

The impact of German culture on the
decision making process of market entry
strategies – a case study of pet care
companies from Germany

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DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Worcester and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas. Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed:

A handwritten signature in black ink, appearing to read "Henry W. Stasell". The signature is written in a cursive style with a large initial 'H'.

Date: March 25nd , 2021

ABSTRACT

This research explores the impact of German culture on the decision making process of foreign market entries, utilizing the example of German pet care companies. The aim is to establish the extent to which German culture affects the decision making process of market entry decisions within the pet care industry. Previous studies of market entry strategies and cultural factors (e.g. Agarwal *et al.*, 1992; Brouthers and Brouthers, 2001; Shenkar, 2001; Blomstermo *et al.*, 2006; Martinez and Lopez, 2009; Chang *et al.*, 2012; Gollnhofer and Turkina, 2013; Kraus *et al.*, 2015) focused on practical implementation, interacting cultural factors, or cultural distance. This research extends this to analyse the stage of the decision making process for internationalizing to foreign markets. The researcher identified a gap in the current literature about the influence of German culture on the decision making process of market entry strategies. To close this research gap and fulfil the research aim, three research questions were developed:

1. *How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
2. *What is the impact of German culture on the DMP of German pet care companies?*
3. *What are the success factors for foreign market entries, and how does German culture affect them?*

Knowledge about the impact of cultural factors is a clear advantage in international business. Concerning the German pet care industry, this research shows that German companies are well presented within Europe, but they may be failing to realize the huge international potential of other markets like the Americas and Asia. Emerging markets in South America (e.g. Brazil and Peru) could be interesting areas for expansion by German pet care companies. German pet care company internationalization remains an ongoing process, and specific research such as this is important.

The author used an interpretivist, inductive, and qualitative approach, conducting 11 semi-structured interviews with decision makers (owners or managers) of German pet care companies, in order to gather new knowledge about the influence of German culture on the decision making process.

The researcher developed a model to describe the *decision making process of entering foreign markets* and identified 11 sub-issues: *preparation for foreign market entries, gut-feeling decisions, randomness, loyalty, market entry modes, perception of German culture, risks, discovery, motives for market entries and foreign cultures*. These factors directly or indirectly influence the decision making process of foreign market entries of German pet care companies.

This research makes several contributions to knowledge, including that there is a *low extent of preparation foreign market entries* and a *high impact of gut decision*. *Randomness* played an increasing role following the initialization of internationalization projects, and German pet care companies *value loyalty* among their international partners more than purely economic reasons. Moreover, *additional motives* to enter a foreign market were highlighted, and contrary to the existing literature, a *high extent of risk avoidance* could not be detected. These detected sub-issues however could be related to the cultural definition of Hall (1990) and the *impact of German culture on the decision making process of entering foreign markets* as detected by this research. Finally, the researcher detected *cultural success factors* for internationalization and extended the previous success factor research in the areas of *reliability, trustfulness and consumer orientation* regarding a German business context.

KEYWORDS

GERMAN CULTURE; PET CARE INDUSTRY; GERMAN PET CARE MARKET; DECISION MAKING PROCESS; IMPACT ON DECISION MAKERS; MARKET ENTRY STRATEGIES; INFLUENCE OF CULTURE; INTERNATIONALIZATION OF PET CARE COMPANIES; NATIONAL CULTURE

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CHAPTER 1

INTRODUCTION

1.1. The Global Pet Care Market

In the era of Big Data, the Internet of Things, e-commerce, smart technologies, and the increasing digitization of many aspects of life, people all over the world continue to invest time, money, and emotions in their pets, buying animals and associated paraphernalia, and treating them as valued family members. Due to this, the global pet care market is still growing and developing, which makes this sector an essential global fast-moving consumer goods (FMCGs) market. In the last five years, the compound annual growth rate of the global pet care market was around 4.9%, with a total estimated volume in 2020 of approximately USD 140 billion (Koerten, 2020b).

Figure 1.1 shows the pet care market size development and growth rates, indicating constant growth of the global industry due to the trend of humanization of pet food within the last ten years. In 2020 the forecasts available when this research was conducted suggested a decline in global growth for the first time in many years due to the impact of the Covid-19 pandemic and public policy responses. This could be related to less shopping and disrupted supply chains due to worldwide lockdowns, but social distancing and people spending more time in their homes might be expected to cause a resurgence in pet ownership and pet goods consumption that will subsequently accelerate growth in the industry over the coming months and years (Koerten, 2020a).

Figure 1.2 shows the main global areas of the pet care industry divided into the four most significant pet care categories: *dog food*, *cat food*, *other pet food*, and *pet products*. It demonstrates that North America is the leading pet care market in the world, followed by Western Europe. This strong growth is driven by the global trend of the “humanization of pet food” (The Nielsen Company, 2016), which describes consumers’ rising care and efforts to feed their pets with increasing volume and quality of premium pet food products.

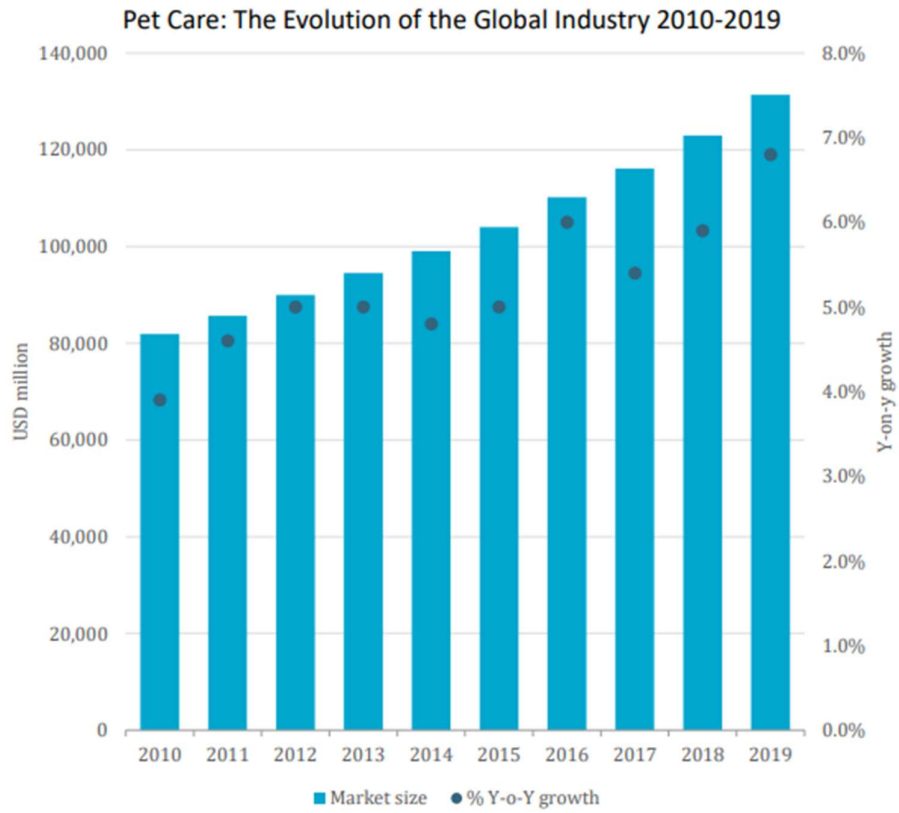


Figure 1.1: Evolution of global pet care industry, 2010-2019

Source: Koerten (2020)

Pet Care: Region Size and Growth by Category 2015-2025

Retail Value RSP USD million

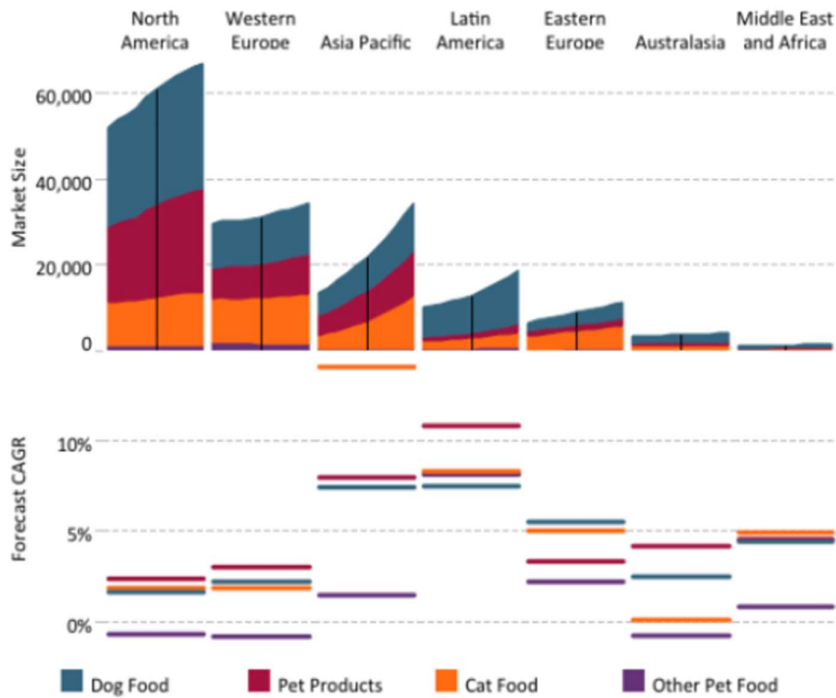


Figure 1.2: Pet care region size and growth by category, 2015-2025

Source: Koerten (2020)

Figure 1.3 demonstrates the average expenses per capita differ by country. In the ranking of the top 20 pet care markets in the world, US consumers spend the most money on their pets, followed by Australia and Finland. Germany is in fifteenth place.

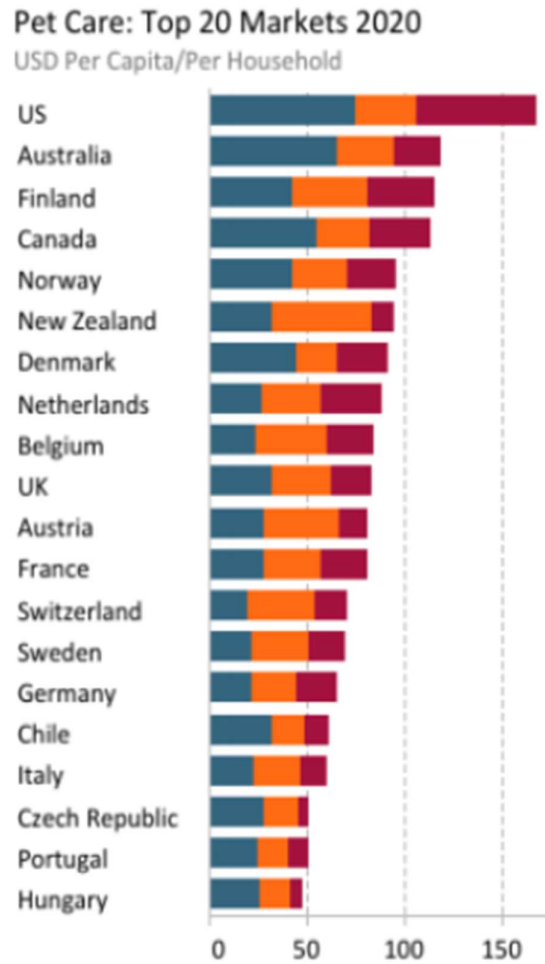


Figure 1.3: Top 20 pet care markets in the world

Source: Koerten (2020)

Figure 1.4 shows the top European pet food markets in 2020, in which ranking Germany comes after the UK and France as the third largest pet food market in Europe.



Figure 1.4: Top European pet food markets, 2020

Source: Author

Figure 1.5 shows the four main channels of the global pet care industry and their values. It illustrates that the amount of pet food (dog, cat, and others) represents more than 70% of the total value of USD 140 billion, while 30% is considered for non-food pet products (e.g. pet accessories, grooming, and other caring products etc.). This sector of the pet care industry is very fragmented, and includes many specialized niche and minority interest products (Koerten, 2020b).

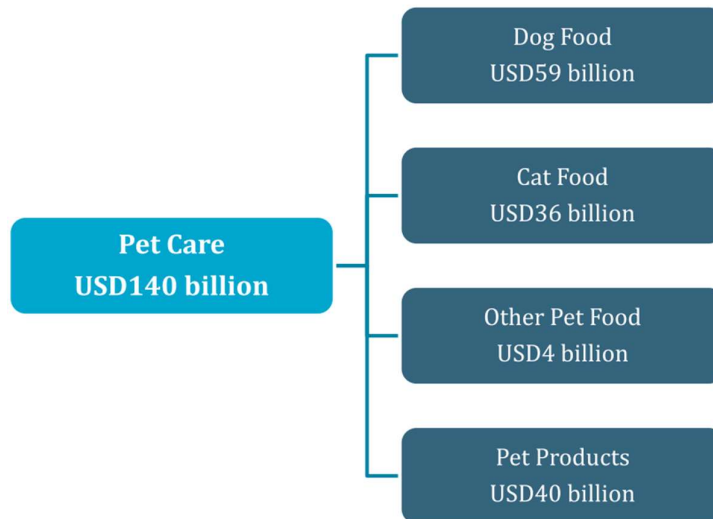


Figure 1.5: Main channels of the global pet care industry

Source: Koerten (2020b)

Figure 1.6 gives an overview about the main players in the global pet care industry. It shows that the top ten pet care companies in the world for the period 2014-2019 indicate two clear market leaders: MARS INC and NESTLÉ SA. These two pet food suppliers collectively account for about one-third of the global market, with annual sales of approximately USD 50 billion. Therefore, they are considered for this research as Tier-1 pet care companies. After the two market leaders, there are several smaller pet care companies of similar size, including COLGATE PALMOLIVE CO, SPECTRUM BRANDS and AGROLIMEN SA. These companies have annual sales between approximately USD 0.5-5 billion, and can be seen as Tier-2 companies. The market share of the Tier-2 companies also comprises about one-third. The last third of the market is populated by smaller companies with under USD 0.5 billion annual sales, defined as Tier-3 pet

care companies for this research. These Tier-3 companies are predominantly small- to medium-sized enterprises (SMEs), often family-owned firms with less than 250 employees, and below USD 50 million in annual sales (European Commission, 2021).

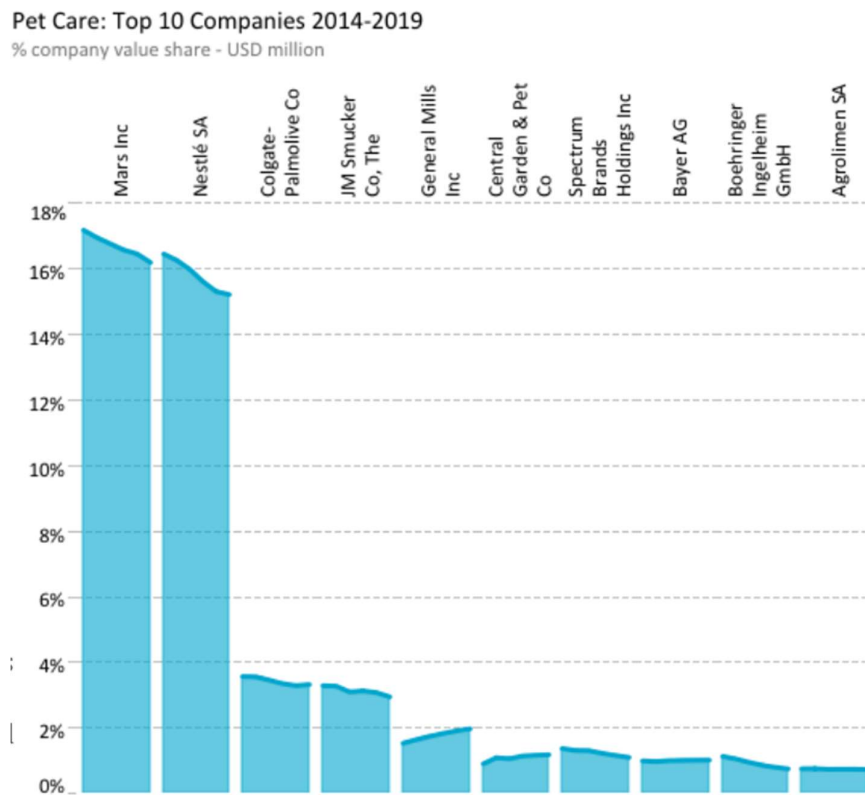


Figure 1.6: Top 10 pet care companies, 2014-2019

Source: Koerten (2019)

The German pet care industry plays an important role in the global industry, especially in Europe. The German pet care retailer FRESSNAPF has more than

1500 stores in 11 countries, and a turnover of more than EUR 2 billion, making it Europe's biggest pet chain (FRESSNAPF, 2020). ZOOPLUS has an online presence in almost all European countries, and a turnover of EUR 1.5 billion, making it the continent's biggest online retailer (ZOOPLUS AG, 2020). Due to the impact of Covid-19, the growth of online business accelerated in 2020 and is forecast for further growth in 2021 (Koerten, 2020a). On the product side, German companies dominate much of the European pet care industry. FLEXI for instance is global market leader in the supply of leashes for dogs, with a market presence in more than 90 markets (Flexi, 2020). The German pet care supplier TRIXIE is Europe's biggest pet product wholesaler, with more than 6500 products (Trixie, 2020). In 2020 the market size of the German pet care industry reached around EUR 5.23 billion, and it is forecast to reach almost EUR 6 billion by 2025 (Figure 1.7).

Sales of Pet Care

Retail Value RSP - EUR million - Current - 2006-2025

5,241

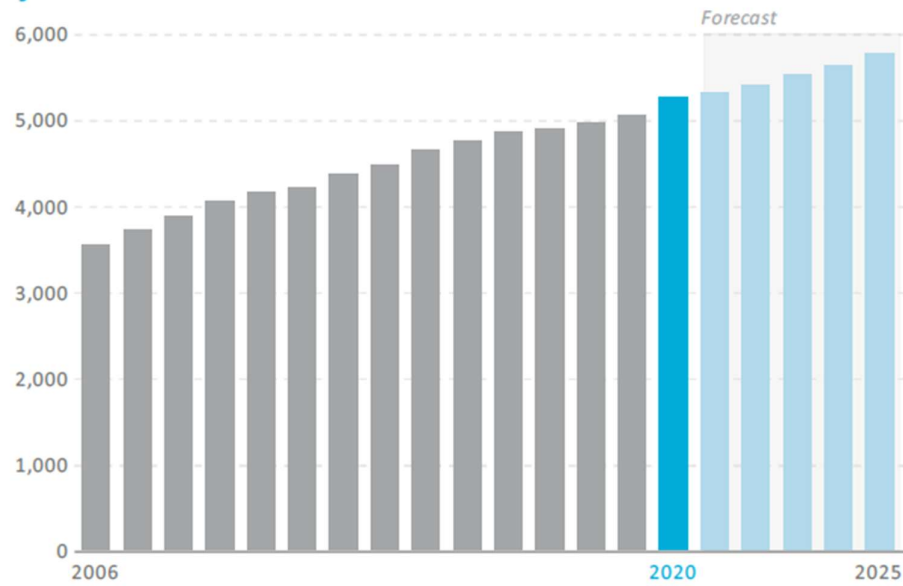


Figure 1.7: Pet care sales in Germany

Source: Euromonitor (2021)

Similar to the global picture, the share of pet food in Germany, especially for dogs and cats, has a level of about 70% related to the total value of pet care spending (Figure 1.8). Moreover, the world-wide trend of humanization of pet food, which places more focus on super-premium pet food, is seeing high growth rates, whereas pet care remains relatively almost constant (Euromonitor, 2021).

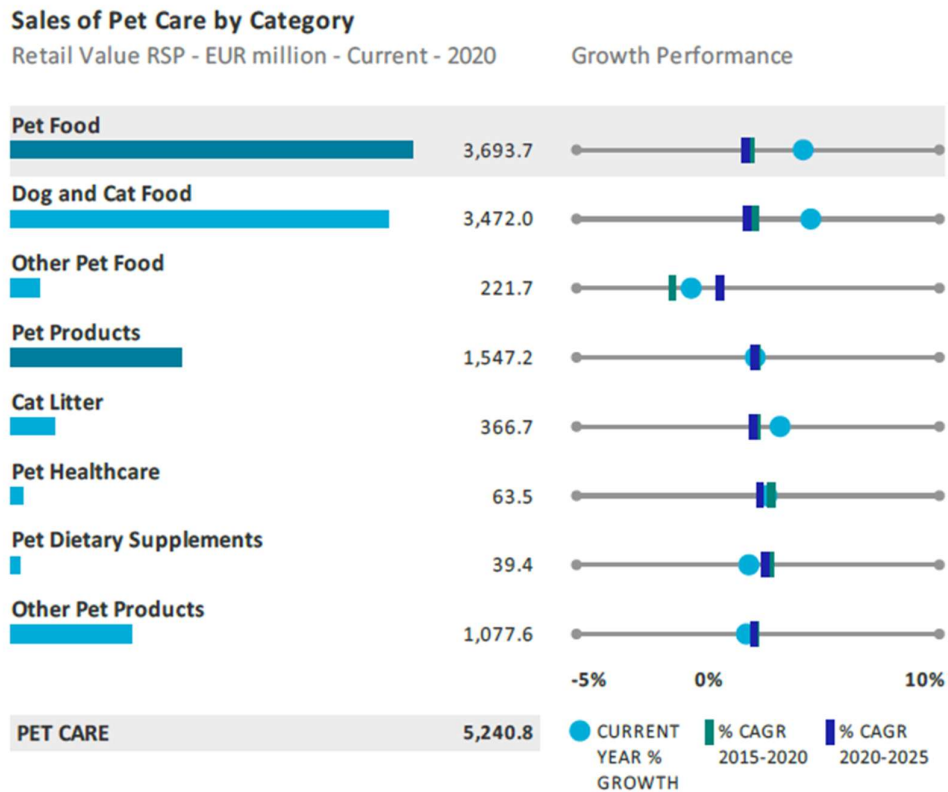


Figure 1.8: Pet care sales by category in Germany

Source: Euromonitor (2021)

The German pet care market can be described as matured, with a high level of competitiveness and an oligopolist retail landscape. FRESSNAPF, as the leading pet care chain, has a market share of about 66%, followed by DAS FUTTERHAUS (19%). The remaining 25% comprises other organized chains like garden centres, DIY stores, and independent retailers (Statista, 2020). The total retail value distributed in the German pet care market has the following splits:

- 85% offline (retail)
- 12.5% (online)
- 2.5% vets and clinics

The value distributed in the retail sector is separated into the grocery (38%) and specialist channel (47%) segments (Euromonitor, 2021).

On the supplier side, the market leaders in pet food in Germany are the major global players MARS INC (MASTERFOODS) and NESTLÉ PURINA, whose products are mainly sold via the supermarket channel. The private label sector is also substantive, especially since big chains like FRESSANPF or DAS FUTTERHAUS have more than a 50% share of the own-brand private label products within their pet food ranges. [Figure 1.9](#) shows the leading pet food suppliers in Germany.



Figure 1.9: Major pet food suppliers in Germany

Source: Euromonitor (2021)

This showcases the dominance of the major players in the German pet care market. Apart from these organizations, many smaller companies operate within the German market, often family owned and with less than 1,000 employees.

However, for this research, the author focuses on a selected sample of 11 SMEs (section 3.1.1).

1.2. Definition of the Pet Care Industry

In a professional context, the pet care industry includes all services and products (pet food and other supplies) for domestic or companion animals, including dogs, cats, and other animals kept as domestic pets. In almost all international markets, the leading share of this business are products for dogs and cats, which comprise 80-90% of all owned domestic animals (IVH, 2019). The total market is split into around 70% pet food and 30% other pet supplies (Euromonitor, 2018), with proportions varying according to respective international markets. For this research, the author considered German companies of the pet care industry, which manage both pet accessories and pet food, and extended the group of respondents to two companies within the equestrian segment, which is very similar to the mainstream pet care industry (of cats and dogs).

1.3. Geographical Area of the Research

This research is conducted using the example of Germany's pet care industry, which is among the 20 largest global markets (Koerten, 2020b). This study is specifically concerned with German pet care firm managers and owners. This is of importance to analyse the impact of German culture on the decision making process (DMP). The result of this study may be utilized for comparison with other cultures in different countries. Therefore, this study comprises a small piece of the puzzle of global cultural research, focused on decision-makers, such as

managers or owners of pet care companies in Germany. The selected companies were chosen to represent the geographical distribution of firms in Germany, and the author conducted the interviews at their store locations.

1.4. Primary Purpose and Implementation of the Research

The primary purpose of this research is to gain new knowledge about the influence of *German culture on the DMP of market entry strategies* based on the *example of German pet care companies*. Therefore, the researcher conducted semi-structured qualitative interviews with managers in the pet care industry in Germany from within his professional network (explained below). The purpose of the interviews was to explore how the managers and owners entered new foreign markets, and the roles played by aspects of German culture in their DMPs. Within these companies, the researcher had access to decision-makers, including owners or general managers, since he has worked for many years within the industry. These companies are focused on the production or wholesale of pet care products, including accessories and pet food. Most of them are categorized as SMEs, with under 250 employees and EUR 50 million turnover (European Commission, 2021). Only a select few managers of large companies were asked to participate in the research, as the qualitative approach chosen (explained in **Chapter 3**) sought in-depth, quality insights, rather than voluminous quantitative data.

1.5. Background, Personal Motivation, and Context

The researcher has more than 20 years of professional experience in the pet care industry, and has supported product launches for global firms' market entries into Germany and other European countries for many international pet care companies, including from China, Ireland, Spain, and Switzerland. During these professional experiences he observed that the way stakeholders from different countries approached launches differed, and assumed that this relates to the prevailing cultures of those countries. For example, when the researcher worked for an Irish pet food company, as a business development manager covering Austria, Germany, and Switzerland, a permanent issue was the lack of appropriate language usage. The Irish managers did not comprehend that the English language might not be used as a daily operative language in a retail or wholesale business in Germany, since most of the population in this area has only a limited knowledge of English.

Another example was experienced when the researcher had responsibility for the launch of a new European pet food by the biggest pet food producer in China. The Chinese company conceptualized "Europe" as one homogenous market, without considering the factors of different European national markets and their individual sizes, structures, and phases. They also had the conviction that sales people alone were responsible for success or failure in those markets. They followed their "trial and error" strategy, and backtracked from any markets where they were not immediately successful. This very different approach of the Chinese was remarkable to the author, who is most familiar with the German cultural milieu in business strategy, and this kindled his interest that ultimately led

to exploring cultural influences on strategic decision making, as explored in this thesis with regard to pet care firms' internationalizing activities. Therefore, he decided to focus on the link between German culture and foreign market entries.

1.6. Scientific Classification of this Research

This research is about the impact of the German culture on the DMP of foreign market entries using the example of German pet care managers, contributing to the scientific area of intercultural management. Intercultural management examines cultural characteristics in concepts and methods of management (Rainhart Lang, 2016, p. 27). Intercultural management includes culture, management, and interculturality, and belongs to a very new area within scientific culture research in the German context (Emrich, 2011). The academic impact of this research has the potential to influence researchers from other countries as well.

1.7. Operational Definition of “Culture”

This thesis fundamentally examines the German cultural traits of the investigated pet care managers. A profound understanding of cultural dynamics is essential for successful intercultural management (Emrich, 2011), and numerous authors have presented definitions of culture with different explanatory approaches (section 2.2). These perspectives are rooted in different individual academic disciplines, like anthropology, psychology, and sociology, which influence authors' approaches (Rainhart Lang, 2016). This section presents some of the most influential and relevant definitions of culture.

Hofstede, Hofstede and Minkov (2010) defined culture as “the training or refining of the mind” and “the unwritten rules of the social game, or more formally the collective programming of the mind that distinguishes the members of one group or category of people from another....” For Hofstede *et al.* (2010), the “collective programming of the mind” by the social construction of national cultures enables comparison of the members of one prevailing national culture with those of another. This paradigm posits that human cultures are programmed like computer software. Other cultures might use different programming and thereby be different in their functions. For this research, the author considered Hofstede’s definition to be too broad and vague to deliver explanations about the cultural impact on the DMP. Another more theoretical understanding of culture was presented by Schein (1999), as a:

“pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaption and internal integration, that was worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”.

The first part of Schein’s (1999) definition is similar to that of Hofstede, Hofstede and Minkov (2010). The “pattern of shared tacit assumptions” can be compared with the “collective programming of the mind.” The second part of Schein’s (1999) definition extends Hofstede, Hofstede and Minkov’s (2010) definition to the fact that new members of the culture will adapt to it due to learning from the current members. This definition was also considered too broad and impractical for this research.

Thomas *et al.* (2005) conceptualize culture to be an “orientation system” for people of a group or society, which “contains special symbols and influences the acting and thinking of this group.” Such “special symbols” manifest the impacts of culture on the behaviour and thinking of the members of a culture, which again is similar to the definitions of Hofstede, Hofstede and Minkov (2010) and Schein (1999). The approach of Thomas *et al.* (2005) was used in this research because it does not have any pertinence to the DMP.

Hall (1990) determined culture to be “what we perceive, how we react to situations, and how we relate to other people...”. This definition is more practical than the previously discussed ones, with its three components:

- *The perception of the people:* The way people *perceive* something can be described as an indirect factor within the decision making process. For instance, more risk-averse people will naturally make different decisions related to risk.
- *The relation to other people:* This influences decision makers somewhat indirectly. For instance, the relation to foreign cultures can be considered as an indirect factor of influence, therefore *relation to other people* is also considered as an indirect factor.
- *Reacting to situations:* This directly affects the decision making process, such as the extent of preparation and planning for the future. Reactions can be considered as direct factors.

Since this research is focused on the impact of German culture on the DMP of entering foreign markets, using the example of German managers of the pet care

industry, the study is quite practical. Therefore, the following definition was developed from the understanding of Hall (1990), with slight modification, as the operational definition of “culture” for this research:

“The national culture can be defined as the sum of perception, reaction and relation to other people.”

1.8. Literature Knowledge Gap

Many studies have explored market entry strategies and cultural barriers due to cultural distance (Brouthers and Brouthers, 2001; Shenkar, 2001; Golnhofer and Turkina, 2015; Kraus *et al.*, 2015; Kaasa *et al.*, 2016), especially using the example of Chinese companies investing in Europe (Tang, 2010); European investment in China is also a popular research topic within the literature (Prange, 2016). In most of these cases, the market entry has already taken place, thus the research focused on the practical implementation and interactions related to cultural factors. This research, in contrast, explores the preceding stage of the DMP for internationalizing to foreign markets, using the example of German culture and German companies. It is important to mention that this research focuses on the impact of the national culture and not on cultural distance, which is a broader field in recent internationalization literature. There is a particular gap in the literature about the role of culture in the DMP, which this research primarily addresses (Ahi *et al.*, 2017).

Market entry strategies handle general questions of *where*, *when*, and *how* to internationalize, commensurate with the three dimensions of location, timing, and mode, affected by external factors including entry barriers, market growth, or time

limitations, which influence the decision to enter new markets. The literature review shows that research about cultural influences on these dimensions is sparse, and is mainly focused on cultural distance. While there are some studies focusing on the impact of national culture on a single aspect, the author could not find any research on the effect of national culture on all dimensions respective to market entry strategies.

1.9. Empirical Gap in Practice

The challenges in operative intercultural management go far beyond basic communication and language issues, and there are many diverse forms of barriers related to culture that might present obstacles in daily business (Möller, 2014). Modern international managers are between the poles of their own culture, the culture of the entered country, and the culture of the organization for which they work (Trompenaars, 1993). The greater the distances between these cultures, the more significant the challenges faced by international managers. Knowledge about how decisions are made and factors influencing them is crucial in today's international management environment. Therefore, knowledge about the impact of cultural factors is a clear advantage in international business. German pet care companies are well represented within Europe, but there might be a huge international potential in largely untapped extra-European markets, including in the Americas and Asian regions (Koerten, 2019). New, emerging markets in South America like Brazil or Peru might be particularly interesting for German pet care companies' expansion strategies. The internationalization of German pet care companies is still an ongoing process, and specific research is important to chart the waters in this regard.

1.10. Contribution to Knowledge and Practice, and Limitations

The main theoretical contribution of this research lies in addressing the knowledge gap about how culture influences market entry decisions by German pet care companies. This research is important since it contributes to intercultural management. In this period of intensifying globalization, foreign direct investment (FDI) and market entry are important issues (Buckley and Casson, 1998). This research offers insights to understand how different multinational companies manage their decision making concerning market entries, and the ways in which market entries can be effectively managed.

This research has two significant limitations. Firstly, since the research is conducted only within Germany, interviewing German pet care managers, it has geographical and cultural limitations. Future research may focus on other countries in Europe or in other regions of the world. Secondly, the research takes place in the German pet care industry, which reduces the research to the field of consumer products, although it can be scaled to other similar consumer industries as well. Future researchers may wish to examine if there are any different results when focusing on different industries, such as more tech-orientated businesses.

1.11. Research Aims, Questions, and Objectives

Based on this, the following topic was developed for the thesis:

The impact of the German culture on the DMP of market entry strategies – a case study of pet care companies from Germany.

The research aim concisely summarizes the research purpose (Saunders, Lewis and Thornhill, 2016). This research explores the impact of the German culture on the DMP of foreign market entries, utilizing the example German pet care companies. Consequently, the aim is to establish if national culture has affected the DMP of market entry decisions within the pet industry. The research questions should focus clearly on the research project, and the answers should deliver an advancement of knowledge (Berger-Grabner, 2016). The researcher has thus developed the following research questions:

1. *How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
2. *What is the impact of German culture on the DMP of German pet care companies?*
3. *What are the success factors for foreign market entries, and how does German culture affect them?*

The research objectives are important to determine and guide the process of the research (Sreejesh, Mohapatra and Anusree, 2014). Research objectives should be formulated clearly and accurately, and should describe how the research process is structured to answer the research questions and reach the research aim (Saunders, Lewis and Thornhill, 2016):

- A. *To explore the decision-making process (DMP) for market entry strategies within pet care companies of Germany*

B. To contribute new knowledge to the gap in the theoretical area of market entry decisions and national cultural impacts

C. To identify cultural success factors for market entry decisions

A good research topic has two main requirements: feasibility and a worthwhile destination (Saunders, Lewis and Thornhill, 2016), which means addressing academic and business needs. The research aim and objectives for this study are achievable, due to the professional background of the researcher, who has a keen interest in this theme and has access to the relevant information, material, and data needed for the research. His network of decision-makers within the European pet care industry is well developed. Over several years the researcher had to travel across Europe to meet many international pet care companies to discuss business, either with their owners, general managers, or sales directors. This concerned market entries or other varied business purposes.

Furthermore, the author was able to dedicate the necessary time to managing the research process properly, since he is working either at his home office or is traveling (in both cases he could manage his time flexibly in order to execute necessary research processes). Due to the ongoing trend of globalization, the topic will remain current for some time. More and more companies will decide to internationalize in the coming years, so the question about how the DMP is developed will remain of interest, either for academic or professional purposes (Jalal, 2018). Furthermore, the research focuses on cultural impacts on the decision-making process of entering new markets of German pet care companies, which is relatively specific (to render this study academically useful).

However, the most critical point to highlight is that the researcher had access to an appropriate data sample – decision-makers within the German pet care industry – who were able to provide him with the information needed to achieve his aim and address the research objectives. A crucial advantage for the data collection was that the researcher was known for many years by most of the managers and was well trusted. This pre-existing rapport enabled the managers to be at ease in discussing their commercial decisions, facilitating full and frank disclosure.

As explained above, the topic is considered worthwhile (Saunders et al, 2016), and is linked clearly to broader theory within the academic area of intercultural management, which includes the topics of culture, management, and interculturality (Rainhart Lang, 2016). Intercultural management examines the cultural variations of countries or nations and helps to frame solutions for their management (Rothlauf, 2006). A central role of this thesis, therefore, is to examine the German national culture and its influence on the DMP to enter new foreign markets. The profound understanding of the different dynamics of cultures is an important presupposition for successful intercultural management (Emrich, 2011). The literature presents numerous definitions of culture and different explanatory approaches, as explained previously, which highlights the lively conceptual debates pertaining to the research topic.

1.12. Research Philosophy

As explained in detail in **Chapter 3**, the fundamental philosophical paradigm of this research project is interpretivism, since it focuses on the subjective meanings

of social actors (humans) and their behaviour (Bryman and Bell, 2007). Interpretivism, in contrast to positivism, focuses on the research of social worlds and contexts, which includes more complexity than the research of physical phenomena (Saunders, Lewis and Thornhill, 2016). This thesis analyses the cultural impact of the (human) DMP on the market entries of German pet care companies. This establishes that the terms “culture” and “human” played a central role in this project. Social activities between humans and their different cultures are fundamental to the development of international business.

1.13. Approach to Theory Development

The researcher used an inductive approach for his research project, as he wanted to develop a new theory, expressed as a conceptual framework (Saunders, Lewis and Thornhill, 2016). This is in reference to the cultural influence of the DMP of market entry decisions of German pet care companies.

In the literature, induction is controversial, and there is a long discussion on if it is appropriate to develop new theories or not (Helfrich, 2016). Saunders, Lewis and Thornhill (2016) suggest an inductive approach, when the goal is to explore a topic and to develop a general theory based on the collected data (Saunders, Lewis and Thornhill, 2016). One way of induction is to start from a single case and try to gain new, generally valid propositions (Töpfer, 2012). With an inductive approach, the researcher could develop a new theory by analysing the empirical data (Saunders, Lewis and Thornhill, 2016), which is a method involving moving from a single case to the general instance. The inductive approaches is used in everyday life, when humans observe something and develop their own

conclusions from it. Following this approach, we find coherences and generalizations which give us explanations to help understand the world.

1.14. Methodology and Methods of Data Collection and Analysis

Saunders, Lewis and Thornhill (2016) distinguish between quantitative, qualitative, and mixed method approaches. In qualitative research, the focus is on non-numerical data, whereas numerical data is typically used in quantitative research. The combination of both is called mixed methods. In qualitative research design, the researcher often follows an interpretive research philosophy (Saunders, Lewis and Thornhill, 2016). The researcher used a qualitative research design for his research project, because he wanted to develop his own theoretical understanding about the influence of cultural factors on the DMP of market entry strategies of German companies within the pet care industry. Research about the impact the national culture on the single dimensions of market entry strategies is sparse, therefore, reasons for different market entry approaches of companies from other countries are hard to assess. Consequently, new theoretical insights can add knowledge on this particular research area.

Thus, the meaning of the subjective words and opinions in terms of the cultural influence of market entry decisions played a more central role in the research rather than quantification (Bryman and Bell, 2007). The researcher could review and use many quantitative studies about the context between single cultural dimensions and international management, but to understand the broader concept of the cultural impact on the DMP, and to understand related subjective phenomena in depth, a qualitative approach was preferred for this research.

Interviews are a common data collecting method in qualitative research (Edson *et al.*, 2017). In the interviews, the researcher used open-ended questions, to avoid placing limitations on the scope of respondents' answers. To discover the cultural factors evident in the decision-making process, the researcher needed to carefully apprehend implicit meanings and paralinguistic features, such as interviewees body language. Gestures are crucial indicators in qualitative interviews, indicating what people may not wish to say; they are particularly important in culture-related research, as gestures or emotional gesticulations of participants from different countries or cultural backgrounds can have contrasting and subtle meanings (Opdenakker, 2006).

The ways in which respondents actually say things – aside from the content of what they say – is equally significant to understand the full context of answers (Dilley, 2000). Additionally, the researcher had to be flexible in the manner of conducting interviews. After the interviews, the researcher analysed the answers and researched the general assumptions for cultural influence factors. The interviews were conducted with experts from the German pet care industry, where the researcher has his professional network. Experts were defined as decision-makers, including owners, general managers, and sales directors, who have the power to make market entry decisions for their companies.

1.15. Outline

This chapter has provided an overview of the background and purpose of the research, and a summary of its structure. In **Chapter 2**, the author critically reviews relevant literature concerning the internationalization of companies,

understanding of culture (particularly German culture), and the decision-making process of entering foreign markets. Additionally, the research questions are derived from the review of previous studies, tailored to the identified research gap. **Chapter 3** highlights and justifies the research design and methodology and introduces the chosen research strategy. The author explains how he conducted and analysed the interviews, and ethical considerations are presented. In **Chapter 4**, the findings of the research are presented and discussed. The author identified several impactful main issues and sub-issues, which are explained and considered. Finally, in **Chapter 5**, the author summarizes the research and its key findings, highlighting practical and theoretical implications, the limitations of the study, and the outlook for further research.

CHAPTER 2

LITERATURE REVIEW

This research investigates the influence of German culture on the DMP of market entries of German pet care managers. In undertaking a critical review of related literature, this chapter presents a broad overview and critically discuss the recent literature on culture and its influence on decision-makers and internationalization strategies. Firstly, the theoretical framework on the internationalization of companies and its link to culture is discussed. The motives and risks for new market entries are highlighted, and then the three dimensions of internationalization strategies and how they are influenced by culture are considered. Secondly, the theoretical framework on cultural theories in general and German culture in particular is introduced and explained. In the final stage, the relevant literature relating to the decision-making process and the knowledge gap in the literature are identified and defined for this research.

2.1. Internationalization of Companies: Theoretical Framework

This section focuses on the internationalization of companies. The researcher started with an overview of companies' risks and motives to enter new markets. Market entry strategies (entry location, entry timing, and entry mode) are introduced, and the relevant literature relating to this is investigated.

2.1.1. Reasons and Motivation for Internationalization

The process of internationalization starts typically with a general question about entering new markets. This initial part of the decision process is strongly

influenced by the motives and risks of the internationalization project, which are highlighted in this chapter. When a company has decided to enter new markets it needs to follow standard internal procedures adumbrated in its internationalization development strategy (Ngoma *et al.*, 2017). This must be in alignment with a mission statement formulated at the beginning of the strategic planning, which is an important part of the whole process (Harris, Martinez and Ward, 1994). Despite the great interest in this area, and its industrial importance, there is not much literature about how exactly the international development strategy is established in relation to real international commercial behaviour and outcomes (Sommer, 2010). In this research, the author has analysed the way German managers of the pet care industry decide new market entries and how German culture affects them. The discussion about reasons and motives of internationalization are therefore fundamental for this research.

Reviewing the literature covering motives for internationalization (Hutchinson *et al.*, 2007; Cuervo-Cazurra and Narula, 2015; Kubičková *et al.*, 2016) shows that most related studies investigated the ways companies advance their internationalization, with only a few concentrating on the reasons behind internationalization (Tulder, 2015). Cuervo-Cazurra *et al.* (2015) for instance highlighted that the motives of internationalizing companies can just be clustered into four goals: “sell more, buy better, upgrade and escape” (Cuervo-Cazurra *et al.*, 2015). Over the last few decades, companies have increasingly utilized internationalization as an essential growth strategy for their businesses. However, due to limited resources, particularly within SMEs, internationalization can be considered as a permanent multi-dimensional decision-making process

(Kraus *et al.*, 2017). Companies need to decide where, when and how to internationalize in order to determine their internationalizing strategy (Gallego *et al.*, 2009). This requires planning relative to the financial resources of companies (Kubičková *et al.*, 2014), which for SMEs often pose barriers to internationalization. SMEs usually face particular challenges in the accurate determination of international strategy compared to larger enterprises. Thus, internationalization can be described as a continuous process, which can ensure competitiveness, profitability, success, and survival (Kubičková *et al.*, 2014).

There are several reasons for companies to internationalize, and many authors have researched the different reasons and potential ranking factors motivating them (Kutschker and Schmid, 2011). Holmlund *et al.* (2007) asked 178 companies from Finland about their motives to internationalize. The most common identified motives (as shown in [Table 2.1](#)) led finally to the decision of the management to internationalize, and the leading position of the management interests is unsurprising. Apart from that, the ranking list shows that other significant reasons for internationalizing are the limited growth potential of domestic markets, demand from foreign countries, production capacity, and profitability.

No.	Motive	Impact*
1	The management's interest	3.74
2	Small domestic markets	3.56
3	Inquiries from buyers	3.02
4	Idle production capacity	2.90
5	Following an important buyer	2.65
6	Profitability capacity	1.82
7	Unique products	2.61
8	Following competitors	2.21
9	Demands from a partner	1.82
10	Technical advantages	1.67
11	Economies of scales	1.56
12	Support from regional association or equivalent	1.53
13	Cooperation with competitors/ business colleagues	1.52
14	Cooperation with suppliers	1.33
15	Closeness to buyers or/and harbours	1.32
16	Tax issues	1.03

*Answers on a scale from 0 (no impact) to (high impact)

Table 2.1: Most important reasons to internationalize – survey of 178 Finnish companies

Adapted from: Holmlund et al. (2007)

A study of Swiss companies conducted interviews about firms' primary motives to internationalize (Zisler, 2015) (Figure 2.1), while Norvell et al. (2011) analysed the motives and reasons of around 200 companies from the US (Table 2.2).

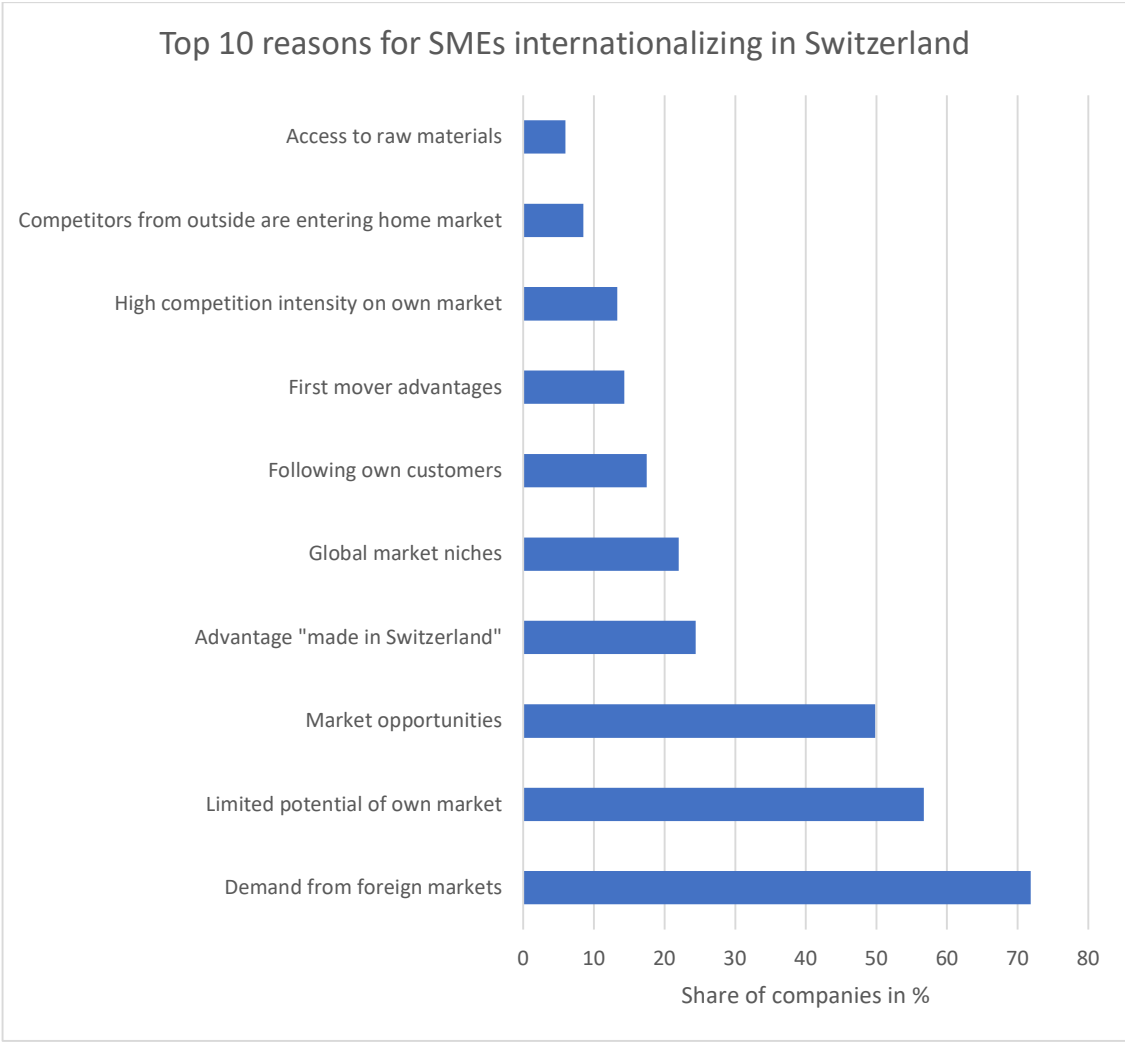


Figure 2.1: Top 10 reasons for internationalizing in Switzerland

Adapted from: Zisler (2015)

Reasons and motives to internationalize	Mean*
Market diversification	5.6
Enquiries from foreign buyers	4.5
New access to restricted foreign markets	3.8
Profit potential	3.6
Long term orientation	3.3
Greater demand	2.9
Labour cost	2.8
Marketing/ advertising	2.7
Subsidies or incentives	2.6
Raw materials cost	2.6

*0 = not important, 6 = very important

Table 2.2: Reasons and motives for international activities

Source: Norvell et al. (1995)

The three abovementioned studies (Norvell *et al.*, 1995; Holmlund *et al.*, 2007; Zisler, 2015) demonstrated that several motives can be the driving force for the internationalization of companies. Reviewing the motives from these studies, it can be reasoned that the main motives are intrinsic, arising directly from within internationalizing companies themselves, such as management interest (Holmlund, 2007) and market diversification (Norvell *et al.*, 2011). Other identified intrinsic motives include cost reducing potential, labour cost, market opportunities, and tax issues. These motives directly tend to maximize the economic success of companies, with decision makers proactively driving the process of internationalization.

However, these studies also identified extrinsic motives from outside the internationalizing companies, such as demands or inquiries from other countries

(Norvell *et al.*, 1995; Holmlund *et al.*, 2007; Zisler, 2015). In the case of extrinsic motives, companies react and follow demand from foreign markets. Therefore, these studies show that international business does not have to be proactive and can be driven reactively instead. Hollensen (2008) categorized proactive and reactive motives in internationalization, with the former being related to the natural profit orientation of companies, and the latter to external “pressures or threats.” In most cases, there is a combination of both intrinsic and extrinsic motives for internationalization, thus three clusters of motives can be summarized: intrinsic (motivation arises from inside, e.g. efficiency or resource-driven reasons); extrinsic (motivation comes from outside, e.g. from stakeholders); and mixed motives of both of the former (Tulder, 2015).

In the public discussion about the motives of companies to internationalize, the focus is usually only on the potential for cost-reduction (Brouthers and Nakos, 2004), which actually does not demonstrate the whole range of reasons companies may choose to internationalize (Kay, Holz and Kranzusch, 2014) as highlighted in the discussion above. In a German survey in 2013 about the internationalization motives of companies of different sizes, around 60% of the researched companies defined market or customer opportunities as the main reasons, while cost reduction potential was only mentioned by about 20% of the analysed companies (Kranzusch and Holz, 2013). There was no significant difference in the results in terms of the sizes of the researched companies, except that market-related motives became more relevant with increasing company size, which was mainly attributable to more opportunities for economies of scale (Kay, Holz and Kranzusch, 2014).

Yu (2009) summarized the dimensions of motives to internationalize as: (1) market opportunities, (2) economies of scale, (3) economies of scope, and (4) location advantages, which tend toward an intrinsic approach. This reflects the general approach of most studies in this field seeking to generate actionable insights for practitioners. Conclusions on intrinsic factors are germane to organizational management studies, as extrinsic factors are by definition largely outside organizational control, but ignoring the external context in which firms operate is a very superficial approach to organizational strategy, particularly with regard to expansion in foreign markets.

Based on the discussion above, it can be summarized that the focus in previous literature has been on intrinsic motives, explaining the triggers for internationalization and motives that arise from the company itself. The national culture might have a profound impact on the intrinsic and extrinsic motivation of companies, thus this research explores related phenomena in the case of German companies.

2.1.2. Market Entry Risks

In the last section, the literature concerning the different motives and reasons for the internationalization of companies was discussed, with the assumption that national culture might impact the extent of motivation of companies to internationalize. In this section, the literature concerning the risks of internationalization is discussed, exploring the possible links between cultural influence and market entry risks. Risks might play a relevant role in the DMP of entering foreign markets, and it can be assumed that a connection between the national culture and risk perception exists. Hofstede for instance made “risk

avoidance” a core part of his cultural analysis paradigm. As one of the most relevant cultural researchers, his cultural dimension model analysis of Germany concluded that German managers tend to avoid risks, which might affect their decision-making process to enter foreign markets (Junker and Würffel, 2017).

Risks in international business has been covered by many authors. For Sternrad *et al.* (2013) for instance, the most significant risks of internationalization are economic, political, legal, and market risks, which can be segmented into other sub-risks as shown in [Figure 2.2](#) (Sternad *et al.*, 2013).



Figure 2.2: Risks of internationalization

Source: Sternad et al. (2013)

Other authors specify or define certain risks differently. For instance, Meckl (2010) differentiated between economic and business risks, country-related risks, and exchange risks, assigning culture and language to country-related risks. Sternad (2013) defined these factors as market entry barriers, while Yu (2009) categorizes the risks for internationalization primarily based on market risks, and groups them into qualitative and quantitative risks. Qualitative risks are those identified and analysed by experts, such as consultants, whereas quantitative

risks are based on numerical, statistical data (Yu, 2009, p. 55). However, none of these conceptualizations of risks cover the impact of national culture *per se*.

Löhde *et al.* (2018) investigated the behavioural and cultural aspects of German family firms internationalizing to China and India. They identified four main challenges for German family-owned companies in their internationalization process: language and communication, business conventions, network access, and the role of the owning-family. *Language and communication* was highlighted as the most critical challenge in international business, which is relevant to almost every country in the world. *Business conventions*, however, might play a significant role in countries with high cultural distance like China, but they are not as relevant for businesses expanding *within* Europe (i.e. from one European national culture to another). *Network access* is always an advantage, especially when entering a new market, and the behaviour and *role of the owning-family* as a main driver of internationalization is also crucial (Löhde *et al.*, 2018). Although the study was related to China and India as the target markets, the study's focus on German cultural impacts on business operations is highly pertinent to this research, as well as the four factors it highlighted.

Many studies examined the cultural distance between the home and host culture, and classified this as a type of market entry barrier if the differences between both cultures are significant (Tihany *et al.*, 2005; Lopez-Duarte and Vidal-Suarez, 2010; Chang *et al.*, 2012; Gollnhofer and Turkina, 2015). Gollnhofer and Turkina (2015) for instance, researched the cultural distance and entry modes in the retail sector using the example of Carrefour, finding that cultural distance is a crucial issue in the consumer retail business. Chang *et al.* (2012) researched the impact

of cultural distance in entry mode choice via the example of internationalizing Taiwanese companies. They highlighted that the effect of cultural distance is dependent on the governance quality of the culturally distant country (Chang *et al.*, 2012). Roy, Sekhar and Vyas (2016) researched barriers to internationalization via the example of Indian SMEs, and classified cultural distance as one of the main obstacles in international business.

Besides cultural distance, there might be other factors responsible for risk perception, including geographical, economic, and political distance dimensions. Kraus *et al.* (2015) reasoned that these market-related dimensions are the main risk drivers that managers need to consider first, followed by entry mode choice. In this study, only the influence of the national culture is investigated, breaking ground to extend the limited existent research relevant to national culture and risk perception with regard to internationalization. The researcher decided to focus on German culture to answer RQ2:

2. What is the impact of German culture on the DMP of German pet care companies?

However, the number of studies analysing the context between national culture and risk perception has grown over the last decade. Díez-Esteban *et al.* (2019) examined the cultural influence of the national culture concerning corporate risk taking, which they connected to the first five of Hofstede's cultural dimensions (power distance, individualism, uncertainty avoidance, masculinity and long-term orientation), to find that national culture affects the extent of corporate risk taking in organizations (Díez-Esteban *et al.*, 2019). National scoring for each cultural dimension on a scale from 0 to 100 in the Hofstede model enables the

comparison of different cultures in terms of those dimensions (section 2.3). Díez-Esteban *et al.* (2019) found that the dimension of uncertainty avoidance is negatively related to risk, thus countries with a high level of uncertainty avoidance tend to have a low level of risk taking. Also, the findings about long-term orientation are congruent with these findings, since increasing levels of long-term orientation tend to reduce corporate risk taking commensurately.

2.1.3. Market Entry Strategies

2.1.3.1. Overview

This research investigates the impact of the German culture on the DMP of market entry strategies, using the example of German pet industry managers. Previous research (e.g. Kubičková *et al.*, 2014; Mirabeau and Maguire, 2014; Michalski, 2015; Cooke *et al.*, 2018) has shown that market entry strategies can be considered as the core of the internationalization process, and the right strategy is vital for the company's DMP for entering new markets (Preece *et al.*, 2016).

Several authors have researched internationalization strategies and influencing factors (Buckley and Casson, 1998; Taylor *et al.*, 1999; Behnam and Gilbert, 2001; Holtbrügge and Berning, 2018). Fernandez and Nieto (2005) studied the influencing factors of SME family companies and analysed the impact of family-related factors on international strategies. Their findings underlined that family-owned companies tend to have less export activities than other companies. Gollnhofer and Turkina (2015) researched the impact of cultural distance on the expansion strategy of Carrefour, and Koch (2001) analysed influencing factors concerning market and entry mode selection. The latter produced a model about

different influencing factors, which could be differentiated in internal, external, and mixed factors. Reviewing these studies establishes that three main internationalization dimensions are agreed upon: entry timing, mode, and market selection (Dimitratos *et al.*, 2016). Gallego *et al.* (2009) investigated the relation between market entry timing, mode, and market selection and identified three general questions an internationalizing company needs to consider: “Where to internationalize? How to internationalize? and when?” (Gallego *et al.*, 2009).

Agarwal and Ramaswami (2003) researched the impact of ownership, location, and internationalization factors on the choice of the market entry mode, while other studies focused on a single dimension. Mitra and Golder (2002) analysed the impact of near market knowledge on foreign market entry timing (Mitra and Golder, 2002), and Koch (2001) researched influencing factors on foreign market selection.

Preece *et al.* (2016) introduced their Entry Location/ Entry Timing/ Entry Mode (ELETEM) decision model and explained the different influencing factors of each dimension. The model was developed based on a survey of 45 Malaysian contractors working in international projects. The ELETEM model was important for the development of this research since it is the only identified scientific research model that illustrates many influencing factors of each internationalization dimension in just one model. In **section 2.1.4** the researcher explains the three dimensions of the ELETEM model and the relevant literature.

2.1.3.2. Market entry location

The first dimension of market entry strategies pay attention to the potential entry market location of the company. This is commonly differentiated into three sub-strategies: market presence (number of countries and regions), market segmentation (classification of markets), and market selection (choice of countries and regions) (Dehnen, 2012). Many studies only focused on market selection (e.g. Koch, 2001; Moen *et al.*, 2002; Schu and Morschett, 2017), but the important questions of how many and which markets should be entered, and how to segment them, are necessary for companies to plan resources and focus on relevant customer groups in the targeted markets. All three target market strategies need to be regarded independently from each other, and should be comprehensively considered in the DMP related to the market entry (Dehnen, 2012).

- **Market presence strategies**

Market presence strategies focus on the question of whether the company should be present in one or several countries, and in which geographical areas (Dehnen, 2012). Some authors differentiate market presence strategies in further sub-variants in terms of attractiveness, geography, diversification or concentration and compensation (Kutschker and Schmid, 2011). If the company decides to be present in several foreign markets, many authors distinguish between “multidomestic” and global strategies (Martínez and López, 2009). In global strategies, the world markets are considered as a homogenous market, which means that the company tends to standardize its portfolio and generates effects of scales (Engelhard, 2019). Multidomestic strategies concentrate on individual

market approaches in different countries (Lovelock, 1999). By using this method, the internationalizing company can better regard the cultural differences in these countries.

- **Market segmentation**

Segmentation of the relevant markets is important for companies to be able to focus on the individual needs of their customers (Dehnen, 2012). Market selection can be distinguished into two variants: intranational and cross-country (Corcos, Gatto and Ottaviano, 2007; Aker, Klein and O'Connell, 2016). Intranational market segmentation means that certain target groups or segments are developed within the country market, for example by using sociodemographic criteria. Switzerland is an obvious example that can be neatly segmented into three different areas of prevailing national characteristics: the Italian, German, and French parts of the country.

When it comes to consumer-oriented businesses, companies have to adapt to these segmentations, for example by providing information and services in different languages. Cross-country segmentation is used to identify market segments independent from country borders (Kutschker and Schmid, 2011). Agarwal, Malhotra and Bolton (2010) studied cross-national and cross-cultural market segmentations within the banking sector of the USA and India, highlighting the importance of both approaches to improve international business performance. Other authors however just focused on the meaning of cultural segmentation and if culture is useful to segment markets. Lindridge and Dibb (2002) researched the justification of cultural analysis in market segmentation, and suggested that culture may not be a useful dimension for such activities.

- **Market selection**

In *market selection* the company needs to select and define the targeted markets and countries to be entered. For some authors this part of the DMP, which is based on a selection of different criteria, has the objective to define those markets with the highest probability of success for potential market entry (Holtebrügge and Welge, 2010). The challenge for the company is not only to define those criteria, but to find the right quantitative or qualitative information and information sources (Sure, 2017). Many authors have based their research around the criteria chosen to select entry markets. An investigation of the chosen entry markets of Norwegian software firms found that the existing networks of those companies in foreign countries were relevant for the decision which countries to enter (Moen, Gavlen and Endresen, 2002). When the Chinese pet food start-up VIGOR & SAGE for instance entered European markets, they decided to establish their European headquarters in Düsseldorf, since many Chinese companies have well-developed networks there (Robl, 2019).

Another study determined that operating in the same language plays a fundamental role in the selection of foreign markets, hence the authors concluded the coherence of cultural factors in market selection processes (Alexander, Rhodes and Myers, 2007). While language can play a highly significant role, it is only one among many influencing cultural factors. Language is likely to be more important in the selection of the first entry market, to avoid additional complexity because of language issues. This can be illustrated in the trajectory of the internationalization strategy of the German online pet shop ZOOPLUS, which began with the Austrian market as their first foreign country; based on this

successful experience in another German-speaking country, they subsequently entered the UK and French markets before they entered their next German-speaking market in Switzerland (Schu and Morschett, 2017).

An additional factor that plays a role in the decision process of entering a new market is the size of the targeted market. Min, Kim and Zhan (2017) investigated the link between the market size of potential new markets and the likelihood to enter these markets, and found that market size is positively related to the probability of entering the market. Malhotra, Sivakumar and Zhu (2009) researched the impact of several distance factors on the market selection of multinational firms. Their conclusion was that cultural and geographic distance have a negative effect on market entries, whereas economic and administrative distance have a positive impact. Jalal (2018) studied the impact of several different external factors on decision making relating to foreign market entry, all of which were found to exert influences. The following factors were found to be influential:

- Market attractiveness.
- Cultural differences.
- Country risk and demand uncertainty.
- Market size and growth.
- Market competitiveness.
- Laws and regulations.

The decision to enter a new market is therefore dependent on many different external factors, and how relevant each factor is for the decision-maker. Evaluating the conclusions from the reviewed literature, it can be stated that the focus in the literature on market entry location choice is based on several external factors and how they influence the decision to select the relevant market. There are many studies about the influence of different external factors, including market size, language, or country risks, and also the effect of cultural distance. However, there is less research on the impact of the national culture of the internationalizing company. **Figure 2.3** illustrates the identified gap in the literature and the research strategy for qualitative interviews, combining all external sub-factors into four main categories.

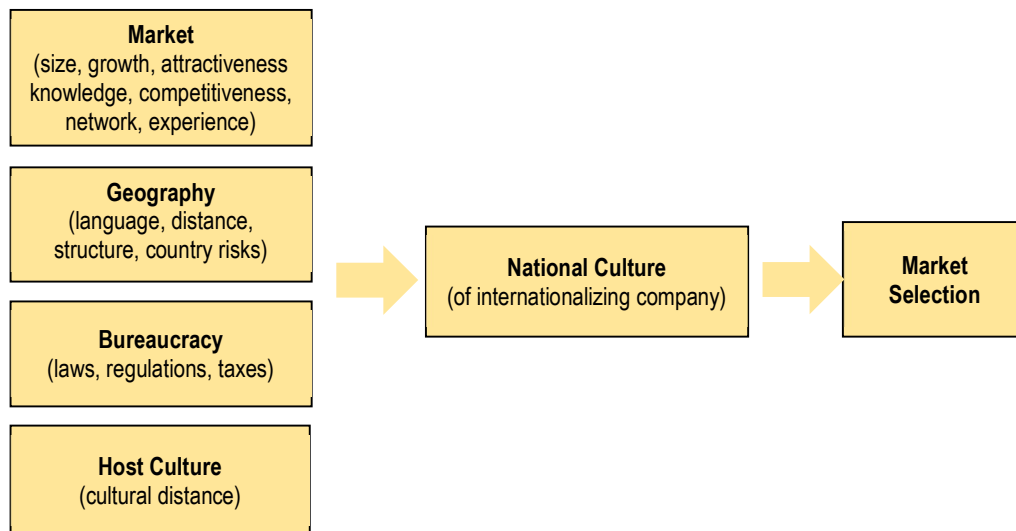


Figure 2.3: How the national culture influences the DMP for market selection

Source: Author

2.1.3.3. Market entry mode selection

The question regarding the right market entry mode is considered by many authors as one of the most important in the internationalization process for companies (Morschett, Schramm-Klein and Swoboda, 2010). Anderson (1997) reasoned the high focus on entry modes of the academic sector as due to the significant role of the entry mode compared to the other elements of the internationalizing process. Swoboda, Elsner and Olejnik (2015) investigated market entry choice as a “dynamic process” influenced by learning outcomes from previous entries. In their study on the preferred entry modes of retail firms they found that companies’ own experiences of past market entries are fundamentally relevant for new internationalization projects, but changing environmental conditions may affect companies’ entry mode of choice. Löhde, Calabrò and Campopiano (2018) also emphasized the importance of mode selection and agreed that past experiences play an important role. In their study, they extended to six other factors influencing the entry mode decision of German family-owned companies: family firm policies, prior experience, cultural differences, existing networks, financial resources, and non-financial resources

There are many different options for entering new markets, and the choice of the market entry mode is a fundamental decision for a company, since a later retroactive correction is more challenging and expensive to manage. Market entry decisions primarily arise from decisions about capital investments in the home market and foreign markets (Dehnen, 2012), but further factors are also instrumental, including the “ownership advantages of a firm, location advantages

of the market and internationalization advantages of integrating transactions” (Agarwal and Ramaswami, 1992).

However, the selection of entry mode can often change after a company has entered several foreign markets, due to the effect of greater experience in the internationalization process (Claver, Rienda and Quer, 2007). There are several studies about the context of the chosen entry mode related to industry types. Blomstermo, Sharma and Sallis (2006) investigated the entry modes of service firms from Sweden, finding that they tend to choose market entry forms with a higher level of control, especially when cultural distances increase. Such studies investigated the criteria deployed in selecting an entry mode, but there is still a lack of research regarding performance criteria (Brouthers, 2000). Meissner and Gerber (1980) systematized market entry modes as shown in [Figure 2.4](#). The diagram shows different market entry modes dependent on the financial effort in the home and in the foreign market related to various activities described below.

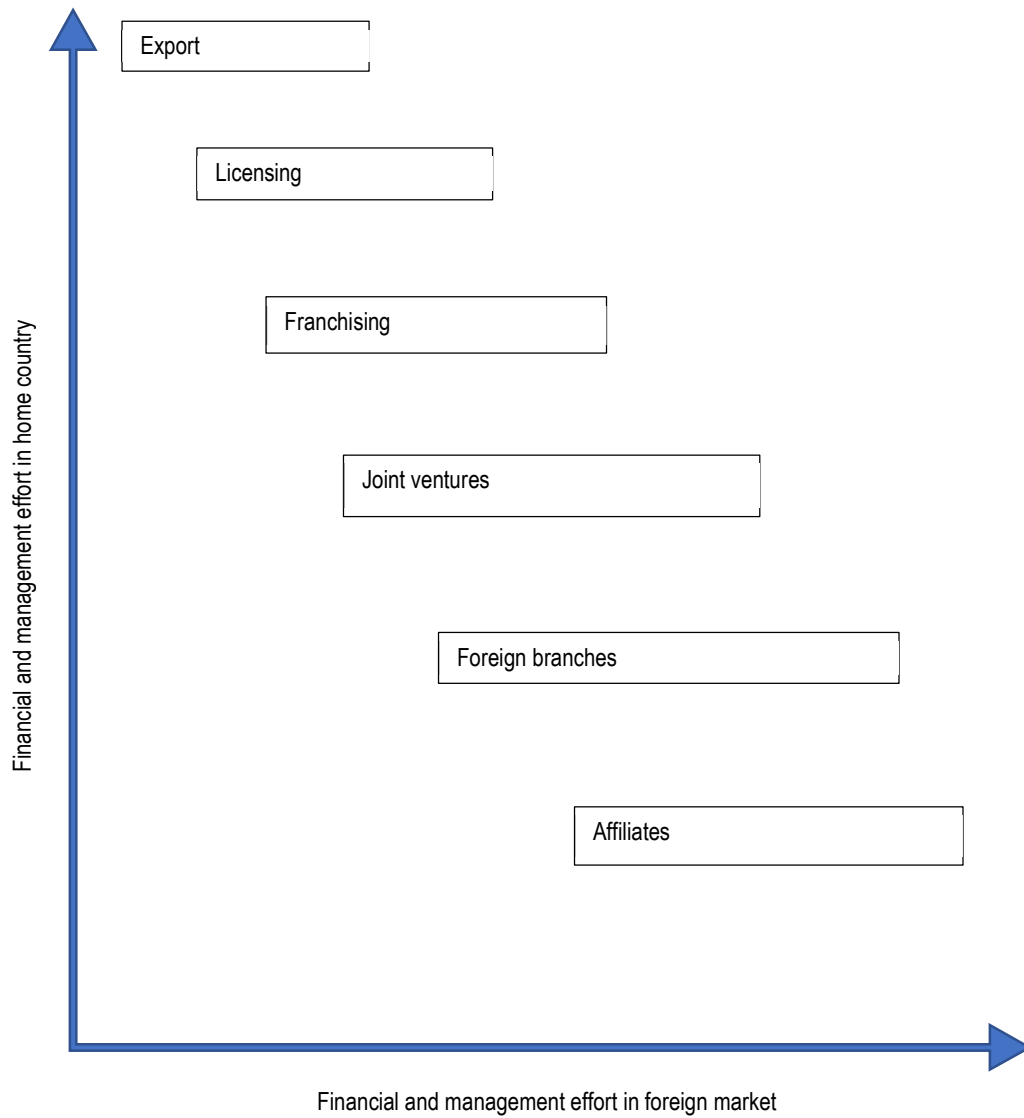


Figure 2.4: Systematization of market entry modes
Adapted from: Meissner and Gerber (1980)

- **Export**

In general, export activities allow companies to sell their products in foreign markets without any high investment or effort of resources. Therefore, this market entry mode is very suitable and most popular in for companies in an early stage of internationalization (Dehnen, 2012). Many authors in the literature distinguish between direct and indirect export. Indirect export means that the products are sold via third party companies in the home market. This makes it the most straightforward way of exporting, and it is recommended when companies have limited experience in export activities (Sure, 2017), and for SMEs in general (Dehnen, 2012). The disadvantages of this model include it being expensive from a long-term perspective, as premium costs are incurred by the exporter due to the third party companies handling sales and distribution; and the lack of control of the company's own products in the foreign market (Dehnen, 2012).

Contrary to indirect export, exporting companies utilizing direct export have at least one direct customer in the foreign market, usually a distributor, wholesaler, or a chain group. This model allows companies to have better control over their products and prices in the foreign market. Furthermore, direct export has higher profit margins than indirect export, with reduced costs and complexity of market entry modes. A disadvantage is a dependence on the distributor in the foreign market and the lack of flexibility and reaction time (Dehnen, 2012).

In the European pet industry, direct export is a common method of internationalization. Many companies have distributors in foreign markets, often operating exclusively. A good example in the pet industry is the German supplier for dog leads, FLEXI, which started in 1971 with the production of a retractable

dog lead, and it is today the global market leader in this segment, with distributors in more than 90 different countries (Flexi – Bogdahn International GmbH and Co. KG, 2019).

Typically in practice, several internationalization modes are mixed (Dehnen, 2012); for example, the Spanish pet food company AFFINITY PET CARE, one of the biggest pet food companies in the world, uses its own sales forces in their home markets in Spain, Portugal, Italy, and France (affiliates outside of Spain), and direct distribution in more than 70 other countries (Affinity Pet Care SA, 2019).

- **Licensing**

In the case of licensing, the internationalizing company allows partners in foreign markets to use their brands or patents for production and sales for a defined period (Dehnen, 2012), against payment of a one-time or regular licensing fee (Kutschker and Schmid, 2011). As with the model of export, licensing is also a simple way of internationalization that reduces complexity. The market knowledge of the foreign partner normally allows an effective launch and the risk for the company is reasonable (Sure, 2017). Disadvantages are similar to export, the lack of control, especially of the marketing of their own products (Dehnen, 2012), which might raise conflicts with the global pricing and positioning strategy of the company. In the European pet industry, the researcher has not found any examples of licensing. In the pet care industry licensing is mainly used in the pet food business, where relevant brands are licensed for different countries or continents. Pet food companies also use licensing for launching pet accessories, including in the case of NESTLÉ PURINA in 2009 (Nestle-Purina, 2009).

- **Franchising**

Franchising is a subtype of licensing with the focus on marketing (Sure, 2017), whereby a franchisor provides a full business concept or at least a marketing concept to a franchisee (Dehnen, 2012). The franchisee has to pay franchise fees on a one-time and/ or regular basis (Kutschker and Schmid, 2011). The advantage of franchising in comparison to licensing is increased control and influence over the business in the foreign country. Disadvantages are the higher cost of the franchise structure and dependence on the professional ability of the franchisee (Dehnen, 2012). Contrary to licensing, which has a focus on intangible goods, franchising focuses on a complete business concept (Kutschker and Schmid, 2011).

In the European pet industry, the most successful franchise concept can be seen the German pet retail company FRESSNAPF, the European market leader with around 11,000 employees and more than 1,500 pet stores in 11 countries. It was established in 1990 in Germany, and began its internationalization in 1997 (Fressnapf Holding SE, 2019). FRESSNAPF took an active part in the change of structure of the pet-retail market in Germany and other countries. Starting with a sales strategy to offer relevant pet food brands cheaper than grocery stores, and compete principally on the margin of pet accessories, the company has launched its own private label brands over the last few years, and increasingly focuses on its own pet food brands.

- **Joint ventures**

In a joint venture, at least two companies found a new shared company, where typically one or both are based in the local market (Meckl, 2010). Joint ventures

are often necessary in emerging markets, since protectionist government policies do not allow foreign companies to enter markets alone (Sure, 2017). Usually, the foreign company provides capital and know-how, while the local company provides the sales network, market know-how, and the navigation of local bureaucratic and political factors (Meckl, 2010).

The advantages of joint ventures include limited risks and lower costs of expansion (Sure, 2017), reduced transaction costs (Dülfer, 2001, p. 187), and emerging synergies such as in human resources or sales (Meckl, 2010). In the context of FDI, the corporate social responsibility dimension often highlights the dissemination of knowledge, technologies, and skills achieved by partners in developing countries when they engage in joint venture partnerships, although this is more relevant to the manufacturing industry rather than pet care. Disadvantages of joint ventures include the risk of conflicts and breaches of trust (Dülfer, 2001), and the dependence of the local partner (Meckl, 2010).

An example of a joint venture in the North European pet industry is that between the German pet food supplier Vitakraft and the Chinese supplier Wanpy, formed in 2012. Vitakraft was looking for a production plant in China and found one with Wanpy, the market leader in China (Meyer, 2012). In the pet food business, the shelf life of the products plays an important role, since most products are only durable between 6 and 18 months. Therefore, shelf life is crucial for considering new markets, especially in Asia. Vitakraft used the existing production capacities of the Chinese company and focused their own sales organization in China on the Chinese market to make their products cheaper and more cost-effective for

the Chinese market, reducing the distance between production and end sales that would otherwise inhibit Vitakraft's access to Chinese consumers.

- **Foreign branches**

When activities in foreign markets are growing, overseas branches might offer the next step in the internationalization process for companies (Sure, 2017). Foreign branches are legally dependent activities of a company in the foreign country (Kutschker and Schmid, 2011), often with only one function (e.g. sales, production, or assembly) (Dehnen, 2012), but which are also included in the total value creation process (Kutschker and Schmid, 2011). Foreign branches have the advantage of fiscal incentives, and indeed brass plate companies are often established for this reason, but on the other hand access to financial resources is different, and there is often a lack of acceptance in the foreign market (Engelhard and Dautzenberg, 2018). In the pet care industry, foreign branches do not play a significant role.

- **Affiliates**

With the founding of an affiliate in a foreign country, the internationalizing company invests the highest share of financial resources and efforts in the foreign market, and concurrently the lowest in the home market (Meissner and Gerber, 1980). An affiliate is a legally independent company in a foreign market, generally with a 50% share of the mother company (Sure, 2017), which can be developed as a greenfield approach or by acquiring another company (Engelhard, 2018). Like foreign branches, affiliates can be founded for single functions, but also as entire companies (Kutschker and Schmid, 2011). In comparison to other entry

modes, affiliates are more amenable to control, but on the other hand they require the highest commitment of resources (Dehnen, 2012).

In the case of an acquisition, the main advantage is usually faster market entry speed, due to the existing infrastructure of the acquired company. In the case of a greenfield approach, the company is more independent and flexible compared with other entry forms (Dehnen, 2012). In the pet industry, especially in the strongly performing pet food sector, affiliates mixed with other modes (e.g. distributors) are common. The Spanish pet food producer AFFINITY PET CARE for instance has several markets with its own affiliates and direct distribution, but also many international markets with distributors, as shown in [Figure 2.5](#) (Affinity, 2020).

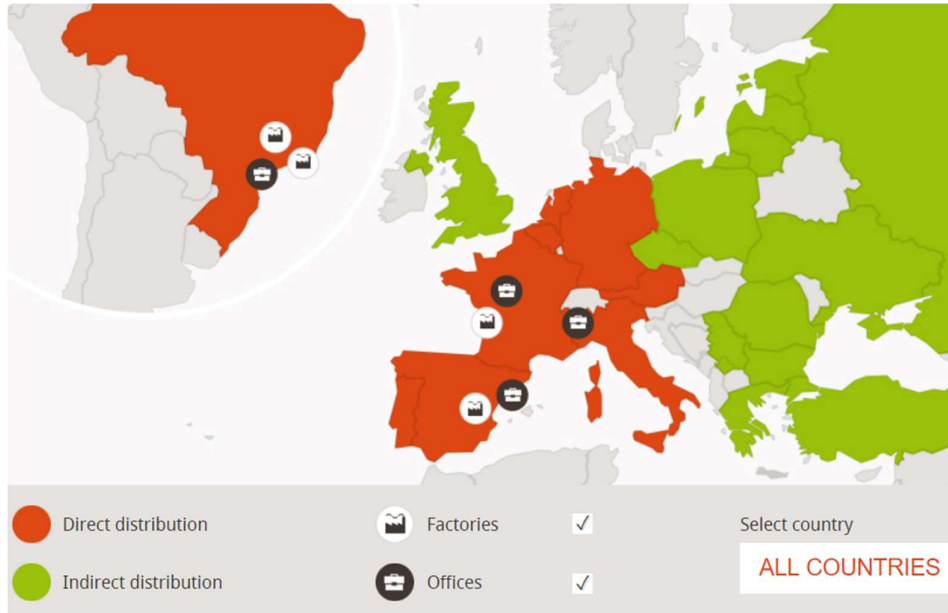


Figure 2.5: Overview of direct and indirect distribution at Affinity

Source: Affinity (2020)

The Swiss pet food producer NESTLÉ PURINA (Nestlé S.A. 2019) and the American company MARS PETCARE (Mars, 2019) also have numerous international affiliates and distributors. Pet accessories companies like the German pet supply company TRIXIE have world-wide affiliates (Trixie Heimtierbedarf GmbH and Co. KG, 2019). Holtebrügge and Welge (2010) categorized market entry forms into the three dimensions of “added value,” “settlement,” and “property,” as shown in [Figure 2.6](#).

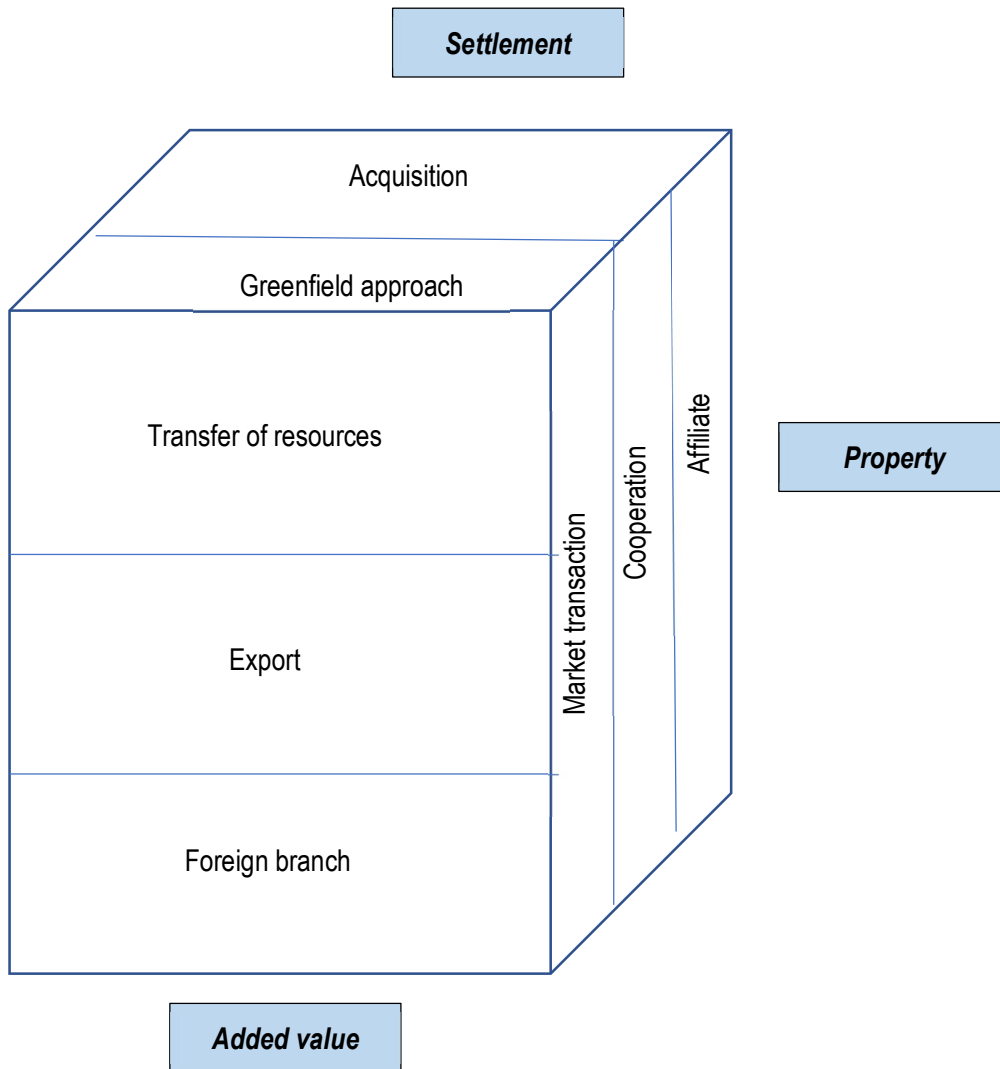


Figure 2.6: Different dimensions of market entry modes
 Adapted from: Holtebrügge and Welge (2010)

The dimension added value distinguishes between the extent of value improving practices in the home and foreign markets. In the case of export for instance, only sales take place in the overseas market, whereas an affiliate will develop the full value chain there. Property explains the ownership structure in the foreign market, and settlement the extent of using resources in the foreign country (Holtebrügge and Welge, 2010). The relevant literature includes many studies about the choice of market entry mode and determining factors. For instance, Taylor *et al.* (2000) researched influencing factors without any cultural impact of Japanese multi-national companies and the authors identified eight important factors:

- Investment risk.
- Company's stake.
- Company's size.
- Competitiveness in the host country.
- Stake of host country.
- Contribution for the venture.
- Level of bureaucracy in the host country.
- Level of resource commitment.

These factors directly influence the market entry mode decision of the internationalizing company. However, this research aimed to investigate the extent to which national culture affects these factors. For instance, does

investment risk play the same role in all countries, and if so, how is it linked to national culture? Some studies also cover this cultural impact, either in terms of cultural distance, which is generally described as the difference between the own and the host culture; or as the impact of the national culture.

Morschett *et al.* (2010) analysed national culture and cultural distance, and identified six external dimensions of cultural factors in this regard, which influence the choice of market entry mode, market attractiveness, competitor situation, or the legal environment in the host country. Their results showed that cultural distance has no direct influence on the market entry mode choice. In contrast, Tihanyi *et al.* (2005) investigated the effect of cultural distance of the entry mode choice of multinational enterprises, and found a strong negative association between them. Brouthers and Brouthers (2001) also researched the relationship between cultural distance and the entry mode choice of firms. They found that the entry mode is dependent on the financial risk in the target market: the higher the risk, the more likely it is a wholly owned mode; conversely, the lower the risk, the more likely it is a cooperative model.

The prevailing opinion is that cultural distance is negatively associated with resource commitment in entry mode choice (Gollnhofer and Turkina, 2015), while it is positively associated with company performance, which may be explained by a greater willingness to prepare and learn about different cultures independently among successful companies with ample resources (Lopez-Duarte, Vidal-Suarez and Gonzalez-Diaz, 2016). However, there is a lot of disagreement in the literature, and many authors debated the role of the national culture within the market entry mode decision (e.g. Koch, 2001; Lopez-Duarte and Vidal-Suarez,

2010; Moura-Novais and do Nascimento Joa, 2016). Such studies focused on the choice between two potential market entry modes (e.g. between franchising and affiliates) with a view to exports, strategic alliances, and FDI (Lopez-Duarte, Vidal-Suarez and Gonzalez-Diaz, 2016).

Additionally, such studies commonly use Hofstede's cultural dimensions to analyse the cultural impact in terms of cultural criteria like uncertainty avoidance or time orientation, as discussed in more detail in [section 2.2](#). The cultural dimensions of power distance and uncertainty avoidance are often used in these studies. Scott (1986) investigated the link between the cultural dimension power distance and the choice between FDI arrangements (e.g. affiliates and licensing), finding that a high power distance is related to greater likelihood of affiliate arrangements than licensing. Makino and Neupert (2000) conducted research on the influence of the home culture to choose between joint ventures and wholly owned subsidiaries using the example of US and Japanese companies, and concluded that high power distance and uncertainty avoidance in Japanese culture is positively related to a preference among internationally expanding Japanese firms for wholly owned subsidiaries (Makino and Neupert, 2000).

In general, there might be a positive relationship between power distance and the extent of ownership in the foreign markets (Lopez-Duarte, Vidal-Suarez and Gonzalez-Diaz, 2016). Firms expanding into countries with a high power distance, such as China, are more likely to start with wholly owned subsidiaries like affiliates. In contrast, countries with a low power distance index, e.g. Sweden, might prefer alliances or other models with a flat ownership structure (Lopez-Duarte, Vidal-Suarez and Gonzalez-Diaz, 2016).

2.1.4. Market entry timing

The third dimension of market entry strategies deals with relevant market entry timing. In general, many authors distinguish only between the two major market entry timing strategies: first mover and follower. This division is important if we consider the market entry timing in one specific market. Other authors differentiate in the first step between country-specific and cross-border timing strategies (Kutschker and Schmid, 2011; Dehnen, 2012). This is a more reasonable approach for this research, since both belong to the DMP.

In a first mover strategy, the internationalizing company is the pioneer in a foreign market and is able to develop market barriers and gain competitive advantages against other competitors (Holtebrügge and Welge, 2010). Furthermore, the pioneer can skim off profits, establish standards, and establish long-term customer relations (Sure, 2017). Moreover, many scientific studies prove that the market entry timing correlates with the size of the market share, which means that the potential market share is the biggest for the early starter due to the lack of competitors in this field (Dehnen, 2012). The disadvantages of a pioneer strategy are the high cost of market development (Dehnen, 2012), and the risks of imitators and free-rider effects (Holtebrügge and Welge, 2010).

A follower strategy means that the company enters the new market after other companies have already entered successfully. Some studies divide following into early, second, and late (Dehnen, 2012). The follower strategy is advantageous in markets with high uncertainty and fast-changing consumer preferences (Holtebrügge and Welge, 2010), enabling followers to learn and benefit from the successes and mistakes of pioneers while incurring less risk, such as

piggybacking on the customer relations of the pioneer (e.g. popularizing innovative product types) (Dehnen, 2012). However, pioneers can also install market entry barriers, posing disadvantages for followers entering the foreign market (Sure, 2017).

Cross-border timing strategies are used when a company thinks about entering several markets simultaneously, using three sub-strategies: waterfall, sprinkler, and a combination of both (Dehnen, 2012). The waterfall strategy uses learning curve effects, since the company starts typically in a similar market and then extends to more regions in different countries (Sure, 2017). For example, companies from German-speaking countries often begin international expansion in other German-speaking nations, such as Germany, Austria, and Switzerland; similar expansion is common among Scandinavian nations, which have similar languages and cultural characteristics (Schu, 2017). Market entries in similar markets utilize “near market knowledge” (Mitra and Golder, 2002). The main advantages of the waterfall strategy are several positive effects relating to learning curves and the reduced exertion of resources at the same time. In contrast, the main disadvantages are the delay in time are that competitors perceive internationalizing activities very early, and are poised to exploit the situation for their own advantages where possible (Kutschker and Schmid, 2011).

A sprinkler strategy is used if a company starts entering into several foreign markets at the same time (Kutschker and Schmid, 2011), to ensure a fast market penetration, which is often necessary nowadays due to intense global competition and replication of products, especially in the case of easily imitated and generic products (Herrmann and Huber, 2009) and the rising pressure of time

(Holtebrügge and Welge, 2010). The advantages are more or less contrary to the waterfall strategy. The sprinkler strategy has better timing but also involves a higher level of resources (Kutschker and Schmid, 2011), therefore it is more commonly used by larger enterprises, often in combination with an overlapping waterfall strategy. The researcher experienced such a strategy while working for a Chinese pet food producer introducing a new pet food in Europe. The Chinese firm sought to enter multiple European markets simultaneously, without analysing them previously, which led to downstream divestments from several markets where substantial barriers were encountered.

These two strategies do not consider national culture *per se*, despite its implicit impact on the success or failure of chosen strategies. Steven and Dykes (2013) researched how companies decide when to enter a new market in terms of their home country culture and found that the culture of the home market plays a significant role in the decision. However, the literature reviewed so far indicates that most existing studies only dealt with the impact of one or several isolated factors in one or more of the discussed dimensions. There are many studies on the impact of cultural distance, but only a few deal on the effect of the national culture on the internationalizing company and its expansion strategy. Furthermore, there is also a lack of research about determining factors of all three dimensions in one decision model (ELETEM). In the next section, the researcher focuses on the DMP of internationalization and identifies the main gap in the literature addressed by this research.

2.2. The Role of Foreign Cultures in German Market Entry Strategies

In this research the aim is to analyse the effect of German culture on the DMP of foreign market entries. Therefore, the focus is more on the national than on foreign culture. On the other hand, other cultures may affect the way German managers decide to internationalize. Many authors have discussed foreign cultures in the internationalization of companies, and the role of management and their intercultural skills is an important issue for the success of market entry. Managers and expatriates need to learn and adapt intercultural knowledge, and accept and value cultural distance (Calvelli and Cannavale, 2019).

Holtbrügge (2005) highlighted that modern managers face the problem of needing to consider country-specific conditions on the one hand, including foreign culture, while on the other seeking to optimize and standardize the way countries are entered to sell essentially generic products in a globalized economic context. Therefore, foreign culture might be an obstacle in the internationalization process. Calvelli and Cannavale (2019) listed three important aspects of the relevance of foreign culture to the management:

- Managers need to understand the meaning of hierarchies in foreign countries, including the structures behind different hierarchy levels and how to deal with them.
- Managers need to know about the prevailing inclination toward collectivism or individualism.

- Openness for innovations and change in relevant countries must be understood.

In a study on the global management of German companies, Faix, Kisgeb and Heilmann (2013, p. 72) questioned German managers about relevant management criteria in international business. Most participants explained that the international network (68.7%), market knowledge (56.9%), language skills (49%), and the professional qualifications (44.3%) of the manager are the most important criteria for international business. Cultural skills were also mentioned, but only by 23% of interviewees. The question arises of whether these German companies merely underestimated cultural skills, or if they are actually relatively less important for the success of foreign market entries. It is clear that cultural distance plays a significant negative role in international business (Hutzschenreuter and Voll, 2008). It could be argued that the impact of cultural distance is rather long-term, and therefore companies underestimate it or have no focus on cultural skills as it is not germane to tangible organizational goals and performance indicators.

2.3. Definition of Culture

The concept of culture is inherently complex, spanning many diverse academic fields. With regard to business studies, there is a lot of disagreement and contested knowledge concerning it, reflected in various models and concepts of culture (Rothlauf, 2006). The number of definitions increased enormously with the maturation of business studies, from 164 in the 1950s to around 450 by 1990, giving rise to numerous paradigmatic disagreements between scholars (Emrich,

2011). There are many reasons for these different views of culture, including underlying scientific paradigms and individual academic disciplines, including anthropology, psychology, or sociology, influencing researchers' conceptualizations (Rainhart Lang, 2016). Schein (1999) defined culture as a:

“pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaption and internal integration, that was worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.”

Hofstede's cultural model has become one of the most popular conceptualizations used to analyse organizational culture, as described previously. For Hofstede, Hofstede and Minkov (2010), culture is “the training or refining of the mind” and “the unwritten rules of the social game, or more formally the collective programming of the mind that distinguishes the members of one group or category of people from another...” (Hofstede, Hofstede and Minkov, 2010). For Hall (1990), culture “determines what we perceive, how we react to situations, and how we relate to other people...” while for Thomas, Kammhuber and Schroll-Machl (2005), culture is an “orientation system” for people of a group or society which “contains special symbols and influences the acting and thinking of this group.”

All of these presented definitions explain the meaning of culture in different ways, but since this research is about the impact of German culture on the DMP of entering foreign markets, a pragmatic operational definition is necessary. Hall's (1990) definition includes perception, reaction, and relation to other people. In

international business these characteristics are used to develop and manage business activities. If a company considers entering new markets, a certain extent of *perception* of several issues is needed. This might be a perception about the entry location or the entry mode. Also, the decision maker requires normally a perception about the long-termed objectives of his company in the considered markets. *Reaction* is needed to deal with different situations and uncertainty, for example embargos or economic crises. *Relation to other people* is important, since any international business transaction involves at least two parties, so the internationalizing company has to manage relationships with business partners. Therefore, the definition of Hall (1990) fits well to the approach of this thesis and shall be used for this research:

“The national culture can be defined as the sum of perception, reaction and relation to other people.”

For this thesis it is important to underline that the researcher focuses on German culture and its impact and not on cultural distance. Cultural distance is related to the differences in values and norms between two cultures (Kaasa, Vadi and Varblane, 2016), therefore it always depends from the nature and extent of the influence of national and foreign cultures. The researcher deemed it relevant only to analyse of the impact of national culture on the DMP of foreign market entries to answer research questions 2 and 3:

2. *What is the impact of German culture on the DMP of German pet care companies?*

3. *What are the success factors for foreign market entries, and how does German culture affect them?*

Thus, cultural distance is not relevant to answer these research questions.

2.4. Understanding of German Culture in the Literature

Clearly this is not an anthropological study, but it is a necessary prelude for this investigation of German cultural influences on the DMP of business market entry to devise a working understanding of the salient features of German culture. German culture is often understood in relation to other cultures, or using cultural models. It should be noted that a fundamental problem with all models of national culture is that national cultures themselves are not static, and peoples and their cultures are in a constant state of flux and development. The homogenization of culture and lifestyle under the globalized economy directly shapes and alters people's cultural assumptions and behaviour, and immigration also alters the cultural space of national contexts. Nevertheless, researchers seeking to explore the real impacts of prevailing cultures on business activities have to pragmatically work within a serviceable academic framework.

This analysis uses Hofstede's cultural dimensions theory and the GLOBE project (House *et al.*, 1991). The researcher selected these models since they are the most commonly used and cited cultural studies in related business literature. Both are using an approach with dimensions to quantitatively assay and compare different cultures with each other. One of the main differences of the two paradigms is that the GLOBE model consciously extended the Hofstede model to distinguish between cultural values and practices.

2.4.1. German Culture and Hofstede

Some cultural researchers like Hofstede (2020), Trompenaars (1993), and Hall (1990) measure culture on several scales (Ojala, 2015). Hofstede categorized almost 100 countries depending on their cultural scores and developed his cultural dimensions theory with the dimensions of *power distance*, *individualism vs. collectivism*, *uncertainty avoidance*, *masculinity vs. femininity* and *long-term orientation vs. short-term orientation* (Rothlauf, 2006). Each dimension is scored on a scale from 0 to 100, so different cultures can be compared with each other in terms of each respective dimension. For example, *individualism vs collectivism* describes the extent to which a certain culture is associated with individualistic or collectivistic motivations and priorities (Hofstede, Hofstede and Minkov, 2010). In individualistic cultures, such as those of Northern Europe, people aspire to achieve their own targets, whereas humans in collectivistic societies tend to focus more on group targets, including family goals (Rothlauf, 2006). A typical country that represents individualism is the USA, while China (and most other Asian countries) are more collectivistic (Rainhart Lang, 2016). Germany's scores are illustrated in [Figure 2.7](#) (Hofstede, 2020).

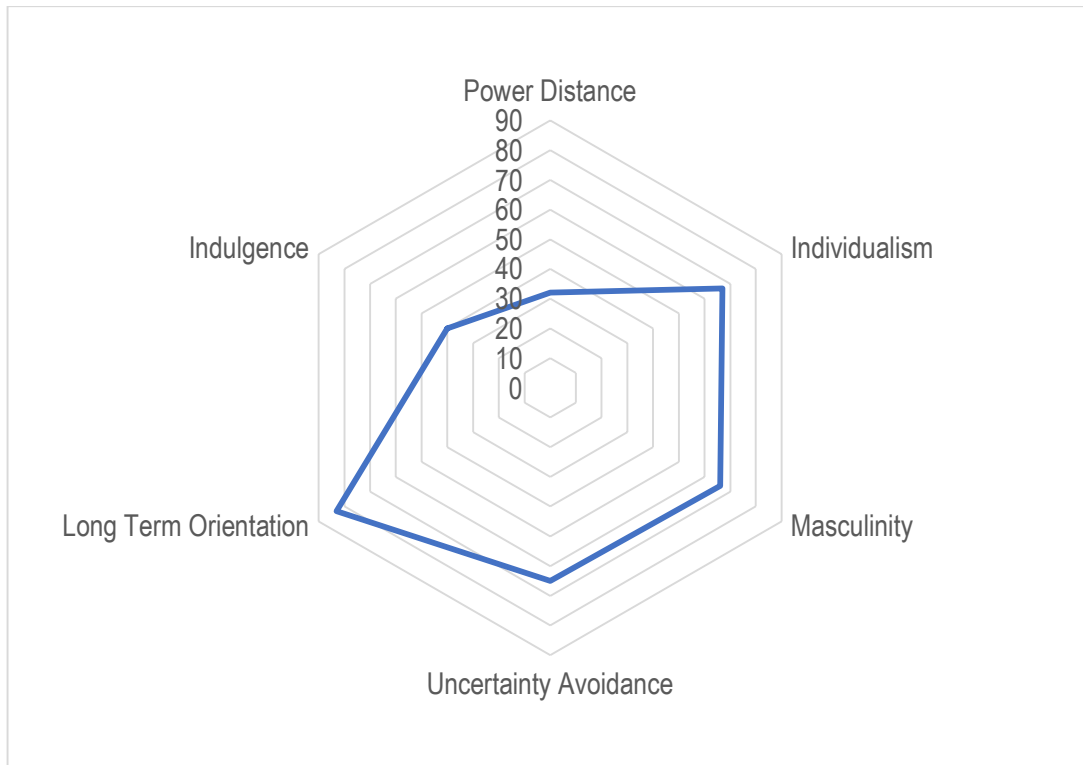


Figure 2.7: Categorization of German culture

Source: Junker and Würffel (2017)

It can be seen that Germany has a Power Distance Index (PDI) of 35, which is relatively low. In countries with a low PDI, the differences of power are lower than in countries with a higher index (section 2.1.1). Also, the distances within hierarchies, for example within company management levels, are lower than in high power distanced countries (Foster, 2015). The Hofstede study showed that developed industrial countries tend to have a somewhat lower PDI than developing or emerging countries (Rainhart Lang, 2016). The extent of the PDI

reflects the relation between managers and their employees (Biatas, 2009). In countries with higher PDI, the communication is rather top-down (Bryant, 2019), whereas countries with low PDI tend to have more democratic tendencies, which might affect the methods and extent of communication within and across the organization.

Therefore, it can be assumed that in general the communication level within German companies is higher than in countries with a high PDI. Top-down decisions without any discussions, which are typical in high PDI countries like China, engender lower employee autonomy and stifle creativity; while authoritarian command structures often achieve more efficient task execution, they are also more vulnerable to errors and less innovativeness and adaptability.

With an Individualism Index (IDV) of 67, Germany has a relatively highly individualistic culture (China's score is 20). This means that the single human is in the focus instead of the collective, which may be reflected in less attention to family goals among employees, particularly extended family, and local communities. The relatively high IDV of Germany demonstrates that German companies tend to focus more on equality of treatment of their employees, seeing employees more as individuals, managing people dependent on their skills and focus on the business objectives instead of human relationships and emotional mediation and management (Rothlauf, 2006).

Masculinity (MAS) in Germany is classified with a score of 66, also a rather high number. Therefore, Germans are characterized as self-confident, performance-based, assertive, and open for conflicts. Moreover, Germans tend to be more

aggressive and “live to work” (Rothlauf, 2006). The high score of MAS also demonstrates a more conservative society.

The index of Uncertainty Avoidance (UAI) in Germany is 65, which is also quite high. This shows that Germans tend to avoid uncertainty and risks. It can be said that in Germany, there is a high focus on experts and specialists, rigid hierarchies, and standardization. Furthermore, German people embrace having rules or regulations, and there is often resistance against changes (Rothlauf, 2006).

In terms of the Long Term Orientation (LTO), Germany’s score of 83 places it in one of the more long-term orientated countries. Economy, endurance, diligence, and persistence are characteristics of countries with a focus on future activities (Long and Johnson, 2000). A pragmatic view of things is typical for countries with a long-term orientation like Germany, and acceptance of short-term barriers and setbacks as part of a long-term strategic process.

The dimension Indulgence Versus Restraint (IVR) describes “the extent to which people try to control their desires and impulses” (Hofstede, 2020). With a low score of 40, Germany belongs among the restrained countries. This means that German people tend to perceive their lives as more heteronomous, and do not dwell much on emotional situations. They have a stoic commitment to the sacrifice of their own short-term comfort and wellbeing in the interests of delayed gratification over the long term. Consequently, free time is not as important for Germans (Rainhart Lang, 2016).

2.4.2. German Culture and GLOBE

The second cultural model to examine German culture is the GLOBE project (House *et al.*, 1991), which is based on the cultural theories of other authors, especially Hofstede (Emrich, 2011). For Germany, the GLOBE data relates to West and East Germany; since all leading pet care companies in Germany are in the Western part of the country, the author has used only the Western data for this research. **Figure 2.8** shows the cultural practices and values of West Germany.

West Culture Visualization

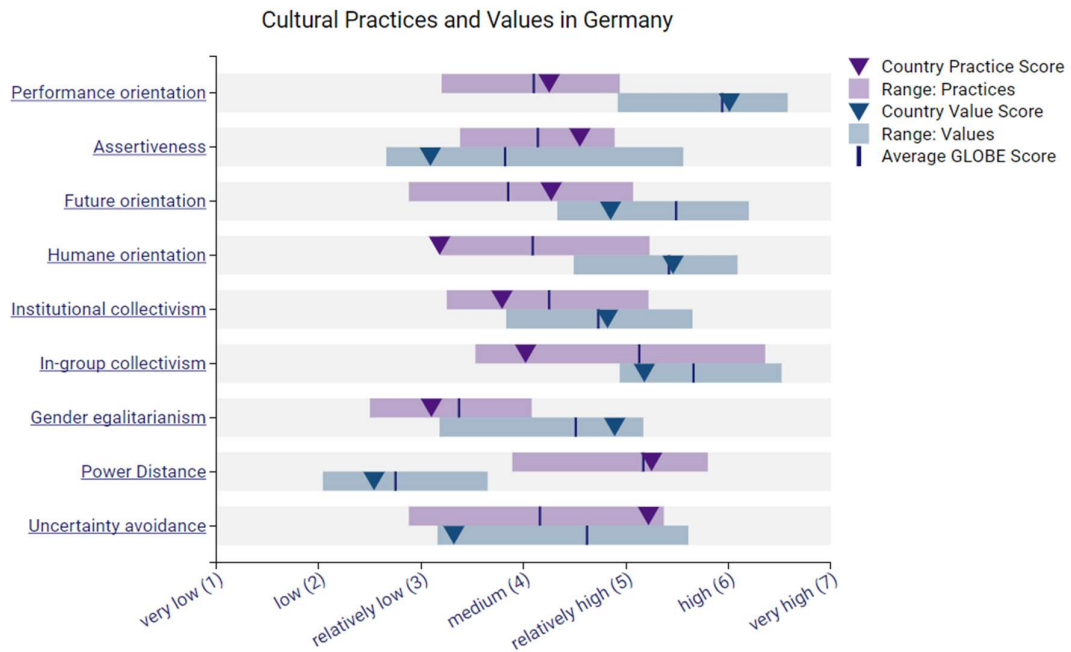


Figure 2.8: Cultural Practices and Values in West Germany

Source: Results - Germany GLOBE Project (2020)

The GLOBE study of House *et al.* (1991) is widely considered to be the most modern and meaningful cultural theory (Alt and Gelbrich, 2009). It extends the Hofstede model with two further dimensions (*performance orientation* and *human orientation*) that give more information about German culture. Germans are characterized as a high performance orientated society with a low extent of humanity, which is related to the high level of individualism in Germany (Schlaile, 2012). Brodbeck *et al.* (2002) investigated German culture in a study under the

GLOBE umbrella and highlighted that Germany tends to be a more *individualistic society* (Brodbeck, Frese and Javidan, 2002), which means that the single individual and their performances are the focus. Leadership scores for Germany are shown in **Figure 2.9**.

Leadership Visualization



Figure 2.9: Leadership Visualization of West Germany

Source: Results - Germany GLOBE Project (2020)

Edward Hall (1990) used only the four dimensions of *high vs. low context*, *time*, *space*, and *information flow* (Rothlauf, 2006). Germans belong to the cultures with a low-context classification, which means that people in Germany communicate very precisely, and communication is mainly on a verbal basis. Moreover, Germany belongs to the countries with a low information flow, which is typical in countries with a low-context description (Hall, 1990). *Time* however

is a particularly crucial dimension in German culture. Germans are stereotypically described as punctual, prompt, and with precise timing, which is reflected in actual empirical findings. Decisions are made with the necessary time, and once something is decided, Germans are not very flexible in unexpected changes (Hall, 1990). In terms of the dimension *space*, Germans are not as mobile as otherwise similar cultures. Compared to North Americans, for example, Germans have a greater tendency to stay in their home regions over many years (Hall, 1990); this intersects with the notable long-term orientation of Germans under the Hofstede (2020) model.

Schroll-Machl (2013) described the salient features of German culture with the concept of cultural standards. Germans are characterized as objective and task-oriented, with an inclination to follow rules, and they are very time-focused. Moreover, Germans try to separate private from business life, and belong to low-context cultures.

2.5. “Typical German”: German and Foreign Perceptions of German Culture

Cultural theories try to explain different cultures by using quantitative models to facilitate comparison between cultures. In the section above, the author introduced the most popular relevant cultural models and their classification of German culture in the literature. Aside from that, there is the more practical consideration of how Germans see themselves or are seen from outside, which can be found in many articles and books. It should be noted that “German” as a modern nation state did not exist prior to its unification in 1871, spearheaded by

the founding Chancellor, Otto von Bismark (1815-1898). The creation of this German Empire marked a power shift within the Germanic world away from the hegemony of the Habsburg Empire of Austria and Catholic Bavaria toward Prussia and the Protestant north.

The fundamental importance of this change was reflected in the predominant German sociological analysis produced from the late-19th century German milieu, Max Weber's (1904) *Die protestantische Ethik und der Geist des Kapitalismus* (The Protestant Ethic and the Spirit of Capitalism), which adumbrated the "German" or "Prussian virtues" that dominated the German state from its inception (Bismark was himself a Prussian nobleman, and the Calvinist royal house of Prussia, the Hohenzollerns, were the Emperors of Germany). The Prussian virtues are rooted in a military ethos that ultimately stems from the 18th century, which came to form a "moral code" for Germans, which incorporated order, discipline, sense of responsibility (primarily toward the Empire, and then towards one's community and family), obedience, sense of duty, diligence, and frugality (Kavalchuk, 2011).

Many perceptions about how German culture is viewed today are rooted in this Prussian model. The German worker continues to mainly be described in terms of the ethics of being punctual, loyal, incorruptible, diligent, and frugal. Many associated virtues may be added to this list, such as sincerity, modesty, honesty, straightforwardness, sense of justice, conscientiousness, sense of order, scrupulousness, honesty, cleanliness, tolerance, restraint determination, and reliability (Junker and Würffel, 2017). In a study for the Max Planck Gesellschaft,

the authors listed the positive and negative aspects about how other nations see Germans (How Do Germans Tick?, 2014), as shown in [Figure 2.10](#).

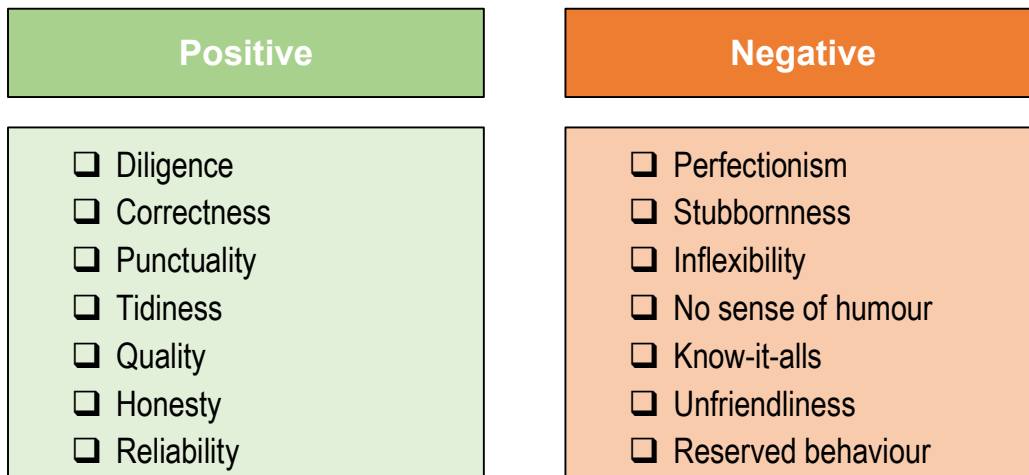


Figure 2.10: Positive and negative conceptions of German cultural attributes

Adapted from: How Do Germans Tick? (2014)

2.6. Understanding of German Management

In a study of the leadership preferences of German managers, Schneider and Littrell (2003) highlighted the main characteristics of German management: German managers are very self-disciplined, and professionalism is very important for them, reflected in the centrality of punctuality, bureaucracy, rules and roles, accuracy, and orderliness. They always seek to develop long-term partnership and hierarchies with larger spans of control. Leadership is justified by job status (i.e. pragmatic pertinence and importance to task execution) rather than from the hierarchical position *per se* (Schneider and Littrell, 2003). People

from outside of Germany consider that “Germans value professionalism.” Professionalism means for a German that people are highly educated and specialized in their job, work seriously, and are competent, structured, and loyal to their companies (Kavalchuk, 2011). In a cross-cultural management study for the GIZ in Germany, Kavalchuk (2011) highlighted the understanding of professionalism of German managers in six dimensions (Kavalchuk, 2011):

- Task orientation.
- Seriousness and trustworthiness.
- Perfectionism as thoroughness and desire for perfection.
- Reliability and punctuality.
- Separation of spheres of life.
- The German love of order.

Generally, Germans are reliable, punctual, or hardworking (Liermann, 2020). German managers are *task* rather than *people-orientated*, which means that they focus strongly on their work and their objectives and less on human relationships (Kavalchuk, 2011). The professionalism of German managers also appears in their *seriousness and trustworthiness*, which means for instance that German people try to stick to their agreements and words, and work hard to cooperate seriously with partners (Kavalchuk, 2011). The extent of *perfectionism* is evident in the inherent connotations of quality assurance of the famous slogan “made in Germany,” which stands for a guarantee of the high quality of national products (GIZ, 2017). *Reliability* and *punctuality* are as already discussed fundamentally important in German culture. Time is very important for German people, especially when it comes to business.

For German people, the *separation of the different spheres* or channels in life is vital for professionalism. Germans like to separate business from private dimensions of personal activities, and do not like to mix them: private is private, and business is business. Additionally, Germans are characterized as *orderly*, which is related to a penchant for structured and systematic concepts and ways of doing things (Kavalchuk, 2011).

Glunk, Wilderom and Ogilvie (1997) studied the style of German management and found that German managers foster vocational training, appreciate the technical expertise of employees, have a deep respect for technical expertise, and like to have a wide span of control. They reported that German managers tend to be loyal to their organizations, and enthusiastic about quality and innovation in business. German labour relations are generally effective, with a preference for hands-on production management.

The ongoing changes in Germany's culture and its demographic composition may alter these traits, and on-going future research of German culture in relation to management constitutes an interesting field.

2.7. German Management and Decision Making

This section highlights relevant literature about German management and the DMP. Many studies in the German and English languages have explored German management decisions, mainly due to the inherent importance of Germany industry. The pressure for German management to make quality decisions is ever increasing, and managers of today need to make decisions much faster than in

the past, while facing increased complexity in the globalized economy (Beckmann, 2018).

In a study about the challenges for German management of making the right decisions, Rexer (2018) highlighted the changes in the environment in the last years and associated problems. Due to globalization, German managers of today need to have a much broader scope of mind to decide in the right way, deploying more cultural and ethical skills than before. Managers of today cannot just decide by themselves anymore; they *need* to include other people with different backgrounds into their DMP (Rexer, 2018). Fortunately, today's managers have more management tools to make the right decisions than in the past, but despite the improved volume and quality of available data, German managers often finally stick to their gut feelings (Sommer, 2015). Moreover, German managers are often afraid to make the wrong decisions, and indecision or over-caution might lead to economic costs for their companies and personal loss of reputation (Beckmann, 2018).

Magee (2020) highlighted that in relation to their counterparts from other nations, German managers are known for being very systematic. When they have to make decisions, they always invest a lot of time in understanding the full picture and the complexity of the decision from the outset. Germans prefer to approach problems with a thorough, holistic overview, whereas American managers try to break complex decisions down into component parts for analysis (Magee, 2020).

Pinnow (2005) asked 560 German managers about their decisiveness in business situations, and they found that German managers are generally decisive, while they try to include employees in their DMP. They also claimed that

they do not just follow their gut feelings, and that they use tools to support them in the DMP. Furthermore, the study confirmed that German managers try to gather as much information as possible before making decisions. The study reported that it is vital for a manager to deal with uncertainty in decisions, and younger managers especially need to learn that addressing uncertainty is the basis for good decisions. The study underlined that every decision is a part of a complex decision model or system, which is always based on experience and influences of the past.

In a study about cultural differences in decision making of German and Swedish project teams, Müller, Spang and Ozcan (2009) identified numerous differences, including that German team members decided faster, accepted unpopular decisions more readily, and were more formal than their Swedish counterparts. The Swedish DMP however was characterized by a higher degree of transparency.

Becker and Palmér (2009) analysed the effects of culture on German and Mexican managers' decision making and found that a high extent of rationality generally characterizes the German DMP, but decisions are also made on an intuitive basis, by gut feelings. Decisions in companies are influenced by different levels, but are finally made from the top-level. German managers try to avoid risks, and the German bureaucratic tendency increases the time needed for the decision process. In contrast to the more individualistic and ultra-capitalist orientation of the USA, Germany is known as a "stakeholder country", where management represents the interests of broader stakeholders like customers or employees in addition to the interests of shareholders (Schlie and Warner, 2000).

Business continuity, particularly under challenging situations, is very important for German companies, therefore the Germans have established for many years their principle of substitutes in decision making positions. Consequently, there is generally a second manager available in the company who can immediately replace the normal decision maker in the event of absence (Glunk, Wilderom and Ogilvie, 1997).

In summary, it can be stated that the German DMP is generally characterized by a high extent of formality, fast decisions, gut decisions, control, and decisiveness.

2.8. Influence of National Culture on Decision Making

Several authors have researched the impact of the national culture on the DMP, often focusing on decision making styles (Carr and Tomkinsf, 1998; Mayrhofer, 2004; Müller, 2008; Dimitratos *et al.*, 2010; Podrug, 2011; Bryant, 2019). **Figure 2.11** shows the influence of national culture on decision making styles, illustrating how individual, organizational, and cultural values directly affect the style of decision making (Podrug, 2011).

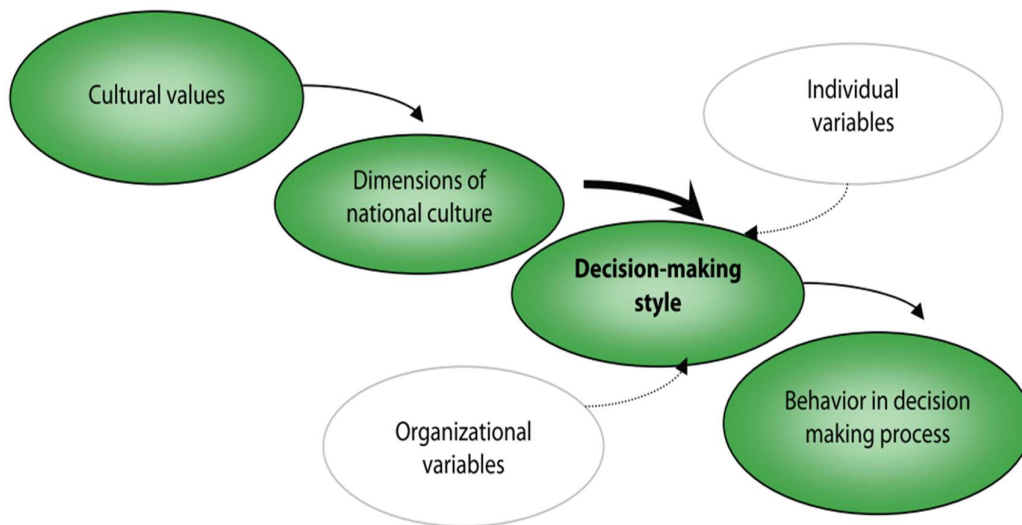


Figure 2.11: Influence of national culture on decision making

Source: Podrug (2011)

Podrug (2011) used Hofstede’s cultural dimensions (power distance, uncertainty avoidance, individualism, and masculinity) to describe the national culture; and six decision making styles (autocratic, pseudo-consultative, consultative, participative, pseudo-participative, and delegatory) to differentiate national decision styles. Bryant (2018) highlighted that democratic countries like Germany tend to have a built-in tendency toward consensual, participative decision making.

In their studies about the influence of the national culture on the internationalizing strategic DMP of foreign market entries, Dimitratos *et al.* (2011) investigated the dimensions of power distance, individualism, and uncertainty avoidance. They found that high power distance is negatively associated with the hierarchical

decentralization of company strategy; individualism was not directly instrumental; and uncertainty avoidance was positively related to the formalization of the process. Becker and Palmer (2009) highlighted that uncertainty avoidance and the individualism/collectivism characterization of national culture might influence the way decisions are made, but the type of industry or business sector would likely be more influential in determining the decisions more (Becker and Palmér, 2009).

However, some studies argue that the national culture plays a highly significant role in the decision making and the actual market entry process (Lopez-Duarte, Vidal-Suarez and Gonzalez-Diaz, 2016). For example, using Hofstede's model of cultural dimensions, culture can be measured by several indicators (Rothlauf, 2006). National culture can be dedicated to a specific rank of each different dimension. In the dimension of uncertainty avoidance, which describes how people of different cultures feel threatened by ambiguous situations (Hofstede, Hofstede and Minkov, 2010), Greece has the highest rank (112 points), whereas Singapore (8) has the lowest rank; with 65, Germany is middling in this dimension (Barmeyer, 2010). Uncertainty avoidance might be useful to consider in internationalization decisions, which normally have a huge instability factor, but more research is needed to explore the link between this dimension and the way people make market entry decisions.

2.9. The Decision Making Process of Internationalization

There is a lot of literature about decision making theory, and Wessler (2012) conducted a good review of such studies. Many authors divide decision making

theory into descriptive and prescriptive theories (Laux, 2007), whereby some authors speak about “normative” instead of “prescriptive” decision making theory (Pfohl and Braun, 1981). Normative or prescriptive decision models describe how a rational human (*homo economicus*) should decide under certain well defined conditions (Harte and Koele, 1997). They do not describe reality, but try to give suggestions for better acting (Laux, 2007). In general, the aim is to determine how to decide to achieve the designated objective of successful internationalization (Wöhe and Döring, 2008).

However, descriptive theories demonstrate the actual behaviour of persons and try to explain and to forecast the decision on an empirical basis (Pfohl and Braun, 1981). Thus, descriptive decision theories try to analyse the connection between cause and effect and outline it into a theoretical model (Rehkgugler, 1989). As discussed previously, this research analyses the cultural influence on the DMP of market entries of German pet care companies, which entails a fundamental description of the researched DMPs. Therefore, this part of the research belongs to the descriptive decision theories.

Bronner (1993) researched the DMP in complex situations of German companies and highlighted that the behaviour of decision making has three determinants: the decision problem, the decision maker, and the DMP (Figure 2.12).

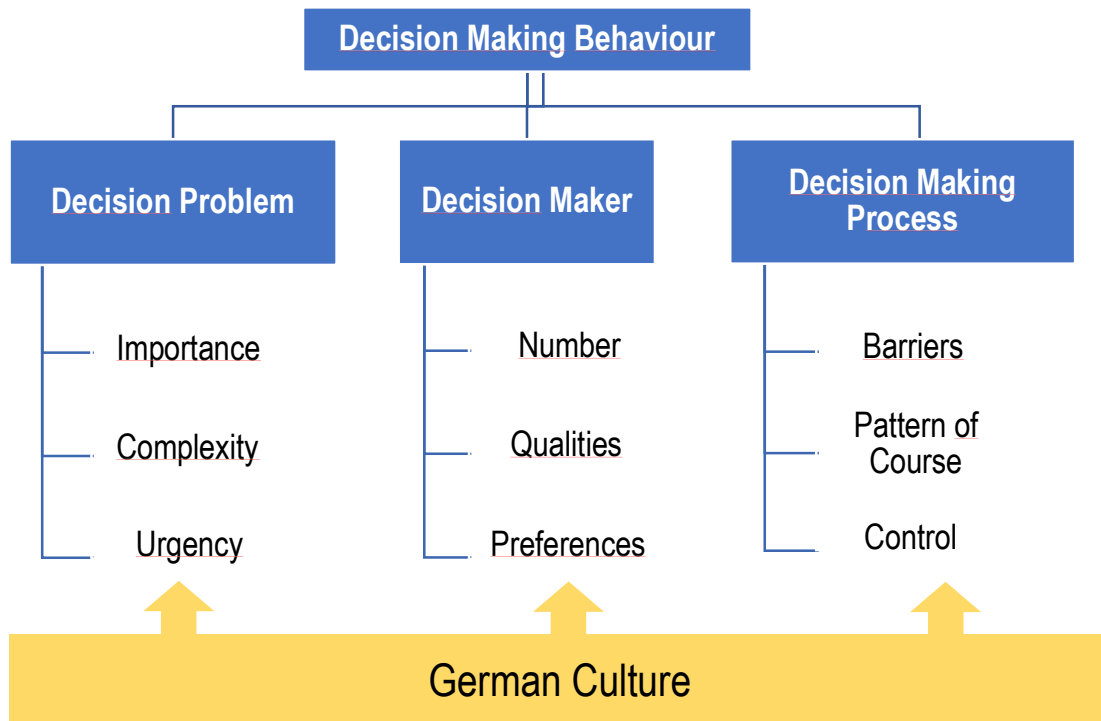


Figure 2.12: Decision-making behaviour and the influence of German culture

Adapted from: Bronner (1993)

The national culture might impact all three determinants of decision-making behaviour: for instance, the importance, complexity or urgency of the decision problem is always linked to what is actually relevant for somebody, which can be seen as rather subjective, and national culture plays a role here. Also the number, qualities, or preferences of decision makers are directly impacted by their culture. However, the DMP itself is influenced by barriers, patterns, and control, which again is determined by culture.

During recent years, attention to the internationalization processes has increased (Francioni, Musso and Cioppi, 2015). This also means a higher focus on the DMP of market entries, which is becoming more and more critical due to emerging financial, time, and other resource efforts (Collinson and Houlden, 2005). As discussed above, the internationalizing company needs to decide between the advantages and disadvantages of entering a new market. Therefore, it needs to consider the risks and motives of the potential market entry. Claver, Rienda and Quer (2007) see four major dimensions that determine this decision: financial and managerial resources, control and structure, risks, and rewards. Additionally, the attitude, mindset and self-confidence of the management play a major role in the DMP (Schweizer, 2012).

Perks and Hughes (2008) explored the DMP of market entry in medium sized companies, proposing several factors that might influence management internationalization decisions, including the company's industry environment, networks, products and services, or experience of past entry mode decisions. Also, the home culture of the internationalization company might belong to influencing factors. Sykianakis and Athanassios (2007) researched the DMP of FDIs. They described the first step of the process with the identification of the project, which typically includes recognition and diagnosis routines (Sykianakis and Bellas, 2007).

Other studies focused on the impact of the personality of the decision makers. Oesterle, Elosge and Elosge (2016) researched the role of CEO narcissism in entering new market processes, finding that narcissism influences the DMP of the CEO. The learning outcome of prior internationalizations may influence the

company's decisions for new market entries. Swoboda, Elsner and Olejnik (2015) investigated the link between past entry mode projects and the decision about new ones, and identified that the choice for new market entries is strongly dependent on the experience of previous projects.

Preece *et al.* (2016) reviewed 35 studies to determine factors that influence the DMP for internationalization, using the example of construction firms in international markets. The researchers considered four main factors (country, market, firm, and project), which they related to three discussed dimensions (entry location, entry timing, and entry mode). The majority of the studies paid attention to country, market and/ or firm-related factors, but none of them covered all influencing factors. Only Gallego (2009) included all dimensions for the factors country, market, and firm.

As a result of their research, Preece *et al.* (2016) developed their ELETEM decision model (Figure 2.13), which covers the three dimensions of entry location, entry timing, and entry mode, and determining factors. The ELETEM model illustrates the different impacts on the decisions making process, but it omits the important cultural dimension. As shown in the figure, some of the factors for instance, "experiences in similar projects" or "knowledge and R&D" are important for all three dimensions. Some others like "entry barriers" are only related to one of them. The cultural component is missing. Therefore, the researcher added the influence of the national culture in the figure to demonstrate the research aim. Löhde, Calabrò and Campopiano (2018) illustrated the German DMP of entering new markets for family-owned firms as shown in Figure 2.14.

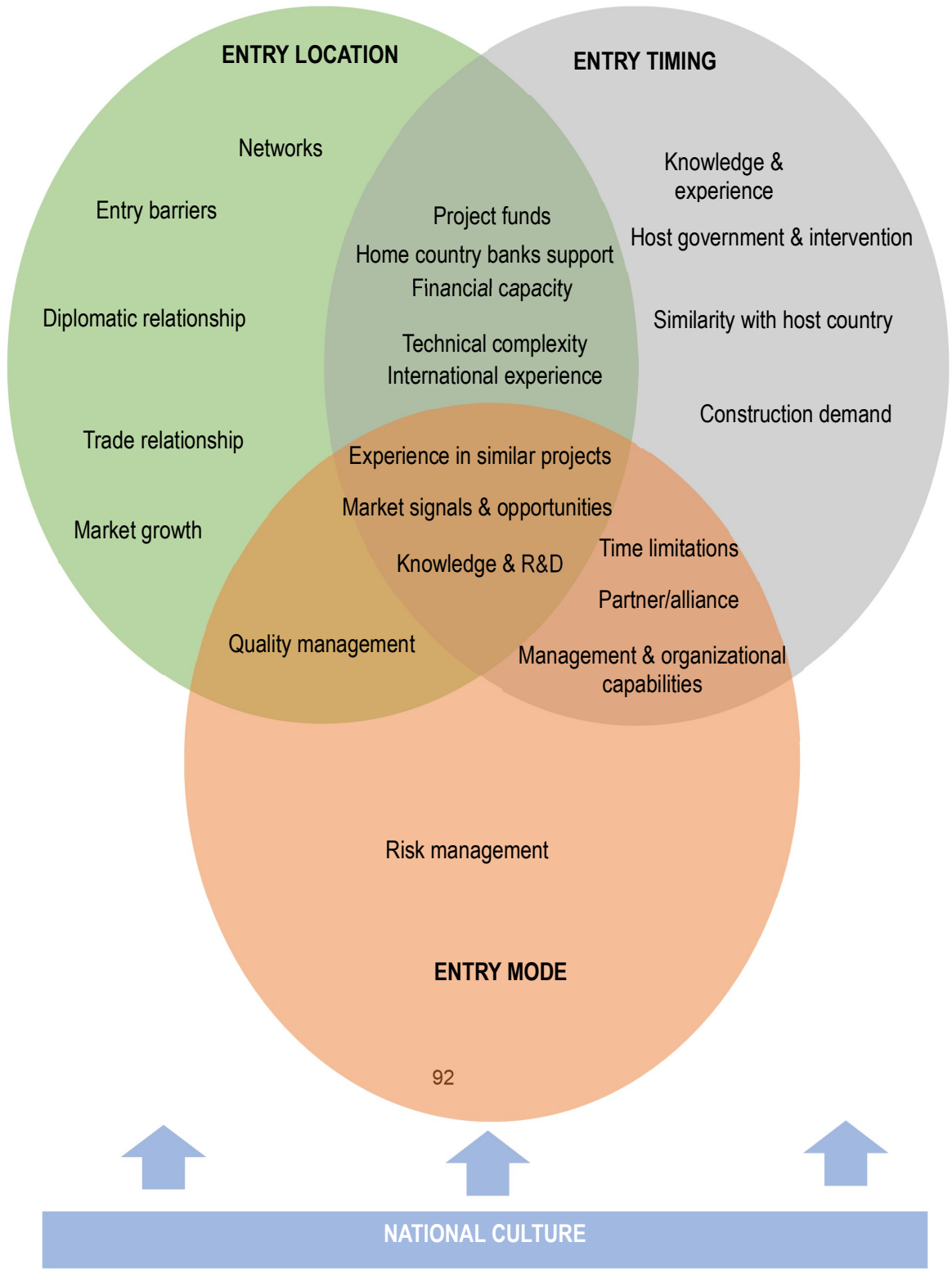


Figure 2.13: ELETEM model

Adapted from: Preece et al. (2016)

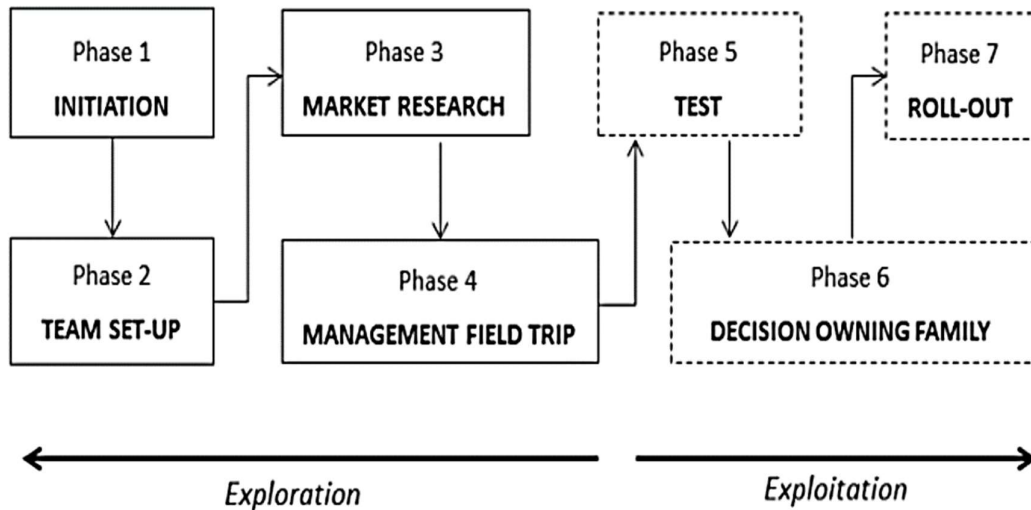


Figure 2.14: The German decision making process of foreign market entries

Source: Löhde, Calabrò and Campopiano (2018)

The process is divided into two main segments. The first is an exploration phase, which mainly concerns the evaluation of the new market entry scenario. After these theoretical considerations, the exploitation phase begins to deliver the first practical implications. A wider perspective of the DMP of internationalization was provided by Darling and Seristö (2004), who concluded that successful international companies follow ten key steps for success, as shown in [Figure 2.15](#).



Figure 2.15: Key steps for success in internationalization

Adapted from: Darling and Seristö (2004)

The model of Darling and Seristö (2004) shows the full planning and controlling process, from market analyses to the already implemented foreign market activities of companies, which also includes the DMP. For this research, only the first steps of the model were needed, since the focus is only on the DMP of market

entries of German pet care companies. Therefore, the author has modified the first steps of the model to examine the DMP. Furthermore, an additional step before, which provides the preliminary consideration to enter a new market, is added (Figure 2.16).



Figure 2.16: Decision making process of market entries

Source: Author

This modified five-step decision model of Darling and Seristö (2004) is used as a conceptual model of the market entry process in this research. First, the companies have to *consider* whether they want to enter new markets or not. In the next step, they *analyse* the relevant market and the considered product portfolio before they *evaluate* in step 3 their results of the analysis. The last step before evaluating whether or not to enter a new market is to establish the market entry strategy. As already discussed, market entry strategies include the three dimensions of *location*, *mode*, and *time*. These dimensions need to be fixed in this step. The last step is to enter the new market.

Existing studies have already shown that the management is the main driver for the full internationalization process (Collinson and Houlden, 2005; Becker and Palmer, 2009; Laufs *et al.*, 2016), beginning with the DMP and ending with the success of the market entry (Laufs, Bembom and Schwens, 2016). Although several studies have explored the influence of the personality or characteristics of decision makers (e.g. Oesterle *et al.*, 2016; Lai, Lin and Chen, 2017; Shevchenko, 2018), there is still not much research about the influence of the home or national culture on the DMP of market entry decisions.

2.10. Knowledge Gap

This chapter has reviewed relevant literature on culture in general and German culture, internationalization of companies, and the DMP. Moreover, the definition of culture for this research was presented. Several studies in the relevant literature gave recommendations for future research avenues. Ahi *et al.* (2017) researched about how SMEs make decisions and underlined that future research

on the single phases of the DMP is needed. This research focuses on the whole DMP, thereby contributing to this field. Mayrhofer (2004) called for further research to analyse the “multidimensional concept of a firm’s home-country environment” (Mayrhofer, 2004, p. 90). Since the national culture can be assumed to be a relevant part of it, this research contributes in this regard as well.

Dimitratos *et al.* (2010) recommended focusing on impacting factors of the DMP of internationalization, especially the influence of national culture, and this thesis most obviously addresses this knowledge gap with regard to the impact of German national culture in a clearly defined industry. Moreover, Dimitratos *et al.* (2010) also called for further research about the impact of national culture on larger organizations, which is partly accomplished in this thesis.

The literature review has shown that there is much research about the impact of cultural distance, especially when it comes to European companies entering Asian markets, and for this thesis it is important to underline that the researcher focuses on national culture and its impact, and not on cultural distance. However, research about the impact of German culture on the single dimensions of market entry strategies (mode, timing, and location) is sparsely covered by existing studies. Also, the author could not find any research about the effect of German culture on the DMP of foreign market entries.

The ELETEM model from Preece *et al.* (2016) gives a good overview of influencing factors on the DMP of market entry strategies, but it omits the impact of the national culture. As discussed before, this research adopts the definition of

culture of Hall (1990), since it includes a practical view of culture that can easily be linked to the DMP:

“The national culture can be defined as the sum of perception, reaction and relation to other people.”

As explained before, the researcher considered perception and relation to other people to the factors, which affect the DMP indirectly, whereas reaction has a direct impact on the decision of the responsible people.

Moreover, the author considered the DMP model from Darling and Seristö (2004) as a baseline guide for this research, and a gap in the literature exists about the influence of German culture to the DMP of market entry strategies. To close this gap, the researcher has developed the following research questions:

- 1. How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
- 2. What is the impact of German culture on the DMP of German pet care companies?*
- 3. What are the success factors for foreign market entries, and how does German culture affect them?*

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

As introduced in **Chapter 1**, the researcher has long-term experience in international business development, particularly FDI within the global pet industry. During recent years, the researcher observed the way international pet care managers are managing their market entries and subsequent business development in different ways. Since many of the market entry projects he worked were fundamentally different between firms based in – and expanding to – different nations, the researcher asked himself if national culture might be responsible for such differences. This led to the researcher's interest in analysing the impact of German culture on the DMP of market entries. The review of the relevant literature (**Chapter 2**) about market entry strategies and cultural factors identified that many studies are focused on the influence of culture, mainly cultural distance, in the process of market entries, while research on the DMP and the influence of the national culture is sparse.

The initial idea of the author was to research about the influence of culture to the DMP of Chinese companies to enter new markets outside of China and compare this with the equivalent DMP of German companies. During the initial preparatory phase of this research, he discovered that this scientific research field was on the one hand too broad for a doctoral thesis, on the other hand research concerning Chinese culture has many practical challenges for him as a researcher, requiring more in-depth anthropological investigation and comparative analysis than

possible within a primarily business-oriented study. Therefore, the author decided to subsequently narrow down the initial topic and focus on the cultural influence on the DMP of market entry decisions using only the example of German pet care managers. The author analysed the relevant literature and ascertained that there is a knowledge gap about the impact of the national culture on the DMP of market entry strategies (Ahi *et al.*, 2017).

Numerous research avenues could have been undertaken in other business sectors and with other cultures, but since the researcher has access to a relevant professional network within the German pet care industry, this case was chosen. Finally, it was decided by the researcher to focus on the impact of the German culture in terms of the three dimensions of the ELETEM model discussed in the previous chapter, using the example of German pet industry managers.

3.2. Research Questions

Saunders, Lewis and Thornhill (2016) underlined the importance of clear and defined research questions at the beginning of the research, which are the “centre of the research project” that determine the following research structure. Furthermore, each research question should deliver answers with a “descriptive” character (Saunders, Lewis and Thornhill, 2016). Bryman (2016) added that good research questions should also be feasible to answer and connected to each other, not being “either too broad nor too narrow.” Consequently, this research addresses the following research questions:

1. *How can the decision making process (DMP) of entering foreign markets of German pet care companies be described?*

2. *What is the impact of German culture on the DMP of German pet care companies?*
3. *What are the success factors for foreign market entries, and how does German culture affect them?*

The following sections introduce, discuss, and justify the research design and methodology used to answer these questions.

3.3. Illustrating the Research Project

To demonstrate the design of the research project, the researcher used the example of the research onion by Saunders, Lewis and Thornhill (2016). The research onion (Figure 3.1) describes very simply the different research methods a researcher might use for his project such as a module principle.

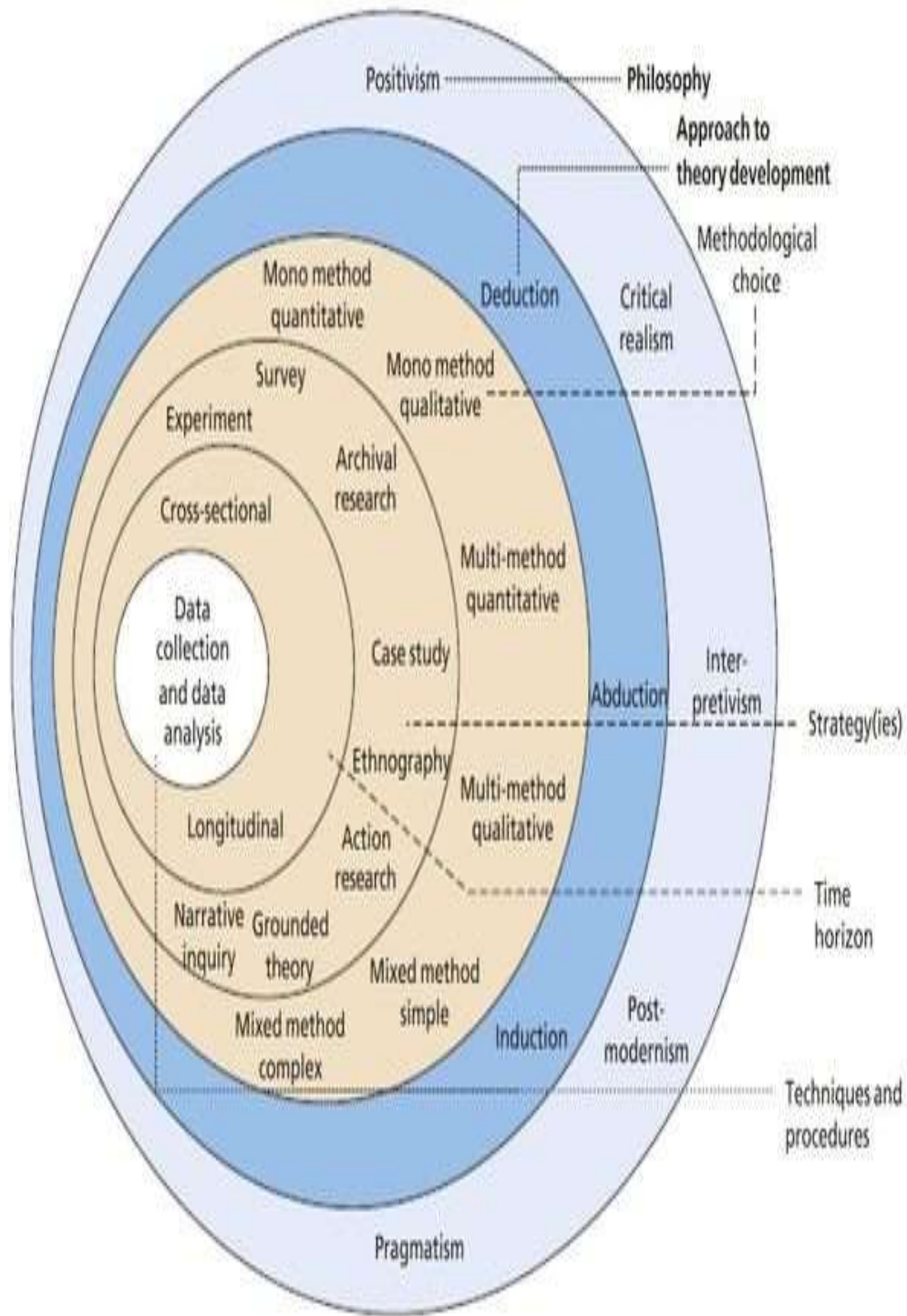


Figure 3.1: The research onion

Source: Saunders, Lewis and Thornhill (2016)

The research onion demonstrates the systematic construction of the chosen research method. Each layer of the onion contains different options, starting with the five major research paradigms: positivism, critical realism, interpretivism, post-modernism, and pragmatism. These are the most fundamental determinants of the subsequent decisions taken in the research project, and are influenced by the individual beliefs and assumptions of the researcher and the nature of the inquiry at hand (Saunders, Lewis and Thornhill, 2016). As discussed in [section 3.4](#), the author has chosen Interpretivism as the appropriate research philosophy for this research, because in contrast to positivism it focusses on the research of social worlds and contexts, which includes more complexity than the research of physical phenomena (Saunders, Lewis and Thornhill, 2016).

The next layer shows the different approaches to the theory development, which are deduction, induction, and abduction. Depending on the research project, researchers must to decide if they want to develop a new theory (inductive) or test existing theory (deductive). If both (deductive and inductive) approaches are combined, the researcher might use an “abductive” approach (Saunders, Lewis and Thornhill, 2016). For this research, the focus was on the development of a new theory, as explained in [section 3.5](#). Therefore, the author decided to use an inductive approach to develop a new theory about the influence of the national culture on the DMP of foreign market entries within the German pet industry.

After choosing from possible approaches, the researcher has to determine the methodical choice to achieve the aims of the research project. This usually entails choosing between a focus on gathering numerical (quantitative) or non-numerical (qualitative) data. For instance, qualitative researchers might use interviews for their projects to gain new in-depth knowledge by asking experts. In contrast, a quantitative researcher might use a questionnaire to generate numeric data for research projects to test hypotheses, in order to verify generalizable conclusions. Quantitative and qualitative data can also be mixed if a researcher combines them or used in many multiple research methods (multi methods) (Saunders, Lewis and Thornhill, 2016). For this research, the qualitative approach with semi-structured interviews was adopted, since the author needed to gather new knowledge from the interviews to create his own theory about the cultural impact. This is further discussed in [section 3.6](#).

The following layers are the strategies by which the research questions are answered, charting the tactics for empirical data collection and analysis (Saunders, Lewis and Thornhill, 2016). Strategies might be surveys, case studies, or experiments. For this research, a case study with managers and owners of the pet care industry in Germany was chosen.

The single layers could be combined with each other theoretically, but there are *de facto* general rules regarding such combination. For instance, a research topic which is about a financial background might have a positivistic philosophy, a deductive approach, quantitative choices, and use a survey as the strategy (Saunders, Lewis and Thornhill, 2016). This research however focuses on a primarily cultural (as opposed to economic) topic, therefore it has an interpretivist

philosophy, an inductive approach, qualitative methods, and a case study strategy

3.4. Rationale for Research Paradigm

The outer layer of the research onion describes the different research philosophies such as positivism, interpretivism, or pragmatism. Saunders, Lewis and Thornhill (2016) define research philosophy as an “*overarching term relating to a system of beliefs and assumptions about the development of knowledge and the nature of that knowledge in relation to research*”. Each research philosophy thus stands for a scientific research standard that be used in the development of the research.

The researcher decided to use interpretivism in contrast to positivism as it focuses on the research of social worlds and contexts, which includes more complexity than the research of physical phenomena (Saunders, Lewis and Thornhill, 2016). Interpretivism is the standard approach in cultural research (Livari, 2002). In this thesis the researcher analyses the German cultural impact on the DMP of market entry strategies, using the example of German pet care managers. This means that the terms “culture” and “humans” play a central role in the project. Business activities entail interacting and communicating with other people, to discuss, negotiate, and agree or disagree, thus culture can have a highly influential impact on such phenomena. Therefore, it can be said that social activities and worlds – which are particularly germane to interpretivist research – are fundamental in business.

The ontological position of interpretivism accommodates the inherent differences between and complexity of cultures and languages, which cannot be assayed using positivist approaches. Epistemologically, it underlines interpretation and tries to gain a new awareness of the social world. Axiologically, interpretivism means that the researcher is a subjective part of the research, and the research inherently embeds various different values (Saunders, Lewis and Thornhill, 2016).

The target is to analyse the influence of German culture on the DMP of market entries, and to develop a new theory about cultural success factors for market entry strategies. The literature review has shown that a lot of scientific models and theories about culture exist, but they do not adequately address or handle this topic. Furthermore, some studies considered aspects of how foreign cultures affect German companies' expansion into international markets, with cultural barriers of Asian cultures for German expatriates working for German companies in Asia being a popular theme (Jöns, Froese and Pak, 2007; Winkler, Dibbern and Heinzl, 2008; Kavalchuk, 2011). Foreign companies expanding into Germany, or German company expansions into non-Asian markets, have scarcely been researched in terms of cultural barriers and impacts. The author thus needed to focus on qualitative interviews with experts in the business sector to identify significant information relating to these areas.

Ontologically, from the point of view of reality or being, positivism posits that there is only one reality, and things are real and independent. In terms of epistemology, positivism uses scientific methods, has observable and measurable facts, and creates law-like generalizations in numerical form. Axiologically, positivism is

value-free, and the researcher is a wholly neutral and objective observer (Saunders, Lewis and Thornhill, 2016). Positivism assumes that the only valid knowledge is that which can be empirically recordable, and whose results are objective (Berger-Grabner, 2016). This means that positivism is focused only on results made by scientific observations. Furthermore, the outcome of the research should be universal laws to explain reality (Mc Ardle, 2018). The positivist research paradigm is unable to probe in-depth and contextually rich data necessary for the study of the social world, and social research exploring human experiences and perceptions requires different procedures (Bryman and Bell, 2007).

Based on the discussion above, the author decided to use interpretivism for this research.

3.5. Justification for Theoretical Approach

The next layer of the research onion describes the systematic way of making scientific research conclusions by using potential approaches to theory development, in terms of *deduction*, *induction*, and *abduction*. An inductive approach was adopted for this research, since the researcher wanted to develop a new theory, expressed as a conceptual framework, which refers to the cultural influence on the DMP of German pet care managers. Saunders, Lewis and Thornhill (2016) suggest an inductive approach when the goal is to explore a topic and to develop a general theory based on the collected data. The inductive method starts from a single case and tries to gain new generally valid propositions (Töpfer, 2012).

Inductive approaches are deployed instinctively in everyday life, when we observe phenomena we experience and derive conclusions from the coherences and generalizations we perceive, by which we explain or understand the world. In the literature, induction is controversial and there is a long discussion if induction is appropriate to develop new theories or not (Helfrich, 2016). In contrast to the inductive approach, the deductive paradigm goes from the general to the single case. The goal of a deductive approach is to generate new knowledge based on historical and empirical theories (Töpfer, 2012). Typically, the process is to verify hypotheses deduced from existing theory, which are then corroborated or disproved by experimentation (Eisend and Kuß, 2017).

Therefore, the inductive approach fits better to this research project, since the aim is to develop a theory about the influence of culture for market entry decisions of German pet care managers.

3.6. Rationale for Research Methodology

After having defined and justified interpretivism as the research paradigm for this thesis, the author needed to identify the appropriate research methodology for his research project. Research methodology is:

“... the theory of how research should be undertaken, including the theoretical and philosophical assumptions upon which research is based and the implications of these for the method or methods is adopted.” (Saunders, Lewis and Thornhill, 2016)

It is common to categorize three types of research designs, as discussed previously: qualitative, quantitative, and mixed methods research. Some authors note that neat and total divisions into these categories are not always possible (Bryman, 2016), and consider that some research “*tends to be more qualitative than quantitative or vice-versa*” (Creswell, 2009). Research with a focus on developing new theories is often conducted with qualitative methods, whereas quantitative methods are typically used more in hypothesis testing (Eisend and Kuß, 2017).

Qualitative data is normally collected directly by the researcher in complex fieldwork. Patton (2015) summarized three different types of qualitative data: interviews, observations, and documents. This research follows a qualitative approach, since the research is conducted by interviews with experts from the German pet care industry. An advantage of qualitative research is the option of gathering new deep knowledge, subjective meanings, and understandings of contexts. This advantage of qualitative research was crucial for the researcher, since he wanted to develop his own theory about the impact of culture on the DMP of entering new markets. Qualitative research is also very flexible during the research process (Berger-Grabner, 2016).

A qualitative research approach is related to words and to the interpretation, comparison, and understanding of contexts and meanings of human behaviours or systems (Berger-Grabner, 2016). Qualitative research is often used in an inductive approach, which is used in this research as well, but can also be abductive and emerging (Edmonds and Kenned, 2013). Typically, qualitative

research is conducted in an interpretivism or constructivism research philosophy (Bryman, 2008).

Quantitative research is generally based on numerical data (Saunders, Lewis and Thornhill, 2016), to validate one or more hypotheses by analysing a verified data pool in a deductive research process (Töpfer, 2012). Using a quantitative research design usually means following a positivistic research philosophy, especially if structured numeric data is available (Saunders, Lewis and Thornhill, 2016). Surveys or experiments typically collect data (Edson, Sankaran and Buckle Henning, 2017). For this research, gathering numerical data was not appropriate to reveal the influence of culture on the DMP, because the researcher needed to deeply understand the different views and perceptions of the participants to analyse their DMPs, which was not possible with numerical data. Also, the research philosophy was determined as discussed in the above section as interpretivism; since the German pet care industry is relatively small in comparison to other industries, there was not enough data available for comparative analysis, which was another indicator of the appropriateness of a qualitative approach.

This research aims to find out if and to what extent German culture affects the DMP of German pet care managers, and the author wants to develop his own theory about cultural success factors for market entries to get a better understanding about the reasons for the different market entry approaches of his experience. Thus, the meaning of words and opinions play a central role in this research, rather than quantification (Bryman and Bell, 2007), which justified the choice of a qualitative approach.

3.7. Summary of Research Approach

This research is conducted to analyse the impact of the German culture on the DMP of German pet care managers. As explained in [section 3.4](#), the author has chosen “interpretivism” as the research paradigm for this research, since the focus will be on social worlds and contexts. As discussed in [section 3.5](#), an inductive approach to theory was adopted because the researcher wants to build his own theory about the cultural impact on the DMP of German pet care managers. In [section 3.6](#), a qualitative methodology approach was justified since the research will be related to words rather than to the quantification of numbers.

3.8. Research Validity and Reliability

The following sections discuss the criteria of quality in qualitative research. They introduce the criteria for qualitative research validity and reliability, and the author justifies the chosen design and methods for the purposes of this research. The criteria of quality in qualitative research are contested in the literature. One main point of criticism is that due to the contrary research paradigms of quantitative and qualitative research (positivism and interpretivism; and constructivism, respectively), the position of the researcher is different. In a positivist approach, the outcome of the study is essentially considered independent of the purportedly objective researcher, and the philosophy allows only one truth. Conversely, interpretivism embraces the subjective role and interpretations of the author, and accommodates this in the academic process (Poortman and Schildkamp, 2012).

However, research reliability and validity are commonly used quality criteria for qualitative research. In general, reliability deals with the consistency of the

outcome, whereas research validity refers instead to the appropriateness of the outcome (Mohajan, 2017). The concepts of validity and reliability in qualitative research are contested in the literature, and there are many different definitions of reliability and validity, which have been developed by several qualitative researchers (Golafshani, 2003). Some authors note that this concept is too close to quantitative research as a solid criterion for qualitative research (Bryman, 2016). For instance, some have concluded that the term “credibility” fits better to qualitative research instead of “validity” and “reliability,” since these concepts include “too many quantitative implications” (Corbin and Strauss, 2015). Others even doubt the concept of validity in qualitative research (Onwuegbuzie and Leech, 2007). However, although the concept is mainly known from quantitative research, several authors have presented robust rationales for the differences between qualitative validity and qualitative reliability (Creswell, 2009).

3.8.1. Research Validity

The measurement of validity, which is linked to the methods used in a research process, tries to validate if the used methods are appropriate to answer the research questions and objectives (Saunders, Lewis and Thornhill, 2016). Research validity requires that the collected and measured data and the resultant findings are appropriate in terms of the claimed research aim (Töpfer, 2012), and the delivery of correct answers to the initial defined research questions (Berger-Grabner, 2016). Thus, research validity can be defined as the “appropriateness” of the research to gather the aimed knowledge. Moreover, research validity also includes the research design, methodology, sampling, and data analysis (Leung, 2015).

On the other hand, validity also refers to the suitable methodology and strategy of the research (Helfrich, 2016). Edmonds and Kennedy (2013) define validity as "... the extent to which the outcome accurately answers the stated research questions of the study," noting that validity is "multidimensional" due to its various forms. Therefore, it can be said that the extent of validity decides between useful and unusual studies. The criteria of validity in qualitative research is not defined by one single definition, and many different terms for validity like "quality," "rigor," or "trustworthiness" can be found (Golafshani, 2003). Indeed, there is a broad discussion about whether the criteria for validity in quantitative research are the same as in qualitative research, with Bryman (2016) claiming that the generally different character of quantitative and qualitative research is related to their focus on numbers or on words, respectively (Bryman, 2016).

Validity in qualitative research differentiates from quantitative research in its different steps of validating results (Creswell, 2003). The development of post-positivist philosophy in recent years has been accompanied by a rethinking of the question of validity in qualitative research and the emergence of new conceptualizations of it. Cho and Trent (2006) for instance introduced *transactional validity* ("an interactive process between the researcher, the researched, and the collected data"); and *transformational validity* ("a progressive, emancipatory process leading toward social change that is to be achieved by the research endeavor itself") (Cho and Trent, 2006). They concluded that research validity needs to be rethought, and they proposed a combination of traditional and new validity approaches. In this vein, Saunders,

Lewis and Thornhill (2016) added that research validity can be separated into three main groups: (1) measurement, (2) internal, and (3) external validity.

Internal validity is related to the “accuracy of the analysis of the results” and questions, relating to if anything is lacking in the used research design or research instruments (Saunders, Lewis and Thornhill, 2016). Edmonds and Kennedy (2013) considered that internal validity refers more to experimental research, since it requires “causal inferences”. In this thesis however, the author used a non-experimental research approach by conducting semi-structured interviews with managers of the German pet care industry, and the research is based on interpretivism. Thus, the outcomes are more dependent on the describing and interpreting of words, rather than causal inferences.

External research validity finally validates if the outcomes of the research can be generalized (Saunders, Lewis and Thornhill, 2016). Edmonds and Kennedy (2013) linked external validity to non-experimental research rather than to experimental research. This research focuses on the impact of German culture on the DMP of German pet care managers; the question arises of whether the outcomes can be generalized, for example for other cultures or industries. Thus, external validity plays a significant role in this research. It is unlikely that the findings of this research can be generalized to other cultures, since cultures are inherently too complex and there is much distinction between them – indeed, this very difference and un-generalizability forms the underlying rationale for conducting this research. Some degree of generalization may be possible for similar cultures, for instance other Germanic cultures as in Austria and

Switzerland. Regarding the industry, a generalization might be possible, especially within related fast-moving consumer industries.

Hussy, Schreier and Echterhoff (2013) highlighted the necessary activities to ensure validity in qualitative research: first, the researcher carefully tested the interview guide and adjusted several questions after the pilot interview was conducted (the German and English interview guides are shown in **Appendix A**). Second, at the beginning of each interview, the researcher introduced the research aim and the research questions, which underlined the transparency of the research. Third, the participants were assured about data confidentiality according the guidelines of the University of Worcester, and the data protection laws of the UK. Fourth, the researcher tried to create a confidential atmosphere in each interview to ensure, that the respondents felt comfortable.

3.8.2. Research Reliability

Generally, research reliability describes how steady and consistent the results of a study are, and if the outcome (e.g. interpretations or conclusions) would be the same if the same research was be repeated or replicated (Saunders, Lewis and Thornhill, 2016). Like the criteria of research validity, research reliability is also a debated concept in the literature (Golafshani, 2003).

Reliability is predominantly used in quantitative research, but some authors also refer to it in reference to qualitative research. Reliability in qualitative research might be “challenging” (Leung, 2015), since qualitative research is more related to the interpretivism of words and opinions than to numerical, quantifiable data. In quantitative research, data collection instruments might be considered as

“standardized tools,” which gather the same outcomes independently from the respective research. There is disagreement in the literature about a coherent definition for reliability in qualitative research, but many authors agree about the importance of confidence in data collection (Long and Johnson, 2000).

Since this thesis is focused on qualitative research, and semi-structured interviews with German pet care managers will be used to collect the data, the researcher needed to establish that his findings from the interviews would be reliable. Research reliability is important to ensure that the research delivers consistent results under same objective conditions (Cypress, 2017). Beside consistency, research reliability is also crucial in terms of the precision, repeatability, and trustworthiness of the research project (Mohajan, 2017). Noble and Smith (2015) note that reliability and validity can be ensured in quantitative research by statistical tools, whereas in qualitative research the researcher needs to apply different appropriate methodology strategies to ensure the credibility of the study outcomes.

Research reliability in qualitative interviewing is very important, and the researcher needs to ensure that all the respondents understand the interview questions in the same way and that the answers can be compared without any doubts; pilot interviews for instance might reduce the risk of a lack of reliability (Silverman, 2011). For the researcher it was important to ensure that his research would deliver similar answers, if another researcher would have conducted the interviews. In this research, the targeted interview groups were almost homogeneous in terms of the industry (German pet care), company position (C-level managers), company status (owners, managers), and high degree of

experienced. Additionally, all the interviews were conducted in German, so the risk of misunderstanding because of language issues was reduced.

Moreover, a pilot interview was held at the beginning of the data collection. After the pilot interview was translated and transcribed, it was first discussed with the supervisory team before going on to do the next interviews. It was important to test the technical settings (e.g. for recording), and to get a feel for the necessary time for the interviews. Indeed, the researcher was surprised that the interview took more time than planned, and this enabled him to give a more accurate time estimation to the following interview participants. The researcher knows the industry and the topic very well, and was in a good position to spot and clarify any misunderstandings with participants. Furthermore, the pilot interview helped to review the first draft of questions. Therefore, some questions were modified after the pilot. The pilot interview was a very efficient test and was very helpful for conducting the subsequent interviews.

After having introduced the criteria of research validity and reliability in qualitative research, the researcher needed to question how to increase and maximize the validity and reliability of his qualitative research project (Golafshani, 2003).

3.9. Qualitative Interviews

To identify the right form of data collection method, the researcher needed to consider about which type is most relevant to answer his research questions. In general, there are four main types of data collection methods in qualitative research: (1) qualitative observations, (2) qualitative interviews, (3) qualitative documents, and (4) qualitative audio and visual materials (Creswell, 2009).

Consequently, for this research, the author decided to use qualitative interviews with German pet care managers, to gather in-depth data to explore how German pet care managers make decisions about new market entries. Consequently, qualitative interviews were the most appropriate method for this research.

An advantage of qualitative interviews is that the willingness to provide information by the respondents is much higher than in other written data collection forms like surveys. Also that the interviewer can influence and control the progress of the interview directly, in case any obstacles appear which might prevent the participant from giving full and frank disclosure or relevant information. Moreover, the researcher can immediately clear up misunderstandings during the interviews (Kornmeier, Mannheim and Schneider, 2007), and historical information can be analysed as well (Creswell, 2009). Qualitative interviews are also very flexible and helpful to collect individual data from respondents to answer and reach the research questions and objectives (Bryman, 2016). They might also stimulate the researcher to gather new ideas about his research (Saunders, Lewis and Thornhill, 2016).

The principal disadvantages of interviews are the higher dedication of time and money they require compared to alternative methods, due to the extent of traveling and transcribing involved. Moreover, interviews can only cover a limited number of participants, which means on the one hand that there might be a risk of missing other relevant data, while on the other a random selection is rather difficult, and candidates are normally purposively selected by the researcher (Alsaawi, 2014). This could lead to a subjective selection of candidates and potential unconscious bias.

The right size of the sample in qualitative interviews has been broadly discussed by many authors (e.g. Mason, 2010; Marshall *et al.*, 2013; Alsaawi, 2014). Finally, the outcomes of qualitative interviews are largely dependent on researchers' interview skills (Winter, 2000). Despite these limitations, the researcher decided to use qualitative interviews due to their flexibility and openness, which is needed to gain a deep understanding about the DMPs of the respondents, as this technique offers much more scope to gather in-depth data than other data collection tools (Winter, 2000).

3.9.1. Interview and Question Types

Having selected qualitative interviews as the research technique for this thesis, this section evaluates and justifies the appropriate type of qualitative interviews, of which there are three main types: *structured*, *unstructured*, and *semi-structured* interviews (Saunders, Lewis and Thornhill, 2016). In *structured interviews*, the questions are developed in advance, and the interviews use the same basic questions for all respondents, producing comparable quantitative data (DiCicco-Bloom and Crabtree, 2006). They are more common in quantitative research, but can also be used in qualitative studies. The advantages of structured interviews are the low influence of the interviewer on the respondents, the comparability of data, and the potential to “maximize the reliability and validity of measurement” (Bryman, 2016). In *unstructured interviews* the researcher does not set define questions in advance, and conducts an individual interview with each participant (Martic, 2014). This type of interview is very useful in generating in-depth information from individual respondents. The disadvantage is that comparison and data analysis of the results is very complex (Martic, 2014).

For this research, the mix of both approaches contained in semi-structured interviews was considered the most appropriate interview type. Semi-structured interviews are the most common type of conducted qualitative interviews (DiCicco-Bloom and Crabtree, 2006). In contrast to the other two types, the researcher in semi-structured interviews sets defined questions in advance, as well as using unplanned individual consequent questions with the respondents as they arise and emerge during the interview interaction, enabling the probing and follow-up of emergent areas of interest that the researcher might not have foreseen in designing the interview questions. The individual questions can vary in terms of content and total number, depending on the progress of the conducted interviews (Saunders, Lewis and Thornhill, 2016). This type of interview was considered because the author wanted to gain an in-depth understanding of individual personal matters by using a standardized data collection process (DiCicco-Bloom and Crabtree, 2006).

In addition to the selected interview type, the researcher also needed to consider the use of open- or close-ended questions for his interview guide. Close-ended questions have predefined answers so that the respondents can select which answer fits best. This question type is very easy to answer, and offers the participant a quicker and more convenient interview process (Sierra and Hyman, 2016). Moreover, close-ended questions are more independent from the interview skills of the researcher, making them suitable for novice researchers. They can also be useful if the research focus is to compare the collected data (Bryman, 2016).

The disadvantages of close-ended questions are their barriers to gather new in-depth knowledge and also the fact that not all the answers might fit well (Bryman, 2016), since participants might just select the most convenient or easiest answer. Also, close-ended questions are more challenging to develop for the researcher (Sierra and Hyman, 2016). Open-ended questions allow the respondents to answer to an unlimited length and in their own words to the questions, which leads to more individualized interview results. They are very common to generate new insights from respondents, and might also help the researcher to gather new ideas about his research (Bryman, 2016). The main problems of open-ended questions are their time-consuming character and their lower comparability (Bryman, 2016; Sierra and Hyman, 2016).

Based on the discussion above, the author adopted semi-structured interviews with open-ended questions as the data collection method, since he wanted to combine the advantages of structured and unstructured interviews. Semi-structured interviews are assumed to have a structured common thread on the one hand, on the other hand they allow a certain extent of flexibility to gather more information of the interview participants (Niebert and Gropengießer, 2014). This met with his aims to generate both new and in-depth insights about how German culture affects the DMP of market entries within the pet industry, and to use a standardized process to ensure that data could be compared and analysed.

Before the interview phase, the researcher discussed with the supervisory team whether he should do the very time consuming process of transcribing and translating by himself, or if he should ask an agency to do that for him. The researcher decided to do it alone, and recorded and transcribed the interviews

audibly verbatim, on the same day of each interview (as described below). Thus it was ensured that the researcher had the interview still present in mind, and could present translated renderings authentically, drawing on his personal experience of the communication with interviewees to avoid any loss of explicit or implicit meanings in participant data. If an interview was interrupted, e.g. due to a telephone call for the interviewee, or if the interview digressed into a personal or irrelevant conversation, these scenes were cut from the interview transcripts and were not translated.

3.9.2. Interview Procedure

Interviews are essential to gather new knowledge in many different research areas, especially within market research (Mey and Mruck, 2007). Semi-structured interviews were used in this research to explore the impacts of German national culture on the DMP for market entries of German managers in the pet industry. The interviews were conducted with German managers and owners of pet care companies in Germany. All the respondents are decision makers in their companies and have long-term experience with several international market entries.

All interviews were conducted in the German language, which ensured that language barriers were not an issue for this research (Appendix A). Afterwards the interviews were translated verbatim into the English language for analysis (English transcripts are shown in Appendix B). An important issue was the accurate translating of the key concepts of the original interviews. To ensure the translation was accurate, in order to maintain the authenticity of the data, the researcher translated each interview on the same evening after the interviews

had taken place, to make sure that he still had the interviews present in his mind. The interviews were transcribed and translated sentence-by-sentence, and the researcher back-translated some sections to double-check that the translations were in line with the original wording.

3.9.2.1. Number of respondents

There are numerous ideas about the right sample sizes in qualitative and quantitative research in the literature, but qualitative research invariably has a smaller number of participants (Mason, 2010). This is because the aim in qualitative research is to gain new knowledge and in-depth understanding in an inductive manner about nebulous interconnected phenomena associated with human social and interpersonal contexts. Nevertheless, it is necessary in qualitative research to have an appropriate sample size, with a broad consensus on a range of 5 to 50 interviewees for most purposes (Dworkin, 2012), depending on the research topic.

Mason (2010) analysed 560 qualitative DBA studies and found that there was an average sample size of 31 interviews per thesis. Marshall *et al.* (2013) recommended sample sizes between 15 and 30 interviews. For Patton (2002), however, there are no rules at all for the right sample size, but it can generally be assumed that the sample size stands in a positive relation to the expected rigor in research, therefore more interviews should provide more accurate results. On the other hand, data saturation might be reached right after a small number of interviews. This is a permanent dilemma and balance of considerations that must be considered and handled skilfully by researchers.

In this research, the number of suitable respondents was intrinsically limited by the study population, since the focus is on senior German decision makers like managers or owners within the German pet care industry, which compared to other German industries a minor business. The total number of German pet care firms with substantial international business operations is between 20 to 40 companies. Moreover, respondents must have had extensive experience and knowledge about internationalization, so only senior managers with several years' experience were considered for the interviews. These criteria restricted the pool of potential respondents.

Apart from that, the author underestimated the issue to find respondents for his interviews. Although he has a deep professional network within the German pet care industry, it was quite challenging to convince managers to participate in the interviews. From around 35 contacted companies, only 11 agreed to give the interview. Reasons for refusing the interviews might have been a lack of time or concerns about speaking about their own international strategy. Others were simply not interested in supporting an academic project.

From the researcher's perspective, it was observed that several answers given by the respondents were overlapping and repeating, and after the eighth interview it was clear that the point of data saturation had been reached, as no substantively new phenomena were emerging from subsequent interview data. Therefore, the size of 11 conducted interviews was reasonable for the research, and further interviews would probably not have generated original findings (Creswell, 2009).

3.9.2.2. Interview respondents

The author assessed 11 interview participants by using a purposive sampling approach. Purposive sampling is a non-probability sampling technique that allows researchers to select the most suitable sample using their own judgement. Non-probability sampling is commonly used in qualitative research, to select participants using non-random criteria. Conversely, probability sampling approach, which is often used in quantitative research, seeks a random sample, whereby every member of the studied population has the same chance of being selected (Saunders, Lewis and Thornhill, 2016).

To assess the interview participants, the researcher selected a number of approximately 35 relevant German pet care companies of the pet food and non-pet food sector, which had been on the market for at least ten years, and which had international activities in several foreign markets. This target population of pet care companies considered as relevant for this research, consisted of around each 50% pet-food and 50% non-food organizations. The companies were identified by analysing their corporate websites, relative to the researcher's own professional experience and knowledge of their activities, developed over the last 20 years. Most of the firms were known to him due to business cooperation in the past. The minimum number of ten years was considered, since the researcher wanted to analyse only companies with a solid international experience to investigate the extent of experiential learning in the internationalization process.

The decision makers (owners and general managers) were contacted by a personal letter or by telephone, using publically available contact information from their company websites, and were provided with a participant information sheet

informing them about the nature and scope of the research project, its ethical permissions (Appendix C), and potential benefits (Appendix D). The respondents were also informed about the anonymity of their data referring to the ethical guidelines of the University of Worcester, and their right to withdraw from the study at any time without giving a reason. Participation was wholly voluntary, and they were assured their statutory rights etc. would not be affected by their decision to decline to take part, or to take part and subsequently withdraw from the study.

Finally, a total number of 11 managers agreed to take part. As shown in Table 3.1, the sample consisted of four pet food and six non-food companies. Moreover, interviewee Respondent J, who worked as a consultant in the German pet care industry, was selected as an outstanding person to include a neutral view of the topic. All of the companies were family-owned and had a less than 1000 employees, except company E (which had 1600 employees). Therefore, the selected companies can be considered as SMEs according to the official definition (European Commission, 2021). Considering the targeted population of German pet care companies, as explained in section 1.1, the sample represented the distribution of German pet food and non-food pet care companies, and can therefore be seen as representative for this qualitative research. Table 3.2 shows the description of the interview respondents in terms of position, status, and years of experience:

Company	Segment	Specific Market Segments	Number of employees	Ownership
A	Food	Producer of pet food and horse feed	150	Family-owned
B	Food	Producer of pet food (birds)	120	Family-owned
C	Non-food	Producer of animal care products	25	Family-owned
D	Non-food	Distributor for pet care products	250	Family-owned
E	Food	Producer for pet-food	1600	Family-owned
F	Non-food	Distributor for pet care products	650	Family-owned
G	Non-food	Distributor for pet care and horse products	250	Family-owned
H	Food	Producer of horse feed	50	Family-owned
I	Non-food	Producer of pet care products	550	Family-owned
J	Consultant	Consultant for the pet care industry	-	-
K	Non-food	Distributor for pet care products	120	Family-owned

Table 3.1: Company sample

Source: Author

Total number of respondents	11
Position	9 CEOs 1 international sales director 1 consultant
Status	9 founder/owners 2 employees
Years of experience	2 15-25 years 9 15+ years

Table 3.2: Description of interview respondents

Source: Author

All of the respondents were senior managers with at least five years' experience in the pet care market, and were working in leading positions of relevant German pet care companies. Five of the respondents were owners and founders of the companies, and were still working in their companies up until the time of writing up. The interviews were mainly conducted face-to-face in the companies of the respondents in their geographical areas of Germany, or in some cases via video conferencing and telephone (Table 3.3).

Interviewee	Conducted by
A	Face-to-face
B	Face-to-face
C	Video conference
D	Face-to-face
E	Telephone
F	Face-to-face
G	Face-to-face
H	Face-to-face
I	Telephone
J	Telephone

Table 3.3: Ways of conducting interviews

Source: Author

3.9.2.3. Pilot interviews

Proper preparation of the interview process is vital for any research project to avoid problems with the data collection process or interpretation of the collected data (Turner, 2010). Before the data collection started, an initial pilot interview was conducted to test the usability for the respondents, the time required for the

interview process, and the data recording (section 3.8.2) There were only minor changes after the pilot interview was conducted: the timing for the interview was around 40 minutes, which was reasonable, but some questions and answers were slightly modified after having been reviewed again.

3.9.2.4. Interview timing and length

The interviews were conducted between September and November 2019. The average duration of each interview was 45 minutes, with an average of 2,500 words per transcription. All the interviews were audio-recorded and were subsequently transcribed and translated verbatim.

3.9.2.5. Interview language

There is an agreement in the relevant literature that the spoken language in qualitative interviews is too important to be disregarded. Language belongs to the “cultural resources” in international research (Welch and Piekkari, 2006). All the interviews were conducted in German, with German managers, which might be an advantage for this research, because using a foreign language can lead to problems in understanding the right context due to differences in meaning, or the lack of equivalent words in foreign languages (Kapborg and Berterö, 2002). On the same day after each interview was conducted, the author transcribed and translated the interview in one step. This was important, since the author had the interview still present in his mind. The author listened again to the recorded interview sentence by sentence and translated it immediately. Each transcription and translation took around 2-3 hours.

3.9.2.6. Interview guidelines

The success of qualitative interviews strongly depends on the interview skills of the researcher, and proper preparation of the technical equipment before the interviews start is vital. Alsaawi (2014) suggests creating a convenient atmosphere for the interviews so respondents feel comfortable. Due to his professional experience and many one-to-one conversations in professional settings, the author has strong interview skills for this environment, as detailed discussions with employees, customers, or stakeholders are daily business for the researcher. For this research, the author educated himself in how to conduct interviews and decided to adopt the ten general rules for interviews of Patton (Patton, 2015):

- 1) Open-ended question to gather unlimited and individual new output from the respondents

Example: *what is the role of the national culture when you think about entering a new market?*

- 2) Clear and simple questions to ensure that they are easy to answer

Example: *What does culture mean to you?*

- 3) Closely listening to the respondents to signalize interest

The author always listened closely and tried to show a maximum interest to the answers of the respondents

- 4) Going deeper into the topic, so the respondents get more understanding about what the researcher wants to find out

Example: *And which market entry forms do you use besides exports?* This question was asked after a respondent broadly explained why he used export as a market entry form.

- 5) Carefully observing the respondents' reactions and body language to gain a full understanding of the whole process

Body language was important to better understand how the respondents really felt about different topics. When the interviews were transcribed and translated on the same evening, the author retained his recollections of paralinguistic communicative indicators, which was helpful for correct and full translation and rendering of meaning.

- 6) Neutral and empathic behaviour towards respondents

The author tried to be objective as much as possible, and avoided interjecting or emphasizing his own personal opinions about emergent issues.

- 7) Supporting the respondents as much as possible during the interview process

The author always tried to establish a pleasant atmosphere and ensure that the respondents felt comfortable throughout the interviews.

- 8) Using descriptive and interpretative questions and separating them from each other

Example of a descriptive question: *How would you describe German culture?*

Example of an interpretative question: *What influence does culture have on the DMP of foreign market entries?*

9) Flexible reaction to unexpected progress of the interview

There were several situations where the author had to intervene to steer the course of the interview back to relevance, when respondents wandered off the subject

10) Permanent attention to the participant

The researcher signaled interest to the answers of the respondents during the whole interviews and gave positive feedback, to facilitate full and open communication and disclosure.

3.9.2.7. Interview procedure overview

Figure 3.2 shows the interview procedure followed in his research. It starts with the developing of the interview questions and ends with the analysis of the data gathered in the interviews.

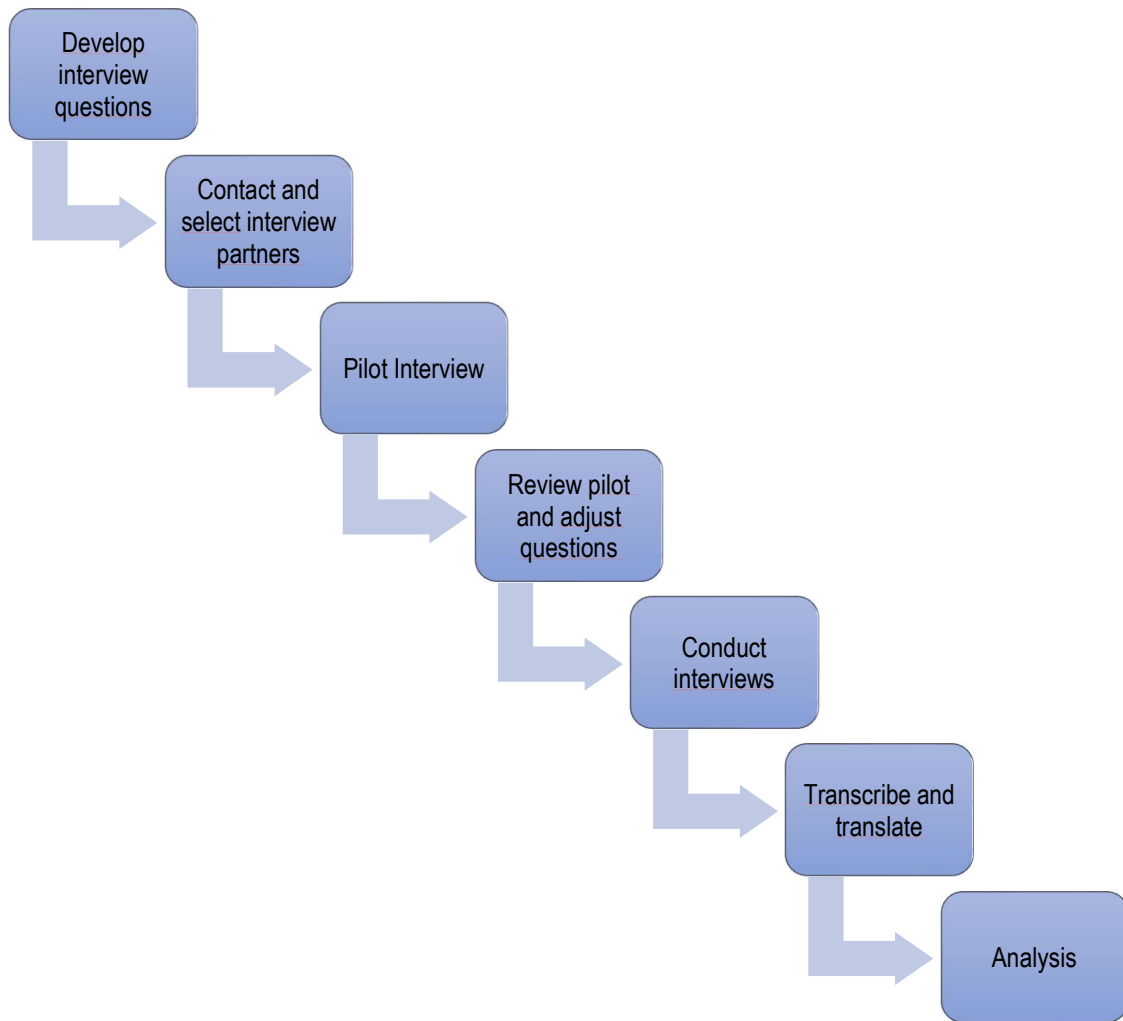


Figure 3.2: Interview procedure

Source: Author

3.9.3. Limitations of Qualitative Interviewing

Qualitative interviews are very popular in research due to their flexibility and potential to gather in-depth data from their respondents, although they have disadvantages, as explained above. Creswell (2009) summarized four general relevant limitations of interviews:

- The researcher is dependent on the subjective views of respondents.
- Respondents might be influenced by the location and context in which interviews take place.
- The researcher can influence respondents.
- Respondents may have varying levels and skills of articulation and perception.

Affleck *et al.* (2013) added that language might be another issue in qualitative interviews, such as if respondents have problems understanding questions or feel uncomfortable discussing the topic (Affleck, Glass and Macdonald, 2013).

In this research, all interview partners were experts of the German pet care industry and were familiar with the research topic. All of them knew the researcher for many years, and almost all interviews took place at the companies of the respondents. Moreover, the researcher explained participant rights and data storage and privacy issues in full before conducting the interviews, as explained previously. During the interviews there was not a single case where a participant refused to answer one of the asked questions. Therefore, it can be assumed that they felt comfortable with the interview questions and procedures.

It can be deduced that essentially the limitations of qualitative interviews reflect the critiques of qualitative research: (1) high extent of subjectivism; (2) problems in replication, and (3) generalization; and (4) minimal transparency (Bryman, 2016). The fact that the findings were based on the perceptions of the researcher and therefore were very subjective might be indeed considered as a limitation. To reduce this as much as possible, the author was as objective as possible and avoided forceful articulation of his own opinions about the discussed topics (section 3.10.6). He also tried to treat each respondent the same way, independent of how well he knew them.

The discussed issue of replication in qualitative research was reduced by the author by the use of semi-structured interviews, which offered the same fundamental questions to each respondent. Therefore, a certain extent of replication was provided. In terms of the problem of generalization, an issue could be that the semi-structured interviews were limited to only one industry (pet care) in Germany. On the other hand, since pet care organizations concern FMCGs, there might be similar industries that are comparable and adoptable for this study. However, different branches of industry might follow different rules, and therefore the chosen industry might be a partly limitation of the research. Therefore, generalization was partly provided in this research. Regarding the mentioned transparency, the author tried to be as transparent as possible during the whole interview process; however, due to the high level of data protection concern (section 3.13.4), transparency was limited by nature.

Any data collection has its advantages and disadvantages, and the researcher tried to be as neutral and sensitive as possible in terms of the potential risks and

limitations of his interviews. Therefore, the data protection and ethical guidelines of the University of Worcester were ensured by the researcher. The interviews were conducted with a very homogenous group of respondents (in the same industry, of similar age, in similar positions, and from the same prevailing national culture etc.). Moreover, the semi-structured interview characteristics presented the same basic questions to respondents.

3.10. Data Analysis

The next section explains and justifies the chosen form of data analysis for this thesis. After the interviews were conducted, the researcher transcribed the audio data into written form, and then translated them into English, achieving data immersion and observing the common issues raised by participants as a primer for the subsequent data analysis. In total, around 50 pages containing almost 25,000 words were thus processed and analysed by the researcher.

Data analysis in qualitative research is very challenging for researchers, requiring more analytical skill than quantitative research, which is based on statistical analysis of numerical data, with less original critical thinking required; furthermore, the volume of rich data gathered for qualitative data analysis is more complex and sophisticated (Bryman, 2016). Therefore, the researcher needs to be well informed about the different types of qualitative data analysis (Silverman, 2011), such as primary, secondary and meta-analysis (Glass, 1976); and content analysis, grounded theory, and narrative analysis (Silverman, 2011). Discourse analysis and analytic induction can also be added as potential qualitative research analysis approaches (Saunders, Lewis and Thornhill, 2016).

Generally, there are two basic strategies of analysing qualitative data: by a quantitative approach of counting and analysing the frequency of words; or traditional qualitative analysis and interpretation of data. Thus, several authors just distinguish between content and thematic qualitative analysis.

- **Content Analysis**

Content analysis is prevalent in quantitative research but can also be used in qualitative research. Content analysis is a research technique that analyses the frequency of textual materials by counting previously coded words. In content analysis, the researcher develops several thematic categories, in which he matches defined key words after the interviews have been conducted (Silverman, 2011). Content analysis operates more at “micro-level” compared with other qualitative analysis approaches (Braun and Clarke, 2006). In essence, it is a quantitative research technique used for convenience in qualitative research. Its main characteristics are being “objective” and “systematic,” providing “quantitative description,” and “manifest content” (Saunders, Lewis and Thornhill, 2016).

- **Thematic Analysis**

Thematic analysis is prevalent in qualitative data analysis, and focuses on the interpretation and analysis of patterns in the collected data, such as in qualitative interviews (Clark and Vealé, 2018). Thematic analysis is frequently described as a flexible and reachable approach (Braun and Clarke, 2006), which is also independent and reliable (Vaismoradi, Turunen and Bondas, 2013). Thus, thematic analysis can be used to analyse large but also small quantities of data, and can work effectively with collected data from different sources (Saunders,

Lewis and Thornhill, 2016). Although thematic analysis is a widely used method, there is no universally agreed definition of what it constitutes (Braun and Clarke, 2006).

For this research, the author decided to use thematic analysis, since the number of the conducted interviews and their average length of about 2,500 words was too small for quantitative analysis within a qualitative research, and the criterion of “exploring large amounts of words” was not fulfilled in a quantitative context (Vaismoradi, Turunen and Bondas, 2013). In thematic analysis it is assumed that the conducted interviews are the data, and the researcher has to identify and develop themes inherent in such data (Neuendorf, 2019). These identified different themes in the interviews were marked in different colours by the researcher. For example, when the respondents talked about how they prepared themselves for new market entries, every statement of each respondent in regard to *preparation* was marked in the same colour. Thus, the different statements and opinions could be easily illustrated and compared with each other. With this technique, several themes could be identified and highlighted, and finally the researcher could explore 11 themes (which were structured into two main groups, as explained in **Chapter 4**).

3.11. Ethical Considerations

3.11.1. Fundamental Issues Related to Ethical Research

A common definition of ethics is “norms of conduct that distinguish between acceptable and unacceptable behaviour” (Resnik, 2011). Ethics regulate the behaviour of researchers and ensure that they do not infringe on the rights or

wellbeing of participants (Saunders, Lewis and Thornhill, 2016). The research is conducted by qualitative interviews with managers of German pet care firms, who belong to the author's professional network. Some of them were in a very similar market position and competed against each other. Thus the protection of data and providing anonymity was vital for the research, due to the commercially sensitive nature of the data.

The researcher was in regular contact with all of the participants and had a reasonable expectation of the potential of undertaking business activities with them in future. One of the main advantages of insider research is that the researcher is likely to be much more motivated than an outsider researcher, and participants can be more open to full and frank disclosure in some context (while familiarity could hinder disclosure in other contexts, such as research discussing sensitive personal issues, as opposed to professional ones in this research) (Saidin and Yaacob, 2016)

Some issues can be explored more thoroughly when the researcher belongs to the same community or professional milieu. On the other hand, some authors query whether insider researchers are truly objective (Saidin and Yaacob, 2016). In his role as an insider researcher, the author was in permanent conflict between the research project and his future professional life, which underlines the importance of research ethics. If he had not stuck to the ethical requirements and risked any harm of research objects, this might also have a negative impact on his professional situation in the future.

Ethical permission to conduct this study was sought and obtained from the University of Worcester (CBPS18190021-R) prior to conducting any fieldwork

(Appendix C). All aspects of data collection, analysis, storage, and disposal were in accordance with the University's regulations, subject to the UK Data Protection Act (2018).

3.11.2. Ethical Considerations Related to Methods of Data Collection and Analysis

The interviews forming the qualitative research were conducted with decision makers like owners, general managers, or international sales directors of German pet industry companies. The potential respondents were motivated to participate only by their personal relationships with the researcher, due to long-term professional cooperation. Although this implied a certain degree of trust, compliance with related ethical codes was essential (Saunders, Lewis and Thornhill, 2016). Much of the information discussed concerned confidential and sensitive issues, and some respondents might have been reluctant to share such information if they were not assured that their information would be used purely for academic research, and would not be misappropriated by their competitors. Furthermore, the data protection and respect for the privacy of the respondents is a fundamental ethical obligation of academic researchers (Saunders, Lewis and Thornhill, 2016).

To avoid further potential conflicts, the researcher only interviewed managers of companies without any current business relation to his own company. Consequently, there was no possibility of the author being a potential commercial competitor of the interviewees. The researcher focused particularly on the following main ethical principles (Saunders, Lewis and Thornhill, 2016).

- **Voluntariness of the respondents**

To ensure voluntariness, the researcher only selected respondents from his professional network without any current business relationship to him or his company. Consequently, there was no conflict with any ongoing business relationships between the authors and their companies.

- **Data protection and confidentiality of the information**

The research provided written, informed consent about the purpose of the research and the confidentiality of personal data (Appendix D). All personal data were anonymized by the researcher afterward, and all potential identifying features were removed. This was important for fundamental participants' rights, and due to the particular commercial sensitivity of the data discussed, as most of the respondents were competitors in the same market. Thus, anonymity was a very strong requirement for them to participate. Since the researcher needed to protect them from any kind of harm, data protection and anonymity played an important role in this research.

- **Respect all stakeholders, avoid and reduce risk of harm**

The researcher did not publish any information that could cause personal harm or imputations against other respondents or companies which might have arose during the interviews (potentially relating to some respondents being in business competition with others).

- **Responsibility for the information**

Since the researcher was responsible for the data collection, he ensured the correctness of the gathered information as much as possible.

3.11.3. Data Protection, Storage, and Disposal Plans

To ensure the data protection of participants' personal information, it vital to save it securely (Saunders, Lewis and Thornhill, 2016). All collected data was anonymized and stored separately from participants' personal information on the One Drive File of the University of Worcester. Names of respondents were not used to save files. Data will be stored there for ten years after completion of this research, and then it will be destroyed, in line with the University of Worcester Ethics Policy and the UK Data Protection Act (2018).

Furthermore, all interviews were revised accurately, and features of the interviews that could identify the respondents were removed or changed, such as the region of the company, the first name of the respondent, or description of the product range. It was necessary to encrypt such data. As a hypothetical example, instead of writing about a "pet food distributor in the south of Denmark", it would be better to talk about a Danish supplier of the pet care industry, since there are only a few pet food producers, and only one in the south of the country. After the interviews had taken place, the audio file was transcribed verbatim and the mentioned identification options were changed. After the transcription, the audio files were erased. Data collection was in accordance with European data protection law and the UK Data Protection Act (2018).

3.11.4. Conclusions

The main ethical challenge for this research was the fact that all interview respondents were from the same industry (pet care), and were also in some instances competitors in the same market segment, such as pet accessories. Therefore, the researcher had to convince all potential respondents in advance

that their personal respective business information was completely safe and anonymous.

3.12. Summary

This chapter explained and justified the research design and methodology used in this research, using the example of the research on of Saunders, Lewis and Thornhill (2016). This research focuses on the meanings and words of the interviewed managers, and therefore interpretivism was chosen as the fundamental research paradigm. Moreover, the author used a qualitative approach with semi-structured interviews, since he wanted to gather new knowledge about the influence of German culture on the DMP, to answer the three research questions that were developed and introduced:

- 1. How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
- 2. What is the impact of German culture on the DMP of German pet care companies?*
- 3. What are the success factors for foreign market entries, and how does German culture affect them?*

Furthermore, the interview procedure and the subsequent analysis were explained. Finally, the author discussed the limitations of the qualitative interviews and the ethical considerations for this research. The following chapter analyses and discusses the findings of the semi-structured interviews.

CHAPTER 4

ANALYSIS AND DISCUSSION

4.1. Chapter Introduction and Objective

The objective of this chapter is to analyse the collected data of the 11 semi-structured interviews with German pet care industry owners and managers, using thematic analysis (as explained in Chapter 3). The findings are discussed in relation to the reviewed literature (Chapter 2), in order to achieve the research aim by answering the research questions explained in Chapter 1:

1. *How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
2. *What is the impact of German culture on the DMP of German pet care companies?*
3. *What are the success factors for foreign market entries, and how does German culture affect them?*

With the conducted interviews the author wanted to research how the German pet care managers manage market entries and the influencing factors in such activities, especially in relation to national culture. Therefore, the author tried to gather a deep understanding of their attitudes and behaviours in relation to market entry strategies. Analysis of the interview data revealed that German pet care DMP when entering new markets is affected by both *direct* and *indirect* factors, spanning 11 sub-issues, as discussed in this chapter.

Direct factors describe the *behaviours* of the respondents which directly affect the DMP, explaining how the German pet care managers act or react in terms of market entry decisions. For example, *preparation* (of market entries) is a sub-issue of *behaviours* that describes how the respondents actively *prepare* the new market entry. Therefore, *preparation* belongs to the group of direct factors. Indirect factors however can be described as *attitudes* or *influences* that affect managers' DMP indirectly, such as *discoveries* or *risks*.

Since this research essentially seeks to explore the influence of German culture on the DMP of market entries, the bridge between the identified research themes and the definition of culture needed to be developed. As discussed in **Chapter 2**, the operational definition of culture used in this study is based on that of Hall (1990): "*the sum of perception, reaction and relation to other people.*" The way people *perceive* something can be described as an indirect factor in their decision making; for instance, inherently risk-averse people decide differently from people with high risk tolerance. Therefore, *perception* is considered as an indirect factor. Also, the relation to other people influences decision makers indirectly, such as their relation to foreign cultures. Direct factors describe how the DMP is directly affected by related *reactions*, such as the extent of *preparation*.

In summary, it can be said, that the three main characteristics of the considered definition of culture for this research are related to the identified direct and indirect factors of this research. **Figure 4.1** illustrates all main and sub-issues which were identified from the thematic analysis of the interviews. Moreover, it explains the identified link to the national culture.

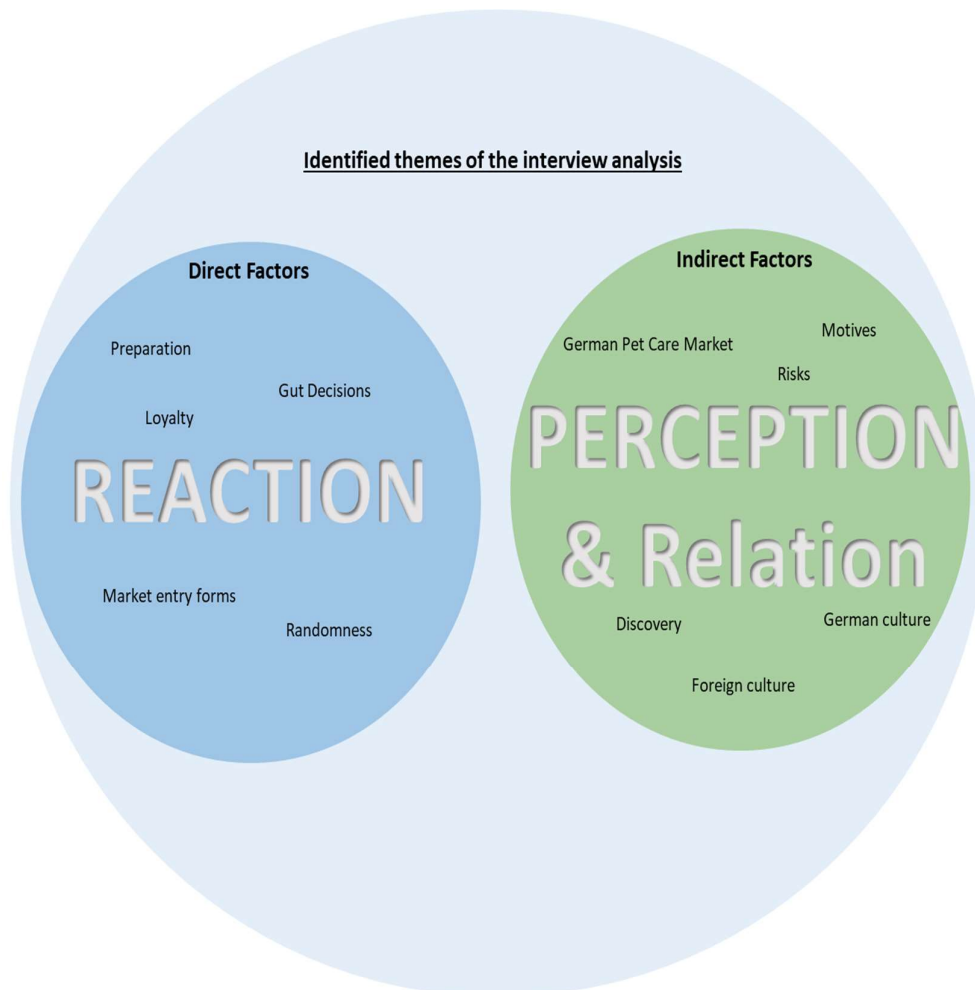


Figure 4.1: Identified main and sub-issues of the interview analysis

Source: Author

In the following analysis, the author introduces the findings from the interviews structured by the identified main issues and sub-issues. In the first step, the interview results of each sub-issue are presented. Afterwards, the findings of

each sub-issue are discussed in terms of the relevant literature reviewed in **Chapter 2**.

4.2. Direct Factors

The first explored main-issue are the direct factors affecting the DMP, which can be described as the way in which German pet care managers actively behave or react in terms of their market entry decisions. The way people react can be linked to the definition of culture for this research and to the identified factors. Many previous studies explored literature covers many studies the impacts of different factors to the DMPs of entering foreign markets (Agarwal and Ramaswami, 1990; Koch, 2001; Johnson, 2004; Andreu *et al.*, 2017; Schu and Morschett, 2017), but they did not differentiate between direct and indirect factors affecting the DMP. During the interview analysis, the following sub-issues of *direct factors* emerged, as discussed below:

- Preparation
- Gut-feeling decisions
- Randomness
- Loyalty
- Market Entry modes

4.2.1. Preparation for Foreign Market Entries

The respondents were asked how they prepare in advance when they want to enter a new market. Most of them answered that there is little preparation at all, as in the case of Respondent B, who admitted:

“[...] no, actually we didn’t prepare ourselves well for new entries....” (Respondent B)

Other respondents underlined, that they only were reacting to demand from foreign countries and then just delivered. These answers match with the findings of the theme “randomness” (section 4.2.4), which randomness dominates at least the start of internationalization in these cases, and the preparation for new markets was found to be very poor. Respondent J underlined this finding:

“[...] in random cases, I think there is not much preparation. The companies just react to the inquiries. In bigger companies or company groups I think there is a strategy, and they analyse the target markets first before they enter. ‘How is the language,’ for example, and ‘how can we provide’ [...].” (Respondent J)

This can be linked to the study of Schreier, Udomkit and Macchi (2016) who highlighted the “lack of internationalizing facilitating resources or capabilities” in SMEs compared to bigger international organizations, which have easier access to necessary resources (e.g. cheaper capital costs and improved internal resources). In SMEs, decision makers often have no experience and knowledge about internationalization, which leads to “confusion and uncertainty” within the internationalization process. Therefore, the lack of preparation alluded to above

might correspond to the company size. Only a few companies reported preparing themselves very intensively before entering new markets. Respondent G, for instance, explained their usual process:

“We normally start with intensive market research. Often we cooperate with universities or students to gather such numbers. When we have the overview, we start with our planning. How much is the potential and what efforts do we need to reach our targets? What else do we need to be successful in this country? We normally evaluate such questions before we start working. And again, we also consider the national culture and try to adapt to it [...].” (Respondent G)

This answer shows that despite the company of Respondent G being classified as a SME, they proceed normally with an intensive preparation when they enter a new market. This can be related to the findings of the literature review (section 2.5) about the professionalism and objectivity of German managers (Glunk, 1997; Schneider and Littrell, 2003; Kavalchuk, 2011; Liermann, 2020). Michalski (2015) highlighted that the planning of the marketing mix is a particularly crucial factor for the success of the foreign market entry, confirming the statement of Respondent G. Respondent K described a more intensive preparation for the new market, but mainly focused on the relevant company than on general market figures. It is interesting how much importance he attached to the relationship with the new distributor:

“[...] we normally visit them and try to evaluate which partner fits best for us. Human relationship and sympathy are very important

at this stage [...] But of course, we check the whole portfolio, which brands they have, how many retailers they have, etc.”
(Respondent K)

This stands in contrast to the typical view of Germans in the literature. Kavalchuk (2011) for instance highlighted, that German managers are *task-oriented* rather than *people-orientated*, which means that they focus strongly on their work and their objectives, and less on human relationships. Respondent K however admitted that human relationships to distributors are very relevant for him. The answer of Respondent K was also associated with gut feelings, discussed more extensively below, which might play a role here. This confirms the findings of Sommer (2015), who highlighted that German managers often follow their gut feelings.

4.2.1.1. Considerations of preparation

The analysis of the interviews demonstrated that there is generally a low level of preparation for entering a new market, which is related to the fact that most foreign market entries initialized randomly, at least at the beginning. This was mentioned by 10 of the 11 interviewees. In many cases, the SME just reacted to an inquiry from a foreign market, and had no time to prepare themselves for the new market; they merely responded to and followed market demand, as exemplified by the following answer by Respondent C:

“I think we didn’t actually prepare ourselves for the new potential customers. It was very pragmatic, we only decided to expand by

finding new customers in foreign countries, but we did not really have a clue how to do it....” (Respondent C)

This interview outcome is in contrast to the literature review. Preparation and planning are generally related to uncertainty avoidance, which means that firms based in countries with a high extent of uncertainty avoidance tend to undertake more planning and preparation than those in countries with a lower index for this feature (Ranch, Frese and Sonnentag, 2000). Since Germany has an index of 65 (high uncertainty avoidance) (Junker and Würffel, 2017), the low extent of planning and preparation for market entries among German pet care companies is surprising. On the other hand, with increasing experience in foreign market entries, the companies might have gathered more knowledge and confidence about what they actually needed to prepare for further new entries, and since most foreign market entries went successfully, there was less need for uncertainty and apprehension to inhibit expansion with additional preparations.

Pinkwart and Proksch (2013) researched the internationalization process of German high-tech SMEs and highlighted that companies that focus mainly on the domestic market are less likely to enter new foreign markets. This is related to the pet care companies represented by interviewees being primarily oriented toward the German market, with no deliberate or active international planning in their business strategies (they developed such planning on an *ad hoc* basis, responding to emergent market opportunities, as discussed above).

Also, the time perspective might be interesting. Kraus *et al.* (2017) highlighted that SMEs which plan their internationalization strategy with a long-term perspective are more likely to be successful. This cannot be confirmed by the

outcome of the conducted interviews, since there was no perceived relationship between the success of internationalization and preparation of market entries; analysis of such success would be an interesting focus for future research, exploring quantitative indicators of such success (e.g. return on investment). All of the interviewed companies were supposed to be successful in foreign markets for many years, despite having undertaken minimal advanced preparation.

Schu and Morschett (2017) researched the foreign market selection of online retailers and highlighted that the market size of the target country has a positive effect on the company's propensity to invest in that market. However, in the conducted interviews, there no impact of market size was perceptible. On the other hand, the outcomes of the interviews showed that pet care companies' focus with regard to internationalization was on European markets. Potentially high volume markets outside of Europe, for instance North America and China, were only covered partly by the interviewed companies. Therefore, market selection might not only be related to the size of market for German firms.

4.2.2. Gut Feeling Decisions

It was apparent that many interviewees respondents alluded to important decisions relating to internationalization being made based on "gut feelings" rather than sophisticated and rational analysis based on evidence. This kind of emotional decision making without using the mind is based on intuition. Mikels *et al.* (2011) researched the benefits of emotion-focused decision making, finding that it can be more effective in complex decision making than deliberative decision making. These kinds of gut decisions appeared in several stages of the

interviews. Gut decisions play an important part in every business case, and are also relevant for this research.

Most of the respondents mentioned that gut feelings are often relevant for them when it comes to the decision making of new market entries or selecting new partners. Respondent A explained the importance of gut feelings for him and his conscious preference for this rather than the statistical analysis of market data concerning new market entry. He highlighted the necessary "*feeling for the market,*" considering that making decisions only "*because of statistical numbers*" was not appropriate. Also, the selection of new partners in foreign countries is affected by gut feelings, which was highlighted by Respondent F, when he underlined the importance of a personal visit with new potential distributors in their own countries. Finally, they selected "*without intensive analyses*" because their "*gut feeling was more important [...] than other criteria.*"

On the other hand, it was mentioned by some respondents that in the past, emotional decision making had played a more critical role for them not because of an inherent preference, but because opportunities to gather relevant data had been relatively limited, compared with the possibilities offered by today's digital tools. Therefore, the decision making of today is "*much more efficient [...] work became more structured*" according to the answer of Respondent G, and there is more time needed for "*planning and development*" alongside "*less uncertainty*" when entering a new market. Following this, today's DMP might be more complex and time confusing on the one hand, but also more efficient and with a reduced extent of uncertainty and gut feelings on the other.

Gut decisions might arise more often when the primary decision maker and the owner of the company are one person, which is often the case in SMEs. This was mentioned by Respondent E when he explained how decisions were made in the past with their old owner structure: *“the old owner decided more viscerally and was not so structured and management-oriented.”* According to Schreier, Udomkit and Macchi (2016), it is crucial to have a “culturally intelligent” decision maker in SMEs, particularly in internationalization, and this is often the founder of the organization. This underlines again the importance of the “international attitude” of the decision maker for successful market entries.

Gut decisions can also have a negative impact on international business, since in some cases the decision makers assume that their products are working everywhere in the same way, and neglecting fundamental market analysis can lead to failure in some markets, as highlighted by Respondent J. This stands in contrast to the answer of Respondent D, when he highlighted the positive effect of gut feelings for international business, and the view that experiential learning (*“learning by doing”*) was necessary during international expansion, in order to gather their own experience and market knowledge, as well as develop in-house skills among personnel.

4.2.2.1. Considerations of gut decisions

Most respondents made explicit reference to the significance of gut feelings in making market entry decisions, even if the influence was stronger in the past than today. Their gut decisions are based on experiences, practice, and previous learning, and they really wanted to undergo and learn from their own experiences. Sometimes they trusted their gut feeling more than statistical numbers. This was

implied in the answers of several respondents, including the following observation by Respondent A:

“You need the feeling for the market, you can’t only consider because of statistical numbers [...] It’s important to understand the new markets, but not only by theory but with practice knowledge.” (Respondent A)

Also, when it comes to new potential distributors, the personal feeling about the new partner is at least as important as other factors and data. This was presented in the answer of Respondent F:

“Often, our gut feeling [about new distributors] was more important to us than other criteria.” (Respondent F)

While “gut decisions” are commonly alluded to and implicitly understood, an operational definition for academic analysis or industrial application is rarely addressed by firms. Gigerenzer and Gaissmaier (2015) researched intuitive or gut decisions and highlighted that they have nothing to do with extrasensory perceptions (e.g. a sixth sense), rather they describe a situation where a decision is made that quickly enters into the judgment of people without them actually knowing its background. Several studies about the influence of gut decisions in management have shown that a significant proportion of people follow their gut feelings when making importance decisions, either regularly or from time to time, especially in higher hierarchical levels within organizations. Schreier, Udomkit and Macchi (2016) highlighted the importance of perceiving gut decisions as a “positive uncertainty strategy” within the internationalization process.

Sommer (2015) found that German managers have a tendency to follow their gut decisions, but Gigerenzer and Gaissmaier (2015) highlighted that managers normally would not admit this to external or third parties. Indeed, none of the respondents openly admitted during the interviews that they regularly followed gut feelings, rather they alluded more generally to the perceived importance of gut decisions. Nevertheless, the findings of this study clearly support previous literature in observing the importance of gut decisions in managers' daily business decisions and strategic decisions in internationalization.

Schreier, Udomkit and Macchi (2016) researched the cultural and intuitive intelligence of SME leaders, defining cultural intelligence as a "combination of objective and subjective characteristics" in cross-cultural management, perceived as a "critical leadership" skill for decision makers in the internationalization process. Intuitive intelligence however is deployed in gut decisions, and is based on the emotions of the decision maker. They concluded that gut decisions are crucial for the successful foreign market entry process when information is sparse and uncertainty is consequently increased (Schreier, Udomkit and Macchi, 2016) – consequently, the high uncertainty avoidance in German culture could explain the counter-intuitive importance of gut decisions in internationalization decisions.

Apart from this, there is not much literature about gut decisions in internationalization, and future research about this might be an interesting subject area. Future research could focus on emotional decision making in market entry strategies and analyse the meaning of gut feelings in the choice of the entry market, entry mode, and entry timing, which this research covers only partially. Holmlund *et al.* (2007) highlighted that "management's interest" is the number

one motive to enter a new market, which can be influenced by many factors, including gut decisions. This is reflected in the statement of Respondent A when he talked about his attitude to foreign cultures:

“[...] I can identify for instance with the French culture, but not for example with the Arabic culture... it’s not my style to do business, this bazaar mentality [...] I really appreciate doing business in Japan; they are my biggest international partner... but not with China.” (Respondent A)

The answer given by Respondent A implies that there might be cultures that harmonize more with each other than other cultures, either in whole or in part. In this example, Respondent A openly expressed his aversion to Arabic and Chinese business cultures, stating his preference for the French and Japanese cultures. His gut feeling to enter a new market is influenced by the relevant foreign culture, which might also happen unconsciously. On the other hand, the answer of Respondent A could also be related to the concept of cultural identity, which explains the belongingness or identification of people with a social or cultural group. In terms of cultural identity, people often tend to identify with more than one culture group (Chen, 2014), which explains why Respondent A felt affiliated and *simpatico* with French and Japanese culture.

Based on the discussion above, it can be summarized that the role of gut decisions has been understood in different ways in the literature, they play a surprisingly common and important role in senior management decisions, and this study found that they significantly affect the DMP of foreign market entries among German pet care firms.

4.2.3. Randomness

During the analysis of the interviews, it emerged that most of the first foreign market approaches of the studied pet care firms were not really planned, and were introduced randomly. At the beginning of the interviews all of the respondents were asked when they first started their foreign market approach, and it was found that most participant companies started their first internationalization projects soon after company establishment, as summarized in [Table 4.1](#).

Respondent	First foreign market entry after company establishment
A	"In the same year."
B	"Finally, in 1976, we started our business in Sweden" (10 years after the company was founded)
C	"... company for operated around 100 years before we started our export business."
D	"... after five years, in 1990."
E	"... around 80 years after the company was founded."
F	"... we started our internationalization approach in 1986" (12 years after the company was founded)
G	"... within the first four years."
H	"... around five years after I had founded the company."
I	"This was four years later."
J	"... on average, many companies are operating around 10-20 years before they start with market entries."
K	"... first export was agreed even before the company was founded [...]."

Table 4.1: First market entries of participant companies

Source: Author

Except for Respondents C and E, almost all respondents stated their internationalization was within the first 12 years after company establishment,

and some of them mentioned that it was within the first five years (Respondents A, D, G, H, I, and K). Respondents were subsequently asked which countries they entered first and why they chose these markets; the surprising answer was that these first entries were essentially unplanned and happened randomly (usually in reaction to requests from customers in foreign markets, as mentioned previously). This is in alignment with Hornschild (2015), who found that random events often trigger the start of internationalization in SMEs. Analysis of the interviews showed that this “randomness” could be separated into two subgroups:

- Random market entries coming from inside of their network (intrinsic randomness).
- Random market entries coming from outside of their network (extrinsic randomness).

- **Intrinsic randomness**

The first group of random market entries are companies which started their international approach randomly with contacts in their networks. Their market entry approach is a combination of personal relationships between respondents and customers in foreign markets. Sales figures or demand played a secondary role in this kind of expansion. Respondent A for instance explained that he only started his international approach because an existing strong customer of his moved to the Czech Republic; therefore, to avoid losing this customer, he “*needed to react*” and started to export to that country. Respondent F mentioned that the founder of the company had an existing well-developed network within

Denmark, therefore they started their first international business there, facilitated by the company headquarters being close to the Danish border. Respondent H had a “*strong connection*” with a former fellow student in Switzerland, and after explaining to him the business, he “*started to deliver to Switzerland.*”

The common theme of these answers is that the new market entry was not really planned, but arose spontaneously due to a pre-existing contact, and the expansion thus occurred without any intensive planning. The existing contacts were with customers they obviously trusted, which is linked to avoiding risk at the beginning. Also, there was not much planning or strategy necessary, since the distributors did all the work by themselves, without significant efforts on the part of the German companies; it was thus a simple and natural expansion for them to penetrate the foreign markets and meet existing demand.

Intrinsic randomness might be related to Ellis (2000), who researched social ties and foreign market entries and found that the international social ties of organizational decision makers are crucial for the development of international business (Ellis, 2000). Moreover, Crick and Spence (2005) highlighted that contacts and networking of the internationalizing company are vital for success in foreign market entries, as corroborated by the findings of this research.

- **Extrinsic randomness**

The second group of random market entries are organizations that were contacted randomly by companies from foreign countries, for instance at trade fairs, to whom the firms exported by following such demand, without any prior planning. Respondent C for example went for the first time to the international fair

trade SPOGA in Cologne with the intention of increasing his business in the German market, and to explore the potential for international activities:

“The participation of the SPOGA in 1980 was the initial start for us, which led to the company structure we have today. We still have some international partners from this time...

“Actually, it wasn’t planned, and arose from the trade fair. They [a French customer] were interested in our products, and we delivered: very simple.” (Respondent C)

Indeed, trade shows are important when it comes to international business of organizations. Evers and Knight (2008) identified four relevant factors of trade shows that affect international business expansion, specifically that they:

- Are a neutral territory that help organizations develop communications and social relationships with potential new partners.
- Can be an accelerator for international business.
- Are a critical hub and help to gather information about foreign markets.
- Help organizations to develop their international business.

However, most of the respondents went to trade shows with the intention to introduce themselves and their products to existing or new potential customers in Germany, and developing international business was not really within their scope of interest. Respondent D added that they mainly used this kind at the beginning, without a strategy or planning. This passive approach was inherently uncomplicated and easy for the respondents, since they *“only had to evaluate the*

potential customer and start exporting,” as highlighted by Respondent G. The answer provided by the Respondent K (“[...] *the Interzoo is always important for new customers which contact us directly*”) indicates that some organizations still follow this approach and just react to inquiries, mainly at trade fairs.

Reviewing the interviews shows that randomness played a particularly significant role at the beginning of the market entries of the organizations. Almost all respondents had their first international experience due to a random event, and did not plan the approaches.

Respondents were asked which countries they entered next (after their first foreign market expansions), and why they chose those markets. Neighbouring countries were key targets; Respondent A for instance chose the Austrian market as the second international country:

“The second market was Austria in the same year, and the reason for this was the similar thinking of the people and the proximity to Germany. Also, the Austrian market is simpler to understand and to manage, and it’s easier to test. Also, in this market there is only one magazine, compared to around 120 magazines in Germany, so it was much easier to reach my potential customers with this one magazine. Following this way, Austria was my first test market.” (Respondent A)

The answer shows that Respondent A had the intention to develop his export business. After he had made his first step (to the Czech Republic) randomly, he finally decided on Austria as a test market, since this market was easy to manage.

This could be linked to cultural distance, as discussed in [section 2.1.2](#); the small cultural distance between Germany and Austria predisposed Respondent A's firm to enter the Austrian market. Respondent D also decided on neighbouring countries as the next international markets because this approach was "[...] easy for us to manage." He even hired specialist salespeople to take care of the development of these new markets:

"We observed the development of the pet industry in these other European countries and decided to start market entries in a professional way. We had a clear strategy from the beginning. We hired an export manager, who only dealt with new foreign markets." (Respondent D)

The approach of Respondent D is a good example of entering new markets due to the experiential learning acquired from the initial (random) market entry experience. Similarly, Respondent B, after his first random experience in Sweden, hired an agent to take care of the area and develop this region. However, there was not always a plan or strategy after the first market entry for subsequent entries, as indicated by the answer of Respondent F:

"I think we started very soon with the Austrian market, then afterwards with Poland, the Czech Republic and Italy.... because they asked us... there was still no sales strategy, we just offered our range and chose the first companies." (Respondent F)

Also, in the case of Respondent K, the company proceeded with random market entries to Scandinavia, Benelux, and Austria after the first market entry was

undertaken. However, during the analysis, it emerged that after the first international step was initiated by a random approach, organizations tended to proceed with their internationalization in a more conscious way. This approach was well presented in the answer of Respondent J:

“[...] I think that many of the companies operating in Germany are SMEs, and they started their internationalization business because of a random opportunity. They are at a fair, meeting somebody who is interested in the products, and the company decides to deliver [...] Then, after operating a certain time with success, people decided to extend the cooperation or started in other markets with the learning and experiences from this first approach [...] they normally do not have an internationalization strategy.” (Respondent J)

Based on the discussion above, it can be stated that randomness played a significant part in the internationalization strategies of the respondents. Almost all of them started their international business with a random approach, and then with increasing experience and learning, the companies became more self-initiated, structured, and organized to expand more strategically and deliberately to further foreign markets.

4.2.3.1. Considerations of randomness

The review of the literature has shown that internationalization is generally assumed to be a strategic planned process, and there is very limited consideration of the possibility of randomness in market entry decisions, yet this

study found randomness to be a pervasive feature of German pet food firms' internationalization. The findings of this research showed that randomness played a particularly important role at the beginning of internationalization. Crick and Spence (2005) found that "unplanned and serendipitous" approaches are associated with companies' internationalization experiences (Crick and Spence, 2005).

In the literature, companies that have a clear focus on internationalization from the beginning are often named "born global," "international entrepreneurs," or "international new ventures." Three categories are known to describe a born global according to Glowik and Sadowski (2014), based on their review of related literature:

- The age of the company when starting market entries (2-3 years).
- High export involvement at a certain point of time in business (25-50%).
- Five or more export markets.

The second and third criteria of a born global were largely fulfilled by participants in this study, all of whom covered almost all European markets, and the share of international turnover was within the named corridor. Regarding the firm's age at international entry, only a few of them started their internationalization within the first three years. Therefore, it can be inferred that German pet care companies do not ordinarily belong to typical born global companies, which relates to the finding of randomness in this research. Moreover, the literature decides between two main international approaches (Baronchelli and Cassia, 2008), the stage and the global approach.

In the stage approach, companies start in their home markets and internationalize step by step into other markets. It can be indicated that randomness is an influencing factor here. Under the global approach, organizations enter foreign markets from their birth, which indicates a much more extensive planning of the international approach. Therefore, the interviewed companies of this research belong to the group of companies with a stage international approach.

Following Kraus *et al.* (2017), the age of the company plays a significant role in the success of market entries (Kraus *et al.*, 2017). The conducted interviews did not confirm this finding.

The analysis of the interviews showed that randomness is an important influencing factor of market entry strategies. Almost all of the respondents started their international approaches via random opportunities. Often, they knew somebody in another country, who they trusted, and a distribution partnership was created (intrinsic randomness). This can be demonstrated by the answer given by Respondent I:

“I think it was random. My father knew a sales agent in Scandinavia, and he offered to sell our products in Sweden.”
(Respondent I)

Alternatively, they went to fair trades like the INTERZOO or the SPOGA in Germany, actually intending to find new contacts within Germany to increase domestic brand awareness, but they encountered somebody from outside of Germany who contacted them to develop international transactions (extrinsic randomness), as exhibited by Respondent C:

“Actually, it wasn’t planned and came from the trade fair. They were interested in our products and we delivered: very simple.”
(Respondent C)

Based on the discussion above, respondents had no conscious or pre-planned internationalization strategy when they embarked upon their initial market entries. Only one of 11 respondents (Respondent D) described always having a clear strategy. All other firms’ approaches were not really planned, and came about by random encounters (Figure 4.2).

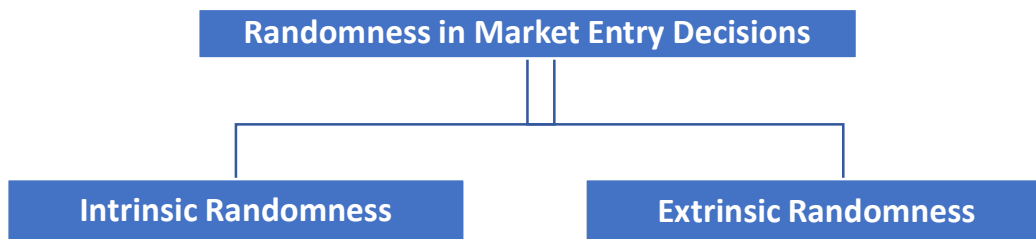


Figure 4.2: Randomness in market entry decisions

Source: Author

After the first step was completed, the companies extended to other markets, where they followed different approaches with less randomness and more conscious strategic direction. Some started with the markets around Germany due to logistical advantages, and others concentrated on German-speaking countries. The literature can be confirmed here, since near-market knowledge is crucial in international business. Mitra and Golder (2002) found that near-market cultural and economic knowledge is positively related to the probability of early

entering similar markets. Another set just followed inquiries of other countries and proceeded with the random approach.

Reviewing the recent literature did not deliver much information about randomness in internationalization. Randomness might be hidden; for example, “inquiries from buyers” were considered a reason or motive to enter a foreign market (Holmlund, Kock and Vanyushi, 2007). Randomness might also be similar to the concept of “reactive motives” identified by Hollensen (2008) (section 2.1.1), because market entries are not planned in both approaches. Some of the motives or reasons were identified as random, but this was not studied further. Crick and Spence (2005) highlighted that “serendipity” or randomness belongs to the crucial factors in internationalization. The literature generally assumed that randomness in decision making is risky, and should be minimized. However, random decisions are not always negative; Osterloh and Frey (2019) studied the management of randomness and identified three different ways to deal with random decisions: fighting randomness, accepting and celebrating randomness, and consciously applying random decision making.

For this research, it can be highlighted that the respondents accepted randomness more readily at the beginning of their international work. Later on, they considered more data and planned foreign market entries with more detailed strategy.

4.2.4. Loyalty

As described in section 4.2.3, exports to distributors in foreign countries are the most common form of market entry for respondents. All of them started with

exports at the beginning, and many of them, especially smaller firms, had not changed their distribution model to the present time. During the interviews, it emerged, the respondents often mentioned the importance of loyalty towards their international partners. Respondent K highlighted the impact of human relationships with distributors for international strategy. He also mentioned that they want to enjoy relations with stakeholders, even at the expense of less sales volume, saying they wished to “[...] *have fun with our work, so we don't deliver to everybody.*” Sympathy was crucial in the selection of partners, as reflected in the answer given by Respondent J. She highlighted that “[...] *personal relation and trust are more important than other things [...]*” when she explained her view about how companies in the pet care industry typically manage distributor relationships.

Participants purported to consider human relationships more important than quantitative economic objectives within their collaboration, which is surprising, since German managers are usually considered task- rather than people-orientated (Kavalchuk, 2011). Respondent F highlighted in his answer that the general advantages of switching from exporting to direct sales are because of more control and margin, and that his company is actually in the process of changing the distribution model in more countries, but these changes are very dependent on human relationships with existing partners:

“[...] we change only when we need to do so, for example, when the partner in a country wants to retire, or something similar happens. We would never stop with a partner only because we are thinking of making more money in that market [...] we don't

push here, and we appreciate our long-term relationships with our existing international partners.” (Respondent F)

The answer shows the significant importance of loyalty towards distributors, whereby firms only considered changing their model in a national market in the event of an old partnership ending for some mutually agreed, voluntary reason. Otherwise, they keep the existing distribution model, although other entry modes might deliver better financial results.

4.2.4.1. Considerations of loyalty

The identified sub-issue of “*loyalty*” describes the close connection between the SMEs and their distributors in foreign countries. Almost all of the respondents mentioned this during the interviews. The answers given by the respondents indicate that the human relationships they have with their international partners play a significant role in their strategic decisions. This was exemplified by the answer given by Respondent J:

“I think in SMEs it’s sometimes like a typical relationship which is developed between the supplier and the customer. Personal relations and trust are more important than other things. They do store checks together, have dinner, etc. These things, based on human relationships, count more than just numbers.”
(Respondent J)

Distributors from other countries could be seen as “*family members*” of their companies, thereby increasing personal loyalty. This kind of loyalty contrasts with the classification of German culture in the literature. As discussed in **Chapter 2**,

German managers are described as distinctively task-orientated rather than as people-orientated (Kavalchuk, 2011). The findings of the interviews however showed that personal relationship with distributors in other countries was very relevant and important for firms, and participants said such relations were more important than short-term economic benefits.

Reviewing the results of the GLOBE project, Germany scores comparatively low in human orientation practices, but higher in values (*Results - Germany GLOBE Project*, 2020). On the other hand, the trustworthiness of German managers is closely related to loyalty (as discussed in **Chapter 2**), not to individuals such as colleagues, but to their own companies (Kavalchuk, 2011). Also, German managers stay on average much longer in a company than their European neighbours, and are therefore generally considered to be more loyal to their firms (Glunk, Wilderom and Ogilvie, 1997), and are described as appreciating long-term business relationships with partners outside their firms (Schneider and Littrell, 2003). Crick and Spence (2005) underlined the importance of using personal relations and networks for the success of international business activities.

The findings of the relevance of loyalty toward distributors might be linked to the Chinese concept of *guanxi* (Chi and Seock-Jin, 2017) and the Arabic equivalent of *wasta* (Hutchings and Weir, 2005), which refer to the personal relationship between people that influence decisions in private or business relations and the less formal "*bazaar mentality*" (Respondent A) that German managers purport to abhor, as explained in **section 4.3.6**. This could indicate that while German managers feel uncomfortable with the role of personal relations and loyalty in

business in cultures they perceive to be markedly different from their own, they endorse and use personal relations in cultural contexts with which they are familiar and comfortable.

Based on the discussion above, it can be said, that the importance of loyalty to distributors in internationalization by German firms is a novel finding of this research, which stands in contrast to the previous findings of the literature.

4.2.5. Market Entry Modes

The respondents were asked which market entry form they usually use or have used in the past, and most respondents indicated that their most common mode of market entry was exporting. This was particularly prevalent at the beginning of internationalization, when most respondents started their market entries due to random decisions; in these circumstances, exports appeared to be an appropriate and easy first option. The analysis of the interviews showed that the answers of the respondents could be separated into three relevant groups.

- **First group: Exports then distribution model with market experience**

The first group started with exports and changed the distribution model in the foreign markets as soon as they gathered more experience in those markets. This is related to the findings of Swoboda *et al.* (2015), which found market entry mode choice to be a “dynamic process” influenced by learning outcomes from previous entries. Other authors (Claver *et al.*, 2007; Löhde *et al.*, 2018) also noted that companies often change their entry modes due to the effect of greater experience in the internationalization process. Respondent G highlighted that the firm always “*start first with exports and distributors and then [...] may change the distribution*

model to an affiliate.” The change of the distribution model however depends on the experience and collected data about the market. He also underlined the advantage of working with people “*from the area in foreign markets, instead of working with Germans in these countries,*” because this provided “*more trust to retailers than just exporting.*” This answer however might be linked to the previous discussion about gut feelings. The respondent assumed that exporting does not provide much trust to local retailers, which is his personal opinion.

- **Second group: Continue with exports**

The second group continued with exports and justified them as the right market entry form, or were still using exports since they had not been able to switch to other export forms. Respondent C justified the use of exports with the production process in his country:

“[...] In our case we produce here; it makes no sense for us to establish for example, an affiliate.” (Respondent C)

Respondent I added, that control, especially about employees, was also an important issue:

“We never had our own affiliates in other countries. We were thinking about starting production in other countries, but we decided to concentrate on our company here in Germany. You know, when you work in other countries, you also need the right people there, and you need to control them as well.”
(Respondent I)

Erramilli (1991) researched experiences of foreign market entry behaviour of service firms and found that the relationship between desire of control and the effect of experience in international business can be illustrated in a U-shaped diagram (Figure 4.3), whereby the desire for control is dependent of the extent of international experience.

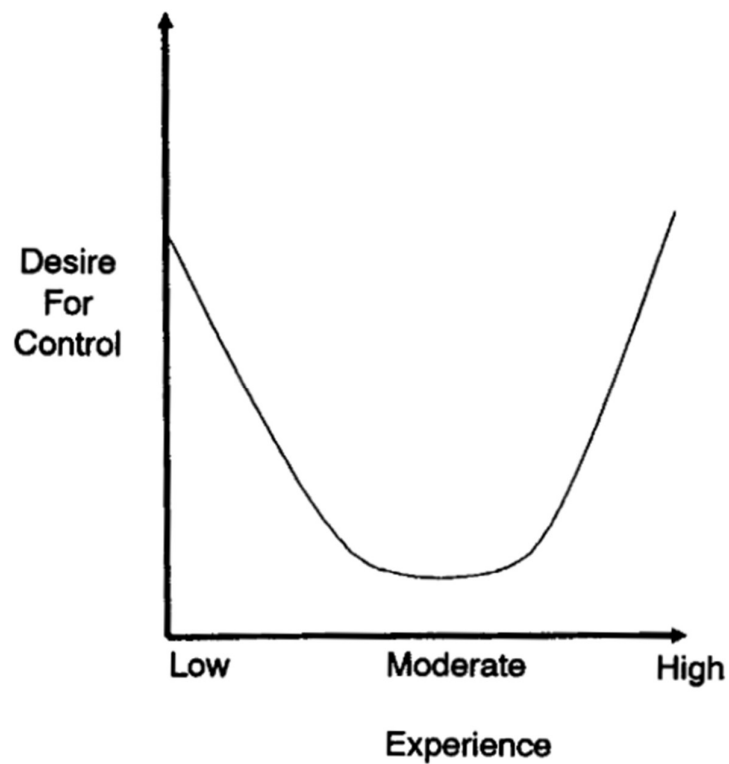


Figure 4.3: Effect of experience on a firm's desire for control

Source: Erramilli (1991)

This stands in contrast to the findings of the interviews, because all of the analysed companies started their international approaches with exports, which have a lower level of control than affiliates. A reason why the findings differ might be that the beginning of internationalization has more acute perceptions of the extent of uncertainty and the lack of organizational experience, which reduces the desire to control and increases reliance on foreign partners. Therefore, the companies preferred to start with exports, although they were harder to control.

Other respondents were still using exports but were thinking about affiliates as a next step, depending on the growth of the company. Respondent K mentioned that “[...] *sometimes we think about it, but currently we don’t consider.*” They see the size of their company as the predominant explanation for exports, but they would theoretically prefer affiliates for various reasons. Respondent A explained that business stability is very important for him, and exports may have the risk of changing distributors, which could interrupt his business:

“So the EU is a must, and we try to enter all of them [EU Member States’ markets] step-by-step with distributors; for our own affiliates, we are actually too small. Actually, own affiliates are much better for the long term, because the business is more stable. In Switzerland for instance, the distributor has changed a couple of times, and every time we need to start from zero. So, we need to grow much more to be able to enter more markets with our own affiliates, at least the core markets in Europe.”

(Respondent A)

- **Third group: Different entry models**

The third group of companies used different entry models. This can be related to the findings of Dehnen (2012), who highlighted that companies often mix entry modes. In the interviews, it appeared that mostly the companies with more than 100 employees considered different models besides export. Respondent E, who belongs to a big production company with more than 1000 employees, explained that his company uses both exports and owned affiliates in foreign countries:

“I think we haven’t started in any market without first exports to a wholesaler or distributors. After a while, we decided in some markets to start with our own affiliate. In about 10% of these markets we took over the wholesaler, and started with our own company afterwards, and used the existing infrastructure of these companies.” (Respondent E)

The decision of whether to use exports or other ways like affiliates depends on the individual market. Agarwal and Ramaswami (1992) researched the impact of the selected foreign market on the choice of the entry mode, and found that the entry mode choice is dependent on the market potential and the investment risks of the relevant market (the higher the market potential of a market, the more appropriate are investment modes like affiliates, and vice-versa). Moreover, the higher the investment risks, the more appropriate are non-investment modes like exports, for instance. More recent research added that the entry mode choice is also dependent on cultural distance, and the international experience of companies (Andreu, Claver and Quer, 2017). Thus, four factors might influence the decision about the right market entry mode: market attractiveness, investment

risks, cultural distance, and experiences in international projects. Respondent G mentioned using different market entry models depending on the attractiveness of the market:

“In the important markets like Austria, Poland, or France, and soon also in the UK, we have our own affiliates with their own warehouses, offices, and salespeople.” (Respondent G)

In other markets such firms still use export models as their entry mode, with export partners doing all the local business for them. Besides exports and affiliates, Respondent G mentioned direct sales to pet chains or franchise stores in foreign countries, which was also reflected in the answer of Respondent F:

“[...] but meanwhile we have more and more direct sales in many countries. [...] we switch more and more to direct sales, since we have the markets here under better control. Of course, the effort is higher. For instance, in the past, we sent one truck every week to Belgium; today, every day we are sending many hundreds of boxes directly to our customers. But of course, the margin is also much better.” (Respondent G)

4.2.5.1. Considerations of market entry modes

The analysis of the interviews showed that exports are the number one entry mode choice for the interviewed German pet care companies. In the case of SMEs, exports are a common choice of internationalization strategies, since SMEs usually have limited resources. Moreover, exports have the lowest risk of entry to new foreign markets (Kraus *et al.*, 2017).

Ahi *et al.* (2017) researched the DMP of SMEs and found that there is a lack of planning regarding the entry mode, especially at the beginning of an internationalization process, whereas in the long term SMEs systemize their entry modes, and might make subsequent changes on a rational basis. This was partially confirmed by the current research, since some companies (e.g. D and F) did indeed change to more planning in terms of their internationalization. On the other hand, several companies were still using the same entry mode as at the beginning.

Another finding of the interviews was the importance of loyalty in long-term partnerships with distributors (section 4.2.4), which when combined with the findings of randomness (section 4.2.3) suggests that pet care companies are inhibited from changing their distribution model and thereby their entry mode. Many studies have explored the entry mode choice of organizations and impacting factors (e.g. Erramilli and Rao, 1990; Agarwal and Ramaswami, 1992; Herrmann and Datta, 2002; Blomstermo *et al.*, 2006; Laufs and Schwens, 2016), but research about barriers to change the entry mode because of loyalty or personal relationships to distributors was not found.

In any case, it can be said that there is less preparation and planning regarding the entry mode, and once an entry mode is defined, companies do not undertake extensive efforts to reorient their strategies in this regard.

4.2.6. Summary of Direct Factors

This section has introduced the concept of direct factors impacting the DMP of foreign market entries. Direct factors are related to the behaviour of the managers

in terms of the DMP. For this research, the author identified five direct factors that are described as sub-issues for this thesis: *preparation*, *gut decisions*, *randomness*, *loyalty*, and *market entry modes*.

The answers given by the respondents on the sub-issue *preparation* could not confirm the view of the literature on the German way of preparation and planning. The interviews showed that there was less preparation in general. This can be partly explained by the fact that almost all the internationalizations happened at random initially. Furthermore, subsequent market entries after the initial experience were properly planned in some cases.

The findings of the sub-issue *gut decisions* showed that such instinctual decisions play a major role in the decision making of market entries of German pet care managers. Literature about gut decisions of managers generally assumes that such decisions are risky and often negative, but the researcher could not find anything about gut decisions specifically regarding foreign market entry decisions. Participants were surprisingly affirmative in their opinions on the role of gut decisions and their importance and positive impacts for market entry.

Randomness was one of the most surprising findings for the author, since he did not anticipate that this sub-issue would have been responsible for the start of all the market entries of the participating companies. The author established intrinsic and extrinsic randomness as two subcategories of randomness. Randomness in internationalization is not discussed extensively in the literature about decision making in internationalization; it is only partly considered in relation to risks. However, randomness could be linked to the concept of reactive motives of Hollensen (2008) ([section 2.1.1](#)), because market entries are not planned.

Most of the respondents highlighted the great extent of *loyalty* for distributors and other international partners and its importance to their internationalization. Human relations were very important among these groups of foreign contacts. This is in contrast to the review of the literature, which posited that German managers are task- rather than people-oriented; conversely, participants in this study expressed that stakeholder loyalty was more important than economic benefits, and this caused passive modes of undertaking business, due to a latent tendency to acquiesce in the preferences and practices of partners.

In terms of the *market entry mode*, analysis of the interviews discovered that exports are the common entry mode among respondents due to their simple and unbinding character. Some companies changed their entry modes over time, which also confirms the findings of the literature (Swoboda *et al.*, 2014; Claver *et al.*, 2017; Löhde *et al.*, 2018). However, a number of the companies were still using exports and did not show any willingness to change. Research about this could not be detected in the recent literature. Moreover, some companies did not change their distribution model/ entry mode because of a loyalty toward their long-term distributors, which is a novel finding not found in previous literature.

4.3. Indirect Factors

The second identified central theme is indirect factors, which can be described as perceptions or relations with other people that affect the DMP of the interviewed German pet care managers. Several sub-issues emerged during the interviews, which could be summarized as indirect factors, as discussed below:

- Perceptions of German culture

- The state of the German pet care market
- Risks
- Discovery
- Motives for market entry
- Perceptions of foreign cultures

In the following, the findings of each sub-issue are presented and discussed.

4.3.1. Perceptions of German Culture

To get a better understanding of the influence of culture in the market entry behaviour of the respondents, the authors first asked the respondents what culture actually means for them. Some illustrative examples are shown in **Table 4.2**.

Respondent	Definition of culture
B	<i>"I think culture is typical for a country or region, how the people there are, how they think about everything. Also, how people behave and treat each other..."</i>
D	<i>"Culture describes for me how people of a country act and live together in other countries. Or how they feel and how they think about things. It's important to know at least the main characteristics of culture to communicate with them in the right way. Especially with Asian people, you can make many mistakes when you don't know the most important things."</i>
E	<i>"Well, culture is how people think, handle, feel [...] It describes a population in a specific area or country. Sometimes the culture is very different from our culture. Then we might have challenges in the communication, like in Asia for example [...]."</i>
F	<i>"I think culture is the way a nation acts and handles, difficult to say..."</i>
G	<i>"Culture describes how people live together and how they think about other things. Also, how they react in different situations and what is polite or not for them. I think it's difficult to differentiate culture from mentality [...]."</i>
H	<i>"I think culture explains how people in a country live their lives. How they think about things and how they react, how they manage themselves and how they think about other people. Sometimes, culture creates misunderstandings. It's a bit like the dog and the cat: when the dog is happy he wags his tail, but for a cat this means that he is angry... I also think culture is something a human can't change. Even if he moves to another country with different people, he will always keep his culture. Maybe you can try to adapt to other cultures when you live there, but you will always keep your own culture [...]."</i>
I	<i>"[...] maybe how people are or how they handle...I think in business, culture is not so important."</i>

J	<p><i>"Maybe how people manage their lives... what they like, their taste... in terms of food for instance or clothing. Also, what is good or bad for them and what is polite or not. Things like that which can describe a population of a country..."</i></p>
K	<p><i>"[...] I think the opinions about the culture are not relevant for our entry decisions... but of course fairness and sympathy are always important. And the philosophy of the company is also relevant for us. Even in a country like Iran we don't have any problems because of the culture."</i></p>

Table 4.2: Understanding of culture

Source: Author

In **section 2.2** the author explained that there is much disagreement and contested outcomes about culture in the literature, and that many different definitions of culture exist (Emrich, 2011). This was also reflected in the answers of the respondents. First of all, the author observed that this question was not easy to answer for most of the respondents, since they hesitated with their answers, and some even stated that the question was difficult for them to answer. Some of them started with the word *"maybe"* (Respondents I, J), which shows their uncertainty about the meaning of the culture of the respective respondents.

Most of the answers cannot be understood as an agreed definition, since the respondents explained only very roughly what culture means for them, and they related it specifically to business contexts as opposed to culture *per se* (e.g. definitions by Respondents I, K). The definitions provided by Respondents D, E, I, and K included a comparative context relating to Asia or countries in Asia (e.g. China). This could mean that they see cultural differences or distance mostly between the European and the Asian cultures, but not so much within Europe.

Most of the respondents explained culture in terms of the way people live together or how they think and feel (Respondents B, D, E, F, G, and H). This is reflected in the definition of Hall (1990), who described culture as “what we perceive, how we react to situations, and how we relate to other people...” For Hofstede et al. (2010), “culture is... the collective programming of the mind that distinguishes the members of one group or category of people from another...” This understanding was reflected in the answer of Respondent H:

“Culture is something of a human he can’t change. Even if he moves to another country with different people, he will always keep his culture. Maybe you can try to adapt to other cultures when you live there, but you will always keep your own culture...”

(Respondent H)

In summary, it can be said that most of the respondents answered only with loose and nebulous definitions of culture, which intersected partly with some of the definitions explored in the reviewed literature in [Chapter 2](#). [Table 4.3](#) probes some of the answers regarding the meaning of German culture for participants, and how they understand and define it.

Respondent	Definition of German culture
A	<p><i>"Well, difficult to say...I think we are still benefiting from our high credibility and reliability... as a German brand you have a bonus on trust. International business partners appreciate our German rules, like being in time or correctness, etc. I think this is very important in international business... many international companies have found out, that with a German company the cooperation is normally very easy, without any issues and delays. Which is not typical for other European countries, like for instance Italy or Spain. Also, with the French people it's much more difficult to cooperate than with other countries. I really believe that if you are successful in Germany, you have a good chance to have success also in other foreign countries."</i></p>
B	<p><i>"I think, related to my business, we like to have our own house and garden, and we have this close relation to nature and animals... [...] Yes, I agree, reliability is very typical for us...."</i></p>
C	<p><i>"Well, I think we are known as very careful and quality-oriented, which is relevant for our way of working, e.g. in the management, but also it's relevant for our products. 'Made in Germany' is still an important slogan, and it is relevant to our business. And it underlines our culture and led to the leading position of Germany in the world. Also, our punctuality and reliability is typical for us...."</i></p>
D	<p><i>"Reliability and credibility. These are the most appreciated attitudes of Germans in foreign countries. We always heard that. Maybe also our honesty, which is in foreign countries not always that normal like here. Maybe also our cleanness."</i></p>
E	<p><i>"This is a difficult question because it is a self-reflection... But I would say, generally, we are rational in our acting and thinking, we are responsible and reliable, innovative, punctual, structured..."</i></p>
F	<p><i>"... We hear and learn this all the time. For historical reasons us Germans may not be the most-loved nation, but for business, Germany stands still for quality, reliability and honesty. Business with Germans just works, without any concerns..."</i></p>

G	"Generally, I think we Germans are punctual, reliable, hardworking, dutiful, efficient, organized.... I have many international friends and they always say that we Germans are known for our efficiency...."
H	"Tight is right... everybody wants Bio but doesn't want to pay for it. This is our mentality, unfortunately..." "... The other part is the humanization of the animals, which is a trend for many years, where the animal takes a more social role like a member of the family..."
I	"Difficult question. I think the German consumers have high and qualitative claims [...]." And the typical German attitudes like reliability, punctuality, honesty etc.; you don't think they are important? "This is something I assume to have success. It's natural to have these attitudes for a successful company. Also, control is very important..."
J	"I think we are known as reliable, also critical, direct, structured... we don't discuss longer than as necessary, we try to come soon to the point, which might be seen as rude from other nations..."
K	"I think we are punctual, reliable, trustful..."

Table 4.3: Definitions of the German culture

Source: Author

Almost all of the respondents were describing the German culture with characteristics or attributes related to the typical "German virtues," which refer to the Prussian values and behaviours inculcated in various areas of modern Germany at different times and rates from the 17th century onwards (Kremp, 2001). *Reliability* was the most mentioned attribute (Respondents A, B, C, D, E, F, G, J, and K), followed by *credibility* (Respondents A, D, E, G, and K), and *punctuality* (Respondents C, E, G, and K). Less prolific attributes mentioned by participants included Germans being *correct* (A), *careful* (C), *honest* (D, F),

rational (E), responsible (E), hardworking (G), efficient (G), organized (G), demanding (I), critical (J), direct (J), structured (J), coming to the point (J), and trustful (J).

Some of the respondents mentioned that these typical positive attitudes of German companies help to support international business relationships. For instance, Respondent A mentioned a “*bonus on trust...*” with foreign companies, and that this is “*very important in international business.*” Furthermore, working with Germans is “*very easy*” and “*without any issues and delays.*” Respondent C added that the German “*way of working, e.g. in the management*” is very relevant and “*led to the leading position of Germany in the world.*”

Furthermore, it was observed that almost all the respondents explained German culture through the eyes of foreign people instead of how they would describe themselves. This was emphasized in the following statements:

“... *we are known as...*” (Respondent C)

“... *we always heard that*” (Respondent D)

“... *I have many international friends and they always say, that we Germans are known for...*” (Respondent G)

“... *which might be seen as...*” (Respondent J)

The answer given by the Respondent I however differed from the other definitions and highlighted that German consumers are very focused on “*high and qualitative claims,*” and that the German virtues like *reliability* or *punctuality*, which were given by almost all of the other respondents, are “*natural*” if a company wants to

have success. Apart from these German virtues the respondents listed, some of them also mentioned the less positive attributes associated with Germans in foreign cultures. Respondent F for instance responded that “... *for historical reasons we Germans may not be the most-loved nation...*” and Respondent G added that “... *the people from other nations are normally much cooler and more relaxed than we....*” Respondent H, however described German culture as very pennywise: “*Tight is right... everybody wants Bio but doesn’t want to pay for it...*,” and Respondent J mentioned that the German way of working “... *might be seen as rude by other nations....*”

In summary, it can be said that for most of the respondents, culture generally explains how a group of people in a specific area or region behaves, feels, or thinks about anything, which is close to Hall’s (1990) definition of culture. In explaining German culture, respondents were preoccupied with explaining how they think they are seen by people of other nations and cultures, and they highlighted the Prussian virtues, which the respondents referred to as the positive reputation of the German way of business.

4.3.1.1. Considerations of German culture

Lloyd-Reason and Mughan (2002) have highlighted that the culture of the decision maker in an SME has a significant impact on the way strategic international decisions are made. Therefore, the strategic orientation of the managers is an important success factor of foreign market entry strategies (Lloyd-Reason and Mughan, 2002). In the interviews, reliability was mentioned by several respondents as an important characteristic of German culture. Collinson and Houlden (2005) identified that the reliability of the trading partner in the

foreign market is among the most important criteria for foreign market selections, independent of the previous level of internationalization. Most of the respondents were asked if they think that the German culture has any impact on the DMP of foreign market entries. The answers which were provided can be divided into three groups.

- **First group: No relevant context between German culture and DMP**

The first group did not see any relevant context between German culture and the DMP. Respondent A again highlighted the advantages of German culture like reliability or credibility, but acknowledged that other nations have similar professionalism compared to the Germans: “[...] *some foreign business partners are as structured as we [...]*.” This was partly reflected in the answer given by Respondent E, who even thought that there were no significant differences between managers in international markets in terms of professionalism, since the education and career experience of international managers are highly similar. He acknowledged that there might be differences within the working culture, but “[...] *the quality of the management decision is, in my opinion, not derived from the national culture.*”

- **Second group: German culture affects DMP**

The second group believed that German culture essentially affects the DMP. Respondent F explained that German culture is vital for his company when it comes to new foreign entry projects. For him, “[...] *Germany still stands for quality, reliability and honesty (in business).*” International projects with Germans “[...] *just work, without concerns.*” He highlighted the advantage of being German for the success of his international business. Respondent J added that German

companies typically prepare themselves very well when they want to enter a new market. Moreover, they “[...] *proceed very structured here* [...] and try to “[...] *optimize the approach* [...]” continuously. This stands in contrast to the findings about preparation in [section 4.2.1](#).

On the other hand, it highlights the individual opinion of Respondent J about how German prepare themselves for market entries, and can be related to performance orientation of the GLOBE study ([Figure 2.8](#)). As discussed in [section 2.3](#), the GLOBE study contrasts cultural values and practices, and as illustrated in [Figure 2.8](#), the values about how performance orientation in Germany *should be* are higher than they actually *are*. Eventually, there is a gap between the understanding of Germans about how they should prepare and how they actually proceed.

Another interesting answer was given by Respondent G, who acknowledged that Germans have some cultural characteristics which help in international business, but also managers from other cultures might have similar characteristics. He highlighted that the Japanese are comparable to Germans since they work in a “[...] *similarly structured and organized*” fashion, and he added that he appreciates their reliability, which leads to effective international business cooperation.

- **Third group: Unsure**

Some of the respondents did not match either with group one or two, and were simply unclear about the cultural impact of German culture, thus they did not answer with any substantive depth.

Figure 4.4 summarizes the opinions of participants about the impact of German culture on DMP.

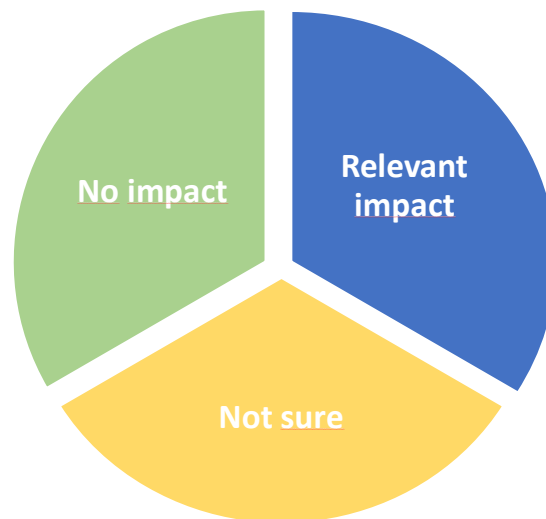


Figure 4.4: Impact of German culture on the DMP of foreign market entries

Source: Author

4.3.2. State of the German Pet Care Market

During the analysis of the interviews, it emerged that the respondents were often talking about the German pet care market and had different views about it. One of the frequently mentioned motives for internationalization was growing in new markets, but apart from this, several characteristics for the German market appeared and are discussed below.

Firstly, several respondents explained the competitive character and the monopolistic structure of the German market, which leads to low prices, margins,

and growth for existing market players, and obstacles for new and foreign companies. Respondent A described the German pet care market as “a *destructive competition*,” but noted that despite market saturation, and barriers to new entrants due to a monopolistic structure, the German market is still very attractive for international companies because of its size, with about 80 million people and consequent market potential. However, he thought that foreign companies often do not evaluate the structure of the market, particularly the hegemony of “[...] *one big player with around 65% market share, who has around 70% private label products*.” Respondent A linked with his answer directly to FRESSNAPF, who is the biggest pet care chain in Germany, and which dominates the market. FRESSNAPF’s strategy is indeed to focus more and more on its private label products and decreasingly on other brands. Aside from FRESSNAPF, there are some other substantial chains and organizations, so companies from other countries can only concentrate on the remaining independent pet stores on the market, who can decide by themselves, which was indicated by Respondent F.

Secondly, some of the respondents introduced the view on the different stages of the German and other markets, which is linked to the International Product Life Cycle model (IPLC) of Hollensen (2017). Respondent F commented on the mature character of the German pet care market, and highlighted that other (emerging) markets in Europe are much more interesting for him than the competitive and saturated German market. Also, for launching new products, they “[...] *need the flexibility of the markets*.”

For him, developing new and emerging markets, like in Eastern Europe, reminds him of the German market in the past:

“The other markets are much cooler and interesting. They are a bit like Germany 20 years ago. This kind of pioneer mood, we don’t have that here in Germany anymore.” (Respondent F)

Thirdly, there were some critics of German bureaucratic processes in comparison to other countries. Respondent G highlighted that this might be a disadvantage of the German market:

“[...] in Germany we tend to make things too complicated, and processes sometimes take too much time. Other countries have a better founder culture, and have already simplified many bureaucratic processes. This can be dangerous for us in the future, so we need to improve on this.” (Respondent G)

Based on the discussion above, it can be said, that the state of the German pet care market can be summarized as being highly competitive and monopolistic, matured and saturated, and bureaucratic (Figure 4.5).

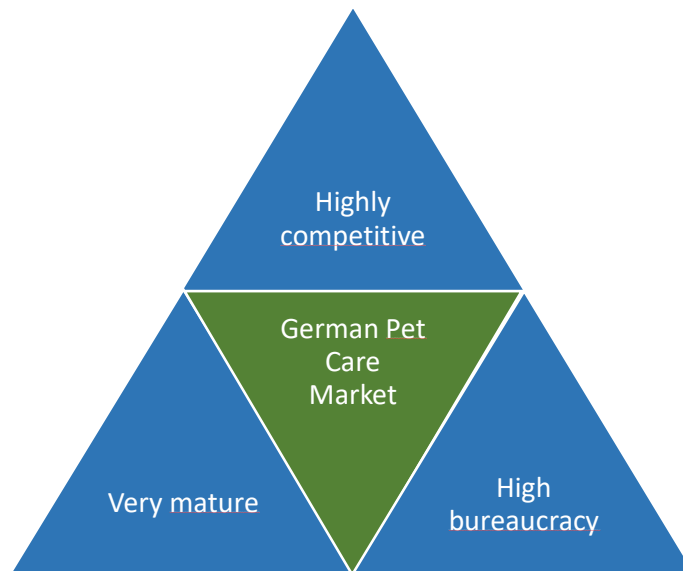


Figure 4.5: Views on the German pet care market

Source: Author

4.3.2.1. Considerations of the German pet care market

Respondent F summarized the German pet care market as “[...] *the worst market in the world.*” This answer was related to the high obstacles to enter the market and the competitive situation, which leads to low prices and margins in Germany. In several stages of the interviews, the author could identify analogous statements about respondents’ perceptions of the German pet care market. Several respondents described the German pet care market as a very complex one, which is not easy to manage. The findings are shown in [Figure 4.6](#).



Figure 4.6: Conditions in the German pet care market

Source: Author

The difficult position of the German pet care market has three implications: firstly, German companies are motivated to find additional markets out of Germany, so the current situation is a motive to export to other countries. Moreover, other emerging markets, for example in Eastern Europe, offer more opportunities for growth, reminding experienced respondents of the German market 20 years ago, which gives an additional motivation for internationalization. Respondent F even highlighted the “*pioneer mood*” when he considered emerging Eastern European markets.

Secondly, companies from other countries are generally interested in investing in the German pet care market because of its size, but due to the high share of pet chains like FRESSNAPF and their high share of private label products, the potential to succeed in Germany is very low.

Thirdly, the general high extent of bureaucracy in Germany is another reason to consider foreign markets. The answer of Respondent G presented this:

“[...] in Germany we tend to make things too complicated and processes sometimes take too much time. Other countries have a better founder culture and have already simplified many bureaucratic processes.” (Respondent G)

Proctor (2000) defines competition as *“the process of active rivalry between the sellers of a particular product as they seek to win and retain buyer demand for their offerings.”* To illustrate the factors influencing competition, Proctor (2000) used Porter’s (1979) model of five forces of competition (Figure 4.7).



Figure 4.7: Porter's five forces of competition

Source: Porter (1979), Myers (2013)

Porter's model of five forces of competition is a useful tool to analyse the highly competitive situation in the German pet care market. Firstly, there is bargaining power from companies and consumers. Many suppliers and retailers are competing in Germany, therefore there is a high degree of rivalry on the market exists. FRESSNAPF and FUTTERHAUS for instance, with more than 1000 pet

shops in Germany, are examples of the intense competition on the retail side in Germany. Furthermore, many suppliers in the pet food sector compete against each other, and end consumers and buyers have the bargaining power to put pressure on pet care companies with the result of decreasing prices and increasing product and service quality standards (and thus production costs), and thereby decreasing profitability.

Secondly, there is a threat of new market entrants from other countries, and substituting products or services and changing demand. For instance, there has been a marked decline in the number of people having pet birds in the home in Germany over recent decades, thus the pet care industry must change its portfolio of offerings according to changing consumer demands and behaviour. The size of the German market justifies a high potential of attractiveness for companies from other countries to enter the German pet care market, but also to replace or substitute existing products or services from other competitors.

It could be argued that the size of the German pet care market, which constitutes one of the biggest markets in the world (Koerten, 2020b), had an impact of the internationalization behaviour of the interviewed organizations. Cannone and Ughetti (2013) found that there is a positive relationship between the size of the domestic market and the internationalization activities of companies. Therefore, it can be assumed that the need for organizations in smaller domestic markets to internationalize is higher than for companies from bigger home markets like Germany. This could be an explanation of why all the interviewed companies followed relatively slow internationalization approaches, kick-started by random expansions into international markets.

Moreover, Altuntas and Gößmann (2016) found that the home market performance is negatively related to the degree of internationalization. Companies with a high performance in their home market have less motivation and rationale to focus on internationalization. However, while the German market is large and of high value, it is also saturated and highly competitive, which may explain why all of the analysed pet care companies started their internationalization rather early after the company was founded. **Table 4.1** displays the first market entries of the respondents.

4.3.3. Risks

The next identified sub-issue was risk management. Generally, family-owned SMEs are known as being more conservative and risk-averse (Harris, Martinez and Ward, 2016). The interviews explored whether this is reflected in German pet care companies and their way of managing foreign market entries. To identify the potential risks of internationalization, almost all of the respondents were first asked which risks are most relevant for them. Surprisingly, answers varied considerably among respondents, being grouped into the risk dimensions shown in **Figure 4.8**, and discussed below.



Figure 4.8: Risks in internationalization

Source: Author

- **Payment**

The first sub-issue, which was cited by several respondents, is the risk of delivering products without receiving the agreed payment. Respondent A for instance had a “*negative experience with some Arabic countries,*” and therefore he delivers into such markets “*only with prepayment.*” For Respondent K, “*outstanding payments are the only risks in internationalization,*” and consequently, they “*start new cooperation always with prepayment from the new partners.*” Therefore, prepayment seems to be an especially pertinent example of a risk management strategy for SMEs, who are at risk of outstanding payments.

However, the answer given by Respondent D indicated that international companies need to adapt to the payment practices of foreign countries. He highlighted that payment practices can be very different between countries, and that it is not possible to dictate to them the German rules for payment. This kind

of individual adaption and flexibility to the foreign markets is a crucial success factor for international companies. He underlined this with his statement:

“[...] If you are so arrogant to try to dictate to your customer your way of working, you will fail.” (Respondent D)

- **Political and economic**

Political and economic issues in international management are correlated; economic problems are often caused by policy, and vice-versa. Surprisingly only Respondent C mentioned concerns about economic development and the consequences for his company in the future:

“Also, the spending power and consumer behaviour might decrease in the coming years....” (Respondent C)

The general robust health of the German economy and its pet care sector, which forms the main revenue stream for all participants, explains the lack of concern about economic risks. Respondents were more concerned regarding specifically political risks, especially the negative consequences of embargos, as noted by Respondent C:

“[...] I think the current political and economic situation in many countries can be difficult for us. Russia, for example, has the embargo, and we have to manage that with tricks to deliver to this market. Also, since Trump is President in the US, I think that many things have changed, if you think of trade wars, etc.... We have to manage that, but in any case, I think that the next years

will be much harder for our export business, which is a risk.”

(Respondent C)

The answers of Respondent C underlined the risk of embargos but also showed how flexible the company of Respondent C was in its reactive capacity to handle such risks. They know about such existential risks but feel they can manage them. Also, Respondent D mentioned political issues as a risk category, but only from a short-term perspective. In the long-term perspective “[...] *these markets never went out, and they only were reduced for a certain time.*” The answer of Respondent F also reflects this optimistic and serene attitude:

“[...] even if we lose 30% of revenue in a country like Russia, that is still not much for us. And at the same time, we compensate for this loss with other countries.” (Respondent F)

It looks like political issues are influencing the decision to internationalize only in an indirect way. This was indicated in the answer given by Respondent E, who underlined that the central part of the decision comes from the demanding site in the new markets. A political crisis like the embargos against Russia, for instance, is seen as an obstacle, but not as a deal breaker.

There is much research about political and economic risks in international business (e.g. Agarwal and Feils, 2007; Rios-Morales *et al.*, 2009; Jiménez, Luis-Rico and Benito-Osorio, 2014). Rothaermel, Kotha and Steensma (2006) highlighted that political and economic risks are the most critical in the internationalization of companies, due to the inherent nature of dealing with a different nation state (and thus its jurisdiction and culture). They underlined that

the probability of entering such markets with higher political and economic risks is considered to be intrinsically lower, and this was confirmed by the results of the interviews in this study. However, while the probability of internationalization/ market entry might be reduced in the case of particular political or economic crises, this was only for a limited period, and did not have a major impact on long-term strategy.

- **Consumer tastes**

The next sub-issue of risk is consumer tastes, which relates to supply and demand factors that are fundamental to all business operations. Market entry will only be successful if there is demand for company products in the target market. Consequently, the company needs to analyse market demand to determine if its existing portfolio fits the taste of the local consumers, or if new product development is necessary – if the company is unable to offer products commensurate with consumer tastes in the market, then it should not attempt to enter the market. Respondent D when explained that the challenge is to “[...] *find out which products are right for each market,*” and that products which work well in Germany are not automatically successful for other markets. He further explained the learning process, and how they adapted to consumer tastes in international markets:

“[...] We could offer the client the products in many variants, so for sure, the right product was available. Of course, this was very complex. But we managed it somehow. I would say it was a process; it took us many years to get the right feeling for every market. And we made a lot of visits during this time. But we also

got product suggestions or requests for specific colours or sizes from our customers, and when it was possible, we produced them custom made [...].” (Respondent D)

His answer suggests a great extent of flexibility and responsiveness to consumer tastes, which might be a success factor in foreign market entries. The importance of adaptation to local consumer tastes was explained by Respondent G, giving the example of a French competitor who failed with his market entry to Germany because of a limited understanding of German consumer taste and habits:

“[...] Also, they tried to sell their French product range, which is different in terms of the colours etc. Consumers didn’t like them. Their catalogue was also only in English and French, not in German. So many mistakes, which led to their withdrawal from Germany.... [...].” (Respondent G)

This risk of missing market knowledge and less adaption is also reflected in the answer of Respondent J, who highlighted that in many cases people are so convinced about their products that they over-estimate demand in other countries.

However, only the smaller companies might be able to adapt to specific customer needs. This was indicated by the answer given of Respondent E, who is working in a family-owned SME with more than 1000 employees:

“We can’t do that [adaption to consumer taste], because we are too big. I know that smaller competitors of ours are more flexible and can adapt to the country specific needs, but we don’t do that.

Of course, we have different languages, but that's it [...]."

(Respondent E)

The size of the company might be a crucial issue in terms of flexibility and the ability to adapt to international customer needs, whereas it can be assumed that flexibility is negatively related to the size of the company. Alamro *et al.* (2018) researched the impact of new product and market flexibility on the performance of companies. They found that both new product development flexibility and market flexibility are positively related to the company's performance in terms of quality, productivity, cycle time, and cost efficiency. Standardization versus adaptation in internationalization has been discussed by many authors (Szymanski, Bharadwaj and Varadarajan, 1993; Leonidou, 1996; Ryans, Griffith and White, 2003; Theodosiou and Leonidou, 2003).

Hollensen (2017) highlighted that in the international marketing mix, the "4 Ps" (product, place, promotion, and price) generally play an important role in foreign market entries, and can be structured in marketing standardization and adaptation. Michalski (2015) found that the marketing mix needs to be adapted to the foreign markets, and thorough market research before entry is consequentially crucial for success. Akgün, Keskin and Ayar (2014) highlighted that in internationalization, most enterprises focus on adapting product and place while standardizing the brand and sub-brand or label; however, promotion is mostly standardized by the organizations.

- **Neglecting the home market**

Some of the respondents mentioned *neglecting the home market* as another sub-risk in international business. This was indicated for instance, by the answer given by Respondent J:

“Somebody told me that when you enter new markets, you will normally neglect your home market, which can become a problem because you put so much energy and money in foreign markets and disregard the normal business....” (Respondent J)

The perception of neglecting the home market as a risk in internationalization was mentioned by a limited number of respondents, and as mentioned above foreign expansions were mainly exploratory and speculative activities for the studied firms, for whom the German domestic market remained their mainstay. Respondent B however highlighted that he could have increased his international business with a big grocery company, but this was inhibited as his firm “[...] *always tried to avoid unacceptably high risks* [...].” Respondent G added that they always tried to increase “*step by step* [...] *depending on the financial situation.*” Both mentioned their responsibility for their employees as the reason for remaining primarily focused on their domestic business activities, thus prioritizing the home market was an instrumental factor in restraining internationalization, rather than the converse (i.e. the risk of neglecting the home market due to internationalization).

Literature about neglecting home markets due to internationalization is sparse, although there are prolific cases in practice. One egregious example is the case

of Tesco in the UK. After several years of an aggressive internationalization strategy, neglecting their core home market in the UK, Tesco reported its biggest losses in company history in 2014. Foreign competitors from Germany like Aldi and Lidl contemporaneously expanded in the UK, responding to changing consumer behaviour and tastes, which resulted in more customers migrating to them (Trentmann, 2015). Commensurate with its neglect of its home market from the mid-1990s to mid-2010s Tesco suffered a serious relative decline in its competitive strength within the UK market (Foley, 2007; Trentmann, 2015). This example underlines the risk of neglecting the home market due to too rapid and aggressive internationalization strategy.

- **Bureaucratic issues**

A further sub-risk was indicated by the answer of Respondent C, who mentioned *bureaucratic issues* in internationalization. Of course, the extent of bureaucracy is also dependent on the industry of the company. The company of Respondent C, for instance, belongs to the chemical sector, which generally deals with more legislation and regulation than other pet care industry sectors:

“In our case, as a producer of chemical goods, we always have a lot of bureaucratic and legal issues with our products, both inside and outside of Europe. This is, by the way, something we can’t forecast and calculate.” (Respondent C)

They are fully aware of their reduced options to assess or influence this kind of risk. However, they found ways in the past to solve these kinds of issues:

“We have always managed it, but the effort for us in terms of the bureaucracy has increased a lot, so the transaction costs are higher than before. So, these are the problems we have today. Worldwide, protectionism is increasing.” (Respondent C)

4.3.3.1. Considerations of risks

Based on the discussion above, it can be stated that five sub-risks influence the DMP of the German pet care managers to enter foreign markets. *Payment risks* were highlighted by almost all of the respondents as the main category of risks. However, since most of the companies have chosen exports as the entry mode and used to work for many years with their distributors, the actual damage caused by unpaid invoices or defaulting customers was manageable. Some of the respondents were aware that payment terms are very individual between different countries, and that it is important to adapt to them. The respondents were also generally mindful about the risk of *political issues* like embargos, but they cannot influence these political phenomena. If the market is prospective, they try to manage short-term issues with a kind of flexibility. Furthermore, they fully understand that political crises are generally only for a limited period, thus they remained cool and collected about this.

The different *consumer tastes* in foreign countries were also addressed as a risk for internationalizing companies if they are not able or willing to adapt. Analysis of consumer preferences is crucial for the success of market entries. *Neglecting the home market* was mentioned as a further risk in international management, which is not so well known among owners and managers, but which is clearer from an outsider perspective. However, at least some of the respondents were

aware of the general risk for the company being too ambitious for growth due to internationalization, and their responsibility for their company to manage this. The last group were *bureaucratic issues*, which are affected by industry-specific characteristics and particular market regulatory hurdles. Bureaucratic risks play a minor role in the DMP of the managers, since they know they have to accept the individual rules of foreign countries.

In the literature review, German managers were described as risk-averse rather than as risk-tolerant (Schneider and Littrell, 2003). Also, the relatively high score of uncertainty avoidance for German culture in the Hofstede model underlines these characteristics (Junker and Würffel, 2017). National culture affects the extent of corporate risk taking, and found that there is a positive effect between Hofstede's dimensions (power distance, masculinity, individualism, and long-term orientation) on risk behaviour, with uncertainty avoidance having a negative effect (i.e. inhibiting) company risk-taking (Díez-Esteban, Farinha and García-Gómez, 2019). Germany has a relatively high score in all the Hofstede dimensions except for power distance (35).

Therefore, it can be confirmed that Germans are inherently risk averse, which was affirmed by the cautious internationalization strategies described by participants. Their expansions into foreign markets were random and were essentially elicited by customer demand rather than a pro-active, risk-taking strategy. Furthermore, they remained primarily concerned to maintain personal relations with partners and to safeguard domestic (home market) presence and sales rather than profit-seeking in foreign markets.

Respondents were broadly aware of the existence of the identified five different sub-risks of foreign market entries that affect the decisions of German pet care managers to enter new markets (*payment, political, consumer taste, neglecting the home market, and bureaucratic risks*), but they thought these were hard to assess and consciously incorporate in internationalization strategy. Therefore, the extent of the impact on the DMP might be rather limited. At first sight, this stands in contrast with the findings of the literature, which describe Germans as rather risk averse. Germans tend to avoid uncertainty and risks, which is expressed by the high index of 65 of Hofstede's uncertainty avoidance (section 2.3). Considering the Globe study however shows that Germany has a relatively high uncertainty avoidance index in terms of practices, but a relatively low index related to values. Germany might actually behave more risk averse as they think to do which confirms the findings of this research.

4.3.4. Discovery

During the analysis of the interviews, it emerged that in several cases the companies started their internationalization for various reasons, but later made a *discovery* relating to internationalization which became much more significant for them. For instance, foreign markets can be entered and managed in various ways, but sometimes events showed firms that a particular solution worked well, thus the firm committed to this in going forward. The answer of Respondent F exemplified this, explaining the previous management of the French market using export strategy, and the subsequent switch due to a random opportunity with an affiliate in the country:

“Our partner was sold to our biggest French competitor, so we needed to look for a new distributor. Actually, France was never an interesting market for us before, since the French often have their own very specific tastes. Randomly, we heard about a sales company with six representatives, which went into bankruptcy. Their sales manager came to us and suggested that he and his team could start working for us. We were sceptical at first, since we didn’t previously think about changing our distribution model in foreign countries. But then we discussed and negotiated, and finally we started our direct sales in France with six people, and today we have 14.” (Respondent F)

After this random opportunity on the French market, Respondent F discovered that a direct sales distribution model held new opportunities for the company, and they consequently decided to follow this strategy in other European countries: “[...] *due to the good learning and experience with the French market, we finally decided to do it by ourselves [...] and to start direct sales [...].*” This example highlights how a company discovered a new distribution model due to an experiential (indeed, random) event, which changed their internationalization strategy. A similar case was shown by the answer of Respondent D, who discovered that the export channel became increasingly relevant for his company:

“We discovered [...] that our export business grew much more than our home market. Therefore, we pushed exporting more and more. Our export division grew, and we developed with

further owned teams in Benelux, France and Italy." (Respondent D)

Due to strong growth, Respondent F's firm changed their distribution model in selected markets from export to direct sales with their own representatives. Later, they even made another significant change in some countries and started with direct imports from the factories in China to their international customers. They discovered that this had a positive impact on their international and national business due to better pricing and logistic conditions. "*This step was significant and pushed our international business very much [...].*" They realized that their international business became more and more crucial for the growth of the company:

"We needed the foreign markets for our growth. Also, the export business supported the German business because of price effects. We could order larger quantities in China and got better prices...." (Respondent F)

The examples of Respondents D and F showed that it is difficult to have a grand plan at the start, but as firms engage in markets, they find that certain approaches work well. The answer of Respondent G gave another example of discovery. He introduced the case of a well-known French company, which tried to start their business in Germany but finally failed because of less adoption to the German market:

“[...] They just rushed into the market but [...] didn't really plan their market approach to Germany very well [...] which finally led to their withdrawal from Germany...” (Respondent G)

While observing their approach to the German market, they discovered the importance of adaption as a crucial element in foreign business, and implemented it in their international strategy. Respondent F gave another example of a discovery. While they were exporting to China, they learned that they had to adapt their distribution model there, changing from business-to-business (B2B) to business-to-customer (B2C):

“In China, for example, we have a completely different model. We are selling directly from here to Chinese end customers over Alibaba. So, there we have a B2C distribution model. We tried it with our normal model, but we failed, so we decided to do it that way. And this works very well. In the future, we plan to start our warehouse there, but currently, to build experience, this way works well for us.” (Respondent F)

They also discovered that consumers in China have different behaviour than their European consumers:

“And we discovered that the selling to Chinese works much more differently than with European people. The Chinese read the information about a product much more carefully than we would do it here. And then, after having read it 20 times, they finally buy. This influences of course, our returns quota; when a

Chinese person finally decides to buy a product, he will never return it. Different than here in Germany...” (Respondent F)

4.3.4.1. Considerations of discovery

Several authors have researched experiential learning and discoveries in international business. Holtgrave and Onay (2017) researched success factors through experiential learning of German companies in foreign market entries, and found that such learning had a positive impact on performance, independent of the chosen entry mode. Foster (2015) highlighted that learning from each other and from experiences are important for Germans, the latter of which may be related to the high level of individualism (67) in German culture. Hötzing (2014) recommended that companies with little international experience should start market entries from the beginning with the support of external consultants or other experts, which can help them to manage their internationalization projects.

Some of the answers above might also be linked to the concept of *international entrepreneurship*, which highlights the passion of new foreign market approaches for entrepreneurs and their willingness to learn and improve (Bose, 2016). The answers of Respondents F and D might also be linked to the concept of the *emerging strategy* of Mintzberg (1985). It is difficult to have a grand plan at the start, but as firms engage in markets they find that certain approaches work well for them. The concept of *emerging strategy* describes when companies have an intended strategy at the beginning which is deliberated and realized, but emergent issues and discoveries feed into a responsive and dynamic strategy progression (Figure 4.9).

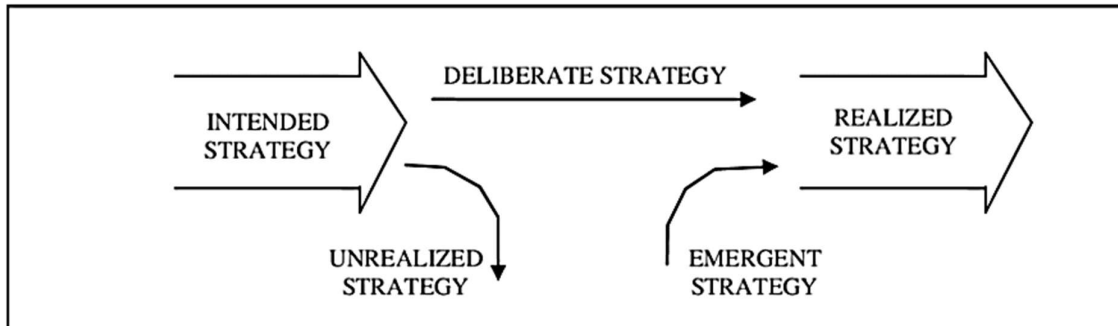


Figure 4.9: Mintzberg model of strategy formation

Source: Mintzberg and Waters (1985)

In the cases of Respondents F and D, the intended distribution strategies were changed after an event had happened.

Based on the discussion above, it can be inferred that discoveries and experiential learning helped the respondents to change their strategies and improve their internationalization progress. These findings corroborate previous literature which posited that experience in international business is a crucial factor for the success of the internationalization (Bell *et al.*, 1996; Ruigrok and Wagner, 2003; Holtgrave and Onay, 2017).

4.3.5. Motives for Market Entries

The respondents were asked about their *motivations* and the reasons for internationalization, which represents the next emergent sub-issue. The answers of the respondents are summarized in [Table 4.4.](#)

Respondent	Motives for internationalization
A	<i>"And regarding opportunities, the German market is actually saturated, so if you like to grow, it's only possible outside of Germany. In Germany we have destructive competition. For my segment, the premium pet food products, I need to go outside of Germany."</i>
B	<i>"Brand awareness and controlled growth."</i>
C	<i>"So, marketing and brand awareness are one reason. Then, of course, we want to do business, which is more a profit-seeking motive, and if we have opportunities, we do."</i>
D	<i>"[...] the German market still grew a lot, not as much as UK or France, but strong. We observed the development of the pet industry in these other European countries and decided to start market entries in a professional way." "[...] which caused a lot of logistical advantages, and we could sell for much better prices than before."</i>
E	<i>"Very simple, growing."</i>
F	<i>"[...] we are just working on a future strategy, since we know for sure that our growth in Germany will come to an end, and we will need to concentrate more on the foreign markets. So if we want to proceed to grow, we need to have more international partners."</i>
G	<i>"[...] we came to a point in our companies when we discovered that we need to find new markets outside of Germany, because the German market will come to a point when we can't expect further growth. So, we really pushed our international efforts." "And also, more and more companies from other European markets came to Germany, so we needed to resist to avoid losing shares of markets in Germany." "Also, we wanted to become more independent from the German market. I still believe that it's much better to be broadly positioned instead of being dependent on just one market."</i>
H	<i>"We are always interested in growing, but it needs to be organic."</i>
J	<i>"[...] regarding the reasons, I think it's normally growing in new markets, especially when the company thinks that there is no growth potential anymore in Germany."</i>
K	<i>"Growing; I think it's the only reason... in many countries like Germany, for instance, markets are saturated, but there are many new markets where we still have a lot of potential to grow."</i>

Table 4.4: Motives for internationalization

Source: Author

Often the first market entries happened because by chance (section 4.2.4), without clear motives or reasons in the beginning. Subsequent strategic development was informed by companies' initial experiences in

internationalization. Respondent G for instance explained, how they worked on new market entries after the first step on internationalization was done: “[...] we also worked proactively and tried to enter new markets. For example, we went to international trade fairs all over Europe to find new partners.” Also, Respondent D increased his efforts after he was working for a while on international markets: “We discovered in the 90s that our export business grew much more than our home market. Therefore, we pushed exporting more and more.”

During the interviews, it emerged that growth is the number one motive for internationalization to foreign markets. This can be linked to the concept of domestic success and non-internationalization, which indicates that companies with enough growth in their domestic markets would prefer to avoid any efforts to internationalize and vice-versa (Arbaugh, Camp and Cox, 2008). However, other motives were also cited by the respondents, as summarized in the categories shown in [Figure 4.10](#).

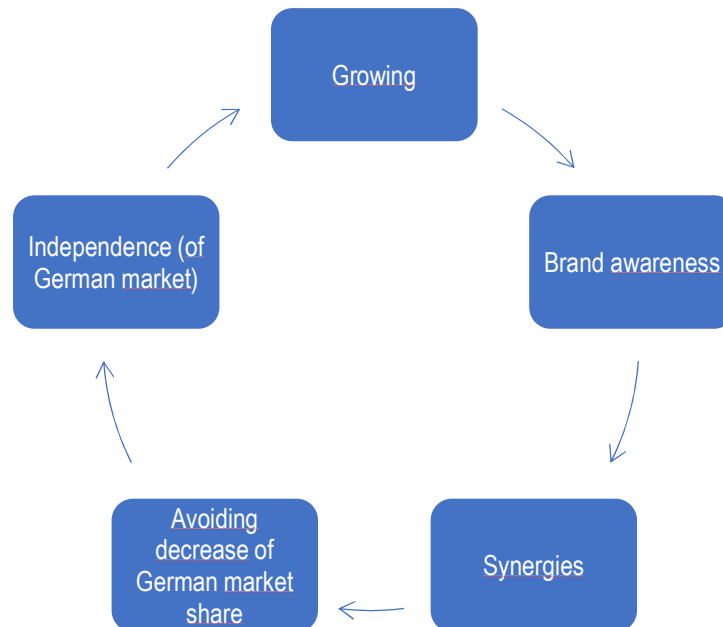


Figure 4.10: Motives for foreign market entries

Source: Author

Many of the respondents mentioned the fact that the growth of the German market is already over, or will at least come to an end in the near future. As already mentioned before, the respondents described the German market in rather pessimistic terms, claiming it offers no potential for further development, as mentioned by Respondent G:

"[...] we came to a point in our companies when we discovered that we need to find new markets outside of Germany, because the German market will come to a point when we can't expect

further growth. So, we really pushed our international efforts.”

(Respondent G)

This perception seems to be supported by market data; the annual growth rate of the German pet care market in 2018 was less than 2% (Deutscher Heimtiermarkt 2018 - Industrieverband Heimtierbedarf, 2019), which is very low compared to other European markets (although it should be remembered that the German market is the largest in Europe). Growth is the most important motive for foreign market entries, as confirmed by many studies. Kraus *et al.* (2017) described the internationalization of companies as a permanent and multidimensional DMP fundamentally seeking to increase growth, especially for SMEs.

Besides growth, *brand awareness* was mentioned as a motivation for internationalization, which was not identified in the reviewed literature. For Respondent B, brand awareness was always the most relevant motive to enter new markets, since his products were easy to replace with private label products.

Synergies, especially in logistics and pricing, was another motive mentioned by the respondents, including Respondent D: “[...] *which caused a lot of logistical advantages, and we could sell for much better prices than before.*” Synergies as a motivation or reason to expand to foreign markets was also validated in the literature review. Holmlund *et al.* (2007) found that economies of scale are a motivation factor of companies seeking to internationalize.

Independence from the German market was another motivation identified in this study but not in previous literature, as mentioned by Respondent G:

“We wanted to become more independent from the German market. I still believe that it’s much better to be broadly positioned instead of being dependent on just one market.” (Respondent G)

However, all these motives identified during the analysis of the interviews comprise intrinsic motives, whereby motivation arises from within firms and their scope of resources and interests (Tulder, 2015). Extrinsic motives could not be found during the analysis.

4.3.5.1. Considerations of motives for market entries

In the literature review the author introduced the approach of Tulder (2015), who conceptualized three clusters of motives: intrinsic (motivation arises from inside, e.g. efficiency or resource driven reasons), extrinsic (motivation comes from outside e.g. from stakeholders), and mixed motives of both. The analysis of the interviews only identified intrinsic motives for internationalization among the studied German pet care firms.

Moreover, it can be said that some motives for market entries have a crucial influence on the speed of internationalization. Johnson (2004) found that the international vision of the entrepreneur, objective to become a leading international player, identification with international business, and the international network are accelerating factors for early internationalization of organizations.

The results of the study from Kranzbusch and Holz (2013) can be partly confirmed, since most of the companies highlighted market or customer opportunities as the main important motives, and cost reduction potentials were

only mentioned in passing by a few companies. Moreover, there was no significant difference of the results in terms of the sizes of the researched companies

Kraus *et al.* (2017) highlighted that the internationalization of companies could be considered as a permanent multi-dimensional DMP, which is supported by the results of this research. The DMP is multidimensional because many different considered motives affect the decisions of internationalizing companies. The process is permanent, since motives and their meanings change over time. Furthermore, Kraus *et al.* (2017) found that companies with proactive motives are perceived to perform better in internationalization. Only some of the interviewed German pet care companies, such as Respondent G, cited proactive motives. In contrast, the others just reacted to the weak growth opportunities within the German pet care market. Therefore, it can be considered that most of the interviewed pet care companies did not exploit their full potential, since their approach was largely reactive.

4.3.6. Foreign Cultures

Table 4.5 summarizes participant responses relating to the impact of *foreign culture* on DMP. The respondents were asked the extent to which the culture of the relevant market affected their market entry decisions.

Respondent	Foreign Culture
A	<i>"Well, I can identify for instance with the French culture, but not for example with the Arabic culture... it's not my style to do business with this bazaar mentality. For me, it's important to do business with a handshake, and I need to rely to my business partner; if I can't, I don't want that business. For example, I really appreciate doing business in Japan; they are my biggest international partner... but not with China."</i>
B	<i>"Actually nothing.... For us, it is important there is a love for nature and animals in every country, and people like to care about their animals, I think that this is independent of culture."</i>
C	<i>"The culture is not so important for us. Of course, each country has its own rules, and if you want to do business, you have to follow these rules, and during the past years we got a lot of experience, like with Chinese or Arabic partners. "</i>
D	<i>"I would say it's a minor thing. There are other topics like market size and demand, which are much more important. The culture is something we work with later..."</i>
E	<i>"No, we don't care. There is no structured processing with cultural themes."</i>
F	<i>"[...] in the end, I think there is no example where we failed because of culture."</i>
G	<i>"Culture is always important for us when we enter new markets. In many countries it's vital to work with people from the area, otherwise we won't be accepted there. Some cultures only trust their own people."</i>
H	<i>"I always think time is important. In some countries, you need much more time to develop and to make progress than in other countries. We Germans for instance are always very focused, we try to push projects and want to come to an end. In other cultures, first you need to make the people feel comfortable about you, developing trust and so on. This takes time. But you need to stick to the rules and play their game if you'd like to do business with them..."</i>
I	<i>"The demand for our products is dependent on the development of the civilization. In some countries, like for instance in Africa, they just don't need them, so we have to wait until this market is ready for us."</i>
J	[No definition offered]
K	<i>"[...] I think the opinions about the culture are not relevant for our entry decisions... but of course fairness and sympathy are always important. And the philosophy of the company is also relevant for us. Even in a country like Iran we don't have any problems because of the culture."</i>

Table 4.5: Meaning of foreign culture in the DMP

Source: Author

It can be inferred from the answers that the respondents focused on cultural distance when they answered the question, because some of them (A, C, I, K)

gave examples of countries with relatively higher cultural distance from Germany, such as China, when they answered the question. Cultural distance describes the difference between the home and the foreign culture, which can be considered as an obstacle in internationalization. Rothaermel, Kotha and Steensma (2006) for instance underlined that cultural distance is negatively related to the probability of companies entering new markets, due to higher levels of uncertainty and risks in markets with higher cultural distance.

Respondents' answers can be summarized into three groups. The first group claimed that culture is not important in their DMP for foreign market entries (Respondents B, E, F, and K).

For the second group, foreign culture is very important when they consider entering new foreign markets (Respondents G and H). They are aware that varying cultural attributes can have profound impacts on their international business activities, and they understand that they need to adapt to work with different cultures if they want to launch successfully in foreign markets.

The third group is somewhere between the first two groups (Respondents A, C, D, and I). While they are aware that each country has cultural particularities, they consider that they can intuitively manage foreign market entry and navigate cultural differences based on their long-term experience. They think that culture plays a role in the DMP, but a minor one. The reasons for these three different positions are discussed below.

4.3.6.1. Considerations of foreign culture

The author wanted to research the impact of foreign culture on the DMP of market entry strategies, and asked respondents about the meaning of foreign culture when they consider entering new markets. In the literature on international business, foreign culture is normally linked to cultural distance, which means the difference between the national and the foreign culture. Chan *et al.* (2010) researched how cultural distance affects entry mode choice, and Park *et al.* (2018) investigated the impact of cultural distance on the performance of foreign subsidiaries. There are many more examples in the literature, especially related to entry mode choice.

As discussed above, three groups were identified from participants' responses in this study in relation to the importance they attached to foreign cultures' impacts on their market entry strategies. The first group did not consider culture to be pertinent, and they had not experienced foreign cultural differences as an obstacle to entering new markets, as indicated by Respondent E:

"No, we don't care. There is no structured processing with cultural themes." (Respondent E)

The second group showed a lot of attention to this topic and was aware of the potential challenges relating to culture, as demonstrated by the answer of Respondent G:

"Culture is always important for us when we enter new markets. In many countries it's vital to work with people from the area,

otherwise we won't be accepted there. Some cultures only trust their own people.” (Respondent G)

The third group was indifferent and between the first two groups. While generally aware of the influence of the foreign culture, they considered it unworthy of conscious and dedicated analysis, and ancillary to their market entry decisions, as shown in the answer of Respondent D:

“I would say it's a minor thing. There are other topics like market size and demand, which are much more important. The culture is something we work with later...” (Respondent D)

These three different views on the importance of culture can be related to the concept of cultural self-awareness, which describes how culture affects the self. The more cultural self-awareness individuals have, the greater their understanding about the influence of foreign cultures. Cultural self-awareness is related to the cultural experiences of people (Lu and Wan, 2018, p. 823). The interviewed pet care managers might have different degrees of cultural experiences, with various different cultures, which explains their different views on the role and importance of culture in foreign market entry.

Erramilli (1991) found that organizations with higher international experience have a greater propensity to enter foreign markets that are more culturally different from their home markets. Respondent A's views on French and Arabic cultures manifest this sentiment (“[...] *I can identify for instance with the French culture, but not for example with the Arabic culture [...]*”), and this is corroborated by data on German companies' investments in Arabic countries. Holtgrave and

Onay (2017) explained that the greater the cultural distance between the home and the foreign market, such as between the German and Arabic countries, the greater the challenge or management requirements.

As reviewed in **Chapter 2**, many studies analysed the cultural distance between the home and the foreign country, and cultural distance is often presented as a market entry barrier (Bell, 1986; Vrânceanu, 2015; Roy *et al.*, 2016; Rahman *et al.*, 2017). Therefore, foreign culture or cultural distance is usually classified as a risk or an obstacle in entering new markets (Meckl, 2010). It is certainly apparent that cultural distance comprises an intrinsic barrier in the sense that it increases the complexity of foreign market entries, and increasing cultural distance has a negative impact on the success of foreign market entries (Hutzschenreuter and Voll, 2008).

Rothaermel, Kotha and Steensma (2006) related four cultural dimensions of Hofstede (1984) to the probability of US internet companies entering new markets that may be linked to the German pet care business, as adumbrated below.

- *Uncertainty avoidance* in targeted foreign markets is negatively related to the probability of entering these markets.

Rothaermel, Kotha and Steensma (2006) related this finding to complex issues of e-commerce transactions, specifically the reluctance to use e-payments in countries with high uncertainty avoidance. Moreover, uncertainty avoidance might be an issue with regard to products where consumers have rich requirements, such as a need for extensive data and explanation on consumer

sites of complex ingredients in pet food. In these cases, the findings might be related to the pet care business as well.

- *Individualism* in targeted foreign markets is positively related to the probability of entering these markets.

This finding links to the greater independence and freedom of individualistic societies, which positively affects online business. It can be assumed that a greater extent of individualism might be related to the freedom to have pets at home, therefore this finding can be transferred to the pet care industry as well. Future research could seek to verify this.

- *Masculinity* in targeted foreign markets is positively related to the probability of entering these markets.

This finding was explained by the fact that masculine societies are generally more open to new technologies and changes. In terms of the pet care industry, this finding cannot be confirmed.

- *Power distance* in targeted foreign markets is negatively related to the probability to enter these markets.

Rothaermel, Kotha and Steensma (2006) concluded that a greater extent of power distance generally means lower levels of trust. Therefore, since it can be assumed that trust might be an important issue for new products and services in foreign countries, the findings can be transferred to the pet care industry as well. Trust plays a crucial role, especially in pet food products.

The findings of the interviews show that foreign culture can indeed be an obstacle for a part of the respondents. On the other hand, for several respondents, culture is not of great importance, and other factors might play more significant roles. The extent of cultural self-awareness plays a crucial role in whether foreign cultures are seen as an obstacle to enter new markets. Based on the discussion above, foreign culture might play a minor part in affecting the DMP of German pet care companies entering new markets.

4.3.7. Summary of Indirect Factors

This section has presented the concept of indirect factors influencing the DMP of foreign market entries. Indirect factors relate to the perception or relation to other people other than the respondents. The identified six sub-issues of indirect factors comprised *perceptions of German culture, the state of the German pet care market, risks, discovery, motives for market entry, and foreign cultures.*

The answers given by the respondents to the sub-issue German culture partly confirmed the findings of the literature review. In terms of culture, in general most of the respondents used different and unspecific definitions, but for the majority of the respondents, culture generally explains how a group of people in a specific area or region behaves, feels, or thinks, which is close to Hall's (1990) definition of culture. Respondents explained German culture in terms of the positive associations it holds for foreigners (non-Germans), identifying it with the stereotypical Prussian virtues, which they felt continued to represent German cultural attributes. *Reliability* was commonly cited, and German culture in general was considered by participants to be instrumental in the success of German companies in international business. Other aspects of German culture, as

expounded in cultural theories, were almost missing from participants' perspectives.

The German pet care market itself influences the DMP of the managers. Germany is the fourth biggest pet care market in the world, and it is intrinsically attractive for entrant companies on this basis, but it is actually very saturated. The limited opportunities for entrants in the German pet care market was commensurate with limited growth potential for existing companies, which was unanimously cited by participants as a motive for internationalization. Participants considered the German pet care market to be very mature, bureaucratic, and relatively stagnant. New emerging foreign markets like Eastern Europe offered more attractive growth opportunities for German companies, which was the major reason studied firms chose to enter foreign markets.

Risks comprised the third influencing factor, which can be separated into the six subcategories of *payment*, *political*, *consumer tastes*, *neglecting the home market*, and *bureaucratic risks*, which all affect the foreign market entry decisions of German pet care managers. The *discoveries* of past market entries and the consequent experiential learning affected the way the German pet care managers made their decisions. Several examples of this could be identified in the interviews. In general, the findings of recent literature could be confirmed. Examining motives, the researcher identified five subcategories: *growing*, *brand-awareness*, *synergies*, *avoiding the decrease of market share in Germany*, and *independence from the German pet care market*. *Foreign culture* was mentioned as a kind of obstacle, but in general it played a minor role in the DMP of the respondents.

4.4. Cultural Success Factors for Internationalization

To answer RQ3:

- 3. What are the success factors for foreign market entries, and how does German culture affect them?*

Each participant was asked at the end of the interview if they could define the cultural success factors for internationalization. Some of the respondents had no idea, while others explained their views of cultural success factors very extensively. The respondents also included general success factors for foreign market entries in their definitions, which are rather independent of culture. **Table 4.6** presents relevant answers and related cultural success factors extracted.

Respondent	Quote	Identified Cultural Success Factors
C	<p><i>"I think the flexibility to adapt to foreign cultures is important, which is related to management and products as well. What is special in the market? How do people work, what is important for them? And so on. Also, what are the demanded product attributes... Sometimes the colours have different meanings and we need to change them. Also, reliability is important. If I think of my Chinese partners, it takes very long to get their trust, but if they trust you, they are reliable business partners."</i></p>	Flexibility, Reliability, Trustfulness, Consumer Orientation
D	<p><i>"I think it's very important to know about the mentality and culture of the people when you want to enter their markets [...] You have to be very sensitive to that. You need a lot of human knowledge and fine-tuning."</i></p> <p><i>"It is also important that you have enough money, because every new market costs a lot of money to develop. And due to our ownership structure, we were responsible for covering this; it was our money. Employed managers would not have been in the same position. We always chanced a lot, but in the end it was worthwhile."</i></p>	Cultural Skills, Independency
F	<p><i>"Well, I think that firstly the focus should be on the products. You need to have the right product at the right time and the right place. You always need to be innovative and better than your competitors. [...] So, brand, product, sales network and a high acceptance at the pet site. It's easy to get the consumers' attention, but ultimately the food must have high palatability, otherwise consumers won't repurchase it. So basically, I don't think that the demand criteria of a product in a foreign market can be decided based on the criteria of the home market."</i></p>	Consumer Orientation, Product Portfolio, Competence
G	<p><i>"Maybe flexibility, structured way of working... maybe also our peace of mind, which affects our whole system. I mean we don't have any big political issues in our country, no riots, etc. And this affects the success of our economy, so also our internationalizations. And our peace of mind affects the power of this as well. On the other hand, this is maybe also a disadvantage, because in Germany we tend to make things too complicated, and processes sometimes take too much time. Other countries have a better founder culture, and have already simplified many bureaucratic processes. This can be dangerous for us in the future, so we need to improve on this."</i></p>	Economic and Political Stability, Ease of Mind, Flexibility, Low Bureaucracy

H	"Quality, competence, service and reliability."	Quality, Service, Competence, Reliability
I	"I think it's the quality of the products, the reliability, the high standard of the products and competitive prices. Finally the consumer decides."	Product Portfolio, Reliability,
K	"Well, I think the range and the products are very important. Maybe the right partner, maybe regular personal meetings, reliability, and of course a good human relationship."	Human Relations, Product Portfolio, Reliability, Human Relations, Communication

Table 4.6: Identified cultural success factors

Source: Author

Considering the definition of culture used in this research - *"the sum of perception, reaction and relation to other people"* – the identified factors can essentially be related to culture. *Reliability* or *trustfulness* for instance can be linked to culture, since they highlight the cultural context in which people relate to each other. Low bureaucracy or economic and political stability are less particularly defined by culture, and can be considered as general success factors. Moreover, the author tried to classify the identified factors in terms of their importance for internationalization based on what was said by participants, and how it was said, in the spirit of the collective sense of interviewees' replies. Prices for instance are very important for the success of internationalization, since they must match with consumer expectations in the foreign country, while independence from the management plays a minor role, since it does not directly affect the success of internationalization in terms of sales. The results of these considerations are illustrated in [Figure 4.11](#).

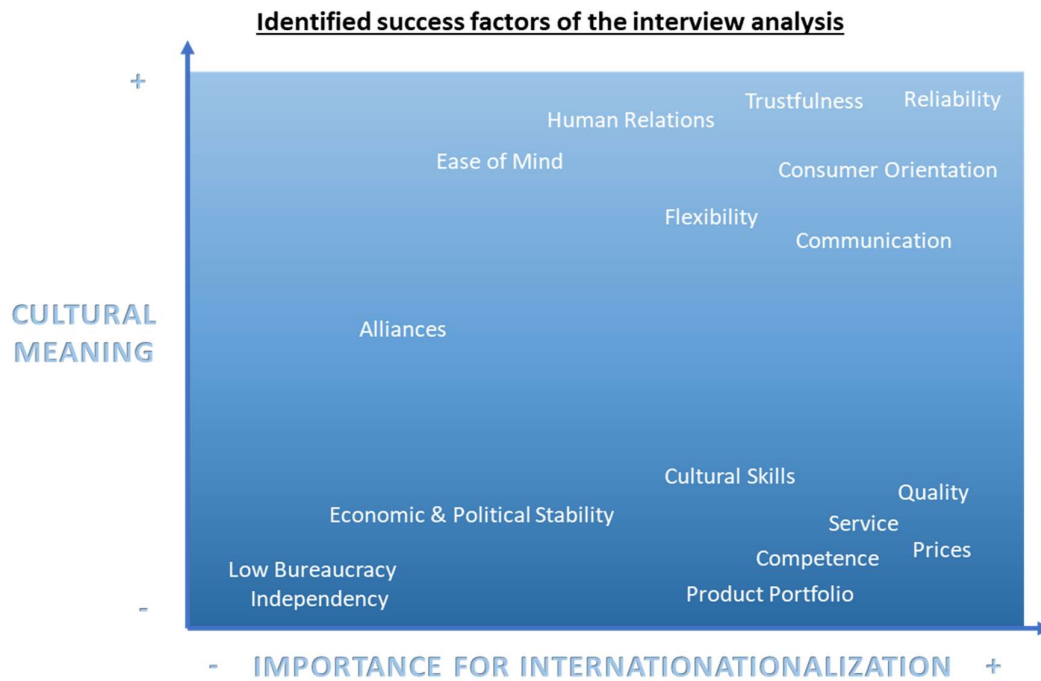


Figure 4.11: Identified success factors of the interview analysis

Source: Author

The different illustrated positions in **Figure 4.11** show that respondents generally focused on factors classified as important for internationalization, since most of the positions are on the right side of the diagram. On the right upper area however, the factors with a high cultural meaning and a high importance for internationalization are shown. *Reliability*, *trustfulness*, and *consumer orientation* are consequently the success factors with the highest importance in both dimensions. It might be assumed that some respondents were focusing more on cultural factors than others, which could also be related to the concept of cultural

self-awareness (section 4.3.6). Individuals with higher cultural self-awareness maybe appreciate the meaning of culture as a success factor more than people with less cultural self-awareness.

There is much literature about general success factors in internationalization, but research about cultural influence is sparse. Several authors for instance researched the general factors in the success of internationalization. Bose (2016) researched the critical success factors of SMEs in internationalization. He discovered several factors that influence the success of the foreign market entry (including networks, capacity building, policy, barriers, and timing), but did not include any culture-related factors. Kraus *et al.* (2017) analysed drivers of internationalization success and highlighted several influencing strategic and structural factors.

Some authors focused on the mindset of the managers and their companies in terms of culture as a crucial success factor. Felício, Meidutė and Kyvik (2016) indicated that both the individual global mindset of managers and the global (organizational) corporate mindset have a positive impact on international business. Calza, Aliane and Cannavale (2013) noted the crucial meaning of cultural competence for foreign market approaches, although research about this approach is still rare. In general, analysis of interviewees' responses indicates that some respondents were more aware about culture than others, since they mentioned more cultural factors and apparently took culture more seriously than others. However, it is difficult to assess whether there is a connection between the cultural mindset of the decision maker and the success of internationalization, since this research does not consider the results of internationalization *per se*.

Other studies analyse success in relation to the relevant success factors. The findings of this research show that besides the known general success factors for international business, cultural factors like *reliability*, *trustfulness*, and *flexibility* play a significant role in the success of international market entries of German companies. This is a novel finding of this research, which might help practitioners, for instance international business consultants, to evaluate not just general, but also cultural factors that are instrumental in determining the success of foreign market entries.

CHAPTER 5

SUMMARY AND OUTLOOK

The focus of this research was about the impact of the German culture on the decision making process of German pet care companies. Therefore, the author defined the following research aim:

This research explores the impact of German culture on the DMP within the pet industry, utilizing the example of German pet care companies. The aim was to establish if the national culture has or has not affected the DMP of market entry decisions within the pet industry.

Deduced from this research aim, the author established three research objectives:

- A. To explore the decision-making process (DMP) for market entry strategies within pet care companies of Germany*
- B. To contribute new knowledge to the gap in the theoretical area of market entry decisions and national cultural impacts*
- C. To identify cultural success factors for market entry decisions*

Chapter 1 gave an overview of the background and purpose of this research, and a summary of its structure. In Chapter 2, the author provided an overview of the relevant literature concerning the internationalization of companies, understanding of culture, particularly German culture, and the decision-making process of entering foreign markets. Additionally, the research questions were

construed, and the gap in research in the existing literature addressed by this thesis was identified and presented. Chapter 3 highlighted and justified the research design and methodology, and introduced the chosen research strategy. The author explained how he conducted and analysed the interviews, and finally, ethical considerations were presented. In Chapter 4, the findings of this research were presented and discussed. The author identified several impactful main-issues and sub-issues, which were explained and considered. This chapter first outlines the summary and the key findings of the research. After explaining the achievement of the research aim and objectives and the contribution to knowledge, the chapter identified the implications for theory and practice, and the limitations and future research recommendations yielded by this study.

5.1. Summary of Main Findings

This section summarizes the main findings of the conducted research. To achieve the research aim and the objectives of the study, three research questions were formulated. The findings for the research questions one and two are presented and discussed in section 4.2 and 4.3, the findings for RQ3 are provided in section 4.4. The key findings answering the research questions (RQs) are presented below.

5.1.1. RQ1: How Can German Pet Care Companies' Decision-Making Process (DMP) for Entering Foreign Markets be Described?

RQ1 aims to describe the DMP of German pet care companies. To answer this question, the author conducted 11 semi-structured interviews with managers of the German pet care industry and tried to gather knowledge about how they were

deciding new foreign market entries. In the analysis of the conducted interviews, the author could identify the following 11 sub-issues that influence the DMP of foreign market entries:

- Preparation for foreign market entries.
- Gut-feeling decisions.
- Market entry modes.
- Randomness.
- Loyalty.
- Perception of German culture.
- State of the German pet care market.
- Risks.
- Discovery.
- Motives for market entries.
- Foreign culture.

These sub-issues could be conceptualized in terms of whether their impacts are direct or indirect. Moreover, the operational conceptualization of culture presented by the researcher enabled answering RQ2, and the researcher found that direct factors are related to reaction, whereas indirect factors are related to perception and relation to other people. Therefore, it can be highlighted that German culture has direct and indirect impacts on the DMP of foreign market entries. This research study is original in splitting the national culture into direct and indirect factors, in terms of their impacts on the DMP of entering new markets.

In **section 2.8** the relevant literature about the DMP of internationalization was discussed in detail. The modified five-step decision model of Darling and Seristö

(2004) was considered as a basis for this research. It describes the DMP in five phases:

1. General consideration about entering a new market.
2. Analysis of the market and the considered product portfolio.
3. Evaluation of the analysed results.
4. Establishing the market entry strategy.
5. Entering the new market.

Analysis of the interviews essentially revealed that there was no common, general way in which German managers make their market entry decisions. Some of them were close to the reviewed model in the literature, but others did not have a clear strategy or decision process at all. Gut decision making seemed to be quite frequent. Also, the meaning of randomness was high in terms of the way the managers fixed their international strategies. Steps 1-4 of the model of Darling and Seristö (2004) are used to analyse the findings of this research below.

- **Step 1: General consideration about entering a new market**

An intensive consideration about entering a new market could not really be identified. Indeed, in terms of the *motives* of the pet care companies to enter new markets, the author detected that growing was the most frequently mentioned motive, besides brand awareness, synergies, independence of the home market, and avoiding decreased market share in Germany. Also, the very competitive character of the German pet care market was often mentioned as a motivation to internationalize. One of the main findings of this research is that during the

beginning of the internationalisation process, *randomness* played a major role for participants in entering new markets. Moreover, as discussed in detail in [section 4.2.3](#), the author found that random market entries could arise from inside or from outside company networks (intrinsic and extrinsic randomness, respectively), which means that some of the companies were just asked to enter new markets, while others had the intention to enter but no focus on any particular markets.

- **Steps 2 and 3: Analysing the market and the considered product portfolio, and evaluating the results of analysis**

Another finding of this research is that a sufficient market analysis, based on rational argument and evidence, could not be observed in the analysis of the conducted interviews. Opposed to the model of Darling and Seristö (2004), emotional decision making without using the mind and based on intuition was identified in almost all interviews. Gut decisions were discussed in detail in [section 4.2.2](#). Risks of entering new markets were discussed in detail in [section 4.3.3](#); these did not play a major role in the DMP. Thus, it was detected that an intensive internal evaluation about entering the new market based on a sophisticated market analysis did not take place in most of the companies, which is against the common view of German companies, who are considered to be highly diligent and objective with regard to risk management ([section 4.2.1](#)). Contrary to expectations, *gut decisions* and *randomness* predominated steps 2 and 3 of the model for German pet care firms.

- **Step 4: Establishing the market entry strategy**

In terms of establishing the market entry strategy, which sets the entry timing, mode, and market selection of the internationalizing company (Dimitratos *et al.*,

2016), the main finding is that the researched pet care companies did not consider a sophisticated set up of the entry strategy. The entry timing and market selection were as previously mentioned dominated by the subjective phenomena of *randomness* and *gut feelings*, and therefore a consideration of overt strategic artefacts could not be detected. However, the entry mode was often just practised by exporting, with other forms like affiliates being used in a small number of cases, often after a *discovery*. Discoveries were fully discussed in [section 4.3.4](#), which explained that sometimes events show that a particular solution works well, and then the firm goes with this. *Loyalty* to existing distributors is another finding of the research. The author detected that in some cases the relationship to international partners was more important than purely economic matters. There is little mention about this in the previous literature, which underlines this finding as a further contribution to knowledge.

[Figure 5.1](#) illustrates the identified themes and sub-issues and their influence on the single stages of the DMP based on the model of Darling and Seristö (2004). It can be seen that the identified single sub-issues influence different steps of the DMP. Some of them affect all, like *discovery*, whose impacts can be witnessed in all five stages. Similarly, *preparation* is included in all of the stages except the preliminary considerations at the beginning of the process. In all of these steps, preparation affects the DMP. Other sub-issues however are only considered in one stage, such as *motives* (which features in preliminary considerations, but not in the subsequent steps).

		Decision Making Process of Market Entries					
Main-Themes	Cultural Component	Sub-Themes	Considerations	Analyse	Evaluation	Strategy	Entry
Direct Factors	Reaction	Preparation		X	X	X	
		Gut Decisions	X		X	X	X
		Entry Mode					X
		Randomness				X	X
		Loyalty			X	X	
Indirect Factors	Perception & Relation	Discovery	X	X	X	X	X
		Motives	X				
		Foreign Culture	X		X	X	X
		German Culture	X	X	X	X	X
		German Pet Market	X				
		Risks	X	X	X	X	

Figure 5.1: Impact on the single stages of the DMP

Source: Author

To answer RQ1 (*How can the DMP of entering foreign markets of German pet care companies be described?*), it can be summarized that the DMP of the German managers to enter a new market is characterized by a high extent of *randomness*, *gut feelings*, *loyalty*, and *discoveries*, and it differs partly from the discussed model of Darling and Seristö (2004). This is a novel finding and contradicts the general view of German companies as being *professional*, *objective*, and focused on accurately *planning* (Glunk, 1997; Schneider and Littrell, 2003; Kavalchuk, 2011; Liermann, 2020). This might be an interesting field for further new research.

5.1.2. RQ2: What is the Impact of German Culture on the Decision Making Process (DMP) of German Pet Care Companies?

The author could not find any research about the effect of German culture on the DMP of foreign market entries. The ELETEM model from Preece *et al.* (2016) gives a good overview of influencing factors on the DMP of market entry strategies, but the cultural impact of the national culture is missing from it. The DMP model from Darling and Seristö (2004) was considered as a baseline for this research, but it only includes the different steps of the DMP before entering a new market. To close this gap and to answer RQ2, the author needed to include the cultural impact on the identified DMP.

Figure 5.2 shows the connection to the culture of the sub-issues. As discussed above, each single sub-issue is linked to one of the three cultural components, *reaction* or *perception* and *relation to other people*, which were considered for this research as per Hall's (1990) definition of culture. **Figure 5.2** illustrates the whole picture of the DMP of foreign market entries and the influence of culture.

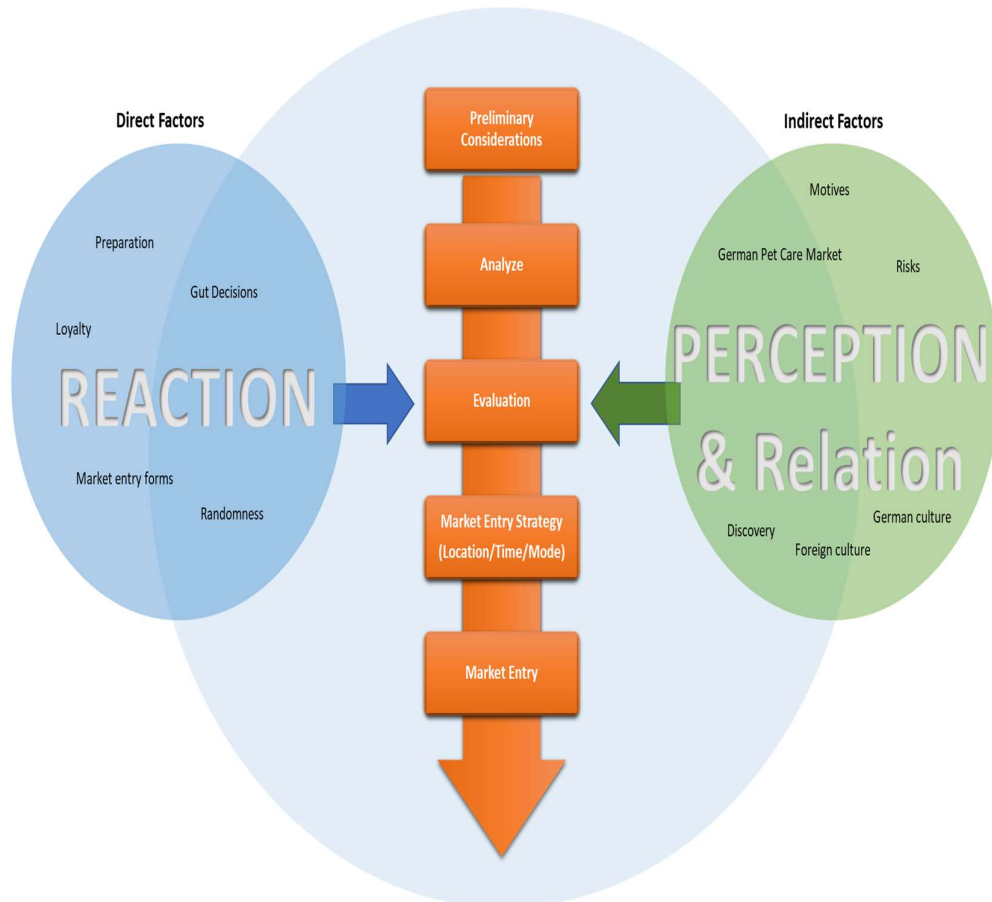


Figure 5.2: Context between the identified themes and the research aim

Source: Author

To answer RQ2 (*What is the impact of German culture on the DMP of German pet care companies?*), this research has shown that German culture influences the DMP of entering foreign markets. Considering that the definition of culture for this research includes “reaction, perception and relation to other people” (Hall, 1990), it can be highlighted that these cultural components have an impact on

the way the interviewed managers decided their market entry projects. **Figure 5.2** shows that the DMP and the impact of the national culture is a kind of multi-dimensional system. The extent of the different impacting factors (sub-issues) found in this research depends on the cultural influence. For instance, the extent of risk perception indirectly affects the way people make their decisions. Also, the extent of accepting randomness influences the DMP directly. Thus, German culture influences the DMP of internationalization.

5.1.3. RQ3: What Are the Success Factors for Foreign Market Entries, and How Does German Culture Affect Them?

RQ3 deals with cultural success factors for internationalization. As discussed in **section 4.4**, the author identified several success factors from the analysis of the interviews that could be assigned to culture. Moreover, the author illustrated the meaning for each single success factor for internationalization could defined the most important factors (**Figure 4.11**). Some of them are general and have no cultural impact, like prices or quality. Others, however, like reliability or trustfulness, can be directly linked to culture and can be defined as cultural success factors. In general, the researcher found that some interviewees were more aware about these cultural success factors than others, since they mentioned more cultural factors, and it looked like that they took culture more seriously than the other respondents. This was related to the concept of cultural self-awareness (**section 4.3.6**). To answer RQ3 (*What are the success factors for foreign market entries, and how does German culture affect them?*), it can be highlighted that the findings of this research are that cultural success factors like reliability or trustfulness, which have a high extent of culture and

internationalization, need to be included in a consideration of success factors. The relevant literature about success factors in internationalization (**section 4.4**) does not cover any cultural factors, which might play a significant role in the success of international market entries of German companies. Therefore, this is a novel contribution, and to answer RQ3, it can be stated that the success factors of internationalization include cultural factors, which can be critical for the success of market entries.

5.2. Contribution to Knowledge

This section summarises the contribution of knowledge developed in the conducted research. First, this research is the only study to analyse the impact of German culture on the DMP of foreign market entries of German pet care managers. As discussed in detail in **section 4.1**, the DMP was affected by two main issues: *direct* and *indirect factors*. Direct factors relate to the *behaviours* of the respondents, which directly impact the DMP, whereas indirect factors can be identified as *attitudes* or *influences* that indirectly influence managers' DMP. Behaviours and attitudes or influences can be linked to the three components of *reaction*, *perception*, and *relation to other people*, as per Hall's (1990) conceptualization of culture as "*the sum of perception, reaction and relation to other people*," as discussed in detail in **section 2.2** and considered for this research. Consequently, the bridge between the DMP and the national (German) culture was built. In the existent literature, no counterpart could be identified, therefore this finding can be classified as progress in existing knowledge.

Second, the researcher identified 11 sub-issues, which can be allocated to the two main issues of direct or indirect factors. Several findings were consequently linked to the emergent sub-issues that contribute to the literature, including the confirmation or extension of existing findings, or new and contrary findings, all of which contribute original contributions. **Table 5.1** summarizes the main contributions to knowledge related to the identified sub-issues.

Description	Contribution*	RQ**	RO*
Low extent of preparation			
Companies spend little to no efforts in sufficient preparation of foreign market entries. This stands in contrast to the review of the literature, since Germany belongs with an index of 65 to the countries with high uncertainty avoidance (Junker and Würffel, 2017, p. 9). The low extent of planning and preparation for market entries among German pet care companies is surprising (section 4.2.1).	Advance in existing literature	1	A
High impact of gut decisions			
The influence of gut decisions in the DMP of foreign market entries can be summarized as high for this research. Many studies have researched the impacts of gut decisions in management and confirmed the context. However, studies of the impact of gut decision internationalization are sparse, and no study about the impact of gut decisions on foreign market entries of German companies could be identified (section 4.2.2).	Addition of existing literature	1	A
Lack of planning the entry mode			
There is less preparation and planning regarding the entry mode; it seems that once an entry mode is defined, there are no extensive efforts to change anything (section 4.2.3).	Confirmation of existing literature	1	A
High importance of randomness			
Randomness plays a major role in terms of establishing international relationships, especially at the beginning of foreign market entries. Two ways of randomness could be detected (intrinsic and extrinsic); no counterpart could be identified in the existing literature (section 4.2.4).	Advance in existing literature	1	A
Importance of loyalty toward international partners			
A close relationship and a high extent of loyalty to long-term existing international partners was identified, which could trump economic priorities; no counterpart could be identified in the existing literature (section 4.2.5).	Advance in existing literature	1	A
Important qualities of German culture			
Reliability, credibility, punctuality, and trustfulness are the most important German qualities in terms of the success of foreign market entries perceived by the participants.	Confirmation of existing literature	1	A
<p>*Advance in existing literature: the outcome is new or has at least a major extent of the current literature Confirmation of existing literature: the outcome confirms the findings of the current literature Addition of existing literature: the outcome is already discussed in the literature and the research add new knowledge RQ: Research question; RO: Research objective</p>			

Table 5.1: Contributions to knowledge and responses to research question and research objectives

Source: Author

Description	Contribution*	RQ**	RO*
Size of home market supports market entry behaviour			
The findings of Cannone and Ughetti (2013) about the relation between size of the home market and behaviour to internationalize was confirmed (section 4.3.2).	Confirmation of existing literature	1	A
Low impact of risks			
The awareness of risks in market entries exists but is hard to assess. Therefore, the extent of its impact on the DMP is limited. This stands in contrast with the findings of the literature, which describe Germans as risk-averse (section 4.3.3).	Advance in existing literature	1	A
High importance of discoveries			
Discoveries and experiences help to change strategies and improve internationalization progress, confirming previous literature (section 4.3.4).	Confirmation of existing literature	1	A
Additional motives for market entries			
Beside other motives which could be found in the reviewed literature, brand awareness and independence from the home market were identified as new motives for foreign market entries (section 4.3.5).	Addition of existing literature	1	A
Disagreement about importance of foreign culture			
The extent of cultural self-awareness plays a crucial role in whether foreign culture is seen as an obstacle to enter new markets. Therefore, the meaning of foreign culture to the DMP is contested (section 4.3.6).	Confirmation of existing literature	1	A
German cultures impacts the DMP			
National culture can be structured in reactional and perceptual/ relational components (Hall, 1990) that affect the DMP of entering foreign markets. Thus, there is a demonstrable connection between national culture and DMP (Figure 5.2).	Advance in existing literature	2	B
Identification of cultural success factors for market entry decisions			
Cultural success factors like reliability or trustfulness are relevant for the DMP of entering foreign markets, and need to be included in a general consideration of success factors.	Advance in existing literature	3	B
<p>*Advance in existing literature: the outcome is new or has at least a major extent of the current literature Confirmation of existing literature: the outcome confirms the findings of the current literature Addition of existing literature: the outcome is already discussed in the literature and the research adds new knowledge RQ: Research question; RO: Research objective</p>			

Table 5.1: Contributions to knowledge and responses to research question and research objectives (cont.)

Source: Author

Research questions:

- 1. How can German pet care companies' decision-making process (DMP) for entering foreign markets be described?*
- 2. What is the impact of German culture on the DMP of German pet care companies?*
- 3. What are the success factors for foreign market entries, and how does German culture affect them?*

Research objectives:

- A. To explore the decision-making process (DMP) for market entry strategies within pet care companies of Germany*
- B. To contribute new knowledge to the gap in the theoretical area of market entry decisions and national cultural impacts*
- C. To identify cultural success factors for market entry decisions*

Third, this research is the only study which identified cultural success factors for foreign market entries, whereas much research about general success factors already exists. *Trustfulness, reliability, human relations and consumer orientation* are the most important success factors in internationalization, which are strongly related to the national culture, as discussed in detail in **section 4.4**. Therefore, the

existing literature could be confirmed in terms of the general success factors, and extended in terms of the cultural meaning and the importance for foreign market entries.

5.3. Implications

The present study addresses two areas of implications, namely those for existing theory and for practice.

5.3.1. Theoretical Implications

This research has highlighted several theoretical fields which might need to be reassessed and extended, especially in the light of rapidly changing global markets. The current theories about decision making and culture were unable to fully describe the research aim about the cultural impact of the German culture to the DMP of foreign market entries.

This research illustrated the connection between the national culture and the DMP of entering foreign markets, exemplified by the model of Darling and Seristö (2004). As discussed in [section 2.8](#), there are similar models about the DMP in the literature, but no theory about the cultural impact of the national culture could be detected. Moreover, the study identified several factors related to culture that affect the DMP of entering foreign markets. Only the ELETEM model in the study of Preece *et al.* (2016) presented a full picture about influencing factors. The present research however extends the existing theory about the cultural impact with further factors.

Therefore this study recommends increased investigation to consider cultural factors in DMP theory.

5.3.2. Managerial Implications

Based on the findings of the research, this study offers several implications for managers of the German pet care industry, who are in charge of the decision making of entering new foreign markets within their organizations. The findings of this study might help to improve the DMP of entering new markets, especially for young companies like start-ups with minor current international activity.

In terms of the German pet care market, the findings highlighted the highly competitive character of the market and its saturation, with relatively poor potential for pet care companies for future growth. A common finding of the interviews was that further growth is only possible outside of Germany. Therefore, the international expansion in other pet care markets is highly recommended. Although growth might be an important motive for internationalization, this research advises companies to analyse other potential motives and include them in their decision making.

The study detected that there is a lack of planning and preparation of new market entries. Consequently, randomness and gut decisions dominate the DMP instead of sufficient market analysis. The research showed that at the beginning of the DMP the deviation between the theoretical approach (section 2.8) and practice is very high. Many international organizations believe that the successful approach they use in their home market can be easily transposed to other international markets, and therefore they enter new markets without analysing them in the

necessary way. This applies to the extent of disregarding the effects of foreign culture, which was indicated in the analysis. Often, these companies fail and backtrack retroactively after abortive market entries. Therefore, the study findings suggest that managers need to focus more on strategic planning and preparation. Although it was highlighted that gut decisions have positive impacts in decision making as well, the research recommends that practitioners increase the role of rationality and reduce emotional decision making.

The lack of an international strategy in many organizations is closely linked to this. Thus, the research suggests implementing an international strategy from the beginning of expansion projects, and periodically reviewing this strategy from time to time.

In terms of the discussed loyalty toward long-time international partners, this research suggests focusing more on rational motives instead of human relations. Since the global pet care industry is changing, the review of existing partnerships might be crucial to guarantee further success in international markets.

5.4. Limitations and Future Research

It is important to highlight limitations of this research to underline that some variable factors analysed in this study might have been reflected in different outcomes if they were studied differently in future research. Therefore, some potential limitations are listed below.

5.4.1. Limited Industrial Focus (Pet Care Industry) and Organizational Size

The research was conducted by semi-structured interviews limited to only one industry (pet care) in Germany. Since pet care organizations retail FMCGs, there might be further similar industries comparable and adoptable for this study. However, different branches of industry might follow different rules, and therefore the chosen industry might be a limitation of this research. Therefore, future research should consider expansion to other industries that do not deal primarily in FMCGs.

Moreover, almost all of the interviews took place with decision makers of SMEs with less than 500 employees; only one company was significant bigger. The size of the company might be an influencing factor in the DMP. For instance, only one decision maker (often the owner of the organization) was interviewed. The DMP might be different if several managers decide together. Therefore, future research might be expanded to bigger companies with more than one primary decision maker as well.

5.4.2. Qualitative Interviews and Limited Number of Participants

This research was subject to the characteristics and limitations of qualitative interviews, which were fully discussed in [section 3.11](#). The findings were based on the perceptions and interpretations of the researcher, therefore they are inherently subjective, which might be considered as a limitation, although this is an inherent property of qualitative inquiries. Future research by different researchers might gather additional outcomes, or deploy different research methods.

Moreover, in **section 3.10.1** it was highlighted that the right sample size for qualitative research is contested in the literature. Small sample sizes might limit the generalizability of the outcomes of the research. The potential limitation of 11 conducted interviews of this research is not considered significant, since the author observed that after the eighth interview data saturation was reached.

5.4.3. Relationship Between Decision-Making and International Performance

Another limitation of this research is that the study does not consider any extent of the international performance of the organizations. Only the DMP and the international strategies were analysed, not the success of the foreign market entries. Therefore, future research might gather quantitative, numerical data to develop a connection between decision making and outcomes of internationalization.

5.4.4. Focus on German Culture

This research was conducted using the example of German pet care managers and the impact of the German culture on the DMP. Future research might focus on different cultures to analyse differences and similarities between the cultures, perhaps in comparison with the German cultural features identified in this research.

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APPENDIX A: INTERVIEW GUIDES

German Interview Guide

Wie viele Jahre nach der Firmengründung sind Sie zum ersten Mal in einen neuen Markt eingetreten?

Welcher Markt war das und warum haben Sie gerade diesen Markt ausgewählt?

Wie haben Sie sich damals auf diese Internationalisierung vorbereitet?

In wie vielen Ländern sind Sie heute vertreten?

Was sind für Sie heute die wichtigsten Internationalisierungsgründe bzw. -risiken?

Welche Internationalisierungsstrategie haben Sie heute?

Wie verläuft heute der Entscheidungsprozess für den Eintritt in neue Märkte in Ihrem Unternehmen?

(Wie definieren Sie den Zielmarkt, die zeitliche Umsetzung sowie die Markteintrittsform?)

Wie bereiten sie sich auf neue Markteintritte vor?

Welche Rolle spielt die Landeskultur des neuen Marktes und wie bereiten Sie sich hierauf vor?

Welche Entscheidungskriterien in Bezug auf die Wahl des Zielmarktes (z.B. Einfuhrbeschränkungen, geographische Besonderheiten), die zeitliche Umsetzung (z.B. Erfahrungen oder Wissen) und die Markteintrittsform (z.B. Exporte, Tochtergesellschaften) spielen bei Internationalisierungsentscheidungen für Sie eine Rolle? Warum?

Wie würden Sie die deutsche Kultur beschreiben?

Was sind für Sie die wichtigsten 3 Eigenschaften deutscher Kultur?

Was denken Sie, unterscheidet einen deutschen Manager bzw. Eigentümer von Kollegen anderer Länder in Bezug auf seine Kultur?

Welchen Einfluss hat Ihrer Meinung nach die deutsche Kultur auf den Entscheidungsprozess für Internationalisierungen?

Welche Beispiele aus anderen Ländern kennen Sie?

Welchen Einfluss hat die dortige Landeskultur auf den Entscheidungsprozess für Internationalisierungen?

Was sind Ihrer Meinung nach kulturelle Erfolgsfaktoren für den Eintritt in neue Märkte?

English Interview Guide

How many years after your company was founded did you decide to enter the first foreign market?

Which market was the first, and why did you decide to enter there? How did you prepare this first approach?

How many different countries are you active in today, and what are the most important reasons to internationalize for you? What is your internationalization strategy?

Can you describe the decision making process of new market entries for your company? How do you define the entry location, timing, and mode, and how are you preparing new market launches?

How important is the national culture of the foreign country for you, and how are you preparing yourself and your team to manage this challenge?

What are the deciding factors for you to enter new markets in terms of market entry location (e.g. legal issues, taxes etc.), entry timing (e.g. experience, know-how etc.) and entry mode (e.g. risk management), and why?

How would you describe German culture, and what are the main important characteristics of German culture for you?

What is in your opinion the main difference between German managers and their colleagues from other countries related to the national culture?

What is in your opinion the impact national (German) culture to the decision making process of market entries?

Do you know any examples of other countries where national culture affects the decision making process of new market entries?

In your opinion, what are cultural success factors for entering new foreign markets?

APPENDIX B: ENGLISH TRANSLATIONS OF INTERVIEW TRANSCRIPTS

Interview with Respondent A

Harry: After how many years since your company was founded did you decide to enter the first foreign market?

A: In the same year

Harry: In the same year? What was the reason for this very fast internationalization?

A: Because one of my existing customers from Germany moved to Czech Republic in that year.

Harry: So, it was more a random?

A: Yes

Harry: So, the first market was Czech and it happened randomly. Which was the second market you entered and why?

A: The second market was Austria in the same year and the reason for this was the similar thinking of the people and the near to Germany. Also, the Austrian market is more simple to understand and to manage and it's easier to test. Also, in our market is only one magazine, compared to around 120 magazines in Germany, so, it was much easier to reach my

potential customers with this one magazine. Following this way, Austria was my first test market.

Harry: The Austrian and the Czech were distributors?

A: Yes

Harry: How did you prepare this first approach in Austria?

A: I studied the market and noted, that in Austria no B-to-B market really exists, because there is no structure, therefore I evaluated how to reach the consumer there. I found out, that there is this one consumer magazine, with which I can reach all Austrian consumers., that was the idea.

Harry: So you have adopted the model of Czech for Austria

A: No, it was completely different.

Harry: In how many different countries are you represented today?

A: In 47 or 48, in total

Harry: In any forms, so private label and your own brands?

A: Yes, with private labels it might be a couple more

Harry: Ok, and which are today the most important reasons to internationalize for you? What are the opportunities and risks?

A: Well, regarding risks, I am not really a fan of Arabic markets, because of bad experience with these countries...

Harry: Because of payment issues... ?

A: Yes, mainly because of payments. It's only possible by prepayment, otherwise I can't do it. And regarding opportunities, the German market is actually saturated, so if you like to grow, it's only possible outside of Germany. In Germany we have a destructive competition. For my segment, the premium pet food products, I need to go outside of Germany. For example, in France we have a small affiliate with two employees and the French market is just changing from a professional market to a more free time and emotional market. So, the market develops more in the direction like Germany.

Harry: So, similar to the Irish market?

A: Yes, very similar to Ireland.

Harry: So, in France they have now also treats?

A: Yes, also treats. They started with the full range, not anymore only performance but also casual products now. Also the customers have changed, it's not anymore the customer, which existed 20 years ago.

Harry: So, the market has changed more in direction like Germany and you took the chance to get in because of that?

A: Yes, but of course the market will still be unique but more similar to Germany. Customers have different mentalities and thinking, which is good, and if the market turns more to emotional, it develops to my market. But actually it's because the German market is separated and

we have several obstacles for foreign companies to get in. In Germany currently a trend to premium products is existing, which is good for us, and we might achieve 10-15% growing, but for more we need to enter new markets. Also, the market segments of Germany are not always existing in other countries, which is good for us, when we enter those markets.

Harry: And those approx. 50 foreign markets, in which time frame did you get them?

A: In around 15 years, but as having said, many markets developed by random.

Harry: Can you describe, what is your strategy to internationalize?

A: I don't have. Of course EU is simple for us in terms of bureaucracy and we like to be in those markets. But of course every market has its own characteristics, like Holland, which is very price-sensible. Also East- or South Europe are also ok, but if we will go in those markets, it always needs to be evaluated in detail. So the EU is a must, and we try to enter all of them [EU Member States' markets] step-by-step with distributors; for our own affiliates, we are actually too small. Actually, own affiliates are much better for the long term, because the business is more stable. In Switzerland for instance, the distributor has changed a couple of times, and every time we need to start from zero. So, we need to grow much more to be able to enter more markets with our own affiliates, at least the core markets in Europe.

Harry: But actually you have your strategy, because you start with distributor business and try to develop to own affiliates as the second step, right? And in France you started right at the beginning with an own affiliate?

A: Yes, but we had some minor business at the beginning in the border region

Harry: So, with these 50 markets you are where you want to be?

A: Well, I think I don't need much more. Right now we are evaluating about Mexico. America is not interested for us at the moment, although there is a small markets for our German products.

Harry: But in general, there is only the choice between distributors or affiliates for you?

A: Yes, in big potential markets we like to have own affiliates. For example Switzerland, is a small market, but very interesting for us. This would be such a potential market for an affiliate. The same idea for UK, we are already exporting to UK, but currently we are waiting what will happen with the Brexit....

Harry: Can you describe the decision making process of new market entries for your company? For example Mexico as a new respondent, how do you manage this decision?

A: Well, Mexico is considered to have a partner in America, from where we can deliver to other parts. But we need to wait for Trump, if he builds his wall or not. Actually, there is no strategy behind our decisions, we think

more about a minimum of value for new markets, which is in our case not less than 100k, because otherwise it is not interesting for us because of declarations etc. On the other site, the Russian market might be very interesting for us, we are currently working on that and think that this markets is very promising for our business.. Just finished the first orders to Russia, which is currently very complex because of the embargo, we need to deliver over Italy. But we think it's worthwhile for us.... Another example is Israel, which is a new market for us. They are very well-funded, the contact came randomly by vets from Israel, which are multiples for our products. Finally we could find a potential distributor there. Let's see.

Harry: But you don't do any market analysis or similar before you enter a new market?

A: No, not really, it's very difficult to find suitable analyzes and numbers for our markets...

Harry: Because if I compare with my company, I can say that we are really focused on statistical numbers like population figure or other demographic data, which we use to evaluate new markets. But basically, from my experience, you can't consider markets only by these kind of figures, you need also to know the more inside markets data....

A: Yes, exactly. You need the feeling for the market, you can't only consider because of statistical numbers, that's bullshit. It's important to understand the new markets, but not only by theory but with practice knowledge. For

instance, if would have only considered statistical numbers, I am sure I wouldn't have made the entry into Israel, but the markets demands our premium vet products. I evaluated three potential distributors in Israel and took finally the most potential one... Let's see how it will develop. But with numbers you can't start a business, I don't believe that. You really need to understand a market – apart from numbers.

Harry: I think Germany is a good example for that, because everybody wants to start a business here because of our huge potential, we have 80 million people and have a high economic power here, but if you think on the German pet food market, people don't see that we have here one big player with around 65% market share, who has around 70% private label products... so not really interesting for foreign companies, right?

A: Exactly, almost impossible for retail. You might offer to ZOOPLUS in online and that's it... .. Maybe a bit Amazon, but then you have covered the market.

Harry: Agree... And these new potential distributors in Israel, how did you find out which one is best for you? Have you been there and talked to them or how did you manage it?

A: No, I have really tried to understand the market and found contacts, who could recommend one partner, so I could do it from here.

Harry: And what is the role of the national culture when you think about entering a new market?

A: Well, personally, I can identify for instance with the French culture, but not for example with the Arabic culture... it's not my style to do business, this bazaar mentality. For me, it's important to do business with a handshake, and I need to rely to my business partner; if I can't, I don't want that business. For example, I really appreciate doing business with Japan; they are my biggest international partner... but not with China.

Harry: Really? So the difference in the mentality between China and Japan is that big?

A: Absolutely, the Japanese are much more reliable than the Chinese. With Japanese people I can agree by hand shake and we will have no issues. With Chinese, you sign a 20 page contract but they just don't care and do what they want.

Harry: This is interesting, so you are not focused in China, because they are not that reliable as for instance the Japanese? Although everybody wants to sell to China?

A: Well, China might be interesting in terms of new arising market segments, and of course if you are one of the first, the chance to rule a big part of the market in the future is high, so of course we are evaluating, but currently I don't want to do. Maybe we are also still too small, we might need an affiliate there...it's too complex for us at the moment. If, then maybe over a Japanese company....

Harry: And if you sell to China this would normally mean fast growing and also strong dependence from this market, right?

A: Absolutely...

Harry: Which role does time play for you when you think about new markets?

A: Actually no role. I am not a fan of forecasts like so many tons in three years, as it's normally happen in other big companies. A said, the 100k are important for us as a minimum and then we give every market a chance, at least for five years. You can't forecast seriously at the beginning of a new market. The products and brands are new, how can you do that? It's not possible....

Harry: So, there is no long term planning for a market, you get in and see how it works, right?

A: Actually yes....

Harry: But you give the new markets a defined time, you are not saying after three years you need to have achieved certain numbers otherwise you will leave?

A: Yes, exactly. It's not so easy to calculate, in some consumer markets you might be able to calculate, but as said, all markets are different and you need to consider their characteristics...

Harry: I know this problem from my company, when we enter a new market, my management likes to have a 3-year planning from us, which is actually not realistic...

A: It's stupid to proceed like that. Every rationale distributor will tell you, how can I know that? The credibility and the trust of the consumers are important to get... and this takes its time.

Harry: Do you have a marketing budget for the new distributors, which you share with them?

A: Yes, this will be agreed individually, depending from the potential volume. Normally we share to 50%. But again, we need to have at least 100k sales with a partner.

Harry: Ok, now let's switch to the German culture. How would you describe German culture? In terms of the internationalization behavior.

A: Well, difficult to say...

Harry: ... or let 'say, what are the three most common attitudes for German culture for you? What's typical for us?

A: I think we are still benefiting from our high credibility and reliability... as a German brand you have bonus on trust. International business partners appreciate our German rules, like being in time or correctness etc. I think this is very important in international business... many international companies have found out, that with a German company the cooperation is normally very easy, without any issues and delays. Which is not typical for other European countries, like for instance Italy or Spain. Also with the French people it's much more difficult to cooperate, than with other

countries. I really believe, that if you are successful in Germany, you have good chance to have success also in other foreign countries.

Harry: Do you think it's a competitive advantage in terms of internationalization to be a German company in comparison to e.g. a Czech company?

A: Yes, I believe so, although some foreign business partner are as structured as we... but German culture is known as reliability and credible, and that counts...Also our high standard of quality is important

Harry: Last question, can you define cultural success factors for internationalization?

A: No, very difficult to answer.

Interview with Respondent B

- Harry: How many years after your company was founded have you decided to enter a new market for the first time?
- B: Well, we started our business in 1962 with the sales of products for wild birds and started actually in Germany. With this, we were the first in Germany and later also in Europe. The company grew a lot in the first years, we needed to expand, built more capacities for production and warehousing. Finally, in 1976, we started our business in Sweden. We had a contact there, who was looking for wild bird feed for Sweden but also for total Scandinavia for the grocery company Coop. This was our first distributor outside of Germany. The export was very successful from the first day and soon we were delivering at least two trucks of products every week. With only one contact our products were immediately available in whole area of Scandinavia. Apart from that it was quite difficult in terms of bureaucracy in terms of customs and other export issues, since to that moment the European Union didn't exist, which meant several new challenges for our young company, but somehow we were able to manage it.
- Harry: So, would you agree that this first foreign market – Sweden – was actually a random, because you had there a contact? I meant, it sounds that you haven't planed it before...

- B: Yes, this wasn't planned or pushed before and yes, actually it happened randomly.
- Harry: And which were the next steps in the internationalization process? Did you proceed within Scandinavia or which countries came next?
- B: I think the next market was Holland in 1980 and in 1981, I hired a sales agent, who should work on our internationalization process in Europe. He was employed to travel across Europe and find new partners for our products. So, our export business grew from this moment. But important to mention is, that the years before we worked on expanding our production and warehousing capacities here, so when we entered more foreign markets, we had enough capacity to grow. Then we expanded in Benelux, Belgium France, Luxembourg... and developed customer relations within these countries.
- Harry: So, all new contacts came mostly from this new agent?
- B: Yes, especially within Benelux. But mid of the 80s we participated first time at the Interzoo to get new international contacts.
- Harry: So, foreign markets played an important role for your company even before the European Nation were founded?

B: Oh yes, even many years before... For us it was always important to have wide distribution all over Europe at the consumer side, so we could develop brand awareness for our products.

Harry: And how did you prepare these single market entries. Did you analyse the markets in terms of competition or in terms of demographic data, or how did you do it?

B: At the beginning I would say we were more actively and really tried to be in new markets and contacted many customers, but later since we became more and more a brand, we received many inquiries from other countries. So, no, actually we didn't prepare ourselves well for new entries... but we are still present on the Interzoo to get new customers also from other countries. We always try to present our company with a the biggest stand there to impress new customers, who don't know us. This has worked very well since more than 20 years. Many key accounts of our portfolio have been found on that fair.

Harry: Yes, I agree the Interzoo is becoming more and more an international fair-trade...

B: We have also a big distribution because of Lidl...

Harry: The grocery stores?

B: Yes, we are listed at Lidl and they are in almost every European countries and in 17 countries also with our products.

- Harry: So, you sell to Lidl in Germany and they do the export and everything?
- B: Yes, we are only selling to them in Germany, we have only this contact. But we can discuss with them, to which of their countries they should sell. As you know, languages and ingredients on our packages is a big thing, so we have to agree with them first, in which markets they want to sell our products. I think we are today present in almost 20.000 stores... Actually my target was always to get brand awareness in Europe and customers like Lidl helped to reach this target.
- Harry: So, it's common within grocery business to have only one customer who does the internationalization for you. Have you anymore?
- B: Yes, we are also in EDEKA for example and we were also in REWE. But we stopped this, since the business went too fast too big and we were afraid, to become too dependent from only one customer. We are a family company and try to grow, but reasonable and carefully.
- Harry: So, in many countries you have many distributors, not only one exclusive, right?
- B: Yes, exactly. We are in the grocery stores but have also several distributors, who sell to other independent customers or to other chains or key customers. Exclusivity is not really so important in

our business today. The distributors are happy to sell our brand. But of course, the negative side of this model is, that it's harder to control in terms of prices and discounts, when you have many contacts in one country. Fortunately, online business is not so common and price dumping either.

Harry: And what would you say, which are the most important reasons for you to internationalize?

B: Brand awareness and controlled growth. I mean we could have cooperated further with REWE and increased our capacities, but we always tried to avoid unacceptably high risks for our company. I mean we are responsible for more than 100 employees today... But actually, we never wanted to become much bigger, we thought that it is nice to know each employee personally...

Harry: Ok, and in how many countries are you today?

B: I think in around 25 countries, only Europe. We were also in North America and Japan, but we stopped this...

Harry: Why?

B: Too far away, too difficult to control and to manage... We were in the USA over Amazon in about 38 Amazon warehouses but the managing was difficult and after two years we stopped there. But we still receive letters from end customers who tell us that they would like to have the products there...

Harry: And today, when you think about new customers, is it more that you are actively looking for new clients or are they contacting you directly since they want to sell your products?

B: Actually we are done with that. We have increased our international business with the contacts from Interzoo since many years and today I would say, there are not many white flags on the European map. But yes, we always tried to be in every country so for example, we were looking for someone in the Baltics and started contacting several potential distributors there. Finally we found somebody, who sells today our range. The only markets we are not present today are Greece and Spain...

Harry: Because people those south markets don't feed wild birds ?

B: Of course not so strong like here in Germany, but for instance Italy is a very strong market. Also some markets need different approaches in terms of then products. In England for example, we produce the nets of the fat balls in red, whereas they are in almost all other countries in green....

Harry: What does culture mean for you?

B: Well, difficult to say. I think culture is typical for a country or region, how the people there are, how they think about everything. Also, how people behave and treat each other...

- Harry: When you are trying to decide whether to enter a new market abroad how much importance do you attach to the culture of that country?
- B: Actually nothing.... For us is important the love for nature and for animals in every country and people like to care about their animals, I think that this is independent from culture.
- Harry: Do import restrictions or other issues play a role for you when you decide to enter a new markets? For example like in Switzerland?
- B: Yes, we avoid for example Russia, due to the embargo. We could avoid that by delivering through other countries, but that's too complicated, so we skip that countries. Also Switzerland it's hard fr us, we are there, but sometimes there are any issues with the export and we can't deliver or the products lie 6 months at the customs. And you know our products are only valid for 12 months....
- Harry: And China, is this a theme for you? I mean many companies try to sell their products there...
- B: Well, we think that Chinese people haven't this relation to nature like we have here, so there is not really a demand for our products...
- Harry: So, your international business goes either over big grocery companies like Lidl or EDEKA or with independent wholesalers,

who distribute to retailers. Do you use any other market entry forms like e.g. affiliates?

B: Actually we use only these two forms and direct imports from chains, but we don't have own affiliates in foreign markets. We also don't use agents anymore today...

Harry: Ok, very interesting. Other topic, how would you describe German culture? What is the special thing of us Germans? How would you describe us?

B: I think, related to my business, we like to have an own house and garden and we have this closed relation to nature and animals...

Harry: I agree. But if you think more general, for example when I am in Spain, I am always the first in meetings, am very punctual and reliable...

B: Yes, I agree, reliability is very typical for us....

Harry: And if you consider the success which you have with your company, do you think this is linked to the fact that you are German? Because you have German attributes?

B: I think so, because all our foreign competitors had really problems to develop their businesses...

Harry: Are there many competitors from outside Germany?

B: Only from outside, in Germany is nobody... only very small ones

- Harry: So, you are in a monopolistic position...
- B: Actual yes, it's a very niche industry...
- Harry: So, after having said that German culture is known as reliable and punctual, can you define cultural success factors for market entries?
- B: We always tried to develop new products and to be the most innovative company in the business... also we tried always to work on the range, today we have more than 200 sku...
- Harry: And regarding the internationalization, what is your personal target, do you want to enter more markets or are you happy with the number of markets you are present... ?
- B: I think we are fine with the markets we have, but we are open for new entries, but we don't push... In Europe we are almost everywhere and in countries abroad, we are not present. But I think the only way to work on that would be to develop own fabrics there, it's not working with export business oversea because of the long delivery times...
- Harry: So, in USA or China you think the only way to enter those markets would be with own fabrics/affiliates... maybe also in Russia, all countries outside Europe
- B: Exactly, otherwise you can't control and manage it... Also the different languages are an issue, as you know we have to print for

each market the relevant language on the package, which is always a challenge for us. I know competitors, who stopped with some countries because it was too difficult to manage so many languages...

Harry: Many thanks for the interview!

Interview with Respondent C

- Harry: How many years did your company operate before you decided to enter foreign markets?
- C: Our company was founded in 1890 by my great grandfather and first my father decided in the 1980s to internationalize, which he initiated by a first participation at the big fair in cologne early in the 80s. So, the company operated for around 100 years before we started our export business.
- Harry: Ok, to clarify, the company had no activities outside of Germany before?
- C: Yes, exactly. The participation of the SPOGA in 1980 was the initial start for us which led to the company structure we have today. We have still some international partners from this time.
- Harry: So, the idea of this participation was only the international markets?
- C: Of course we also intended to introduce our products to more German companies, but yes, we went to the fair with the plan to find international partners for our business.
- Harry: And what exactly was the reason for this new plan after such a long time operating only in Germany to start export business?

- C: I can't remember exactly why my father did. Maybe it had to do with some kind of saturation of the market, which is at least today a motif for us and all of our competitors.
- Harry: Do you remind which was the first market you entered?
- C: Not sure, but I think it was the French market and the company is still our partner in France.
- Harry: And do you remind why just this market was the first international export country? Was it planned or maybe random?
- C: Actually, it wasn't planned, and arose from the trade fair. They were interested in our products, and we delivered: very simple.
- Harry: And how did you prepare of the internationalization?
- C: I think we didn't actually prepare ourselves for the new potential customers. It was very pragmatic, we only decided to expand by finding new customers in foreign countries, but we had not really a clue how to do it....
- Harry: And do you remember which markets came after France?
- C: Not exactly, but the Scandics and the Benelux markets were the following countries we exported after France. Then we started step by step with some East European countries...
- Harry: And in how many countries are you today?

- C: Difficult to say, we are in all countries of Europe, Russia, China, Australia, the Gulf markets, Egypt... the only continents, where we have no activities are North and South America, so, for example also the US market. But apart from that we are represented in almost all major markets of the world.
- Harry: So, different languages are an important issue, since you haven't so much space on your boxes, right?
- C: Yes, languages are always a big challenge for us. We use different language cluster to manage that, but it's complex...But I think that European companies like we are used to this issue, when they want to work international, whereas US companies for instance are more focused on their English and try to use their language and way of working also in other European countries, which might be a reason that many US companies have problems to enter foreign markets.
- Harry: What are for you today the most important reasons but also risks to internationalize?
- C: Well, we have many brands in our portfolio and we are always trying to be represented not just on our home market but also on foreign markets with these brands. So, marketing and brand awareness are one reason. Then, of course we want to make business, which is more a profit-seeking motive, and if we have opportunities, we do. Regarding risks, difficult to say, of course

there are many ones. In our case, as a producer for chemical goods, we have always a lot of bureaucratic and legal issues with our products, inside and outside of Europe. This is by the way something we can't forecast and calculate. Then, independent from our business, I think the current political and economic situation in many countries can be difficult for us. Russia, for example, has the embargo and we have to manage that with tricks to deliver to this market. Also, since Trump is President in the US, I think that many things have changed, if you think of trade wars etc.... We have to manage that, but in any case I think that the next years will be much harder for our export business, which is a risk. Also the spending power and consumer behaviour might decrease in the coming years... On the other site, the trade wars lead to issues with customs and import restrictions, which might destroy some of our business. For example, we have delivered to Egypt for many years, but currently we have, like other companies as well, huge issues with exporting to Egypt. We have always managed it, but the effort for us in terms of the bureaucracy has increased a lot, so the transaction costs are higher than before. So, these are the problems we have today. Worldwide, protectionism is increasing.

Harry: So, you think that market protectionism is a risk. And what about China? I mean this kind of problems are normal for China....

- C: Yes, in China we are for many years but fortunately there are no negative changes right now.
- Harry: If you think about the internationalization strategy you have today, how would you describe it?
- C: Well, of course this is a very broad point with many influencing factors. As you know, especially in fast moving consumer goods, the markets and their structures are changing. In the past we used to have the typical structure producer- wholesale-retail-consumer. Today, the wholesale segment is more and more dying and more producers deliver for instance directly to retail or even to consumers. Also, if you think about the big online pet shops like ZOOPLUS or Amazon, they are in a hard competition to local retailers. And due to the internet, everything has become much more transparent, so everybody is always well informed about prices and buying sources. This happens in almost all markets worldwide, dependent from the individual market faster or slower, but it happens. Also, if you think of the big retail chains like FRESSNPAF or MAXIZOO, they are getting more and more market shares in all countries and try to focus on private label, which is a problem for established brands like we are for example. It's very hard to forecast this exactly which makes it very difficult for me to define a clear strategy. I try to think in many directions since I really don't know, what will happen. So a final internationalization strategy honestly doesn't exist at the

moment...I think the time will come, that we will enter the b-to-c business and deliver directly to consumers, but today we still stick to our partners and use the marketing channels we have. But who knows in the future...If I think about those countries we are not presented today, like for instance the US market, this might be interested for us to enter, but summarizing I have to say, that the increasing legal and bureaucratic efforts are obstacles for us to initiate further export markets. Maybe, we will think about reducing markets and concentrate on well performing partners.

Harry: And which kind of market entry forms do you normally use?

C: Only with exclusive distribution partners in the foreign countries, who deliver to retailers there. So, no affiliates or other forms. In our case we produce here; it makes no sense for us to establish, for example, an affiliate. There are some exceptions, where we deliver to chains in some countries, who buy directly.

Harry: And you never thought about using a different form?

C: Ok, we have also in some countries agents, who are working on a commission base for us, yes. But no other forms.

Harry: How do you prepare on new market entries and which role does the national culture of these markets play for you?

C: Actually, after we have found a new partner, we visit him and we try to understand the market. But I wouldn't say that we do a really

preparation for this. For us is more important in terms of the market potential, how many animals exist and how the general relation to animals is. The culture is not so important for us. Of course each country has its own rules and if you want to do business, you have to follow these rules and during the years we got a lot of experiences, like with Chinese or Arabic partners.

Harry: How would you describe the German culture? What are the most important attitudes of us Germans?

C: Well, I think we are known as very carefully and quality-oriented, which is relevant for our way of working e.g. in the management, but also it's relevant for our products. 'Made in Germany' is still an important slogan, and it is relevant to our business. And it underlines our culture and led to the leading position of Germany in the world. Also, our punctuality and reliability is typical for us....

Harry: And how do you think impacts our culture the success of market entries?

C: Well, I think we were for many years export leader and I believe that our cultural virtues have influenced a lot the way, German companies manage their internationalization business. I think our culture played and still plays a dominant role in the world. All over the world people know our German attitudes and appreciate them... The German is punctual, reliable and delivers products with high quality. Of course, our geographical location helps us to

be like we are. If you think of South European countries, the heat there is always a problem and is a reason to explain, why people there are like they are...

Harry: And how do you think impacts the German culture the decision making process of market entries?

C: I think it's hard to generalize, but I would say that Germans are much more professional than other nations in business in general, but this might be also valid for internationalization and the preparation for them. But I believe it's hard to generalize, for sure there are companies from foreign countries who are also very professional, so it depends also very strongly from the different companies and their culture. I think we Germany are very flexible and able to adapt our products and processes to foreign countries. If I think of the Americans for instance, they try to push their products and their way of working into foreign markets and have often problems, because of missing acceptance there.

Harry: What are cultural success factors for entries in foreign markets?

C: I think the flexibility to adapt to foreign cultures is important, which is related to management and products as well. What is special in the market? How do people work, what is important for them? And so on. Also, what are the demanded product attitudes... Sometimes the colors have different meaning and we need to change them. Also, reliability is important. If I think of my Chinese

partners, it takes very long to get their trust, but if they trust you, they are reliable business partners.

Interview with Respondent D

Harry: How long did your company operate in Germany before you decided to enter a foreign market?

D: We decided after five years, in 1990. It started in the Benelux countries and Austria. In our neighbour countries, which was easy for us to manage. Before that time it was only random, not really planned. When somebody asked for our products, we delivered. But there was no strategy behind, we just reacted. There were no activities from our site in direction to foreign countries. We had too much other things to do with developing our company. I mean when you want to enter a new market, you need to have a certain portfolio, which you can offer. Otherwise you shouldn't do it. So, the begin was the German market and the we extended our exports more and more and in 2010, when the company was sold, we had about 50%-60% share of export with around 60 countries.

Harry: And when you decided to increase your international business in the early 90s, which was the motive for that?

D: Well, in any case it wasn't that in Germany was not potential anymore for us. These times, the German market still grew a lot, not as much as UK or France, but strong. We observed the development of the pet industry in these other European countries and decided to start market entries in a professional way. We had a clear strategy from the beginning. We hired an export manager, who only dealt with new foreign markets. He

went actively to the markets, visited the big chains etc. We also had much business with FRESSNAPF in Germany, before they bought MAXIZOO and went into foreign countries.

Austria was the first market, which we actively entered with own sales people. But anyway, from the 90s we had a clear growing plan in Germany but also outside. We really pushed our internationalization.

Harry: And why Austria?

D: Just because of the language... but we soon discovered, that the Austrian market was much easier than the German one. There were no chain stores or other structures.

But back to the internationalization strategy. We discovered in the 90s that our export business grew much more than our home market. And therefore we pushed exporting more and more. Our export division grew and we started with further own teams in Benelux, France and Italy. In all other markets we used exclusive distributors, who could manage our sales there. So, we had only one contact in each of these countries. And that worked very well. I think a success factor was that we always had only one partner. Most of them were only working for us. We allowed him to sell food, but accessories he had to buy only from us. But this distributor network developed also from random. Often, they were already a customer and we had a relationship to them. Then we suggested to become a distributor and so things started...

Harry: That's interesting since most of the SME had not really a strategy...

D: Yes, we had a clear plan from the very beginning. We observed all the European markets and checked potential wholesale companies in those markets who could distribute our products exclusively. So we received more and more markets.

After we had covered mainly all European markets, we started also in the US, but also only with a distributor....

Harry: And did you change your internationalization strategy to anytime?

D: Not so much. What we did after a certain time, was starting with direct imports. We delivered directly from the fabrics in China to our international distributors, which caused a lot of logistical advantages, and we could sell for much better prices than before. This step was really important and pushed our international business very much. Actually this was the second step in our strategy after starting with distributors and own teams.

Harry: And how did it goes on after the company was bought by private equity in 2010?

D: Well, you know they didn't really had knowledge or experience about what they were doing. Of course we thought about acquiring some companies somewhere in Europe and indeed they did, but more from the perspective of a private equity company, to increase the company to increase it's worth for an exit.

Harry: And where there any markets you went back because they did not work?

D: Yes and no. We discovered that some markets were much more difficult than other markets. France for instance. But we tried to improve and to adapt better to these markets and finally we could keep every market, also the problematic ones. In the US for instance, we changed finally to direct imports after we had not really success with the normal approach. Or, we changed people or distributors in difficult markets. I would say, at the end we managed every market.

Harry: Which were the most relevant risks for internationalization?

D: Political crisis for instance were always an issue, embargos for instance. But in a long term perspective these markets never went out, they only were reduced for a certain time... Also the currencies were an issue, so sometimes our prices were not competitive any longer. I mean these are things you cannot influence. But again, we had a clear strategy about every market and were always in an intensive contact with them. We were always informed and had a plan B. And I visited every partner at least at the beginning to find out, how we can cooperate. Also, we knew that we had to adapt at least for a part to their business behaviour. If you think for example on payments, they are everywhere different. In the French market, people still use to pay their invoices with checks. Or if you think on payment terms, in Russia companies pay not before 120 days. Things like that you have to find out. You can't just push them to the way we work here in Germany... I think this is a very important point in international business. And I think this was one of our success factors we used and which many of our competitors did not. We were very

flexible, almost every country had their own conditions. If you are so arrogant to try to dictate your customer your way of working, you will fail. And another very important point is to adapt to the taste of foreign countries. Apart from the price, you need to find out, which products are the right for each market. And that is not so easy, because it requires a lot of product and market know-how. Product which are successful in Germany can be the opposite in France for instance and so on. And with that we were very good, since we had so many different items. We could offer the client the products in many variants, so for sure the right product was available. Of course, this was very complex. But we managed it somehow. I would say it was a process, it took us many years to get the right feeling for every market. And we made a lot of visits during this time. But we also got product suggestions or requests for specific colours or sizes from our customers and when it was possible, we produced it custom made. Again, this underlines our flexibility, innovation and individuality. But with this we increased the connection to our partners and their loyalty.

Also if I think about our catalogues and the labels on our products, later we had everything in many languages, so every market was covered. English is not always enough.

And we invested every year a part in the development of new markets, like producers invest in R&D. Because, if we started with any new market, we won't made any margin within the first two years. It was always a strategic decision. But we knew that.

I would say that we gathered a lot of learnings during the time. If you think about the different order sizes for instance. In Denmark never more than 10k, in Austria maybe 50k and in Russia it can be 100k and more. All these things you need to explore and learn. Actually it was a lot of learning by doing in our international approach. And we were always sure that we don't need any consultant, we always wanted to make our own experiences...

I think without our international business we would not have been so successful. We needed the foreign markets for our growing. Also, the export business supported the German business, because of price effects. We could order bigger quantities in China and got better prices.

Harry: Do you think that the success you had in international business would have been different if employed managers would have managed the company?

D: Yes, to 100%. Employed managers never think so strategically like we did. A family owned company is always much different in their strategic focus. Managers think about their bonus, yearly targets and so on. Then they leave maybe the company. This is a risk for every company.

Harry: And when the finance investors took over the company in 2010, which impact was that for your international business?

D: At that moment we stopped that expansion, we had suddenly so many new internal topics to manage. I really can recommend to every family owned company, which works conservative and careful, not to start with

private equity companies, who only have the fast success in their focus. They might close some markets, because they think the profit isn't enough anymore. But this is a wrong view, because you need to consider the whole package, if you think on the synergies...

And then the personality and spirit of the company disappears as well...

Harry: How important was your brand in the international business?

D: Very important since the brand became more and more famous and we were very independent from private label business.

Harry: Were there any markets which you couldn't manage to enter for some reasons?

D: Sure, the more far away a market was, the more difficult it was to enter. Also, especially in Asia, their taste of pet accessories is much different from ours, so it's hard to sell our products there. Maybe we could sell 20% from our portfolio. We tried it, also to Middle East, for example to Dubai, but not with the same success like here in Europe.

Harry: What means culture for you?

D: Culture describes for me how people of a country act and live together in other countries. Or how they feel and how they think about things. It's important to know at least the main characteristics of a culture to communicate with them in the right way. Especially with Asian people you can make many mistakes, when you don't know main important things?

Harry: For example?

D: For example in China it's not polite to give somebody your business card with one hand, you need to show it to him with both. Or, Chinese people look very seriously to you when you explain something. This shows their respect... ..

Harry: How would you describe German culture, which are the most important attitudes of us?

D: Reliability and credibility. These are the most appreciated attitudes of Germans in foreign countries. We always heard that. Maybe also our honesty, which is in foreign countries not always that normal like here. Maybe also our clearness.

Harry: And do you think this advantage was more important for you in the way you were working or was it that people from other countries perceived you with all these German attitudes?

D: Maybe this exact the reason why Germany and similar countries are so successful. I mean there are attitudes of people from other cultures, where they are better than we. For example if you think of human relationships, this is always a bit difficult with a German... they are much more relaxed than we Germans. We are more starched and not relaxed. But this relates again to our reliability, people know that we are reliable. Of course we are drinking a beer in the evening, but at the end of the day the business counts. We knew that and also I remember that it was always very important, to which people you had to talk to. Other people

could not do any decisions. I think this thinking in hierarchies is in other countries much stronger than in Germany.

Harry: And do you think that our culture influences also the decision making process of internationalization decisions?

D: I think the Germans like to make progress very soon, not to anytime. Of course we knew that we will need 2-3 years until the market was profitable, but then it should work. And we had always our targets clear in focus and were regularly in contact with the distributors. Maybe in other countries people are not that focused and just let things develop by themselves.

Harry: And when you are trying to decide whether to enter a new market abroad how much importance do you attach to the culture of that country?

D: I would say it's a minor thing. There are other topics like market size and demand, which are much more important. The culture is something we arrange with later... ..

Harry: Do you think that German companies have more likely an internationalization strategy?

D: I mean, we had a clear strategy from the beginning. And I assume, that many other companies from Germany work similar like we did in terms of their international business.

Harry: Can you define cultural success factors for the entry in new markets?

D: I think it's very important to know about the mentality and culture of the people, when you want to enter their markets. This was of course something we learned during the time, it was a process. And still today I discover all the time new things like that. I think this adapting to other cultures and way of workings is very important. When I have an appointment with somebody in Spain or Italy, I know that he will arrive at least 15 minutes later. In Russia even worst, sometimes people arrive hours later. But of course you shouldn't tell him, that he is in delay. This would stop the conversation immediately. And of course they wouldn't excuse. We would excuse many times and we would have a bad conscience, others don't have. You have to be very sensitive for that. You need a lot of human knowledge and fine tuning. At the end, always human make the decisions. But we had to learn this and it took us years. Learning by doing. But we always knew that we needed our international partners, we never would have had success in foreign countries with own employees from Germany. But I cannot learn every mentality.

It is also important that you have enough money, because every new market costs a lot of money to develop. And due to our ownership structure, we were responsible for covering this; it was our money. Employed managers would not have been in the same position. We always chanced a lot, but in the end it was worthwhile.

Harry: Many thanks D for the interview!

Interview with Respondent E

Harry: How many years did the company operate before entering a foreign market?

E: That was shortly before the first world war happened, so around 80 years after the company was founded. On the other side we changed the portfolio in the 1920 more to pets, and if you consider this, it was almost to the same time. Until the 1950 we had around 50 distributors worldwide, so only wholesalers and no affiliates. From the 1960s we increased our international activities...

Harry: And which were the first countries you entered?

E: We started in the Benelux countries, Switzerland and Austria, France and South Africa. Almost parallel, so to the same time.

Harry: And why did you choose just these markets?

E: Well, difficult to say after so many years. To that time we were strongly influenced by our owner family and I assume that they wanted to start their internationalization activities around the home market, in the neighbour countries. Maybe the German language was a reason for Austria and Switzerland. In the case of South Africa, I think it was more randomly, not really planned. I think we had a friendly contact there and so it happened... Most of the decisions were made by the owner family and were very personally. To that time we had of course not the data material available, we have today, when you think on Euromonitor and

other databases. It was a different time. Decisions were made very basically, they considered the sales in Germany and calculated that e.g. in Holland the sales should be around 20% from Germany, so very simple. If the potential was high enough, they decided to enter the market. Moreover, they considered other issues like logistics or customs in their decision. Is it worthwhile for us to sell a product we produce here for 50 Cent to deliver it thousands of kilometres? So, the people knew of course roughly about pet populations in different countries, but you can't compare it with the market transparency we have today. The decisions were much more risky than we have today.

Harry: So, you mentioned that from the 1960s you increased the international business. Why and how did you do it?

E: Yes, we started to establish own affiliates in different countries, in Switzerland, Austria, Belgium and so on, until 2014 the last one in China. But again, we are now talking from own companies in foreign countries. Today we have 20 countries with own affiliates....

Harry: So, you use different types of entry forms?

E: Yes, we have still countries, to which we only export and on the other side we have own affiliates in other countries. Currently we export to around 30 countries....

Harry: Which are the reasons for you to be in a market with own affiliates or only with export?

E: Very simple, growing. If you consider Germany and most of the European markets, there is only small potential to growth. The population of pets is almost constant, maybe with little growing in the last years. So, a growing only because of the increase of the population in these markets is not possible. In these saturated markets we can only growth by adapting our portfolio to new trends, like for instance the humanization of pet food, which opens us new opportunities by offering more premium products. This is a different case than for example delivering to China, where a demand and a pet food market is not older than maybe 15 years and the market has growing rates up to 30%. This is more a quantity approach, whereas in most European markets we can only growth by offering more quality products. In many Asian markets the relation between humans and pets is totally different than here in Europe. In some countries pets have the same status like we consider here insects. They don't offer their dogs and cats industrial pet food but they give them the leftovers from their food. But this is more and more changing and the markets demand more and more products. Actually in some markets like Japan or China, the people are becoming a bit over the top, their relation to their pets is higher than for example here in Germany...

Harry: Your company was sold by the founder family in 2013 to a big company group. Do you think the way of internationalization has changed because of this?

E: No, actually not. The approaches and backgrounds might be different, but actually the internationalization was one of the reasons, why the

family sold the company. And they didn't want to invest so much in the structure of the internationalization, so in new affiliates markets and infrastructure. Also, the family had no followers, or their children were too young, and so they decided to sell the company. But actually we are still a family company, you know the DEUKA group is very successful with private label pet food. And of course for them synergies also in international markets played a big role when they decided to buy us. So, they also push the international business especially in USA and Asia and not too much changed for us. Only the decision and processing time has increased, since we have the new owners. The old owner decided more viscerally and not so structured and management-oriented and more out from his own perspective. Maybe some decisions took less time than today, because the process is longer. The new owners are more focused on the in the company existing competences, tries to work more analytically. On the other side he is still an entrepreneur, who can makes finally decisions and takes the risk for them. Currently we are investing very much in the infrastructure of our company... I think it was great for us that we were sold to a competitor and not to a private equity group, so we could use the synergies and are still a leading company on the market.

Harry: Considering the around 50 countries you are working with, are there any markets you would like to be present but why haven't you already entered them yet?

E: Sure, there are many. There is still a lot of potential for us, but we are checking new market entries for instance in Asia or South America today very carefully, before we decide to go. Often the parameters in terms of allocation of people and their pets or the income distribution in these markets are not fitting, so we avoid to enter them. Finally we are working with consumer and not with investment goods, so we have different criteria for new markets like other industries. Is there enough potential for demand from consumers for one or more type of pets? We are an umbrella brand and have of course priorities within the cats and dogs range, so the market demand is very important for us. And of course in new markets we need to be in a reasonable ballpark, comparing with other markets. For smaller companies, it might be useful to start international business already with small quantities, 1 or 2 pallets. But we need to have at least the potential for bigger volumes. In general we do a very proper preparation for each new market entry with analysing the important market data. And apart from this demand side perspective we are also checking the legal and veterinarian conditions especially related to import restrictions for this country. As you know there are still many countries in the world which protect their economies and it's very complex to enter them. For example due to the BSE crisis we had in the past, we need to produce snacks for dogs in New Zealand for the Australian market, because they still believe that beef from Europe contains BSE... same in the USA, we also have a production place there. Also you if you think about the difficult logistics of pet food, there

are still many countries in the world which are currently not ready to start with.

Harry: Which role does the current political role play for your internationalization process?

E: I would say basically there is no direct influence, but indirectly yes. If the USA for instance start with a new embargo or new customs, we are of course affected. But political conditions are more general and not belonging to our core decision conditions if we want to start with these markets or not. Again, for us is more the demand site in the country important.

Harry: When you have decided to enter a new market, how do you chose normally the market entry form?

E: I think we haven't started in any market without first exports to a wholesaler or distributors. After a while we decided in some markets to start with an own affiliate. In about 10% of these markets we took over the wholesaler, and started with our own company afterwards, and used the existing infrastructure of these companies.

Harry: What means culture for you?

E: Well, culture is how people think, handle, feel... It describes a population I an specific area or country. Sometimes the culture is very different to our culture, then we might have challenges in the communication, like in Asia for example...

Harry: Which role does the culture in the new market plays for you? How are you prepare on that?

E: No, we don't care. There is no structured processing with cultural themes.

Harry: Ok, and what does German culture mean for you?

E: This is a difficult question because it is a self-reflection... But I would say, generally we are rational in our acting and thinking, we are responsible and reliable, innovative, punctual, structured...

Harry: What do you think decides a German manager of colleges from other countries in terms of the culture?

E: Well, if you compare managers of different countries, normally their education and career has been similar in the past, so I would assume, that the differences might not be so big. I mean this is a different comparison if I consider the cultural differences between populations for instance in Asia and Europe. But if I think about cultural differences of managers in different countries, I think this is very difficult to evaluate... No, I wouldn't say that there are any big differences, maybe in terms of the working culture, there might be differences. But the quality of the management decision is in my opinion not depended from the national culture.

Harry: What would you say, which influence has the German culture to the way we are managing internationalization decisions?

E: Well, I don't think that other nations are working with the same standards like German manager but I wouldn't say that our German culture is always seen as an advantage. I think that German products have such a high distribution in foreign countries, because the demand of our products is so high, our design, our quality, safety... They trust us and our products. And they know, that we are reliable in the way we work. This is more related to the quality of our products and of German culture itself than of only the management of internationalization. German products have a high reputation in other countries for mainly all kind of industries, but of course there are some industries like e.g. cars, which are a good example for German quality. And other industries profit from these good examples. Made in Germany is still very important in many countries. I think that people in foreign countries see Germans always a bit different in a negative way, but actually because of how we are, we are so successful with our products.

Harry: How are you managing individual product demands in foreign countries?

E: We can't do that, because we are too big. I know that smaller competitors of us are more flexible and can adapt on the country specific needs, but we don't do that. Of course, we have different languages, but that's it. The only exceptions are snacks which we produce for Asia and USA in New Zealand only for these markets. But this relates more of the legal problems we have there.

Harry: What are cultural success factors for market entries for you?

E: Well, I think that firstly the focus should be on the products. You need to have the right product at the right time and the right place. You need always to be innovative and better than your competitors. FMCG industries always need new products, since the consumers require them, only in Germany we have more than 50.000 new products each year. So, brand, product, sales network and a high acceptance at the pet site. It's easy to receive the consumers' attention, but finally the food must have a high palatability, otherwise consumers won't buy it again. So basically, I don't think that the demand criteria of a product in a foreign market can be decided based on the criteria of the home market.

Harry: Many thanks for the interview.

Interview with Respondent F

Harry: How long did the company operate when you entered your first foreign market?

F: The company was founded in 1974 and within the first 10 years it was only Denmark, since our founder had a good network there and we are not very far from Danish border. But that was very little and only to some retailers in the near of the border, so no distributor or similar existed to that time. To that we had no strategy and it was more randomly and actually the company had no employees before 1983. Actually, we started our internationalization approach in 1986, when we were the first time at the Interzoo in Wiesbaden, before I wouldn't call it international business. So, we started internationalization after 12 years since the company was founded.

Harry: Ok, so 1986 you started your international business. And which markets were the first?

F: I think we started very soon with the Austrian market afterwards with Poland, Czech Republic and Italy. In these markets we started with exclusive distributors, who did actually the same like we did here in Germany, wholesale to retailers in their countries.

Harry: And why did you started with these countries?

F: Very simple, because they asked us... There was still no sales strategy, we just offered our range and chose the first companies. When we

started with being at the Interzoo, we actually had the Germany market in our focus, not so much the international ones. We were looking for new clients from Germany, especially from the South. And at this time we had one exclusive products with which we were able to compete with other companies at the fair, but again, were very small in 1986 and had only 14 employees. Actually it was a very hands-on approach, without any strategies.

Harry: How did you prepare for the internationalization?

F: Nothing at all, it was just doing. I mean at this time Austria for instance wasn't in the EU and the first customer from Poland came by car to us and we filled his car. For sure it makes a difference, if we talk about non-food or food products. With food products this wouldn't have been possible.

Harry: So, you don't care about the culture in this country?

F: No, we don't consider anything, since we don't have really a strategy.

Harry: In how many countries are you today?

F: I think in about 80 in total, but if we consider only the big exclusive partners, we talk about 25. In smaller countries we start normally very hands-on, we give the products to a company and wait about the development. Sometimes another company in this country notices about our products and becomes interested... Since we have still enough

growth in Germany, we were not in the need to push our internationalization very much.

Harry: So, does this mean that you are not acting proactive, you wait until somebody likes to have your products and then you evaluate?

F: Yes, we know that this is not very common, but yes, we are doing like this. Fortunately, we are in this lucky position without high pressure. But actually, we are just working on a future strategy, since we know for sure that our growth in Germany will come to an end, and we will need to concentrate more on the foreign markets. So if we want to continue growing, we need to have more international partners. The plan is to develop a team in the future to analyse new market opportunities, and travel to them. Then we will start contacting new potential partners proactively.

Harry: This is very interesting, because many of your competitors, which I talked to, really tried to push international business from the 80s related to less growth in Germany....

F: Well, I mean we had our international partners, but they came without help. I mean we were all the time at the Interzoo and the bigger the fair became, the bigger became also our stand. And with each fair, we received more requests from international companies. From 1992 we covered the whole area of Germany with own sales reps and from this time we extended also to more international markets. Also our product portfolio grew more and more, and we became more interesting for

foreign markets as well. Finally we could really select partners, because sometimes we got several potential company requests of one country... And then we flew to these countries and visited the companies and selected finally the best one, but still without intensive analyses. Often, our gut feeling was more important to us than other criteria. And fingers cross, most of them are still our partner today, we had only little change with our partners.

Harry: Which are for you the most important risks for internationalization?

F: Actually we did not really care about any risks despite of payment issues, of course at the beginning of new corporations we always deliver against prepayment and after a while we switch to payment on invoice, but fingers crossed, we did not have too many bigger payment issues in the last years.

Harry: And other risks apart from payments?

F: Yes, of course, political crisis all the time in some countries. For instance, Russia and Ukraine is such a recent case, which we realize. I am always impressed when these people tell me, that they need to proceed in their business apart from the political crisis, since they need to pay their people in their companies. They can't plan it exactly. But since our turnover in Germany is that high, even if we lose 30% of revenue in a country like Russia, that is still not much for us. And in the same time we compensate this loss with other countries. Currency risks we don't have since we invoice in Euro, so the Russians or Ukraine's needs to change

all the time their prices, for us it does not really matter. We sell always ex works, so there is not logistics risk. We don't have problem with customs, sometimes we need maybe to support partners with some documents, especially when we talk about snacks. Sometimes some snacks are not possible to export for legal reasons, but that's it. So, for our company I would say, we don't have relevant risks in our international business.

Harry: How do you manage your pricing in international markets?

F: We have only two price lists. We have lower pricing for our 25 partners and a higher one for all the rest and new international partners. But we don't differentiate between countries like some other supplier do. We have more or less one price and we don't decide between rich or poor countries. In Switzerland we provide the same prices like we do in Spain for instance. Also, we don't decide between stronger and weaker partners, they all get the same conditions. And we are very open and transparent with them. Every second year we have a partners meeting with all of them and since they all receive all the same conditions and prices, nobody needs to claim. This is the fairest way of working for us.

Harry: And which market entry forms do you use besides exports?

F: Well, at the beginning we started our international business only with exports, but meanwhile we have more and more direct sales in many countries. Actually this started with France 10 years ago. Our partner was sold to our biggest French competitor, so we needed to look for a new distributor. Actually France never was an interesting market for us

before, since the French often have their own very specific tastes. Randomly, we heard about a sales company with 6 representatives, which went into bankruptcy. Their sales manager came to us and suggested that he and his team could start working for us. We were sceptical at first, since we didn't previously think about changing our distribution model in foreign countries. But then we discussed and negotiated, and finally we started our direct sales in France with six people, and today we have 14. We have only the sales team there not even an office. Everything e.g. the warehouse is here in Germany. And we are extremely successful there, in the past years we had growing rates up to 25% each year... For our competitor it was for sure the biggest mistake to buy our old partner because we would have slept on, because we thought the market wasn't that interested. But you know the French market is always very challenging, you need French sales people, with sales representatives from other nations it wouldn't be possible. Also here in our HQ we have an own team only for the French market with native speakers etc.

After France we changed our distribution model in Austria, which was related to the big chains FRESSNAPF and FUTTERHAUS, which became more and more demanding and our wholesale partner couldn't manage this. So in Austria our partner still is responsible for all retailers except the German chains.

Then we changed our model in the UK, because our partner went into bankruptcy. We looked for a potential new distributor and made a lot of

research there. But due to the good learning and experience with the French market, we finally decided to do it by ourselves.

And in Benelux, which is a recent example, our strongest competitor bought our partner, so we were forced to change and we decided to start direct sales, due to the good experiences in the other countries.

Harry: This sounds for me like you change your distribution model....?

F: Yes, but we change only when we need to do so, for example when the partner in a country wants to retire or something similar happens. We would never stop with a partner only because we are thinking to make more money in that market, this is not our way of working. We don't push here, and we appreciate our long-term relationships with our existing international partners. I think this is typical for family companies like we are, but at least it's our company culture. But again, when it's necessary to change, yes, we switch more and more to direct sales, since we have the markets here under better control. Of course, the effort is higher. For instance, in the past, we sent one truck every week to Belgium; today, every day we are sending many hundreds of boxes directly to our customers. But of course, the margin is also much better. But anyway, the margin is everywhere much better than in Germany, due to our very competitive market, Germany has the lowest prices.... And TRIXIE is already a brand and we can calculate the risk. I think, when you start in new markets, the distribution model is best, but later, you have to evaluate....

Harry: You think that Germany is a difficult market for pet industry?

F: It is, I think it's the worst market in the world. Everybody is looking on us because of the huge size, but actually they don't consider that we have with around 70% share of FRESSNAPF here in Germany only one company which rules the market. And another 20% are for other chains... So, new companies can only care about the 10% independents since the chains are focusing more and more on their private label products... FRESSNAPF has around 70% own private label pet food. I think this is even harder in pet food than in pet accessories, but also for us, we can only survive, when we become more and more an important brand. Otherwise they just change you to another brand.

Harry: Yes, the German market is very mature...

F: Absolutely, and also boring. The other markets are much more cool and interesting, they are a bit like Germany 20 years ago. This kind of pioneer mood, we don't have that here in Germany anymore. Recently I attended my sales manager in the Netherlands for two days, and this trip was so exciting for me. So much more individuality than here in Germany. So many independents and different chains. I really appreciate this. Also in East Europe you can find many countries, which are just developing their pet markets. Sometimes we are a bit sad, that in Germany the market is dominated by these couple of chains and so many independents stopped... Also, when we start with new products, it's vital for us to have at least some retailers, where we can test them. If

we want to go over any headquarters, it takes us too much time. We need the flexibility on the markets.

Harry: Do you think your internationalization is like it is due to the fact that TRIXIE is a family owned company or do you think, that in another owner situation the process would have been different?

F: I think we are happy, that we have still a private owner, because this influences very much our company culture. Our customers confirms us all the time a high level on sympathy and our home fair trade, which is every second year, is still the most successful trade fair in Germany after Interzoo. This year we had including our international guests more than 1400 people here, which is awesome. I think we are still very personally and loyal to our customers and they appreciate this. I mean we have still double digits growing rates in Germany, this is unbelievable. And I think this relates from our private owner structure. And also our employees really appreciate us as an employer and give every day their best to support us as best as they can. Also on the weekends. I think with a private equity owner you might be more fast and more professional but at the end of the day it's the question, which way is the more successful one. I mean we know the example of Karlie, which was our strongest competitor before they were sold to private equity and we know, where they are today, after their bankruptcy...

Harry: Yes, remember that after Karlie was sol, there was a high level of uncertainty on customer site, I guess that many customers change in this time to you...

F: Yes, we were always more the VW Passat, very reliable and with fast deliveries, whereas Karlie was more the innovative company in Germany. Finally, we could win due to our reliability. But generally I think, today you need to consider not only the products but even more the whole supply chain. It's simple to order a container in China, but you must see the whole business, and this is something we are very good.

But also our flexibility is important for our success. For example, a couple of years ago, the biggest chain in Switzerland called us and asked if we could visit them in the next days, since they had stopped the cooperation with their previous wholesaler. You know, normally appointments need to be fixed in advance for 2 weeks or so, but they told us, if we are interested, we need to visit them in that week. So we did, and today they are our most important customer in CH.

Harry: And are there any countries you are not yet, but are interested to be present?

F: Yes, of course, there are many countries. Not so much in Europe, but globally. In China for example, we have a completely different model. We are selling directly from here to Chinese end customers over Alibaba. So, there we have a b-to-c distribution model. We tried it with our normal model, but we failed, so we decided to do it that way. And this works here very well. In the future, our plan is to start with an own warehouse there, but currently to collect experiences, this way works well for us.

Harry: That's funny, since most of your products are from China....

F: Yes, ecologically it's a nightmare. But they are demanding everything which comes from Europe or Germany, so they buy our brand. And we discovered, that the selling to Chines works much more different that to European people. The Chinese is reading the information about a product much more carefully than we would do it here. And then, after having read it 20 times, he finally buys. This influences of course our returns quote, when a Chinese finally decides to buy a product, he will never return it. Different than here in Germany...

Harry: And are there any other markets abroad?

F: In USA we have an own affiliate since many years, but also there we discovered that the behaviour of the end customers there is very different than here in Europe. There we are more focused on drop shipping for the big online companies like Amazon or Petco. TRIXIE as a brand is not so important there.

Harry: So, your distribution model changed in the last years from a wholesale model to a omnichannel model. Today you have not just b-t-b but also b-to c...

F: That's right. Nowadays, as a wholesaler you have to be flexible, the markets are changing and also the behaviour of the consumer is changing. We need to adapt to every different market.

Harry: Another topic: have you ever been planning to enter a new market but decided not to do because you felt that the culture in that country is not easy to handle?

F: Actually not, of course, if you think of the French market, we needed to learn about how to work with customers and employees. The French language is very important for them for example. But in the end, I think there is no example, where we failed because of culture.

Harry: What does culture mean to you?

F: I think culture is the way a nation acts and handles, difficult to say. For instance, I think we Germany are very reliable and punctual, sometimes maybe a bit too much.

Harry: Do you think that the German culture plays a role in internationalization decisions?

F: Yes, definitely. We hear and learn this all the time, for historical reasons we Germans may not be the most-loved nation, but for business Germany stands still for quality, reliability and honesty. Business with Germans just works, without any concerns. This is important for other countries. When we made our experiences in France, everybody confirmed to us, that we are much faster than any French wholesaler, despite we are more than 2000 km away. For us it's a very big help. And in china for instance, I think we wouldn't be so successful there, if we wouldn't be from Germany.

Harry: And do you think we Germans proceed different in internationalization projects than other countries?

F: Maybe, but if I compare with our way of internationalization, this is for sure not a normal internationalization strategy, actually as having discussed before, we haven't really an internationalization strategy. Therefore, I can't really evaluate. But I think that other nations are today also more a more organized and copied us....

Harry: F, many thanks for the interview.

Interview with Respondent G

Harry: How long did your companies operate until you started to enter a new market?

G: I think in both companies we started to internationalize within the first four years and we went first to the markets which are similar to Germany like Austria and Switzerland. Then to Holland and Belgium, then the Scandics, France and Italy. These markets are still today core markets for both companies. After we went into these markets, we started to enter more and more smaller European countries, mainly in East Europe. I think it took us about 10 years in both companies until we had around 50% share of turnover in international markets and in our home market Germany. And it's still today like this. And the European markets are about 75% of this 50% share, so third countries are not so strong for us, the focus is more on Europe.

Harry: Why did you decide to enter new markets?

G: Well, there was just a demand from foreign countries, which contacted us. That was always easy for us, because we needed only to evaluate the potential customer and start exporting.

But we also worked proactively and tried to enter new markets. For example, we went to international trade fairs all over Europe to find new partners. In some countries we started with distributors, in others we had agents, who visited customers for us.

But to that time internationalization was much more complex than today in terms of getting the right information. I remember we used trade papers to find out potential companies and contacted them afterwards. This was very hands-on. Today with the internet, it's much easier to do that kind of research and analyses.

Harry: So, internationalization was not just done by random but you really focused it?

G: Yes, we came to a point in our companies when we discovered that we need to find new markets outside of Germany, because the German market will come to a point when we can't expect further growth. So, we really pushed our international efforts. And also, more and more companies from other European markets came to Germany, so we needed to resist to avoid losing shares of markets in Germany. Also, we wanted to become more independent from the German market. I still believe that it's much better to be broadly positioned, instead of being dependent on just one market.

Harry: In how many countries are you today presented?

G: Well, the one has around 65 and the other 50 markets.

Harry: And which market entry form do you use normally?

G: We use different models. In the important markets like Austria, Poland or France and soon also in the UK, we have our own affiliates with their own warehouses, offices and sales people. Some deliveries are already going

directly from china or India into these markets. And then we have many distributors in foreign markets, who are doing the whole business for us. We just deliver to them and they have their own people and of course also the risk for everything. In some markets we deliver also directly to chains or franchise stores or directly to independent retailers. On the other hand, our margin is smaller and we don't have so much control, like we have in the affiliates. But we never deliver to consumers directly.

But the model is always the same, we start first with exports and distributors and then we may change the distribution model to an affiliate, but not before we have enough information about this market. It's always easier to have people from the area in foreign markets, instead of working with Germans in these countries. So, we think that own companies in foreign markets also provides more trust to retailers than just exporting. But this takes time.

Harry: And are there any markets which you haven't entered yet but are interested for your companies?

G: Actually not, there are some markets still under construction like Australia or USA, but we are already working on this. Maybe China and India are such markets. We spent some time to discuss and evaluate internally, but we never tried yet. These markets are huge and not so rich countries. And, most of our products are produced there, so it's only interesting to enter them with the brand.

Harry: And does the culture in these countries is maybe also important?

G: Yes, of course the cooperation with a Chinese or Indian company is more complex than working with a European country, since their culture is very different to ours. I think if we start there someday, we need to spend a lot of efforts for culture analyses and training, before we can start selling. Culture is always important for us, when we enter new markets. In many countries it's vital to work with people from the area, otherwise we won't be accepted there. Some cultures only trust their own people.

Harry: And when you decide to enter other new markets, which procedure are you doing before, also in terms of the different culture maybe?

G: We normally start with an intensive market research, often we cooperate with universities or students to gather such numbers. When we have the overview, we start with our planning. How much is the potential and what efforts do we need to reach our targets? What else do we need to be successfully in this country? We normally evaluate such questions before we start working. And again, we also consider the national culture and try to adapt on it. I mean, in Europe, the differences are quite small, but if you think on India or China...

Harry: How much is experience and learning important in entering new markets?

G: Very important. Of course, we have some automatism which we don't change, for examples our market analysis or financial checks etc. But also the time new tools or channels appear, which we can include into our considerations. For example, social media marketing helps us in

many countries a lot, since we can contact very easily and efficiently consumers or potential retailers in those countries. Also statistical information we can gather much easier than 10 years before. In the past much more gut feeling was necessary, whereas today we can plan much more efficiently and our work became more structured. Doing this, we need more time for the planning and development, but then we have less uncertainty when we start. So, we still learn every day and due to the digital development we can use more tools. Also, our experience became bigger than in the past. All this helps us.

Harry: Can you tell me about your internationalization strategy?

G: Well, we like to have always around 50% of international business, so that the home market and the foreign markets are well balanced. And we are always forearmed if any of our markets are decreasing, for instance due to wars or political crises. It's nice in such cases to have the next market prepared to start with, so the decrease is not relevant for our global business. So, we try always to compensate ups and downs. Right now, the current situation in the Iran is such an example. In Iran we always did great business, but with these embargos, we now have 0% sales at the moment...

Harry: Were there any markets where you backtracked because of some issues?

G: Yes, always. Often, freight costs or customs can be such issues, when we discover, that at the end of the day we don't earn money there and in such cases we are going back.

Harry: Also because of culture reasons?

G: No, actually there was no example for that.

Harry: In a family company like you work, many decisions are maybe made different than in big companies with different owner structure. Which effect has the family owned structure to the decision process of internationalization?

G: Well, I believe that in family companies the process is more careful than in other companies. We always say, we go only so far over the hill, that we still can watch over it. We try always to get as much information as possible and try to avoid uncertainty. And, we try to go always step by step, also depending from the financial situation. We have the responsibility for our employees and we don't want to make a too big step, which could ruin the whole company. And I think in family owned company this thinking is different to other companies. Also, because of the closer relation to employees.

I also think that in family owned companies there is another relation to growing than in bigger companies. It's more continual and more strategic.

Harry: What does culture mean for you?

G: Culture describes, how people live together and how they think about other things. Also, how they react in different situations and what is polite or not for them. I think it's difficult to differentiate culture from mentality...

Harry: How would you describe the German culture?

G: Generally, I think we Germans are punctual, reliable, hardworking, dutiful, efficient, organized.... I have many international friends and they always say, that we Germans are known for our efficiency....

Harry: Do you think this has an impact on the way people manager their internationalization?

G: Maybe, I can't really evaluate. But what I can say is, that our advantage is our organization talent and our structured way of working... I mean when I am on international fairs, the people from other nations are normally much cooler and more relaxed than we, but I think they work different. Maybe the Japanese are similar like we, they work similar structured and organized. And I appreciate also their reliability, it's great to work with them. In other countries sometimes you have to wait very long and they promise and promise something to you, but you can't really rely on them.

Harry: Yes, Japan is a very strong export nation as well...

G: Well, maybe this relates to this....

Harry: Have you ever been planning to enter a market but decided not to because you felt that it would not be an easy culture for you to do business in?

G: No, of course we have discussed about new potential markets and finally decided not to enter, but I think that culture never was the reason for that... ..

Harry: What do you think, which influence has culture on the decision making process of new market entries?

G: I think that culture is an important factor since your planning needs to be implemented and at this point the latest the way of working is crucial....

Harry: Can you tell an example of an international company?

G: Yes, for example the French distributor EKKIA. I think they didn't really plan their market approach to Germany very well. They just rushed into the market but tried this with people from France, which couldn't really speak the German language, only English. Also, they tried to sell their French product range, which is different in terms of the colours etc. Consumers didn't like them. Their catalogue was also only in English and French, not in German. So many mistakes, which led to their withdrawal from Germany... I believe you always need people from the area to capture a market. At my company we have now more than 50 employees from other countries to make sure, they understand customers' needs and requirements at best.

Harry: Do you think that this is a success factor?

G: Absolutely, yes.

Harry: Can you define other cultural success factors for market entries?

G: Maybe flexibility, structured way of working... maybe also our ease of mind, which affects our whole system. I mean we don't have any big political issues in our country, no riots etc. And this affects the success of our economic, so also our internationalizations. And our ease of mind effects the power to this as well. On the other hand, this is maybe also a disadvantage, because in Germany we tend to make things too complicated and processes take sometimes too much time. Other countries have a better founder culture and have already simplified many bureaucratic processes. This can be dangerous for us in the future, so we need to improve on this.

Harry: G, many thanks for the interview!

Interview with Respondent H

Harry: How long did your company operate before you were entering a new market?

H: That was around five years after I had founded the company. The first five years we were working locally and later regionally and finally we started with foreign markets.

Harry: In which market did you start and why?

H: We started in Switzerland. Actually it was more randomly. I studied in Switzerland and had some contacts from this time. And when I talked to a former fellow student and explained my business, he was interested in selling my products in Switzerland. He started to analyse our opportunities to market the feed there and finally we agreed to start there. And today we have a really big cooperation with them. Of course, Switzerland was a challenge for us in terms of customs and bureaucracy, not the easiest market to start, but somehow we were able to manage it. And after we had managed the approach in Switzerland, other following markets like Austria or Denmark were quite simple for us.

Harry: Why did you enter these markets after Switzerland?

H: Also, because of any random. We never had an internationalization strategy.

Harry: And do you have today an internationalization strategy?

H: Well, not really. For us is important to fulfil all our orders on time and reliable.

Harry: In how many countries are you today?

H: We are in about 40 countries. In every country we have normally one exclusive partner, who is managing the business in that country. You know that we are producing feed for animals with problems, that is our approach. So, we need to have partners, who can provide the service to customers. It's not only to sell a brand, we need partners with nutritional experts to sell our products. We were following the problems of the animals.

Harry: And your partners are always independent distributors or do you have own affiliates as well?

H: At the beginning we invested together with a potential in affiliates in some important markets to develop the infrastructure there. Later, when the partner was ready to work with our products, we sold the company to them. We always said, that we earn our money in the production of the feed here in Germany. This is our USP and here we are good. We always wanted to concentrate on our core business, which is the developing of new feed for animals with problems. So our approach is always to push and to boost it, but then we go back to our business here. For us it's vital to have a reliable partner and after having developed with him the companies in the foreign market, we have developed a trustful and reliable base, which is very important for our partnership. Afterwards

the partner is really independent and decides alone about how to market the products. We don't influence him about his pricing or marketing, this is his responsibility. We provide one ex works price list to all our partners and that's it. So every partner needs to calculate by himself, considering logistics cost, customs etc. We also don't make any differences if the country is rich or not, Switzerland gets the same prices like Romania.

Harry: And are there any relevant countries you are not present today but would like to enter?

H: Well, in Europe we cover of course mainly all countries. But sure, there are some markets. South-Africa or USA for instance, but we have many legal issues there to export our feed. We also have many inquiries from Australia, but we can't deliver due to logistics cost and also the delivery time. You know, we have only 6 months' shelf life... These are some markets, which we can't provide at present. But we will try to find solutions when we have the capacity here. Right now, our capacity is at almost 100%... This is always also very important for us, that we don't grow too fast. And if we want to grow, we need to increase the capacity of the production, means, I have to build another warehouse, maybe also a new production line etc. And nowadays it's not so easy for us to increase capacities due to the bureaucracy here in Germany. You know how long it takes to get the permission to build something new. Also, we always have our financial options in mind, I mean I have the responsibility for all my employees here. This always reduces our euphoria a bit when we are thinking about new expansion

opportunities... In the end, our cash flow determines our potential expansions. We don't borrow money from the bank for that. We have the responsibility not just to our employees, but also to our international partners and if we need to go a step back, we don't care. We don't want to risk their existences only because of greed of profit.

Harry: Ok I understand, you need always to increase capacities at home before thinking of new market entries... it's not so important for you to use to capacities...

H: Our approach is different. We always work on new nutrition products and when we have developed a new product, the demand is coming from everywhere. Then, we increase capacities to fulfil this new demand. We have so many inquiries from many countries, which we can't manage...

Harry: A luxury problem... so, what is your internationalization strategy?

H: We always are interested in growing, but it needs to be organic. And this influences our internationalization approach. We are very carefully and satisfies where we are. Growing yes, but not for any price... And btw, in our case it's not so easy to increase capacities because you also need to consider the whole infrastructure. In our case, we are working with certified farmers and since we use natural materials of a very specific standard, we can't just scale and increase. The whole chain needs time because of the raw materials... So, we grow between 5% and 10% per year, not more. And when we have the raw materials, we can increase. This is reliable and our customers understand it.

Harry: What does culture mean for you?

H: I think culture explains how people in a country live their lives. How they think about things and how they react, how they manage themselves and how they think about other people. Sometimes, culture creates misunderstandings. It's a bit like the dog and the cat: when the dog is happy he wags his tail, but for a cat this means that he is angry... I also think culture is something a human can't change. Even if he moves to another country with different people, he will always keep his culture. Maybe you can try to adapt to other cultures when you live there, but you will always keep your own culture...

Harry: And what means German culture for you?

H: Tight is right... everybody wants Bio but doesn't want to pay for it. This is our mentality, unfortunately. In our case, we have two parts of customers: for the more professional clients, food is cost factor and the costs need to be very cheap, on the other side they have very good vets, which can be expensive. The other part is the humanization of the animals, which is a trend since many years, where the animal takes a more social role like a member of the family. But back to your question, we try to position ourselves not as a German company but as St. Hippolyth. All our international partners identify very strongly with our philosophy, and "made in Germany" is not so important. It's very focused on the philosophy and quality of our brand. In Switzerland, consumers see it as a Swiss feed, in Hungary as a Hungarian food and so on.

Germany doesn't play a role here. So I wouldn't say that we gather any advantages only because of the fact we are from Germany...

Harry: What examples of culture impacting international projects do you have?

H: I think always the time is important. In some countries you need much more time to develop and to make progress like in other countries. We Germans for instance are always very focused, we try to push projects and want to come to an end. In other cultures, first you need to make the people feel comfortable about you, developing trust and so on. This takes time. But you need to stick to the rules and play their game if you like to make business with them...

Harry: Have you ever been planning to enter a market but decided not to because you felt that it would not be an easy culture for you to do business in?

H: No, I would say I could arrange with almost every culture, when the business is interesting...

Harry: Do you think your way of internationalization is typical for other German companies?

H: No, I don't think so. I think many other companies try harder to expand to international countries. Our way is special.

Harry: Do you think this company culture is dominated by you?

H: Oh yes, especially at the beginning. It's my way of working and I forwarded it to my company. And today, my managers have the same

thinking. But I think in many family companies we have a similar thinking....

Harry: Which are cultural success factors for you?

H: Quality, competence, service and reliability.

Interview with Respondent I

Harry: How long did the company operate before you went into your first new market?

I: This was four years later. The Scandinavian market, Sweden.

Harry: And why Sweden?

I: I think it was a random. My father knew a sales agent in Scandinavia and he offered to sell our products there in Sweden. So, since this was based only on commission, there was no risk for my father and he started with him in Sweden, later also in the other Scandinavian markets. Sweden was also very practical, since it's not so far from us.

Harry: And which countries followed?

I: I think we proceeded with the neighbouring countries, Holland, Austria, Belgium... we received many new contacts and inquiries after we were the first time with an own stand on the fair here in Germany. Suddenly we got so many interested potential customers from all over Europe.

Harry: Distributors? Or also affiliates?

I: Yes, mainly wholesalers but we received also a lot of contacts from sales agents, who liked to cooperate with us. So, we could expand to many European countries very soon. We never had own affiliates in other countries. We were thinking about starting the production in other countries, but we came to the decision to concentrate on our company

here in Germany. You know, when you work in other countries, you also need the right people there, and you need to control them as well. For instance, in the past we had many warehouses in Germany and we learned, that the people there were difficult to manage and to control. Because of this experiences, we are still very reticent when we think about affiliates in other countries. For a SME it's vital to keep the control over people and processes.

Harry: In how many countries are you today?

I: I can't say, we are everywhere in Europe but also in the USA. Since our products have big volumes, we always need to consider logistics cost. And since we have many competitors abroad, they normally can produce cheaper because of the advantage of not having these logistics cost. As you know, we have our brands, but we do also a lot of private label. And here only the price counts. I think if we would have more brand products, I could export to more foreign countries.

Harry: Are there any countries you are not presented but you would like to be?

I: Sure, but we try to concentrate to Europe since we can better manage here, especially related to the cost site.

Harry: And when you have identified a new market, how do you prepare to the market entry?

I: Well, first we need to receive the demand from this market but then we just deliver and try to increase the business there. I wouldn't say that we

do any special preparation before. If there is no demand, we don't go in this market. And we don't go in markets to find out and demand proactively, we just react when people ask us, but then we give our best to fulfil the inquiries from there.

Harry: Are there any countries you don't want to go in because of political reasons or import restrictions?

I: No, I think this is not important. When they can pay, we deliver, very simple. Import restrictions we don't have for our products.

Harry: What does culture mean for you?

I: Difficult to say...maybe how people are or how they handle...I think in business, culture is not so important. It might influence the way, projects are managed or developed, but in the end the business is always the same. If Chinese people want to buy, they are welcome. But they need to stick to my rules and conditions. If they don't like, they can buy wherever.

Harry: And which role does culture play for you in market entries?

I: The demand of our products is dependent from the development of the civilization. In some countries, like for instance in Africa, they just don't need them, so we have to wait until this market is ready for us.

Harry: How would you characterize German culture?

I: Difficult question. I think the German consumers have high and qualitative claims...

Harry: And the entrepreneurs? How would you describe culture from their view....?

I: I don't think that culture plays a role here. Important are always the products and the contacts somebody has. To develop a new market you need contacts, and you need to construct a network in this market. You have to find somebody you can work with, who you trust and who is reliable...

Harry: And the typical German attitudes like reliability, punctuality, honesty etc., you don't think they are important?

I: This is something I assume to have success. It's natural to have these attitudes for a successful company. Also control is very important. I advised my managers to forward every claim to me, so I could apologize to the customers and start to improve the responsible process. I could find out, if the claim is only a single case or a permanent problem. I always said, that every claim is a chance to improve.

Harry: How is your growing strategy?

I: As a family company we know about our responsibility about our employees and their families. We are very careful and try to avoid any risks. We know our borders and are almost satisfied with our status quo. But of course we try to have a constant growing, but reasonable. It's completely different when a company is owned by a private equity, these managers are not able to manage a company, they only want to sell it

after it has become more worth after a while. They are for sure more aggressive. That's very different to a situation like ours.

Most of our business is private label, unfortunately. This means, that we are changeable at big companies. And we work with yearly contracts. So, it's a permanent challenge. I mean, we have many competitors and that's good, because this stimulates us....

Harry: So, do you think if you had more brand products, you could expand more easily to other countries?

I: Sure, unfortunately we are too small to invest millions of Euro every year in marketing to push our branded products.

Harry: Finally, what are success factors for internationalization for you?

I: I think it's the quality of the products, the reliability, the high standard of the products and competitive prices. Finally the consumer decides.

Harry: I, many thanks for the interview.

Interview with Respondent J

Harry: J, as a consultant you know about many pet care companies in Germany. What do you think, when decide companies usually to enter new markets?

J: Well, I think that many of the companies operating in Germany are SMEs, and they started their internationalization business because of a random opportunity. They are at a fair, meeting somebody who is interested in the products, and the company decides to deliver. In many cases it started like this. Then, after operating a certain time with success, people decided to extend the cooperation or started in other markets with the learning and experiences from this first approach. If it works in Italy, it might also be working in Spain. This I observed very often in SME in our industry. They normally do not have an internationalization strategy.

Harry: What is your impression about the market entry timing of these companies?

J: I think on average, many companies are operating around 10-20 years before they start with market entries... In our case for instance, it was in the 8th year. But I also think that international business has increased a lot during the last 20 years because of the globalization. Companies are more willing to internationalize and due to the EU has become more simple than before....

Harry: Which markets are normally the first when companies from Germany start to internationalize?

J: Ok, on the one side it depends of the random, but when people see that their internationalization is working, than they try to enter new markets in the near of the existing ones. I think most of them are in general very carefully and try first to enter other European markets before they start in Asia or in the US.

Harry: How do you think prepare companies of new market entries?

J: Well in random cases, I think there is not much preparation. The companies just react to the inquiries. In bigger companies or company groups I think there is a strategy, and they analyse the target markets first before they enter. 'How is the language,' for example, and 'how can we provide.' I think in SME it's sometimes like a typical relationship which is developed between the supplier and the customer. Personal relations and trust are more important than other things. They do store checks together, have dinner etc. These things, based on human relationships, count more than just numbers.

Harry: What do you think are the most important internationalization reasons and risks?

J: Well, regarding the reasons I think it's normally growing in new markets, especially when the company thinks, that there is no growth potential anymore in Germany. Regarding risks, I think in many cases there is a lack of market knowledge. And, often people are so convinced about

their product which is working well in Germany that they don't see, that in other countries consumers don't like that product so much as they think.

Harry: Which role does culture play in this decision process?

J: I think that if a German company wants to enter a new market, we normally prepare ourselves very well, I mean if we don't talk about the random cases. I think we are really think about and try to optimize the approach. I think that Germans proceed very structured here.

Harry: What does culture mean for you?

J: Maybe how people manage their lives... what they like, their taste... in terms of food for instance or clothing. Also, what is good or bad for them and what is polite or not? Things like that which can describe a population of a country...

Harry: And what is for you German culture?

J: I think we are known as reliable, also critical, direct, structured... we don't discuss longer as necessary, we try to come soon to the point, which might be seen as rude from other nations...

Harry: Do you think this has an influence to the quality of the internationalizations?

J: Maybe, never thought about it.

Harry: Can you determine success factors for internationalization?

J: I mean German products in general have a good reputation because of which we have high demands from other countries. But I also think we are very convinced about our good products, we are self-confident and know that our products are the best. Also the stability of cooperation's with Germans. The trust and the reliability. Punctual deliveries...

Harry: Do you know examples from other countries?

J: No, but I know examples from German companies who tried it in another market and wondered about the different culture. They tried to work like in Germany but the success was missing. So, they started to look for somebody at the area who could manage the business from there, speaking the language, knowing mentality and culture.

I also know from companies which wanted to internationalize but the discovered, how expensive the approach was, They did not really calculated before. It's not so easy for a small company to start market entries.

Most of the companies handle very carefully and go step by step. Somebody told me, that when you enter new markets, you normally will neglect your home market, which can become a problem, because you put so much energy and money in foreign markets and disregard the normal business....

It's often learning by doing. They try and with the experiences they gathered, they do the next step.

Harry: Do you think this is typical for pet industry?

J: Difficult to say but I assume that this behaviour is typical for SME, for sure also in other industries...

Maybe in start-up companies which have a private equity behind, the situation is different. They have the money to invest and it's not really their money. But family companies normally handle more conservatively.

I think that companies from abroad often think that Europe is one big market and they disregard the differences between these many markets here.

Harry: J, many thanks for the interview.

Interview with Respondent K

Harry: How long did the company operate before the first market was entered?

K: Well, the company was founded in 1991, and I think the first export was agreed even before the company was founded... it was an export to the Lebanon, friends from my family from his former job. So, actually we exported right from the beginning.

Harry: So, Lebanon was actually more a random?

K: Exactly, it was not really planned.

Harry: And which countries followed then?

K: I think we proceeded with Scandinavia, Benelux, Austria....

Harry: And how did you find these customers, how did you prepare?

K: Honestly, it came always by random. We didn't proceed actively with this. Many of the companies came to us, since my father is in the business since many years and these customers came from his network. I think we started internationalization with more efforts around ten years after the company was founded. In 2001 we started with own sales reps in Austria.

But in terms of preparation he didn't do many efforts when he considered new countries. We only offered our existing product range. Most new business we received from the fairs, for examples the Interzoo. And we started with Interzoo right after the company was founded.

So, we started our business in relation to other competitors late but started very early with export business and developed the foreign markets parallel to the German market.

Harry: In how many countries are you today?

K: We deliver to 50 countries.

Harry: And which market entry forms do you use, only exports?

K: We have one rep in Czech republic who cares about Eastern Europe and one rep in Austria. All other countries we support from here. We don't have any affiliates, sometimes we think about it, but currently we don't consider.

Harry: And how is the relation between international and home business?

K: It was always around 50-50, and it's still like this.

Harry: Which are the most relevant reasons for internationalization?

K: Growing; I think it's the only reason... in many countries like Germany for instance, markets are saturated, but there are many new markets where we have still a lot of potential to grow.

Harry: And which are the most important risks?

K: Well, payment is always a risk, but I don't think there are much more. We consider internationalization actually more as an opportunity to start in other countries. We have normally only one company per country and this company is responsible for everything and develops the market. If

we have more than one, the risks of price dumping is much higher, which we want to avoid.

Harry: And are there any markets you are not presented but you would like to?

K: We don't deliver to the US, to Australia and not to China, in Africa we just started a bit. China is surely important for the future. Only one percent of the population is wealthy would mean that 150 million people were relevant and that is the double of the German market.

Harry: Do you have an internationalization strategy?

K: I mean, we don't have anything in written. We are happy with our growing and grow per year around 10-15%. And the Interzoo is always important for new customers which contact us directly. So, no we don't have as we are satisfied with our status.

Harry: So, when you are on the fair you are always open for new customers but you don't have an exact plan?

K: Yes, that's right. And we don't care about any statistical market figures for that new country. Some of our countries are very small like Cypress or Malta for instance. And we are happy for every sales, even if it's not so high.

Harry: And do you have just one or more price lists?

K: No, we orientate on the spending power of the countries and adapt to it.

Harry: Can explain how the decision making process for new market entries is proceeded in your company?

K: If we have several new requests from one country we normally visit them and try to evaluate, which partner fits best to us. Human relationship and sympathy is very important at this stage. We want t have fun with our work, so we don't deliver to everybody. We even deliver to a smaller partner who fits well to us than to a bigger partner we don't like. But of course we check the whole portfolio, which brands they have, how many retailers they have etc.

Harry: What means culture for you?

K: Don't know... I think the opinions about the culture are not relevant for our entry decisions... but of course fairness and sympathy are always important. And the philosophy of the company is also relevant for us. Even in a country like Iran we don't have any problems because of the culture.

Harry: And how would you describe the German culture?

K: I think we are punctual, reliable, trustfulness...

Harry: Do you think these attitudes have influences to the way German companies manage their international business?

K: For sure made in Germany stands for high quality products and actually this was a bit our strategy, since we focused really on quality and not so

much on price. If you consider the German wholesalers, many of them stopped their business whereas we are still here.

Harry: Do you know examples from other countries which tried it on the German market but failed?

K: Yes, all the time there are companies from neighbour markets trying it in German but I don't have examples now. But of course there are also many positive examples...

Harry: And were there any countries you stopped?

K: Not really, sometime the partner changed for example because of bankruptcy. But we did not backtrack from any country...

Harry: What are cultural success factors for you?

K: Well, I think the range and the products are very important. Maybe the right partner, maybe regular personal meetings, reliability, and of course a good human relationship.

Harry: K, many thanks

APPENDIX C: ETHICAL APPROVAL



THE COLLEGE OF BUSINESS, PSYCHOLOGY AND SPORT

RESEARCH ETHICS PANEL (CBPS REP)

CONFIRMATION OF APPROVAL

24th September 2019

REP CODE: CBPS18190021-R

The impact of national culture on the decision making process (DMP) of market entry strategies– a case study of pet care companies from Germany

Dear Harry,

Thank you for your application for proportionate review ethical approval to the College of Business, Psychology and Sport Research Ethics Panel on the 28th July 2019 and revised application on 18th September 2019.

Your application has been reviewed in accordance with the University of Worcester Ethics Policy and in compliance with the Standard Operating Procedures for proportionate ethical review.

The outcome of the review is that the Panel is now happy to grant this project ethical approval to proceed.

Your research must be undertaken as set out in the approved application for the approval to be valid. You must review your answers to the checklist on an ongoing basis and resubmit for approval where you intend to deviate from the approved research. Any major deviation from the approved application will require a new application for approval.

Although ethical approval has been given for this research, please consult the information on Research Ethics Blackboard page relating to the General Data Protection Regulations (GDPR), which came into effect on 25 May 2018 prior to commencing any further work on the project. It is your responsibility to ensure that your research (and all relevant documentation) adheres to these regulations.

As part of the University Ethics Policy, the University undertakes an audit of a random sample of approved research. You may be required to complete a questionnaire about your research.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Holly Taylor-Dunn'.

Holly Taylor-Dunn
Deputy Chair - The College of Business, Psychology and Sport Research Ethics Panel
Chair – CBPS REP Proportionate Review Panel
Ethics@worc.ac.uk

APPENDIX D: PARTICIPANT INFORMATION SHEET



PARTICIPANT INFORMATION SHEET AND PRIVACY NOTICE

TITLE OF PROJECT:

Invitation

The University of Worcester engages in a wide range of research which seeks to provide greater understanding of the world around us, to contribute to improved human health and well-being and to provide answers to social, economic and environmental problems.

We would like to invite you to take part in one of our research projects. Before you decide whether to take part, it is important that you understand why the research is being done, what it will involve for you, what information we will ask from you, and what we will do with that information.

We will in the course of this project be collecting personal information. Under General Data Protection Regulation 2016, we are required to provide a justification (what is called a "legal basis") in order to collect such information. The legal basis for this project is "task carried out in the public interest".

You can find out more about our approach to dealing with your personal information at <https://www.worcester.ac.uk/informationassurance/visitor-privacy-notice.html>.

Please take time to read this document carefully. Feel free to ask the researcher any questions you may have and to talk to others about it if you wish. You will have at least 7 days to decide if you want to take part.

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Participant Information Sheet and Privacy Notice
Version 2: 26 April 2019

What is the purpose of the research?

You are invited to take part in an interview to discuss the impact of national culture on the decision making of market entries.

This study has received ethical approval from the University of Worcester.

The aim of the project is

- To explore the cultural impact of the DMP for market entry strategies using the example of German pet care industry managers
- To contribute new knowledge to theory and practice about the influence of national culture to the success of market entries
- To identify cultural success factors German managers in the pet care industry

Who is undertaking the research?

Harry Strobell, DBA candidate at University of Worcester
Lead Researcher

STRH1_17@uni.worc.ac.uk

Who is funding the research?

n/a

Who has oversight of the research?

The research has been approved by the Research Ethics Panel for the College of COLLEGE OF BUSINESS, PSYCHOLOGY AND SPORT (CBPS REP)

in line with the University's Research Ethics Policy. The University of Worcester acts as the "Data Controller" for personal data collected through its research projects & is subject to the General Data Protection Regulation 2016. We are registered with the Information Commissioner's Office and our Data Protection Officer is Helen Johnstone (infoassurance@worc.ac.uk). For more on our approach to Information Assurance and Security visit: <https://www.worcester.ac.uk/informationassurance/index.html>.

Why have I been invited to take part?

You have received this invitation because you are in a Senior Decision Making Position in a German Pet Care organization and can therefore provide valuable insights about market entry strategies of German Pet Care companies.

We are hoping to recruit 8 – 12 participants for this study.

Do I have to take part?

No. It is up to you to decide whether or not you want to take part in this study. Please take your time to decide; we will wait for at least seven days before asking for your decision. You can decide not to take part or to withdraw from the study until two months after the interview has taken place. If you wish to have your data withdrawn please contact the researcher with your participant number and your data will then not be used. If you do decide to take part you will be asked to sign a consent form.

What will happen if I agree to take part?

You will be asked to participate in the interview, and you will be asked questions relating to your perceptions of the decision making process. It is anticipated that the interview will last no longer than 30-40 minutes however the interview may be longer due to the details and further insights that you provide. The interview will be recorded online, transcribed and stored anonymously. Please be assured that if you decide that you do not wish to continue with the interview, you can stop at any time and if requested, the interview data collected will be destroyed. You will also have up to two months after the interview to withdraw your data. If you wish to do so, please contact the Lead Researcher Harry Strobell harry.strobell@web.de with your full name. Whilst your data will have been stored anonymously using a randomised code, we will have an anonymization log which links your name to the coded data file. If you want to check anything about the research, you might also contact Dr Sa'ad Ali s.ali@worc.ac.uk.

What are the benefits for me in taking part?

Contribution about new theoretical knowledge about influencing factors for market entries within the pet industry.

Are there any risks for me if I take part?

There are no foreseeable risks to taking part.

What will you do with my information?

Your personal data / information will be treated confidentially at all times; that is, it will not be shared with anyone outside the research team or any third parties specified in the consent form unless it has been fully anonymised. The exception to this is where you tell us something that indicates that you or someone else is at risk of harm. In this instance, we may need to share this information with a relevant authority; however, we would inform you of this before doing so.

During the project, all data / information will be kept securely in line with the University's Policy for the Effective Management of Research Data and its [Information Security Policy](#).

We will process your personal information for a range of purposes associated with the project primary of which are:

- To use your information along with information gathered from other participants in the research project to seek new knowledge and understanding that can be derived from the information we have gathered.
- To summarise this information in written form for the purposes of dissemination (through research reports, a thesis / dissertation, conference papers, journal articles or other publications). Any information disseminated / published will be at a summary level and will be fully anonymised and there will be no way of identifying your individual personal information within the published results.
- To use the summary and conclusions arising from the research project for teaching and further research purposes. Any information used in this way will be at a summary level and will be fully anonymised. There will be no way of identifying your individual personal information from the summary information used in this way.

If you wish to receive a summary of the research findings or to be given access to any of the publications arising from the research, please contact the researcher.

How long will you keep my data for?

Your personal data will be retained until the project (including the dissemination period) has been completed.

At the completion of the project, we will retain your data only in anonymised form. We destroy all data relating to the project.

How can I find out what information you hold about me?

You have certain rights in respect of the personal information the University holds about you. For more information about Individual Rights under GDPR and how you exercise them please visit: <https://www.worcester.ac.uk/informationassurance/requests-for-personal-data.html>.

What happens next?

Please keep this information sheet. If you do decide to take part, please either contact the researcher using the details below.

If you decide you want to take part in our project, and we hope you do, or if you have any further questions then please contact:

Harry Strobell, DBA candidate at University of Worcester
Lead Researcher
STRH1_17@uni.worc.ac.uk

If you have any concerns about the project at this point or at any later date you may contact the researcher (contact as above) or you may contact the Supervisor / Principal Investigator / Project Lead:

Dr. Sa'ad Ali,
Worcester Business School, University of Worcester
Castle Street, Worcester WR1 3AS

If you would like to speak to an independent person who is not a member of the research team, please contact Karen Dobson at the University of Worcester, using the following details:

Karen Dobson
Secretary to Research Ethics Panel for College of Business, Psychology and Sport
University of Worcester
Henwick Grove

Worcester WR2 6AJ
ethics@worc.ac.uk

Thank you for taking the time to read this information.

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