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The internationalization of SMEs in declining industries - cases from the watch industry

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______________________  _________________________
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Abstract
It is possible for firms to survive within declining industries. However, growth through internationalization within this stage of an industry’s life-cycle has not been sufficiently explored in the past. As SMEs supposedly face many barriers during this process, the purpose of this thesis is to research the internationalization of SMEs within declining industries, with a focus on finding what is the biggest challenge to their internationalization. A multiple-case study and semi-structured interviews were used to explore internationalization in a declining industry, the watch industry. A theoretical framework was built and compared to both the primary and the secondary data collected throughout this study. The analysis shows that finding the right distributor is the biggest challenge throughout SMEs’ internationalization. It also finds trade shows related to declining industries not to be effective promotion tools for firms from this industry. Finally, this thesis finds smartwatches not to be perceived as a threat by traditional watch brands, due to the different values associated to these products.

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List of Abbreviations

SME  Small and Medium-sized Enterprise
BG   Born Global
INV  International New Venture
AJW  Arne Jacobsen Watches
USP  Unique Selling Proposition
RDG  Rosendahl Design Group
ICT  Information and Communication Technology
B2C  Business-to-Consumer
C2C  Consumer-to-Consumer

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1 Introduction

The first chapter introduces the topic of this research and provides the reader with information regarding previous studies on internationalization, SMEs, and the challenges faced by firms involved in international business. It also discusses the importance of studying different industry contexts and particularly declining industries. Finally, this chapter ends with brief introduction to the industry which is the object of this research, the watch industry, with the purpose of this research and with the research question.

Internationalization, defined by Welch and Luostarinen (1988, p.36) as “the process of increasing involvement in international operations”, has been subject to much research in the past thirty years (Johanson and Vahlne, 1977; Oviatt & McDougall, 1995; Knight & Cavusgil, 2004). This phenomenon affects our daily life and is more and more important as countries are increasingly connected to one another (Inozemtsev, 2008).

Research on internationalization used to focus mostly on large firms, as small and medium-sized enterprises (SMEs) were perceived before the 1990s as having very little possibilities to expand their activities to foreign markets (Coviello & McAuley, 1999). They were assumed not to have the possibility to access the same network connections as the large ones and were therefore expected not to broaden the scope of their activities by entering international markets (Bilkey & Tesar, 1977). However, many social and technological developments as well as changes in the international economic environment (e.g. lower foreign-market barriers) have occurred since then. These changes have facilitated the internationalization of small firms (Oviatt & McDougall, 1997) and created economic growth (Acs et al., 1997; Chen & Martin, 2001; Reynolds, 1997). Many SMEs therefore expanded their activities to other countries and became international. The European Commission (2010) also confirmed that SMEs have become increasingly international, as it reported that more than 40% of the European SMEs were involved in international relationships in 2010.

As the number of international firms rose, many markets became saturated (D’Aveni & Gunther, 1994; Hermelo & Vassolo, 2010), thereby forcing firms operating solely on a
national level to undertake international activities to achieve growth as well (Knight & Cavusgil, 2004). This phenomenon particularly affected SMEs, as many companies from this category occupy a market niche and have had no other choice but to become international to increase their revenues (Almor, 2013; Moen, 2002). Nowadays, many firms attempt to undertake international activities in multiple countries shortly after their inception. This type of firm has been the subject of much research in recent decades and is mostly referred to in the literature under two interchangeable terms: “born global (BG)” and “international new venture (INV)” (Rennie, 1993; Oviatt & McDougall, 1995; Knight & Cavusgil, 1996). Although many INVs are very successful, internationalization remains a complex challenge for small firms (Vachani, 1998). Failing to enter international markets can be fatal to them, as the investments made during this process often represent a large share of their budget (Buckley et al., 2004).

The challenges SMEs face are not necessarily the same as the ones encountered by large firms (Coviello & McAuley, 1999). Mixed results were found regarding what are the biggest obstacles in small firms’ international expansions. Fillis (2002) found, in his study of craft microenterprises, the promotion of a firm’s products, the adjustment of its prices to local competition, and finding reliable distributors to be the most common problems faced during small firms’ internationalization. Leonidou (1995) also discussed the difficulty of finding the right partners abroad in his study, and divided the challenges related to internationalization in two categories: the ones faced by non-exporting and the ones faced by the exporting ones. According to him, lack of information about foreign markets and handling documentation and procedures are the main challenges faced by non-exporting firms. On the other hand, he found external barriers such as slow payment, and poor economic conditions to be the main obstacles faced by exporting firms (Leonidou, 1995).

1.1. Problem discussion

The nature of the industry and the environment in which firms operate can have a strong impact on their internationalization and the challenges it comprises (Porter, 1980; Oviatt & McDougall, 1994). However, few studies have addressed the influence of industry-specific features on the internationalization of rapidly growing SMEs (Andersson et al., 2014); and most of them focused on high-technology companies (Peiris, Akoorie, & Sinha,
2012). It is therefore interesting to explore the challenges rapidly growing international SMEs face during their internationalization in other industry contexts.

The industry life-cycle also plays a role in small firms’ internationalization, as resource opportunities have been found to be mostly present in the growing stage of an industry (Eisenhardt & Schoonhoven, 1990; Fernhaber et al., 2007). Yet, very few scholars have empirically researched how small firms deal with growth in other stages of the industry’s life-cycle, especially with declining environments (Bamiatzi & Kirchmaier, 2014). Research on survival strategies within this specific stage of an industry’s life cycle exists (e.g. Porter, 1980), but growth within such a context has not been sufficiently explored yet (Martin & Eisenhardt, 2004; Murmann & Frenken, 2006). Bamiatzi and Kirchmaier (2014) researched the strategies of high-growth SMEs in declining industries in the United Kingdom. However, most of the companies they researched focused on domestic growth and did not focus on achieving growth through internationalization. International new ventures from a declining industry are therefore the object of this study.

The watch industry is a declining industry that has been subject to much change in the past few years and has therefore become unique. Its decline is due to several reasons: technological progress has resulted in the production of high-tech wrist-worn devices that are now available on the market. Smartwatches are expected to become the next mobile technology that will change our everyday life (Cecchinato et al., 2015). The role of wristwatches is not the same as it used to be twenty years ago; their primary role is not to let its users know what time it is anymore, but rather to match their personality and their outfit (Kraugerud, 2016; Euromonitor International, 2010; Silverstein & Fiske, 2005). The way individuals purchase watches is no longer the same either, as these products can be acquired throughout several channels that are both online and offline, making most of the brands available for purchase all around the world. These online channels and the availability of information about all brands on the Internet have led companies to turn themselves towards new industry business models. Daniel Wellington - a Swedish watch brand founded in 2011 that sells mid-priced watches - has for instance quickly become one of the most successful watch brands in Sweden (Euromonitor International, 2017) by focusing its business model on social media marketing and online selling. Numerous small watch manufacturers have emerged since then in Europe and have achieved growth
through a similar business model. This phenomenon and the growing availability of the product raises questions regarding the importance of more traditional selling techniques such as trade shows within this industry context. All these factors have turned the watch industry into a “declining industry” (Porter, 1980).

1.2 Research purpose
The aim of this research is to explore the internationalization of SMEs of the watch industry, and to address the challenges they face within this context.

1.3 Research question
The following question was researched throughout this research:

What is the biggest challenge to SMEs’ internationalization in the watch industry?

1.4 Target group
The authors want to address this thesis to both academics and researchers, to enlarge their knowledge in the field of SMEs’ internationalization, the challenges it comprises, and declining environments. It aims to contribute to literature regarding the importance of studying different industry contexts in international entrepreneurship. The thesis also contributes to research about the watch industry, which is the industry context focused on in this study. This thesis may also be helpful for firms that are about to internationalize to get some helpful advice, to learn from others and to prevent them from making mistakes. By reading this thesis, the reader will get insight into the internationalization of different companies operating in the watch industry and the challenges they face during this process.

1.5 Structure of the thesis
Chapter 1 highlights the relevance of studying SMEs and the challenges they face in different industry contexts. It also introduces the industry which is explored within this research, the watch industry, and briefly explains its decline, its complexity, and its uniqueness. Matters relating to purpose, methodology and target specificities are also presented in this chapter. Chapter 2 presents the theoretical background of this study; then a description of the watch industry is given, followed by theories about international growth and the importance of networks within this process. The importance of trade shows is then presented, followed by a section dedicated to the challenges related to the process
of internationalization. The chapter ends with a summary and the identification of the research question. **Chapter 3** explains the methodology that was used to create this thesis work. The research approach, its context and strategy are therefore described, as well as the steps followed by the two authors throughout this study. Chapter 3 ends with matters of trustworthiness and the ethical considerations upon which the research was conducted. **Chapter 4** then presents the empirical data of this study through the cases of three brands from the watch industry. **Chapter 5** compares the empirical data from the cases with the theoretical framework and ends with a cross-case analysis; the latter attempts to find overlaps in the processes and challenges of internationalization of the three different companies. In **chapter 6** conclusions are presented. This part includes contributions, limitations and suggestions for future research, and is followed by the list of references (**chapter 7**) used within this research, and by an appendix (**chapter 8**).
2 Theoretical background

The second chapter provides the reader with the theoretical background of this thesis. First, the watch industry and its specificities are presented, including shifts in consumer needs, demographics, the high level of competition in this line of business, as well as industry factors that influence internationalization. After that, internationalization and the importance of networks are presented by having a look at theories on international growth, networks, trade shows as drivers for international growth and the role of the entrepreneur in the internationalization process. Following this, challenges of internationalization are reviewed. Chapter 2 finishes with a short summary of the theoretical background and the identification of the research question.

There is no universal definition of what the term “small firm” clearly entails, as the sectors they belong to vary in terms of diversity and size (Hillary, 2006). The most frequently used factor to determine a firm’s size is its number of employees, due to an ease of data collection and interpretation (Ardic et al., 2011; Ayyagari et al., 2007; Beck et al. 2005; Paris, O. E. C. D, 2004). This method is used in the United States and most European countries along with turnover as a way of determining a firm’s size (Gbandi & Amissah, 2014).

As this research investigates firms within a single industry, and all based in developed European countries, the definition used in this research to define small firms is the one from the European Commission (2015), which defines the size of a firm according to the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Turnover</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>&lt; € 2,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>&lt; € 10,000,000</td>
<td>&lt; € 10,000,000</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>&lt; € 50,000,000</td>
<td>&lt; € 43,000,000</td>
</tr>
</tbody>
</table>

Table 1: Criteria defining a firm’s size (European Commission, 2015).
2.1 The watch industry
There is no agreed definition of the term “Declining industry”. They are, according to Calori and Ardisson (1988), industries in which competition mostly relies on prices instead of competitive advantage, due to a widely spread technological knowledge. Schreuder et al. (1991) rather refer to them as industries that have experienced a decrease in value of twenty percent or more over the last three years. Other researchers refer to declining industries based on the potential return on investment it offers (Miles et al., 1993), or simply as industries experiencing a recession in demand (Ghemawat & Nalebuff, 1990). According to Porter (1980), declining industries are industries encountering a recession that is neither due to short-term changes in the environment, nor to the business cycle, which is the definition used within this research. Porter, together with Harrigan (1983), found five reasons for industry decline. According to them, an industry can be considered as declining if it is subject to one of the following criteria: technological substitution, demographic change, increase in the cost of complementary products and in the cost of inputs, and shifts in consumer needs.

*Technological substitution* refers to the arrival of products that are technologically more advanced on the market. It may decrease the usefulness of other products and affect their sales, sometimes even reducing their usefulness to zero. *Demographic change* is the result of a change in the target audience such as a reduction in the amount of possible end consumers of a product. *Increase in the cost of inputs and complementary products*, as buyers may be unwilling to buy a product due to the amount of money they would have to spend to upgrade it. *Finally*, shifts in consumer needs are changes in the target audience’s behaviour.

The watch industry is a unique industry in which much change has occurred in the past century. As it appears from the factors listed below, it fulfils three of the decline factors mentioned by Harrigan and Porter (1983) and is characterized by a high level of competition, which is also a declining factor according to Hall (1980). It can therefore be considered a declining industry.
2.1.1 Technological substitution of the wristwatch

2.1.1.1 Technological evolution

The wristwatch industry has experienced continuous innovation during the past thirty years. It all started in 1973 when a Japanese company called Seiko introduced a watch that included features such as a first six-digit LCD quartz display and a built-in flashlight. This firm kept on improving its products and added some more technological elements to them throughout the years, launching, for instance, a watch capable of recording sounds and to effectuate basic calculations in 1984 (Seiko, 2018). This company, however, was not the only one who historically brought innovation to this industry, as Microsoft partnered with another firm and introduced the “Timex Datalink” to the market. This watch was capable of synchronizing personal data from a computer (Ellis, 2015) and store up to 150 phone numbers on a single device. Innovation kept on increasing and led to the introduction in 2015 of a new type of accessory which is expected to change the watch industry: The Smartwatch, discussed hereafter.

2.1.1.2 The smartwatch

Smartwatches can be defined as “wrist-worn devices with computational power, that can connect to other devices via short-range wireless connectivity; provide alert notifications; collect personal data through a range of sensors and store them, and has an integrated clock” (Cecchinato et al., 2015, p. 2134). These high-tech devices are expected to become the next mobile technology that will change our daily lives (Cecchinato et al., 2015) and are not solely IT products anymore but fashion products as well. Choi and Kim (2016) confirmed it in their study of the factors affecting the intention to use smartwatches, as they found the design of these products and the personal branding values associated to them to be factors influencing the willingness to purchase these devices.

Smartwatches differ from traditional watches in terms of value proposition. These devices produced by mobile industry giants such as Samsung, Apple and Google are products with a much shorter life-cycle than the mechanical ones. The fast pace of innovation and continuous technological improvement that occur in the information and communications technology (ICT) industry make the technology contained in this type of device quickly available for a large target audience. Nevertheless, individuals purchase them due to the satisfaction they get from being the owner of the latest technology (Choi & Kim, 2016).
The core value propositions of traditional watches, on the other hand, are their long durability, aesthetic pleasure, and the brand reputation associated to them. These factors make the purchase of such a watch more of an investment, which is not the case for smartwatches as they depreciate quickly.

2.1.2 Shifts in consumer needs and behaviour
It has been possible for individuals to read the clock at any time for centuries. This was first possible thanks to the pocket watch, which appeared during the sixteenth century and were popular gadgets until the beginning of the twentieth century (History of Pocket Watches, 2018). The necessity for soldiers to read the clock faster than by taking a device out of their pocket made the wristwatch not only trendy but obligatory for them during World War I. By the beginning of World War II, pocket watches had become obsolete and were not trendy anymore (History of Pocket Watches, 2018).

Nevertheless, people have started keeping time in their pocket again as mobile phones became available for a greater audience. These electronic devices enable individuals to read the clock at any time, while performing multiple tasks. Smartphones have for instance made it possible for their users to read the clock while browsing the internet at any time. These devices have made wristwatches less popular in the recent years, particularly for young people, who carry their phone everywhere in their pocket in the same way individuals used to carry their pocket watch a few hundred years ago (Friedman, 2015).

Individuals do not buy watches to fulfil their need of reading the clock anymore, as all mobile phones include clocks and have made the primary function of watches obsolete. Instead, watches have become fashion accessories, purchased by a target audience willing to acquire fashion goods that are personalized and representative of their personality (Kraugerud, 2016; Euromonitor International, 2010; Silverstein & Fiske, 2005). Purchasing a watch and wearing it therefore nowadays fulfil needs related to branding, and is not associated to the original purpose of a wristwatch, which is reading the time (Pine & Gilmore 1999; Okonkwo, 2007)
2.1.3 Demographics

Watches used to be a symbol of wealth and to be representative of somebody’s high socio-economic position within society (Kraegerud, 2016); the latter, however, has changed in the past few years with the introduction of many “New Luxury Goods” within the watch industry. These types of products are supposedly more accessible, cheaper and target an audience which is, according to Twitchell (2002, p. 272), larger and younger than the one targeted by traditional luxury watches. This phenomenon, referred to by Truong et al. (2008) as “the democratization of luxury”, has clearly happened in the watch industry over the past couple of years. Daniel Wellington, a Swedish watch manufacturer of “new luxury goods”, has managed to quickly become a leading brand on its home market (Euromonitor International, 2017) by selling elegant and affordable watches. These affordable wristwatches have made it possible for a much greater audience to purchase elegant and fancy-looking accessories. Moreover, the increasing middle-class and the average purchasing power in Western countries are higher than ever, thereby increasing the larger part of the income they dedicate to accessories and other symbols of their wealth and well-being (Truong et al., 2008).

2.1.4 High level of competition

As mentioned earlier in this study, technological developments and changes in the economic environment have made it easier than ever for small firms to increase their international operations (Oviatt & McDougall, 1997). The number of distribution channels available for end users to get the products they want to has also increased. The watch industry is not an exception to this phenomenon as it is possible for individuals to purchase watches throughout online distribution channels, as well as offline ones, resulting in a high level of competition within this industry.

2.1.4.1 Offline distribution channels

Traditional watch stores are still the preferred alternative to purchase wristwatches for most individuals. This type of store is often run by the same family over several generations and is assumed to have a high level of expertise in the product it sells. This type of traditional channels and offline distribution channels were found by Euromonitor International (2010) to be the most common way of purchasing watches in Sweden, though it is currently losing market shares and is expected to keep on decreasing in popularity over the years and be replaced by online distribution channels (Euromonitor International, 2010).
2.1.4.2 Online distribution channels

Purchasing goods online directly on a brand’s website or through one of its online distributors/retailers has become increasingly common in today’s international environment. Consumers usually have the possibility to purchase a watch on its manufacturer’s website and to get it delivered at the address of their choice. Another common option is to purchase a wristwatch on a fashion website or through an online clothes distributor allowed to sell it. These business-to-consumer (B2C) channels are two ways of purchasing products online but are not the only ones. One characteristic of the watch industry is that a large number of consumer-to-consumer (C2C) transactions occur within this market. Traditional watches usually have a lifespan beyond their original purchasers, resulting in the commercial movement of some of these accessories, particularly the more expensive ones (Adams, 2017). Sales of watches also happen illegally, on an illicit market (Adams, 2017).

2.1.5 Industry factors affecting internationalization

According to Andersson, Evers, and Kuivalainen’s (2014), eight factors affect INV internationalization process (see Figure 1).

Figure 1.: Industry characteristics affecting INV’s internationalization.
All of these eight factors have been subject to change in recent years in the wristwatch industry and are therefore perceived by the researchers as affecting altogether the internationalization of all firms operating in it. First of all, as previously mentioned and further explained in point 2.1, this industry’s life cycle has shifted from a maturity stage to a declining stage (Porter, 1980). A shift in knowledge-intensity, defined by Fernhaber et al. (2007, p.527) as “the extent to which industry firms rely on organizational knowledge and learning in order to compete”, therefore occurred, leading to the introduction of high-tech products on the market: the smartwatches (2). However, other firms such as Daniel Wellington decided to approach the market differently, using a different business model (3) based on the online promotion and the online sale of mid-priced watches (Euromonitor International, 2017). Several firms (e.g. Triwa, Knut Gadd, TID Watches) followed this trend, and new watchmakers with a similar business model are still emerging (Euromonitor International, 2017). Consequently, most watch brands are now available for purchase all over the world (4) and international competition is very high (5). The importance of belonging to local industry clusters has therefore changed (6), impacting industry networks dynamics too (7). Finally, as many SMEs manage to achieve quick international growth in this line of business, market shares have become increasingly distributed throughout firms, thereby reducing the concentration of the wristwatch industry (8).

2.2 Internationalization and the importance of networks

There is no agreed definition of the term “internationalization”. According to Welch and Luostarinen (1988, p.36), it is “the process of increasing involvement in international operations”. Calof and Beamish (1995, p.116), however, refer to this phenomenon as “the process of adapting firms’ operations (strategy, structure, resources) to international environments”, which considers de-internationalization as well, which is the reduction of a firm’s operations on a foreign market (Chetty & Campbell-Hutt, 2003). This de-internationalization can for instance take the form of a firm deciding to stop selling a product on foreign markets (Calof & Beamish, 1995), retreating from FDI and exporting instead (Chetty, 1999), or even putting an end to its international operations (Benito & Welch, 1997).

As de-internationalization being related to difficulties faced during internationalization, the definition proposed by Calof and Beamish (1995) is the one considered within this research.
2.2.1 Theories of International Growth

Internationalization is a widely discussed field of research. Factors such as market conditions and the financial situation of companies have been found to impact a company's strategy and willingness to conduct international business, thus also impacting the potential success of a firm’s foreign business activities; these factors are therefore of great interest to academics, companies and governments (Cavusgil, 1980; Chetty & Campbell-Hunt, 2004; Greve, 2006). However, internationalization is complex and is still not totally understood. Academics are therefore trying to add further insight into this issue (Andersen, 1993; Forsgren, 2002).

Several well-known models have attempted to explain why and how firms enter foreign markets. Johanson and Vahlne (1977) were some of the first to have a look at this process and developed a model that stated that firms chose optimal modes of entering new markets by analysing their costs and risks based on market characteristics, while taking their own resources into consideration (Johanson & Vahlne, 1977). Their model was based on two concepts: the establishment chain, and psychic distance. The establishment chain argues that firms increase their involvement on foreign markets gradually by exporting their product, then selling through agents and/or distributors, and finally establishing a sales subsidiary on the new market (Johanson & Vahlne, 1977). It also stated that firms could even establish production on-site in some cases. The second element of the original model, psychic distance, referred to the fact that firms are more likely to enter first markets that differ the least from their home market, and then increase their international activities by turning themselves towards markets that differ in more aspects (Johanson & Vahlne, 1977).

Another way of explaining the path followed by firms during their internationalization is based on the so-called “network perspective”, which originates from an article written by Johanson and Mattsson (1988) that was considered a ground-breaking text in international network theory and made an important contribution to the research of internationalization (Bell, 1995; Chetty & Blankenburg Holm, 2000; Coviello & Munro, 1997; Fuller-Love & Thomas, 2004; Johanson & Mattsson, 1988). They argued that a company’s internationalization is a networking phenomenon, and that all companies are embedded in networks of connected relationships that enable them to obtain resources for their expansion to foreign countries. In this research, Johanson and Mattsson (1988) presented networks as a key factor in both the domestic and the international development of a
company, and the achievement of its goals (Ratajczak-Mrozek, 2017). Networks are also, according to them, not limited to a firm’s domestic market, as firms can have relationships with different types of actors on foreign markets such as customers, distributors, suppliers, competitors, non-profit organizations, and public administration. It should be a firm’s intention to grow its foreign networks. Doing so would according to the network perspective strengthen its position on the new market and extend its network out of its home country (Ratajczak-Mrozek, 2017).

The central foundation of social network theories is the transmission of knowledge or useful information through interpersonal ties and social contacts in between individuals (Mitchell, 1969; Rogers and Kincaid, 1969; Weimann, 1989). The relational theory of social networks (Granovetter, 1973,1985) distinguishes strong and weak ties. Granovetter (1973) states that weak ties are sporadic and more detached interactions and are effective means of gaining novel information and accessing diverse pools of information sources. Strong ties, on the other hand, are characterized by frequent and stronger social interactions where information is perceived to be more trustworthy (Granovetter, 1985). They are therefore more effective in the transmission of tacit and complex knowledge for experiential learning (Borgatti & Cross, 2003; Sorenson, 2003). However, the model does not explain how companies overcome problems related to their internationalization (Ratajczak- Mrozek 2012).

The global business environment has changed drastically in the past few years. It has for instance been subject to increasing trade liberalisations, increasing economic integration, the emergence of new process and information technologies, the internet and the growth of international networks (Knight & Cavusgil, 1996; Oviatt & McDougall, 1997). These developments have made it easier for many SMEs to start foreign operations and create economic growth (Acs et al., 1997; Chen & Martin, 2001; Oviatt & McDougall, 1997; Reynolds, 1997). Various firms have therefore become international from inception and appeared not to follow these models of increased involvement on foreign markets (Eurofound, 2012; Knight & Cavusgil, 2004; Madsen & Servais, 1997). These firms, the “Born Globals (BGs)” or “International New Ventures (INVs)” have been defined as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). Other academics (Knight & Cavusgil, 2004, p.124) defined
them differently and prefer to refer to them as “business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries.” This phenomenon is not specific to particular markets or countries and has been observed in both high- and low-tech industries (Madsen & Servais, 1997; OECD, 1997; Rennie, 1993). There are different opinions regarding the different criteria defining whether a firm is a BG. Knight and Cavusgil (1996) said that a firm must export at least 25% of its sales within 3 years after its creation to fit within this category, which can quite easily be achieved in Europe and is often the case when it operates as a niche player on the market (Kuivalainen et al., 2007). Luostarinen and Gabrielsson (2006) suggested that at least 50% of a firm’s sales must originate from other markets for it to be considered as a BG. As all of the companies interviewed within this research come from countries that are members of the European union, we assume them not having to face many trade barriers to export their products to markets located within the same economic area. The firms therefore referred to as BGs within this research follow Luostarinen and Gabrielsson’s (2006) definition.

Due to the emergence of INVs, Johanson and Vahlne modified their original model of 1977 and developed the “revised Uppsala model” (Johanson & Vahlne, 2009). According to this model, companies’ behaviour is different from what it used to be, due to concepts and insights that did not exist when the original model was created (Johanson & Vahlne, 2009). The revised model is known as “the business network internationalization process model.” In their article, Johanson and Vahlne state that a firm’s learning and commitment are strongly related to identifying and exploiting opportunities, and that internationalization is contingent more on developing opportunities than on overcoming uncertainties (Johanson & Vahlne 2009). The new model implicates a new logic regarding the new markets a firm attempts to enter, preferring establishing itself first where the focal firm and its partners see opportunities, or onto a market where one of its partner has a strong position. Today, it is this model that is referenced for analyses concerning the internationalization process of a company instead of the 1977 model, due to its emphasis on the role of relationships and networks in the international expansion and operations of a firm (Ratajczak-Mrozek, 2017).
2.2.2 Networks

2.2.2.1 Networks in the literature
The term “network” has been defined in different ways in previous research. Some of these definitions are presented in the following section. Chipika and Wilson (2006, p.971) perceive networks as the result of networking, which involves “sustained relationships which are mutually beneficial to the parties involved and not simply to one individual actor”. Nieman and Nieuwenhuizen’s (2009) definition added the notion of accessing resources in their definition of networks. They defined networks as “patterned and valuable associations formed between individuals, groups or businesses that are used to access critical economic resources needed to start and manage a business.” During the same year, Castells (2009, p.21) defined networks as “complex structures constructed around a set of goals that simultaneously ensure unity of purpose and flexibility of execution by their adaptability to the operating environment”. The definition of networks referred to within this research is also quite recent as it is the one of Scalera and Zazzaro (2009, p.3), who defined networks as “stable coordination devices for economic transactions among members, grounded on formal and informal links, and hierarchically or jointly governed with a common goal”. This definition was preferred by the researchers due to its distinction of networks in two categories: “formal and informal links”, also referred to respectively as “business and social relationships”.

The term “social network” includes the meanings of informal or inter-personal networks/relationships/ties in the literature; and the term “business network” is interchangeably used with formal or inter-organizational relationships (Jeong, 2016).

According to Birley (1985), informal relationships are related to contacts between business actors, friends, and family members; whereas formal relationships are related to financial transactions. Dubini and Aldrich (1991) see personal (i.e. informal) networks as the relationships with all individuals that an entrepreneur meets, and formal networks as the extended relationships between all the employees of a firm. Nevertheless, social networks are mostly referred to as “networks that are developed from personal relationships” (Vasilchenko & Morrish, 2011, p.90), and business networks described as “a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors” (Anderson et al., 1994). This includes competitors, suppliers, customers, distributors, and governments (Jeong, 2016) and is therefore the definition preferred in this research.
Social networks (i.e. networks of social relationships) have been found to stimulate awareness of foreign market opportunities (Reid, 1984; Gould, 1994), thereby influencing export initiation (Ellis & Pecotich, 2001). Previous research also acknowledges their importance in helping small firms gaining tacit knowledge about international business practices (Eriksson et al., 1997; Sharma & Blomstermo, 2003; Haahti et al., 2005). They are in some cases the initial basis from which formal networks of business linkages are developed in new territories (H. Chen & T.J. Chen, 1998; Chen, 2003), resulting sometimes in the development of a firm’s competitive advantage (Styles & Ambler, 1994; Sapienza et al., 2005). Finally, social networks sharpen international vision and managerial openness (Chen, 2003; Yeoh, 2004).

2.2.2.2 The importance of networks

As explained in the models presented in section 2.2.1, networks have been found to be a significant factor facilitating SMEs’ internationalization. Small firms are the type of firm relying the most on networks during internationalization and are therefore the type of firm that can provide the most relevant information regarding networks within this field of research (Tang, 2011). Coviello and Munro (1997), in their research on the impact of networks on the internationalization process of small firms within the specific context of the software industry, found their involvement in international networks to be a factor influencing heavily the market selection process, as well as the method used to enter them.

The process of networking is incremental. In B2C as well as B2B relationships, partners learn from each other’s domestic market and business environment. Following Cohen and Levinthal’s definition (1990), a firm's learning refers to its ability to use its prior knowledge and background to identify new information and to develop it into something creative. This knowledge can for instance be used for further market entry and market expansion (Lee, 1991). Networks can therefore be considered as stepping stones in the process of internationalization. If a supplier uses one of its existing customer relationships to develop new connections on a new foreign market, the customer is known as a bridgehead (Johanson & Mattsson, 1988).
Insidership in a set of networks is not only of high importance for a firm to trade information with others, but also not to suffer from outsidership, which is the lack of market-specific business knowledge (Johanson & Vahlne 2009). Therefore, networks are a strategic resource which has an impact on a firm’s future (Andersson et al., 2002). The networks into which a company operates are further embedded in different national and international business environments and therefore extends across national borders (Fletcher & Barrett, 2001).

2.2.2.3 Connection between internationalization and networks
One of the limitations of a small firm’s growth is its lack of resources (Welch & Luostarinen, 1988). Building business networks has been found to help firms acquire the needed resources and improve their performance and success rate (Coviello & McAuley, 1999). Liesch et al. (2002) even indicate that building and maintaining network relationships is an integral part of internationalization, as both an outcome and an input into the process. As an outcome, it is important for internationally oriented SMEs to resort to relationship networks that can provide valuable information benefits (Ellis, 2000). As an input, the information benefits of social networks do influence the performance impact of internationalization strategies (McAuley, 1993; Liesch & Knight, 1999).

2.2.3 Trade shows as drivers for international growth
Trade shows usually constitute an integral element of a firm’s marketing process (Rinallo, Bathelt, & Golfetto, 2016). Trade shows are defined as “market events of a specific duration, held at regular intervals, at which a large number of companies present the main product range of one or more industry sectors” (Kirchgeorg et al., 2010, p. 63). Furthermore, trade shows constitute a highly concentrated market system, where sellers, buyers, suppliers, distributors and intermediaries are gathered in one place, for a specific period of time, creating a fertile ground for rich face-to-face interactions (Rice, 1992; Rosson & Seringhaus, 1995). With globalization, digitalization and the opening markets, the internet plays an important role in this business. Due to the availability of information at any time and any place, there is a change in the perceived usefulness of trade shows. There is a development away from the formal buying process to an information- and communication- process on a trade show.
The diversity of products is increasing along with the complexity of products and services. Therefore, trade shows are a good place to get in direct contact with competitors as well as suppliers and potential partners (Rice, 1992; Rosson & Seringhaus, 1995). In the middle- and long-term corporate planning, trade shows can be an important factor for the future positioning of a company on the market, especially when it comes to internationalization.

2.2.4 The role of the entrepreneur in the internationalization process

Internal factors of a firm such as its attitude towards innovation, resources and capabilities are - besides the external market factors - important drivers for the process of internationalization (Barney, 1991; Barney, 2001; Loane & Bell, 2006). As the entrepreneurs hold most of the decision-making power in small firms (Westhead et al., 2001), their potential international experience and foreign market knowledge have a big influence on their firm's international orientation. It is therefore not surprising that entrepreneurial behaviour is one of key subjects in born global research (Andersson & Wictor, 2003).

BGs have been found to be often formed by entrepreneurs with international experience, international marketing skills, and seeing the world as their marketplace (Berry & Brock, 2004; Hewerdine & Welch, 2013; Andersson & Evangelista, 2006; Cavusgil & Knight, 2015). They view the world as their arena of operations where they can take advantage of international opportunities regardless of geographics (Loane & Bell, 2006). Entrepreneurs with international experience have been found to move their firm towards internationalization quickly compared to their less internationally experienced counterparts (Reuber & Fischer, 1999). McDougall et al. (1994) as well as Madsen and Servais (1997) also found the background and experience of an entrepreneur to have a large influence on the founding of BGs.

Westhead et al. (2001) found older founders to possess more resources than the younger ones, to have denser information and contact networks, considerably management know-how, and to be more likely to be exporters.

Entrepreneurs have different backgrounds and have developed preferences, skills, and desires that affect the behaviour of their organisation (Ghannad & Andersson, 2012). It is therefore an important subject to understand a company's establishment and international
development (Ghannad & Andersson, 2012). Whether or not the entrepreneurs of the firms studied in this thesis have an international background, as well as whether those firms can be considered as BGs, is therefore a factor researched within this paper. This may influence the internationalization process of their firm.

2.3 Challenges of internationalization

Firms face several challenges when they enlarge their activities to international markets (Hollensen, 2011). These challenges can occur at different steps of this process: in the decision of entering a new market, while deciding whether they should become international or stick to domestic growth, or even after having established a position on a foreign market. Strategic issues such as the choice of target markets, entry modes and timing can have a big influence on whether a firm will face these barriers or not. Firms deciding to enter a market through the means of a distributor are for instance unlikely to have problems related to the construction of a facility, which may be a problem encountered by other firms entering a market through foreign subsidiaries. The challenges faced by the smaller ones differ from the ones encountered by the larger ones in some ways (Coviello & McAuley, 1999). Organizations of different sizes have different characteristics and resources at their disposal. Large firms can for example gain quick market knowledge, access established networks and overcome problems related to intermediaries through acquisitions and horizontal integration (Khanna & Palepu, 2000), which is often impossible for SMEs due to a lack of resources to hire professionals (Musteen et al., 2010; Tang, 2011).

External and environmental factors can be challenging for companies that are willing to enter foreign markets (Pillalamarri & Mohamed, 2016). These factors are related to their own resources, capabilities, and to the environment of the market they are entering (Leonidou, 2004). Barriers can for example be commercial, under the form of unstable exchange rates, different currencies, disputes, payment delays, or reoccurring damage in the distribution of the goods. Likewise, barriers can be political and make it hard for a firm to operate on a foreign market. High taxes on foreign products, high requirements regarding trade documentation, or even the prohibition of some products on its market are examples of these barriers. Finally, barriers can be specific to the market a firm tries to enter and its inhabitants. It may experience difficulties in communicating with them.
because of differences in languages and culture. The perceived utility of a firm’s products may also be very different on another market (Hollensen, 2011).

Previous studies did not find consistent results regarding what are the biggest obstacles to SMEs’ internationalization. Pillalamarri and Mohamed (2016) found for instance market distance, high-level of competition, differences in product usage and features, cultural differences, the difficulty to find the right distributor, and difficulties in terms of logistics to be main barriers faced by SMEs from developing countries. However, Moreira et al. (2008) listed small firm’s characteristics, managerial characteristics and environmental characteristics as being factors influencing internationalization in the North of Portugal. Rundh (2001) mentioned insufficient knowledge about the procedures of internationalization, low demand on the foreign market, high costs of transportation as well as competition as factors influencing the internationalization process. Fillis (2002) used another level of analysis in his study of the barriers to internationalization and focused on craft microenterprises. The promotion of a firm’s products, the adjustment of its prices to local competition, and finding reliable distributors are, according to him, the main challenges they face. Another approach was adopted by Leonidou (1995) who divided the challenges barriers to internationalization in two categories: challenges for non-exporting firms, and challenges for exporting firms. Non-exporting firms are, according to him, mostly preoccupied with lack of information about foreign markets and handling documentation and procedures; while exporting firms are rather affected by external barriers such as slow payment, poor economic conditions, and poor economic conditions. Finally, the World Bank found through its survey that regardless of the size, country or region of operation of a firm, the main barriers of doing business are funds, regulations and taxes, policy instabilities, inflation, exchange rates, corruption, street crime and organized crime (Schiffer & Weder, 2001).

The authors assumed the barriers to internationalization in a declining environment to differ from previous results, or to be a combination of previous findings. They expected financial resources and building a network position on a foreign market to be the biggest challenges faced by the firms investigated within this study.
2.4 Summary and identification of the research question

The watch industry is subject to much change in terms of technological substitution, shifts in consumer needs, demographics and a high level of competition. Theories of international growth suggest that both formal and informal networks are of prior importance to firms’ internationalization process. These networks can help firms gaining valuable information about both their domestic and international markets of operations, and even about markets they have not entered yet. However, the researchers assume that the role of networks may be more or less important in different industry contexts. The role of networks in the internationalization of SMEs in declining industries is therefore one of the factors researched within this paper.

As the watch industry is shifting quickly to e-commerce and online selling, and as information about watches is easily accessible on the Internet, the researchers assume that the usefulness of offline distribution and offline marketing activities has reduced. Trade shows are supposed to be offline distribution channels, to be part of a firm’s marketing mix, and to contribute to its network. The entrepreneurs’ perception of trade shows is therefore one of the points of analysis of this research.

This research empirically explores the internationalization process of SMEs in the watch industry, including the role of networks and of the entrepreneurs within this context, in order to get a broad understanding of internationalization in this unique context.

As more and more industries are expected to become declining due to nowadays’ fast pace of innovation and increasing competition, it is urgent for research to focus on how firms can achieve growth within declining environments (Bamiatzi & Kirchmaier, 2014). The challenges SMEs of a declining industry (the watch industry) face during their internationalization are therefore researched within this study. The main purpose of this research is therefore to answer the following research question:

What is the biggest challenge to SMEs internationalization in the watch industry?
3) Methodology

Chapter 3 describes the process followed by the researchers throughout this study. The research approach is first presented and is followed by considerations regarding the researchers’ philosophy. The research strategy is then presented, including the design of this study, and all the steps followed by the authors throughout the thesis-writing process. Finally, the method chosen to ensure the trustworthiness of this study is presented, followed by the ethical considerations under which it was conducted.

3.1 Research approach
A research can be conducted in a deductive, inductive, or abductive manner (Saunders et al., 2009). The deductive approach focuses on developing hypothesis and testing them through an empirical study (Bryman & Bell, 2015). The second way of reasoning, the inductive one, bases itself on empirical data in order to develop theory (Bryman & Bell, 2015). Finally, abductive approach is a reasoning where researchers study both existing literature and their empirical settings simultaneously (Polsa, 2013). The purpose of an abductive approach is to generate theory or to find theories that fit the particular setting of a research (Dubois & Gadde, 2002; Kovács & Spens, 2005), by comparing their findings with previous research (Dubois & Gadde, 2002). As the researchers were willing to do so, while exploring new phenomena related to the uniqueness of the watch industry, the researchers reasoned in an abductive way.

3.2 Research philosophy
Research philosophy is assumed to influence research strategy and the method used to collect and analyse data (Saunders et al., 2009). Personal values are the cause of all actions performed by individuals (Heron, 1996), and therefore play a role in the field of social science too. It is therefore recommended for researchers to express these values, as it may affect the results of the study they conduct.
3.2.1 Epistemological considerations

Epistemology is defined by the Stanford Encyclopaedia of Philosophy (2005) as being “the study of knowledge and justified belief”. There are two main opinions regarding what the role of a researcher conducting a study should be. One of these, positivism, argues that he/she should have no influence on the findings, and that the social world should be studied in the same way as natural sciences (Bryman & Bell, 2015). The two authors, however, perceive social sciences as a topic which differs from natural sciences in many aspects and which cannot be studied in the same manner. It is their belief that the business environment is way too complex and varies in too many aspects to be theorised in the same way as natural science. Furthermore, as every individual comes from a different background and has different objectives, it is the author’s belief that generalisation is irrelevant to the field of social sciences.

A hermeneutic view has therefore been applied throughout this research, as it seeks to understand human behaviour rather than to explain it (Bryman & Bell, 2015). This way of “interpreting” data is assumed to be highly appropriate in research related to organisational behaviour (Saunders et al., 2009), which is the object of this study that explores the watch industry.

3.2.2 Ontological considerations

The authors’ perception of the business environment is that it is strongly dependent on the choices and actions undertaken by different actors, and that social phenomena are the results of these choices and actions. Unlike what is claimed by the objectivist point of view, this research perceives the social world as built up through interaction and more as a subjectivist phenomenon (Saunders et al., 2009).

The ontological position adopted throughout this research is therefore constructionist, which considers that “individuals play an active role in the social construction of social reality” (Bryman & Bell, 2015, p.22).
3.3 Research strategy

The aim of this study being to investigate the problems related to internationalization encountered by firms of a specific industry, a qualitative approach was chosen. A qualitative approach enables the researchers to retrieve richer descriptive data than in a quantitative setting (Bryman & Bell, 2015, p.403), is better suited to explain stories (Cooper & Evans, 2006), and is therefore appropriate for exploratory research (Gilbert & Stoneman, 2015).

3.3.1 Research design

A case study intensively analyses a single case with a great level of details. This approach is used to investigate the complexity of a phenomenon (Stake, 1995) and is very popular in business research (Eisenhardt & Graebner, 2007). Some of the most popular studies in the field of management were based on this design (Bryman & Bell, 2015). Case studies are also preferred by researchers who accept the idea of constructivism, as it is well-adapted to the description of the different realities encountered at different sites (Lincoln & Guba, 1985).

Case studies paired with abductive reasoning adapt the logic of the general theory to reconcile with the contextual way of thought of the individuals studied (Ketokivi & Choi, 2014). Case studies can take two different forms: single or multiple-case studies. Investigating more than a single case increases the robustness of a research (Herriott & Firestone, 1983) and is used when different cases are expected to produce the same findings or to be similar in many ways. Finally, it encourages the researchers to study patterns and to avoid chance associations (Eisenhardt, 1991).

As the two researchers have a hermeneutic view of seeing research, and reasoned in an abductive way, a multiple-case study approach was chosen.

The steps followed to conduct this research were as follows (Figure 2):
3.3.2 General research question

First of all, a general research question was generated by the two authors of this research. This question, being "What are the problems and challenges faced by SMEs in terms of internationalization", gave them a first idea of the two variables that they wanted to discuss within their research: the internationalization of small firms, and the challenges that they must overcome during this process.

Mixed results were found regarding what is the biggest challenge that firms face during this process. The two authors believe that the reason for these different results originates from the industry-context into which firms operates. All environments are different and result in a set of different challenges for the companies that operate into them.

As the two authors want to become entrepreneurs and expand their business quickly onto international markets, they assumed that they could learn from entrepreneurs who managed to grow their firms in a tough international environment.

Growth in declining industries being an issue that has not been much researched yet, they decided to shed some light on the challenges of internationalization within such a complex context through the following general research question:
“What is the biggest challenge to SMEs internationalization in the watch industry?”

3.3.3 Literature review
Articles were collected during this research in order to build a theoretical framework of the challenges that SMEs of the watch industry face in terms of internationalization. These publications were retrieved using keywords such as: Born Globals, International New Venture, Internationalization, Declining Industries, Declining Markets, Small Firms, SMEs, Challenges of Internationalization, Barriers to Internationalization, and Networks, Watch Industry, Watches.
These keywords were typed in several online databases: Google Scholar, Web of Science, HH Library database which includes ABI Inform, EBSCO Host, Elsevier and Emerald Insight.

3.3.4 Selection of relevant sites and subjects
The watch industry being subject to change in many aspects and fulfilling - as suggested in section 2.1 – the characteristics of a declining industry, it has been chosen as the definite point of focus of the study.
38 watch brands were then listed as potential cases and were contacted by email. These firms followed the following criteria:

- European,
- Involved in international business
- SMEs.

Their repartition can be seen in Table 2.
<table>
<thead>
<tr>
<th>Country or origin</th>
<th>No reply</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>England</td>
<td>2</td>
<td>0</td>
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<td>0</td>
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</tr>
<tr>
<td>Germany</td>
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<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Ireland</td>
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<tr>
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<tr>
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</tr>
<tr>
<td>TOTAL: 38</td>
<td>23</td>
<td>12</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 2: Firms contacted and reply.

3.3.5 Data collection
Both primary and secondary data were used within this research. Using both data collection methods is common in exploratory studies and enables researchers to get a deeper insight into the topic at hand (Easterby-Smith et al., 2002). Furthermore, such a method enhances the reliability of the empirical cases, and thereby improves their trustworthiness (Rouse & Daellenbach, 1999).
3.3.5.1 Primary Data

The main data collected for the purpose of this research was primary data, through semi-structured interviews. Interviewing is, according to Cresswell (2007) the most common way of collecting data in qualitative research. The purpose of qualitative research interviews is, according to Kvale’s definition (1983, p. 174), to “gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena”. The interviews conducted in this thesis therefore took the form of semi-structured and in-depth interviews. In this type of interview, the researcher has a list of questions he or she wants to cover and discuss, the interview guide, but does not asks them in a particular order (King, 2004). This interview guide contained general questions regarding the watch industry in general, about the interviewees’ firm (e.g. number of employees, year of foundation, products), about the company’s internationalization, about the entrepreneur and about their perception of the role of networks in their line of business. The interview guide can be found in Appendix 1.

One advantage of semi-structured interviews is that some questions can be asked in some interviews and left out in others (Saunders et al., 2009). Questions that are not included in the interview guide can also be asked spontaneously as a reaction to what is brought up by the interviewees. All respondents accepted to participate in a second interview if some of the points discussed during the interviews remained unclear, or if the researchers had forgotten to cover some of them.

Face-to-face interviews with the CEO of the firms was the preferred data collection method within this research. Two of the three interviews were conducted in this context at the headquarters of these companies. The authors therefore travelled to the cities of Helsingør (Denmark), and Kamen, nearby Dortmund (Germany). This type of interview has several advantages compared to other data collection methods. For instance, it enables the researchers to record the interviews, if the interviewees allow them to do so, which was the case in this research. The interviews were simultaneously recorded on two mobile phones as well as a laptop, in order to prevent data loss. Atkinson and Heritage (1984, p.238) suggest that recording the interviews presents many advantages, such as helping the researchers not to forget any important information provided to them and allowing a deeper examination of what the interviewees say. Notes were also taken to keep track of all the topics that had already been covered, and the ones that needed further discussion. Another
advantage of face-to-face interviews is that they can take advantage of social cues (e.g. body language, voice, intonation), and enrich the data through observations (Opdenakker, 2006). It also makes it easier for the interviewers to detect signs of discomfort, distress or reticence regarding specific topics (Gillham, 2005; H.J. Rubin & I.S. Rubin, 2005; Shuy, 2003). Finally, as the two face-to-face interviews conducted took directly place at the headquarters of the two companies, it enabled the interviewers to gain a better understanding of the way they operate.

The third interview was also conducted with the CEO of the company but took place through another setting which is similar to face-to-face interviews in several ways, Skype. Sullivan (2012) suggests that video interviews and using web cameras make it possible to take advantage of social cues and to interpret the interviewees’ body language, which is why Skype was preferred to telephone interviews. Nevertheless, the latter can be done in a limited way as only the interviewees’ upper body and face can be seen through such communication channel (Cater, 2011). Consequently, face-to-face interviews were the form of interview suggested by the researchers first, and Skype was an alternate option.

Two different languages were used to conduct the three interviews that were part of this research. German was used to communicate with the companies located in Germany, as it was the preferred language of the interviewees. This enabled them to express themselves in a more precise manner, and more freely than by using the English language. Conducting the interviews in the interviewees’ mother tongue is unfortunately not always possible. However, this opportunity was seized in this research, as one of the authors’ mother tongue is German, and the other one has a sufficient proficiency in this language to understand and contribute to the discussions.

The interview that took place in Denmark was conducted using the English language. According to the English proficiency index (Education First, 2018) Denmark ranks in at the top of the countries whose citizens understand English. The authors therefore assumed beforehand that the interviewees would have a sufficient proficiency in this language. The latter was directly confirmed when the interview began, as the interviewees had full-proficiency in English and had an international background. More information (e.g. location, duration) can be found in Table 3.
<table>
<thead>
<tr>
<th>Company</th>
<th>Mean of Communication</th>
<th>Language of the Interview</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arne Jacobsen Watches</td>
<td>Face-to-face</td>
<td>English</td>
<td>01H42</td>
</tr>
<tr>
<td>HÆMMER Germany</td>
<td>Face-to-face</td>
<td>German</td>
<td>01H10</td>
</tr>
<tr>
<td>Meerzeit</td>
<td>Skype</td>
<td>German</td>
<td>00H37</td>
</tr>
</tbody>
</table>

Table 3: Mean of communication, language and duration of the interviews.

3.3.5.2 Secondary Data

Secondary data is a type of data that has already been collected for some other purpose. It can be divided into two categories: raw data and compiled data. The former is a type of data that has been subject to very little adjustments, and the latter, data that has been summarized (Kervin, 1999). Previous research (Saunders et al., 2009) classifies secondary data in three categories: Documentary secondary data, Survey-based secondary data, and Multiple-source secondary data. The nature of the secondary data used throughout this research can be found in Table 4. Documentary secondary data was mostly retrieved from organisations’ websites related to the watch industry or companies operating within this branch. This enabled the researchers to gain a better understanding of this complex market. The other category of secondary data retrieved throughout this paper is multiple source secondary data, through the form of industry statistics and reports, as well as publications of the European Union. These articles were used by the researchers to get a better understanding of the complex situation and the changes occurring within the watch industry, as well as its history.
3.3.6 Interpretation of data, theoretical work, and findings.

There are three major steps in analysing the data collected in qualitative studies: data reduction, data display, and conclusion drawing and verification (Miles & Huberman, 1994).

Data reduction refers to the selection and simplification of the data. The audio files recorded during the interviews were therefore listened to several times, and notes were taken based on their content. These notes were sorted out and divided in different categories in order to identify primary patterns in the three cases.

The second step, Data display, refers to the organization and the analysis of the data collected. All relevant information retrieved from the semi-structured interviews was written down in three case study reports. These reports were written in a similar way and were based on the conceptual framework of this research.

Conclusion drawing and verifications were then made based on the first two steps of the analysis. Explanations, patterns and assumptions were therefore put together and analysed. These results are presented in chapter 5.

Data analysis being generally recognized as the least structured area of research conducted under the form of a multiple-case study (Eisenhardt, 1989), two forms of analysis were conducted to strengthen it: a within-case analysis, and a cross-case analysis.

In the within-case analysis, the empirical data collected about the three cases (chapter 4) is individually compared with the theoretical framework of this research (chapter 2). The three cases are therefore examined separately and compared with the findings of previous
studies regarding the following topics: Internationalization, SMEs, Born Globals/International New Ventures, Declining Industries, and the Watch Industry. In the following section, the cross-case analysis and cross-case patterns are classified and presented under the form of tables (Table 6, Table 7 and Table 8). Similar and different results from what has been proposed by previous research are then discussed, and suppositions are given as to why they do not correspond with each other. Finally, conclusions and managerial implications were drawn based on these findings.

3.5 Trustworthiness

It sometimes happens in research that researchers choose to replicate the findings of others if they feel, for instance, that the findings of a study are wrong or irrelevant to the research question (Bryman & Bell, 2015, p.41). Reliability criteria, which refer to the repeatability of a research and if the same findings would be obtained if other researchers would attempt to conduct the same study, are necessary to assess the quality of a study. However, this factor is irrelevant to the quality of qualitative studies, as the circumstances as well as the person who conducts a study play a major role in its findings (Eneroth, 1984). According to Edfeldt (1996), a detailed process description leads to ”conditional intersubjectivity” and is more relevant to qualitative research, which is the research setting in which this study was conducted. Sykes (1991) also believes that the transparency of a research is what enables conditional intersubjectivity and indicates the good quality of a qualitative method. The researchers therefore attempted to describe all the steps they followed during their research process within chapter 3, ”Methodology”.

Another criteria supposedly defining the quality of a research is its “validity”. The latter term is concerned with the integrity of the conclusions of a research (Bryman & Bell, 2015). Measuring the validity of a research helps determining whether the results of a research can be generalized to a greater context than the one investigated. However, the notion of ”measurement” is a concern in quantitative research, not in the qualitative ones. Instead of validity, Eneroth suggests to evaluate whether ”every observation made visible is covered by some quality in the concept eventually created as a result of the study” (Eneroth, 1984, p. 59).

New terms and ways of assessing the quality of qualitative research are still missing. Lincoln and Guba (1985) proposed for instance that trustworthiness could be a criterion
determining whether a qualitative study is good or not. The purpose of qualitative research being to contribute to the understanding of social phenomena, it is important to understand another person’s personal perception of a specific problem. The latter can be achieved by giving him or her the freedom to express himself or herself freely about the topic at hand. The way of assessing the trustworthiness and validity of this study is the one of Stenbacka (2001), who argues that validity is achieved by conducting non-forcing interviews with the relevant interviewees. A deeper description of the data collection method and the interviews is to be found in section 3.3.5 "Data Collection”.

3.6 Ethical considerations
Diener and Crandall’s (1978) four types of ethical issues, explained hereafter, were considered throughout this research. Several measures were therefore taken to ensure to respect them. Depending on the topic discussed, some participants could want to keep some information private; suspending the interview and/or the conversation if they feel attacked and giving them the freedom not to answer all questions allows them greater control over what they want to say or not. Not using information without the interviewees’ consent, by sending the empirical data regarding their particular case to them and publish them upon their approval, also ensures a greater comfort for the interviewee. Asking the interviewees whether they agree to be referred to within this research with their real name, or preferred to be named following the position they occupy within the company is critical in both the quoting of said interviewees and the safeguarding of their private life should their wish not to be referred to publicly (if none of these options would suit them, they could also remain completely anonymous). Finally, as a work ethics matter and as a courtesy to the interviewee, who has supposedly given the interviewer his own identity, the researchers giving the interview should beforehand specify their own identity and the purpose of their research to the interviewee.
4) Cases

In Chapter 4, the cases “HAEMMER Germany”, “Meerzeit” and “Arne Jacobsen Watches” are presented. Each case is composed of nine sections, introducing the reader to the companies and their internationalization process. The following topics are investigated: the name of the company; its entrepreneurs; its structure; the idea, product and the USP; the firm’s marketing; its internationalization, distribution channels and growth; its perception and use of networks and trade shows; its CEOs’ opinion on the decline of the watch industry, smartwatches and competition.

4.1 HAEMMER Germany

HAEMMER Germany, hereafter referred to as “HAEMMER”, is a German watch brand located in Kamen, in the Ruhr-area, the most important economic region of Germany. This region is, according to HAEMMER, characterized by hard working and honest workers, with whom the firm identifies itself with; they also attach importance to fairness and justice. The two founders of the company - Holger Bohne and Jeroen Opdam - got to know each other in 2006, as both of them were attending the same trade show. They were back then working for competing companies but developed a close friendship and shared a similar vision: to revolutionize the world of watches.

The idea was to manufacture watches that would have their crown positioned on the left side. This simple but big difference to other brands does not solely guarantee a better comfort for the user but also a big differentiation from competitors. In addition to that, Holger Bohne and Jeroen Opdam wanted their watches to have a polarizing character. Therefore, they decided to produce watches that would only be in over-size measurements. Even though the economic climate was unstable in 2008 due to the financial crisis, Holger Bohne and Jeroen Opdam decided to realise their dream and founded HAEMMER Germany GmbH with their own funds.

4.1.1 The name

HAEMMER perceives its name as being very important. Following the CEOs, they spent more time on finding the right name and logo for their products than on designing the first models. The famous car brand “Hummer” has a big recognition value and is inseparable
with attributes like size and strength, and inspired the name HAEMMER. These attributes should represent the watch brand as well. The word “hammer” is also suggesting similar attributes.

4.1.2 The entrepreneurs
Holger Bohne had been working in the watch industry for 14 years before founding HAEMMER. He comes from Germany and used to be Key Account Manager at Junghans, another watch manufacturer based in southwest Germany. This position and his involvement in both sales and marketing activities enabled him to learn many aspects of this specific line of business which is the watch industry.

Jeroen Opdam comes from the Netherlands and also had experience in the watch industry. Before undertaking a new venture together with Holger Bohne, under the form of HAEMMER, he worked for big players in this industry such as Citizen Watch and SEIKO. Both Holger Bohne and Jeroen Opdam have no academic background but a large body of experience acquired through several years in this line of business. They quit their jobs to dedicate themselves completely to the creation of their own venture, HAEMMER.

4.1.3 Structure of the company
In 2008, Holger and Jeroen founded the company HAEMMER Germany GmbH. They managed to grow their firm slowly but steadily during the last decade, which reflects the down-to-earth mentality of their region of origin, the firm advertises itself with. The company currently employs ten people on a full-time basis. Holger is responsible for all the marketing and design activities, whereas Jeroen is responsible for the production of the watches and accounting. When they founded the company in 2008, they both went to banks with a business plan and a vision of what they wanted to realize in order to get a loan, which would become their start-up capital. None of the banks accepted to provide them with such a grant, which led to the creation of HAEMMER out of personal funds. Both CEOs now believe that starting with such a small amount of money sparked their creativity and ambitiousness.

HAEMMER has not relocated its headquarters since its creation and has grown steadily throughout the years. There was no employment boom where they hired many people at the same time. The firm wanted to grow slowly and steadily and only hired more people when it really needed more manpower. The reason as to why HAEMMER has been successful during the past ten years is, according to its CEOs, that:
“HAEMMER is not a fashion brand which is trying to follow different trends, but rather creating its own.”

This strategy appears to be successful as the company sells about 10,000 pieces per year, and keeps on increasing this number every year.

4.1.4 The idea, the product and the USP

“A company needs a face and a strong product philosophy with concise and recognition value in its designs.” (Holger Bohne, CEO)

HAEMMER developed a design concept that is strongly recognizable in all of its products through left-side positioned crowns and oversized bodies of 45mm - for women - and 50mm - for men. The company’s logo is engraved on every watch, and every product-line is limited to 99, 333 or 999 copies. Every watch has its own serial number, making it unique and it can be ordered with a specific serial number, if it is still available. This feature is of particular interest to collectors.

This limited offer of each design enhances customers’ desire to buy watches and speeds up their sales. A watch that one is interested in today may not be available for purchase tomorrow, as it will be replaced by new models. At the moment, HAEMMER offers eight different lines of product respectively composed of three distinct models. Quality is a core value HAEMMER stands for, which is why it solely uses quality clockwork from Miyota, part of the Citizen Watch Co. Ltd. Its whole portfolio is waterproof up to 100m and features bracelets made out of Italian calfskin. As the two founders had a good knowledge of the competitive environment they were about to enter, they decided not to have one but three Unique Selling Propositions (USP): A left-sided crown, oversized formats, limited collections.

They wanted to come up with something against the mainstream. Realizing that the most annoying part of wearing a watch is the crown pressing into the back of the hand, they decided to place it on the other side. With the left-sided crown they revolutionized the market, as this special feature has not been done before and is more comfortable for the customer. The oversize format is very attractive to some of the firm’s target groups. Besides this, the oversize and the limitation of every model brings uniqueness to the brand.

In the beginning, HAEMMER’s catalogue only had men’s watches in 20 models (in
2008/2009). Right after they realized that there is a market for women's watches with the same attributes, they started a woman’s collection. Today, around 60% of the turnover is made through women's watches. In this field, HAEMMER is the only brand that offers such a variety of oversized watches. The core price-segment of HAEMMER used to be €400-€700, which changed in 2017, when the firm broadened its range of products and added models starting at €175 and going up to €1300. The firm perceives itself as rebellious, special, eye-catching, determined and emotion-based. HAEMMER wants to offer the possibility to match one’s watch to his or her’s personality and lifestyle; the brand also wants to draw attention and stands for the individualist and visionary, who has self-esteem and trust in his or her’s own skills to achieve his/her goals.

4.1.5 Marketing
The strategic marketing planning, as well as the analysis and controlling of all marketing activities are executed by highly-qualified communication and marketing experts. The creative execution is done in-house, HAEMMER even has its own photo studio. This enables HAEMMER to respond to special requests of its partners. This is also a way for HAEMMER to differentiate itself from its competitors and their products. Following Holger Bohne:

“Everything that is related to emotions is done in-house by HAEMMER.”

This enables the employees working for the firm to put all their emotions and ideas into the product and to live the brand. Only the printing of the campaigns and catalogues is done externally. HAEMMER wants to focus more on social media marketing in the future but lacks experience in this field and therefore recently started to collaborate with an external company, which is an exception to its policy. HAEMMER identified several branches where its products are very popular. This is for example the case of the tattoo branch, which is why the firm created a campaign with tattoo-models wearing HAEMMER watches, which was of great success. The firm’s marketing activities are not adapted to the different countries it sells its products on, but well to the different target groups it seeks to reach. HAEMMER’s website is only available in German.
4.1.6 Internationalization, distribution channels and growth

The development of HAEMMER is based on several success factors. The main reason is the firm’s distinct positioning on the market, that delivers a very high differentiation. To give an overview of the international development of the firm, some milestones are presented:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Started with 20 models. The first focus markets: the Netherlands, Belgium and Luxembourg.</td>
</tr>
<tr>
<td>2009</td>
<td>First women's collection in over-size format (45mm calibre). HAEMMER entered the Greek market and several Balkan countries as well as Costa Rica.</td>
</tr>
<tr>
<td>2010/2011</td>
<td>Three new countries were entered: Norway, the US and Mongolia.</td>
</tr>
<tr>
<td>2012</td>
<td>HAEMMER received the founders’ price of the IHK (Chamber of Industry and Commerce) Dortmund, rewarding the CEOs of the firm for their success. HAEMMER entered Dubai, Canada and Spain.</td>
</tr>
<tr>
<td>2013</td>
<td>HAEMMER won the “innovation price of SMEs”, granted by “Telekom” and by “Bild”, which is the most popular newspaper in Germany.</td>
</tr>
<tr>
<td>2014</td>
<td>HAEMMER was awarded to be one of the TOP 100 businesses by the Chamber of Industry and Commerce Dortmund. HAEMMER entered the Austrian and the Turkish markets. A collaboration with a TV-Channel in Taiwan also made it possible to enter that market.</td>
</tr>
<tr>
<td>2015</td>
<td>One of the biggest TV channels in Germany (RTL) made a report about HAEMMER, which made the company visible all-around Germany.</td>
</tr>
</tbody>
</table>

Table 5: Milestones of HAEMMER’s internationalization

As previously mentioned, the Netherlands, Belgium and Luxembourg were the initial markets HAEMMER focused on. As one of the founders came from one of these market’s region, it was a way to start and test their operations. Several distributors from different
countries heard of the brand and contacted the company to discuss potential collaborations. Through this, an experienced distributor started to sell HAEMMER watches in Greece, which unfortunately quickly became a rather unstable market due to the financial crisis of 2008. In 2009, distributors from Serbia, Costa Rica and Australia contacted HAEMMER to start selling the firm’s products on these markets. This enabled HAEMMER to grow on a numerous different markets at the same time. In 2014, a TV channel from Taiwan contacted HAEMMER as it wanted to sell the watches through teleshopping, which turned out to be a very successful collaboration for the firm. As this market was distant from their main target markets, the CEOs of HAEMMER gave it a try as it would not have big influence on the credibility and image of the brand in other markets. For reorganization reasons, the TV channel stopped the collaboration after 2 years. At some stage, HAEMMER was present in 40 countries all over the world. Realizing that some of the firm’s distributors were not the right ones, some collaborations had to be cancelled after a short time. According to HAEMMER, a sales agent is not in tune enough with the emotional appeals of a specific brand and therefore experiences difficulties when it tries to sell the brand’s products. In the first years, the majority of distributors got in touch with HAEMMER themselves, without HAEMMER looking for them, which made it easy for the firm to grow. Orders can be made and shipped all around the world. However, there is currently no possibility to navigate through the firm’s website in English.

Winning the “Innovation Price of SME” in 2013 and because of the resulting publicity, HAEMMER got famous in Germany. HAEMMER has only focused on its home market for about five years. Before that, the firm did not have the manpower to handle that market and felt that the market was still too conservative for its products. HAEMMER currently operates through three big online distribution channels in Germany and sells 70% of its watches on its home market. The most successful channel is the firm’s own web shop. After that, the biggest German mail-order business called “OTTO” is selling large numbers of products. Besides this, HAEMMER watches are sold on the web shop of “timeshop24”. In the future, HAEMMER wants to focus more on online business, as the firm is at the moment selling well through offline channels but is aware of the fact that offline selling is becoming harder and will disappear in the next few years. Besides this, the margins when selling offline are way smaller than when selling online. The entry modes to a market chosen by HAEMMER are distributors and agents, as well as direct export through its web shop.
To enter more markets in the future, HAEMMER wants to have partners that possess a consequent knowledge of their market. Even though the firm had a distributor in 2010 in the US, it did not turn out as profitable and successful as it was supposed to be. HAEMMER perceives the US market and the Russian market as having high potential for oversized watches. Until now, the right distributor has not been found; to enter these big markets, it is necessary to possess large resources in terms of human capital, financial capital and time. According to the two CEOs of the company, finding the right distributor is the biggest barrier to internationalization. They have not found an agency that managed to help them finding the right distributor on specific markets. In the future, HAEMMER wants to attempt to get support from governmental institutions such as the chamber of commerce to solve this problem. Finding similar partners to “OTTO” mail-order in Germany would potentially be very beneficial to HAEMMER’s expansion.

4.1.7 Networks
Due to their work experience in the branch, Holger Bohne and Jeroen Opdam have a large professional network. To find the right manufacturer, they used their business contacts and got in touch with a producer in China, who undertook production for many big watch brands. After paying the prepayment to the manufacturer, it became insolvent. Having close contacts to Citizen, HAEMMER was able to get in contact with other manufacturers. Even though professional networks helped the CEOs of the firms to find a watch manufacturer, it is the only one they got in touch with. Networks did not give them the choice between several partners to work with, but only with one of them. When it comes to social networks, HAEMMER does not believe that they helped the firm in its internationalization. Having some network is therefore important to Jeroen Opdam and Holger Bohne, especially in the early development of a firm, but is not the solution to all problems.

4.1.8 Tradeshows
Two trade shows related to the watch industry are of particular interest to HAEMMER: the German trade show “Inhorgenta”, which is the largest national trade show for accessories and watches on this market, and the “Baselworld”, in Switzerland, which is the world’s largest fair for accessories and watches.
In 2012, HAEMMER had its first own stand at the “Inhorgenta” in Munich. This was an expensive step with little consequences, which led to the firm’s decision not to attend trade shows about its line of business as an exhibitor anymore. The “Baselworld” as well as the “Inhorgenta” are encountering an extreme decline in terms of visitors and exhibitors. In 2018, the “Baselworld” will even be two days shorter than it used to be. Therefore, HAEMMER perceives trade shows more as a possibility to see what others do, and as an opportunity to meet colleagues and competitors, to have an exchange of knowledge. Consequently, HAEMMER is trying to tread new paths. The firm promotes its products on trade shows of different industries. The CEOs identified, for example, that people from the tattoo branch are highly interested in their products. HAEMMER therefore exhibits its products at the Swiss Tattoo trade show. This enables the firm to increase awareness about its products and to directly reach one of its target groups.

4.1.9 Declining industry, smartwatches and competition

HAEMMER, while considering the number of visitors and exhibitors at trade shows, realized that the watch industry is declining. Still, Holger Bohne and Jeroen Opdam believe that trade shows can be beneficial to traditional brands and their products, but not for what their products stand for.

The firm’s CEOs also see much change occurring in their line of business as Apple and its iWatch have overtaken Rolex, which used to be the biggest brand on the market. Besides this, they see a change in the role of the wristwatch, as these products nowadays serve a branding purpose and are not purchased in order to read the clock anymore. HAEMMER also perceives a general decrease in the popularity of wristwatches, but a growing market for watches that stand out of the crowd and distinguish themselves from the others, which is why Holger Bohne and Jeroen Opdam assume that their brand will keep on growing through the years. In addition to that, HAEMMER believes that for most people the Smartwatch is something people wear at work or for practical reasons, but this is just an addition to the watches they wear when going out or in private – there they still want to have something they can identify and differentiate from others with. However, the company does not believe that these products are the next technology that will change our daily lives, and does not see these gadgets as competing products.

HAEMMER and its products used to be unique on the market but now face just a little competition selling similar types of watches. One Italian competitor is operating in a totally
different price-range of 5,000€ - 80,000€ and another Dutch competitor is almost inconspicuous.

4.2 meerzeit.
“meerzeit.” is a German watch brand, located at the North-Sea in the city of Aurich. For practical reasons, this firm will be referred to in this research as “meerzeit” or “Meerzeit”. The company was founded in 2016 by Jannes Ritz and Kristof Kromminga, two young entrepreneurs who are very attached to their home - the North Sea. During a sailing trip one of them was wearing a bracelet he had sewn himself in the colours of their flag: black, red, blue. During their conversation they found out what unites the people from the coast:

"Besides the sea, fresh wind and the salty air, it is the way of keeping traditions as well as the rough but well-tempered manner of the people from this region”, says Jannes.

They thought about selling bracelets and watches to individuals sharing the same values and to create a timepiece that is a symbol of the way of living at the coast. A keepsake not to lose time but to spend more time with things that make life liveable.

4.2.1 The name
For meerzeit individuality is in focus. As the firm wants to be authentic and as near to its customers as possible, a name in German language was chosen. The name is a heterography as the word “meer” (which means “sea”) also sounds like the word “mehr” (which means “more”). The word “Zeit” in German means “time”. This way meerzeit has a unique name that gives a meaning to the people that identify with it.

4.2.2 The entrepreneurs
Jannes Ritz studied Mechanical Engineer and comes from Aurich, in Germany. He is still a student in a Master Programme in Hannover. Even though his background is not directly related to the watch industry and the management of a firm, he wanted to have his own company and work with something that reflects his personality.
Kristof Kromminga works for a windmill-producer in the logistics department. He is a part-time entrepreneur as well. As both of them are quite young and have not attempted previous ventures before, it is their first step into entrepreneurship.
4.2.3 Structure of the company
The company is managed by one manager, Peter Kromminga, Kristof’s father, who is responsible for the accounting. Besides him, Jannes Ritz and Kristof Kromminga are the operating partners for sales and the procurement of their products. The legal structure of the company is “UG” which is comparable to the British “Ltd.” but does not require any seed capital. There are no further information concerning sales, turnover or the financial structure of the company.

4.2.4 The idea, the product and the USP
As described above, the idea to start up the company came up during a sailing trip in 2016. Solidifying the idea in June, first samples were produced in September. After the establishment of the company to the turn of the year 2016/2017 and a process of finding the right producer and partners, the first sale took place in June 2017, which is exactly one year after coming up with the business idea. According to Jannes:

“the firm’s vision is to create a brand that relies on the concept of identification through story-telling and people’s roots.”

The price range of the watches is 120€ up to 140€. Concerning its unique selling proposition, the company wants to differentiate itself through its brand image and quality. The outer transparent cover of meerzeit’s watch is therefore made out of sapphire glass, which is not a feature of many competing products within the same price range.

4.2.5 Marketing
As the firm’s main distribution channel is online, social media is the marketing tool used the most frequently by meerzeit. Meerzeit currently has approximately 13,000 followers on Instagram, and tries to create a brand identity through high-quality pictures on this platform. These pictures focus on people, the firm’s products and nature. Google ads are also used by the firm in its marketing activities. In the future, meerzeit plans to make use of print-campaigns to attract even more local people directly and reach directly its local target group. As the company is still young, it lacks available resources to dedicate to marketing and rather focuses on other aspects of its development instead. There is no adaption of marketing activities to different countries so far. Meerzeit’s website is currently only available in German.
4.2.6 Internationalization, distribution channels and growth

As the firm focuses in its early phases on German speaking countries, Germany, Austria and Switzerland are the points of sales. Still, meerzeit’s products can be purchased and shipped all over the world.

The firm focuses on online sales; through the online shop that is implemented on its website, where meerzeit realises most of its sales. Until now, there are two retailers in the close area nearby meerzeit’s headquarters that distribute its products. In the future, meerzeit wants to work with more retailers in the coast area to sell its products, as these locations have a direct contact to its target group. Meerzeit also plans to employ a sales person soon. The firm wants to work together with distributors that could have meerzeit as a part of their portfolio, as its managers are convinced that agents and distributors play a big role in a firm’s internationalization, especially in the watch industry.

4.2.7 Networks

The first important contacts made by the two entrepreneurs occurred through a platform where they searched for the right manufacturer to produce their wristwatches. It took a long time for the manufacturer to properly understand what meerzeit exactly wanted and what it stands for. In the process of finding the right manufacturer they had no network they could use. A private contact in their hometown helped them to do quality checks before the shipment of the first products to Germany. In this case, it was important to have a private contact, as they could make advantage of the faith they had in each other through this personal bond. In this early phase in particular, it was important to rely on a personal contact, based on a relationship of faith and trust. To have credit in advance was of high importance to meerzeit when entering the business.

In terms of organisational contacts and help during the establishment of the company, the IHK (Chamber of Industry and Commerce) was the firm’s contact institution. In the case of meerzeit it turned out be helpful, as it provided meerzeit with good advice regarding how to avoid mistakes that can ruin its whole project. The IHK was more useful for the procurement part than for the sales part. However, meerzeit is considering further cooperation with this organization in the future.
According to Jannes Ritz, it would have been very useful to have contact with other entrepreneurs who imported their products from China, to have an exchange on processes, especially in terms of quality assurance. Nevertheless, he found it helpful to talk to other young entrepreneurs about their processes and experiences, in the field of online marketing for instance. These contacts were again made through private channels as well as university projects.

The contact to the firm’s first distributor in its hometown was again made through a personal contact, as Jannes’ girlfriend knows the owner of a jeweller's shop. Here again the credit of trust that was given through this private bound made it possible to place the product in the first offline boutique.

Meerzeit still being a young venture, the private bonds and relationships of its founders were more useful than its CEOs’ business contacts. Of course, the business network of its founders is not well developed yet, as they are students or young professionals and have not been in the business for years. Consequently, they find it hard to find distributors willing to sell their products on foreign markets.

4.2.8 Trade shows
Until now, meerzeit has not attended a trade show as an exhibitor, but has as a visitor due to its limited financial resources. Being there as a visitor made it clear for its founders that there are many other young brands that are trying to enter the market. Trade shows also enabled them to share experiences with entrepreneurs within the same industry. Against expectations, most of them are very open to help and to share information with others. Meerzeit is embedded in kind of community of young brands on the market that help each other, even though they are competitors. Nevertheless, the CEOs of the firm perceive a decrease in the importance of those events.

4.2.9 Declining industry, smartwatches and competition
The watch industry is perceived as decreasing in popularity and as a declining industry by meerzeit, despite the emergence of many new brands on the market that act to dislodge others and steal their market shares. The firm also sees a shift towards online business, which is replacing offline distribution channels.

The firm's positioning is oriented towards consumers who possess more than a single watch. In the past, people bought one watch and kept it for years. Today, meerzeit is aware
of the fact that watches are no longer necessary items to read the time, but branding accessories that can be purchased several times and collected as well. The founders of the firm are therefore not afraid of a declining market as they also see a positive shift into their target segment.

The segment of Smartwatches is, following Jannes, not an issue of competition for meerzeit. These products are, in his opinion, not going to become important parts of our lives and are part of another segment. As direct competitors they face other German brands such as Paul Hewitt and Kapten & Son which have a similar orientation and sell products in the same price range. According to Jannes:

“Of course, the already mentioned Daniel Wellington is the biggest international competitor on this market.”

4.3 Arne Jacobsen Watches
Arne Jacobsen Watches (AJW) is a Danish watch brand, located in Helsingør. The company was founded in 2014 as a spin-off of the Danish Rosendahl Design Group (RDG), which decided to exclude wristwatches of its portfolio due to the higher requirements of after sales services within this segment. The brand’s focus is on wristwatches that are designed based on the creations of Arne Jacobsen, a famous Danish architect who lived from 1902 to 1971, whose designs are still famous all around the world. The watches are inspired by his famous wall clock designs.

4.3.1 The name
Arne Jacobsen is one of the most popular Danish architects that ever lived. The particularity of this artist is that he used not to solely work on the architecture of buildings but on all the furniture and decoration inside of them too, which is very complex compared to what architects do today. Arne Jacobsen's architecture is still admired internationally and many of his products are still being produced, including his clocks and watches. The watches have now been recreated entirely faithfully to his original drawings. The firm chose the name “Arne Jacobsen Watches”, as it reproduces his designs and inspires itself from his creations.
4.3.2 The entrepreneurs

Peter Henriksen has an international background as he studied in the Netherlands and lived in Germany for several years before coming back to Denmark and becoming the CEO of AJW. He also worked in Sweden and Hong Kong and has more than ten years of international experience in the automotive industry, as he worked for companies such as General Motors and Citroen. Besides this, working for watch manufacturers and being the founder of several companies enhanced his managerial skills and taught him the specificities of the watch industry. The Rosendahl Design Group, which is also one of the founders of the company, has a wide background of international experience, knowledge and know-how in the industry. Selling design products to all of the world, RDG is a strong partner in the business.

4.3.3 Structure of the company

AJW has three owners: The Rosendahl Design Group, Peter Henriksen - who is the actual CEO of AJW -, and an external investor. The company was composed of two employees when it was founded in 2014, but now employs 9 individuals on a full-time basis. Some hourly-paid workers also reinforce the company’s human resources occasionally. Two of these nine employees focus on the firm’s marketing activities. The watches are produced in China, but are distributed from Denmark, as well as from several other hubs. The products include a two-years warranty, are available for shipping all over the world and are joined with a promise of free return shipping. An in-house watchmaker takes care of the reparation in case of damages.

4.3.4 The idea, the product and the USP

Arne Jacobsen designed his first industrial product in 1939, the desk watch. The watches look almost the same as they did back then. They were designed a long time ago, but aesthetically speaking, it could also pass for having been designed one year ago – this is the strong part of the design.

There are four Arne Jacobsen designs: the “Station” is the oldest design, then the “Roman” from 1942, the “City hall”, and the “Bankers” which was made for the Danish national bank in 1971.

As the company is limited in terms of new designs, the company develops new styles and works with different materials and colours, even though its creativity is limited to the colour-range that Arne Jacobsen used throughout his lifetime.
In the 1970s, products were sold based on his designs, including the wall clock, but there were no strict criteria defining whether a product could be qualified as “Arne Jacobsen”. The quality of these products was therefore often not sufficient and let to the foundation of the Arne Jacobsen Foundation, which is quite strict on what can be qualified as “Arne Jacobsen” or not, to protect the brand.

The Rosendahl Design Group picked up the name “Arne Jacobsen” around 2008. This firm is experienced in picking up old brands and renewing them in accordance with their history. Today, some of the people that used to work with Arne Jacobsen himself are employed to check if the products are designed and produced in his spirit, ensuring the high quality of the wristwatches.

AJW’s portfolio is composed of wrist-watches in the size of 34mm, 40mm, 46mm. Soon a 30mm model will be added to the firm’s range of products, following Peter Henriksen’s belief that consumers will turn themselves towards smaller watches again. The price of AJW’s products ranges from 270€ up to 340€.

4.3.5 Marketing
AJW presents its watches as elegant and simple. It uses a standardized marketing strategy and does not adapt its promotion to the market it serves, although it considers doing so for some specific markets in the future. The company’s website is currently available in four languages: English, Danish, Norwegian and Swedish. The firm uses two social media platforms in its marketing activities: Facebook (13,520 likes) and Instagram (11,100 followers). Sponsoring is also a way used by the firm to promote its product, which was for instance the case at the 2018 edition of the “Danish Beauty Award”.

4.3.6 Internationalization, distribution channels and growth
AJW has a wide network of distributors and is present on several international markets. It did not start from scratch, as it took advantage of the distribution network built by Rosendahl Design Group before its decision to exclude watches of its portfolio. As AJW is now more independent than it used to be and only focuses on the watch industry, some distributors have been removed from the commercial process since then, others have been added, and some are kept from the time of the leadership of Rosendahl Design Group. More than 50% of the firm’s sales has been on foreign markets ever since its foundation in 2014.
The Danish home market is handled internally; there, AJW acts as both the brand owner and the wholesaler of the products. The firm also has its own dealers which it visits as a normal distributor. The firm perceives it as important to handle its home market itself, as its owners see it as a test market, especially for its marketing activities. Sweden and Norway are as well handled internally, even though AJW wants to externalize it and have partners there in the future. Most markets are served through distributors: these are, for example, the Netherlands, Germany, Japan, China, Hong Kong and Greece. According to the firm’s CEO, Peter Henriksen, it is hard to find out which place you want to spend your time on. The brand's philosophy is to only enter a market if it is sure that it can serve it properly, which depends very much on the distributor.

Finding the right distributor is, according to Peter Henriksen, the biggest obstacle to successful internationalization:

“Sometimes you have the chance to work with well-known and big distributors, but sometimes you just have a good feeling about a person, which is what happened with the distributor in Greece”, where the company started a collaboration with a distributor due to his outgoing and friendly personality. Peter says: “It is about focus and what you want to spend the money on.”

Last year, the company had an overall turnover of about €2,400,000 and has the potential to keep growing in the future. AJW is implanted into only few markets at present times, as it is still busy cleaning up its old structure and cancelling cooperation with unsuccessful distributors. AJW’s strategy is to earn money while growing slowly and steadily, as an organic growth.

The number of offline dealers is expected to diminish and to die out in the next years. The company is therefore shifting its focus to e-commerce. This goes along with AJW’s brand positioning, which is more about lifestyle and fashion and is therefore unlikely to fit into traditional jewellery stores. Many distributors take contact with the firm and are willing to sell AJW watches on other markets, but many of them are not dedicated or successful enough to represent AJW abroad. All of them are therefore evaluated individually and given a chance if they are perceived as serious potential distributors. The potential of big distributors to be good resellers of AJW lies in their market knowledge and highly developed network. Smaller distributors, on the other hand, can also achieve good results
due to their enthusiasm about the products they sell, as well as their commitment to the brand.

4.3.7 Networks
Peter Henriksen does not see business networks as an important part of the business he manages, even though he acknowledges the role of distributors in selling his products abroad.
AJW has of course a network, but does not see it as having any impact on the easiness to find the right distributors on other markets.
Evaluating a distributor requires research, time, and meetings to assess its quality. AJW has not used any institutional help yet, but plans to get in contact with the chamber of commerce in the future, in order improve its distributor network. Finding the right manufacturer to collaborate with has until then always been achieved through private bonds. Looking back at his company’s development, Peter Henriksen believes that AJW’s private networks played a bigger role than any professional contact. He also perceives network embeddedness as important, even though networks are not always helpful.

4.3.8 Trade shows
AJW has attended trade shows - such as the Hong Kong Fair - but has not directly promoted its product there since 2016. Its CEO believes that they are not as useful as they used to be. The firm has since then only visited exhibitions to meet partners, competitors, and make new contacts.

4.3.9 Declining industry, smartwatches and competition
AJW also sees a decline in its industry. Its CEO sees how the importance and numbers of trade show exhibitors and visitors are shrinking. According to him, the role of the wristwatch has changed and is now about personal values and matching the personality of the person wearing it. Nevertheless, his perception of his products as being timeless and different from the ones sold by competitors makes him confident about the future of his brand.
Similarly, Peter Henriksen does not perceive the recent hype regarding smartwatches as a threat to his brand. He finds it difficult to grasp what is the real value of smartwatches, and other types of watches connected to mobile phones. Peter says:
“*When you have a watch, that is independent from a phone, and a sim card can be included, then I see an idea in it.*”

Furthermore, these products have shorter life-cycles and are, according to him, not competing products, as they serve different purposes.

Mr. Henriksen sees several brands as direct competitors: Daniel Wellington, which is often considered a pioneer in the watch business as a fashion brand using social media marketing; “Cluse”, and “Rosefield”.

5) **Analysis**

In chapter 5, the authors compared the theoretical background of the thesis to the presented cases. The reasoning behind the choice of the companies is explained and followed by a within-case analysis. The within-case analysis gives insight into the extent to which the internationalization process of the companies is in line with the previous research presented in the theoretical background. The latter was achieved by analysing the empirical data from the cases, comparing it to previous findings and regrouping it under the following categories: declining industry, internationalization and its challenges, the entrepreneurs. After that, a cross-case analysis is presented which investigates overlapping patterns, similarities, as well as differences in the cases. It also seeks to explain these cross-case patterns.

5.1 **Choice of companies**

To be part of this study, the companies had to fit a set of criteria. They had to be European, comply with the European Commission’s definition of SMEs (European Commission, 2015) (see Table 1) and be involved in international business. Whether or not they are BGs, according to Luostarinen and Gabrielsson (2006), is also researched within this section, as it may influence their internationalization process.

5.1.1 **European**

The three cases explored in this research have their headquarters located in Europe:

- **HAEMMER** is located in Kamen, Germany.
- **Meerzeit** has its headquarters in Aurich, Germany.
- **Arne Jacobsen Watches (AJW)** has its headquarters in Helsingør, Denmark.

5.1.2 **SMEs**

HAEMMER employs ten individuals on a full-time basis and sells, according to its CEOs, about 10,000 wristwatches yearly. Considering the fact that the price of this firm’s products ranges from €175.00 to €1300.00, its turnover is inferior to €50,000,000. HAEMMER therefore fulfils the criteria of European SMEs.
The number of employees working for the firm is inferior to 250. Even though no precise figure was provided by meerzeit regarding its turnover, its CEO confirmed that it is inferior to €50,000,000. Meerzeit therefore also fits the criteria of European SMEs.

Finally, nine people work for AJW on a full-time basis. This team is sometimes reinforced by a few hourly-paid workers, but the firm’s total number of employees has always been inferior to 50. AJW has a turnover of approximately €2,400,000, making it a European SME as well.

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Turnover</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>&lt; € 2,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>&lt; € 10,000,000</td>
<td>&lt; € 10,000,000</td>
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<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>&lt; € 50,000,000</td>
<td>&lt; € 43,000,000</td>
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Table 1: Criteria defining a firm’s size (European Commission, 2015).

5.1.3 Involved in international business

HAEMMER has been involved in international business ever since its creation, through its focus on three countries: Belgium, the Netherlands, and Luxembourg. The firm has since then entered numerous countries such as Greece, Norway and Spain. These countries are presented in section 4.1.6. HAEMMER also imports its products from another country.

Although Meerzeit is a young venture, it is already international as its products are available for purchase all around the world through its website, and as it imports its watches to Germany. Moreover, it focuses on sales in Germany, Austria and Switzerland.

The third case researched, AJW, was involved in international business ever since its creation and even before, as the brand used to belong to the RDG, who already had an existing network of distributors selling its watches abroad.
5.1.4 Born Globals / International New Ventures

Following Luostarinen and Gabrielsson’s (2006) reasoning, at least 50% of a firm’s sales within three years after its creation must originate from other markets for it to be considered a BG/INV.

Even though HAEMMER is based in Germany, most of its sales during the first three years after its foundation happened in the Netherlands, Belgium, Luxembourg, Greece, Costa Rica, as well as some Balkan countries. Although HAEMMER’s website is only available in the German language, the firm’s focus on the German market came later. The authors therefore consider this firm to be a BG/INV.

Meerzeit was founded only two years before the submission of this thesis, it is therefore not possible to confirm that this firm is a BG. Its worldwide shipping policy and the sale of its product on both the Austrian and Swiss markets assume an international orientation. However, meerzeit focuses primarily on its home market, and this firm’s products are not sold on foreign markets through the means of a distributor. This firm may become a BG if its international sales increase drastically within the third year after its creation. However, at present times, Meerzeit is not considered as a BG/INV.

The third case empirically researched, AJW, had international distributors from birth as it was founded as a spin-off of the Rosendahl Design Group, who had already been selling “Arne Jacobsen” watches for a few years. Within the first three years of this firm life, it has managed to successfully sell its product to many countries such as the Netherlands, Germany, Japan, China, Honk Kong, and Greece. More than 50% of its sales have originated from foreign markets every year. AJW therefore fits with the criteria of a BG/INV.

5.2 Within-Case analysis

5.2.1 HAEMMER Germany

5.2.1.1 Declining industry

According to Friedman (2015), the popularity of wristwatches has decreased. He argues that the reason for such a decline is that individuals – particularly the younger ones – carry their phone at all times, making it possible for them to check the time whenever they want. The case of HAEMMER does support this opinion as its CEOs, Holger Bohne and Jeroen
Opdam, believe that the popularity of wristwatches is decreasing, even though they acknowledge that their primary function has changed. They agree with Pine and Gilmore (1999), as well as Okonkwo (2007)’s view, which is that buying a wristwatch fulfils needs related to branding and is not associated to the original purpose of a wristwatch, which is reading the time. In the eyes of HAEMMER, individuals do not use a watch to check the time but rather as a fashion statement, or as something they can differentiate themselves from others with. This also goes along with other publications and reports about this unique industry, who state that watches have become fashion accessories that are personalized and representative of the personality of the consumer (Kraugerud, 2016; Euromonitor International, 2010, Silverstein & Fiske, 2005). Therefore, HAEMMER focuses its strategy on creating a brand that stands out of the crowd and focuses on a well-defined target audience.

The CEOs of HAEMMER disagree with Choi and Kim’s research (2016), who found design and personal branding to be values associated to smartwatches, thereby being factors influencing individuals’ willingness to purchase these products and qualifying them of fashion products too. They rather perceive smartwatches as accessories worn by individuals for practical reasons (e.g. at work, to do sports); and think that they are solely products complementing the wristwatch worn by individuals in other situations. HAEMMER’s higher management also contradicts Cecchinato et al.’s idea (2015) that smartwatches are the next mobile technology that will change our daily lives. Holger Bohne and Jeroen Opdam do not believe that smartwatches will replace the regular wristwatch in any way and consequently do not see these products as a direct competition to their products.

According to Euromonitor International (2010), traditional watch stores are still the preferred alternative to purchase wristwatches for many individuals, though they are currently losing market shares. These specialized shops are expected to keep on decreasing in popularity over the years and to be replaced by online distribution channels (Euromonitor International, 2010). HAEMMER supports this finding and has particularly seen a shift to e-commerce within the watch industry when it visited trade shows. HAEMMER does not perceive trade shows about its line of business as a useful marketing tool anymore. It used to display its product at trade shows but did not feel that it had positive impact on its business. Consequently, the firm decided to attend trade shows as a
visitor instead, as the firm still perceived trade shows as a place for rich face-to-face interactions, and as a good place to get in direct contact with competitors, suppliers, and potential partners. This goes along with previous research from Rice (1992), Rosson and Seringhaus (1995), who found trade shows to be good places to get in direct contact with competitors, as well as suppliers and potential partners. However, HAEMMER believes in the importance of exhibiting its products at trade shows of other industries. The firm perceived a particular enthusiasm for its product from individuals interested in tattoos, and therefore decided to exhibit its products at trade shows related to the tattoo industry. This way, HAEMMER reaches directly one of its target groups while being most of the time the only watch brand attending the show. The firm therefore still perceives trade shows as an integral element of its marketing strategy, as suggested by Rinallo et al. (2016), and believes that the role of trade shows has only reduced in the watch industry.

HAEMMER sees the environment in which it operates as competitive but only perceives two brands as direct competitors to its products. These two firms are, according to HAEMMER’s management, very small or sell watches in a different price range.

5.2.1.2 Internationalization and its challenges

Even though HAEMMER wants to grow on several additional markets, and to increase its commitment to entering the American and the Russian markets, it does not currently possess the sufficient resources to do so. This goes along with Welch and Luostarinen’s (1988) findings that a lack of resources limits SMEs’ international growth. The financial resources of the firm solely originate from the CEOs’ personal funds, as no external source of financial fund was granted to Holger Bohné and Jeroen Opdam when they founded HAEMMER. These two entrepreneurs managed to grow the company internationally from inception; however, they believe that their lack of financial resources enhanced their creativity and exacerbated their ambitiousness. HAEMMER may therefore have experienced a different level of success – positive or negative – in its international operations if it had been granted the loan its founders requested. The case of HAEMMER can therefore not verify Cavusgil’s (1980) assumption that the financial situation of a firm influences the potential success of its foreign activities. According to Musteen et al. (2010), SMEs’ lack of financial resources impacts human resources and the possibilities for them to hire professionals (Musteen et al., 2010). This is the case for HAEMMER, that currently
employs ten individuals on a full-time basis and only employs new specialists in the fields where it needs help.

Formal networks (i.e. business networks) helped HAEMMER early in its internationalization process, as Holger Bohne and Jeroen Opdam found the firm responsible for manufacturing their watches through the network they had built earlier in their career. According to them, developing and taking care of one’s network is vital to ensure the successful growth of a firm, but is not the solution to all problems. The latter factor is in line with previous research, which states that it should be a company's intention to establish itself in foreign networks and to strengthen its position on the market by extending its network out of its home country (Ratajczak-Mrozek, 2017). Informal networks (i.e. social networks), on the other hand, did not play a role in HAEMMER’s internationalization process.

Another problem found by previous studies to be faced by SMEs regarding their internationalization is the difficulty to find reliable distributors (Fillis, 2002; Pillalamarri & Mohamed, 2016). The CEOs of HAEMMER confirm this finding and see it as the biggest challenge to internationalization within the watch industry. It is, according to them, not hard to find a distributor, as many of them contact HAEMMER and are interested in distributing their products. However, they see it as a real challenge to assess the quality of a distributor and whether he or she has the necessary network, resources, and abilities to successfully sell HAEMMER’s products on other markets.

HAEMMER’s initial choice of international markets was based on where the firm saw opportunities, as suggested by Johanson and Vahlne (2009). The CEOs of the firm entered the Dutch market, as it is Jeroen Opdam’s country of birth, and the country in which he had developed most of his prior experience, network, and built his reputation.

5.2.1.3 The entrepreneurs

Both Holger Bohne and Jeroen Opdam had more than one decade of international experience in the watch industry when they founded HAEMMER. The two of them had been working for big players of the wristwatch industry before building their own venture, and therefore possessed a large body of experience in terms of market structure and management know-how.
As mentioned in section 5.1.4, HAEMMER can be considered to be Born Global. These two entrepreneurs’ previous experience within the industry is therefore in line with Berry & Brock’s research (2004), who found previous international experience to influence heavily the development of a firm’s international marketing orientation. Consequently, these entrepreneurs’ international experience may be the reason as to why they started working on several international markets shortly after their creation, as suggested by Reuber and Fischer (1999). As these two entrepreneurs grew up in two different countries, namely the Netherlands and Germany, this may also have influenced the path they followed.

Westhead et al. (2001) argue that older founders possess more resources, have denser access to information, greater contact networks and are more likely to be exporters than the younger ones. As both founders were in their thirties and already possessed years of working experience when they founded the company, it can be stated that the case of HAEMMER is in accordance with their results. The fact that the company was built out of personal funds, without any external financial support also supports this finding.

5.2.2 meerzeit
5.2.2.1 Declining industry
The CEOs of meerzeit - Jannes Ritz and Kristof Kromminga – agree with Friedman’s (2015) argument that wristwatches have decreased in popularity, since individuals have the possibility to check the time on their mobile phone at all time. They also support previous research that found a shift in the role of wristwatches (Kraugerud, 2016; Euromonitor International, 2010, Silverstein & Fiske, 2005), which have become accessories related to personal branding and are rather supposed to be representative of one’s personality, as suggested by other studies (Pine & Gilmore, 1999; Okonkwo, 2007). The CEOs of Meerzeit even add that, nowadays, individuals buy more than a single watch and use it as an accessory.

Choi and Kim’s argument (2016) that design and branding are values associated to smartwatches and that these products are therefore fashion products is not supported by Jannes Ritz and Kristof Kromminga. The CEOs of meerzeit see these products as part of
another segment and do not think that they are going to become important parts of our lives, contradictorily to Cecchinato et al.’s (2015) assumption that these accessories are the next mobile technology that will change our daily lives. Meerzeit therefore does not see these products as competing products to the ones it sells. Direct competitors to meerzeit are, on its domestic market, Paul Hewitt and Kapten & Son, which have a similar orientation and sell products in the same price range. Internationally, meerzeit rather sees Daniel Wellington as its biggest competitor, as it perceives the Swedish firm as the precursor of online selling within the wristwatch industry. Even though many SMEs appear in the wristwatch industry and experience growth, Jannes Ritz does not believe that this segment is growing, but rather that the different actors operating in it continuously steal market shares from each other. He also believes that the consumers' preference for wristwatches is shifting to the type of mid-price products he sells.

According to meerzeit, traditional watch stores will keep on decreasing in popularity throughout the years and the whole industry is becoming online. The latter finding is in line with reports from Euromonitor International (2010), and is the reason why meerzeit focuses on selling watches through its own online shop, even though the brand’s products can be purchased from some local distributors. As Jannes Ritz and Kristof Kromminga believe that the industry they operate in is becoming online, they also believe in a decrease in importance of trade shows. Meerzeit only visited trade shows as a visitor and has never held a stand at this type of event due to the high costs associated to it. Jannes and Kristof do not perceive trade shows as an important element of their marketing strategy, adversely to Rinallo et al.’s (2016) opinion. However, Meerzeit found it useful to visit trade shows in order to meet other entrepreneurs and share experiences. Jannes Ritz and Kristof Kromminga were particularly surprised to see that most of their competitors were open to help them and share information with them. The latter factor supports previous findings from Rice (1992) and Rosson and Seringhaus (1995), who found that trade shows are a fertile ground for rich face-to-face interactions between the actors of an industry.

5.2.2.2 Internationalization and its challenges
According to Welch and Luostarinen (1988), the financial situation of a firm influences heavily the potential success of its international activities. Musteen et al. (2010) also stated that it is often impossible for SMEs to hire professionals within specific fields due to their
lack of resources. No precise data was provided by meerzeit regarding its turnover and financial structure. Nevertheless, the firm is registered in Germany under the form of a “UG”, which is comparable to the British “Ltd.”, and does not require any startup capital. Moreover, as the two entrepreneurs who founded meerzeit are students and young professionals, their personal financial implication in the firm may be limited. Furthermore, Jannes Ritz perceives SMEs’ limitations in terms of resources as a factor influencing his firm’s marketing activities. Welch and Luostarinen (1988) as well as Musteen et al.’s (2010) findings are therefore supported by this case.

Formal networks (i.e. business networks) were useful to the two CEOs of the firm in finding out about the regulations and requirements concerning the import of their products. The IHK (Chamber of Commerce) was the organization who provided them with this information. Jannes Ritz and Kristof Kromminga also agree with Ratajczak-Mrozek’s finding (2017) that it should be a company's intention to establish itself on foreign networks and to strengthen its position in the market by extending its network out of its home country. Supporting the latter argument, meerzeit also considers getting in contact with foreign distributors through official organizations.

Informal networks (i.e. social networks) were of particular help to the development of meerzeit. They were of much help to the firm in finding local distributors and in initiating its export activities. It was through a contact from their social network that the two entrepreneurs found somebody that was able to do the required quality checks in the country of manufacture of their products. A private bond also connected them to the owner of the first shop that started distributing their products. This confirms Ellis and Pecotich’s argument (2001) that social networks are important influencers of a firm’s export initiation and help firms identify foreign exchange partners.

Finding reliable distributors has been found to be one of the biggest challenges faced by SMEs regarding their internationalization (Fillis, 2002; Pillalamarri & Mohamed, 2016). The latter is the case for meerzeit, who finds it difficult to find companies willing to sell its products. Its two distributors were found through private networks.
The revised model of Johanson and Vahlne (2009) assumes that companies go first where the firm and the partners see opportunities or onto a market where one of its partners has a strong position. This is supported by the case of meerzeit, who perceived the opportunity to start selling on German-speaking foreign markets first, due to its branding and the influence of its name in the German language.

5.2.2.3 The entrepreneurs
Jannes Ritz and Kristof Kromminga are students and young professionals. They did not have any previous professional international experience or experience in the watch industry before starting their own venture. Meerzeit does not fulfil the criteria to be considered as a BG/INV, as explained in section 5.1.4.

Its entrepreneurs’ little previous experience may be the reason why the firm is not present on many international markets yet, as suggested by Berry and Brock (2004). Meerzeit wants to focus on German-speaking countries first, before entering other markets. This supports Reuber and Fischer’s (1999) assumption that entrepreneurs with international experience move their firm quickly towards internationalization compared to less international experienced entrepreneurs. According to Westhead et al. (2001), older entrepreneurs possess more resources, have better access to information, greater networks and are more likely to be exporters than the younger ones. As Jannes Ritz and Kristof Kromminga are in their twenties and have no prior working experience within the watch industry, the case of meerzeit is in line with this prior research.
5.2.3 Arne Jacobsen Watches

5.2.3.1 Declining industry

The CEO of AJW, Peter Henriksen, sees the watch industry as a declining industry and agrees with Friedman (2015) on the fact that the popularity of wristwatches has decreased, as they do not fulfil the same functions as they used to. He also agrees with previous findings from Pine and Gilmore (1999) as well as Okonkwo’s results (2007) on the fact that wristwatches, nowadays, are used as accessories for personal branding, rather than to know the time.

Smartwatches can, according to Choi and Kim (2016), be considered as fashion accessories. Peter Henriksen finds it very difficult to grasp what is the real value of these IT watches, as they must be connected to a smartphone to fulfil their function. Furthermore, these products have a short life-cycle compared to mechanical wristwatches that are, according to him, almost timeless. AJW therefore does not agree with both Choi and Kim’s research (2016) and Cecchinato et al.’s research (2015). Consequently, the firm does not consider smartwatches as competing products and does not think that technological substitution within the wristwatch industry is a threat. Daniel Wellington, Cluse, and Rosefield are, on the other hand, examples of brands selling competing products to the ones sold by AJW, even though Peter Henriksen believes in the uniqueness of his products and in the future successful growth of the firm he manages.

Euromonitor International’s (2010) statement that the number of offline wristwatches dealers is expected to diminish and to die out in the upcoming years is shared by Peter Henriksen. The latter phenomenon is the reason for which the firm focuses on e-commerce and offers free shipping all around the world. This shift from the industry to online channels and the reduced effectivity of trade shows related to the watch industry are two factors AJW agrees with. The firm took part in trade shows as an exhibitor in the past but stopped doing so since 2016. Peter Henriksen rather attends trade fairs as a visitor and perceives these events as a good opportunity to meet partners, competitors, and to develop interesting contacts for the firm’s expansion, as suggested by Rice (1992), Rosson and Seringhaus (1995).
5.2.3.2 Internationalization and its challenges

AJW was founded as a spin-off of the Rosendahl Design Group (RDG) and has three founders: The RDG, Peter Henriksen, and a third investor. However, AJW wants to grow steadily on other markets by investing its profits instead of seeking external resources, and is therefore not attempting to expand its business too fast. It therefore only reinvests its profit in new assets and at present times employs nine individuals on a full-time basis. These limited resources are a barrier to the firm’s foreign activities and its employment of more workforce, which is in line with previous findings from Cavusgil (1980) and from Musteen et al. (2010).

According to Peter Henriksen, “as a firm with limited resources you have to make decisions in terms of where you want to spend your money and time on”. The latter also confirms Welch and Luostarinen’s (1988) argument that one of the limitations of growth through internationalization of small firms is their lack of resources. However, contradictorily to Coviello and Cox’s (2006) findings, he is convinced that AJW’s network did not play a role in overcoming its problems related to international growth.

AJW was already embedded in a set of formal networks (i.e. business networks) from the RDG with a set of distributors at its foundation, which supports Johanson and Vahlne’s (2009) assumption that firms enter first markets where they, or their partners, see opportunity, or where one of them has a strong position. These distributors thereby influenced the international development of the firm, particularly regarding the choice of foreign markets it entered. This goes along with Ratajczak-Mrozek’s research (2012), which proposes that a firm’s internationalization process and mode of entry it selects to enter foreign markets depends on its existing network. The case of AJW also supports later research from Ratajczak-Mrozek (2017), which states that it should be a company's intention to establish itself in foreign networks and to strengthen its position on foreign markets by extending its network out of its home country. The latter finding is supported through AJW’s willingness to use institutional help to improve its distributor-network. This type of help has not been used by the firm so far.

When it comes to the firm’s informal networks (i.e. social and private networks), its CEO considers that they played a bigger role in AJW’s internationalization, as the firm’s watch manufacturer was found through private contacts.
One may assume that AJW did not suffer from the difficulty of finding the right distributors for its products, as it inherited form the Rosendahl Design Group’s previous network connections. However, the firm put an end to some of these collaborations as it perceived some of these distributors as not performing as well as they should. Nowadays, the firm still continuously evaluates its current distributors and whether they serve the markets that they are assigned to properly. In some cases, AJW even chose to de-internationalize (Calof & Beamish, 1995) and stops selling its watches on some markets. Peter Henriksen even mentioned finding the right distributor to be the biggest obstacle to successful internationalization, which supports Fillis (2002) and Pillalamarri and Mohamed’s (2016) findings.

5.2.3.3 The entrepreneurs

As mentioned previously in this research, Peter Henriksen had international experience before becoming the CEO of AJW. He studied Economics in Denmark and in the Netherlands, and worked in two foreign countries: Sweden and Hong Kong. In the latest country, his job occupation was “Sales Manager” at Owago Hong Kong Limited, a watch manufacturer. He therefore also had experience in the watch industry when he started his new venture together with the Rosendahl Design Group, who also had years of international experience within the wristwatch industry.

AJW started selling its products on several international markets shortly after its inception, and fulfil the criteria to be considered a BG/INV (see point 5.1.4). This case therefore supports the findings of Berry & Brock (2004), as well as previous research from Reuber & Fischer (1999), who found that entrepreneurs with international experience are present on many markets shortly after inception, and that they move their firms quickly towards internationalization compared to less international experienced entrepreneurs.

Peter Henriksen is an experienced entrepreneur who is approximately in the middle of his career and possesses a large network, management know-how, and is keen to grow his firm internationally. These factors, together with the financial involvement of the two other founders of the firm, support previous results from Westhead et al. (2001), who found older founders to possess more resources than the younger ones, to have denser information and contact networks, and to be more likely to become exporters.
5.3 Cross-Case analysis

In this Cross-Case analysis several statements are listed and compared with the main findings of the within-case analysis.

The tables must be read in the following way: in the first column of these tables, the above-mentioned statements are listed. These statements originate from the results found in the within-case analysis (section 5.2). In the next three columns, “HAEMMER Germany”, “meerzeit” and “Arne Jacobsen Watches”, the statements are compared with the empirical data from the three cases. The “-” symbol is used to show that the case does not match the statement and the “+” to represent that it does.

5.3.1 Industry context

<table>
<thead>
<tr>
<th>Industry context</th>
<th>HAEMMER Germany</th>
<th>Meerzeit</th>
<th>Arne Jacobsen Watches</th>
</tr>
</thead>
<tbody>
<tr>
<td>watch industry is declining</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>shift to segment of affordable watches as fashion accessory</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>declining importance of offline stores</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>smartwatches will replace the regular wristwatch</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade shows are a good place to get in direct contact with competitors as well as suppliers and potential partners</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
Trade shows are an integral element of a firm’s marketing process.

Table 6: Industry context

Comparing all three cases, it can be stated that the current environment of the watch industry is perceived similarly by the companies investigated. HAEMMER, meerzeit and Arne Jacobsen see a decline in the watch industry. Supporting previous research from Euromonitor International (2010), the progressively declining importance of offline distribution channels such as traditional watch stores is recognized by these three companies. All of them also agree on a shift on the market from luxury watches to the segment of affordable watches, that have become fashion accessories (Kraugerud, 2016, Euromonitor International, 2010, Silverstein & Fiske, 2005). Smartwatches are, in contrast to previous findings (Choi & Kim, 2016), not perceived as a threat or as a competing product to their brands by firms within the watch industry. Even though all companies agree on the fact that trade shows do not represent an integral part of their marketing strategy (Rinallo et al., 2016), they all perceive trade shows as a good networking opportunity and therefore attend these events as visitors.

5.3.2 Challenges of internationalization

<table>
<thead>
<tr>
<th>Challenges of internationalization</th>
<th>HAEMMER Germany</th>
<th>Meerzeit</th>
<th>Arne Jacobsen Watches</th>
</tr>
</thead>
<tbody>
<tr>
<td>fin. situation influencing potential success of foreign activities</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
A firm’s financial situation is, according to the literature (Welch & Luostarinen, 1988), a challenge in the internationalization process of SMEs. Meerzeit and AJW agree with this statement and perceive it as having a negative influence on their potential international success. The CEOs of HAEMMER do not agree with this factor and believe that the firm’s limited financial resources enhanced their creativity, and had a major influence on the firm’s success. Still, all three companies agree on the fact that their lack of resources keeps them away from getting more engagement on other big markets. The perceived biggest challenge of internationalization is, in all three cases, to find the right distributors to represent them on foreign markets. As meerzeit is still at an early stage of internationalization, its CEOs even find it hard to get in touch with distributors in general. However, the CEOs of HAEMMER and AJW face a different phenomenon, as they do not have any problem in getting in touch with potential distributors but find it difficult to evaluate their quality and trustworthiness. All companies stated that their choice of foreign
markets and/or distributors is not related to psychic distance, as suggested by Johanson & Vahlne (1977), but well to the opportunities they get from potential partners. HAEMMER, meerzeit and AJW think that their social networks were helpful in the process of identifying foreign exchange partners, which is in line with previous finding from previous research from Reid (1984), Gould (1994) and Ellis and Pecotich (2001).

5.3.3 The entrepreneurs

The importance of the entrepreneurs’ international experience seems to play a major role in internationalization within the watch industry. In the case of HAEMMER and AJW, the
entrepreneurs already had years of international experience as well as experience in the watch industry when they founded these firms. This international experience enhanced their international presence and led them to quickly start operating on foreign markets right after their inception. As the degree of international orientation of their companies is very high, and both of these companies are BGs, this supports previous finding on the role of the entrepreneur in the internationalization process from Reuber and Fischer (1999).

In the case of meerzeit, the entrepreneurs do not have much international working experience they can benefit from, which may be a reason explaining why its focus is on German-speaking markets. Previous research found older founders to possess more resources than younger ones, to have denser information and contact networks, and to be more likely to be exporters (Westhead et al., 2001). The three cases explored in this study are in line with these findings. HAEMMER’s and AJW’s founders have a long working experience and are therefore assumed to possess more resources than the upper management of meerzeit. Both founders of this firm are in their twenties and therefore do not have access to this dense information and network.
6) Conclusions

In chapter 6, the findings of this research - which were gained by analysing the empirical data and the theoretical framework - are presented. Using these findings, the research question is answered, and assumptions are drawn as to why they contradict some of the results of previous research. Finally, additional findings are discussed, and assumptions are drawn about why they were found. Furthermore, the contributions of this study to both the existing literature and the field of internationalization is presented. These contributions are followed by suggestions for future research regarding the topic explored within this study.

In times of increased international competition, saturated markets, and rapid technological change, many SMEs have no other choice but to enter foreign markets to achieve growth (Almor, 2013; Moen, 2002). Nevertheless, they face many challenges during this process and failing to enter foreign markets can be fatal to them (Buckley et al., 2004). These challenges are influenced by the industry and the environment in which firms operate (Porter, 1980; Oviatt & McDougall, 1994). However, very few scholars have explored how firms can achieve growth within declining industries (Bamiatzi & Kirchmaier, 2014), which is why this thesis focuses on cases from a declining industry, the watch industry.

There are several reasons as to why the watch industry is declining such as technological substitution and changes in demographics (see 2.1). This thesis therefore investigates on what is the biggest challenge to SMEs’ internationalization in the watch industry. The latter is done through a qualitative research which takes the form of the multiple-case study of three exporting European SMEs within the watch industry: HAEMMER Germany, meerzeit, and Arne Jacobsen Watches.

Several factors have been found to represent challenges for SMEs during their internationalization. Leonidou (1995) found for example a firm’s lack of information about foreign markets, handling documentation and procedures, slow payment and poor economic conditions to be some of these challenges. Fillis (2002) also found the promotion of a firm’s product and the adjustment of its prices to local competition to represent a challenge for firms as well. These two academics also mentioned finding a reliable distributor to be a challenge hindering SMEs’ internationalization. Finding the right
The distributor abroad is, following the analysis of the three cases explored within this research, the biggest challenge faced by SMEs within the watch industry.

The second finding of this thesis relates to the importance of trade shows within this declining industry. These events dedicated to wristwatches are still perceived by the researched firms as places where fruitful interactions between the different actors of the industry occur (Rice, 1992; Rosson & Seringhaus, 1995), but not as a promotion tool. However, promotion at trade shows of other industries was found to be a successful way of reaching specific target groups by one of the cases studied. Trade shows may therefore only reduce in usefulness when they concern declining industries.

Finally, smartwatches are not perceived as competing products by the three firms studied, which contradicts Cecchinato et al.’s (2015), who predicted that these high-tech devices are expected to become the next mobile technology that will change our daily lives.

The two authors of this thesis share these three firms’ point of view regarding smartwatches, and do not perceive them as a threat to the traditional watch industry. Even though the biggest challenge to internationalization for these firms is to find the right distributors abroad, these are not the only ones they face. Lack of resources in terms of finances and time are also factors influencing heavily SMEs’ internationalization, as suggested by for instance Welch and Luostarinen (1988), Musteen et al. (2010) and Tang (2011). Finally, it is also the authors’ opinion that the importance of exhibiting products and services at trade shows is generally declining. Nevertheless, the approach of exhibiting one’s products and services at trade shows related to specific target groups may be the solution while facing difficulties to promote oneself in a declining industry.

6.1 Contributions

Survival strategies in declining environments have already been researched, but growth within such a context has not been sufficiently explored yet (Martin & Eisenhardt, 2004; Murmann & Frenken, 2006). New technologies keep on entering markets, and more and more markets are expected to enter a declining stage, it is therefore of prior importance to research this issue (Bamiatzi & Kirchmaier, 2014). This thesis therefore contributes to a field which has not been much researched by academics yet: growth in declining industries. By focusing on the growth of SMEs through internationalization at a specific stage of an industry’s life-cycle, this thesis also adds knowledge to the field of internationalization, and to previous research on growth strategies for small and medium-sized enterprises. This
thesis also contributes to previous studies on the watch industry, an industry which will, according to the authors, experience growth in the next few years due to the democratization of luxury.

The authors hope that this thesis will be helpful for the managers of firms seeking to grow through internationalization, and that the cases studied within this research will both provide them with ideas for their personal ventures, and avoid them from making mistakes.

6.2 Limitations and future research
Although this study explores internationalization in a declining industry, the watch industry, and how companies overcome the challenges associated to it, the thesis involves certain limitations. The empirical data collected through this study was collected through in-depth interviews with three cases, as well as secondary data. However, the cross-case patterns observed in this study may not be found in all SMEs of the watch industry. As the three cases researched within this thesis were all founded in Europe, the challenges they face may differ from the ones faced by firms from other countries and other continents, as suggested by Luostarinen and Gabrielsson (2006). It would therefore be interesting to research SMEs’ internationalization in the same industry on a different continent within a similar context, in order to see if the findings are applicable elsewhere as well. As the watch industry is the single declining industry studied within this research, the findings of this thesis are limited to this specific line of business. However, it would be interesting to reproduce this study in other declining industries in order to see whether similar results are found elsewhere. The latter would possibly result in contributions to the field of internationalization within declining industries, which could provide policy makers with interesting ideas on how to create further economic growth. This thesis focuses on the watch industry, which is a B2C industry. The results presented in this study may therefore not be the same as the ones faced by firms that operate in a B2B context. The size of watches and the easiness to ship them all around the world may also influence the results. It would therefore be interesting to explore the internationalization operating in declining B2B industries and compare it with the results. Future research should also focus on the influence institutions can have on the internationalization process of firms in declining industries, as the results of this paper have shown that all three companies investigated were aware of the possibility of getting help
from the Chamber of Commerce, but did not use is to a great extent. It would therefore be interesting to see how far governmental institutions can actually help firms in finding the right distributor in foreign countries, and why companies do not use this opportunity regularly.

The authors recommend to research the perceived effectivity of trade shows as a marketing tools in different industries. Their decline in the watch industry may possibly happen in other declining environments, or in the whole business environment.
8) References


Pillalammarri, K., & Mohamed, M. (2016). SMEs Internationalization From Developing Countries: Challenges and Barriers.


9) Appendix

9.1 Interview guideline

- Presentation of the interviewers/interviewees.

- Introduction to the aim of the thesis.

- Introduction of the company by the interviewees.
  a. When was the company founded?
  b. When did the firm start selling its product on its home market?
  c. Number of employees?
  d. When did the first international sale occur?
  e. What is the firm’s USP?

- What are the drivers of the firm’s internationalization?

- What role did networks play in this process? Were they professional or private networks?

- How did the firm’s internationalization strategy change over time?

- What kind of problems did your firm face during this process?

- How did you solve them?

- What are your future plans regarding internationalization?

Possibility to contact them in the future to ask some questions? YES-NO