarra et al., 2018). Initially, the furniture market was moderate, predictable, and unattractive for e-commerce companies. With e-commerce and digitalisation maturing, it is getting attractive, and there is room for newcomers to small and bigger firms in this previously satisfied market (Ecommerce_News, 2021). Digitalization reshaped the industry landscape by moving it from a win-or-lose closed landscape approach to an open market value growing landscape, to servitization, where the value of the total market consists of multiple ecosystems adding to the total market value, resulting in more market opportunities (Frishammar, Richtnér, Brattström, Magnusson, & Björk, 2019). Industry 4.0 results in a flourishing e-commerce market, including the furniture industry, fostering its exponential growth over the last decade (Chevalier, 2022). This trend is not over yet, as the e-commerce furniture annual spending is still growing (Consulting, 2022). Therefore, it is worthwhile investigating this opportunity not only for the big fish but also for the smaller players in the market.

Big players like IKEA, Otto and Wayfair have the biggest piece of the pie in the e-commerce-furniture market by having the biggest market share (Ecommerce_News, 2021; Ecommerce_News_Europe, 2021). Multinational companies (MNCs) have international networks and serve multiple markets in different countries. These companies control the market (Ecommerce_News, 2021) through product characteristics and services that are seen as the market standards (Lu & Beamish, 2001). Moreover, digitalization triggers internationalization. Digitalization makes it easier for big players with lots of resources and capabilities to enter new markets, resulting in more competition in neighbouring markets. The capabilities prominent players use to take this market share are high investments in innovation, big marketing expenditures and the ability to adapt to new technologies (Direction, 2019; Giachetti & Pira, 2022). These international companies are coming for a market share, mainly at the expense of small and medium enterprises (SMEs).

These benefits of a big market share, international networks and -market, to name a few, do not apply to small ventures in these markets. To start, SMEs, compared to MNCs, face a resource disadvantage in knowledge and equity. Typical strengths of large firms are economies of scale, scope, marketing skills, and financial and technological resources, while SMEs have entrepreneurial dynamism, flexibility, efficiency, and quick decision-making (Paul, 2020). Therefore, they are highly sensitive to external challenges (Laufs & Schwens, 2014). Consequently, a start-up is plagued with disadvantages that arise from its newness, foreignness, smallness, overstretched resources and high uncertainty, especially when entering a new market (Ehrmann, Haas, & Harms, 2002; Lu & Beamish, 2001; Oscar, Sylvie, & Wensong, 2022). Hence it is common for young ventures to have difficulties expanding. In particular, into markets where new market entries have a high risk of failure. SMEs are, however, particularly important for the local and nationwide economy. They cure local unemployment and develop local wealth. In Germany, for example, SMEs comprise 37% of the nation's economy and are known drivers for innovation and technology ("The German Mittelstand as a model for success," 2020). Where the big firm tries to gain the biggest market share, SMEs are closing the landscape and filling in the more specialized opportunities that are undesirable for bigger companies. Therefore, there is a need for SMEs to act and make this step towards digitalization and new market entry.

Market expansion for SMEs is feasible and desirable. Geographic expansion is one of the most important paths for firm growth for SMEs (Lu & Beamish, 2001). Additionally, the international expansion provides access to a new market and customer- and knowledge base. The international experience could also bring potential benefits to the home country market. Like large firms, SMEs must determine whether they possess the required capabilities, organizational structure and entry mode to enter a foreign market (Nakos & Brouthers, 2002). Choosing the correct entry mode will significantly improve the performance indications (Nakos & Brouthers, 2002). SMEs often own a unique skillset of condensed operations, innovativeness, and employees with in-depth knowledge of their processes. SMEs are strategically more adaptive, and decision-making happens faster. Due to these characteristics, SMEs often serve a niche market with unique and specialized expertise and can better serve specific customer needs than large firms. Thus, the process calls for developing an effective international marketing strategy for SMEs to identify international opportunities, explore resources and capabilities, and utilize core competencies to improve the implementation of the overall international strategies (Zeqiri & Angelova, 2011).

Hence, to understand the new product/service market-entry problem for SMEs using e-commerce business models, the focus is on the different capabilities needed for foreign market entry (FME) and online business models. The focus is on a developed e-commerce market and a country known for the automotive and manufacturing industry: Germany or the German-speaking countries in the European zone (later called the DACH region). The business model is considered an influential factor for mode choice, as it depicts the reasoning and centre of the firm's value creation (Amit & Zott, 2001; Osterwalder & Pigneur, 2010). This research concentrates on different strategies and capabilities to perform a successful FME for internationalizing SMEs. Young ventures could be helped by guidelines from experts and companies who have experienced this path already. Therefore, it could be easier to expand abroad and produce an internationalization strategy to overcome the competition in the home country market and their liabilities while expanding abroad. The capabilities needed for international expansion for online business models are examined to help determine the appropriate strategy. Exploring these channels helps gather information about the resources, skills and knowledge the firm needs (Omar & Porter, 2011). In the end, the entry boundaries for SMEs will be lowered by providing controls and tools to perform an FME successfully.

Industry 4.0 is concerned with all industries and company sizes, and old-fashioned industries may not have all the tech- or other capabilities to cope with these changes, research in this context is just as relevant. Miller, McAdam, Spieth, and Brady (2021) state that there is a lack of theoretical and practical literature about SME business models and their dynamic capabilities on SME foreign market performance (Danneels, 2012; Hernández-Linares, Kellermanns, & López-Fernández, 2021). The dynamic capabilities and SME performance themes are of multidimensional complexity; therefore, no clear empirical evidence provides a holistic view of the capabilities. The internationalization of companies is a broadly discussed topic (Schellenberg, Harker, & Jafari, 2018); however, it is less when it comes to the internationalization of new ventures and business models and practical cases (Ripollés & Blesa, 2012). Business model innovation due to internationalization is a relatively new concept (Nunes & Steinbruch, 2019). Lastly, there is abundant research on the practical implications for FMEs of MNCs; however, for SMEs, this remains inconclusive, especially for their FME performance (Bruneel & De Cock, 2016; Hollender, Zapkau, & Schwens, 2017; Lu & Beamish, 2001). Bruneel and De Cock (2016) suggest that: "Empirical studies using quantitative and qualitative longitudinal research designs are needed to provide a better understanding of the effects of changes in factors influencing entry mode antecedents, processes, and outcomes, and future studies should also pay close attention to endogeneity issues when analyzing entry mode–performance relationships". The combination of FMEs for SMEs having an online business model will shed new light on this field of research in this era of digitalization.

To concretise this wide-ranging topic, this topic has been condensed into two research questions: How can an e-commerce business model be successfully implemented in a new market outside the DACH region? A case study is used to examine and simultaneously consense this topic. This approach will help highlight the nuances of the FME process and underline the firm-specific issues. Successful entry and implementation in both questions are highly firm-specific and depend on the drivers for the market entry. Answers include market share, competitive advantages, or a more significant customer base. This research is narrowed down by focusing on the firm perspective to focus on the firm-specific issues. Therefore, the volatility and behaviour of the environmental and institutional environment will be left out of this discussion to investigate this topic systematically. An analytic induction approach is used to seek an explanation for the less studied topic of business models in combination with FME (Saunders, Lewis, & Thornhill, 2009). This research will be described in an explanatory study.

Apart from understanding the change capabilities in the business model, the comprehensive topic of FME is studied. The first step is to investigate SMEs' strategy for entering a new market, the foreign market entry mode (FMEM). Furthermore, the motives and barriers that SMEs encounter will be researched. The business model concept is used to conceptualise the internal processes of e-commerce SMEs. With the help of propositions, guidance for deriving a generally implementable theory will be created. Semi-structured interviews in a single case study will be used to collect high-quality, company-specific data to support this single case study topic. This research aims to solve the FME problem for SMEs in a digital era and provide guidelines for successful implementations.

2. Theory

2.1 Foreign market entry

The topic of foreign market entry (FME) is a well-studied important managerial assessment (Brouthers, 2002; Delios & Henisz, 2003; Hitt, Hoskisson, & Kim, 1997; Hoskisson, Wright, Filatotchev, & Peng, 2013; Meyer, Estrin, Bhaumik, & Peng, 2009; Surdu & Mellahi, 2016). FME choice is especially well described in the literature for MNCs. However, this is not true for SMEs (Laufs & Schwens, 2014; Lin & Ho, 2019; Schellenberg et al., 2018). Additionally, SMEs often do not have the internal knowledge to perform an FME. Oscar et al. (2022) state, “FME knowledge is important given that it not only implies less uncertainty in successive FMEs but can also benefit SMEs regarding FME success”. Previously, FME was an act of internationalization where physical presence in the host market was important to overcome liabilities, acquire knowledge, and increase performance in the host market. Recently, the focus on e-commerce and the importance of digital market presence can be a strong vehicle for international growth among SMEs (Tolstoy, Nordman, & Vu, 2022). Exercising an FME is, therefore, just as relevant for SMEs as for large firms. Whereas a born global focus on internationalisation strategies from the start, SMEs focus on domestic market establishment first (Wadeson, 2020). Not lifting on the digitalization trend is a missed growth opportunity for SMEs, and the awareness of this opportunity should be raised and put into perspective to make it feasible for SMEs.

In the digital era, the focus has shifted to a specific customer rather than one country's presence. Therefore, The FME framework has become more complicated and has no one-size-fits-all approach. Therefore, a new approach will be investigated, where new patterns and needs are identified. With this physical distance from the host market, knowledge about other countries, customers, and experience play a salient role in internationalizing SMEs (Oscar et al., 2022). To achieve this goal of internationalization, the SME, therefore, needs to make sure to collect this knowledge and experience.

2.1.1. Foreign market entry modes

FME is facilitated through a concise strategy; the FMEM mostly determines this strategy. The different modes of entry all represent a different strategy for the host-country firm, with varying structures of ownership and responsibilities. FMEM refers to how the firm operates and how much it engages in a foreign market, which can be done via exporting, joint ventures, or forming its subsidiaries (Shen, Puig, & Paul, 2017). Other modes could be contractual agreements, acquiring an existing company, and a wholly-owned greenfield investment (Lin & Ho, 2019). An often-used definition of FMEM is characterized by Root (1994) p.5: “An institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources into a foreign country”. FME is a complicated process involving market timing, motive, location decisions and FMEMs (Surdu & Mellahi, 2016). The influence of market timing, motive and location decisions are dynamic on the entry performance and decision (Collinson & Houlden, 2005). Therefore, the first is focussed on the static part of the FME, the FMEM decision.

The choice of FMEM for MNCs is often presented as a choice. However, SMEs with resource constraints often do not have options but just have to go for exporting (Bruneel & De Cock, 2016). However, the FMEM choice has more influence on the firm than the firm's surroundings (Brouthers & Nakos, 2004; Nakos & Brouthers, 2002; Ripollés & Blesa, 2012). Additionally, the literature on SME FMEM choice is diversified; all outcomes differ, given the individual modes' advantages and disadvantages and the chosen mode's performance (Hollender et al., 2017). Given these factors, SMEs still have the same options in selecting an FMEM as MNCs. However, SMEs tend not to see or evaluate these options because of a lack of knowledge or other resources in the firm.

FMEMs can be divided into two main subcategories: equity and non-equity entry modes. Direct investments into the host country, for example, joint ventures or whole subsidiaries, are considered equity modes of entry (Hollender et al., 2017; Nakos & Brouthers, 2002). Equity modes of entry mean an injection of cash needed to perform these modes or, in other words, a high resource commitment. Furthermore, these determinants positively affect the high-level resource commitment choice in foreign markets: innovation, product characteristics, advertising intensity, export intensity, and industry (Lin & Ho, 2019). An equity mode of entry is also used to secure specific assets. These assets can be categorized into two: knowledge and institutional securities. International experience, host-country networks, and imitation are examples of knowledge securities, property rights protection and cultural proximity of institutional securities (Maekelburger, Schwens, & Kabst, 2012). Concludingly, equity modes demand a higher level of initial resource commitment but facilitate greater closeness to the host country (Hollender et al., 2017). An equity mode of entry may benefit the performance of the FME, but these resources are not always available upfront for every firm.

On the other hand, non-equity modes of entry are direct- and indirect exporting, franchising and contractual agreements (licensing) (Hollender et al., 2017; Nakos & Brouthers, 2002). Non-equity modes are less resource-intensive and provide more flexibility to the firm. The firm will have more flexibility in market timing, preparation for FME, decision-making and resource allocation. SMEs are, in general, more dynamic than MNCs and desire more flexibility (Oscar et al., 2022). Withdrawing or failing does not directly impact cash flow or lead to immediate major losses for the company. Not investing equity can result in a lack of closeness to the host market, delaying the monitoring of foreign market developments (Hollender et al., 2017). The availability of the resources and securities, or lack thereof, and the willingness to use or secure those resources determine the choice of FMEM. In non-equity modes of entry, existing pathways are used for market expansion. Using existing knowledge lowers the entry boundary, as the firm already has these structures in place. Not only monetary argument but also the ease of entry favours the choice for a non-equity mode of entry. Both main modes have benefits and shortcomings, and the choice of FMEM will be a tailor-made decision for the business in question.

Table 1 Overview of main types of entry modes, including levels of resource commitment, control, and competencies.

Equity/non-equity modes	Choice of entry mode	Level of resource commitment	Levels of control	Levels of knowledge base and competencies
Equity	Joint ventures	High	Moderate/high (shared)	High
	Wholly owned subsidiaries	High	High	High
Non-equity	Exporting	Low	Low	Low
	Licensing	Low	Moderate/low (shared)	Low

Source i Nilsson, Rydberg, and Hildebrand (2019)

In Table 1 above, a summary is given after the classification of Hollender et al. (2017) of the different entry modes, including the different levels of resource commitment, control levels, knowledge base, and competencies the firm needs for an FMEM. The summary also included the advantages and disadvantages of these modes by Nilsson et al. (2019). The choice for an equity or non-equity mode can be substantiated depending on the preferences and the ability of the firm to provide these levels of resource commitment control and knowledge base and competencies within the firm. For the FMEM decision, it is required to know the internal resources and the responsibilities associated with entry modes by the firm. Control is exercised through the level of commitment and involvement of the firm in the abroad activities. The level of knowledge base and competencies could be present in the firm already or need to be acquired for the chosen mode of entry. Therefore, an FMEM is not fundamentally inferior or superior; it depends on the specifics of the investment, so the best performance will depend on the comparative fit of the modes for the investment in question (Martin, 2013). The scheme provided can be used as a guideline for choosing between an equity or non-equity entry mode. A high level of resource commitment will not mutually exclude a low level of control. The scheme only suggests what levels a minimum is required for these modes.

Knowing the resources and competencies in the firm is a requirement for the FME choice. Therefore, the FMEM choice will always be the manager's decision and will mostly be made top-down. The experience of the managers will influence the decision. For example, CEOs have international experience and a functioning background and want control in their entry mode (Herrmann & Datta, 2002). Additionally, the definition of prior international experience is: “The practical knowledge gained by doing business in the host country” (Ojala & Tyrväinen, 2006; Pinho, 2007). The firm's formal and informal network relationships are important for determining the FMEM (Ojala & Tyrväinen, 2006; Pinho, 2007). SMEs, however, do not often have the resources or the ability to use them rightfully, depending on the experience of the managers.

2.1.2. SME perspective on foreign market entry modes

Due to the characteristics of SMEs, large firm entry mode solutions may not be applicable. Unlike MNCs, SMEs have specific characteristics that are likely to influence their FMEM choice: the level of commitment to the foreign market, how they deal with risks in the host country, and the controllability of foreign market activities (Laufs & Schwens, 2014). The difference in the choice of FMEM between SMEs and MNCs is their ownership structure and management characteristics, as many SMEs are family-owned and owner-managed (Laufs & Schwens, 2014). Also, the firm size and age are different from MNCs and have a large influence on in-house knowledge (Bruneel & De Cock, 2016). Firms with greater resource availability may be in a better position to make the investments (both managerial and financial) needed to establish an equity mode of entry, while smaller size firms will not; they tend to choose less resource-intensive, nonequity modes of entry (Nakos & Brouthers, 2002). International experience in SMEs could, therefore, be lacking and, consequently, the ability to adapt to the differences in the new market, too. Maekelburger et al. (2012) state that even if SMEs are efficient, they have difficulties choosing equity entry modes because of their severe resource constraints. Resource constraints like scarcity and a lack of confidence among suppliers and customers could influence successful market entry (Ehrmann et al., 2002). Based on the knowledge, experience and resource level, the entry mode choice for SMEs is expected to differ from that of MNCs.

However, new international firms can bypass their liabilities of newness and foreignness by using higher commitment entry modes (Ripollés & Blesa, 2012). Nakos and Brouthers (2002) found that SMEs with greater firm-specific advantages will prefer equity modes of entry to exploit these firm-specific advantages; SMEs with location-specific advantages, like small niche markets, will prefer more equity-based FMEMs; and SMEs with internalization advantages will also prefer equity-based entry modes. FMEM choice is also influenced by SMEs providing highly innovative products/services and may select equity modes of entry accordingly to protect their proprietary technology (Nakos & Brouthers, 2002). Additionally, SMEs perceiving high growth potential prefer equity modes, and SMEs perceiving lower growth will go for a nonequity mode (Nakos & Brouthers, 2002). However, the equity modes of entry seem more fitting for not saturated industries, where high growth and market share are possible to achieve. Market analysis and product assessment in the new market to test the market maturity would be needed to check whether an equity mode of entry would be preferred. Based on these analyses the SMEs could determine if it would be worth to go for an equity mode of entry.

SMEs will most likely like to transfer successful capabilities in their home country to the new market. This knowledge transfer is called an ownership advantage and can be counted as an international advantage if the capabilities can be transferred internationally. If the capability can be transferred without losing its value, then the firm would prefer an equity mode of entry; if not, firms may choose nonequity modes, which can be used to leverage the ownership advantages of other host country-based organizations (Nakos & Brouthers, 2002). Examples of ownership advantages are, for example, firm size (financial and managerial), international experience, and product differentiation (Nakos & Brouthers, 2002; Pinho, 2007). Foreign market entry choice also depends on the strategic dimension apart from host/home country- or firm-specific factors. Examples of these dimensions are controlled decision-making by the management, the firm's capabilities and speed of entry (Shen et al., 2017). Transferring capabilities will bring advantages to the firm such as experience, routine and help the firm create value in the host country market.

The decision-making process's level of centralization and decentralization influences the FMEM choice. Lu and Beamish (2001) state that exporting activities usually require the centralization of decision-making to balance the needs of different markets and achieve maximum operating efficiency. Central decision-making fits the characteristics of SMEs as they typically are very small in size and, therefore, do not have multiple management and decision-making layers. On the other hand, having various subsidiaries makes exporting more difficult, as the decision-making decentralizes to the subsidiaries. Decentralisation will harm the firm's FMEM performance. It would seem logical to assume that SMEs choose relatively lower commitment entry modes such as indirect exporting or licensing whenever possible to overcome resource constraints and foreign risk (Ripollés & Blesa, 2012). Nakos and Brouthers (2002) also conclude that if SME technology is less innovative than large firms, these SMEs may use nonequity modes to have spare resources to obtain more advanced technology.

Exporting the firm's goods fits SMEs' capabilities by offering greater flexibility, minimal resource commitment, firm growth and profitability, and limiting the firm’s risk exposure (Wolff & Pett, 2000). SMEs have fewer managerial and financial resources so they may use low investment modes of entry, such as licensing and exporting (Nakos & Brouthers, 2002). Due to the required low investment, exporting is the dominant FMEM choice for SMEs to leverage and utilize their knowledge-based assets in a global market (Miocevic, 2021). Exporting is low risk, and SMEs can easily pull out again while simultaneously having a low commitment. Exporting is known to be one of the easiest forms of FMEM. It can, however, cause proximity to the host country, as the entering firm is not directly involved and invested in the host country. These liabilities of foreignness translate into lower corporate performance at low levels of foreign direct investment (FDI) activity (Lu & Beamish, 2001). This liability of low investment in the host country can be overcome by making more investments in the host country (Lu & Beamish, 2001).

The mode of exporting starts by looking for logistics companies. These companies will deliver the product to the new customer. The next step is to check if there is demand for the product portfolio and if the firm can sell the products. Firms normally use these four patterns to pursue exporting: (1) Competitive pricing, brand identification, control over distribution, advertising, and innovation in marketing techniques and methods; (2) capability to manufacture speciality products for customers, a broad range of products, and new product development; (3) technological superiority of products and new product development and lastly; (4) customer service and high-quality products (Wolff & Pett, 2000). Apart from this potential export structure, it is most important to recognize the opportunity to reach a new market (Mostafiz, Sambasivan, Goh, & Ahmad, 2023). These are all possible strategies for successful exporting, and there are different potential pathways to this success.

In summary, physical and cultural borders and physical distances have faded in this digital era. Customers do not necessarily need to visit a physical store. The perceived cultural distance from the home-country market can also become a location advantage without being physically close to the market (Pinho, 2007). The pathway towards internationalization for SMEs normally is to start with irregular exporting to the target country and, over time, when the firm gathers more experience, it starts exporting via independent representatives, establishes a sales subsidiary, and finally creates its production in the target country (Ojala & Tyrväinen, 2006). Exporting provides SMEs with a flexible setup that enables them to explore new markets without being too invested in the new market.

Exporting is not a risky choice and existing resources can be used. After that, the firm will continue to build operations such as brand positioning, customer support and marketing streams.

2.1.3. Dynamic capabilities

The FME of an SME is apart from the described static process of the FMEM decision, depending on dynamic internal and external factors. The firm's resources tend to have a big influence on the FMEM and, when allocated well, the outcome of the FME. This principle is called the resource base view, where the firm is viewed as a portfolio of resources, capabilities, and environmental contingencies (Amit & Zott, 2001; Pinho, 2007). The benefit of this resource-based approach is that it can provide a holistic view of SME-specific capabilities. Firms have specific capabilities that can work to their advantage when deploying them well.

The capabilities of the firm also represent its strengths and weaknesses. The SME can use the dynamic capabilities beneficially to compensate for limited knowledge and resources. From the capability perspective, there can also be gained a better understanding of the outcome of the FME choice (Bruneel & De Cock, 2016). Capabilities and competencies are used interchangeably in this context and mean the ability to perform an activity using a set of resources to the desired end (Amit & Schoemaker, 1993; Danneels, 2016). Under ordinary capabilities, the operations, administration, and governance of the firm's activities are understood. These make a firm capable of producing and selling a defined, hence static, set of products and services using known technologies, thereby generating, at best, competitive (and therefore competitively uninteresting) financial returns (Teece, 2017). Teece (2017) states that ordinary capabilities are about firms doing things right, and dynamic capabilities are about doing the right things. With this statement, Teece indicates that to achieve greater financial success, a firm should invest in dynamic capabilities to differ from other firms.

Other wordings to the same phenomena are first and second-order competencies. Here, the first-order, ordinary competencies, like the customer base or technology, are already deployed and known operations in the market (Danneels, 2016). The tech capability in this context means, for example, that the company can make products, and with the customer capability, it can sell its products to the customer. The first-order competence assesses the strength of the firm's current market-related resources and the strength of its present technological resources for measuring customer competence and technological competence, respectively (Danneels, 2016; Warner & Wäger, 2019). Firms can deploy this skill in the host country, but this does not automatically mean they can do this in the host country. Second-order competencies, like marketing and research and development (R&D), are more difficult to deploy than customer base or technology as they need more knowledge and skill but can change the way a firm currently generates revenue (Danneels, 2016). Therefore, the second-order competencies are competencies that are of interest.

Second-order or dynamic competencies can be recognized by their ability to 'build, move or do something, as the first-order or static competencies are a given condition (Teece, 2014). Additionally, dynamic capabilities enable business enterprises to create, deploy, and protect the intangible assets that support superior long-run business performance (Teece, 2007). These second-order competencies are the elements needed to enter a foreign market.

Examples are assessing the potential of new markets, building relationships in new markets, setting up further distribution and sales channels, leveraging brand/company reputation to new markets, researching new competitors and new customers, developing new advertising or promotion strategies, developing new pricing strategies, setting up new types of manufacturing facilities and operations, identifying promising new technologies, assessing the feasibility of new technologies, and recruiting engineers in new technical areas (Danneels, 2016). Concludingly, firms with second-order competencies can create new resources that allow them to imitate and substitute competing firms' resources, consequently engaging in creative destruction (Danneels, 2012).

Dynamic capabilities are rooted in a firm's managerial and organizational processes, such as coordination, integration, reconfiguration or transformation (Amit & Zott, 2001). These capabilities include experienced- and knowledge-based capabilities and management capabilities (Shen et al., 2017). Therefore, a dynamic marketing capability can positively influence the performance of the firm if it successfully achieves its marketing goals. The dynamic capability framework has been widely used to explain how firms respond to market or external changes (Warner & Wäger, 2019). Hence, dynamic capabilities can be used to describe the changes when performing an FME. However, these capabilities are not guaranteed to be a competitive advantage if the resources are not exploited well, for example, due to knowledge tacitness (Martin & Salomon, 2003). The capability to transfer knowledge is sharing knowledge with the recipient.

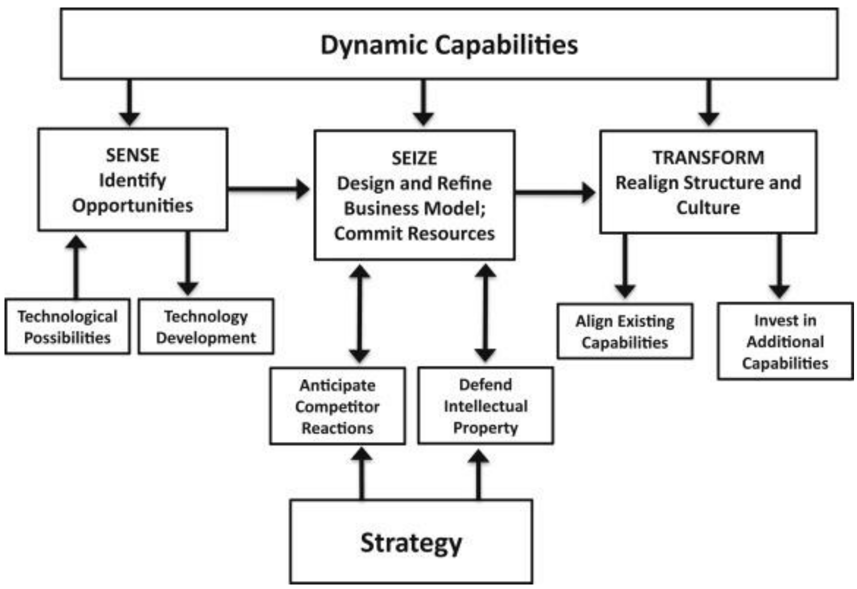
Capabilities combined can form the core competence of the firm. Exploiting the core competence well could give the firm superior performance and durable competitive advantages (King, 2003; McIvor, Humphreys, Wall, & McKittrick, 2009). Core competencies help determine the firm's growth strategy, which helps allocate resources and tolerance for risk and opportunities (Thakor, 2011). Core competence is no physical asset but is, for example, the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies (McIvor et al., 2009). Core competencies should not be interrelated with cost cutting. These core capabilities include management's architectural strategy, asset planning, and learning functions (Teece, 2018).

With dynamic capabilities, firms could alter their resource base by adding, reconfiguring, changing, or deleting resources or competencies (Danneels, 2012, 2016; Eisenhardt & Martin, 2000). In other words, how the firm responds to vast market or technological changes when the opportunity or need arises. Strong dynamic capabilities help an enterprise profitably build and renew resources, reconfiguring them to innovate and respond to (or bring about) changes in the market and the business environment more generally (Teece, 2017). Strong dynamic capabilities mean that these capabilities are strong compared to competitors in all relevant areas (Teece, 2018). Dynamic capabilities are especially useful in moderate and volatile markets, where they help stand out of the pack and respond selectively and adequately (Eisenhardt & Martin, 2000). Product innovation, alliances, acquisitions, and divestitures are some of the operative mechanisms by which the firm's resource portfolio is altered (Eisenhardt & Martin, 2000). The distinction between the possession of dynamic capabilities and their actual deployment raises great prospects for research into the conditions under which their potential is tapped (Danneels, 2016).

Dynamic capabilities consist of three broad clusters: (1) sensing opportunities (and threats), (2) seizing opportunities, and (3) maintaining competitiveness and transforming the organization's business model and wider resource base (Teece, 2007; Warner & Wäger, 2019). Each cluster refers to a different set of capabilities. "Sensing capability is established by a company's practises in identifying, developing, and accessing opportunities related to customer needs. Seizing capability refers to how resources are mobilized towards addressing needs and opportunities and capturing value (Sudrajat, Saroso, Grace Herlina, & Hida Syahchari, 2019)". Moreover, seizing opportunities entails the possible future evolution of technology, costs and customer willingness to pay (Teece, 2010). "Transforming capability refers to how resources are changed or reconfigured to sustain a new or different value (Sudrajat et al., 2019)". Seizing and transformation capabilities are specifically responsible for the coping mechanisms for external changes or threats for businesses.

However, Hernández-Linares et al. (2021) state that the learning (acquire and assimilate knowledge) and integrating (of new knowledge assets) capabilities have a positive influence on SME performance and sensing (searching/exploring) and coordinating (effective deployment) capabilities have no significant influence. Dynamic capabilities strongly resemble the innovation of a business and, therefore, the capability to innovate in a business. For firms to have the opportunity to perform an FME, they must make sure that the set of three dynamic capabilities is in place. Figure 1, below, is a graphic representation of the three clusters' dynamic capabilities. These clusters indicate the operations and opportunities the firm should be involved with to obtain strong dynamic capabilities.

Figure 1: Graphic representation of the sensing, seizing, and transforming dynamic capabilities.



Source ii: Teece (2018)

The competencies could be evaluated by assessing what the firm does to implement the competencies or how well it performs. Second-order competencies are more difficult to identify as they are mostly intangible resources. Therefore, it is important to know if the operations to access new markets, set up a brand in the new market and build up operations in the new market are present. As Teece (2007) stated, “Firms with good dynamic capabilities will have entrepreneurial management that is strategic in nature and achieves the value-enhancing orchestration of assets inside, between, and amongst enterprises and other institutions within the business ecosystem”. Most firms with entrepreneurial and transformational management can deploy dynamic capabilities (Teece, 2014). The SME must research the dynamic capabilities in the new market to know which of its existing dynamic competencies are strong and which competencies should be reconfigured. In summary, these ordinary capabilities should be present for excellent performance: operations, administration and governance that will help produce and sell goods and gain financial returns. Additionally, the dynamic capabilities that are needed to assess the new market, help build and renew resources that consist of experiences, mobilizing resources and understanding customer needs.

2.1.4. Drivers for foreign market entries

A big reason for large firms and SMEs to expand internationally is the potential new market awaiting their products and services (Nakos & Brouthers, 2002). This new market also brings learning opportunities and benefits to the host county firm. Firms are drawn to bigger markets as they expect it to be easier to acquire a market share in bigger markets and, therefore, expect higher potential profits (Min, Kim, & Zhan, 2017). The potential new profit in the new market is the most common motive for a new market entry (Min et al., 2017). Additionally, the benefit of a larger market is that the minimum viable profit can be achieved more easily (Min et al., 2017). Targeting the correct market segment is crucial for FME's success and can enhance the potential market segment. Wrong targeting directly affects the new market’s profitability, especially if the new market is small in size (Min et al., 2017). Good business models will be scalable across multiple segments, but knowing which segment(s) to pursue first is critical (Teece, 2018).

Additionally, an expansion allows new ventures to achieve growth and positive returns by capitalizing on their unique resources and capabilities (Zahra, Ireland, & Hitt, 2000). Examples of these advantages are the potential gain in profits, familiarity with known customers, standardised operations for subsidiaries and a new customer base. Internationalization helps firms gain managerial skills and capabilities, helps them better facilitate the use of resources and gives them greater flexibility in undertaking diversified business risks while simultaneously becoming a stronger player in the home country (Pinho, 2007). It also facilitates learning, allowing new ventures to create and exploit knowledge (Zahra et al., 2000). Apart from a potential financial gain in entering a new market, there are other potential gains to building a stronger brand and more sustainable company.

Researchers found that the relation between market timing and successful performance is that the earliest entry has financial advantages (Dykes & Kolev, 2018). The strategy of market timing can decrease the investment needed under favourable market circumstances and increase market share and a steep learning curve as an early mover advantage, but that also increases uncertainties (Bolton, Chen, & Wang, 2013; Murray, Ju, & Gao, 2012). These financial advantages will be limited in the furniture market, as big market players with known brands are already internationalized, and the SMEs will not have this advantage and, therefore, early financial success in the market. Dykes and Kolev (2018) state that by building technological leadership, installing buyer switching costs, pre-empting valuable assets, securing favourable relationships with local governments and taking advantage of countries' institutional concepts, first movers into foreign markets can increase their firm's performance. This performance, however, depends on the country of entry and origin, industry context, performance measurement and type of entry and period (Dykes & Kolev, 2018). Apart from black swan events that rarely occur, the influence of market timing regarding the market's social-environmental and economic risk is expected to be small.

The market timing decision is influential for having market success, but most firms will not wait years to expand and miss out on the opportunity. Therefore, the market timing decision will not be the most influential factor when expanding abroad, especially when the market to enter is a developed market. Local market knowledge will help to survive in the new market (Murray et al., 2012). The location advantages of a specific foreign market can be conceptualized as (1) a market's sales/growth potential and (2) the stability of the economic, political, and trade policies of the host nation (Nakos & Brouthers, 2002). SMEs face fewer liabilities of newness if the target market is like their original market. The cultural proximity is less in that case. When cultural distance increases, higher control levels are desired (Shen et al., 2017).

Nevertheless, understanding the culture in the foreign market is a must when expanding abroad. Culture is based on a group's design for living and on satisfying the wants and needs of potential buyers (Zeqiri & Angelova, 2011). This study focuses on expanding to neighbouring countries in a similar market- and legal environment with no entry barriers. The SMEs will have favourable market location circumstances. The institutional environment will be identical for these types of FMEs, which are highly developed, and the factors involving differences in the market and industry can be omitted. Therefore, soft market factors like market potential and -size will be more of an influence. The factors market potential and firm size firm determine what portion of the new market the firm can expect to obtain (Zeqiri & Angelova, 2011).

An overview of the market and industry determinants can be found in T2 below. This scheme divided the market/industry factors into four main categories: attractiveness, entry barriers, exit barriers, and the industry assets' specificity. This scheme is important as one of the first decisions the firm should make is the market it wants to enter. The probability of having a knowledge base of the foreign market is higher when the market is closer to the home country. The market will, in that case, be more predictable, and the chances of success in this market will be higher. Eventually, SMEs with less international experience choose a market to enter whom they are familiar with and thus entail the lowest level of risk.

Table 2: Overview of the market/industry drivers

Category	**Factors**
Attractiveness	Growth potential
	Demand/market size
	Labour costs
	Market uncertainty/demand fluctuation
	Asset turnover
Entry barriers	Reputation, distribution, advertising/technology expense, access to resources, operation scale
	Competition
Exit barriers	Exit costs
Industry assets specificity	Technology (R&D) intensity
	Marketing (advertising) intensity

Source iii Shen et al. (2017)

Lastly, the motive highly depends on the firm's goals for the FME. The motive for FME can be proactive or reactive. The motive of FME is connected to the market surrounding who can be favourable or not. Examples of proactive motives are profit and growth goals, managerial motives, foreign market opportunities, economies of scale and tax benefits (Zeqiri & Angelova, 2011). The gain of knowledge of technology or expanding the customer base accounts for such examples as well (Lee, 2017). On the other hand, reactive motives are the pressure of competitors, the small and saturated domestic market, overproduction or excess capacity, unsolicited foreign orders, the extended sales of seasonal products and proximity to international customers/psychological distance (Zeqiri & Angelova, 2011). For proactive motives, the firms are in charge of making the entry decision and are not pressured into the FME, which is the case for the reactive motive. For a proactive decision, the firm decides what time it takes for the market entry. For reactive motives, it is more important to act fast and could, therefore, involve more risk. The decision to expand abroad is mostly made on a higher strategic level in the firm, a top-down decision. Therefore, it mostly is the managers who have the motive to expand. Firms will have a more successful FME when the motives for FME are proactive. In this way, the firms have the time to plan for the FME accordingly.

SMEs should learn to develop digital capabilities to perform well in the digital markets. These capabilities can be used to interpret market signals and develop technical solutions that support international e-commerce; while doing so, SMEs should connect to customers in carefully selected market segments (Tolstoy et al., 2022). To access these customers in digital foreign markets, e-commerce SMEs should have excellent online marketing capabilities. Firm profitability is higher with excellent marketing capabilities (Danneels, 2012). Tolstoy et al. (2022) state that online marketing capability refers to a company's capacity to use internet resources for implementing and scaling marketing activities online. A marketing capability also entails skills such as assessing the potential of new markets, building relationships in new markets, setting up further distribution and sales channels, leveraging brand/company reputation to new markets, researching new competitors and new customers, developing new advertising or promotion strategies, and developing new pricing strategies (Danneels, 2012; Ripollés & Blesa, 2012). The driver for SMEs to expand abroad will be the combination of the potential new market, a new customer base and knowledge, experience and profit gain for the home country firm.

When an SME can perform a market-driven market-driving strategy, the SMEs are found to make more efficient use of current resources and are better equipped to cope with market contingencies (Tolstoy et al., 2022). The market-driven strategy is the one currently exploited most in the market, and the market-driving one is the one that is new and can change the course of events in the market. With both market strategies, SMEs use their resources better, optimize interactions with extant customers and develop new customer relationships in undeveloped customer segments (Tolstoy et al., 2022). New customer segments can be researched when expanding abroad. SMEs should also focus on online relational capabilities and less on transactional capabilities, as relational capabilities can establish a market segment or niche. However, Xia and Zhang (2010) conclude that companies can gain superior performance by developing an online operational capability to harness resources on the Internet; apart from harnessing the resources, it will not provide extra customers. An additional benefit of focussing on digital marketing in a niche market is that this market orientation is beneficial in attracting these niche customers (Tolstoy et al., 2022).

2.1.5. Risks of expanding abroad

Multiple factors constrain companies from performing a successful foreign market entry. However, for SMEs, there are additional difficulties. Challenges like resource availability, technological use, knowledge of the market, institutional knowledge, and the ability to cope with these challenges constrain SMEs in their internationalization performance. These factors reflect the internal capabilities within the SME. New ventures especially experience resource scarcity in financial, human and tangible resources (Coviello, 2015). Again, extensive literature for large firms exists, but for SMEs and the relation between the different strategies to a lesser extent (Lu & Beamish, 2001). SMEs face other liabilities when performing an FME than large firms. Knowledge and expertise cannot trickle down from the headquarters to the subsidiaries, which is the case for MNCs. The liabilities for an FME fit into three categories: resources, knowledge and external influences that are not present in the home country. Therefore, it is very important to mitigate these liabilities by choosing an FME strategy to deal effectively with these risks (Laufs & Schwens, 2014). Acknowledging these risks and awareness of the potential damages an FME could do, managing the FME expectations could help lower the entry barrier.

Examples of resource liabilities are limited access to financial and personnel resources and the ability to deploy these resources, which makes SMEs more vulnerable from the resource perspective in the new market (Hollender et al., 2017). SMEs often work with a very small personnel set-up. For example, managers sometimes cannot go abroad longer to oversee the processes, so that managerial control could be missing (Laufs & Schwens, 2014). Consequently, a lack of foreign market knowledge causes SMEs to be less internationally diversified and possess fewer international engagements (Hollender et al., 2017). SMEs will choose selective strategies for market entry and concentrate their efforts on a small number of high-potential foreign market segments yielding potentially high returns (Nakos & Brouthers, 2002; Pinho, 2007). Lastly, the scarce resources of the SME while exporting result in every investment in core capabilities putting significant pressure on their profitability, where marginal costs and benefits need to be carefully assessed (Miocevic, 2021). To eliminate the restraint of resource limitations in SME expansion, SMEs should use alliances with firms with local knowledge (Lu & Beamish, 2001). This alliance will also strengthen the network of the firm and will increase its knowledge of the local market. An alliance will also help the firm to overcome its liabilities of newness and foreignness. The formation of an alliance enables the positive performance of participants in the alliance and can provide the missing knowledge about the host country's market.

Different market determinants should be considered for initial assessments of the potential market or industry and the possible challenges in that market. For example, SMEs face fewer liabilities of newness if the target market is like their original market. On the other hand, liabilities of smallness and newness cause SMEs to stretch their entry mode-performance relationship (Hollender et al., 2017). Furthermore, the knowledge obtained while operating in the original market can be used for operations in the new market (Lu & Beamish, 2001). For example, the kind of operations the firm chooses to outsource will help focus on the firm's strengths. "Outsourcing can be employed to achieve performance improvements in cost, quality, service, and time-to-market (McIvor et al., 2009)". Outsourcing can help focus on the core capabilities and mitigate weaknesses when expanding abroad. When starting a new subsidiary, the subsidiary faces the same issues the original business faces: building relationships with stakeholders, training and recruiting employees and getting legitimacy (Lu & Beamish, 2001).

Thirdly, unknown challenges in the host country's market can be a bottleneck while expanding abroad (Hollender et al., 2017). Mapping and managing these uncertainties will help SMEs overcome them and allow the managers to grow and develop their businesses. Hollender et al. (2017) state: "The resource of prior international experience of the management team and the capability of product adaptation enables SMEs to mitigate their liabilities of smallness and improve the performance of non-equity entry modes by mitigating liabilities of smallness inherent in SMEs". The managerial capability comes with age, experience and educational level, and young managers are more internationally oriented (Pinho, 2007). Additionally, older and more well-established SMEs may consider implementing digital technologies expensive, time-consuming, and technically demanding (Tolstoy, Nordman, Hånell, & Özbek, 2021). Yet, SME age has paradoxical benefits on firm performance. On the one side, age means more in-house knowledge, but non-beneficial routines can be locked in with age. "The learning advantages of newness may accelerate young internationalizing SMEs' learning from foreign markets through different types of entry mode, which leads to higher firm performance (Bruneel & De Cock, 2016)." Younger SMEs, therefore, will make bolder moves when performing an FME.

Product diversification means the expansion into product markets that are new to a firm (Hitt et al., 1997). The drawback in this condition is the newness to the host market, which will be mitigated by the product adaptation, making it less vulnerable to the new challenges coming towards the SME while entering a new country. Product adaptation will be a constraint because the adaptations must be within the financial and human resources available to the firm. Nakos and Brouthers (2002) agree with this statement and state that the products and services of a firm will be better exploited internationally when highly differentiated. Moreover, international diversification positively relates to R&D intensity and innovation, but the interaction effects with product diversification are negative (Hitt et al., 1997). Product diversification highly depends on the firm's internationalisation and diversification level.

However, the number of resources used for the expansion could also bring additional risks to the firm. The more resources a venture uses could potentially mean higher chances of losing them when the FMEM will not meet the expectations and could be potentially harmful to the firm (Laufs & Schwens, 2014). “Venture control will determine the firm's performance, risks and ROI but require more resource commitment. Firms will better understand and assess the risks and opportunities while having more experience and confidence with higher control entry modes (Blomstermo, Sharma, & Sallis, 2006)”. For example, for an acquired host-country firm, a firm may delegate certain strategic decisions to the foreign subsidiary, but the acquirer maintains overall control; in the case of contractual agreements, control can be achieved using contract enforcement but only to the extent to which hazards are contractually safeguarded a priori (Laufs & Schwens, 2014).

Risks that could come with entering a new market are the unstable political environment, economic risks, foreign exchange risks or competitors in the social environment (Alcácer, Dezső, & Zhao, 2015). The trade-off between the risks, the willingness to take risks and the motives results in the choice to enter the market and the accompanying choice of FMEM. Political instability leads to risk-averse non-equity market entry modes or no new market entry. In summary, these risks can be categorized into soft (controllable) risks that can be reduced by changing behaviour or cognition and hard (irresistible) risks like regulative and nominative environments and political and macroeconomic conditions (Shen et al., 2017). The motive is closely related to the amount of control the firm wants to exercise and the risk the firm is willing to take when entering a foreign market. Firms tend to mitigate risk using control. Every FME(M) has different responsibilities for the home country firm. This phenomenon is known as control, how much authority a firm may exercise over systems, methods and decisions in the foreign market (Pinho, 2007). The choice of FMEM refers to how much control a firm wants to have while venturing into a foreign market and how much risk it is willing to take (Herrmann & Datta, 2002; Maekelburger et al., 2012). Exercising high levels of control can limit the adaptivity of the firm. It can, for example, limit unlearning used routines in the home country firm to create new routines in the new market (Coviello, 2015).

Table 3: Summary of factors that influence equity/non-equity choice, including the strategic dimension to choose an FMEM to make an FME.

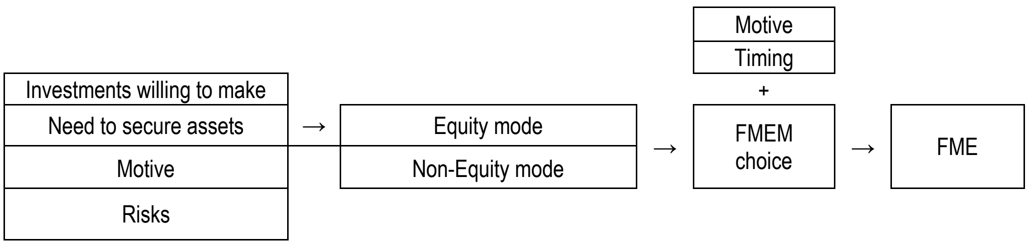


Table 4: Potential risks and challenges in the new market

External new risks	Resource Commitment	Market Advantages	Firm-specific Advantages	Asset Security
Economic	Low resource commitment	Familiarity with the market	International experience	Knowledge security
Foreign exchange	Product	Industry	Firm size	Institutional security
Political	Human resources	Stability of the market	Firm age	
Social environmental	Skills	Market growth potential		
Host country risk	Monetary resources			
Controllability				

Tables 3 and 4 above summarise these comprehensive FME drivers and barriers discussed in the above paragraphs to put things into perspective. The first column of Table 3 depicts the four main categories of influences that influence the choice of equity mode. Apart from all the factors that influence the type of FMEM, external influences determine foreign market entry. These are given in table 4. This scheme results in foreign market entry. The internal drivers of the firm are mostly easy to identify, but the barriers and risks are more complicated as they could be outside of the firm's area of influence. It is important to determine what barrier is the most important to overcome. The firm can be focused on that barrier and focus its strategy. The characteristics presented in the tables are static. However, in real businesses, these are all intertwined and dynamic. When making the FMEM decision, it is important to be aware of volatility and behavioural uncertainties, gather knowledge about the market and industry in the specific country, determine the strategy and be mindful of the strategic dimensions. These factors are not only relevant for a well-evaluated FMEM decision but also for understanding the performance and the performance outcome of the FME.

2.2 Foreign market entry performance measures through dynamic capabilities

Firms can have specific capabilities that can work to their advantage when deploying them well. Managerial capabilities can, for example, improve the speed of internationalization and the efficiency of practice and knowledge transference in investments, which reduce the need for high control over operations (Shen et al., 2017; Wolff & Pett, 2000). Danneels (2016) identifies the willingness to change existing routines and assets, have internal discussions to debate ideas, tolerate failure, and explore the environment for trends and excess human and financial resources as dynamic capabilities in firms. In other words, when a firm processes these capabilities, it can adapt to a changing environment and successfully enter a new market. The success of the market entry, among other strategic actions, is highly specific to how the firm makes use of the resources and capabilities available (Wolff & Pett, 2000). Moreover, firms possess capabilities that represent strengths and others that represent weaknesses and dynamic capabilities provide useful insights into the importance of certain types of SME capabilities for SME performance in choosing FMEMs (Bruneel & De Cock, 2016; Sirmon, Hitt, Arregle, & Campbell, 2010). Identifying the SMEs' capabilities and the strength of these capabilities will provide an estimation of the FME performance.

An approach to measuring the FME success is through the firm's dynamic capabilities, where, on the one hand, competence provides the potential to perform an activity skilfully and purposefully, and on the other hand, many extraneous factors could impact actual outcomes (Danneels, 2016; Ripollés & Blesa, 2012). Previous knowledge and experience will positively influence the FME performance of the FME (Oscar et al., 2022). Another benefit of this approach is that it captures the firm's financial and non-essential assets. Hollender et al. (2017) state that resources and capabilities enable the firm to pursue strategies with greater efficiency by reinforcing the benefits of a strategy while mitigating potential drawbacks. For example, this can be measured through one firm's efficient production technology or market expertise (Lee, 2017). The performance outcomes of, for example, the knowledge capability can be measured through satisfaction or outcome of the process or the cost/time it takes (Martin & Salomon, 2003). For organization-level performance, relevant indicators are firm-level productivity, profitability and risk, costs and revenues, innovativeness, and survival (Martin & Salomon, 2003). The core concept for the successful FME outcome is that superior resources and capabilities result in superior firm performance (Danneels, 2012). Especially if these resources are specialized, valuable, rare, and hard to imitate or substitute, they will help gain the firm sustainable competitive advantages and superior firm performance (Amit & Zott, 2001; Barney, Wright, & Ketchen Jr, 2001; Eisenhardt & Martin, 2000; Hart, 1995; Teece, 2018; Wolff & Pett, 2000).

SMEs perform better in Industry 4.0 when they focus on smart, sustainable, and inclusive growth to accelerate their growth targets and become more innovative, innovation being the move towards sustainable competitiveness and smart growth (Gerlitz, 2016). Smart growth means the same as sustainable growth and requires a focus of SMEs on social responsibility and environmental awareness, intertwining all three dimensions of sustainability: economic, environmental and social sustainability (Gerlitz, 2016). Additionally, a challenge incumbents face is the competing concern of balancing the exploitation of existing capabilities while also building new digital capabilities compatible with the path dependencies of the past (Warner & Wäger, 2019). However, firms with similar performance outcomes and value-creating activities can still differ in resources and capabilities. This principle also implies that others can substitute some resources or capabilities. Note that a resource will always be a tangible or intangible asset, whereas competence is a reconfiguration of resources that enables the firm to accomplish a particular task (Danneels, 2012).

The choice of FMEM greatly influences the firm's performance (Brouthers, 2002; Brouthers & Nakos, 2004; Lu & Beamish, 2001). Inferior entry mode decisions can easily harm the performance of the internationalizing firm, for example, over-investment in foreign markets, partners taking advantage of the firm's knowledge, and coordination problems caused by lack of control (Bruneel & De Cock, 2016). When evaluating an FMEM or FME performance, multiple factors can be included. Measuring the entry mode performance is overly complicated, and a clear performance influenced by isolated factors is extremely hard to measure. The performance analysis can be based on financial, non-financial, or both performances and can be found on theory-driven or not aligned with theory, where theory-driven has the best performance outcome (Brouthers, 2002, 2013).

SMEs in Industry 4.0 are involved with many competencies. New competencies arise in a digital environment besides the known existing competencies like prior knowledge and experiences. Marketing and adapting to new technologies have become most important. Marketing is especially important for e-commerce firms. Managerial capabilities, international experience and marketing capabilities can, for example, improve the speed of internationalization and the efficiency of practice and knowledge transference in investments, which reduce the need for high control over operations (Shen et al., 2017; Tolstoy et al., 2022; Wolff & Pett, 2000). The firm should be able to be innovative and adaptive in the market and its product range when exporting (Miocevic, 2021).

SMEs and Born Global differ in terms of the capabilities they possess. However, SMEs can learn from them in terms of foreign market success. Therefore, an example can be taken from the born global companies to determine the capabilities for successful performance in the new market. Coviello (2015) suggests that young firms may be better equipped to acquire the requisite knowledge about international business because there are little to no existing organisational routines to unlearn. Additional capabilities that work for Born Globals are a strong marketing and entrepreneurial orientation, being technologically advanced, serving a niche market with well-positioned products and focusing on high product quality with a flexible global supply chain (Coviello, 2015). Internationalizing SMEs should, like Born Globals, invest in their marketing, entrepreneurial orientation, and technological innovation. Technological innovation makes firms more efficient in resource use (Knight & Cavusgil, 2004). Coviello (2015) concludes that the combination of performance expectations, like market growth and -share, economic growth and international success, in combination with the resource-derived capability base, drives international performance. The theory for successful international performance of born globals agrees with the theory of dynamic capabilities and resources of the firm.

The capability of innovativeness is executed through developing new advertising or promotion strategies, developing new pricing strategies, setting up new types of manufacturing facilities and operations, identifying promising new technologies, assessing the feasibility of new technologies, and recruiting engineers in new technical areas to ensure successful market entry (Miocevic, 2021). On the other hand, the capability of adaptiveness is executed through assessing potential new markets, building relationships in new markets, setting up further distribution and sales channels, leveraging brand/company reputation in new markets, and researching new competitors and new customers to successful market entry (Miocevic, 2021). The capability of adaptiveness is similar to the marketing capability. The firm will not need to execute all these sub-capabilities. It needs to sense which are necessary for the market and industry. Only then can the firm be successful. All the dynamic capabilities present in the firm can, unfortunately, also be easily overstretched if an SME operates in more than one product and market domain and, therefore, requires extra resources to manage the expansions (Miocevic, 2021). Consequently, building new capabilities and investing resources in the new market is important.

2.3 Business models

Internal factors mainly influence the choice of FMEM. With the help of a business model (BM) analysis, the internal factors determining the FMEM can be investigated. Zott, Massa & Amit (2011) argue that with the addition of the business model, it has become a new unit of analysis that gives a more holistic analysis compared to the traditional units of analysis like the firm and its surroundings. Additionally, Amit and Zott (2001) define a BM as follows: “A business model depicts the content, structure, and governance of transactions designed to create value through the exploitation of business opportunities”. The latest scholars conclude that business models are of utmost importance for new ventures and incumbents alike because the concept can contribute to a firm's differentiation, competitiveness, survivability, and sustainable long-term growth (Holzmann, Breitenecker, Schwarz, & Gregori, 2020). More specifically, the business model defines an organizational and financial architecture that embraces and integrates consistently (1) the feature set of the product or service, (2) the benefit (value proposition) from consuming/using the product or service, (3) the market segments to be targeted; (4) the "design" of revenue streams and cost structure; (5) the way products/services are to be combined and offered to the customer; and (6) the mechanisms by which value is to be captured (Teece, 2010)". Following this definition and order will provide a comprehensive view of the business, how it makes money and its operations. In short, together with the strategic decision to perform an FME or FMEM, the BM represents the firm's rationale, as Osterwalder and Pigneur (2010) show, providing a holistic basis for expansion.

A model that is used very often in the BM structure most used in practice is the proposed Business Model Canvas (BMC). This practical mode includes nine elements and four building blocks within business models: value proposition, operational and financial model and customer relations by Osterwalder and Pigneur (2010). These building blocks are also referred to as a balanced strategic, systemic approach that consists of the financial setup, internal business processes, understanding of the customer, and learning- and growth (innovation) dimensions. Together, they form a balanced scorecard as strategy maps or activity system maps, enabling competitive positioning and implementing strategy (Gerlitz, 2016). The business model in all its forms is a practical way to conceptualise the firm's channels, and the form best represents the needs and the research that will be used. The business model is considered an influential factor for mode choice, as it describes the rationale behind the firm (Osterwalder & Pigneur, 2010) and is where the value creation happens (Amit & Zott, 2001).

The business model also defines the construction of the business, including its future expansion pathways (D. J. Teece, 2010). Adapting the model after it is established is, however, highly complicated. Expanding abroad is, most of the time, a proactive business decision. Adapting the business model for the new market is needed for this expansion because the supply or value chain needs to be adjusted. The expansion should not affect the original business model and value creation. Strategic foresight can be used depending on the market's stability to enter. For the opposite case, foresight cannot be used: "Uncertain, fast-moving, and unpredictable environments do not allow for the foreseeing of their possible evolutions (Matricano, 2020)". Therefore, the business model can be used to map possible hurdles and foresee struggles. The product strategy and other strategies like the service and implementation model are closely connected to the entry mode choice as these are the assets that need protection while expanding abroad (Ojala & Tyrväinen, 2006). The nature of a firm's business, product characteristics, customer support requirements, and customization needs are important for entry mode selection (Ojala & Tyrväinen, 2006). However, adapting the product strategy in the BM for every market would be too costly and overcome the benefits of internationalization (Miocevic, 2021).

Successful business models in terms of profitability need to be hard to imitate or be a pioneer in a winner-takes-all market to guarantee sustainable profitability (Teece, 2010). BMs can be elevated by improvements on products and resource traceability, connecting internal- and external processes, flexibility and quality of personnel, transparency, customization and cost optimization, which in combination with smart technology (big data, cloud computing, intelligent sensitisation and embedded systems) (Ibarra et al., 2018). For example, companies commercialize product and technology innovations through their business models. While they may allocate extensive investments to this, they often have limited capability to innovate the business models through which these innovations will pass, which means that the “dominant business model logic” can lead firms to miss valuable innovation uses (Chesbrough, 2010). With the help of a business model lens or canvas, a firm can identify and select possible research opportunities to market novel technology, differentiate from the competition, and gain competitive advantages (Holzmann et al., 2020). To succeed, firms need to have a reality consistent with the realities and expectations of the market to successfully discover what offerings are needed, to what extent they are necessary, and the required quantities and qualities (D. J. Teece, 2010). Technology or products by themselves do not guarantee business success; therefore, having an accompanying product strategy and a stream in the BM for each (new) product defines its “go to market” and “capturing value” strategies because it is very important (D. J. Teece, 2010). This strategy includes implemented product differentiation.

Lately, the most used form is the value proposition, value creation and value capture in the business model, where the value proposition consists of a firm’s offered products and services reflecting the firm’s assumptions; the value creation describes how the value is created, produced, sold and delivered; and lastly, the value capture refers to the financial returns that result from the firm's value creation activities (Holzmann et al., 2020; Osterwalder & Pigneur, 2010). Value is created through product development, added services, strategic decision-making, alliance formation, horizontal and vertical partnerships, knowledge creation, and capability transfer (Amit & Zott, 2001). Business models entail a form of competitive advantage, where the novelty of new, effective models results in superior value creation (Zott et al., 2011).

E-commerce BMs differ from other BMs in how they create value, as it is sometimes unclear how they create value upfront. For e-commerce businesses, this value is created by efficiency in the operations, a novelty in transactions and participants, lock-in of customers and the offer of complementary systems to increase value (Amit & Zott, 2001). This value chain in e-commerce can be analysed by defining the business unit's strategy, the products and their critical activities, and the value of these activities (Amit & Zott, 2001). Transactions are done online, and marketing activities are mainly done digitally. The possibilities of creating value over the internet are endless, as are the newly formed BMs. The innovation of the internet and communication and information technologies and the rapid decline in computing and communication costs have allowed the development of new ways to create and deliver value, which has offered scope for the creation of unconventional exchange mechanisms and transaction architectures and accentuated the possibilities for the design of new boundary-spanning organizational forms (Zott et al., 2011). For business models, this entails new logistics, revenue, and value streams. The value stream here identifies the expected value for various groups in the business interaction, whereas the revenue stream is a plan describing how a business will generate revenue, and the logistical stream includes the design of the supply chain (Ojala & Tyrväinen, 2006).

E-commerce is a subdomain of e-business that consists of related activities, such as online shopping, sales force automation, supply-chain management, electronic payment systems, web advertising, and order management (Bidgoli, 2003). “E-commerce is buying and selling goods and services over the Internet (Bidgoli, 2003)”. E-commerce brings much flexibility to the customer and the seller because it does not rely on physical stores. Another plus of e-commerce is the potential customer data that can be gathered and used and the provision of fast customer support. But also other uses like collaborating with others, vendor support and publishing and disseminating information (Bidgoli, 2003). It will likely be successful if all these features are used in an e-commerce business.

On the other hand, information security on the internet and the environment is very important as it raises additional risks to the business and must be executed very seriously (Morris, McKay, & Oates, 2009). Lastly, in e-commerce, logistics is key. In the e-commerce process, inventory is normal in real-time, the communication between business and vendor is instantaneous, and logistics are (digitally) very sophisticated (Moriset, 2020). Lastly, e-commerce has two main modes, the one where goods are sold using wholesale and the one where the goods are sold over a platform, and the platform functions as a third party, not influencing the price (Yang, Zhang, & Wang, 2021). The case company operates as a wholesaler in this case.

Solely focusing on value creation will not lead to commercial success; a commercial strategy is needed to perform well commercially (Teece, 2010). For value capture, the right timing is required; sometimes, it is beneficial to be the first mover, while in other cases, it is more advantageous to exploit the gap left by a pioneer (Teece, 2010). Teece (2010) states that; “Successful strategies to capture value require choosing an appropriate mechanism for the protection of intellectual property, deciding which activities must be performed by the firm or procured in the market and crafting a business model”. Capturing value involves strategy and (dynamic) capabilities, the skills, procedures, organizational structures, and decision rules that firms utilize (Teece, 2010). The business model needs to be designed to fulfil the customer’s needs. Therefore, the success of an innovative product is highly dependent on its ability to respond to end users' needs and to alleviate their plans (Bekhradi, Yannou, & Cluzel, 2016).

A BM’s operations and design are built on the firm’s capabilities. Therefore, the BM is a great tool for discovering these underlying (dynamic) capabilities. “The crafting, refinement, implementation, and transformation of business models are outputs of high-order (dynamic) capabilities (Teece, 2018)”. Among the BM's first-order capabilities are understanding, doing the daily tasks, administration, and daily operations management. Second-order competencies in this context are new product development, expansion into new sales regions, assigning product mandates across divisions in large companies, and other actions that constitute astute managerial decision-making under uncertainty (Teece, 2018). When a firm can pursue these second-order competencies, the firm is more likely to discover new business opportunities and bring the organization to a higher level. Logically, the managers who convert the business model to the market must feel the possibility of using those capabilities. To thrive these second-order capabilities in the business model, as stated before, the firm needs to choose outsourcing operations to especially focus on developing the firm's specific dynamic capabilities. In summary, an organization's overall design and structure affect its business model innovation and dynamic capabilities (Teece, 2018).

For this to work, certain flexibility from the team is required. "To encompass these realities, the theory of the firm needs to be augmented to account for an opportunity as well as opportunism, coordination beyond the boundaries of the firm as well as within it, variations in the level of capability across firms, and the frequent superiority of the firm over markets for the creation, transfer, and protection of intangible assets (Teece, 2010)". Apart from sensing the opportunities, the opportunities must be tested in practice so that the firm can use the best practices. A widely used strategy in practice for this testing is the "lean start-up" model that has spread well beyond Silicon Valley includes the capacity to "pivot", or, in other words, to quickly test, discard, and replace ideas and business models that do not work (Teece, 2018).

A drawback to these change capabilities is that managers are often unwilling to experiment with new BM constructions, as established models have known gross margins and fewer uncertainties (Warner & Wäger, 2019). Managers are also drawn to known archetypes within their knowledge. The newer business model archetypes offer many opportunities like servitization as a type of extreme service orientation, bundling of two product strategies or matchmaking of products using different brands in marketplaces (Warner & Wäger, 2019). These archetypes can disrupt the industry in five ways: reinvention, substitution, new digital businesses, reconfiguration of value delivery and rethinking value propositions (Warner & Wäger, 2019).

2.4 Digital business model innovation

Business model innovation is a new source of innovation that "complements the traditional subjects of process, product, and organizational innovation" (Foss & Saebi, 2017). In this context, adapting a BM to enter a new foreign market could be seen as a business model innovation (BMI), whereas organizational change is already seen as a BMI. The value proposition of a business innovation model is heavily subject to products and services offered by an enterprise and its operational model, and therefore, product and service innovation can lead to business model innovations (Gerlitz, 2016). The difference between BMI and business model adaptation is that BMIs aim to disrupt market conditions, and business model adaptations, on the other hand, take place when firms aim to respond to external environmental changes (Matricano, 2020). Components of the business model regarding business model adaptations are, therefore, always in transition. The business can only adapt and respond to the changes around it or do something entirely new. The businesses decide whether they want to act reactive or proactive, which also influences the results of the adaptation or innovation. It's however known that businesses will act similarly as they did before, this is called path dependency, and therefore, they influence their success or not in changing environments (Matricano, 2020). If a business, for example, always reacts to changes and has a slow decision-making process, it is always behind and will always be behind in responding to the changing environment.

If BMI is the strategic goal, the capabilities, leadership and learning mechanisms are needed for successful implementation (Foss & Saebi, 2017). More specifically, strategic sensitivity, leadership unity, and resource flexibility are required to make a BM more agile (Zott et al., 2011). Other examples of change capabilities are the dynamic consistency to build and sustain firm performance while changing the BM, a critical capability towards an orientation for experimentation, a balanced way of using resources, clear leadership, a strong organizational culture, and employee commitment (Chesbrough, 2010; Foss & Saebi, 2017). For a successful BMI, firms should overcome barriers that include conflicts with existing assets and business models and cognition in understanding these barriers (Chesbrough, 2010). In practice, firms should experiment with their business models and learn and act on those experimentations. Changes should be accepted within the organization; a drive to move forward helps with that.

The worldwide trend and urge towards sustainability can be used to give a practical example of a BMI. This trend drives firms to transform their BMs from linear to circular ones. These two types of BMs can be distinguished by the 'cradle to grave' or the 'cradle to cradle' approach. Here, the closed-loop system or the circular model includes two types of loops: the reuse of goods and the recycling of materials (Bocken, Pauw, Bakker, & Grinten, 2016). Resources can be recycled by slowing the resource loops by extending the product life and long-life of goods, closing the resource loop through recycling or post-use and closed production or narrowing the resource flow to produce fewer resources (Bocken et al., 2016). This complete use of the resources could also have economic advantages and could work as a competitive advantage. Customers' sustainability focus urges firms to think more about the products they want to buy and the heritage of those resources. The firm could logically adapt to this need if it senses the opportunity. The product strategy and the design of the products themselves need to be done thoughtfully, as the most sustainable option is the already existing option. The change towards a circular business model is radical, as strategies towards sustainability often need higher levels of maintenance, service, change of processes and thus costs. Here, the heart of the business innovation model is the innovation process and the ability to identify a good idea, including the capacity to transform such an idea into a business model that adds value and generates revenue (Gerlitz, 2016).

BMI and dynamic capabilities can be linked as they can transform the BM. A BMI pushes a firm to use its dynamic capabilities or develop new ones. Therefore, in this combination, the dynamic capabilities can be used to identify the BMI that fits the firm. The true strength of a firm's dynamic capabilities is implicated when business model changes are translated into organizational transformation (Teece, 2018). However, introducing new business models into an existing organization is always difficult and may require a separate organizational unit (Teece, 2018). With an FME, the business adds a new business model to the firm. Therefore, it can be said that an addition or a separate organizational unit could be useful. The organizational unit could identify the resources that need to be mobilised, embed them in the business model and enables transformation.

Apart from performing a BMI, firms should digitally transform to stay competitive in the current new digital environment. In this research, digital transformation relating to e-commerce will be studied. Digital transformation means: 'the use of new digital technologies (social media, mobile, analytics or embedded devices) to enable major business improvements on existing resources such as enhancing customer experience, streamlining operations or creating new business models (Svahn, Mathiassen, & Lindgren, 2017; Warner & Wäger, 2019)'. Ibarra et al.

(2018) identified mostly the same characteristics when discussing digital business model innovation: service orientation, networked ecosystems, and customer orientation. This transformation is driven by the fourth industrial revolution that transforms factories and warehouses into smart factories (Ibarra et al., 2018). The service orientation is often an extension of the already offered products to ensure more value capture. All partners along the value chain create a networked ecosystem of products and services due to horizontal and vertical integration while learning more about their customers to create more value. Digital transformation is nonetheless an ongoing process based on an agile organization for strategic renewal in the organization's business model, collaborative approach and culture (Warner & Wäger, 2019).

The high-demanding customer focuses on value creation instead of value capture by creating a bigger customer base instead of just more profits. Digitalization has empowered customers with more choices, expectations and demands, forcing firms to re-evaluate or supplement traditional transactional customer value propositions with new relational or multisided e-commerce value propositions (Warner & Wäger, 2019). To meet these evolving customer needs of the changed customer's value proposition, the company should alter how it creates and captures value in co-creation with these customers (Sjödin, Parida, Kohtamäki, & Wincent, 2020). However, the value capture, creation and delivery through the business model remain paramount.

Table 5 below gives the main challenges, features, and requirements for businesses and, thus, business models in this new industrial revolution. Not every aspect will be relevant for each type of business model, as some business models will be more developed for the changing industry already. However, this table indicates that in fast-moving environments, businesses should be ready to be reinvented continuously (Teece, 2010). These challenges need to be overcome to succeed in Industry 4.0, and the given challenges, features and requirements could also be seen as indicators of capabilities to succeed in this. Given the challenges and requirements, it can be concluded that digital transformation is not about technology but strategy, where senior leadership teams must find ways to capitalize on new and unexpected business model innovations that optimize customer needs and experiences (Warner & Wäger, 2019). Lastly, the heart of the business innovation model is the innovation process and the ability to identify a good idea, including the capacity to transform such an idea into a business model that adds value and generates revenue (Gerlitz, 2016).

Table 5 Features, Challenges and requirements related to industry 4.0

Main features of the industry 4.0 BM	**Main issues affecting traditional BM**	**Main requirements to face digital transformation**
Interoperability	Networking and reduction of barriers	Standardization
Virtualization	Flexibility and personalization	Work organization
Decentralization of decision-making	Individualized mass production	Availability of products
Real-time capability	Local production	New business models
Service orientation	Low price	Know-how protections
Modularity	Smart goods and services	Availability of skilled workers research investment
	Fragmentation of the value chain	Professional development
	Globalization and decentralization of production	Legal frameworks
	V-h integrated production systems	

Source iv Ibarra et al. (2018)

Svahn et al. (2017) identified four managerial digital innovation challenges that need to be balanced in the digital era: existing versus requisite capabilities, process versus progress innovation, inter versus external collaboration and control versus flexible governance. This balance means that the capabilities stagnate in digital innovation, existing product innovations should always be maintained, new capabilities should be identified and developed, and external audiences should be engaged in the case of innovation capabilities. As stated before, product development must be in constant development. However, design and management processes must also be, and the different time horizons must be prioritised. Firms need to invest in developing skills and relations within the company in addition to the external resources and partners with the risk of missing opportunities outside the firm or not stimulating internal processes. Lastly, Svahn et al. (2017) argue that creativity needs to be enabled for a working environment for innovation, flexibility is required, choices need to be made, and managerial control is required.

These challenges and coping mechanisms differ between firms, especially SMEs. There is no clear blueprint with answers for these challenges, and all firms have their own set of capabilities. In the case of expanding abroad, a firm must, similarly to innovation within the business model, look inside the firm or institutional context to see what capabilities are already there and what new capabilities are needed and do this similarly with the external processes. This dynamic capability to see the missing links is called the sensing capability. Examples of these missing links could be the creation of network arrangements, engaging in external ecosystems, shifts in firm identity or organizational culture, changes in hierarchical structures, what investments are needed and managing uncertainties (Svahn et al., 2017).

2.5 Conceptual framework

To summarize the theoretical chapter, all topics highlighted in the previous chapters that influence the successful performance outcome of an internationalizing e-commerce SME are given. The potential new market and customer base resulting in more financial returns are identified as the drivers for the FME. The small resource base is recognised as a barrier for the SMEs. Therefore, it should be aware of and adapt to the potential hurdles and efficiently use its existing resources by targeting an identical market. The SME will most likely choose the mode exporting as the FMEM. It will start building operations in the host country firm. Due to the flexible setup, the SME can keep existing resources and new investments small.

When the SME starts exporting, it must also begin building other structures. These essential capabilities include market assessment, logistics setup, sales and distribution channels, and reaching new customers. Later, it needs to mobilize resources to develop full marketing streams to serve the customers in the host market. After sensing and seizing the new market challenges and opportunities, it should fully adapt and transform the newly created host country business model for excellent foreign market entry performance. Management and knowledge capabilities will help in faster implementation of the strategies—innovativeness and adaptiveness to adapt to the ever-changing industry 4.0 environment rapidly.

A schematic overview of the presented theory is shown in Table 7. The four main topics needed for successful FME research are shown in the top row. The second row shows the particular pathway for an e-commerce SME. In short, the SME should have a proactive motive for FME and be aware and adaptive to the potential barriers. To lower the barriers, it has chosen a host market that was previously assessed and is similar to the home country. The SME will use the exporting mode for its low-risk, low-resource setup. All ordinary capabilities allowing the SME to generate financial results in the host country should be present. Additionally, for successful FME performance, the dynamic capabilities should be above the competitor average and be represented within the host country BM.

Table 7 Schematic overview of the pathway for SMEs to perform successful FME

Internal and external factors		FMEM		BM		FME
Barriers Drivers	→	Exporting	→	Ordinary capabilities Strong dynamic capabilities	→	Successful performance outcome

3. Methodology

3.1 Empirical approach and case selection

This qualitative single case study provides insight into the drivers and barriers to performing a successful FME in a digital environment and how an e-commerce BM can be implemented outside their known institutional context. The use of a single case study allows an in-depth understanding of process-related issues and organizational activities like decision-making and resource and capability mobilization to develop international e-commerce (De Cock, Andries, & Clarysse, 2021; Tolstoy et al., 2021). From these processes and their interrelations, new insight into new phenomena will be identified to develop a new grounded theory (Eisenhardt & Graebner, 2007; Sjödin et al., 2020). Justification is based on the prioritization of the phenomena. The business model concept and canvas explain the chosen case's business model and operations. The dynamic capability approach connects the theoretical gap between SME FME(M) and e-commerce businesses.

The chosen SME is an e-commerce SME operating in the DACH region and looking to expand to neighbouring countries while having concrete plans or performing an FME in the last five years. E-commerce companies can have a very small setup; therefore, a smaller-sized SME is examined. The SME focuses solely on market expansion and not other major strategy goals apart from maintaining operations. Additionally, the business should be established so that no other concerns are influencing the firm's performance other than the FME. The FME of the SME creates a shift in their institutional focus from solely the DACH region to other Western European regions. While shifting, the company potentially gains knowledge of new institutions. This SME operates in an underdeveloped e-commerce business-to-customer (B2C), specifically the furniture market. The e-commerce furniture market is underdeveloped but stable. The single case study ensures that all changes and processes of the FME and BMI will be identified. This case study consists of in-depth employer and employee interviews to determine the specific capabilities that need to be kept for an FME. The findings can provide insights and opportunities for internationalizing SMEs. Additionally, this research could identify what changes are necessary for the e-commerce business model to expand into an abroad market.

Multiple factors lead to the choice of this case. Recently, it broadened its institutional context from only the DACH region to neighbouring West-European countries. The nine segments of the previously only DACH region operating business model had to be examined for its fit for the neighbouring countries. Apart from this, the value proposition, value creation, and value capture could have been adopted. These changes enable a BMI as well as possible new capabilities. The core capabilities that formed the basis of this transformation should be identified. This case company is special because it is granted full access to all information and people to study the transformation. Apart from the interviews, data can be collected from other primary data like the company's website and reports. Also, the researcher will familiarize himself with the case company and its employees early on. This trust that will be gained provides ease of speech during the interviews and allows the researcher to provide a holistic view of the company and its processes in the research. Therefore, it increases the credibility of this single case study research.

Because of this, the small SME can provide a good example of this understudied niche, give novel insights, help identify relations, and ultimately provide a better understanding of successful market entry for this market segment.

3.1.1 Introduction to the case company

The company in question is an e-commerce bedding furniture company in Berlin, Germany, called Bruno Interior GmbH (later Bruno). Bruno is an e-commerce SME active in the bedding furniture market in the DACH region. With only twenty employees, it has a flat organizational structure. It was sold to an investment firm in 2021 but managed, and resources stayed there. The Bruno company strategy focuses on firm growth. The typical Bruno customer is over 30, with an average of 50 years old, and has a medium to high income while living in the suburban/urban area. Bruno wants to expand its business outside the DACH region, especially to the UK, France, and the Netherlands, later named new markets.

Bruno is the unit of analysis in this study. It is an SME that started operations in 2013. Last year, it generated 20 million EUR in revenues. Bruno has showrooms with showroom partners in Germany, Austria, and Switzerland. Nevertheless, customers can only buy the products online via direct sales. Bruno is looking to expand its business outside the DACH region. Specific strategies are required for this transition. Apart from the FME strategy for the particular country, it also has to be examined what products will work for that market and if the same operational streams can be used. The individual streams of the online business model will be analyzed to determine the FME's strategies. All the data needed for this analysis is collected from interviews with Bruno's employees and founders, available data, and company documents. This data includes suppliers, customers, insight into the revenue streams, partners, resources, customers, and everything else that will be found relevant.

3.2 Data collection

The researcher gathers data in multiple ways. Semi-structured interviews are used to collect primary data, and the researcher spends approximately one year at the firm to gather knowledge about the company. This data is used to gather data about the firm's core- and dynamic capabilities. These interviews are also used to learn more about the firm's processes and identify the first-order capabilities. Biases could be prompted due to the two-year involvement of the researcher in the company. However, these biases are known to the researcher and could be reduced. Two key informants are identified and interviewed by the company executives. These informants can bridge hierarchical levels, functional areas, groups, and relevant organizations and mitigate biases (Eisenhardt & Graebner, 2007). After that, the other interviewees are carefully selected by snowball sampling. With the first round of interviews, a second round after a half-year period will be executed to validate the propositions and initial results. The first interview round has six participants: two CEOs, three managers and one country representative. The person in the role of the country representative is a native of the new market and runs all operations and activities in that market.

Participants must currently work for or have previously worked for the case company, be employed by or the CEO of the case company or be indirectly associated with the case company by taking on contract work for the case company while employed by an outside company. Therefore, the risk of exclusion in the potential interview candidates is limited. Excluded from the group of interviewees are people who have not worked for or have been actively involved in the case company for more than two years. Their knowledge is not up to date. All these individuals are based in Germany and have various professional backgrounds, job responsibilities, and educational levels. The interviews can, therefore, be conducted in either German or English at the participants' choice. The total number of respondents for the first round of interviews is six. Based on their knowledge of (parts of) the company, the interviews are planned for October 2022, and each participant is interviewed individually. These interviewees are involved in different processes of the firm, for instance, supply chain management, quality control, customer support, and marketing and both senior managers of the firm. Two interviewees will be interviewed in October, of whom two will be onboarded after September of that year. The second group of four interviewees will be done in June 2023, half a year after the first round. The second group of interviewees consists of two managers and two country representatives. The total number of interviewees is ten.

The secondary data is collected through the website, available reports, financial results, marketing expenditures and all other relevant information to determine the current BM. To derive the BM and identify the underlying dynamic capabilities of the firm, the canvas from Osterwalder and Pigneur (2010) is used. In the interviews, the DACH region BM canvas of Bruno will be examined to determine the process of value creation, -capture and -proposition and its potential success factors. Whereafter, what skills to transfer and what resources to use to make a potentially successful entry into a new Western European market should be examined. The rough outline of the home country BM is created by the researcher and presented by the researcher during the first round of interviews. The informants are asked to provide the financial information for the BM. After the first round of interviews, the researcher adapts the business model to the interviewees' comments. The last step before completion is presenting the canvas again to the informants. After validation and complete agreement by the informants, the business model canvas of the case company is finished.

Respondents are required to answer open-ended questions. A few example questions are sent beforehand to give the respondents time to prepare. The information bias will be reduced by carefully selecting interview questions for the interview and having them checked by a second and third reader. Awareness of the potential bias is key for the researcher whilst interviewing the respondents. This awareness contributes to the reduction of this bias. Probing will be used in the interviews to gather as much information, details, understanding and quality in the respondents' answers as possible and reduce the no-response bias. Probing in the interviews is also used to increase credibility and to get a holistic view of the firm with this number of respondents. Due to the in-depth knowledge of the researcher of the firm and its employees, probing and understanding the respondents is expected to be easier—the involvement of the researchers in steering the answers as well. The researcher is aware of this and tries to limit the influence of this bias while interviewing.

The questions focus on the current business model in the DACH region, what changes are needed to perform an FME to this model and what will make the BM successful in the foreign country. The core- and dynamic capabilities are identified to evaluate the potential success factors. Questions such as, "What are the motivations for expanding internationally?", "What roles are required for the expansion, and are they currently filled?" "What factors do you believe contribute to the success of a foreign market entry?" "Are there any BM channels that require modification?" "What products will you bring to the new market? If necessary, follow-up questions are asked for clarification or additional information. The questions are organised into themes to answer the overarching questions. Appendix I and II contain the interview protocols of the first and second rounds of interviews and the guide.

The interviews with the informants will last about 60 minutes, and the interviews with the other respondents will last approximately 30 minutes. All interviews are conducted in person. The researcher makes notes while interviewing. The interviews are recorded, transcribed, translated if needed, and aggregated. The transcription forms the basis for the analysis. Triangulation is accomplished through multiple data collection techniques, including multiple interviews, personal knowledge of the interviewer and a review of documents (Sjödin et al., 2020). The data is transcribed by a data transcribing tool and by hand for triangularity. Conclusions must be analytically generalisable to be transferable. As a result, the coding process should be followed, and a case study protocol should be provided to reach similar conclusions. Traceability should be achieved through transparency about the number of research participants, protocols, and cases.

3.3 Data analysis

This inductive analytical approach requires the identification of new patterns in uncategorised data. Therefore, reflective thematic analysis is used. This analysis is used to identify, analyse and report patterns in the collected data (Braun & Clarke, 2006). The patterns are linked using identifying themes, whereafter the phenomena can be derived. The process followed to deduct the thematic analysis is the six-phase by Braun and Clarke (2006), as seen in the numbered phases below. In thematic analysis trustworthiness is not tested for validity and reliability but by these criteria instead: credibility, transferability, dependability and confirmability (Nowell, Norris, White, & Moules, 2017). For credibility the methodology is checked in between for the fit between the data and the analysis, the data is triangulated, and the findings from the raw data are checked in between with the findings from the literature. For transferability and dependability, the data collection and data analysis process are described as detailed as possible and the conclusions drawn are drawn generalisable. The step-by-step data analysis and the presentation of the data below in combination with the established credibility, transferability and dependability will provide confirmability (Nowell et al., 2017). Intermediate reflection on the data and the processing of the data are necessary for adequate conclusions.

1. Familiarize yourself with the transcript
2. Generate initial codes
3. Search for themes
4. Review themes
5. Define and name themes
6. Producing the report

The data is first transcribed and carefully analysed. Transcripts are compiled by grouping responses of the various interviewees to similar questions for subcategories within the dataset. The categorised answers form first-order quotations. Fractions were highlighted within the transcript to identify themes that help to develop a grounded theory of the capabilities of FME of the firm. Open and organic data-driven inductive coding is used to look for patterns in a set of codes to identify as many ideas and concepts as possible (Given, 2008). These concepts are classified into first-order concepts; whereafter the second-order themes will be derived. These themes can be categorised into aggregated dimensions. After all these steps are completed, the data structure is created. The data structure demonstrates the rigour of qualitative research by transforming data into a visual overview and organising raw data into graphical representations across terms and topics while conducting analysis (Gioia, Corley, & Hamilton, 2013).

After the first coding of the first subcategory, the first part needs to be scanned again while applying the code. If all codes fit and everything is covered within this code, a second subpart of the transcript can be coded applying the same codes. If these codes do not apply, a new code is developed. This process continues until a full transcription is completed. Researchers should remember that statements can be modified, deleted, or combined as the code evolves and thickens over time (Given, 2008; Van den Hoonaard, 2008). Also, due to the small number of interviewees, all aspects of the transcript should be analysed. After phase 1, the quotations must be shortened to make them into codes. Whereafter, the codebook can be made, including a clear definition of the code accompanied by an example from the transcript. Hereafter, axial coding must be used to identify the relationships between the statements for obtaining categories, from whom eventually explanations will be retrieved (Given, 2008). Finally, the codebook and data structure are depicted in another dimension. This other dimension will be created by grouping the codes into themes. When all codes have a theme, the codebook will be examined again to check if there are codes that can be grouped or have a similar name. Later, the same approach is taken for the themes, where the aggregated dimensions are derived as a last step. The codebook is schematically presented in tables, following the logic by Sjödin et al. (2020).

4. Results

4.1 Business model analysis

The validated DACH region BM is presented in Table 8 below. The DACH BM canvas of Bruno that is derived summarizes the results of section 4.1. This BM canvas helps the interviewees determine the changes needed for the FME. All interviewees are responsible for different processes in the business model and are together able to give a holistic representation of the business model. After the DACH BM analysis, the DACH BM is examined, and suggestions for alterations are given. The BM is presented in Table 9. In the interviews, the interviewees discussed their experiences with entering new markets. If the term new markets is used, it is a general comment suitable for all new markets; if it is a country-specific comment, this country is specified.

The coding results are presented in three tables that will graphically show the first-order codes, second-order themes and aggregated dimensions, and lastly, the aggregated dimensions present the capabilities. The quotations of similar themes are grouped and presented in one cell. Together, these quotations form one second-order theme. The quotations are also grouped into codes that form the same second-order theme. The second-order themes together create aggregated dimensions. The themes and aggregated dimensions are derived based on the theoretical framework presented in paragraph 2.5. The first-order quotations and codes are in both tables shown on a vertical axis in a table. On the right side of these quotations, the second-order themes are presented and right from those, the aggregated dimensions in the first two tables. The last table is a transplantation of the first two tables. These structures show the correlation between the aggregate dimension and second-order quotations and form the thematic analysis of the interviews. The thematic analysis results are shown in the tables below, tables 9-14.

4.1.1 Key partners

"I would start with the production process because this is where the value chain begins."

The purchasing and supply chain department is responsible for the production partners. The quality department, a subdomain of this department, is responsible for maintaining the quality of the products and developing new products with the producers. The quality team regularly checks the quality in the production facility, depending on the production size. For the main product, the sofa bed, the producer checks the quality at least once a month. The CEOs select the producers. All products have different regional producers. During this selection, a regional DACH setup is important. The quality is easier to control in this setup. Also, the competitive advantage of the owned Made in Germany quality mark will be maintained.

It is also important to ensure production capacity and upscale it in the desired period. Note, all box spring orders are made to order, with a delivery time of 2 weeks to the warehouse, and mattresses have a best-before-date of 4 weeks in their cling film. Sofa beds, armchair beds and bed chests can be ordered with a maximum of four weekly trucks. However, there is also a second supplier for the sofa beds, where multiple trucks can be ordered. Bruno orders for DACH 3 trucks of sofa beds a week. Handling them well gives control over this part of the supply chain and is done daily. All producers deliver their products to the stock-holding delivery/warehouse partner. Whereafter, they can be shipped to the customer. Small goods like pillows, blankets and toppers are also in stock at their producer, who can send them directly to the customer with DHL.

"For example, if you have to relocate, you will not have the brand of made in Germany, and if it's outside order business from all outside Germany, then you wouldn't have that advantage. But yes, our production partners are the basis, and we are working with the same partners for that in other regions."

It is a strategic decision to have at least two production partners for every main product (box spring bed, sofa bed and mattress) always to have enough capacity, have the best possible product quality and negotiate prices. This strategy also helps diversify market risks. A supplier can have a sub-supplier make the fabric or create the wooden frames. The main supplier is assembling all individual components. The purchasing and supply team ensures that all individual components are physically in the warehouse and the inventory system. They forecast when they need products from the main supplier to determine what they need from the sub-suppliers. The backend integration of the products in the website's backend is also the responsibility of the purchasing and supply team.

There are two delivery partners: one for all mattresses, toppers, pillows, and duvets and one for the 'bigger' products like the box spring bed, sofa bed and other bedframes. Each delivery partner is also responsible for the warehousing of the products. The purchasing and supply team is accountable for the delivery/warehousing and producing partners. They negotiate the prices for delivery and warehousing and keep track of the delivery performance and standard operating procedures. For example, they are placing orders and making stock forecasts. The delivery price is the price paid per truck; fulfilment planning is carried out with price efficiency. The supply chain team always tries to order a full truck. The customer pays for additional delivery services requested by the customer, and the firm pays the delivery partner extra. Customer support contacts the delivery partners for all delivery-customer contact and issues.

"We are responsible for the flow of information which we get back from the warehouse, and maybe if there is some trouble, contact them and try to get a smart solution for every problem. And it is always a kind of information ping pong because we tell them when goods must be delivered at a certain time."

Bruno works with eight showroom partners in the DACH region. They are all scattered among this region to ensure coverage for all customers. Customers can check a selection of the products in the showroom, as the showroom partners display a selected product range. Purchases must always be made via the website, the main channel of the firm. The managers decide when a new showroom is opened or closed depending on the performance of the partners and the number of visitors and customers in that area. Discount vouchers track showroom sales. The manager also sets the requirements for the showroom. Customer support is responsible for finding and maintaining showroom partner relations. Maintaining showroom partners is not a daily task. The team puts together the showroom's product display, layout and look. The showroom is important for the brand's trustworthiness and could be the last push the customer needs to purchase.

Bruno’s main marketing partners are the Google ads partner, marketing affiliate partners and the search engine optimization (SEO) partner. The graphic designer and image/photo rendering agency are smaller-level partners. The marketing team manager is responsible for communicating with these partners, and the managers are responsible for setting the budgets and managing and approving tasks. The IT partners at Bruno are the website developer, the website's front- and back-site, and the necessary payment partners to use certain payment methods on the website. The website IT partner contacts Bruno daily to resolve issues and develop the front and back end of the website and new products.

4.1.1.1 Suitability for FME

For the new market entry, first, it is investigated if the named partners are also active in the new to-enter market. If the firm prefers to collaborate with the same partners in the new markets, then the firm will not have to integrate new processes or onboard new partners and workstreams. For this investigation, the partners are asked if they do business in the new market or plan to expand to these markets. The focus is on one country first, whereafter it can be decided to expand to other countries. The company is open to onboarding new partners in the new region; however, this is different for the production partners. It would not be easy to manage this new partner for quality management, which currently needs more capacity. Due to different standards and legislation differences, the product sometimes must be tweaked for the new market. This product adaptation is the case for the UK. The delivery/warehouse partner has a branch in the Netherlands as well. Therefore, this partner will be used for the expansion. No new integrations or stock management must be arranged for this. Unfortunately, this is not the case in France, where a new delivery/warehouse partner has been selected. The French stock is managed in the warehouse in France, where the deliveries are executed through their hubs to the customers. For the UK, the same principle is taken.

The specific DACH region's partnerships, like the showrooms, affiliate websites and advertorials, are not eligible for other partnerships in different areas. Searching for local showroom partners is not the priority for entering a new market. First, the first sales need to come in, the supply chain set up and after is started with the showroom project. The showrooms in the Netherlands are chosen to collaborate with a local partner from the same holding of firms to which the case company belongs. The marketing partners, like the rendering agency and the graphic designer, can stay the same for the new countries. The images will remain the same for all markets. Also, website and Google search optimisation stays with the same SEO and Google ads partners. Some of the affiliate partners are present in multiple markets. Some of the affiliates are just present in one market. For every new market, there must be investigated what affiliates are present in that market. The outsourced IT agency will primarily create new domains for the market entry of choice. Also, IT will adapt the order management system for the new country integrations. The IT capacity for the new markets is shared with the DACH team. However, the DACH market will always have priority. The firm investigated what local payment methods are used and embedded in the backend and the payment provider. Apart from the willingness to collaborate with the existing partners in the new market, these partners are also asked if they have enough capacity for the new markets. If needed, the capacity is enlarged. If there is insufficient capacity, the work will be moved to a new or additional partner.

4.1.2 Key activities

Bruno's activities regarding its marketing activities are direct-to-consumer (D2C) sales, branding, and frontend web development. The D2C sales directly result from online marketing using Google ads campaigns. The branding contributes to it as well. Where the price, conditions, and quality contribute to the overall branding. Part of the strategy is that the products will never be discounted. Customers will find the brand online by searching for the box spring or the sofa bed. The online marketing strategy is to fill the first page when searching for the brand online. The best sellers, the sofa bed and the box spring have their Google shopping and marketing campaigns. The toppers, duvets and fitted sheets are not. There is too much competition and too little importance due to high competition for Bruno to focus and spend that amount of marketing budget on these products. These products are sold as add-ons and are not the main products. After-sales is important, as well as customer satisfaction and recommendation.

"For example, we have this newsletter with a target group of around 50,000 customers. Thus, when I'm sending out a newsletter, it's always very low in the budget because I'm the only one who gets paid by doing the newsletter, but there is nothing else required, and the output is quite good because they are extremely convinced of the quality of the product, and they are interested in the brand. And so yes, when we send them out, it's often very successful."

"And I would say just when you want to buy these products, you buy them mostly because you already bought another product on our website, and then it is just an additional product. Google ad campaigns are not cheap, and you must invest a budget. And so, the output would not be there."

The other activities are managing the supply chain and all the partners, quality maintenance and product development. Quality maintenance is assured by checking warranty cases and claims. Product development is considered a unique selling point (USP) of Bruno. The managers initiate product development and originate from customer demands or market trends. Hereafter, the quality team checks with the suppliers to see if they can make it. Customer support manages the customers when they are interested in the brand until the order is in and after. Therefore, it is called customer care. The value of customer support is not making promises that cannot be held. They also send out marketing materials and invoices to the customers and check the orders. They also manage B2B customers.

4.1.2.1 Suitability for FME

"Every single activity is necessary for the new markets. It's not maybe, maybe it's not now, but in the future, it's definitely necessary because we don't have these many activities, and they are very well-tuned and very effective."

Most activities will be the same in the new markets. Also, the approach to managing the activities will be the same. The D2C approach will not change, for example. This activity is the core of the firm's business model. The supply chain will be from the producer, and the purchasing part is not different. Only the delivery partner could be different. The quality maintenance has not changed. However, it can be more difficult to maintain quality in the new market. The supply chain takes longer, and that entails checking returned products. Apart from the language and having employees speaking the local language and doing the local support, there is no difference in the process. In the beginning, there is, however, no offline contact with the customer. This contact is important as the customer is buying a more expensive product. Most customers want to see and feel the product before purchasing.

In the new countries, the approach to warranty cases is more flexible. Product development is normally only done by our quality team and approved by the CEO; however, the new market may demand slightly different products. The web development started with the DACH region, and recent developments will be applied to all countries. For branding, a different approach is taken. The brand is unknown in the new countries, and a step-by-step rollout is planned for the new market. The website is the first step in communicating the brand in the new market. It starts with Google ads, then affiliates, local online partnerships, and showrooms. The brand's positioning in the market can also differ depending on how much the market is developed.

4.1.3 Key resources

The firm has three main types of resources: financial, product and personal resources mentioned by the interviewees. Bruno has its financial resources and is not dependent on the resources of the investment firm. However, the firm needs to report to the investment firm and present new business plans and investments to the investment firm. The firm can decide how it wants to spend its financial resources. The firm also states that when it invests double the number of financial resources, its performance will not drastically increase. For product-related resources and valuable production, partners are important in developing high-quality products. Patents and quality marks are in place to protect the brand and products. The branding of the products is based on high-quality products, a fair price, and a sleek and clear design that appeals to a broad range of people. Good warranty conditions and returns policies as well.

"The entire team is responsible for a part of the financial results. Here, how the firm operates and does things is more important, resulting in a still present start-up spirit."

4.1.3.1 Suitability for FME

In the new markets, the firm values when the same quality of the existing resources can be transferred to the new markets. The same quality cannot be transferred to customer support, the supply chain team, quality control, products, marketing team, executives, the company office, and the brand. Patents and trademarks are also in place within the EU. The customer support in the new markets has a different quality standard than the existing DACH support. The processes still need to be streamlined with DACH. The marketing team has a DACH region background and will only sometimes have the capabilities to perform in new markets. The quality is more difficult to control in markets further away, as the affected items are shipped back to the office or storage place. The office space and in-office mentality can be maintained when expanding to neighbouring countries. If expanding further, cultural proximity can be created.

4.1.4 Value proposition

The value Bruno ads to its customers are product and process-related. There is not one specific USP, but a bundle of multiple. Regarding the product, Bruno is offering a high-quality product sold at a low price compared to the competitors. The ratio gives an advantage—the brand name and logo sticker. Processes like local production, short lead times, personal and fast customer support and online sales also provide an advantage. The small variances within the products and the small product portfolio generally keep the prices and costs low. Therefore, the customer experience is relatively good, with few complaints and high customer satisfaction. This results in an elevated level of recommendation.

"If the products were sold in an offline business, the prices would be 20% higher. Also, we do not offer 25 fabrics in 100 different colours."

4.1.4.1 Suitability for FME

Bruno wants to give the customers the same value proposition it is providing the DACH region customers with the same direct-to-customer e-commerce approach. The brand must position itself similarly in the new market to achieve this. Local positions cannot be reached, but neighbouring countries value produce produced in the DACH region. Also, the product portfolio must be redefined for its suitability for the new market. Bruno will not go live with all products at once. Getting the first complimentary reviews would be key.

4.1.5 Customer relationship

The interviewees agree with the relationship written down by the researcher. After-sales is especially important for Bruno, focusing on remembrance and recommendation. Recommendations are received by sending out newsletters regularly and mouth-to-mouth advertisements. These are all marketing drivers for Bruno. Customers are subscribed to the newsletter sent out regularly, including a discount code. This way, the customers remember the brand when they want to buy a new product.

"A personal long-lasting relationship of acquiring customers where customer referral is key, and customers buy a Bruno repeatedly. Customers are retained with newsletters and high-quality friendly customer support."

4.1.5.1 Suitability for FME

It will be a difficult challenge to build a long-lasting customer relationship with the customers from the new markets. These customers do not have a reference in their language. In the new markets, there is also a capacity problem. Building and maintaining this relationship is time-consuming. If the brand collaborates with new partners, for example, for the delivery, the processes are not always streamlined, and quality cannot be maintained. Also, the fresh staff needs to be trained to have the same level of support as the German colleagues.

4.1.6 Channels

Customer contact is reached in multiple ways, but mostly online. The customer is drawn to the brand using social media or Google ads. Then, the customer will land on the brand's website. The strategy is to get the customer to checkout as fast as possible to the checkout. Therefore, short texts are used in communication and on the website, product facts and brief information.

Additionally, the firm is convinced by the quality of the product and, therefore, states facts and brief marketing text on the website. The firm's customer is older (+45 years old) and not that digitally educated. User-friendliness is, therefore, important. These facts are considered when developing the website and writing the texts for the website and other marketing materials.

“Because of online sales only, you have less space or possibilities to communicate your USPs and most selling arguments. You need to focus on what makes a difference to other brands.”

The firm sets itself apart from its competitors by its conditions: 10 years warranty, 30 days free trial of the products and the ‘Made in Germany’ quality mark. Additionally, the firm’s mission is to have an elevated customer communication and support level. The support takes time for the customers, and giving them personalised answers to their questions is important. Also, the firm will compensate the customer in case of a (delivery) error. Customers value fast responses and quick resolutions provided by customer support and are actively asked to write reviews. In-person contact with the customers is reached in the showrooms. However, customers visit the showrooms mostly after checking the firm's website, after the customer checks out the showroom to see and assess the products in real life and ask for some product advice. Products are only sold over the website, not in the showroom. A voucher provided by the showroom triggers the buying incentive. Lastly, the delivery partner is involved with the customers during the delivery. Customers receive a standard included premium delivery. If there are issues during the delivery, customer support is contacted.

4.1.6.1 Suitability for FME

There are slight cultural differences between the DACH region and the new markets (France and the Netherlands) that were entered. However, the assumption is that the markets are approximately the same. Therefore, the firm chose to hire local people to try to close this knowledge gap. These local people oversee customer service and translations for the new market. The way the customers are approached is solely online using Google advertisements, forwarding them to the website. Showroom partnerships are initially absent in the new markets. First is examined if the firm can attract customers. After the setup, it will be expanded by more local personnel, a local showroom and online (affiliate) marketing. There is no urgency and capacity to start and maintain social media channels from the start in the new markets. The lack of social media channels means there are fewer channels to communicate with the USPs, as mentioned by the employees. The home delivery standard will be the same. It must be examined what makes the brand stand apart from others.

4.1.7 Customer segments

“The typical Bruno customer is between 35 and 60 years old and is part of the middle to upper social class. There is no typical Bruno customer in age, gender, or demographics.”

The Bruno customer in the new markets is expected to be younger and more technologically advanced than the typical DACH region customer. These customers are so-called early adaptors in the market. The setup of how these new customers are reached is also limited.

“I think we're clear the customer segments are equal, but what we see is sometimes a little bit, but I can put it we have the same approach, and we are approaching the same general people.”

The customer lives in the DACH region. The customers reach Bruno mostly online. The customer has compared distinct brands, prices, and quality for the product type. The timeless design of the Bruno products is appealing.

Apart from Google ads, Bruno also advertises using its social media channels. The firm strives to have a long-term customer approach.

“And one topic I wouldn't even try to avoid is to promise things which you cannot hold. But this is not only for new markets; it's also for existing markets. For example, if you promise a delivery time you cannot hold, I think that would make a back slash dramatically.”

4.1.7.1 Suitability for FME

The customer segment in the neighbouring countries is expected to be the same. The broad range of customers that fit in the segments will also be approached in the new markets. Therefore, the interviews stated that the same group is targeted for the DACH region.

4.1.8 Cost structure

From every €1,45 Bruno makes, €0,40 to €0,45 are production costs paid to the producer. The main cost drivers are the logistics, production, marketing, and personnel, corresponding to 12%, 14%, 12% and 7% respectively. The marketing spend is low, as the company also uses newsletter subscribers. The costs of logistics costs can be split into warehousing and delivery costs. The marketing costs are Google ads costs for the products, and a bit is affiliate marketing costs. There is room in the budget to double the marketing costs if needed. The rest of the costs are the office costs, 8%, and the rent of the showrooms, 2%.

4.1.8.1 Suitability for FME

For the new markets, the marketing spend is expected to be higher, also to get recognized as a brand. The costs for marketing are allowed to increase to 22%. In practise the marketing spend was around 35% in the new markets. Also, the delivery costs have increased because multiple delivery partners are in place, or the warranty cases are handled more easily towards the customer. Profit gained in the new markets will be reinvested in the new market for the first six months after the business case is altered. No cash impuls is requested by the SME for the FMEs by an external party or the holding.

4.1.9 Revenue streams

Last year Bruno generated 20 million euros in revenue. D2C sales generate 95% of the rest is generated by B2B customers. Bruno has around 55% gross margin comparable to the industry. Bruno is, therefore, profitable, as stated by the interviewees.

4.1.9.1 Suitability for FME

For the new markets, the Netherlands and France, Bruno managed to gain approximately 200 and 80 sales in 11 and 4 months, respectively. That is 1.5 million in revenue only for the first months. The profit is reinvested in the new markets. The brand must be acknowledged and known in the new market to generate B2B income. The B2B network in the new markets is not yet established and, therefore, did not gain extra revenue. Westwing cooperations are also not yet in place. Westwing is active in other countries, but the market and delivery process must be stable for this next step.

Table 8: BM canvas Bruno after revision of Bruno

Key partners	**Key activities**	**Value proposition**	**Customer relationships**	**Customer segments**
Delivery/warehousing partner Showroom partners Producing partners Marketing partners: Google ads partner SEO partner Affiliate partners IT partners: Website and backend development Payments providers	Direct-to-consumer sales Branding Purchasing and supply chain management Maintaining quality Customer support Product development Website development (frontend)	Practical, sleek, high-quality, value-for-money bedding furniture to resolve sleep deprivation and back pain. Easy order online from home and short and uncomplicated delivery to the place of use—quick and easy communication.	A personal long-lasting relationship of acquiring customers where customer referral is key and customers buy a Bruno repeatedly. Customers are retained with newsletters and high-quality, friendly customer support.	Bruno is selling to a broad group of customers aged 35 to 75. The customers value long-lasting quality for a reasonable price and a high service level.
	Key resources		**Channels**	
	Excellent customer support Supply chain team Quality control Products Patented folding mechanism Made in Germany quality mark Marketing team Executives Company office and brand		Google ads Website Social media (Instagram) Showrooms Customer support Home delivery with a furniture moving company	

Cost structure	**Revenue streams**
Marketing/ ads (12%) Personnel, Google ads/marketing, IT (5-7%) Outsource activities: delivery partners (12%), producing partners (14%), Office space (8%) Showroom rent/vouchers (2%)	Sold products in the webshop via D2C sales B2B customers Westwing

4.2 Propositions for successful market entries for SMEs

The conceptual framework is combined with the observations from the interviews to provide guidelines for successful market entrances for SMEs. The initial findings of the first interview round are presented first, and the validations from the second interview round are given in each second half of the paragraph. The section concludes with a table summarizing all findings.

4.2.1 Exporting

Exporting is the main and easy choice for this SME. The DACH region operations can be expanded to the Netherlands and France, and the goods can be directly transported to the warehouse in France. The firm's set-up in the Berlin headquarters is small regarding people. Therefore, the manager decided not to open a new office in the new market. The firm prefers employees to work remotely only some of the time. It values establishing a coherent way of working and philosophy. The managers explain that they would like to protect the startup spirit they say is still present in the firm. The firm would like to transfer the same brand it is serving the customers in the DACH region into the new countries. The manager, therefore, sees little in synergies.

Furthermore, the managers stretch that only the business model as a whole concept will bring the most value to the customers. The products can be brought to the retailer, and cooperation between the brands would be in place, but more economic benefits would be needed towards the firm. This approach would starkly contrast with the firm's business model and strategy. The firm only generates sales via its website. In this way, it can reduce other retailers' costs by selling their products at a lower price.

The SME evaluated one entry mode, then exporting, which is franchising. However, the managers have a strong preference for control of all steps of the supply chain. If the firm expands, this control tends to become lesser. Also, if more partners are involved, it would be difficult for the managers to control all these partners. The firm wants to be involved in every process, from production to the end customer. This involvement would be the only method this SME could use to exercise this control and ownership over the operations and quality. Also, every step of the supply chain must be controlled to ensure the quality of the products and support is maintained. The firm uses the minimal viable product strategy for the FME. It will evaluate if it can generate sales by focusing on one of two products and expand from there. The only initial investment is 0.5-1 FTE personnel and IT capacity on the website and printed marketing materials. Exporting offers the most flexible solution, and the firm can always pull out without losing too many investments if the FME is not working out.

"We have also evaluated the way of working with retailers, but it starkly contrasts our strategy in Germany and what the company is about. So, we concluded that we want to replicate this direct-to-consumer export model to these markets."

The firm first investigated the online search volume and market research. The manager states it is important to know if the products can be sold online. The firm starts with a small setup for the new market, mostly existing of one person. This person will first check if the products need to be adapted and, after, focus on arranging the operations. The initial investment in financial- and personnel resources is tried to keep as low as possible. The business model will mainly be copied from the DACH region BM. Only when pressing change is needed will it be adopted. The brand positioning is the same as the DACH region. The products and the business model will not be added if no pressing change is needed. The time planned for the FME is 3 to 5 months. Some market research is done, like investigating the product search volume and whether the product can be successful or needs to be adapted. Launching the product just as they are in the market is a must. If multiple alterations are required, the market will not be entered. The customer support setup and marketing channels are copied from the DACH region. There is a different capacity than in the DACH region to operate all channels. Social media, chat and video calls are left out. The focus is on customer support first. There will also be a focus on expanding the marketing. In the host market, the standards for customer support are different.

After half a year, the firm still states that exporting was the best option for expanding abroad for this firm and the firm's setup. The firm was still present in the markets it entered and did not pull out. Export is the only possibility for the firm to transfer the entire concept. It is said that the firm will not be as efficient and profitable if it chooses another mode of entry. To onboard such an operation or partner would be more time-consuming without it being able to provide the same outcome. Not everybody in the firm would understand how to perform a different entry mode than exporting. The firm does not have the network to set up this partnership in some of the countries. Other interviewees explained that direct exporting is the ideal setup at the beginning. The mode can be changed at the scale-up phase of the newly entered market.

"I think direct exporting was the best solution for Bruno to expand into new markets as it allows the company to maintain a level of closeness with the customers, especially whilst having native-speaking representatives working for a German company. It gives customers a more personalized experience, as each country manager has expert market knowledge."

The second group of interviewees confirmed the initial findings; exporting was considered the only mode of export after the logistics partners were sorted, focused on marketing and customer support. The French and Dutch markets were already entered when the first interviews were conducted. That was not the case for the UK. Due to the changes in legislation, the market entry had become more complicated and apart from the time-consuming product adaptations for fire resistance, import documents and VAT registration had to be prepared. This process delayed the entry significantly. The delay did not influence the rollout process, only the time planning. The findings on exporting and how an SME performs an FME conclude in the following proposition, P1, below:

"Market research was conducted to see which products would be most appealing to the British taste, and so the Bruno sofa bed was adapted to meet product regulations set out by the British government. Target adverts for the product were sent out according to geographic locations so that customers could see our products before they were made available to buy."

P1 Exporting is the preferred and most effective mode of entry for SMEs due to its ability to keep control over the supply chain, ensure product quality and support quality are guaranteed and replicate and execute the D2C business model in the host country.

4.2.2 Dynamic capabilities

The firm started its business in 2015. It developed and streamlined the supplier portfolio and operations in the last eight years. It has altered and added new products to the product portfolio. When the firm notices that the product portfolio is not working well, it will start by modifying the marketing and, if needed, the product itself. The firm has set specific requirements for the partners. The firm will use the same capabilities present in the DACH region setup, which are also useful in the new market. However, not all processes can be copied. Not all operations for the new markets can stay the same simply because these partners are not present in the new market. However, the knowledge behind building and managing these operations will be the same. The governance and team setup is small. However, the market share and workload will, in the beginning, also be small. The firm tries to sense when new capacity in personnel or suppliers is needed. Financial returns were created, but due to newness in the operations and the support, the quality of the capabilities was not up to the DACH standard. Also, the staff for the new markets have different training and knowledge about the company than the DACH colleagues. The firm checks if extra capacity is needed and adapts if required. The firm is satisfied with its financial returns and profit, especially with the low head count. The manager already considers this performance successful if these results can be generated after two to three months. However, this does not mean the enormous performance amazed the team.

The firm starts accessing a new market by doing market research. This research investigates what the potential market share will be by doing Google search word volume research. It has an outline of how to tackle the new markets project. All operations' quality is tried to keep the same in the new markets. The same is true for customer support. The quality is valued differently by the different customers in foreign markets. The DACH region clearly understands what the customer needs are for this region. The firm assumed that these customer needs would be the same or similar in the new markets. The firm will apply the same strategy for the new markets' customer needs as they do in the DACH region and will adapt when needed, but most likely not. The firm can use its financial resources to invest in new market entries. Apart from hiring new employees, the firm maintained its resource base. It uses the minimal viable product strategy and will alter the strategy when the urgency appears. Based on these new experiences, the firm will act. The website and backend resources were changed minimally and should have been reconfigured to a better-embedded setup for the new market. The team was not involved in the new market decision and could not share their opinions or experience. The managers dedicated little time to the expansion project. The planning and project were executed by the newly hired, often inexperienced employee. Apart from the new market team, the firm kept its resources the same.

Concludingly, the firm has ordinary capabilities to perform in the new market. The ordinary capabilities identified in the SME can be found in Table 9 below. Also, the dynamic capabilities that are identified are given in Table 10. The presence of dynamic capabilities is limited. It can build operations and understand the customer needs of the DACH region. The new markets keep the supply chain, quality control, product, trademark and patent, executives, marketing team, company office and brand resources the same. However, the extra step of fully reconfiguring the resources to adapt to the new market was not executed. The firm also did not identify the additional steps needed for this push in performance. This decision originates from the assumption that the new to-enter countries are similar and that there is no pressing need to fully reconfigure all resources. Therefore, the firm limits its own FME performance.

The firm maintained a defensive and conservative product strategy, as seen in the table below. The focus was on a small portfolio with high-quality products and a controllable supply chain. The FME's product portfolios were even smaller with just one product. This product enabled sensing the market and customer needs. Daily operations were controllable, with just two suppliers for every main product. Due to the local production in Germany and neighbouring countries, there was a language barrier, which made quality control and product development difficult. All current activities and (personnel) resources were needed for the FME. The SME is not a technologically advanced company and, therefore, is not working with the newest technology. The structures are simple and old-fashioned and are, in some cases, more time-consuming. Regular visits control the supply chains. The website and order management systems are built for the initial product portfolio, only mattresses; therefore, changes to this system are difficult. The case company had experience with FME in their original mattress BM. It took these learnings for the new FMEs. However, it has adapted its structure to a limited extent and plans to develop it over time. Together, the second-order themes form the ordinary capabilities of this SME.

Table 9: Ordinary capabilities identified by the interviewees to perform FMEs

FIRST CODES	SECOND-ORDER THEMES	AGGREGATED DIMENSIONS
Trademark Patent Strategy Scandi Design Narrow Portfolio Minimal Viable Product Product Positioning Product Market Fit Easy To Imitate	Product portfolio	Ordinary capabilities
Incr. IT Resources Berlin Centered Communication Hassards Manage Supply Chain Keep Costs Low Exporting Maintain Quality Control All Current Activities Needed	Operations	
Be More Sustainable Not Innovator Go To The Checkout Fast Practical Use Website No Tech Firm	Ability to adapt tech	
Gain Trust Sense Customer Segment Market Dependent Product Preferences Sense Market Differences Willing To Adapt To Needs	Sense customer needs	

Table 10: Dynamic capabilities identified by the interviewees to perform FMEs

FIRST CODES	SECOND-ORDER THEMES	AGGREGATED DIMENSIONS
Transfer Operations Transfer Support Quality Managers Involvement Long-Term Planning Educate Team E-commerce Spend Website Adaptations Transfer Product Quality Setup International Team Check Capacity Existing Partners Hire Freelancers Hire Local Personnel Manage Supply Chain Product Differentiation FME Plan Onboard New Partners Supply Chain Strategy	Mobilize resources	Dynamic capabilities
Product Regulations Product Protection Product Market Fit Decide On Product Adjust Packaging	Product assessment	
Change If Pressing	Reconfigure resources	
Local Market Engagement Competitor Analysis Assess Market Potential Develop Branding Gather Market Knowledge	Market assessment	

For the dynamic capabilities, the firm took the approach of only changing the model if needed. It added resources by hiring new people but left all other structures the same. The operations, therefore, needed to share the resources in the organization with first one host market and later two more. This limited growth for each host market. All host markets have different needs in every stage of the FME. There needed to be more resources to identify the specific needs for every stage. As expressed before, the product assessment still needs to be done. The approach was to see if the FME was possible with this product. Otherwise, the FME was a no-go. The pricing strategy was investigated, but in the end, it was not differentiated. The same goes for the packaging. The local market engagement was not done from the start but only after the showrooms in the new markets came into play. Market knowledge is gathered by in-depth competitor analysis. Concludingly, the dynamic capabilities identified are rooted in the firm's business activities, marketing activities and product activities.

Half a year later, the firm's performance was again investigated. The interviewees explained that the firm could generate sales and that the customers were satisfied with the products they were receiving. Superior firm performance in sales remained open. The firm successfully built operations and onboarded new logistics partners for the deliveries and to hold stock. Building and onboarding were all accomplished by managing from the Berlin office. After one and a half years, the Dutch market made a positive return on assets and, therefore, profitable. The other two markets are not yet stable, or the market is too young to conclude. As concluded before, ordinary capabilities are present.

“All new markets perform better as planned. They are to some extent even compensating for the mediocre performance in the DACH region.”

Apart from the initial investments in the IT department to translate the website and the backend, hiring one FTE staff for each market, and opening two showrooms, no more investments are made. The marketing spend for the new markets was mainly overinvested in Google ads to push for sales. Not many strategic investments were made concerning the marketing spend in blogs, affiliates or articles for brand awareness. The translation of the website is not found enough by the interviewees. Also, there is listened to customer feedback to some extent, but there are still open questions. Customers hesitated to buy the product because they could not test it, and there were limited reviews. The main product in the Dutch market, the sofa bed, is not adapted so that it easily fits into the Dutch people's homes. For example, the new market customers have different tastes in colours and feet options and standards in deliveries. The firm does not do this tailoring. Also, the firm is missing out on selling more than one type of product in the new markets as the brand positioning and the product adaptation in the new markets. The interviewees stated that more customers could be reached if the products and strategy were tailored. For superior performance, the firm could invest more time in understanding the customer and market needs and tailoring the products.

“I would say that it is not as successful yet as it could be. New markets were launched in 2022-2023; therefore, it is hard to analyze a customer’s behaviour and drivers that lead him to buy the Bruno products. I am aware that customers are satisfied because the products are indeed of good quality, but still, much more can be done. There is room for improvement.”

The firm exercises market-driven marketing capabilities in the DACH region. This strategy entails the traditional forms of marketing: printed materials, blogs, online -and offline articles, organic marketing, affiliate marketing, firm website, social media, and newsletters. The firm is active on multiple social media platforms: Facebook, Instagram, Pinterest, and YouTube. The firm is also involved in Influencer cooperation on Instagram but to a minimum extent. The marketing team writes Monthly content plans, including content for the newsletters, to operate these platforms. The marketing strategy is to focus on online presence. The firm is an e-commerce firm; however, the marketing team and managers do not have a strong marketing background. The manager previously was in charge of the firm's supply chain, and the marketing manager has a background in PR and communication. Also, two more team members in the marketing team are responsible for the social media and the design, respectively. Apart from the experiences gained over the years in the e-commerce business, no strong digital era competencies are present within the firm. Therefore, the firm decided to onboard SEO and Google Ads partners to gain these capabilities.

In the digital era of e-commerce, Google Ads is considered the main sales driver. The optimal market-driving strategy is linked to the Google ads strategy in combination with the existing market-driven marketing portfolio. Therefore, an optimal strategy for the conversion rate and bids, in combination with the add text, will generate a successful firm performance. For the DACH region, the firm has, through experience and resources available for this market, a clear marketing strategy in place.

However, this is different for the new market. The translated ad texts and website are not optimized SEO texts. The inexperienced staff needs to gain a background in marketing. The marketing for the new markets has no urgency, apart from the Google ads that are set up instantly. This decision means that only the website, some DACH region affiliate partners, and printed materials are in place for the market-driven marketing portfolio. The firm decided on this portfolio in combination with the Google ads, as this is by the firm considered the minimal marketing setup. The plan is to scale this setup to match the marketing portfolio in place in the DACH region over time by searching affiliate partners and partners that created on- and offline content. The showrooms are also part of this strategy to build brand awareness. The competitors determine the prices for the new markets. However, in Western Europe, some competitors are similar and have the same prices for their products in different neighbouring countries. The small new markets team setup limits the capacity to deploy the entire marketing portfolio. The generated financial returns by the new markets will be reinvested in the new markets, mainly in their marketing activities.

The firm understands what market-driven and market-driving strategies are needed in the digital era. However, it decided not to deploy them and honour their minimal viable setup. This minimal feasible setup also means there will be no superior returns when the entire marketing portfolio is not deployed. The firm watches innovative marketing trends in e-commerce but does not have the setup and background to deploy a market-driven and market-driving superior performance strategy.

As confirmed by the findings half a year later, the new markets are expected to have an ordinary performance. Google Ads was most of the time the only marketing tool used, in some markets, as affiliates and branded articles. There was no looking for an alternative solution for the new markets, but it was chosen to copy the well-known and easy marketing tools from the DACH region, as the interviewees highlighted. Also, the use of Google ads was very aggressive and not focused on the customer and market needs. Therefore, this overuse was considered not always to be that effective. Concludingly, for the new markets, market-driven techniques were used to some extent, market-driving techniques at a very basic level, which resulted in mediocre marketing performance.

"I think that Google Ads is always a good solution to start, but the brand needs to grow organically. Potential customers need to look for Bruno themselves."

P2 Internationalizing SMEs that rely solely on limited marketing approaches without deploying more comprehensive marketing strategies will likely have ordinary marketing performance, hurting their potential for superior financial returns.

4.2.3 Drivers

The drivers behind the FME are only partially shared by everybody in the firm, mainly because the employees have a different view on this topic than the managers. The identified drivers are given in Table 11 below. The employees mostly considered this regarding their work and what would change when performing an FME. The part that the newly gained knowledge in the market will benefit overall firm performance is not mentioned or recognized by the interviewees. With that in mind, the employees agreed that it would be easy to perform an FME. The ease of entry was a driver for them. Therefore, the current processes would be kept the same in the beginning after, it would be altered if needed. Another argument for the ease of entry is the product portfolio. The interviewees would say the brand is easy to position in the new market, and people are always interested in the latest brands and the firm's USPs of local production, decent quality, and a fair price. International brand establishment is also considered a driver for FME. This driver will be a benefit to the home country firm. The Scandinavian-style products attract the interest of a broad group of people and will make it easy to fit in most homes. When the product does not need to be altered for the market due to the country-specific regulations or the preferences and standards in the market, it can be spoken of as an easy entry with the product.

Other drivers have a financial nature. A top-down decision was made to sell the firm to an investment firm. After the sale, the plan was drafted to expand to neighbouring countries. The holding identified the firm as their internationalization project. The driver depends on the firm's strategy but is driven by financial motives. In this case, the strategy is expansion, firm growth, less financial dependency on one market and more sales and margin. The managers express the desire to make the firm more financially successful and desire firm growth. The manager generally explains three main growth initiatives: internationalization, new products and more order intakes. When there are more order intakes, there can also be better conditions negotiated with the partners. If new products are not as successful as expected, the new markets can compensate for the order intake. The new markets offer flexibility and a buffer for the home country market. The risk can then be diversified. However, more profit is the main driving force behind new market entries.

Table 11: Drivers for FMEs identified by the interviewees to perform FMEs

FIRST CODES	SECOND-ORDER THEMES	AGGREGATED DIMENSIONS
Margin Growth Sales Performance Order Intake International Brand Establishment Top Down Decision Investment Firm	Firm and financial growth	Drivers for FME
Product Quality Product Positioning Broad Customer Segment USPs Interest Brand/Product Capacity In Supply Chain German Heritage Limited Cultural Proximity Exiting Processes Will Work Made In Germany	Ease of expanding	
Easier Competition Potential Volume Divide Single Market Risks Negotiate Better Conditions Suppliers Reduce Environmental Insecurities Easier Than New Main Product	Potential new market	

The locations for the FMEs were favourable. The firm described this as the ease of entry. The steps to enter the market were easy to figure out, and the product landed well. The customers and target group are expected to be remarkably similar, so the FME will go smoothly. The firm expects that with the hire of native new market speakers, the cultural proximity can be reduced to a minimum. The supply chains will not elongate too much, and the new markets all have a potential market share for the firm. All these factors identified are presented in Table 11 above.

The firm entered new markets in post-COVID, post-Brexit and Ukraine war timing. The in-covid timing was favourable. The customers could not go on holidays and started to renovate and or build their homes. During this time, the firms experienced that their customers had more budget for luxurious products like sofa beds and box springs. The company did not experience difficulties in the supply chain due to the local European production. Post-COVID, the firm experienced a short performance dip as customers returned to their pre-COVID spending behaviour. The post-Brexit timing made the export to the UK more complicated. It is no longer part of the EU, and the products could not be shipped simply to the UK. This decision also allowed the UK government to exercise different product requirements and regulations—this belated market entry for at least half a year. Ukraine war has ensured that the average spending power for customers went down. On average, the market timing was beneficial for the Netherlands and France but not favourable for the UK.

The markets have been assessed to investigate potential performance. The firm is active in a niche of the bedding furniture market. For the new markets, it focused on the sofa bed, a niche market product. In this section and positioning, the firm experiences little competition. Creating a market share in this niche is possible. For the box spring bed, this would be a bigger challenge. In the Netherlands, this particular market is more mature and saturated. For France and the UK, this product is non-existent. For the targeted niche market, the firm generated considerable revenue. The box spring products were also lounged, but not successfully—the motive for the market entry needed to be more proactive. The firm would like to be less dependent on its DACH region market and product portfolio and, therefore, decided to expand to the neighbouring countries. The investment firm also top-down pushed this decision. This decision was also attributed to the employees not fully supporting the new market entries. The motive, therefore, did not add to the performance.

In the later interviews, the interviewees confirmed the initial results. The product was able to sell itself online without adaptation. The targeted new markets all have a robust and well-developed e-commerce market. The hypothesis was that the products could be sold easily in these markets, with mostly translating just the website. The argument for that was that the GDP and e-commerce spending of the new markets were quite good. Geographically speaking, the countries are near, and the products sold in the markets are similar. The goal was indeed to make more profit for the home country firm.

"Expanding abroad allows the firm to diversify its market and therefore avoid a big collapse should anything happen in the home market of Germany."

Reviewing the market timing, location and motive after half a year, the interviewees stated there was no reason behind the market timing. The Dutch market was launched first, as it was considered the easiest to enter. When the first rumours of Brexit came, the firm did not hurry to start doing business in the UK. Entry before Brexit could have made doing business post-Brexit much easier for the firm. Therefore, the market timing was unfortunate for the UK and delayed the market entry by half a year minimum. The logic behind the local market decision was the e-commerce spend, maturity in buying online and product fit. The niche market was certainly targeted by the product choice of expanding with the sofa bed first. Market assessment has been done, but it could have been done more in-depth. The firm mainly assessed the interest in a certain product and the potential logistics partners. The interviewees stated that COVID-19 provided a flourishing e-commerce timing. Therefore, this would also be a good time to expand to the UK. This market is considered the most mature e-commerce market on the European continent. However, the interviewees stated that the e-commerce market is having a dip post-COVID. The motive for entering the markets was proactive before. However, this motive changed in the last half year. The DACH market experienced a considerable dip in the previous half-year. Foreign market entries were now considered a must, not fully dependent on the DACH market. The reason for this dip is as follows; 'At some point, the German market could be saturated, and the product portfolio is not that developed, so to expand the presence abroad is essential to grow.' Therefore, this flexibility in market setup is needed to cover the losses in the DACH market.

"I would say that 2022/2023 were tough for the e-commerce businesses since many of them went through a financial crisis after the boom during COVID, so it was a bit risky, but at the same time, it is always difficult to open a new market so in this case maybe it was a good thing to do."

The proposition resulting in the drivers for SMEs identified by the interviewees is the following:

P3 The FME will result in a more stable resource base, increasing profits for the home country firm. The following factors enable the increased profits:

- *a) Ease of entry: The product and market compatibility that results in the ease of entry into new markets is attributed to product compatibility, the Scandinavian-style products, and the similar preferences of the customers. If no significant product adaptations are needed in the new markets due to country-specific regulations or market preferences, it makes easy entry and potential success possible.*
- *b) Firm and financial growth: The desire for FME is driven by firm and financial growth motives, which are firm growth, increase in order intake and profits, and risk diversion by market diversification. The profit gain will provide a buffer for the home country market.*
- *c) Potential new market: Target markets that have a developed e-commerce market. Therefore, the products can be relatively easily sold online without many adaptations. Cultural proximity must, therefore, be low.*

4.2.4 Barriers for FME

The barriers identified by the interviewees are practical and are related to the business model. Fit into the following categories: (knowledge) resources, adaptivity, branding activities and partners and are derived from the business model. An identified barrier in the host market is that the brand is unknown. Additionally, there is no offline presence in the new market, which causes trust issues, especially because the customers buy a high-priced products. The experiences of previous customers, reviews and brand awareness are needed. Only Google ads and website channels were initially used in the new markets. With the use of more channels like social media, newsletters and advertorials, there could be more awareness created for the brand, as pointed out by the interviewees. The 'Made in Germany' quality mark is perceived well in the neighbouring countries. The quality mark, in combination with real customer reviews, overcomes this barrier. The total overview of all barriers identified and categorised into themes is given below, Table 12.

Another barrier that is identified is the partner or operations barrier. To change the producer would be an absolute no-go if the production partners cannot produce the products for the new market or be transported to the new market. There is also a need to keep the same partners as much as possible. The challenge for the firm to move into new countries to overcome logistics barriers is determining how the products will be transported from the supplier to the new country. This transport can be done directly or at an intermediate warehouse. Not all products in the portfolio are suitable for the new market.

Table 12: Barriers for FMEs identified by the interviewees to perform FMEs

FIRST CODES	SECOND-ORDER THEMES	AGGREGATED DIMENSIONS
Cultural Barriers Stretch In Personnel Profesionalism In Organizaiton Setup International Teams Payment Setup Knowledge Transfer Organization High Logistics Costs High Marketing Spend Resource Planning No Product Change No Innovator Quality Dropped Very Lean Setup Personnel Resources Cheap At Start Add Seo Knowledge Maximum Use Existing Resources	Resource barrier	Barriers for FME
Communication Between Teams DACH Focussed Management Capacity Understand Requirements Prioritization FME Experience In Fme Decision Top Down Making Bad Promises	Organisational barrier	
Product Adjustment Warehousing Setup Production Partners Setup Intermediate Delivery Solutions Logistics Language Difficulties Setup Support Process Implement New Logistics Partners Quality Standards	Operations barrier	
Market Assessment Brand Establishment Positioning Fulfil New Customer Needs Local Competency No Experience FME Marketing New Markets	Market barrier	

The approach for the delivery/warehousing partner for the new markets differs. France and the UK have a greater distance to the producer's side than, for example, the Netherlands. For the Netherlands, the existing route for the supply chain could be used. For France and the UK, alternatives were investigated. The process is similar to the DACH region for the Netherlands, apart from the language. The delivery times for the Netherlands are one week extra, and the local delivery partners deliver to a certain postcode once a week. The logistics structure has the following setup for all markets: a transporter company supplying the warehousing with a delivery partner. In France and the UK, it is chosen to hold stock To keep delivery times short. These partners simultaneously have to fulfil the pre-set needs. It is important that a French customer, for example, gets the same service quality as the DACH customer. However, this requirement cannot be held.

Products coming from the main producer could easily be transported in big batches to the warehouse in France. However, for products from different producers and previously combined at the main DACH warehouse, there was a challenge, for example, for the box spring bed. The factory and the mattresses themselves are a different challenge. The box spring bed comprises five components from other producers and is normally delivered to the main DACH warehouse. Mattresses and toppers have a best-before date of four weeks after they are put in the plastic wrap. After this date, the quality of the product goes down. A different partner is chosen to export these products, who delivers every order to the French customers. Shipping the entire product portfolio is preferred for brand development in the new markets. The products not in stock at the main logistics partner, e.g. the beds and mattress, are transported individually to each customer. Transporting individual parcels from the producer to the French warehouse is economically not viable. The process of arranging separate deliveries is also time-consuming.

The front- and backend of the website are currently maintained by the IT partner. However, the backend is manually built for the DACH region market. Therefore, the operation and marketing possibilities must be fully integrated into the new markets. Many new market implementations are not possible at the moment, so manual solutions are required. The manual solution is time-consuming for the already small setup. The channel is not scalable at the moment. The issues are also not all identified; therefore, it is difficult to adapt them. Another barrier would arise when the partner portfolio is switched up too much. The firm needs more personnel capacity to onboard multiple groups of partners simultaneously. It is stretched that it is also important to take time to onboard a new partner and investigate this partner. Partners involved in other parts of the firm that have nothing to do with logistics, production, and IT form no issue.

With Brexit, entry barriers for export to the UK have risen. Knowledge and new partners are needed to make importing products into the UK possible—the firm senses this need for additional knowledge. However, the time planning and implementation of these needs are underestimated. The small resource-based approach regarding the team setup limited the project's progress. The products needed to be adapted for the UK regulations. This process takes multiple months, from the selection of raw materials to the prototypes to the release of the first production. This product adaptation and quality reassurance are time-consuming. The language barrier with the Polish partner also slows down this process. The firm has two staff members managing around seven suppliers, and they visit the suppliers once every two weeks. Therefore, the product adaptation for the UK harms the existing quality reassurance. At the same time, the partners for the delivery/warehousing, import/export and company registration/recognition in the UK had to be onboarded.

In the knowledge base, the new language or culture is a barrier. Also, the assumption of the interviewees that the neighbouring countries are culturally similar fueled this barrier. It has been said that changes will only be made to the business model or subsets of the business model if pressing change is needed. However, this threshold is not achieved with this assumption, and limited changes to the business model are made. The new markets project was approached on a trial-and-error basis. The new markets project is started by hiring one person from the country where it is planned to expand. Finding this capability can form an entry barrier when it is not possible. This person is required to work in the Berlin office. For the firm, it is a requirement to have at least one native-speaking person for customer support. This person has to be able to match up all cultural differences and differences in standards. Most of these newly hired people were students or people without any experience in this industry or firm. This person can fill this knowledge gap but cannot cover everything. All firm-specific capabilities have to be learned, especially adequate customer support. Support from the existing team is required to develop this project. The current team does not have experience with the processes needed to set up the strategy and does not have a background in internationalization.

As expressed by the interviewees, there needs to be more communication between the teams, which causes an organizational barrier. For the new market setup, this would be required. The start of the FME is top-down decided. The teams are not involved at that moment. Support from the marketing team and a clear marketing/branding strategy are needed to prepare for the brand development rollout To develop the brand in the new market. However, the marketing team has a strong DACH region background and cannot support adapting the marketing portfolio to the new markets. New capacity for the marketing team is therefore needed. For the existing team, however, this task has no priority, so the knowledge exchange between the teams is not happening. Also, the current teams only sometimes have time to support this project. Therefore, the number of people working in the firm is also a barrier. Also, the project setup of the new to-enter market or the lack of a project setting limits the newly hired person from getting firm insight and understanding of what capabilities are important to transfer, and the firm will not get the new market understanding. The interviewees pointed out that it should be taken instead of the planned two months to understand better the project's scope and the (customer) requirements.

“And that's why I think we should take a little bit more time in this project to understand the customer requirements better because they can differ from what we have experienced so far.”

Barriers identified for new market entry from the employee’s perspective are that the employees were not involved in the decision or the readiness to enter a new market. The interviewees evaluated the barriers based on the DACH business model and their experiences. The interviewees were able to identify behaviour hazards but did not act on them or share those thoughts with the managers. Outsourced activities are used in the DACH region, and the same partners are used for the new markets. The topic is not reassessed to tailor to the market needs.

The validation interviews also mentioned brand awareness as a barrier and only being known in Germany. Initially, it was thought too easy the product adaptivity. The portfolio would need more adaptations to succeed in the new markets. The interviewees considered This to be short-sighted. Also, from a legal perspective, the legislation in the new countries is not fully known or learned by doing. This knowledge gap was also considered a barrier. Also, the alterations for the products in the UK took more time than expected. These alterations will further result in a barrier, causing product adaptations not to be executed on a larger scale; it was this time-consuming.

"The brand is known in Germany, but other competitors are better known, so the fact that the brand is not well known could be a barrier."

P4 The lack of brand awareness and offline presence in new markets and the absence of customer trust due to high-priced products result in decreased initial sales performance. However, by implementing a comprehensive marketing and brand development strategy, including using various marketing channels and leveraging the 'Made in Germany' quality mark, the firm can overcome these barriers and achieve greater success in the new markets."

Table 13: Success factor for FMEs identified by the interviewees to perform FMEs

FIRST CODES	SECOND-ORDER THEMES	AGGREGATED DIMENSIONS
Branding Based On Recommendation Narrow Portfolio Design Appealing For Big Crowd Narrow Product Portfolio	Brand success	Success factors for FME
No Funding Needed Setup Fme Cheap Make-To-Order Process Profitable After One Year New Market Low Fixed Costs Use Existing Resources	Financial success	
Total Concept Brings Value Bm Flat Structure Use Internal Capabilities Good Customer Contact Dynamic Working Environment Solution Oriented Team Transfer Values	Organisational success	
Short Lead Time Quick Implementation New Products Small Room Error Supply Chain Local EU Production Meeting Product Quality	Operations success	

4.2.5 Success factors

The interviewees mentioned multiple attributes of the successful performance of this firm, which can be found in Table 13 below. First of all, it would be a dynamic working environment, which is attributed to the adaptivity of the firm. The success performance factors can be categorized into the following success factors: efficient use of (financial) resources, product and brand, team efforts and customer satisfaction. Market diversification to close the neighbouring market is the objective, and successful firm performance is the desired outcome. The firm will export a non-diversified product portfolio to the new market. If the firm cannot ship with the current product portfolio, this is considered a barrier for FME. The adaptivity capability is present. However, the innovativeness capability is not exercised. The adaptivity capability is also not exercised when not explicitly needed. The firm is non-diversified. As both these capabilities are not exercised, this will not harm the firm's performance.

The branding strategy entails goals to fill the first page of Google, high customer satisfaction and product quality. This strategy is considered to work for the DACH region and is not altered in the new markets. The positioning of the brand is a success factor. Also, it is searched for a market niche in the bedding branch for the brand positioning. One of the main marketing pillars is local production and product quality. This value is highly valued by the customers and is considered a success factor that should be kept in the new markets. There is put thought into the construction of the sofa beds. Therefore, the construction is patented. The construction of the products sets the brand apart from competitors. The design and construction are simplistic and fit a big crowd. The products could be more innovative.

Also, this is absent in the operations streams and the management of the firm. Additionally, this is not part of the company strategy. This capability is, therefore, missing. Customer satisfaction is part of the branding strategy. The firm has a fast response time, within a day for emails and phone calls, 5 minutes. When the delivery company is too late or fails, the customer will be compensated, and a suitable solution will be searched. The company is customer-oriented but will only partially compensate to make it a fast and easy solution. There is a search for an in-between solution acceptable to the customer and the firm.

The company can adapt its product portfolio. The firm has adapted its product portfolio to the current portfolio. Previously, it only sold mattresses. When the competition rose in the mattress branch, it adapted its portfolio to the current product portfolio. The brand could not position itself as the brand with the highest quality and best price anymore. The firm tries not to depend solely on one product and will diversify if it is shown this will happen. Therefore, the firm has an adaptivity capacity. For the UK market, the firm also altered the sofa bed to UK standards. First only for this product, as first is tested how the new customers receive the product. The products were not altered for the other markets, as there was no pressing issue, which shows the firm can sense the need for product alterations or diversifications in new markets. The firm could do more, however, but there is no pressing need and no capacity for personnel. The small product portfolio is desired to keep the quality and supply chain controllable. There are a few colours and a few variations. The buying decision for the customers is therefore easy, and the portfolio focused. This minimal viable product approach is used for every new market. The firm can adapt its product portfolio. It is not included in the expansion strategy. Also, there needs to be sense of urgency to adapt the portfolio for the market.

For the efficient use of (financial) resources as a success factor, it is argued that there is a high revenue output for a small group of employees. Due to this limited fixed cost base for personnel, the firm is more flexible regarding resources. The solely online sales attribute to this efficiency. This setup enables every individual in the firm to be responsible for a part of the firm. Therefore, fast decision-making is in place; decisions can be made within one day due to the flat organisational structure. Fast decision-making is also beneficial for product development, as there are no multiple managing layers. The manager's role is this be proactive, and problems are solved within this short time. Therefore, there is also close contact with the suppliers, which the interviewees assume leads to an efficient supply chain. The knowledge to negotiate these conditions is present in the firm. The short lead times, 1-2 weeks for some products, are considered a USP and lead to a higher buying incentive. The teams are, however, requested to work structurally by writing down the processes and operations to save the newly created structures and knowledge.

The make-to-order process also achieves a limited fixed cost base. This process limits the use of, for example, warehousing costs. Previous experiences and seasonality compare sales levels. Here is always looked at a longer period for the sales period. For the new markets, this is used in the business model as a success and performance measurement indicator. Every period, it is checked if the financial goals need to be altered to achieve profit. The overall success/performance goal is profit-making in the new markets. Prior project prioritisation is required to achieve this in the new markets. The managers state that profit is earned and efficient prioritisation is in place. Lastly, no funding was needed to launch the new markets, which is also considered a financial success factor.

In summary, the interviewees from the second round concluded that product and market adaptation capabilities are present but were used to a minimal degree. This adaptation was done if there was an absolute need to change partners or adapt the products. This reluctance to change resulted in fast market entries. In the long run, the performance will be average, and the chance that the products and diversification will happen in the long run is decreasing. The performance is therefore not very successful. The firm continuously behaves like a non-diversified firm. However, with the entry of three new markets, it is starting to diversify. Therefore, considering the current moderate performance, more product and market adaptations could positively influence the market performance.

"As mentioned previously, the product adaptation didn't take place. I am unaware of the steps concerning the requirements/methods so I won't say anything about it."

P5 The successful performance outcome of an FME for an SME depends on the presence of the following ordinary capabilities: product adaptations and sensing and adapting to the customer needs and the stretch in the current resources and operations. The level of product and market adaptation positively influences the performance outcome, and the resistance to change and minimal adaptation negatively influence the performance outcome.

4.2.6 Successful market entry

In the table below, table 14, the comparison between the aggregated dimensions, which are the success factors for foreign market entry and the individual themes are given. This comparison shows that, for example, the operations can be both a barrier and a success factor. On the level of overarching themes, these findings seem similar. However, in the first-order codes, they differ. In the barrier column, the themes should be interpreted negatively. The table should be read from left to right and row for row. Then, brand success can be viewed as an achievement in the combined effort of a potential new market driver, the market barrier, the sense of customer needs, and the dynamic capability of market assessment. A strong presence of the market assessment capability will provide superior performance outcomes with a low market barrier, solid motives and ordinary capabilities. The other success factors can be interpreted following the same logic. The identified success factors are based on the current success factors in the firm, as expressed in the first-order codes.

Table 14 Capabilities for successful market entry

Successful factors	Drivers	Barriers	Ordinary capabilities	Dynamic capabilities
Brand success	Potential new market	Market barrier	Sense customer needs	Market assessment
Financial success	Firm and financial growth	Resource barrier	Ability to adapt tech	Mobilize resources
Organisational success	Ease of expanding	Organisational barrier	Product portfolio	Reconfigure resources
Operations success		Operations barrier	Operations	Product assessment

5. Discussion

In the digital era, SMEs face new unknown challenges, especially when entering a foreign market. The drivers to still enter markets outside the known DACH region are firm and financial growth, the ease of entry due to the SME's business model, and the potential market awaiting. The underlying thought is that these factors will bring more profit and resource stability for the home country market in the long term. The identified barriers are constraining resource use, the internal knowledge and challenges of moving into an unknown market with customers unaware of the brand and adapting and maintaining the operations to the new market. Due to the FME outline and adjusted business models, the SME will endure ordinary performance by the brand success, the financial performance, the organizational setup and the strength of the current operations.

5.1 Key findings

To analyse the FME of this SME, the DACH region BM was taken as a starting point of the firm analysis. Section for section, the DACH model is analysed, and each section is evaluated for its suitability for FME. Simultaneously, the interviewees are asked to determine when the FME will be successful. The SME's choice for FME matches with the findings in the literature; exporting is the obvious and only choice. Exporting aligns best with the firm's strategy, and other options are not explored. The SME wants to keep the operations in-house as much as possible and simultaneously have the power to pull out at any time if needed. Therefore, the desired control levels are high and do not match the non-equity characteristics. The FME choice is made top-down. After the exporting, the focus of the firm is to build operations and to enable marketing. This approach is turned into a proposition that can be tested in further research. Exporting is the easiest mode to execute in the small SME setup without losing their values. However, this could make adapting to the new market and the familiarity with the customers difficult. Another reason there would be no option apart from exporting is the lack of knowledge about other possibilities and the unwillingness to change.

Knowledge resources, adaptivity, branding activities and partners are identified as barriers to the firm. The firm approaches the first customers in the new markets with Google ads. After this initial approach, developing and implementing other marketing and branding took time. The customers are hesitant to buy the products initially because of a lack of brand awareness. Brand awareness is, therefore, a barrier in the new market. With both market-driving and market-driven marketing activities, online marketing is a known sales driver in e-commerce. This barrier can be overcome by internal knowledge and experience or research of the e-commerce network. Therefore, the SME was not experiencing elevated financial performance. The limited performance was not caused by a lack of knowledge but by a lack of moving resources to the new markets to elevate the performance. Production and logistics partners form a barrier as well. The firm thrives to provide the same service level for delivery, customer support and IT setup in every country, but this promise cannot be held. Within the team, there is little experience expanding abroad or understanding of the market needs. Communication between the teams can ease and smooth the process and exchange of knowledge. Due to the market similarities, pressing changes do not exist; therefore, limited changes are made to the business model. The firm owns the capabilities for successful market performance but not the capability to mobilize them and reconfigure the resource base. Therefore, the performance is hindered. Overcoming this barrier can enable superior performance.

The motive identified for market expansion is profit gain. The finances provided by the host markets will make the revenue streams less dependent on the home country firm. The market risk will, therefore, be spread from one market to multiple markets. This profit gain will provide a stable resource base for the overall firm goal, which is firm growth. The growth initiative can help SMEs to secure more profits for the home-country firm. The potential market and customer base are a win, but the goal, in the end, is to gain profits for the home country firm. The ease of entry is the enabler for these growth initiatives. This capability identified by the employees can be held by the FME in the Netherlands but not for the other new markets where the SME struggled with cultural proximity.

Although the ease of entry is identified as a motive, it is also a barrier, as the assumption of easiness of entry with, for example, the product portfolio blindsided the firm into adapting the product portfolio and mobilizing resources. The SME instead thrives to achieve long-term sustainable growth. The local market decision benefits the entry performance. The targeted proximate markets help ease of entry with their developed e-commerce market. Markets that are further in the distance are more culturally proximate, and the exporting mode would be more difficult to execute there. The market timing is of influence, and the motive is not overall supported throughout the firm. It does not benefit the performance outcome. A minimal market assessment is done, which helps the performance by carefully selecting a niche market. The driver for FME is more practical and less proactive. Monetary incentives and the expected ease of entry mainly drove the entry decision.

Firm-specific ordinary and dynamic capabilities are identified. The firm can create an ordinary performance in the new market and implement its business model outside the DACH region. The firm nonetheless limits its performance by not using the dynamic capabilities in the new markets to the full extent. The SME will finance the FME with its financial resources. That means all currently present resources that will be used for the FME need to be shared between the host market and the home country market. The interviewees state there is no resource scarcity, but the shortage is expressed for personnel, IT capacity and marketing resources. This results in pausing or reducing activities in the home country market to launch activities in the new markets, which reduces the performance and development of the home country market. This minimal valuable FME approach will not lead to superior foreign market performance. The SME set an outline for the plan of the SME. The SME will adjust it along the go. This dynamic setup will help the firm sense challenges and opportunities to see them at least coming. The previous experiences of the firm provide guidelines and perspective for the outline for the FME. Therefore, the firm is not processing resource over-availability and has to make distinct strategic decisions about when and where to use the resources.

The firm has internal capabilities it would like to transfer; however, this will not influence their choice in FMEM. These capabilities include product quality, product design and customer support quality. These capabilities are acknowledged by the firm and are tried to transfer internationally. The SME attempts to overcome the proximity to the host country market by hiring local people. However, by hiring 1 FTE native speaker for customer support, the firm is not fully invested in the host country markets, and this one person can only transfer the knowledge known to this person. This new employee cannot transfer all firm-specific and knowledge-related resources to the host country market. Having local touchpoints or a network will help overcome this liability. The firm only makes use of this in one new market. The firm processes the four patterns to a certain extent of exporting from Wolff and Pett (2000). Although the digital era has made it much easier for customers to get the goods they are looking for, it has become more difficult for firms to reach customers and filter and search for their niche customers.

Firm differentiation occurs through product USPs, D2C business model and customer support quality capabilities present in the firm. These capabilities are used in the home country. However, if the customer is unfamiliar with the brand, these USPs do not reach the customer. Therefore, marketing capabilities should come into play. The firm has marketing capabilities. It also uses a market-driven and market-driving strategy in the DACH region. In the new markets, it chooses to start with a minimal setup and scale over time. This setup will initially not create superior outcomes, but a baseline can be made with the minimal setup. The firm identifies these barriers by comparing the DACH region and new markets business models and is an internal barrier. The external barriers are not identified. Product and marketing diversification capabilities are not executed. The firm has the potential for successful FME when it starts using its dynamic competencies and scaling its marketing capacities. The firm's outline to implement a business model outside the DACH region works, but more steps can be taken for better performance.

For brand success, these attributes are identified: the combined effort of a potential new market driver, the market barrier, the sense of customer needs, and the dynamic capability of market assessment. Limited adaptation and not listening to the customer's needs hinder the brand's success. The SME assumes the new markets will have the same customer segments and values. For financial success, the firm has a motive for firm and financial growth, overcoming the resource barrier, adapting to new technology and mobilising resources. The firm is not a technologically developed company and is not using all the technologies available in the sector. It is, however, also not the least technologically advanced in the sector. Concludingly, it can benefit from investing in this capability.

The premise of the SME was only to change structures if needed. This reluctance to change creates a propensity to change and limited resource mobilization and reconfiguration. Due to this tunnel vision, the firm does not open it up to sensing capabilities and is blocking superior performance. With twenty employees, ten employees are interviewed, and conflicting answers are provided, resulting in themes that could be interpreted positively and negatively. This contradiction proves that internal communication is lacking and that the company could benefit from a clear strategic vision. Success in the organization has an ease of entry attribute, an organizational barrier, a product portfolio and resource configuration. Foreign market success in operations can be achieved through ease of entry, overcoming the operations barrier, having operations present and doing product assessment. Ease of entry can also be interpreted as hesitation to adapt operations and structures. The research supports all propositions and identifies the drivers and barriers for this SME to enable superior performance of a newly implemented business model outside of the DACH region.

The thematic analysis supports the framework generated after the theory section. All topics identified are relevant for internationalizing e-commerce SMEs. The research frame was specified for one SME. Therefore, the ordinary and dynamic capabilities are highly specific for this form. Consequently, the elements identified that hinder and enable successful performance are highly specific. For other SMEs, the propositions may not be applicable. Also, not many strong dynamic capabilities were not identified. The focus in the case company was on ordinary capabilities during the FME. The elements of mobilizing and reconfiguring resources were barely touched.

5.2 Theoretical relevance

This research attributes to four research pillars for SMEs: the FMEM, BM, dynamic capabilities and performance of internationalizing e-commerce firms. These research areas touch each other through the connecting element of dynamic capabilities. The starting point is the business model. The mentioned research areas have been researched thoroughly in the last years, but not on the connection between them and the SME perspective. For example, the FMEM and BM literature sometimes touch each other on various levels but have not often been studied in a relationship. This research thus adds to the holistic view of these research areas. Resource scarcity, product adaptation, and market assessment influence FME performance. Due to the insight into the firm's activities, organizational and operational performance factors are identified. These factors are located in the core value creation of the business model and may not have been identified by another research approach.

Shen et al. (2017) identify determinants for the strategic decision to undergo FMEs. The framework the scholar presents shows a complicated map with all determinants having fuzzy intertwining relationships resulting in the FMEM decision. This case study suggests a clear vision for FMEs that is effective for SMEs. The entry mode decision presented is clear: exporting is the way to go for e-commerce SMEs. In a niche market serving SMEs, all global, political and macro-economic factors do not always come into play as this SME is not operating in this global context. The company should sense barriers and risks, but they do not always need to be identified in advance. The SME can have an adaptive, agile strategy.

This research adds to the scarce SME business model literature. With the practical implication and firm-level characteristics, this research contributes to the literature. Research on internationalization and e-commerce is not new, but this setting is unique. Laufs and Schwens (2014) project a pre-industry 4.0 image of internationalizing SME foreign market entry choice. In this paper, there is emphasized on the importance of more internationalizing SME literature, especially in the RBV framework. This research builds on an extension, specifically on the importance of dynamic capabilities in a BM setting for internationalizing firms. The case company provides an example of Teece (2018) his dynamic business model theory. By identifying the foreign market opportunities, they are sensing the market needs and adapting the business model and the internal firm structure to perform an FME. Although not many strong dynamic capabilities are identified, this case study provided an example of implementing an effective business model. It provides that only the internal success factors and factors to sense the environment combined result in superior performance.

Additionally, this research adds to the scholars who emphasise that firm performance is not economic but depends on the people making the decisions and recognizing opportunities in the firm (Baden-Fuller & Teece, 2020). In a small SME, for example, the case company, the SME's performance highly depends on the employees. If the capabilities of the SME cannot be transferred internationally, this limits the ownership advantage and the performance in the host country market. The SME will not have other capabilities ready for deployment to substitute this loss and cannot achieve its long-term sustainable firm growth goal. The research focused not on the statistical measurement but on the how and why questions associated with those processes have been widely neglected by scholars (Schellenberg et al., 2018).

5.3 Practical relevance

The results from this case are generalizable and can be adapted for many international e-commerce firms or SMEs. It provides a more comprehensible view of FME in a specific industry. However, the findings are relevant to all internationalizing SMEs. In this digital era, managers must adapt to technologies and market developments. This research can guide them through that. The results show that an FME is always a combination of cognitive internal aspects and adaptations/differentiation to the new host market. Internationalizing SMEs can follow the framework to perform the FME and learn from this case study's shortcomings. Exporting companies can look at this firm's values when undergoing an export; make sure the supply chain is controlled and maintain the product quality. Managers benefit from this case study as it provides insight into the structures that must be built for FMEs and explains their influences on this process.

Internationalizing SMEs and e-commerce firms can look at this example and implement the best practices if the FME drivers are similar. The trial and error approach of the case company provides flexibility in setup and resources and builds on the firm's capabilities. The case company can particularly benefit from the findings. It shows that it should invest in more marketing capabilities and no longer stretch the current resources in the operations and business activities. The validated business model provides an overview of the current operations that is understandable for everyone working there. This business model can be taken to create a roadmap for further FMEs. The case company can prioritise the steps to undertake an FME and, better allocate resources and instruct partners.

For the holding company this case company belongs to, the findings are of interest to explain financial ordinary performance. The findings give perspective on what steps to take to better this performance. The holding network and alliance could benefit the case company in better understanding market specifications and challenges along the way. This case is situated in the DACH region. However, the findings are also relevant in different EU countries with similar challenges. Concludingly, the research is most suitable for SMEs to provide them with motives and perspectives on FMEs and hopefully lower their internationalization barrier.

5.4 Limitations

This case study has limitations that enable opportunities for further research. In this study, an example of one internationalizing small SME is given. The observations are in two different time frames, but a longitudinal study into this case could provide a better overview of the internal capabilities and FME performance. Multiple interviews not have led to more different views and answers, but would the study be suitable for statistical analysis. The data is interpreted by the researcher working at the firm. This fact could have led to different interpretations of the results than other researchers would do. This bias is reduced by seeking proof for the framework in creating the thematic analysis. Therefore, the results are generalised for the application of multiple cases. Reflective thematic analysis is always subjective. Conclusions from the dataset are drawn based on the researcher's cultural, educational, and social background. The potential downright of the semi-structured interviews is that every step along the way can influence the research output.

Furthermore, every interviewee provided answers subject to their knowledge. Not all interviewees are experts in FME processes, but they have their expertise within the firm. As the interviewees were representatives of the firm during the interviews, bias can come into play that they could present a very positive image of the firm. The contradicting answers could be placed into perspective, and the most given answer as leading in the findings. The setting is taken in the online furniture industry. Additional industry investigations could provide a more holistic view of the concepts. The furniture industry only gives one example of a possible strategy for FME. This example is less suitable for firms that do not operate via a webshop or have a webpage.

The case company performs three FMEs during the observation period. In the interviews, the interviewees did not always differentiate for what host market the observation was relevant. If the interviewees stated 'new markets', the researcher assumes that the observation can be applied to all host country markets. Therefore, it cannot be noted that there was a certain challenge only for that host market if it was not explicitly specified. The data originates from a limited source. The results could be triangulated by interviewing the partners and the holding company. Opportunities and threats can also be different in any country. The actual numerical performance outcome of the FME is not measured, for example, in firm growth or revenues for the home country firm. The only performance measure is done by the researcher, who differentiated ordinary or successful performance.

The research lacks the digital transformation perspective as the company is not technologically advanced. Digital transformation is enabled by agility that can enable strategic renewal, collaboration and business culture (Warner & Wäger, 2019). The framework of Warner and Wäger (2019) could have been used to investigate how the case company responds to changes; however, this model would have been too advanced for this SME. Adapt from the case of the company being an e-commerce SME and deploying digital marketing capabilities, it is not undergoing digital transformation in the entire business model.

The environmental aspect of the performance is outside the scope of this research, although it currently is a hot topic on the research agenda (Zhang et al., 2021). The business model of the case company now does not cover the environmental aspect of the business and its products. Although the case study partially uses the 'classic long life BM strategy', with its BM focused on delivering long-product life, supported by design for durability (Bocken et al., 2016), the strategy is not used to its full length. The focus on sustainability in the business model could also smooth over entry barriers and potentially provide the company with funding. Improving environmental performance also allows countries to achieve sustainable development goals (Zhang et al., 2021). Also, this could convince new customers to choose the case company and not an established competitor. These options are, however, not explored.

For further research, a multiple case study of internationalizing e-commerce SMEs should be done to test the framework presented in this research. The framework will be tested, and more capabilities for successful performance can be identified. Longitudinal case studies could measure the actual FME performance and the influence of the identified factors. Further investigations in different industries, across industry studies and longitudinal studies on the crossings of the BM and FME dynamic capability research are needed to cover this understudied niche.

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Appendix

i. Interview protocol

Opening

- This research concerns foreign market entries for e-commerce SMEs, specifically from the DACH region to other Western European countries. This company recently expanded outside the DACH region. It broadened its institutional context and entered other digital markets. This research is monitoring this step and identifying the drivers and barriers for the firm. The research aims to identify the drivers and barriers to foreign market entry and the core- and dynamic capabilities needed for smooth and successful market entry. Multiple approaches will be examined.
- The interview will take around 30 minutes. If it takes longer, extra permission is needed.
- The answers given in the interviews are completely anonymised. It will not be possible to trace any of the respondents' identities. The interview itself is confidential.
- The interviews are completely voluntary, and the respondent can withdraw at any time, without explanation, before, during or after the interview.
- There will be no compensation for the respondent by any means.
- The respondent will be asked for permission to record the interview. The respondent is also informed about the potential risks and burdens of the interview. At the start of the recording, the respondent provides oral consent about the recording, the use of the data, the privacy and the potential risks and burdens. The recording will be used for transcription only and will be deleted after transcription is done.
- The transcriptions, recordings and company data are private, and the researcher protects the privacy of this data.

Middle

General:

- Describe your role in the company
- How many years of experience in this role
- What do you think is unique about this company?
- What special skills do you think this firm has?
- What skills do you think you add to the firm?
- Can you help me walk through the current DACH business model of the firm?
    - What part(s) do you contribute?

After the general questions, more elaboration can be asked on the sub-topics before concluding. Depending on the role in the company and the knowledge about the company, some questions will or will not be asked.

BM(I)

- What is the value proposition? / What benefits does the company bring to the customers?
- To what extent do you think the channels are fit for entering a new market?
- Do you think this model is successful in the DACH region? Please explain.
- What potential changes are needed for the BM to enter the foreign market?

FME

- What are the motives for foreign market entry?
- What do you think is missing in performing foreign market expansion?
- Why do you think this company needs to expand abroad?
- What do you think makes a foreign market entry successful?
- What are the necessities to expand abroad?
- What marketing strategy does Bruno use to enter a new market?
    - One that is known to the market or one that is new.
- What options are there for entering a foreign market besides exporting for Bruno?
- How much control do you want to have when expanding abroad?

Institution

- How do you think the German-speaking context benefits the FME?
- What do you think are the shortcomings in the German-speaking context?
- How much knowledge do you have of the new market(s)?
- How easily do you think the company can adapt to external changes in the abroad market?
- What values or skills are important to transfer to the new markets?

Resources

- Do you think the company knows how to expand abroad?
- How does the company structure its resources for market expansion?
- Do you think the company has enough resources for market expansion (financial and personnel)?
- Do you think every role necessary for the expansion process is fulfilled?
- How much stretch in the knowledge and resources to perform an FME?
- How much stretch do you think there is in your personnel for FME? Do you believe there is still flexibility?

Product differentiation

- What product portfolio will you expand to the new market?
- What products do you think are suitable for the foreign market?
- Why this/these? Why not? How do you determine?
- What are the unique features of this product(s)?

- How easy/difficult do you think this product is to imitate for competitors?
- How do you currently adapt your product portfolio when expanding to new markets?

Competencies

- Customers
    - The ability to reach customers and deploy customer service channels.
- Tech
    - The ability to develop patents or engineering skills. Ability to adapt to new technological trends or software.
- R&D
    - Setting up new types of manufacturing facilities and operations, identifying promising new technologies, assessing the feasibility of new technologies, and recruiting engineers in new technical areas.
- Marketing:
    - A marketing capability also entails skills such as assessing the potential of new markets, building relationships in new markets, setting up new distribution and sales channels, leveraging brand/company reputation to new markets, researching new competitors and new customers, developing new advertising or promotion strategies, and developing new pricing strategies.
    - How would you rate Bruno's marketing competencies (= competencies to explore new markets, adapt to that market, and approach people in the market)?

Conclusion

- Why do you think the company should expand abroad?
    - What are the drivers/motives (name 3)
    - What are the barriers (name 3)
    - How do you think the digital environment influences this?
- When an FME is successful? When would you say a market entry is successful?
- Do you think the current market entries are successful, and what would be needed?
- Do you have anything to add regarding the discussed topics in the interview? Any questions or remarks?
- Do you have any other questions/remarks regarding this research?
- Would you like to be informed about the results of this research?
- Thank you very much for the timely effort and cooperation.

Table 15: BM canvas Bruno after revision of Bruno

<table>
<tr>
<td rowspan="2">Key partners
Delivery/warehousing partner

Showroom partners

Producing partners

Marketing partners:
Google ads partner
SEO partner
Affiliate partners

IT partners:
Website and backend development
Payments providers</td>
<td>Key activities
Direct-to-consumer sales
Branding
Purchasing and supply chain management
Maintaining quality
Customer support
Product development
Website development (frontend)</td>
<td rowspan="2">Value proposition
Practical, sleek, high-quality, value-for-money bedding furniture to resolve sleep deprivation and back pain. Easy order online from home and short and uncomplicated delivery to the place of use—quick and easy communication.</td>
<td>Customer relationships
A personal long-lasting relationship of acquiring customers where customer referral is key and customers buy a Bruno repeatedly. Customers are retained with newsletters and high-quality, friendly customer support.</td>
<td rowspan="2">Customer segments
Bruno is selling to a broad group of customers aged 35 to 75. The customers value long-lasting quality for a reasonable price and a high service level.</td>
</tr>
<tr>
<td>Key resources
Excellent customer support
Supply chain team
Quality control
Products
Patented folding mechanism
Made in Germany quality mark
Marketing team
Executives
Company office and brand</td>
<td>Channels
Google ads
Website
Social media (Instagram)
Showrooms
Customer support
Home delivery with a furniture moving company</td>
</tr>
<tr>
<td colspan="3">Cost structure
Marketing/ ads (12%)
Personnel, Google ads/marketing, IT (5-7%)
Outsource activities: delivery partners (12%), producing partners (14%),
Office space (8%)
Showroom rent/vouchers (2%)</td>
<td colspan="2">Revenue streams
Sold products in the webshop via D2C sales
B2B customers
Westwing</td>
</tr>
</table>

ii. Interview protocol 2

- This research concerns foreign market entries for e-commerce SMEs, specifically from the DACH region to other Western European countries. This company recently expanded outside the DACH region. It broadened its institutional context and entered other digital markets. This research is monitoring this step and identifying the drivers and barriers for the firm. The research aims to identify the drivers and barriers to foreign market entry and the core- and dynamic capabilities needed for smooth and successful market entry. Multiple approaches will be examined.
- The interview will take around 30 minutes.
- The answers given in the interviews are completely anonymised. It will not be possible to trace any of the respondents' identities. The interview itself is confidential.
- The interviews are completely voluntary, and the respondent can withdraw at any time, without explanation, before, during or after the interview.
- There will be no compensation for the respondent by any means.
- The respondent will be asked for permission to record the interview. The respondent is also informed about the potential risks and burdens of the interview. At the start of the recording, the respondent provides oral consent about the recording, the use of the data, the privacy and the potential risks and burdens. The recording will be used for transcription only and will be deleted after transcription is done.
- The transcriptions, recordings and company data are private, and the researcher protects the privacy of this data.

Middle

General:

- Describe your role in the company
- How many years of experience in this role
- What do you think is unique about this company?
- What special skills do you think this firm has?
- What skills do you think you add to the firm?

BM

- Can you help me walk through the current DACH business model of the firm?
    - What part(s) do you contribute?

FME

- Do you think exporting was the best solution for the company to expand?
- Could you explain the rollout process for the market entry?
- Why did you think the company should expand abroad?
    - What were the drivers/motives (name 3)

    - What were the barriers (name 3)
- Do you think the current market entries are successful (financial, market, sales, customer satisfaction)? When would you say the market entries would be successful (what are you missing)?
- Regarding the things you are missing, what things should the company do or add to make it better?
- What did you think about the market timing, the decision for these markets and the motive for the expansion at that time?
- What do you think about the marketing strategy used, and do you think that was enough?

Conclusion

- Do you have anything to add regarding the discussed topics in the interview? Any questions or remarks?
- Do you have any other questions/remarks regarding this research?
- What do you think about the amount of product adaptation that has taken place and the market-specific requirement/methods/communication that has been implemented?
- Would you like to be informed about the results of this research?
- Thank you very much for your timely effort and cooperation.