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## **Internationalization Determinants from Small Enterprises to Multinationals:**

**“Exploring the Factors that Enable Some Companies to Internationalize More Effectively and Efficiently than Others.”**

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Master's degree in International Management

Supervisor:

PhD Renato Telo de Freitas Barbosa Pereira, Associate Professor with Aggregation, Departamento de Marketing, Operações e Gestão Geral

Iscte-Iul

ISCTE Business School

September, 2023

Department of Marketing, Strategy and Operations

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## ABSTRACT

The process of internationalization is a complex and **challenging** task for companies seeking to expand into new markets. This research aims to identify the key factors that enable some companies to internationalize successfully and provide insights into how other companies can improve their **internationalization** process.

The study utilizes a comprehensive literature review, case study, and interviews to identify the critical factors that contribute to successful internationalization, including market research, clear strategy **development**, establishing a presence in the target market, building relationships with stakeholders, adapting products and services to meet market needs.

The insights provided by this research can help businesses better understand the internationalization process and develop successful **strategies** for expansion into new markets. By identifying the key factors that contribute to successful internationalization, companies can better prepare for the challenges of global business and improve their chances of success.

By providing a framework for **successful** internationalization, companies can better manage the risks associated with entering new markets and ensure that they are well-positioned to capitalize on the opportunities presented by globalization. Ultimately, this research aims to contribute to a better understanding of the factors that enable some companies to internationalize successfully and how these insights can be used to improve the internationalization process for other companies, leading to greater success and profitability in global markets.

While most large companies have adopted internationalization as a growth mode, an increasing number of SMEs are choosing it as a development strategy.

**Keywords:** Challenging, Internationalization, Development, Strategies, Successful

*F23 - Multinational Firms; International Business*

*M16 - International Business Administration*



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# 1 INTRODUCTION

## 1.1. Internationalization and its Significance in Today's Globalized Economy

“The increase in international trade in goods, and to a slightly lesser degree in services, is undoubtedly one of the major upheavals that have marked the world economy in recent decades” (INSEE, 2010).

This growth has resulted in increased pressure of competition between companies, forcing them to expand their markets. Thanks to the Internet, mobile phones and various payment systems, the development of new technologies allows companies to expand beyond their borders. It is therefore now possible for any company to expand internationally. This geographical expansion depends very much on the characteristics of the industry, which allows a global standardization of the offer, or on the contrary requires an adaptation according to the local specificities.

The international development could allow a company to increase its turnover. It can also diversify risks and optimize structural costs by expanding its area of operation. International expansion can provide cheaper labor and natural resources, as well as tax advantages in free trade zones in other countries. As we have just seen, there are many advantages to the internationalization process, but there are also disadvantages. In fact, despite the benefits, internationalization is not without its challenges. Companies need to navigate cultural differences, varying regulations, and logistical hurdles to successfully operate in foreign markets. In addition, they may face increased competition from local companies that have a better understanding of the local market.

The changes in a company, such as the implementation of an internationalization strategy, cannot be attributed to the manager on his own. In fact, the multiplicity of technical, commercial and financial problems to be solved, and the resulting complexity, increase as the internationalization process progresses (Francois Pantin, 2004). The internationalization process also depends on the type of company and the strategic choices the organization intends to make in order to ensure its success.



In conclusion, internationalization has become a necessary strategy for companies to stay competitive in the globalized economy. It offers numerous benefits, including access to new markets, risk diversification, and cost savings. However, companies must carefully consider the form of internationalization they choose, as well as the challenges they may face. By taking a strategic approach to internationalization, companies can successfully expand their operations and reap the benefits (Jiang, L., & Beamish, P. W., 2018).

## **1.2. Purpose of the Thesis**

In this thesis, supported by academic reference articles, case studies, and explanations of empirical studies, we will see the different points that a company has to respect to ensure a successful and appropriate method of internationalization. In fact, the purpose is to explore the process and impact of internationalization on companies, industries, and economies. It may involve investigating the motivations and strategies of companies for expanding into foreign markets, the challenges and opportunities they face, and the effects on stakeholders such as shareholders, employees, customers, and local communities. Additionally, the thesis will develop theoretical models that explain the factors and mechanisms driving internationalization and its outcomes. The ultimate objective of the study is to contribute to the existing knowledge base and offer insights and recommendations for practitioners to manage and promote successful internationalization.

To achieve these objectives, the thesis will be divided into several chapters. The first chapter will provide an overview of the current literature on internationalization, including its definitions and concept. The second chapter will focus on the various steps that companies need to take into account when internationalizing, with case study and analysis of specific companies. The third chapter will be the empirical part with the data collection and analysis. The fourth chapter will talk about the result and finally, the thesis will conclude with recommendations for practitioners on how to manage and promote successful internationalization.

The findings of this study will provide valuable insights for companies seeking to expand internationally and will contribute to the ongoing conversation about the best practices for successful internationalization.

## **2 THEORETICAL PART: DOCUMENTARY RESEARCH**

This part will introduce the topic and the research problem of this thesis. The outline also includes a brief explanation of the different concepts and theories that will be used for the thesis. This part will serve to open the analysis and sets a goal for the study in general.

### **2.1. Overview of the Current Literature on the Topic of Internationalization**

Internationalization, the process of expanding a company's operations and presence beyond its home country, has been extensively studied in the fields of international business and management. A large body of literature has emerged that explores various aspects of internationalization, including the motivations and strategies behind internationalization, the challenges and opportunities that companies face when entering new markets, and the factors that influence the success or failure of internationalization efforts.

Research has shown that internal resources and capabilities are crucial to successful international expansion. Companies with strong internal resources, including financial resources, human capital, and technology, are more likely to be successful in international markets (Cavusgil, Knight, & Riesenberger, 2017). Additionally, companies that develop a strategic approach to internationalization, such as by carefully selecting target markets and adapting their products and services to local needs, are more likely to achieve their internationalization goals (Johanson & Vahlne, 2009).

The role of institutional and cultural factors in shaping companies' internationalization strategies and outcomes is also important. Companies that are based in countries with high levels of institutional support, such as strong legal systems and transparent regulatory environments, will be more successful in international markets (Peng, Sun, Pinkham, & Chen, 2009).

Overall, the literature on internationalization offers valuable insights into the opportunities and challenges of expanding a company's operations beyond its home country. By understanding the factors that influence internationalization success, companies can develop more effective internationalization strategies and increase their chances of achieving long-term growth and profitability.

The process of internationalization is considered as a process of innovation since it represents a form of expansion of the firm requiring changes in strategy, techniques and managerial tasks (Forgues and Leconte, 2000). In summary, Internationalization refers to the process by which companies expand their operations and enter new markets outside of their home country. This can take many forms, such as exporting goods or services, setting up subsidiaries or joint ventures in foreign countries, or acquiring existing companies in those markets. The reasons for internationalization vary, but often include access to new customers and markets, to new resources and talent, and the ability to spread business risks across multiple locations.

## **2.2. Research Problem**

The process of internationalization is a complex and challenging undertaking for companies that seek to expand their operations globally. While some companies are successful in navigating the challenges of internationalization, others struggle to do so. The research problem under investigation is "*Exploring the factors that enable some companies to internationalize more effectively and efficiently than others.*" The research aims to identify the key factors that enable some companies to internationalize successfully, and how these insights can be used to improve the internationalization process for other companies.

The research question that guides this investigation is, "*What factors enable some companies to internationalize more effectively and efficiently than others, and how can these insights be used to improve the internationalization process for other companies?*" The objectives of this research are to investigate the specific strategies and practices that these companies use to successfully internationalize, explore the role of leadership, organizational culture, and other internal factors in the internationalization process, and provide recommendations for other companies on how to improve their internationalization efforts.

To achieve these objectives, a mixed-methods approach will be used, encompassing both qualitative and quantitative data. This methodology will enable the collection of qualitative data to examine the specific strategies and practices adopted by successful companies and quantitative data to identify the key factors that support successful internationalization. Data will be gathered through a literature review, case studies, a survey for companies that have achieved successful internationalization and in-depth interviews.

In conclusion, this research aims to investigate the factors that enable some companies to internationalize more effectively and efficiently than others. It will use a mixed-methods approach to identify key factors and explore the specific strategies and practices used by successful companies. The findings will provide practical recommendations for improving the internationalization efforts of other companies and contribute to the body of knowledge on internationalization strategies and best practices. The main question has opened up several sub-types of questions which will be answered in the process of developing the thesis.

- What are the different steps to take into account in order to internationalize?
- What are the internationalization strategies?
- What are the new forms of international commitment (joint ventures, strategic alliances)?
- How does an international opening affect, positively and negatively, the development of companies?
- What challenges and threats are these organizations likely to face in this new context at the level at which they plan to operate?

## **2.3. Definitions and Concepts of Internationalization**

### **2.3.1 Definitions**

Internationalization is a widely studied and debated concept in the field of business and management. Several researchers and/or professors have presented their definitions of the concept. According to Dunning (1993); internationalization refers to the growing participation of companies in foreign direct investment and the expansion of their operations across borders. Similarly, Dicken (1998); defines

internationalization as the process of enhancing the engagement of countries and firms in international economic transactions and integrating national economies into the global economy. Finally, Rugman and Brewer (2001); define internationalization as the incorporation of a company's activities into the world economy, characterized by an increase in cross-border transactions in goods, services, capital, and technology. These definitions highlight the intricacy and variety of the internationalization phenomenon (Dunning, 1993); (Dicken, 1998); (Rugman & Brewer, 2001).

The definition of internationalization has evolved over time, reflecting the changing nature of global business. Recent definitions of internationalization have emphasized the importance of strategic planning and a holistic approach to the process. For example, Andersen and Rask (2014); define internationalization as a strategic and holistic process where a company adapts its business model and operations to pursue opportunities in foreign markets.

Overall, internationalization is not just about entering new markets, but also involves adapting products and services to meet local needs, building relationships with key stakeholders in the target market, and establishing systems and processes to support the international business. Therefore, a comprehensive definition of internationalization should take into account its various dimensions and implications for companies operating in the globalized economy. The definitions reflect its complexity and multidimensional nature. They highlight the need for businesses to have a well-developed strategy and a holistic approach to internationalization. By understanding the various definitions of internationalization, businesses can better navigate the challenges and opportunities of global expansion.

The internationalization of a company can therefore takes several forms. For instance, the smallest and least dangerous form of internationalization is the export. In fact, the products are manufactured in the country of origin, transported and then sold abroad, directly or through an intermediary. This allows the exporting company to benefit from the economic and financial development of another foreign country, which leads to an increase in turnover, without taking a big risk. Secondly, there is the foreign subsidiary, which is the upper level. This is one of the heaviest and riskiest options which consists of creating production or commercial companies, controlled by the head office. The subsidiary of a company established abroad receives the nationality of the country in which it operates (Bertrand Giboin, 2016).

### **2.3.2 Concepts**

The establishment of a company's international development concept is a long and complex decision process, as it involves the analysis of several points, such as the company's financing needs and the selection of target countries and markets, steps that are essential for the construction of a strong and sustainable project.

"Theoretical reflection on the internationalization of the firm was born in the 1960s. It was formalised with the desire to better understand why and when the firm should make the choice to internationalise" (Olivier Meier and Pierre-Xavier Meschi, 2011).

As explained in the article outlining the conceptualization of SME internationalization, "The internationalization of SMEs and other firms is not easily explained by a single theory, as it is a too broad and dynamic phenomenon which, for reasons of convenience, has often been reduced to the single subject of exporting" (Maarouf Ramadan and Nadine Levratto, 2012).

Following the article, the Uppsala model, a powerful tool for companies, by Noémie Moreau, the most prominent theory is the one of Uppsala, created in 1975 by Johanson and Wiedersheim-Paul at the University of the same name, this model is characterized by a progressive international expansion of firms. It attempted to provide a combined and articulated response to two questions that are central to any firm wishing to internationalize: Which country and market should be chosen? Which modality of expansion in the country should be chosen? The final objective is to reduce the uncertainties concerning foreign markets in order to be able to establish a business with ease. Internationalization is carried out in four stages, all of which are linked to each other.

The first stage is the "domestic" stage, where the company is focused on its domestic market and has no involvement in international markets. The second stage is the "export" stage, where the company begins to export its products or services to foreign markets, but still maintains its primary focus on its domestic market. The third stage is the "international" stage, where the company begins to establish a presence in foreign markets and begins to develop a more international focus. The fourth and final stage is the "multinational" stage, where the company has a global reach and operates in multiple markets.

According to the Uppsala model, companies typically progress through these stages in a linear fashion, but it is possible for a company to move back to an earlier stage if it encounters difficulties in a later stage. Additionally, the Uppsala model emphasizes that the company's internationalization process is influenced by its internal resources and capabilities, as well as external market conditions. It is important to notice that the Uppsala model is a general theory and not all companies will follow this path, and other authors have developed different models. However, this model provides a useful framework for understanding the different stages that a company may go through as it internationalizes (Noémie Moreau, 2017).

Another well-known theory of internationalization is the eclectic paradigm, proposed by John Dunning in 1977. According to this theory, a company's decision to invest in a foreign market is influenced by the presence of three types of advantages: ownership advantages, location advantages, and internalization advantages.

Ownership advantages refer to the unique assets and capabilities that a company possesses that give it a competitive edge in the foreign market. These can include things like brand reputation, proprietary technology, or a strong distribution network. Location advantages refer to the specific advantages that a particular location offers, such as access to natural resources, a skilled workforce, or a favorable tax climate. The last one, Internalization advantages refer to the benefits of internalizing the production and distribution of a product or service rather than outsourcing or licensing it to a foreign company. These can include things like control over quality and intellectual property.

According to the eclectic paradigm, a company will only invest in a foreign market if it possesses at least one of these advantages. Additionally, the theory emphasizes that a company's decision to invest in a foreign market is influenced by the relative strength of these advantages compared to the potential risks and costs of investing in that market (Dunning, 1977).

It is important to note that the eclectic paradigm provides a more nuanced view of internationalization than the Uppsala model, and it takes into account the company's specific advantages, the location where it wants to invest, and the benefits of internalizing the production process. Other authors have also developed different models and theories, but the eclectic paradigm is widely recognized as a key theory in international business.

In conclusion, these concepts provide valuable insights into the internationalization process of companies, highlighting the importance of various factors, such as market knowledge, experience, availability of resources, network relationships, and unique resources and capabilities. They help to understand the complex and dynamic nature of internationalization and the various factors that influence firms' decisions and strategies for internationalization.

## **2.4. Strategies to Internationalize the Business**

Taking theories as a starting point, we can distinguish essential steps for the good progress of internationalization, according to the article, “5 steps towards a successful internationalization” by Pascale Born. The first step is to define the main objectives to be achieved. It is important to know the goal of this internationalization. Is it to increase market share? To reach new target groups, or simply to increase the company's turnover without considering the other points?

The second step is the choice of an appropriate entry point for internationalization. This will depend mainly on the size of the company. An SME will subjectively probably base its decision on a simple product exportation. As mentioned earlier, the products are manufactured in the country of origin, shipped and then sold abroad, either directly or through an intermediary. This is often the first step for many companies, as it requires limited resources and can provide a relatively low-risk way to enter international markets. Another strategy that companies often use is licensing, which involves granting a foreign company the right to use a company's intellectual property, such as trademarks, patents, or technology, in exchange for a fee or royalty. This can provide a way for companies to enter new markets without significant investment.

Large companies may decide to set up a foreign subsidiary. This is the creation of a secondary company created and controlled by a holding company that owns more than 50% of its capital. The establishment of a subsidiary in a foreign territory is rightly considered as a national company, which gives it better chances of local adoption and efficient market penetration. Joint ventures are another common strategy for companies looking to enter international markets. This involves partnering with a foreign company to jointly own and operate a business in a foreign market. This can provide a way for companies to share risk, access local knowledge and resources, and benefit from economies of scale.



The third step is to carry out a precise analysis of the target markets, which means assessing the competition already present in that market, managing the availability of qualified workers and also studying the legal conditions, as some countries may have political instabilities.

Once the target market has been identified, it is necessary to start adapting to the specificities of that market. The concepts such as marketing, distribution, supply chains, products, offers, payment terms and above all pricing must be adapted to the macro and microeconomic context of the foreign economy.

As a final important point, the company's IT must be oriented to the new environment, and the integration of different administrative and external systems must be completely rethought if necessary. It must be checked whether the existing systems can be configured for the new required processes. The billing and accounting department have to meet the new environment. All these points should be reviewed before undertaking the internationalization process (Pascal Born, 2020).

In other words, to implement internationalization of a business, extensive market research is necessary to identify target markets and customers. Then, a clear and comprehensive strategy should be developed including goals and objectives, target markets, entry strategies, and a plan for managing the international business. After that, a company should establish a presence in the target market through various methods and build relationships with key stakeholders. Adapting products and services to meet the needs of the target market, implementing systems and processes to support the international business, and monitoring performance are also important. Continuous improvement and compliance with relevant laws and regulations should be a focus.

## **2.5. Internationalization for Small and Large Companies**

### **2.5.1 Identification of Small and Large Companies**

There are generally four possible sizes of business. Firstly, the individual companies, managed by a single person. Then there are the very small enterprises, called VSEs, which have fewer than 10 employees. After that, there are the small and medium-sized enterprises, SMEs, which employ between 10 and 499 people. And finally, large enterprises, which have more than 500 employees. Each country has its own legal status for companies. It can be assumed that VSEs and SMEs will probably have more

difficulty in going international than large companies. The internationalization constitutes one of the factors of business growth that is often heavy and complex for the SME, however it became a strategic necessity for most of these companies. The aim is to organize their activity on a global scale by conquering new markets abroad.

As it's explained in the article risks and internationalization of SMEs: proposal for an analytical framework, "developing an international activity can involve significant financial investments and risk-taking that are multiplied on the scale of the SME. For this reason, the consequences of decisions taken in SMEs have a greater impact on the company than for a multinational firm" (Céline Bouveret-Rivat, Catherine Mercier-Suissa and Lynda Saoudi, 2020).

### **2.5.2 Differences Between the Internalization of Small and Large Companies**

The internationalization of companies, whether large or small, can have significant differences in terms of resources, risk tolerance, speed or scope of internationalization, legal and regulatory compliance, knowledge of the market, branding and reputation. Large companies often have an advantage in terms of resources, with greater financial capital, human resources, and technology, which can facilitate their entry into new markets. On the other hand, small companies may have more limited resources and may need to be more strategic in how they allocate them (Dunning & Lundan, 2008).

Moreover, large companies are generally more willing to take on risks associated with internationalization, such as currency fluctuations and political instability, due to their ability to weather potential losses. In contrast, small companies may be more risk-averse and may need to be more cautious when entering new markets. As a result, large companies often have the ability to internationalize their operations more quickly and efficiently due to their existing infrastructure and resources, whereas small companies may need to take a more gradual and step-by-step approach to internationalization, building their operations and resources over time.

In terms of the scope of internationalization, large companies often have a more global focus, with operations in multiple countries and regions, while small companies may have a more regional or local focus and may need to be more selective in which markets, they enter. Small companies may also have more difficulties in navigating the legal and regulatory complexities of foreign markets and may need to invest more time and resources to ensure compliance (Coviello & McAuley, 1999).

Furthermore, large companies often have more resources and experience in market research and understanding of the target market and its consumers. Small companies may need to invest more time and resources in understanding the target market and its consumers before entering it. Finally, large companies may have a more established brand and reputation, which can help them gain a foothold in new markets, whereas small companies may need to invest more time and resources in building their brand and reputation in new markets (Gurau, 2002).

The internationalization of a small company starts, as mentioned above, when the company seeks to increase its profit through international diversification of its sources of supply, its production, its services, its outlets and its brand image (Björkman & Eklund, 1996). The internationalization of companies can be divided into two main drivers of growth. Firstly, it will allow the company to entertain its offer with new products and new ranges adapted to the country, and secondly, to renew its economic models. In fact, even if this process is risky and costly, it will allow the company to gain notoriety and visibility in the long term.

Concerning the large companies, this has the same effects, but they will have considerably more resources than the small one, which will facilitate their internationalization strategy and minimize the risks for the sustainability of the company.

In conclusion, the differences between large and small companies in terms of internationalization demonstrate that companies of different sizes face unique challenges and opportunities. While large companies have advantages in terms of resources and risk tolerance, small companies can be more agile and adaptable, with the ability to focus on specific niches and tailor their strategies accordingly. Understanding these differences can help companies of all sizes to make more informed decisions and develop more effective internationalization strategies.

## **2.6. Discussion of the Benefits and Challenges of Internationalization for Companies**

### **2.6.1 Benefits**

Internationalization offers numerous benefits for companies looking to expand their business globally. Internationalization can provide access to new markets, offer economies of scale, improve brand recognition, provide access to talent, and diversify risks. By entering new markets, companies can expand their customer base, diversify their products, and increase their revenues. This can also help reduce dependence on a single market and mitigate the impact of market changes (Root & Visudtibhan, 2020).

Additionally, entering new markets can provide access to new resources, technology, and knowledge that can enhance products and services, leading to increased competitiveness. As companies increase their production and reduce costs through internationalization, they gain economies of scale that help them to compete in the global marketplace. Moreover, internationalization can improve a company's brand recognition and reputation by increasing its exposure to new customers and markets. It also helps companies to access a larger pool of talent, diverse perspectives, and experiences. Lastly, internationalization helps to diversify risks by spreading operations across multiple markets, reducing exposure to risks such as economic downturns, political instability, and natural disasters (Hill, Hwang, & Kim, 2017).

### **2.6.2 Challenges**

While internationalization has a number of advantages, as discussed above, there are obviously risks that can be disastrous for any company, whether it is small or large. In fact, internationalization of a business can be a complex and challenging process that requires careful planning and execution. Companies must consider a wide range of risks and limitations when planning to expand internationally. According to the article risks and internationalization of SMEs: proposal for an analysis framework, “a distinction is made between endogenous risks, which are inherent to the organization’s practices, from exogenous risks, which are undesirable events, and finally from any origin, natural or industrial, external to a company that may have an impact on it” (Céline Bouveret-Rivat, Catherine Mercier-Suissa and Lynda Saoudi, 2020).

One of the most significant risks that companies face is economic risk. Economic conditions in foreign markets can be unpredictable and can have a significant impact on a company's ability to operate and generate revenue. Economic downturns, currency fluctuations, and trade barriers can all negatively impact a company's international operations. This can make it difficult for companies to maintain profitability and achieve their financial goals.

Another important risk that companies must consider is political risk. Political instability and government policies in foreign markets can present significant challenges. Regulations and laws may change, making it difficult for a company to operate in a market or even forcing them to exit the market. This can lead to decreased revenue, higher costs, and other negative impacts on a company's bottom line.

There are also the cultural differences that can lead to misunderstandings and decreased sales, as companies may struggle to understand the cultural norms and expectations of foreign customers. This can lead to decreased customer satisfaction and a negative impact on a company's brand.

Moreover, companies may experience difficulties in managing and coordinating their operations across different countries, especially if they lack the necessary infrastructure or resources. This can lead to inefficiencies and increased costs, which can negatively impact a company's bottom line.

Competitive risks are also an important consideration for companies looking to expand internationally. Companies may face increased competition in foreign markets, especially if they enter markets where they are not well-established. This can make it difficult for them to achieve a competitive advantage and generate revenue.

International expansion can be costly, and companies may face financial risks if they are not able to generate enough revenue to cover the costs of expansion. This can lead to decreased profitability and other negative financial impacts.

Legal risks are also a concern for companies looking to expand internationally. Companies may face legal risks if they fail to comply with laws and regulations in foreign markets. This can include fines, penalties, and even criminal charges.

Finally, they may face reputational risks if they fail to meet the expectations of customers or other stakeholders in foreign markets. This can lead to decreased sales and damage to the company's brand.

All these risks and limitations can be mitigated to some extent by carefully researching target markets, developing a comprehensive internationalization strategy,

building relationships with key stakeholders, and continuously monitoring and evaluating the performance of international operations. However, companies should be aware of the potential risks and limitations associated with internationalization and take steps to mitigate them as much as possible (Johanson, J., & Vahlne, J. E., 2017).

## **2.7. Conclusion**

In conclusion, the study of internationalization is a complex and multidisciplinary field that encompasses a wide range of concepts, theories, and models. The current literature provides a comprehensive overview of the various definitions, theories, and models of internationalization. Furthermore, the importance of internationalization for small and large companies is evident, as it offers significant opportunities for growth and expansion. Companies have adopted various strategies and approaches, in fact there are different strategies that companies can use to internationalize their operations, such as exporting, licensing, franchising, joint ventures, wholly owned subsidiaries, and acquisitions. Each strategy has its own advantages and disadvantages, and the choice of which strategy to use will depend on the company's size, goals, resources, and risk tolerance.

As we have seen, internationalization can offer many benefits to companies, such as increased revenue and market share, diversification of revenue streams, and access to new technologies and expertise. However, it also comes with its own set of challenges. Companies need to consider cultural and legal differences, currency fluctuations, and language barriers, among other things. Additionally, companies may face increased competition from established local players and may need to adapt their products and services to meet the needs of new customers.

They also need to consider the impact of internationalization on their operations, such as supply chain management, logistics, and distribution. Additionally, they need to have a comprehensive understanding of the foreign market and its regulations, taxes, and tariffs. Companies need to have a well-defined target market and a marketing strategy that is tailored to that market.

Overall, the study of internationalization is a crucial aspect of business and management research and provides valuable insights into the complex and dynamic process of global business expansion.



### **3 CASE STUDY: COMPARISON OF THE SUCCESSES AND FAILURES OF CERTAIN COMPANIES' INTERNATIONALIZATION EFFORTS**

#### **3.1. Small Companies that have Succeeded in Becoming International**

There are many small and medium businesses that have successfully internationalized and expanded their operations into new markets. The first, Zara was a small family business that started in 1963.

According to Ana Mafalda Ricardo Morgado Costa (2017); and its articles about the strategy of the fast fashion pioneer, Zara's success in internationalizing can be attributed to a number of factors, including their fast-fashion business model, strategic store location selection, investment in technology and logistics, and effective marketing and branding. The first one is fast-fashion business model, in fact Zara's fast-fashion business model allows them to quickly respond to the latest trends and designs. They have a team of designers who are constantly monitoring fashion trends and creating new designs. This enables them to consistently offer a fresh and unique product selection to customers, which helps to drive sales. Additionally, by keeping their inventory turnover high, they are able to quickly replenish popular items and reduce the risk of stock outs.

The second one is the strategic store location selection. Zara strategically selects locations for their stores, often opening in prime locations in major cities. This allows them to reach a large customer base and increase their brand visibility. Additionally, by opening in prime locations, they are able to attract a more affluent customer base, which helps to increase their sales.

The last one is the investment in technology and logistics. The company heavily invests in technology and logistics systems, which allows them to efficiently manage their supply chain and quickly restock popular items. By using advanced technology, they are able to track inventory levels and customer demand in real-time (Ana Mafalda Ricardo Morgado Costa, 2017).



Another example with Patagonia, the American outdoor clothing and gear company, managed to internationalize through a combination of strategic decisions and actions.

First, Patagonia built a strong brand reputation based on environmental and social responsibility. They focused on using sustainable materials, fair labor practices and environmental conservation, which helped to attract customers who were looking for environmentally friendly products. Second point is that Patagonia established a strong e-commerce presence which helped to expand their reach to customers beyond their physical stores. They created a seamless online shopping experience for customers and provided a variety of ways for customers to shop and interact with the brand. Third, Patagonia opened flagship stores in key international cities, which helped to establish the brand in new markets and increase visibility. Additionally, they also formed partnerships with local retailers, which helped to expand their distribution network and reach more customers in different markets. Lastly, Patagonia invested in strategic marketing and advertising campaigns, which helped to build brand awareness and attract customers to their product offerings. They used a variety of marketing techniques, such as social media marketing, event sponsorships, and collaborations with other brands, to promote their products and increase visibility in different markets.

Overall, Patagonia's success in internationalization was driven by a combination of strong brand reputation, e-commerce capabilities, physical presence, strategic partnerships and marketing campaigns (Forbes, 2021).

These examples demonstrate that even small businesses can successfully internationalize and expand their operations into new markets if they have a clear strategy, a strong brand, and the ability to adapt to local market conditions.

### **3.2. Large Companies that have Failed in Becoming International**

On the contrary, here are a few examples of large companies that have succeeded in internationalizing in one market but not all.

There are many articles demonstrating this failure, similar to the one by Arjun Kharpal (2019); which explains that despite Amazon's massive success in many international markets, the company encountered difficulties in establishing a strong presence in China. Several factors contributed to Amazon's inability to fully expand its international footprint within China. One of the primary reasons was the strong competition from Chinese e-commerce giant Alibaba, which dominated the market and had a deep understanding of the unique cultural and regulatory environment in China. Amazon's business model, which focused on offering a wide range of products and services to customers, did not align well with the Chinese market's preference for specialized online marketplaces.

Amazon also faced logistical challenges in China, which is a country with a complex and challenging logistics infrastructure. The company struggled with delivery times, which is a major concern for Chinese consumers. Additionally, Amazon's delivery network did not cover all of China, which further limited the company's reach in the market. In addition to these challenges, the company also faced regulatory issues in China. The country's strict censorship policies and data storage regulations made it difficult for Amazon to fully operate in the market. As a result, they were unable to establish a significant market share in China, and ultimately decided to exit the market in 2019.

In conclusion, Amazon's failure to fully internationalize in China was due to a combination of factors, including intense competition from Alibaba, lack of market fit, logistical and regulatory challenges, and cultural differences. These factors demonstrate the importance of understanding the unique characteristics of each international market and adapting business strategies accordingly (Arjun Kharpal, 2019).

Another example is Coca-Cola which encountered challenges in expanding its presence in India for several reasons despite a population of over 1.3 billion and a launch in 1950.

One major factor was strong competition from already established local brands, such as Pepsi and Parle Agro's Frooti, which had a strong hold on the Indian market and were well-established with large distribution networks. As a result, Coca-Cola faced difficulty in gaining market share and building brand recognition among Indian consumers. Another challenge the company faced in India was related to cultural and dietary differences. The Indian market is known for its preference for traditional, non-carbonated drinks such as lassi and chai, which Coca-Cola struggled to compete with. Additionally, many Indians are also vegetarian and are cautious of consuming foods and drinks containing non-vegetarian-based ingredients, which impacted Coca-Cola's sales.

Regulatory and legal challenges also hindered Coca-Cola's expansion in India. The Indian government has implemented strict regulations on the use of water resources, which affected Coca-Cola's ability to operate bottling plants in the country. Additionally, the company faced criticism from local communities and NGOs for depleting ground water resources, which further impacted the company's reputation. Finally, the company's marketing and advertising strategies did not effectively resonate with the Indian consumer. The company's traditional approach to advertising, which relied heavily on television commercials, did not effectively reach Indian consumers, who preferred other forms of advertising such as word-of-mouth recommendations and social media.

Overall, Coca-Cola's challenges in expanding its presence in India were due to a combination of strong competition from local brands, cultural, dietary differences, regulatory and legal challenges, and ineffective marketing strategies (Bhasin, K., 2019); (Mittal, A. 2020).

### **3.3. Conclusion**

In conclusion, there are notable differences between the internationalization processes of small and large companies. Large companies typically possess more resources, including financial and human capital, which make it easier for them to enter new markets. They also have the advantage of experience and a global network of contacts, facilitating their expansion internationally. Nevertheless, these examples illustrate that even large and well-established companies can encounter difficulties when expanding into specific international markets, requiring adjustments to their business models and strategies for success.

In contrast, small companies often encounter greater challenges during internationalization, such as resource limitations, limited experience, and the necessity to establish relationships from the ground up. However, small companies can leverage their agility and ability to swiftly adapt to evolving market conditions.

Overall, the internationalization of small and large companies is an important area of research that can help companies understand the opportunities and challenges of expanding their operations beyond their home country. By understanding the differences between small and large companies and developing effective strategies for international expansion, companies can increase their chances of success and achieve long-term growth and profitability in today's global marketplace.



## **4 EMPIRICAL PART: DATA COLLECTION AND ANALYSIS OF SPECIFIC COMPANIES INTERNATIONALIZATION STRATEGIES**

In this empirical section I will outline the different potential approaches to obtain the information needed to answer the initial question. This section will also define the methodology of the study and how the survey and interview questions will be presented. Finally, it will describe the way in which they will be distributed.

### **4.1. Secondary Data**

According to the class that I had in research method at ISCTE, the secondary data is the Information collected in published data. This data may be collected in studies and reports from governmental entities, public institutes, trade and industrial associations. This will allow to complete the theoretical part on the subject as I did in the first section of this literature review.

Secondary data is defined as data that has been previously collected and recorded by other sources. It refers to the information that was gathered for a purpose other than the current research project, and can include government statistics, census data, reports, publications, and data from other research studies. The researcher is not responsible for collecting the data and does not have control over how it was collected or the context in which it was collected. Secondary data can be accessed through various sources such as libraries, online databases, and archives. Advantages of using secondary data include the ability to access a larger sample size and obtain data that may be difficult or impossible to collect through primary data. However, disadvantages include potential inaccuracies or bias in the data, lack of control over how the data was collected, and the possibility that the data may be outdated (Creswell, 2014).

#### **4.1.1 Methodology**

To support my thesis and research on this topic, I utilized numerous academic references available in my school's digital library in France. I am confident in their reliability since I have previously used them during my internship and other study assignments. These are official documents that predominantly present factual information without bias, thus remaining neutral. Additionally, I conducted searches in both the digital and non-digital libraries of TAMK in Finland, my former university, and ISCTE in Portugal. This has enhanced the novelty of the sources.

The use of online resources like scientific journal platforms, such as Open Edition, Revue Espaces, Le Nouvel économiste, and Erudit, has also proven beneficial. These platforms grant access to a diverse array of scholarly articles and research studies, which can offer valuable insights into the subject. Google Scholar can also serve as a useful tool for locating articles related to the research topic.

In conclusion, the utilization of these sources offers a comprehensive and well-rounded perspective on the research topic. This approach facilitates the drawing of conclusions founded on a broad spectrum of reliable and credible sources.

#### **4.1.2 Format of the References**

Scientific texts are a vital component of academic research and are primarily produced by researcher-professors at universities and colleges. These experts write articles and papers based on current events and research, using reliable sources to support their claims. As Eric Duchemin stated, "Science exists because scientists are writers and lecturers" (2005). Through their writing and teaching, scientists are able to disseminate their findings and contribute to the advancement of knowledge in their field.

To ensure that the research is credible and trustworthy, all academic references, texts, websites, and other articles used in the thesis are accurately described and referenced in the bibliography, as well as within the body of the text according to APA standards. This ensures that readers can locate the original sources of information and evaluate the credibility of the research.

By adhering to APA standards, the research follows a consistent and accepted format for citing and referencing sources. This helps to avoid issues such as plagiarism, provides readers with a clear understanding of the sources used, and allows others to easily replicate the research. Overall, this contributes to the quality and reliability of the research and provides a strong foundation for future academic work in the field, as demonstrated in the literature review section of this thesis.

## **4.2. Primary Data**

Primary data is the information directly collected by the researcher with the purpose of addressing a particular research problem, in order to better answer to the objectives of the study. This data may be collected using surveys, questionnaires, interviews or observation.

According to the book of Kumar, R. (2019); primary data is the original data that is collected directly from the source by the researcher. It is first-hand information that is collected specifically for the research project at hand. Examples of primary data include surveys, interviews, focus groups, observations, and experiments. The researcher is responsible for designing, collecting, and analyzing primary data. This type of data is considered to be the most reliable, as it is collected directly from the source and has not been previously published or reported. Some advantages of primary data include the ability to tailor the data collection process to the specific research question, the ability to collect data from a specific population, and the ability to control the data collection process.

### **4.2.1 Methodology**

While academic references and sources are essential in conducting research, it's also important to obtain opinions and insights from people with direct experience in the field. In this study, the goal is to interview both a small company that intends to internationalize and a company that has already accomplished internationalization to gain firsthand knowledge of the methods and steps involved in achieving success. This approach will provide a well-rounded understanding of the topic and offer valuable insights that may not be available through academic sources alone.

By interviewing a company that is currently in the process of internationalizing, the research can identify the methods and strategies that the company intends to use to ensure success. These interviews can provide valuable information on the challenges the company faces, the resources they have at their disposal, and how they plan to navigate the complexities of international markets.

On the other hand, interviewing a company that has already achieved internationalization can provide valuable insights into the steps they took to ensure their success. This interview can offer an understanding of the potential pitfalls and challenges that the company faced, as well as the strategies they employed to overcome these obstacles.



By combining the information gathered from both interviews, the research can offer valuable insights that will be useful to any company seeking to internationalize. The results will provide practical and actionable advice on the methods and strategies that are most likely to lead to success, as well as the challenges and risks that must be overcome along the way.

Overall, the approach of combining academic sources with firsthand interviews is a powerful tool in conducting research and can provide a deeper understanding of complex topics. The results of this study will offer valuable insights for any company seeking to internationalize and will contribute to the overall body of knowledge in the field.

#### **4.2.2 Survey for a Small Company (HUME Paris)**

As previously said, I will start by questioning the small sized company wishing to go international.

I have created a questionnaire in order to allow the company to respond on the topic given. This questionnaire will help to identify and know the common priorities, in particular by distinguishing the countries to be targeted and the obstacles to be confronted. It will consist of a series of open questions to which respondents are invited to answer in a given order or not.

The advantages of a questionnaire are clear, it is low cost, and respondents have time to think before answering, as a result, the questionnaire can contain more detailed questions. The participant should not take more than 10 minutes to answer, in order to increase the chances of reaching a wider audience. Many people do not have time to complete surveys during working hours, so this survey could be completed during a coffee or lunch break.

I had the opportunity to interview a startup of former students of my business school in Bordeaux. HUME Paris is a young French company that produces high-quality leather goods, specifically recycled leather cardholders. The company is committed to sustainability and has developed a unique process to recycle leather scraps that would otherwise be discarded. These scraps are collected from various sources, including luxury leather goods manufacturers and tanneries, and are transformed into a new material that can be used to produce stylish and durable cardholders.

HUME Paris was founded by two friends, Hugo BETTAREL and his friend Mehdi CHEMSI, in early 2021, from the Kedge Business School in Bordeaux who shared a passion for design and sustainable fashion. They recognized the need for more sustainable options in the fashion industry and decided to create a brand that combined quality, style, and sustainability. The company is based in Ambazac, a small town in central France, where the production process takes place.

HUME Paris takes pride in its commitment to ethical and sustainable practices. The company uses a transparent and traceable supply chain and works closely with its suppliers to ensure fair labor practices and responsible sourcing. The company's recycled leather material is not only environmentally friendly, but it also has a unique texture and character that sets it apart from traditional leather products.

In addition to its commitment to sustainability, HUME Paris places a strong emphasis on design and functionality. The company's cardholders are sleek and minimalist in design, making them both stylish and practical. They are also designed to be durable and long-lasting, ensuring that customers can enjoy their products for years to come. Overall, HUME Paris is a promising young company that is making a name for itself in the sustainable fashion industry. Their new objective was to launch the project in Brazil in order to test the market, explore the possibilities of working with leather responsibly in another country and, above all, to continue learning.

The fashion industry has been a pioneer in globalization and international trade, with fashion brands and retailers seeking to expand their reach and tap into new markets around the world.

There are several reasons why fashion brands have internationalized. One key driver is the potential for increased sales and profits by expanding into new markets. By reaching a global audience, fashion brands can tap into new customer segments and gain access to new sources of revenue. Additionally, the fashion industry has been characterized by intense competition and rapid changes in consumer preferences, which has encouraged fashion brands to seek out new markets and adapt to changing trends.

In order to successfully internationalize, fashion brands must navigate a range of challenges, including cultural differences, regulatory requirements, and logistical challenges. For example, cultural differences can impact consumer preferences and demand for certain types of clothing or styles, while regulatory requirements can impact the ability of fashion brands to sell their products in certain markets.

Here are the questions that were asked, and you will find the raw answers to this questionnaire in Appendix A.

1. What are the main reasons behind your company's desire to internationalize?
2. Which primary markets is your company considering for international expansion?
3. How does your company currently assess the potential of different international markets?
4. How does your company tailor its products/services to suit diverse international markets?
5. What are the key challenges your company is facing or anticipates facing during the internationalization process?
6. How does your company manage cultural differences while expanding into new markets?
7. How does your company adapt to varying business practices and regulations across different countries?
8. What resources (financial, human, etc.) does your company currently possess to support its internationalization efforts?
9. How does your company handle its supply chain and logistics?
10. What kind of guidance and support is your company seeking in the context of the internationalization process?

#### **4.2.3 Survey for a Large Company (Credit Agricole)**

The second main objective of this approach is to understand the steps taken by a company that has succeeded in becoming international.

Certainly, questioning a large company that has succeeded in becoming international can provide valuable insights and knowledge in several ways. Firstly, it can offer a deeper understanding of the specific strategies and tactics that the company used to achieve success on an international level, which can be applied to one's own company's efforts to expand internationally. By analyzing the successful company's approach, the research can identify key factors such as market research, cultural adaptation, marketing and communication strategies, and supply chain management.

Secondly, questioning the successful international company can help identify best practices for managing the challenges that come with internationalization. Expanding into new markets and cultures can present numerous obstacles, including legal and regulatory issues, language and cultural barriers, and logistical complexities. By learning from the experiences of a successful international company, the research can gain valuable insights into how to navigate these challenges and develop effective solutions.

Lastly, questioning a successful international company can provide valuable industry knowledge about trends, challenges, and opportunities in the industry as a whole. By gaining a broader understanding of the industry landscape, the research can develop a more informed and effective strategy for company's growth and expansion. Overall, interviewing a successful international company can provide valuable insights and knowledge that can be applied to one's own company's efforts to expand internationally.

I was able to do my end of study internship in the Credit Agricole company in Paris as a real estate project manager and I have been reconducted in a fixed term contract until May 2024 in the same position. I had the opportunity to interview one of the group's real estate project managers who was working on a new Credit Agricole CIB office development in Taipei, Taiwan.

In order to put in context, Crédit Agricole CIB is a globally recognized investment bank that caters to the financial needs of corporate and institutional clients worldwide. The bank is a subsidiary of the Crédit Agricole Group, one of Europe's largest banking groups. Crédit Agricole CIB offers a diverse range of financial services, including investment banking, capital markets, global markets, and structured finance, with a strong focus on key sectors such as real estate, infrastructure, and energy. The bank is renowned for its expertise in these sectors and is dedicated to providing tailored solutions that meet the unique needs of its clients. By embracing innovation, technology, and sustainability, Crédit Agricole CIB strives to offer its clients innovative and efficient solutions to help them achieve their business goals. Crédit Agricole Corporate and Investment Bank is present in over 35 countries worldwide.

The banking field is an interesting topic, the internationalization of the banking sector has been extensively discussed in academic literature, with various authors examining the drivers, benefits, and challenges of this process. According to a study by Claessens and van Horen (2014); the internationalization of the banking sector has been driven by globalization, technological advancements, and deregulation. The authors argue that the liberalization of financial markets and changes in regulatory frameworks have enabled banks to expand their operations across national borders and enter new markets.

Similarly, other scholars have noted that the internationalization of the banking sector has allowed banks to access new sources of revenue, gain a competitive edge by offering tailored services, and better serve the needs of customers in different regions. For instance, a study by Lleo and Ziemba (2019); found that internationalization has helped banks to diversify their revenue streams, reduce their dependence on domestic markets, and increase their profitability.

However, the internationalization of the banking sector also presents challenges, such as the need to comply with different regulatory requirements and manage cross-border risks. According to a study by Bhanot, Lucey, and Neumann (2020); banks face various risks when operating in foreign markets, including credit risk, operational risk, and market risk. The authors argue that these risks can be managed through effective risk management practices and a strong corporate governance framework.

Overall, the internationalization of the banking sector has had a significant impact on the industry, allowing banks to expand their operations globally and better serve the needs of customers around the world. However, the benefits and challenges of this process vary depending on a range of factors, such as the size and scope of the bank's operations, the regulatory environment, and the competitive landscape.

Here is the questionnaire provided to Mr. Angel Joel PIESEN for the establishment of a new office in Taipei for CACIB; you will find the raw answers in Appendix C.

1. Could you please share with us about the company and how you managed to successfully establish a new branch of Crédit Agricole internationally?
2. In your view, how has the company's organizational culture contributed to its success in the realm of internationalization?
3. Drawing from your experience, what were the main challenges and risks that the company encountered during this internationalization process, and which it continues to face at present?
4. How does the company manage cultural differences when expanding into new markets?
5. How does the company adapt to the diverse business practices and regulations in force across different countries?
6. Could you provide a few examples of successful internationalization initiatives undertaken by the company?
7. What, in your opinion, is the pivotal factor for achieving successful international expansion?
8. How does the company gauge the success of its internationalization endeavors?
9. What advice and points of consideration would you offer to other companies aspiring to embark on the path of internationalization?



## **5 RESULTS**

### **5.1. Data Analysis**

Open-ended questionnaires offer several advantages over closed-ended questionnaires. One of the primary advantages is the in-depth responses that they elicit from respondents. By allowing respondents to provide more detailed and nuanced answers, open-ended questions can help researchers gain a deeper understanding of the topic being studied.

Another advantage of open-ended questionnaires is their flexibility. Because they allow respondents to express themselves in their own words, researchers can gain unexpected insights that they may not have discovered otherwise. In addition, open-ended questions can help identify themes and issues that may not have been anticipated by the researcher, leading to new avenues for exploration and insights.

In conclusion, open-ended questionnaires can provide rich, detailed, and unexpected insights that can be used to inform future research and decision-making. They are particularly useful in exploratory research, where the goal is to gain a general understanding of a topic and identify new areas for future research. Overall, the flexibility and richness of open-ended questionnaires make them a valuable tool for researchers seeking to gain a deeper understanding of complex topics.

The analysis of qualitative data from a questionnaire may seem like a complex task, but it can provide very interesting results. The first thing is to read and categorize the responses. This step involves identifying common themes, issues, or patterns that emerge from the responses. The goal of qualitative analysis is to bring out the homogeneity or diversity of viewpoints in order to identify trends.

After analyzing the data, it is time to interpret the results. This step involves identifying the main conclusions and explaining them by answering the questions of why and how. The presentation of the results should include a summary of the results, and an interpretation of the conclusions.

In conclusion, the analysis of qualitative data from a questionnaire is a crucial step in the research process. It allows for an understanding of the respondents' viewpoints, identifying trends, and formulating recommendations for future research.



## 5.2. Findings on the Reasons why Some Companies Internationalize Better and Faster than Others

### 5.2.1 HUME Paris

To summarize, in 2021, HUME Paris launched with a successful crowdfunding campaign, surpassing their target by 228%. Initially a side business, the founders, Mehdi and Hugo, managed operations while pursuing separate careers in banking and LVMH group respectively. The decision to explore the Brazilian market emerged from the desire for market testing, responsible leatherworking exploration, and continuous learning. While mainly operating in France (90%), they are expanding the product lines there and view Brazil as a test market in South America. With a population of 214 million and technological opportunities, Brazil holds allure. Cultural adaptation is crucial, given the challenge of Brazilian luxury market dynamics. They rely on a local agency for regulatory guidance. Their supply chain, involving an NGO empowering woman, reflects their social responsibility commitment. Seeking administrative and financial support for efficient international expansion, they aim to streamline processes, including scholarships and tax incentives.

The success factors of HUME Paris' internationalization are diverse and are clearly evident from the interview:

1. **Successful Crowdfunding Strategy:** Their crowdfunding campaign was a major success, exceeding expectations by raising over 228% of their target. This initial capital injection provided a strong foundation for launching their business.
2. **Willingness to Learn and Innovate:** The founders displayed openness to novelty by engaging in new markets, such as Brazil, to test their products and learn more. This demonstrates their desire to adapt and innovate.
3. **Cultural and Local Adaptation:** HUME Paris demonstrated an understanding of the cultural and business specifics of the Brazilian market. They adapted their slogan to align with local cultural sensitivity and initiated local production to address environmental and social needs.
4. **Responsible Human Resources:** By collaborating with an NGO for their product production, HUME Paris linked its growth to a social cause, establishing an ethical supply chain while connecting with the local community.

5. **Careful Market Potential Assessment:** The founders exhibited a keen understanding of the opportunities presented by the Brazilian market, highlighting population size, growing middle class, and identified technological gaps as opportunities for their expansion.
6. **Collaboration with Local Experts:** Recognizing administrative and regulatory challenges in foreign establishment, HUME Paris opted to work with a Brazilian agency to navigate Brazil's commercial and regulatory landscape, showcasing their willingness to seek advice and expertise.
7. **Proactive Cultural Difference Management:** The company acknowledged cultural challenges, notably Brazil's relationship with luxury, and aims to navigate these challenges by adapting their strategy and offerings to meet local needs and preferences.
8. **Targeted Initial Investment:** Despite a relatively modest initial budget, HUME Paris invested in strategic areas like production, marketing, and administrative expenses to establish their presence in Brazil and support growth.
9. **Sense of Environmental and Social Responsibility:** Their collaboration with a local NGO for production not only aligns their business with social values but also contributes to a positive and responsible image among consumers.

By combining these factors, HUME Paris successfully leveraged its success in France to explore new markets, adapting strategies to local needs, showing openness to cultural differences, and seeking advice and expertise to overcome obstacles. This has led to a successful international expansion and a favorable position to seize future opportunities.

### 5.2.2 CACIB

Regarding CACIB, this interview explores the successful internationalization journey of Crédit Agricole Corporate and Investment Bank (CACIB) with Mr. Angel Joel PIESEN, focusing on the project in Taipei, Taiwan. The project involved seismic upgrades, alignment with the business district's growth, and the implementation of a flexible office space. CACIB's diverse organizational culture, cultivated through operations in 35 countries, played a vital role in their international success. Challenges included establishing a strong employer brand abroad, which required extra effort to match the recognition enjoyed in France. They manage cultural differences through a

balanced approach of local recruitment and French leadership, ensuring both cohesion and adaptation. Local regulations are navigated with the help of experts to ensure compliance. Initiatives in Silicon Valley resulted in substantial revenue growth and demonstrated successful international strategies. An open mindset, adaptability, and flexibility are deemed essential for international triumph. The new Taipei office's design awards and financial gains underscore its contribution to successful internationalization. Thorough market analysis, unique value propositions, and evidence-backed approaches are vital for aspiring international endeavors. Overall, CACIB's journey emphasizes the significance of organizational culture, adaptation, and market analysis in successful global expansion.

The success factors of CACIB in their internationalization include:

1. **Cosmopolitan Organizational Culture:** CACIB's global culture, rooted in its presence across more than 35 countries, has fostered an open and adaptive outlook towards cultural and professional diversities, creating an environment conducive to internationalization.
2. **Local Recruitment Strategy:** The recruitment of local talents, coupled with French leadership, has maintained a balance between group integration and leveraging local knowledge and skills, thereby promoting relevant adaptation to each market.
3. **Rigorous Market Analysis:** CACIB's approach centered on meticulous analysis of the target market has enabled a better understanding of local nuances, identification of opportunities, and development of solutions tailored to specific market needs.
4. **Investment in Attractiveness:** With a commitment to enhance their international brand image, CACIB has invested in strategies to make the company appealing to local talents, thus attracting diverse and skilled professionals, for instance with the MUSE design awards.
5. **Regulatory and Commercial Adaptation:** Collaboration with local experts has enabled CACIB to navigate complex regulations and business practices in each country effectively, ensuring compliance while fostering fruitful business relationships.

6. **Implementation of Innovative Strategies:** Opening new offices, such as in Silicon Valley, with innovative approaches to target specific markets, has led to notable successes and significant business outcomes, that served as an example.
7. **Flexibility and Open-mindedness:** The ability to quickly adapt to local realities, embrace new ideas, and adjust strategies accordingly has played a key role in their ability to succeed in culturally diverse environments.
8. **Use of Local Partners:** Collaborating with local agencies and experts has provided CACIB with valuable insights and advice to navigate unfamiliar and often complex markets.

In summary, CACIB's success in internationalization is the result of a combination of factors such as a flexible organizational culture, an adapted recruitment strategy, thorough market analysis, adherence to local norms, and an innovative approach to addressing international markets.

### **5.2.3 The Notable Difference Between the two Questionnaire Responses**

The HUME questionnaire sheds light on the agile and innovative strategies adopted by a young leather product-focused company. HUME chose to test the Brazilian market to comprehend the opportunities and challenges specific to the country, all while committing to sustainable practices. HUME's flexible approach allows them to quickly respond to local trends and demands, while promoting responsible production. This characteristic underscores the importance of adaptability and innovation to succeed in new markets, especially for emerging businesses.

On the other hand, the CACIB's answers highlights the structured processes and compliance efforts of a major financial institution in the midst of international expansion. CACIB emphasized the consistency of its employer brand globally, while recruiting locally to ensure a deep understanding of specific markets. CACIB's strategy reflects the significance of managing local regulations, cultural differences, and preserving the company's reputation within international expansion.

These differences underscore key features for successful internationalization. For young companies like HUME, it's critical to adopt a flexible approach, seek innovation and continuous learning opportunities, while considering environmental and social concerns. Conversely, established corporations like CACIB must pay special attention

to regulatory compliance, preserving the company's reputation, and adapting to local business and cultural practices.

In summary, whether for emerging businesses or large institutions, meticulous market analysis, strategic flexibility, a thorough understanding of local specifics, and seeking financial and administrative support remain pivotal elements for successful internationalization. Each company must tailor its strategy based on its industry, size, and the unique characteristics of each target market.

## **6 LIMITATIONS OF THE STUDY**

When conducting a thesis like this on the factors that facilitate the internationalization of businesses, several limitations must be taken into account. Firstly, gaining access to relevant data poses a significant challenge, especially for empirical studies, as companies may be reluctant to share sensitive information, thereby limiting the quantity and quality of available data. Additionally, the results derived from case studies and empirical research are often specific to the examined companies, complicating their generalizability to the entire sector, as each company has its unique characteristics.

The complexity of factors influencing internationalization, coupled with the constantly evolving international business environment, can also present challenges in research. It may be difficult to account for all relevant factors, potentially leading to an oversimplification of reality.

Despite these limitations, a thesis on this subject can make a significant contribution to the understanding of the internationalization process of businesses. By acknowledging these limitations and working to mitigate them, we can enhance the validity and reliability of the study, thereby providing valuable recommendations for companies seeking successful internationalization.

To gain a better understanding of the factors that enable some companies to internationalize more effectively and efficiently than others, future research may consider replicating the current study with a diversified sample to increase the generalizability of results. Furthermore, the study of other variables that may influence the effectiveness and efficiency of internationalization, such as company size, ownership structure, and cultural factors, could advance our understanding of the internationalization process.



## **7 CONCLUSION**

### **7.1. Reminder of the Research Objectives**

In this thesis, my primary objectives have been to investigate and analyze the complex process of internationalization within the corporate landscape. Utilizing academic reference articles, in-depth case studies, and empirical research, I have aimed to explore the details that companies need to think about to make sure their international expansion is successful and suitable, by answering the following question: "What factors enable some companies to internationalize more effectively and efficiently than others, and how can these insights be used to improve the internationalization process for other companies?"

In fact, the overarching goal of this research has been to comprehend how internationalization impacts businesses. This endeavor has entailed a comprehensive exploration of various facets, including understanding the motivations driving companies to expand into foreign markets, elucidating the strategies they employ, and grasping the numerous challenges and opportunities they encounter along the way.

Throughout this thesis, I have tried to develop theoretical models that provide a structured understanding of the factors and mechanisms propelling internationalization and determining its outcomes. My aim has been to enrich the existing knowledge base with valuable insights and offer practical recommendations to guide practitioners in the effective management and promotion of successful internationalization initiatives.

To accomplish these complex objectives, the thesis has been divided into distinct chapters. The introductory chapter served as a comprehensive overview of the current state of the literature on internationalization, shedding light on its definitions and fundamental concepts. The subsequent chapter delved into the intricate steps that companies must carefully consider when embarking on internationalization journeys, complemented by illuminating case studies and analyses of specific companies. The empirical dimension, encompassing data collection and rigorous analysis, took a central role in the third chapter. The fourth chapter elucidated the culmination of this research with the presentation of results, offering a set of pragmatic recommendations tailored to practitioners, providing guidance on navigating and fostering successful internationalization initiatives.

The findings from this study have the potential to provide valuable insights to businesses with aspirations of international expansion.



## **7.2. Summary of the Main Findings of the Research**

To summarize, in the literary sense, we speak of internationalization when a company expands its presence and activities in the various international markets. In fact, the internationalization of a company is the principle of designing a product or service in such a way that it can be easily exploited or consumed in one or more countries. This process is used by companies seeking to expand their international presence beyond their home market. It is also important to understand that consumers abroad may have different habits and tastes. Internationalization requires that products can be modified to meet the technical and cultural needs of a particular country.

Moreover, internationalization is a multifaceted process that extends beyond market entry. It encompasses product adaptation, stakeholder relationships, and the establishment of support systems for global business operations. The complexity of internationalization is evident in the diverse definitions, underscoring the importance of a well-developed strategy and a comprehensive approach.

Companies should recognize that internationalization can take various forms. For instance, exporting, the least risky option, involves producing goods in the home country and selling them abroad. This approach allows companies to tap into foreign markets without significant risks. On the other hand, foreign subsidiaries represent a higher level of commitment and risk. It involves creating production or commercial entities controlled by the headquarters, with the subsidiary adopting the nationality of the host country. Internationalization requires a strategic mindset, and understanding its different facets and options is essential for businesses looking to expand globally. It involves seizing opportunities while managing associated challenges, ultimately contributing to a company's growth and success on the global stage.

The internationalization process offers numerous advantages, including gaining access to new markets, capitalizing on globalization to reduce labor costs, leveraging available natural resources at lower expenses, improving brand recognition, and accessing new talent. However, it should be remembered that this process involves risks that can be dangerous, especially for small and medium-sized enterprises, Whether it's economic, political, cultural, operational, etc. The stages of internationalization must be respected, and a detailed analysis of the country and the target market must be carried out.

In fact, internationalization is a complex process that requires a combination of strategic planning, market research, and cultural understanding. Companies that are able to navigate this process successfully are able to expand their operations, increase their revenue, and tap into new markets and customer bases. However, not all companies are able to internationalize successfully, and the reasons behind this can vary widely. In order to understand why some companies are able to internationalize better and faster than others, it is important to examine the various factors that contribute to successful internationalization.

As we have seen in the thesis, one of the key factors in successful internationalization is market research. Companies that conduct thorough market research are able to identify potential opportunities and challenges in foreign markets. This includes understanding the target market's culture, customs, and regulations, as well as identifying potential competitors and partners. Companies that are able to gather and analyze this information are able to develop effective strategies for entering and competing in foreign markets.

Another important factor in successful internationalization is cultural understanding. Companies that are able to understand and adapt to the cultural norms of the target market are more likely to be successful. This includes understanding the way business is conducted, the way customers make purchasing decisions, and the way products and services are marketed. Companies that are able to adapt their operations and marketing strategies to the cultural norms of the target market are more likely to be successful in that market.

Strategic partnerships are also an important factor in successful internationalization. Companies that are able to form strategic partnerships with other companies or organizations in the target market are able to gain valuable insight into the market and are able to tap into the resources and expertise of their partners. This can include partnerships with local suppliers, distributors, and retailers, as well as partnerships with other companies that are already established in the target market.

Flexible organizational structure also plays a role in successful internationalization. Companies that are able to adapt their organizational structure to the needs of the target market are more likely to be successful. This includes being able to respond quickly to changes in the market and having the ability to make decisions quickly. Companies that are able to adapt their organizational structure are also more likely to be able to take advantage of new opportunities as they arise.

In order to avoid any inconvenience, the strategy should be adapted to the size of the company. In fact, to succeed in internationalization, it is crucial to adopt an adaptable and innovative approach while considering local specificities. Young companies, like HUME, a leather product-oriented company, exemplifies the significance of flexibility and ingenuity when navigating global markets. Their adaptable method, particularly in the realm of sustainability, underscores the importance of being responsive and innovative for emerging businesses expanding into new markets.

In contrast, CACIB, a major financial institution, underscores the necessity of structured procedures and adherence to regulations in the process of internationalization. Their emphasis on global employer branding and localized recruitment strategies highlights the complexities involved in managing local regulations, cultural disparities, and safeguarding a company's reputation during global expansion.

These distinctions highlight the essential characteristics of successful internationalization. Emerging enterprises like HUME should prioritize flexibility, innovation, and continuous learning, all while addressing environmental and societal considerations. Conversely, established corporations like CACIB must concentrate on regulatory compliance, reputation preservation, and adaptation to local business and cultural norms.

In conclusion, each company will need to customize its strategy based on its industry, scale, and the distinctive features of each target market. The ability of companies to internationalize successfully is determined by many factors, including market research, cultural understanding, strategic partnerships, and flexible organizational structure. Those companies that are able to navigate these factors successfully are able to internationalize better and faster than others. By understanding the reasons behind successful internationalization, companies can develop effective strategies for expanding their operations across borders and tapping into new markets and customers.

### **7.3. Encouragement and Suggestions for Future Research on the Topic**

Studying the factors that facilitate successful internationalization of businesses is crucial in our time, where markets are increasingly interconnected and competitive. By encouraging further research in this field, we can deepen our understanding of the complex dynamics underlying the internationalization process. Here are some avenues for future research on the subject. The impact of digitalization on internationalization has been widely recognized in recent literature (Doherty, 2020; Hitt & Ireland, 2017). The emergence of digital technologies has transformed the way companies conduct business, enabling them to reach new markets and customers more quickly and efficiently (Ghemawat & Altman, 2017). The aim of this research paper is to contribute to the existing body of knowledge by studying the impact of digitalization on the internationalization process and how companies can leverage digital technologies to internationalize better and faster.

Furthermore, the role of human resources in the internationalization process has been studied extensively in the literature. Companies must attract and retain top talent to ensure their success in foreign markets. The study of the role of human resources in internationalization can provide valuable insights into how companies can effectively manage their international workforce.

Moreover, environmental factors such as political, economic, and cultural factors have a significant impact on internationalization. Companies must understand these factors and adapt to them to be successful in foreign markets. The study of the impact of environmental factors on internationalization can provide valuable insights into how companies can mitigate the risks associated with international expansion.

Finally, the COVID-19 pandemic has had a significant impact on internationalization, with many companies turning to digital technologies to maintain their operations and adapt to the new reality (Baumgartner et al., 2020; Hilmola & Virtanen, 2021). The study of the impact of COVID-19 on internationalization can provide insights into how companies are adapting to the new international business environment and what the trends for the future are.

#### **7.4. General Conclusion**

In general conclusion of this thesis about "Exploring the Factors that Enable Some Companies to Internationalize More Effectively and Efficiently than Others," this marks the end of a stimulating intellectual journey through the intricate mechanisms of business internationalization. This research has allowed an in-depth exploration of the pivotal factors that shape the success of companies as they venture onto the international stage.

Throughout the pages of this thesis, we have examined the motivations, strategies, challenges, and opportunities that mark the path of internationalization. Insights have been drawn from theoretical models to illuminate the underlying mechanisms of this intricate process. However, beyond concepts and theories, this thesis imparts valuable lessons for practitioners in the business world who seek to expand their operations beyond national borders.

As this phase of the quest for understanding concludes, it is essential to emphasize that research and exploration in the field of internationalization are never-ending. Markets evolve, businesses adapt, and new questions continually emerge. This thesis is therefore one chapter among many others in the ever-evolving book of knowledge on the internationalization of companies.

Profound gratitude is extended to all those who have contributed to this academic work, including professors, supervisors, colleagues, and the study participants who opened their doors to this research.

Ultimately, this thesis serves as a call to continuous exploration, unceasing discovery, and innovation in the realm of business internationalization.

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## 9 APPENDIX

### 9.1. Appendix A: Raw Responses to the HUME Company's Questionnaire

Thank you for taking the time to participate in this interview. The purpose of this interview is to understand your company's goals and plans for internationalization. Your insights will help us to provide you with the best possible advice and support in the internationalization process.

1. What are the main reasons for which your company aims to internationalize?

Mehdi and I launched HUME Paris in late 2021 through a crowdfunding campaign, which surpassed our expectations by collecting over 228%. Following this success, we continued to expand HUME in France and were proud of the results. HUME Paris initially began as a side business, with Mehdi holding a banking job in Paris while I traveled to Brazil to further my development within the LVMH group. Still in collaboration with Mehdi, we aimed to launch the project in Brazil as a means to test the market, explore possibilities of responsibly working with leather in another country, and most importantly, to continue learning.

2. What are the main markets that your company is considering for international expansion?

Currently, HUME Paris operates 90% within France, with plans to develop multiple products and new collections there. On an international scale, Brazil remains a "test" market to observe how our brand progresses in the South American continent. At this point, we have no immediate plans to enter other markets until our brand strengthens further in France.

3. How is your company currently assessing the potential of different international markets?

International markets present abundant opportunities. While the French market is saturated with high-quality brands, I view international markets, particularly Brazil, as spaces of opportunity. Brazil, with its large population (214 million inhabitants) and a

growing number of people in the AA & AAA classes (despite increasing wealth disparity), has potential. Moreover, Brazil's "5-year lag" in certain sectors presents opportunities. For instance, while the banking sector in Brazil is comparable, if not better, than France's (with technologies like PIX), there are sectors, such as healthcare, where technological solutions could be transformative.

4. How does your company adapt its products/services to different international markets?

At HUME Paris, our Brazilian slogan is different: "design parisiense, fabricação brasileira" (Parisian design, Brazilian production). While the product itself remains largely similar, we have initiated local production for environmental and social reasons.

5. What are the main challenges your company faces or anticipates during its internationalization?

The significant challenge in establishing a foreign business, particularly for foreigners and young entrepreneurs with tight budgets, is administrative hurdles. Laws, taxation, local business setup, and opening a business bank account differ. If my French bank for HUME Paris offered an international development program encompassing fiscal, banking, and administrative organization, I would be willing to pay for the time saved.

6. How does your company manage cultural differences during its expansion into new markets?

The most significant cultural challenge for HUME Paris in Brazil relates to Brazilians' perspective on luxury. Brazilians with means will buy expensive items (with import taxes) from LV or Gucci due to the brands' recognition and status. However, less affluent Brazilians tend to purchase local products, avoiding overly expensive items or unfamiliar foreign brands. This poses a challenge for us.

7. How does your company adapt to different business practices and regulations in various countries?

In Brazil, we collaborate with an agency that advises us on sound business practices and helps us navigate the complex and evolving regulations specific to the Brazilian market.

8. What resources (financial, human, etc.) does your company currently possess to support its internationalization efforts?

We invested approximately 4,000 euros for our initial launch and test deployment in Brazil (1,500 for production, 1,500 for marketing, and 1,000 for administrative and other costs) – which is relatively small, especially for marketing a brand in such a large country.

9. How does your company manage its supply chain and logistics?

We partner with an NGO that aids women in the favelas to reintegrate into the workforce. We purchase all the components of our cardholders, they handcraft the products, and we send them via mail.

10. What kind of advice and support is your company seeking as part of the internationalization process?

We seek administrative and financial support to not miss out on opportunities for business launches in Brazil (scholarships, taxes, duties, assistance, etc.).

Thank you again for taking the time to participate in this interview. Your insights have been invaluable in helping us understand your company's plans and goals for internationalization. We look forward to working with you and providing the support you need to achieve your internationalization goals.



## 9.2. Appendix B: Picture of HUME Paris



*Hugo BETTAREL and his friend Mehdi CHEMSI, founder of HUME PARIS*

### **9.3. Appendix C: Raw Responses to the CACIB Company's Questionnaire**

Thank you for taking the time to participate in this interview. The purpose of this interview is to understand the factors that enabled the company to internationalize more effectively and efficiently than others. Your insights will be valuable in helping other companies improve their internationalization efforts.

1. Can you tell us about the company and how you successfully developed a new branch of Crédit Agricole internationally? (Taipei Project Story)

The project had a threefold objective: firstly, we needed to relocate to a building that met CACIB's latest seismic certification standards; secondly, we aimed to be a part of the new business district being developed in Taipei; and finally, this move allowed us to implement flexible office arrangements in new, suitable premises.

2. In your opinion, how has the company's organizational culture contributed to its success in internationalization?

CACIB is the investment banking subsidiary of the Group and is present in over 35 countries internationally, attracting talent from various nationalities.

3. Based on your experience, what have been the main challenges and risks that the company has faced during this internationalization process, and which it continues to face today?

The main challenge is that Crédit Agricole is a massive enterprise in France, but we don't enjoy the same employer brand recognition internationally. Consequently, we need to exert more effort than some of our competitors to achieve similar outcomes.

4. How does the company manage cultural differences when expanding into new markets?

In general, we recruit a lot of local talent while maintaining a French top management. This ensures consistency within the Group while adapting to local specificities and expertise.

5. How does the company adapt to different business practices and regulations in your country of establishment?

Given the highly regulated nature of banking activities, we always engage local experts (consulting firms, legal experts, compliance professionals).

6. Overall, could you provide some examples of successful internationalization initiatives implemented by the company?

We opened new offices in Silicon Valley to attract new customer profiles with a technology focus. This has been a significant success as revenue increased considerably, and we are continuing to expand our business in Santa Clara.

7. In your opinion, what is the key factor for successful international development?

Clearly, one must take local specificities into account. The best approach for this is to have no preconceptions, work closely with local teams, and maintain an open-minded approach.

8. How does the company measure the success of its internationalization efforts? (1 year after moving to Taipei)

Our new offices earned us MUSE design awards and have boosted CACIB's attractiveness for recruiting new talent. Additionally, we have continued to achieve record profits in Taiwan since the move.

9. What advice and points of consideration would you give to other companies looking to internationalize?

In-depth analysis of the target market is a pivotal process, albeit time-consuming and costly. Hence, it's crucial to be sure that you offer added value compared to local players and ensure you can defend it (efficiency, cost levels, entry barriers for new products/technologies, etc.).

Thank you again for taking the time to participate in this interview. Your insights have been invaluable in helping us understand the factors that enable companies to internationalize more effectively and efficiently. We appreciate your willingness to share your knowledge and experiences with others.

#### 9.4. Appendix D: Pictures of the Development of the CACIB Offices in Taipei, Taiwan.







*Pictures of the new CACIB Taipei office in Taiwan*