

Motives for internationalization

Small companies in Swedish incubators and science parks

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ABSTRACT

In this paper we investigate small and young companies' motives for internationalization. There are many reasons for companies to engage in foreign direct investment. This study is based on theories including four categories of internationalization drivers that motivate firms to establish themselves abroad. These categories consist of market, resource, efficiency, and strategic resources seeking motives. A fifth category was added in order to include network seeking motives.

The survey was conducted using a web based questionnaire. The target population consisted of companies that are members of nine Swedish business incubators and science parks. E-mails were sent to representatives in the incubators and science parks and were then forwarded to the companies, asking them to participate in the study.

We conclude that the member companies of Swedish incubators and science parks responded most positively to network and market seeking motives. We therefore regard the companies as network seekers and market seekers. Four motives were by the responders associated with the highest degree of importance. Two were in the category of network seeking motives: *starting new collaborations* and *staying close to main client or supplier*. The other two were in the category of market seeking motives: *reaching new markets* and *limitations of the home market*.

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1 INTRODUCTION

Today, many companies take the step to establish themselves abroad. The motives for internationalization are many. Perhaps the home market is saturated, presence in a certain country grants access to strategic resources or there are cluster effects to be explored in a specific region. The decision makers of the companies that are becoming international have different experience, are in different situations and consider different motives before taking the step into the international market.

Most companies start operations domestically with value adding activities conducted within the borders of the home country only. Becoming a multinational company requires a change of view and mind set (Björkman, 1990).

As small and medium sized enterprises (SMEs) are developing their role on the global market, researchers are increasingly interested in the knowledge transfer and management skills of these companies (Zahra, 2005). Oviatt and McDougall (2005) explain how new ventures with unique value adding resources can enter the global markets even with constrained finances. Today there is limited information available about how prior conditions affect internationalization decisions. Such information would be useful for developing future theories about new international ventures and their success on the global arena (Zahra, 2005).

Newly internationalized firms face difficulties and most fail or achieve low levels of success. Hollenstein (2005) as well as Karagozoglu and Lindell (1998) claim that small firms usually have less financial resources and international experience compared to larger firms. This means that internationalization is even more problematic for SMEs in the case of extensive international investment and commitment (Yip, Biscarri, & Monti, 2000). Despite scarce resources, young firms therefore use a mix of strategies that allow success in diverse international markets (Knight and Cavusgil, 2004). One way of overcoming financial constraints is to engage in alliances with other firms internationally, for example involving collaborations with suppliers, distributors and joint-venture partners

(Chen & Huang, 2004). Buckley (1989) argues that smaller companies are also in a different situation because of limited managerial experience. However, Karagozoglu & Lindell (1998) tell us that small firms do have some advantages when it comes to speed and flexibility on the market compared with larger firms. For example, small firms are usually more flexible than large firms when it comes to establishing a position in a highly internationalized network. Moreover, because of limited managerial experience, foreign direct investment (FDI) made by small companies is concentrated on developed countries (Masataka 1995).

Buckley (1989) also identified several key areas in which small firms are different and these differences could be both constraints as well as advantages. The focus on minimizing capital outlay sometimes leads to less than optimal consequences. In raising capital, the small firm faces problems of how to search for and raise capital without disclosing its competitive advantage secrets. The shortage of skilled management in smaller firms is also a serious liability. Small firms do not often have specialist executives to manage their international operations, nor do they possess a hierarchy of managers through which complex decisions can be passed.

In addition, Freeman, Edwards, & Schroder (2006) identified lack of economies of scale, lack of resources (financial and knowledge), and aversion to risk taking as key constraints for smaller, newly internationalized, firms. Buckley (1989) however argued that owner-managers of such companies may very well be greater risk takers than other types of decision makers. He also explained how there are two significant types of relationship between firm size and market size. In the first case we have a small firm attempting to grow in an industry where optimal scale is large in relation to market size. Secondly, there are many industries with few economies of scale where many small firms exist. Small firms can fill the role of a niche player in the market which could be a major advantage. However, in the first case, it is difficult for a small firm to grow in competition with large firms. In such situations, the vulnerability of small firms and the danger of becoming overstretched often lead to bankruptcy or selling out.

International new ventures are described by Oviatt and McDougall (2005) as business organizations that seek to obtain a significant competitive advantage from the use of resources and the sale of outputs in multiple countries. These

start-ups often demonstrate significant and observable commitment of resources (material, people, financing, time) in more than one nation.

Though small or start up companies to some extent are in an exposed position, they may get valuable support by accessing a *business incubator* or become a member of a *science park*. Incubators and Science Parks are becoming a common phenomenon in our society. Still, not many people know about their existence. Incubators support the process of developing people, business and companies. The entrepreneurs of the companies in the incubators receive tailored management assistance, financial, technological and commercial networks. They also get a chance to benefit from a business growth environment involving office services. The concept of business incubators originated from the USA in the 1950s. The reason was to support entrepreneurs from universities. The first incubators in Sweden were established in the 1970s. Today, many international universities have incubators as a natural part of their activities to give structure and credibility for new ideas and companies. The incubator process strives to stimulate the growth of new companies and can be seen as the link between entrepreneurs and the commercial market. (SISP, 2006a)

There is a need for better understanding of possibilities associated with business relationships in smaller firms and how networks are used to achieve early and rapid internationalization (Freeman et al., 2006). With this paper, we hope to learn about small and young companies' drives for becoming international. We believe that it will be of benefit for the business incubators and science parks when assisting their members.

In this paper we investigate the motives for FDI for small and young companies in Swedish incubators and science parks.

The term internationalization can be interpreted in several ways, like increased exports and imports, improved individual mobility across borders, or mixing different cultures and languages. In this paper, we see FDI as the means for internationalization, because becoming a multinational enterprise requires a strong commitment and investment abroad.

2 THEORETICAL FRAMEWORK

In this chapter the reader is introduced to the theories and terms related to internationalization motives, foreign direct investment, networks, and more.

Dunning developed his eclectic paradigm for explaining foreign direct investment (FDI) choices of production companies. Originally the eclectic paradigm consisted of firm specific ownership, localization and internalization advantages, also known as the OLI-model (Dunning, 1988). Later he added motives for FDI. His different categories of motives are market seeking, resource seeking, efficiency seeking and strategic resource seeking (Dunning 2000). These categories of motives constitute the base on which this investigation is built upon.

There has been an increased interest among researchers to study the significance of business networks (see for example Chen, Chen and Ku, 2004; Harris and Wheeler, 2005; Lavie, 2006; Yeoh, 2000). Also Dunning (1995) showed a specific interest in alliance capital as an asset within a network, but not specifically included this among the categories of internationalization motives. Because of this we wanted to expand the four dimensions of internationalization motives to include network seeking motives.

2.1 Foreign Direct Investment

In this paper we investigate motives of internationalisation, where FDI is the means for achieving internationalization. In the *World Investment Report 2006* FDI is defined as an investment made by one actor (known as the foreign direct investor or the parent enterprise) in an enterprise resident in another economy. These investments reflect a long term interest, control and relationship between the two actors. The other enterprise is referred to as the FDI enterprise, affiliate enterprise or foreign affiliate. To be considered FDI the investor should gain a significant influence on the management of the foreign affiliate. Sometimes these investments are divided into inward and outward FDI, meaning going in or out of the country in focus. FDI can also be divided into three components which are

equity capital, reinvested earnings and intra-company loans. (World Investment Report 2006)

2.2 Motives

Dunning (1993) introduced a model of internationalization motives including four different categories of motives. These categories are market seeking, resource seeking, efficiency seeking and strategic resource seeking motives. We then added a fifth category: *network seeking motives* for recognizing networks as a significant part of internationalization corresponding to recent research.

Dunning (2000) explains how market and resource seeking motives have been the two most recognized categories of motives before. These two categories still correspond to most first time internationalizations by firms. Overall, efficiency seeking and strategic asset seeking motives increase in significance and are more common as motives for companies already engaged in multinational activity. He also shows that closer relations with customers and durable relations with suppliers were important motives. Furthermore, he suggests that internationalization was more driven by opportunities rather than threats.

Karagozoglu and Lindell (1998) show that opportunities in foreign markets and inquiries from foreign buyers were the top two motives for internationalization. Insufficient domestic sales compared to R&D costs were also a significant motive.

Francis and Collins-Dodd (2000) claim that for high-tech SMEs relationships and sales contacts in foreign markets are the best way for improving sales abroad. They also stress the importance of strategic alliances partners in order to improve foreign market performance. In other words, networking is vital.

Freeman et al. (2006) identify several variables that increase the rate of internationalization of SMEs. Such variables are a small domestic market, unique knowledge or technology, and different forms of relationships and alliances.

2.2.1 Market seekers

This category of motives focuses on demand aspects. If decision makers within a company acknowledge the importance of accessing specific target markets abroad and believe that a direct presence internationally is essential for this access they will focus on market seeking motives. Companies that invest in a particular country or region with the intention to supply goods and services are called market seekers. According to Dunning (1993) there are several reasons why companies undertake such action.

Firms sometimes conduct investments on foreign markets to promote or exploit new markets. Reasons may include the sheer size of the market or an expected growth of the same, indicating that the company may enter and then generate profit.

Products and services may have to be adapted to tastes, needs and trends on a particular market. A direct presence on a local market may be necessary, as companies that are not close to markets may have a disadvantage in adapting services and goods.

Companies may act as a part of a global production and marketing strategy and seek a physical presence on leading markets where the competitors are. Companies may follow their competitors, or more aggressively advance in expanding markets by investing there.

Foreign governments can also encourage investments from companies in other countries. Incentives such as subsidized labour and trade barriers may tempt companies to invest in these countries. Much of government export promotion policies focus on encouraging entrepreneurs to internationalize using business education and training (Harris & Wheeler 2005). This fosters direct trade links in other countries, and financial incentives.

Sometimes a firms' home market is limited, i.e. by not bringing the firm enough revenues. Such limitations can be a saturated market, a too competitive market, not enough customers, and so on. Many companies there go to other markets, including foreign markets.

The above situations and motives are part of the category of market seeking motives by Dunning (1993). In this category he also includes the issue of following main suppliers or clients abroad in order to retain business. The main clientele may establish themselves in foreign countries, and following them is essential for the focal firm. We consider this situation to involve significant business relationships between the focal firm and the client and therefore placed it under network seeking motives instead of market seeking motives.

2.2.2 Resource seekers

The resource seeking companies are those investing abroad in order to obtain resources (Dunning, 1993). Perhaps the wanted resource can be acquired at a lower comparative cost, or simply does not exist at all in the home country.

Resource seeking could deal with the search for physical resources, such as minerals (oil, zinc, copper etc.) and agricultural products (rubber, tobacco, sugar etc.). These resources are sometimes central to the survival of a company, especially if the material constitutes an important part of the production.

The search for cheap and unskilled (or semi-skilled) labour is an important activity for many companies trying to minimize costs and maximize profits. This labour force should be well motivated and exist in large numbers. The seeking for such labour is often undertaken by manufacturing companies with high real labour costs.

Sometimes skills and capabilities are resources that can be used through collaboration with a business partner. According to Dunning's model (1993) this corresponds to resource seeking. We believe that collaboration involves the use and development of business relationships and networks. Therefore, we put this kind of collaboration under the category of network seeking motives.

2.2.3 Efficiency seekers

Another category of motives focuses on efficiency (Dunning, 1993). The purpose is to rationalize structures of established investments in order to gain from

common governance. Often those benefits come from economies of scale and scope, but also risk diversification. Therefore, efficiency seeking is seen as gaining from the differences of factor endowments, cultures, institutional arrangements, and economic systems etc. Often this implies concentration of production in a limited number of places. Companies that are seeking efficiency are often experienced, large and diversified multinational enterprises.

Advantage can be drawn from differences of factor endowments in different countries. Such differences consist of availability and cost. As an example, value-adding activities that are capital, technological or informational intensive are usually placed in developed countries. On the other hand, value-adding activities that are labour or resource intensive are often placed in developing countries.

Economies of scale and scope are issues that an efficiency seeker often focuses on. While differences of factor endowments utilize differences between developed and developing countries, economies of scale and scope regards differences within similar countries. The differences may be that of consumer tastes and supply capabilities.

Companies may become international with the intention to lower the total amount of tax paid to governments. By acting in several countries the efficiency seeker might be able to lower the tax burden. Exactly how this is done is not of interest to this study. However, we believed this was a motive well worth investigating.

2.2.4 Strategic resource seekers

Strategic resources are intangible resources dealing with the technology and core competence of the company (Dunning, 1993). Patents, knowledge, the skills of the employees, and strategic supplies necessary for developing comparative advantages are examples of strategic resources. By focusing on developing strategic resources the company supports its long term strategic objectives. This is often done by acquiring the assets of foreign corporations. Accordingly, the main motive is therefore to either sustain or strengthen the competitive position, or weaken the competitors.

In order for knowledge to have commercial value a company must prevent competitors from accessing such information (Oviatt and McDougall, 2005). Secrecy is often the best way of protecting knowledge that has commercial value. Knowledge based firms therefore protect themselves by the use of patents, copyrights, and so on. For companies, one way of gaining access to knowledge is to acquire other firms. Another way is to participate in some form of alliance in order to benefit from other companies knowledge base. We consider the latter of these two activities to reflect network seeking.

2.2.5 Network seekers

Networking has been described as a dimension of international entrepreneurial culture (Dimitratos & Plakoyiannaki, 2003). This network orientation within companies reflects to what extent companies participate in alliances, cooperative ventures and other forms of similar social connections.

Networks, relations and collaborations with partners outside the organization can be very important for companies. By assessing the network seeking motives, companies intend to nurse, develop and expand their existing networks. Examples of network relations are personal connections, supplier-customer relations, contractual cooperation or other types of relations based on mutual gain and trust.

Chen, Chen and Ku (2004) mention how scholars have recently brought our attention to relational capital and its importance. The relations between a firm and its customers, suppliers, partners, government agencies and research institutions can be included in the term relational capital which represents goodwill and trust. Investing in relational capital and local linkages enables the firm to create a competitive advantage.

The relation can be beneficial for several parts of a network. A business network refers to a set of interdependent business relationships. One can argue that all firms are a part of a network. Relationships within a network can be short or long lived as well as being operated at arms length or up close and personal to facilitate knowledge sharing, innovation and value creation. An investor can decide to invest in local linkages depending on prior position and experience.

Sometimes the strategic goals of a company cannot be fulfilled using the existing network (Chen & Huang, 2004). In such cases the company can develop and expand the network to include new partners internationally. This process may differ a lot depending on the nature of the local network and the size of the entering firm.

Chen et al. (2004) explain two basic principles for network actors to invest in new relationships. One principle is efficiency, describing how a firm should only engage in creating new network contact if the connections are not within reach of the already existing network. According to this principle the diversity of the firm's network is more important than the size of the network. A big network is also more costly to maintain. Investment in new network relations is legitimate if it leads to a more diversified network and more opportunities, information or resources not covered by the domestic network. Also Yeoh (2000) claims that networks may allow firms to reach information outside the company that they would not normally access.

Effectiveness is the second network investment principle (Chen et al., 2004). The effectiveness principle deals with how a network actor can focus on preserving and enriching the primary existing network relationships. Primary relationships are essential for the profitability of the focal firm and are more important than secondary relationships that can only be focused upon after dealing with the primary ones. Over time the division of what relations are primary and secondary can change.

According to Harris and Wheeler (2005) the best foundations on which to build an international strategy are such strong inter-personal relationships. These can provide and help to develop knowledge, understanding, visions, and plans for the internationalization of the firms. Further, through cooperative arrangements, these relationships can provide the means and mechanisms by which these plans may be realized. Additionally, Kingsley & Malecki (2004) stresses the importance of informal networks in the case of SMEs.

Lavie (2006) emphasises how resources can be shared through alliances and networks. Lavie explains how creating a competitive advantage using the

network requires the development of external links. The joint resources can accomplish a synergy which means a total that is worth more than the parts individually.

There were also motives within the previous sections that we considered as network motives. One was following main suppliers or clients abroad in order to retain business (mentioned in section 2.2.1), and the other was starting a new collaboration (mentioned in section 2.2.2).

To conclude, research shows that networks are of great importance for companies. We therefore believe that the fifth category of motives – describing network seekers – is justified.

2.3 Concluding the motives

Five groups of motives or drivers have been presented in the just as many sections above. The first four are Dunning's (1993) original and the fifth are added by us. It is at this point possible to make guesses of the outcome of this study. The motives we believe will not show up as important are *efficiency seeking* and *strategic resource seeking* motives. Efficiency seeking is mainly conducted by larger and already internationalized firms, and therefore we do not expect smaller companies to recognize this as important. Strategic resource seeking probably requires financial assets to acquire whole or parts of firms, and smaller companies may lack those funds.

We are not sure about how *resource seeking* motives will be perceived. Materials and such should not be a major problem for a small and young firm with no or little production. However, high tech companies may be depending on rare or expensive materials. Therefore, we dare not make any guesses at this point.

Small firms may be eager to generate income, and therefore we believe *market seeking* motives to be important. We also believe that network seeking motives will be recognized as an important category, and we find strong support from previous research presented in section 2.3.5.

3 HOW THE SURVEY WAS CONDUCTED

The intention of this chapter is to show how the investigation was carried out. The aim is to illuminate the process of how companies were chosen, and how the data was collected and analyzed.

3.1 A quantitative approach

The purpose of this study is to investigate motives of internationalization amongst companies that are members of business incubators and science parks, and this implies a so called quantitative approach for several reasons. First, we wanted to examine a common set of variables (i.e. motives) in a standardized manner. Second, a web based questionnaire used in this study gave us the opportunity to reach more companies than a qualitative approach would allow us to. Third, one strength of a quantitative approach is the possibility to statistically generalize the results (Holme & Solvang, 1997). We saw, at this point, no reason for doing a deeper study since we wanted to create a general picture of how small and newly started companies' rate motives for internationalization.

The alternative way of conducting our research would be to investigate a smaller number of companies. By doing so, the result could have been a more in-depth picture of the motives behind internationalization. However, in that case, we do not believe we would have been able to generalize the results for the target group of companies.

3.2 Choosing the companies

As the aim of this study was to investigate motives for internationalization in small companies that are members of the so called incubators and science parks, we turned to SISP (Swedish Incubators and Science Parks). SISP is an organization for incubators and science parks in Sweden. By the year 2006, SISP had more than 40 members, consisting of incubators and science parks.

According to SISP, there were nine incubators and science parks that were suitable for the survey (see appendix C). After an initial contact by phone, an e-mail was sent out to a key person representing each of these nine members. The e-mail, including the preceding letter as well as a link to the web based questionnaire, was then forwarded to the companies. Later on, the reminders (as described in section 3.3) were sent out to the same key persons.

We believe that by using key persons as contacts, our e-mails reached a suitable person in each company. Also, companies might be more willing to participate when being contacted by people they probably know personally, instead of being contacted by us. The contact persons are also likely to have proper e-mail addresses to people within the companies, rather than a general address (for example, *info@company.com*).

3.2.1 Incubators and Science Parks

The small and young firms that participated in this study are members of business incubators and science parks. For example, business incubators offer assistance and support. The concept and support functions that are offered to newly started companies vary between different incubators. Common support functions are: helping the entrepreneurs to avoid common obstacles that could lead to failure, developing the ability of the entrepreneur to run a business, and guiding to external financing. The incubator is a tool for developing new strong businesses and indirectly leads to increased employment and welfare. (SISP, 2006b)

A science park is a meeting ground for people, ideas, knowledge and creativity with the purpose of stimulating and developing companies. Sometimes a science park is also referred to as a technology or research park. These science parks often collaborate closely with universities. Here, companies that are based on research and technology from the university have the potential of growing. The companies in the park have access to a creative and developing environment, office space, administration and office machines. Many science parks also offer advice and counseling within fields that entrepreneurs often lack experience of. Such fields could be for example business development, finance and access or expansion to the international market. (SISP, 2006c)

Swedish Incubators and Science Parks (SISP) is an organization that each year collects performance statistics from its members. Statistics typically include the number of new start up companies, the number of new employees for the companies and the total amount of taxes generated in terms of tax on employment, tax on profit, sales tax and social fees. (SISP, 2006d)

Incubators and science parks are examples of measures taken in Sweden for increased economic growth. They are needed because many promising companies fail before being able to fully develop their operations. Reasons for such failures are the lack of capital at an early stage of development, lack of knowledge within other fields in addition to technology, and finally ambitious entrepreneurs who can manage the transition from an idea to a profitable company. Thus, the assistance offered by incubators and science parks could very well be the difference between success and failure. (SISP, 2006e)

The purpose of SISP's operations is to act in the interest of its members including both incubators and science parks. A main focus of SISP is the active sharing of knowledge and cooperation among the members and other partners within the network, both nationally and internationally. SISP is a coordinator for its members but is also working for the creation of new incubators and science parks, as well as new experience for young professionals. The operations of the members have led to the starting of 2200 entrepreneurial companies and 35 000 new jobs. In addition to these jobs the companies have increased the business of numerous accountants, lawyers, suppliers and real estate dealers. Many of the companies are already profitable and many more are expected to present a profit in a near future. (SISP, 2006e)

3.3 Collecting data using a questionnaire

In this study, data was collected by the use of a questionnaire (the questionnaire is described in section 3.6, and can be found in appendix A). Our intention was to keep the questionnaire simple and short, since a complicated questionnaire could lower the response rate. Our aim was also to reduce the number of leading and

emotionally charged questions to a minimum. By keeping a certain structure to the questionnaire, we believe the answering process would be easier.

One advantage of a questionnaire is that a high level of anonymity can be achieved. Another advantage is that the respondents are not influenced by an interviewer – the questions in the survey are presented similarly to all respondents. The drawbacks mostly consist of a lower response rate, and that it cannot be guaranteed that the questionnaire is filled in by an appropriate person. Another thing is that if the respondents do not understand a question or a motive, we are unable to explain it further. This was because we did not interact directly with the respondents. Therefore, we put effort in expressing ourselves as clearly as possible.

We saw no benefit for this survey in exposing the opinions of any specific person or company. Therefore, no effort was made in encouraging the respondents to reveal the name of his or her company. Also, we believe this anonymity affects the response rate in a positive way. Even if neither the questions nor the intentions of this study were to reveal any sensitive, or perhaps secret, information connected to the participating companies, the answers from the survey were treated anonymously. In other words, no answers can be linked to a specific person or company.

The questionnaire used in this study was published on the Internet. The reason for this is that it meant lower costs compared to sending the questions with ordinary mail. Also, distribution of the questionnaire is faster and a large target population can easily be accessed. Furthermore, responses are quickly received in comparison to ordinary mail.

A questionnaire should come with a preceding letter that enlightens the respondents of the study and its purpose (Eriksson & Wiedersheim-Paul, 1999). As the survey was conducted on the Internet, the letter was sent out by e-mail to the companies participating in the study. Apart from introducing the authors of this paper, the letter also contained the link that directed the respondents to the web-based questionnaire. The preceding letter is located in appendix B.

As response rates often are low when using questionnaires (Eriksson & Wiedersheim-Paul, 1999), the aim was to reach as many suitable companies as possible. Therefore, to increase the response rate, reminders were sent out. Fortunately, it worked since the response rate almost doubled compared to when only the initial letter was sent out. Please note that both the letter and the questionnaire were presented to the companies in Swedish (in the appendices, they have both been translated into English).

Out of 150 small companies in incubators and science parks we received 20 answers. This means a response rate of slightly above 13 percent if we assume that all potential companies have been contacted. A list of how many companies that (at most) were contacted is located in appendix C.

3.4 Construction of the questionnaire

The questionnaire mainly consisted of closed questions, meaning that the respondents had to choose from a certain number of alternatives (section one and two in table 1). The two exceptions, where free text could be entered, were categories three and four (see table 1). Category three consisted of a free text area where the respondents unrestrictedly could enter additional motives, thoughts, opinions and beliefs. Category four consisted of an e-mail text area where the respondents could enter an e-mail address to which our final report could be sent, later on.

Section 1:	Control variables, characteristics of the companies.
Section 2:	Rating of motives for internationalization.
Section 3:	Free text area, where companies could enter additional motives and other points of view.
Section 4:	E-mail to which the completed study could be sent.

Table 1: The questionnaire and its sections.

3.4.1 Section 1 – control variables (questions 1 to 4)

The first part of the questionnaire consisted of questions regarding company size (number of employees), business sector according to Global Industry Classification Standard (GICS), business function and finally ownership modes. These questions had two main purposes. The first was to make sure the companies were valid for this survey, for example ensuring the size of the companies by asking about the number of employees. The second purpose was to see what kind of companies that actually responded to the questionnaire.

3.4.2 Section 2 – motives of internationalization (question 5)

In this section companies were asked to grade motives. In total, 28 motives were presented in the questionnaire. Participating companies were then asked to grade the motives. Eight motives in the survey we believe indicated *market seeking* (MS1-MS8 in appendix D, question 5), for example “securing/developing existing markets or market shares” and “exploit or enter new markets”.

Five motives in the questionnaire concerned *resource seeking* (RS1-RS5). Two of the resource seeking motives are based on Dunning (1993) (RS1 and RS2), dealing with natural resources and cheap labor. We added three additional motives that we considered being resource seeking motives too. Infrastructure and supply of water and energy are physical entities that may influence a company’s willingness to engage in FDI. Institutional and legal framework is not physical, but still a country specific property. That is the reason for including it in this section.

The category of *Efficiency seeking* motives (ES1-ES5) was more difficult to construct and operationalize. This is mainly because the theory aims towards companies that are already represented in more than one country. As rationalizing activities are mostly undertaken by enterprises already internationalized, we had to shape the motives in a way that they could be graded by the firms we wanted to investigate since many of them were expected to have domestic operations only at this point in time. Our solution was to ask if efficiency could be accomplished in the future, hence the words “[...] opportunity to later [...]” (please refer to appendix D for full text motives in English).

Five motives handled *strategic resource seeking activities* (SRS1-SRS5). The first four were perceived as congruent with theory (Dunning, 1993), but the last one of these five motives regarded skilled labor. We thought of highly educated personnel as an important strategic factor for companies, justifying this motive within the category of strategic resource seeking motives.

In the questionnaire, five motives captured network seeking (NS1-NS5). These motives were derived from Dunning (1993), Yeoh (2000), Chen et al. (2004), Chen and Huang (2004), Lavie (2006) etc. Examples of these motives are "increased possibility to gain technology, management/marketing expertise, and or organizational skills" and "being able to follow or stay close to main clients/suppliers".

3.4.3 Section 3 – free text area (question 6)

Following the motives mentioned above, participating companies were given the chance to enter additional motives in a text area. The reason for this was the possibility that there were other existing and important motives experienced by the firms that weren't represented in the questionnaire. The free text area allowed participating firms to enter any ideas, beliefs etc.

3.4.4 Section 4 – e-mail (question 7)

Companies participating in the survey were given the possibility to enter an e-mail address in case they wanted to receive our final report. We could then send it to show our appreciation. It also meant that a certain response could be related to a certain company (in cases where e-mail addresses were entered). Such connections are *not* presented in this paper as anonymity was promised.

3.5 Is the survey valid and reliable?

One of the concerns following a low response rate is the generalization of the results for the entire target population. Another issue is that the non-responders may have certain characteristics compared to the responders. We have no

information on the non-responding companies. Therefore we are not able to compare whether our respondents significantly differ from the target population. One should therefore keep these issues in mind when generalizing the results.

We believe that the collected data comes from reliable sources, i.e. persons within the company. Since the data was collected using a questionnaire we were also able to minimize the so called "interviewer effect" since we had no direct contact with the respondents. Additionally, as the study regarded small and young companies, we believe that the responses were less influenced by company policies compared to answers from larger firms. These often have policies and guidelines from top management that may influence the responding person to reply according to the official opinion.

One problem with quantitative methods is to obtain valid information (Holme & Solvang, 1999). In the questionnaire, the companies are asked to grade motives. The motives in the first four categories were based on the work of Dunning (1993). The network motives were based both on Dunning and network research (as described in 2.2.5). However, we cannot be sure that we did not miss any important motive, and therefore gave the companies the opportunity to enter additional motives.

3.6 Analyzing the data

The questionnaire contained questions to measure how the companies rated internationalization motives, but also questions on control variables concerning the characteristics of the companies themselves. Besides giving us the possibility to ensure that the companies were small (less than 50 employees), the control variables provided information about what kind of firms actually responded to the survey.

The most important part of the questionnaire, however, was the grading of the motives for internationalization. The companies were asked to grade these motives on a five-point Likert-scale. The scale started with "not important" (response alternative 1) and ended with "very important" (response alternative 5). The responses were analyzed for both single motives and groups of motives.

We focused on alternatives 4 and 5 (indicating high importance for a motive). For each motive, all responses with a 4 or 5 rating on the Likert-scale were added and then divided by the total number of responses for that motive. This resulted in a percentage of the responders who considered the motive to be important or very important. This is called the positive answering ratio.

The results were also analyzed and compared for the five groups of motives. The positive answers (4 or 5) within each group were summarized and divided by the total number of answers for that group. This gives us a positive answering ratio for the whole group. The results of the responses for individual motives and groups of motives are displayed in chapter 4 (graphs 1, 2, 3 and 4).

4 RESULTS FROM THE QUESTIONNAIRE

In this chapter, the results of this paper the reader is presented to the reader. The intention is to show main patterns from the questionnaire. The complete results are found in appendix D.

4.1 Control variables

The first part of the questionnaire consisted of control variables. First, the companies were asked about their number of employees. The results show that almost half of the companies have one to four employees. On second place we find five to nine employees. Most important though, we find that all of the respondents can be considered as small since none of them have more than 19 employees.

More than one third of the companies (35 percent) are found in the information technology business sector. They are followed by the industrial sector where one fourth of the companies belong.

Most of the companies (85 percent) have domestic sales and 45 percent have at least one economic function abroad (sales, distribution, or marketing). Ten percent of the companies have exported. Additionally, few companies have foreign production or R&D – only ten percent and five percent, respectively.

Only seven companies responded to the part where they were asked about ownership modes. However, 25 percent have a contract or strategic alliance.

4.2 Single motives

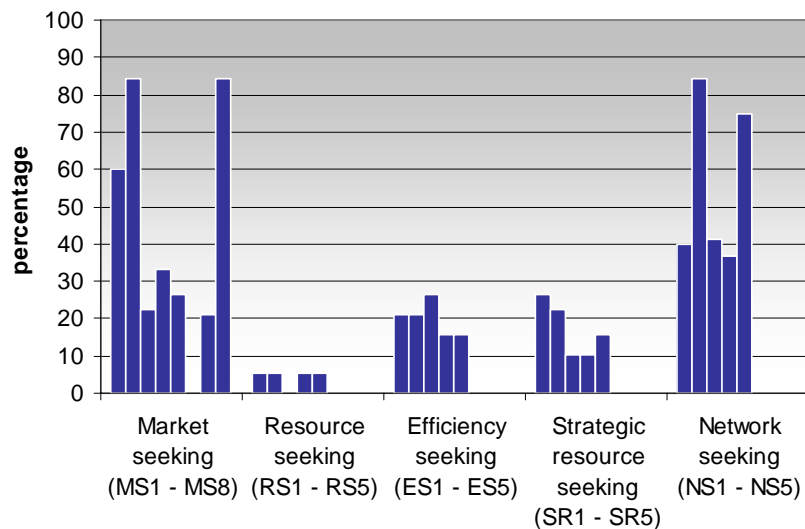
If we consider single motives only, there are four that draw attention in terms of importance (as perceived by the participating companies). The first two are found within market seeking; *exploiting or entering new markets* and *a limited home*

market. Both are perceived as important or very important by more than 80 percent of the responding companies. The other two are found within network seeking motives; *being close to main client or suppliers* and *developing new collaborations*. The former are perceived as important or very important by more than 80 percent of the respondents, and the latter by more than 70 percent.

A fifth motive that was recognized as important or very important by more 60 percent is *securing or developing existing markets or market shares*.

There are two motives that were not perceived as important at all; *host country encourages investments* (market seeking motives) and *host country offers better infrastructure* (resource seeking motive).

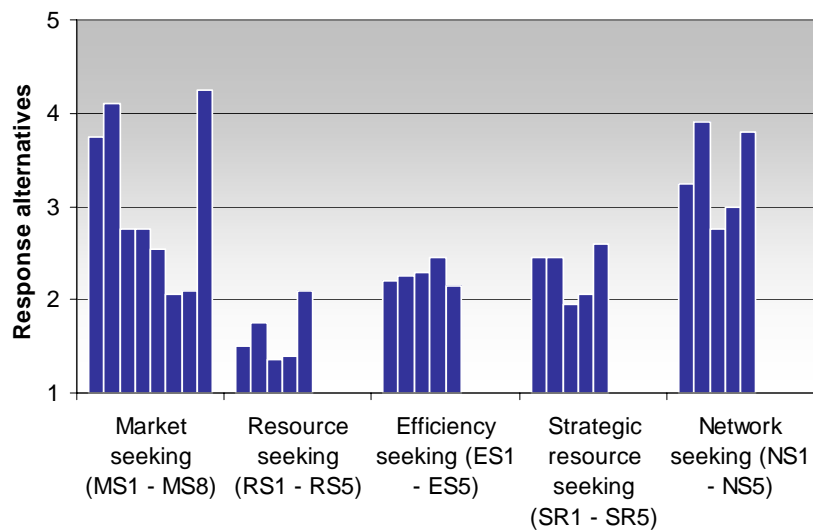
In graph 1 we show how the single motives were graded, i.e. the fraction of positive responses for each motive in percent. Positive answers correspond to *important* or *very important* on the 5-point Likert-scale. The motives in full text are found in appendix D.



Graph 1: Results from the questionnaire. The bars show percentage of respondents that perceived motives as important or very important (4 and 5 on the Likert-scale, respectively). Each bar represents one motive.

It is possible to calculate how the single motives scored in average, i.e. taking the entire Likert-scale in account (response alternatives 1 to 5). This is shown in

graph 2. Motives with fewer scores 4 or 5 on the Likert-scale will seem more important. For example, this is the case for resource seeking motives. With few scores on 4 and 5 there's almost no importance at all according to graph 1. In graph 2, resource seeking motives have better scores. However, it is important to remember that response alternatives 1 to 3 do not ascribe importance to the motives. We do not investigate the average scores further, but instead focus on the results shown in graph 1.



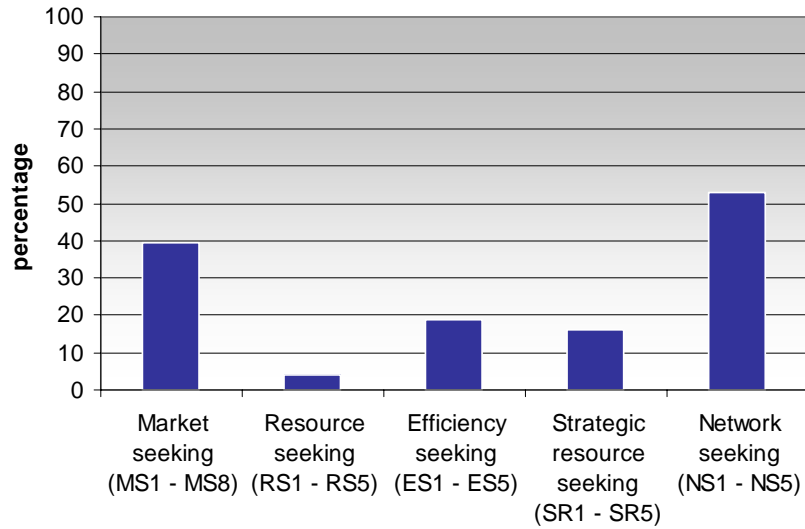
Graph 2: Average response scores for single motives.

4.3 Groups of motives

When it comes to bundled motives, there are two categories that stand out from the crowd; *market seeking* and *network seeking* motives. More than 50 percent of the responses indicate the network seeking motives, as one group, as being important or very important. Just about 40 percent indicate market seeking motive as important or very important.

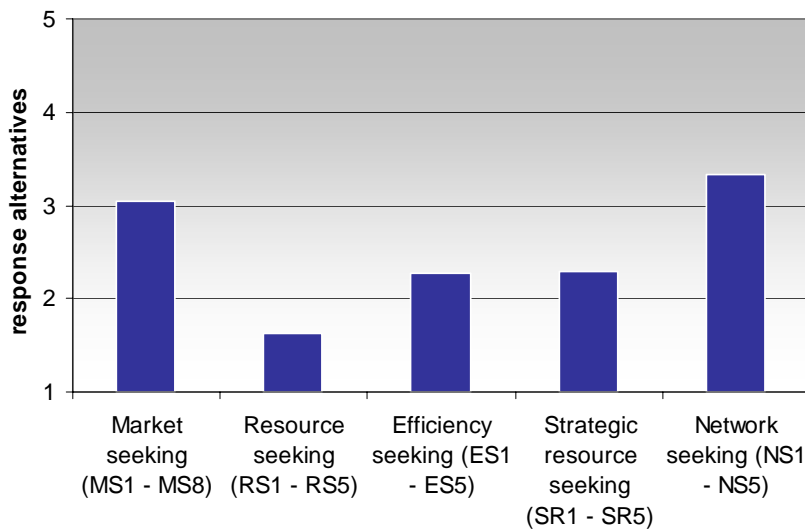
Efficiency seeking and *strategic resource seeking* motives received lower scores; only 19 and 16 percent, respectively, of the responses ascribe the grouped motives any importance.

Resource seeking motives as a group are ranked lowest among the participating companies; about 4 percent of the responses ascribed this group any importance.



Graph 3: Weighted results from the questionnaire. The bars show percentage of respondents that perceived motives as important or very important.

The average scores for the grouped motive are shown in graph 4. As with single motives, we will not focus on the average scores for grouped motives.



Graph 4: Average response scores for weighted results from the questionnaire.

4.4 Additional motives and taking part in the final report

In the two last sections questionnaire, there was a free text area into where companies could enter additional motives. No company did so. However, seven companies wanted to receive our final report.

5 INTERPRETATION AND DISCUSSION

In this chapter the results are examined and analysed. First, we remind the reader of the result and the possible explanations of the results are presented.

The four single motives that received the highest scores are found in market seeking and network seeking. Entering new markets and a limited market in the home country are perceived by the companies as two primary drivers when internationalizing. Instead of adapting products, gain a first mover's advantage, and encouragements by host countries etc. it is new markets that the companies focus on. For younger and smaller companies, gaining access to markets and generating revenues may be crucial when funds are scarce. One way of doing so is to look at foreign markets, especially when the home market brings small chances for success.

The other two primary single drivers are found in network seeking. Staying close to main clients and/or suppliers as well as starting new collaboration seems to be of high interest. There are several reasons for this. First, as seen in section 4.1, remaining close to an important client or supplier is one important factor. For small companies, the main client may be the *only* client and hence vital for generating revenues. Second, companies may also be aware of the advantages of a large network and seek to expand it in other countries.

Most notable, for the grouped motives, are the importance ascribed to network seeking and market seeking. Both receive well above one third positive responses. We believe that this more than enough to be neglected. Thus, this confirms our belief that networks are important.

The participating companies' recognition of network motives as a group supports the advocates of network theory (see section 2.3.5 for some of them). This indicates that networks are important drivers to internationalize for companies in incubators and science parks.

The fact that the market seeking motives attracted many positive response answers was not unexpected. High levels of revenue and market demand are prerequisites for making profits and battle with competitors on the global business arena. 80% of the respondents found a limited home market being an important driver of internationalization. Sweden is a highly developed but very small country. Therefore it is not unlikely that many small companies, in the future, will establish themselves in foreign countries in order to access potentially bigger and more lucrative markets. Especially if the companies focus on a niche market it is quite possible that the number of potential customers and clients in Sweden is not sufficient for the company to make a significant profit.

Efficiency and strategic resource seeking motives can not be regarded as important, according to the results. We believe this is due to the early stage business development of the companies within the survey. Low scores on efficiency seeking motives can be explained by that mostly large and already internationalized companies undertake rationalizing activities. Smaller firms simply have not established structures large enough to allow such rationalization. According to theory it is unusual that efficiency seeking is the main driver for initial internationalization. Regarding the scores for strategic resource seeking motives, such activities can be very capital intense. Therefore, small companies avoid acquiring other firms or parts of firms due to their lack of capital.

Resource seeking motives are recognized as important or very important by about 4 percent of the participating companies. One possible reason is that at an early state, materials are only needed in smaller quantities by our sample companies. Also, when it comes to infrastructure, energy, and legal framework, such things may be similar to home country. Remember, small firms often engage in FDI in already developed countries and therefore such issues are of less importance. In addition to this, the companies within our study don't seem to rank unskilled labour as important. This comes as no surprise as such motives can be expected to be of importance in larger companies, such as textile manufacturers. One must remember that all of this depends on type of operations. A company that supply services instead of physical products will not depend much on materials and, additionally, will not benefit from cheap workforce on another location. Often, service cannot be produced in one place

and used in another. There are exceptions where technologies, such as telecommunication and Internet, have come to play an important role.

Looking back at our suggestions in section 2.5, the findings of this paper are pretty much in line with our expectations. For both *single motives* and *groups of motives*, it seems that the companies are network and market seekers. On the other hand, strategic resource and efficiency seeking motives both received moderate scores. Even though we wouldn't make any initial guesses for resource seeking, we are surprised to find that this category received such low scores.

6 CONCLUSIONS

In this chapter we conclude our findings and discuss them. Other areas where further research may be conducted are also suggested.

As we have seen, the companies participating in this study can mainly be regarded as market seekers and network seekers. Both single motives and groups of motives indicate this. Again, according to the results, the importance of networks is shown. As seen in the theoretical section and elsewhere the network perspective of organizations is gaining ground in academic business research (see also section 2.2.5).

Based on the result and analysis we believe that detaching network motives, adding additional network motives and bundling them to an individual group was justified. For a small and newly started firm the existing network may be limited. This makes primary relationships even more important. One network partner could potentially make the whole difference between success and failure for the small firm.

Our findings also indicate that the respondents in this study are not efficiency, resource, nor strategic resource seekers.

6.1 Limitations

The drawback of this study is the low number of participating companies, 20 in total. This may not be sufficient to generalize our findings in this paper to all companies in business incubators and science parks. However, this paper points out the direction and may act as an indicator to how these companies perceive motives of internationalization. Thus, we believe that our findings are useful to better understand the driving forces of internationalization of small and young companies.

6.2 Who may benefit from this study?

We believe that incubators and science parks can benefit from the findings of this paper. First, it seems reasonable that a small and young firm is eager to generate sales in order to grow to a more steady state. Second, our research indicates that networks are important early in the process of business development. Incubators and science parks are great places for networking activities, and by their sheer existence constitute an advantage for the member companies.

By using the results of this paper, the management of incubators and science parks could tailor their support activities and programs. When the small and young firms enter a state of growth, market and network issues should be emphasized. Today, many incubators and science parks have support functions for internationalization. For example, business incubators provide seminars and courses where these subjects can be discussed. The member companies can then learn more about how to enter foreign markets, or develop business networks. If the programs include support functions dealing with issues of market, resource, efficiency, strategic resource and network seeking a focus should be on the market and network seeking as pointed out by our results. This is not necessarily true in each specific case, but the focus on these two areas should help incubators and science parks to aim at the more important issues.

6.3 Future research

In order to test whether our results are replicable, future surveys and research could include similar questionnaires but use a more extensive set of sample companies. The surveyor could also contact the selected companies directly by phone or email to hopefully accomplish a better response rate than we did. A similar result with more responses and higher response rate would make recommendations to incubators and science parks much more reliable.

In our opinion, network seeking motives should be kept as a separate category and investigated more closely. We believe that our findings reflect the importance of networks as motives of internationalization. Simultaneously, our results point out some network seeking motives to be very important whereas some seem to have no importance at all. Perhaps, future investigators can point out additional

network issues that are important to young and small firms and how network partners can support an internationalization process.

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Appendix A – Questionnaire

Webbenkät

Motiv för utlandsetablering

Tack för att ni tar er tid att fylla i detta formulär.

Svaren behandlas konfidentiellt och ingen information kommer att kunna kopplas till något enskilt företag i studien.

1. Antal anställda:

- 0
- 1 - 4
- 5 - 9
- 10 - 19
- 20 - 49
- 50 –

2. Sektor, huvudsaklig verksamhet (enligt *Global Industry Classification Standard* - välj det som passar bäst):

- Energi
- Material
- Industrivaror- och tjänster
- Sällanköpsvaror- och tjänster
- Dagligvaror
- Hälsovård
- Finans och fastighet
- IT
- Telekom
- Kraftförsörjning

3. Fyll i vilka/vilken av följande affärsfunktioner ert företag har (möjligt att välja flera):

- Försäljning inom Sverige
- Export
- Försäljning/distribution/marknadsföring utomlands
- Produktion utomlands
- Forskning och utveckling utomlands

4. Om ert företag har direkt närvaro utomlands så är ägandeformen (möjligt att välja flera):

- Helägt dotterbolag
- Majoritetsägt dotterbolag
- 50/50 eller minoritetsägt dotterbolag
- Kontrakt eller strategisk allians
- Franchising
- Licensiering

5. Tag ställning till följande *motiv* och deras betydelse för en planerad eller genomförd *utlandsetablering* (d.v.s. inte enbart export) av ert företag.

	Mycket liten betydelse	Liten betydelse	Varken stor eller liten	Stor betydelse	Mycket stor betydelse
1. Säkra/utveckla existerande marknader/marknadsandelar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Exploatera eller träda in på nya marknader	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Bättre kunna anpassa produkter till behov/trender på utländska marknader genom att fysisk befinna sig på dessa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Erhålla "first mover advantage"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Närvaro på den lokala marknaden minskar transaktions/transport/produktionskostnader.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Världlandets myndigheter främjar utländska investeringar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Undvika kvoter, tullar och/eller andra, liknande handelshinder i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Bättre tillgång till naturresurser i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Bättre tillgång på billig och/eller lågutbildad arbetskraft i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Bättre infrastruktur i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Bättre energi- och vattentillförsel i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Bättre passande institutionell och juridisk struktur för företagande i världlandet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Möjligheter att senare utnyttja skillnader i tillgång och kostnad för arbete, resurser osv. mellan olika länder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Möjligheter att senare utnyttja skillnader i konsumtionsvanor mellan olika länder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Möjligheten att senare kunna öka effektiviteten inom verksamheten genom att flytta resurser på grund av skillnader och skiftningar i efterfrågan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Möjligheten att senare kunna utnyttja skalfördelar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Genom förvärv av hela eller delar av ett utländskt företag skaffa marknadskunskap om främmande marknader	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Genom förvärv av hela eller delar av utländskt företag skaffa teknisk kompetens (patent, anställdas kunskap, framgångsrika system etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Genom förvärv av hela eller delar av ett utländskt företag minska konkurrensen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Genom förvärv av hela eller delar av ett utländskt företag hindra konkurrenter från att köpa upp det andra företaget	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bättre nå välutbildad personal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Ökade möjligheter att genom samarbete skaffa teknologisk förmåga, management/marknadsföringsexperts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

och/eller organisatorisk kunskap

23. Bättre möjligheter att befinna sig nära huvudklienter/kunder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. Bättre nyttja en partners resurser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25. Kunna utnyttja klustereffekter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26. Inleda nya samarbeten	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. Hemmamarknaden är för begränsad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. Möjligheter att sänka totala skattebördan genom att befinna sig i flera länder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Mycket liten betydelse Liten betydelse Varken stor eller liten Stor betydelse Mycket stor betydelse

6. Är det något ni anser att vi glömt fråga om? Är så fallet får ni gärna delge oss detta nedan.

7. Vill ni ta del av resultatet? Fyll då i en e-postadress i fältet som det färdiga arbetet kan sändas till!

När du besvarat frågorna ovan är det dags att sända in formuläret. Det gör du genom att trycka på knappen nedan.

Skicka svar!

Appendix B – Preceding Letter

Idag väljer många företag att etablera sig utomlands.

Vi är två studenter vid Uppsala universitet som skriver en D-uppsats om motiv för att bli ett multinationellt företag. Vi vill undersöka dessa motiv och se vad som är viktigast för nystartade, innovativa företag i inkubatorer och science parks.

Naturligtvis kommer svaren behandlas anonymt i studien och namn behöver inte anges. Det borde bara ta några få minuter att fylla i enkäten och ni kommer åt den genom att klicka på länken nedan.

<http://home.student.uu.se/k/kihe5457/enkat/>

Om ni som mottagare av detta brev anser att det finns en person inom företaget som är mer lämpad att besvara formuläret så får ni gärna vidarebefordra brevet.

Om ni skulle vilja ha en kopia av det färdiga resultatet av studien finns det möjlighet att ange en e-postadress i slutet av enkäten.

Skulle det vara något som ni undrar över så kontakta gärna oss på anders.hansson.9073@student.uu.se.

Tack på förhand!

Anders Hansson och Kim Hedin
Uppsala 27 November 2006

Appendix C – Participating incubators and science parks

Business incubator or Science park	Number of member companies
Mjärdevi Business Incubator	15
Chalmers Innovation	17
Jönköping Science Park	17
Videum	5
Ideon Innovation Centre	14
STING	15
UIC	20
Uminova Innovation AB	34
Aurorum	13
Total number of companies:	150

Appendix D – responses

Question 1 – number of employees

Number of Employees	Number of companies	Percentage of companies
0	2	10%
1 – 4	9	45%
5 – 9	7	35%
10 – 19	2	10%
20 – 49	0	0%
50 –	0	0%

Question 2 – business sector

Business sector	Number of companies	Percentage of companies
Energy	1	5%
Materials	2	10%
Industrials	5	25%
Consumer discretionary	3	15%
Consumer staples	0	0%
Health care	2	10%
Financials	0	0%
Information technology	7	35%
Telecommunications services	0	0%
Utilities	0	0%

Question 3 – business functions

Business functions	Number of companies	Percentage of companies
Domestic sales	17	85%
Exporting	7	10%
Foreign sale/distribution/marketing	9	45%
Foreign production	2	10%
Foreign R&D	1	5%

Question 4 – ownership modes

Ownership modes	Number of companies	Percentage of companies
Wholly owned subsidiary	0	0%
Majority owned subsidiary	0	0%
50/50 or minority owned subsidiary	0	0%
Contract or strategic alliance	5	25%
Franchising	1	5%
Licensing	1	5%

Question 5 – motives

Motives	Response alternatives				
	1	2	3	4	5
<i>Market seeking motives</i>					
MS1: Securing/developing existing markets or market shares	1	0	7	7	5
MS2: Exploit or enter new markets	0	1	2	6	10
MS3: Better adapt products to products to foreign markets by physical presence	0	3	11	4	0
MS4: Gain "first mover advantage"	1	3	8	6	0
MS5: Reducing transaction/transportation/production costs by presence on the local market	4	3	7	5	0
MS6: Host country encourages FDI	6	4	9	0	0
MS7: Avoiding quotas, customs or other trade barriers in home country	8	3	4	4	0
MS8: Limited home market	0	0	3	4	12
<i>Resource seeking motives</i>					
RS1: Better access to natural resources in host country	13	2	3	1	0
RS2: Better access to cheap and/or unskilled labour in host country	9	5	4	1	0
RS3: Better infrastructure in host country	13	4	2	0	0
RS4: Better energy and water supply in host country	14	2	2	1	0
RS5: More suitable institutional and legal framework in host country	6	4	8	1	0
<i>Efficiency seeking motives</i>					
ES1: Possibility to later gain from differences in supply and costs for labour, resources etc. between countries	5	7	3	4	0
ES2: Possibility to later gain from differences in consumer patterns between countries	6	6	3	2	2
ES3: Possibility to later rationalize by moving resources due to shift in demand between countries	6	4	4	5	0
ES4: Possibility to later benefit from economy of scale and scope	4	4	8	2	1
ES5: Possibility to lower the total tax burden by being in more than one country	5	9	2	1	2

Note: 1 = not important, 2 = little important, 3 = neither, 4 = important, 5 = very important

Motives	Response alternatives				
	1	2	3	4	5
<i>Strategic resource seeking motives</i>					
SR1: Acquiring a whole or part of another company to gain knowledge about foreign markets	4	6	4	4	1
SR2: Acquiring a whole or part of another company to gain technological knowledge (patents, employee skills, systems etc).	3	5	6	2	2
SR3: Acquiring a whole or part of another company to reduce competition	7	5	4	2	0
SR4: Acquiring a whole or part of another company to prevent competitors to acquire that company	6	6	5	2	0
SR5: Better access to skilled and educated labour	1	6	8	1	2
<i>Network seeking motives</i>					
NS1: Increased possibility to gain technology, management/marketing expertise, and or organisational skills.	1	4	7	5	3
NS2: Being able to follow or stay close to main clients/suppliers	1	2	0	7	9
NS3: Better use a partners resources	0	3	7	7	0
NS4: Use cluster effects	3	1	8	4	3
NS5: Start new collaborations	0	1	4	13	2

Note: 1 = not important, 2 = little important, 3 = neither, 4 = important, 5 = very important

Question 6 & 7

No company entered additional motives or other comments. Seven companies entered e-mail addresses, but we do not list them here in order to preserve anonymity.