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SUCCESSFUL IN-BETWEEN? ANALYZING THE INTERNATIONALIZATION OF MEDIUM-SIZED WORLD MARKET LEADERS

ABSTRACT

Successful internationalization has become an inevitable challenge for most small and medium-sized companies. In this explorative study, based on interviews with 84 owners and CEOs of German small and medium-sized world market leaders (WMLs), specific success factors, typical internationalization patterns, existing challenges and potential risks are identified. Four types of those WMLs could be classified leading to the taxonomy of Visionaries, Conquerors, Companions and Globalizers. Their internationalization scheme could be assigned to three internationalization stages. When matched with the learning theory of internationalization (Johanson and Vahlne, 1977, 1990) this study contributes to the ongoing discussion regarding the applicability of traditional IB-theories.

Key Words: SMEs, internationalization, success factors, internationalization process theory

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INTRODUCTION

Small and medium-sized enterprises (SMEs) comprise 99.3% of all companies in Germany. Moreover, SMEs account for nearly 36% of annual sales, almost 45% of gross investment and half of the gross value added. More than 60% of 24.3 million German employees are employed in SMEs (Statistisches Bundesamt, 2011). SMEs are considered to ensure economic stability and represent an integral part of Germany's economy. Moreover, in fostering innovation, they are argued to contribute to growth and employment. Despite the importance of SMEs for the German national economy they seem to play a minor role in the public perception. Furthermore, firm growth and particularly internationalization seem to represent an obstacle for many SMEs. Although empirical studies show that SMEs are present on international markets mainly through export activities, the share of turnover achieved with these activities, however, is very low compared to the total turnover (Gutmann, 2000). Possible reasons for a low degree of SME internationalization can be seen in a low equity base, limited management and personnel capacity, a lack of international market knowledge and low levels of intercultural competence.

Internationalization of SMEs is not a novel field of research in international business. Previous efforts have attempted to identify similarities and differences to large multinational enterprises (MNEs) (Ruzzier, Hisrich and Antoncic, 2006). Nevertheless, research associating SME and firm internationalization is still an issue of recent relevance. While some attempts in theorizing on internationalization and SMEs have found wide acceptance (for an overview, e.g., Coviello and McAuley, 1999), even traditional concepts such as the Uppsala internationalization model (Johanson and Vahlne, 1993) are subject to criticism for being too deterministic and lacking explanatory power for non-mainstream forms of SME internationalization (Forsman, Hintu, and Kock 2002). This is also the case for medium-sized world market leaders (WMLs).

WMLs are considered as a small but very influential group of enterprises that not only show a high degree of internationalization but also are very successful at an international scale. These medium-sized world market leaders are characterized by an extremely successful position in the world market. They mostly occupy one of the top three ranks in their industry sector or market niche, whereas this market position has been maintained and expanded over years (Haussmann, 2003). Despite this relevance WMLs have hardly been subject to scholarly interest. A first major empirical study analyzing the

WML phenomenon was conducted by Simon (1996). While this study has raised quite some interest, further empirical evidence remains scarce and much debate on WMLs still refers to Simon's (1996) "hidden champions." Despite the pioneering character of this study, it today appears dated (as it is based on data that was collected at the beginning of the 1990s and is now over two decades old) and—more relevant in the context of this paper—as the aspect of internationalization only plays a negligible role in Simon's study.

As the size of the WMLs and various other patterns (e.g., ownership structures and organizational patterns) are comparable to other SMEs which are less successful at an international level, the focus on WMLs might deliver interesting insights on successful SME internationalization. An indication that this perspective is far from exclusive to this study is seen in a number of projects on SME-internationalization and success factors which are commissioned outside the academic field. For instance, financial institutions like the German Kreditanstalt für Wiederaufbau (KfW) and the IKB Deutsche Industriebank AG (Kfw Bankengruppe, 2004) seem keen on patterns of successful SME internationalization processes: while for major companies, investing in the wrong location means nothing more than an unpleasant learning experience, for medium sized companies, however, wrong investments decisions within the process of internationalization is a threat to their existence (Kastl and Rödl, 2000). Although the majority of those internationalization projects are limited to simple export activities, increasing attention has to be paid to more demanding and further reaching forms of internationalization, like international joint ventures and foreign production sites, as only those forms provide the opportunities to adequately leveraging the possibilities of the foreign markets.

As a result of the high practical and theoretical relevance of SME internationalization and particularly WMLs for the performance of the German economy as outlined above, the primary aim of this study is to provide empirical insights from successful internationalization patterns of German WMLs that can function as best practice examples for SMEs still at the beginning of their internationalization. A secondary aim is to add to the stock of literature which assesses the explanatory power of the internationalization model of Johanson and Vahlne (1977, 1990).

The structure of this paper is as follows: After providing the theoretical background and presenting the methodology of the study this paper theorizes on distinctive patterns of WML-internationalization. Based on an analysis of how firms in this sample internationalize, the study subsequently aims at identifying key success factors for specific types of WMLs and their respective internationalization patterns. Furthermore, this paper deals with challenges and risks associated with the different stages of firm internationalization. This paper concludes with major findings, limitations and implications for practitioners as well as for further research.

THEORETICAL BACKGROUND

This section will allocate the phenomenon of WMLs in the extant SME literature and within existing SME classifications. Before engaging in further discussion associating WMLs and internationalization, main characteristics of those medium-sized world market leaders are introduced. In particular, it is discussed which characteristics distinguish WMLs from SMEs and large-scale enterprises (Ruzzier et al., 2006).

A classification of companies based on quantitative aspects (e.g., annual turnover and number of employees) helps to only to differentiate MNEs from SMEs but also to position WMLs in this range as well. In 2005, the EU Commission issued a new definition of SMEs, which contains the following categories (legal aspects being left out):

- Micro, small and medium enterprises are defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50million or an annual balance sheet total not exceeding €43 million.
- Small enterprises are defined as enterprises which employ fewer than 50 persons and which have annual turnover or annual balance sheet total not exceeding €10 million.
- Micro-enterprises are defined as enterprises which employ fewer than 10 persons and which have annual turnover or annual balance sheet total not exceeding €2 million.

Other definitions have been presented by the Institut für Mittelstandsforschung (IfM) that suggests a demarcation of 10-499 employees for SMEs and by the Institut für Wirtschaftsforschung in Hamburg (HWWA) that suggests an even greater bandwidth of 20-999 employees. The attempt to distinguish SMEs based on these quantitative categories is problematic: Simon (1996) stated that those WMLs in his study sample achieved an annual turnover of over €750 million and thus—on a basis of a quantitative analysis—actually would have to be characterized as MNCs. However, WMLs differ considerably from large enterprises in fundamental characteristics like ownership structure and leadership style. Therefore, WMLs represent a class between and like SMEs they "are not easily identifiable by clear cut criteria" (OECD, 2003). Consequently, additional to the quantitative determinants qualitative criteria are necessary to define WMLs (Daschmann, 1994; Pfohl, 1997). We agree to this view based on the assumption that for WMLs other economic principles apply than for large enterprises: "A small business (is) not a little big business" (Welsh and White, 1980: 25).

Regarding WML-specific characteristics this study seeks guidance from Venohr and Meyer (2007) who identified three qualitative elements that characterize those WMLs: First, they exploit the opportunities of private ownership by creating organizational cultures and practices that build on owner-entrepreneurs, and long-term relationships within the firm and with key external partners. Second, they concentrate their often limited resources on niche market segments that they can dominate worldwide. Their competitive positions are grounded in technology-based product leadership and close customer relationships. Third, they strive for operational effectiveness, continuously assimilating, attaining, and extending best practices. This notion of WMLs has strong similarities with the working definition presented in this paper.

In this study, WMLs are defined as organizations with a share of revenue of at least 40% generated abroad and a market share of at least 30% in Europe or on the world market. The high international market share is an essential criterion for this type of organization as it reflects the importance of the activities abroad. Only those companies are considered that employ less than 10,000 employees worldwide. As this figure is beyond all popular quantitative SME criteria and as the description of the sample will show companies that exceed even €1 billion annual turnover, one could raise the question whether WMLs belong to SMEs at all. However, apart from size-related measures, a set of other criteria classifies those organizations clearly as SME. For instance, Wolter and Hauser (2001: 36) argue that companies should be considered SMEs as long as they are owned by individuals who also hold a top management position. Furthermore, in the context of International Business, not grouping them as SME would suggest them to be MNEs which we would not agree to in line with Welsh and White (1980) as discussed above. We thus argue that there is valid reason to classify WMLs still rather as SMEs than MNEs and therefore base our theoretical reasoning on previous work on SME-internationalisation. Beyond the absence of theoretical contributions to WML-internationalization, the SME-conceptualization was also chosen based on the notion that all companies in the sample were SMEs at the beginning of their first internationalization step. Therefore, their role model for other SMEs is still ensured and the findings of this study can provide valuable insights for SMEs becoming WML. In the remainder of this chapter, the following three qualitative attributes of WMLs are illustrated in detail: owner-oriented management structures, performance-oriented leadership philosophy and niche orientation. Furthermore, theoretical conceptualizations to explain WML internationalization are discussed.

Owner-oriented management structures: WMLs show full or at least considerable independence from an affiliated group which is likely to affect their internationalization process. Due to the unity of ownership, risk and control on one hand and management, decision-making and responsibility on the other hand, there is a very close mutual relationship between the owners, a family, or a very limited group of people and the company itself (Jordan 1999). The responsible executive director is also the owner of the company in most cases and thus not only has a very strong identification with his or her company but also bears the entire economic risk. Hence, WMLs are owner-led or family businesses (Okoroafo, 1999; Zahra, 2003; Fernández and Nieto, 2005).

Performance-oriented leadership philosophy: as a consequence of the ownership structure the leadership philosophy is inseparable connected with the top management. The prevailing philosophy within the company also influences its internationalization process (Reuber and Fischer, 1997; Graves and Thomas, 2006; Ruzzier, Antoncic, Hisrich, and Konecnik, 2007). With their distinctive personality, their credo and their behavior, they are able to convince the employees of their decisions and motivate them. For example, former employees stated that Alfred Kärcher, the founder of Alfred Kärcher GmbH & Co. KG cleaning systems, was very passionate about developing new ideas and markets (Kärcher, 2011) which manifested in the company's philosophy. WMLs have clearly defined long-term targets but the strategies to achieve them are not elaborated in great detail. Qualitative ideas are more common than quantitative analyses. This could be considered as one of the main differences to large-scale enterprises which prefer to base their decisions on formal processes and quantitative information.

Niche orientation: WMLs are argued to operate in niche markets, showing long-term oriented market development and the establishment of market entry barriers. This can be expected to have an effect on the internationalization process of these firms as it will be shown later in the course of this paper. A fundamental aspect of market development of WMLs is that they do not accept markets "as defined by external forces but they see market definition as a parameter they can control" (Simon, 1996: 50). An extreme focus on certain products or know-how in narrowly defined target markets and concentration on a small but very important part within an industry's value chain leads to a competitive advantage. For some WMLs, this concentrated focus enables the creation of new markets that did not exist beforehand (Mewes, 2000). In addition, WMLs are capable of quickly developing that niche to an attractive market whereas market development is not restricted to geographical boundaries. In most cases WMLs define their market as a world market. Based on their performance orientation WMLs create market entry barriers that provide long-term protection of that niche against imitators.

After clarifying the characteristics of WMLs the next theoretical considerations are related to the questions how their internationalization may be explained. In this paper the focus lays on the internationalization model of Johanson and Vahlne (1977). Other authors like Coviello and McAuley (1999), Lu and Beamish (2001), Li, Li, and Dalgic (2004), Kalinic and Forza (2012), Kuivalainen, Saarenketo, and Puumalainen (2012), Parker and Hessels (2013), Schweizer (2012), Pangarkar (2008) also have pointed out the relevance of the learning theory of internationalization or incorporated it in their considerations of SME internationalization processes.

This approach differs from other models (e.g., Dunning, 1981; Kogut and Zander, 1992; Dunning and Lundan, 2010) in two aspects: First, it does not explain the internationalization of companies primarily with economic factors such as differences in costs or demand conditions but with behavioral aspects such as knowledge, learning and experience. Second, their approach is not restricted to one-time internationalization decisions: the process of internationalization of firms is considered and a dynamic perspective is adopted. Different from these approaches, Johanson and Vahlne's learning theory of the internationalization assumes that the internationalization of enterprises is an incremental, gradual process. The approach comprises two key components, namely (1) patterns of internationalization, and (2) the model of internationalization. While the internationalization patterns are based primarily on the findings of empirical studies, the internationalization model has a theoretical foundation (Johanson and Vahlne (1990, 2003).

The internationalization patterns suggest that firms with no foreign experience at first prefer exports as the least risky form of internationalization. Only with increased knowledge and experience about the opportunities and challenges abroad, riskier forms of internationalization with larger market commitment and greater profit opportunities are selected (establishment chain). At the same time a lateral expansion from countries with small cultural differences to countries with greater cultural distance occurs (psychic distance chain). The internationalization model consists of the static elements "market commitment" and "market knowledge" and the dynamic elements "commitment decisions" and "current business activities." These four elements interact with each other in an interdependent and circular causal relationship (for a detailed description, see Johanson and Vahlne, 1977, 1990, 2003).

METHODOLOGY

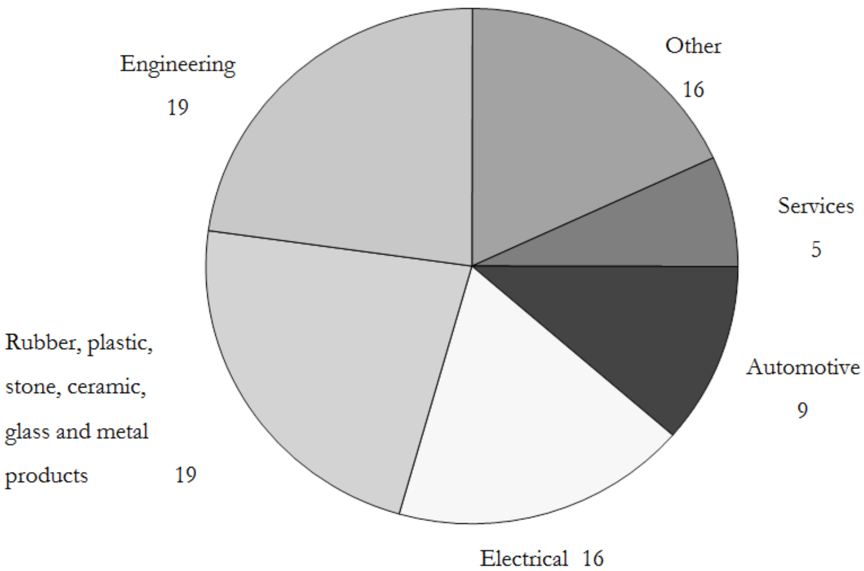
As little is known so far about the internationalization process of WMLs an exploratory research approach seemed to be appropriate in order to shed light on the causes and course of internationalization and win insights that can be hypothetically tested in research yet to come. Therefore, this study adopted a qualitative approach by way of exploratory semi-structured interviews over the course of a 12 month period (2010-2011) containing a pilot stage followed by main interviews with all participants who consented to participation. The themes of the interviews were set according to the research questions of this study and responding to the anticipated characteristics of WMLs as discussed in the previous chapter. A qualitative approach was chosen due to the level of detailed insights interviews can provide.

Research context and sample

In this study 602 WMLs were identified meeting the criteria outlined in the previous chapter based on company data from the Hoppenstedt Group. All WMLs identified were initially approached for consent to participate in our research and 84 of the 602 WMLs participated in the study. The oldest company in our sample was established in 1688 and the youngest in 1977. The average age of the sample companies was 93.3 years. The average annual turnover was about €680 million, including one outstanding company with a worldwide turnover of €8 billion. The turnover of the next bigger company was about €1.5 billion. Besides relatively big companies, there are also smaller companies with a turnover of around €100 million. The broad range of the turnover is also reflected in the numbers of employees for the analyzed companies. In 2011, 14 of the 84 companies employed worldwide less than 500 people, 20 companies employed between 500 and 1,500 people and another 24 companies employed between 1,500 and 2,500 people. 26 companies had more than 2,500 employees.

Figure 1 illustrates that mainly companies belonging to the manufacturing as well as engineering and automotive industries participated in the study. The service sector, on the other hand, is under-represented. While the sample may not be considered as representative per se, we followed the principle of maximum contrasting (Lamnek, 2005). A sufficiently heterogeneous study sample, the primary target of our sampling approach, was compiled in order to allow a broad overview of WMLs and permit the study of best practices.

Figure 1: Industry Structure of the Sample (Unit: %)



Data collection and analysis

A pilot stage was designed to gain an initial insight into anticipated responses and relevant themes and to anticipate time issues or problems with research style (Ghauri, Grønhaug and Kristianslund, 1999). Using the insight gained from the pilot interviews (e.g., semantic discussions of key terms) the main interviews also followed a semi-structured style. In accordance with the above-formulated research objectives, the data collection focuses on the questions why, when and how the internationalization of WMLs is carried out. For this purpose the owners and executive directors of the selected WMLs were interviewed.

The use of qualitative personal interviews as a method of data collection was necessary as it was the only way of guaranteeing high validity. Despite the quality of our informants, a specific problem was the finding that the first internationalization step usually dated back to past years making the ability to recall relevant information within the interviewees a critical point. In this case however, the problem of reconstruction of past events is less distinct in comparison to other studies as internationalization is an important step in a company's history. Accordingly, the Critical Incident Learning Theory (Cope and Watts, 2000) points out those dramatic events which have radically changed a hitherto existing course of action and processes, and have led to conscious learning processes, are memorized in particular and can reliably be reconstructed (Chetty and Campbell-Hunt, 2004: 67). Also, the problem of subsequent rationalization of decisions made in the past is less serious because of the positive selection of extremely successful companies in this study (Hurrle and Kieser, 2005). In fact, the interview partners reported frankly and openly on specific mistakes and failures during the internationalization process of their companies.

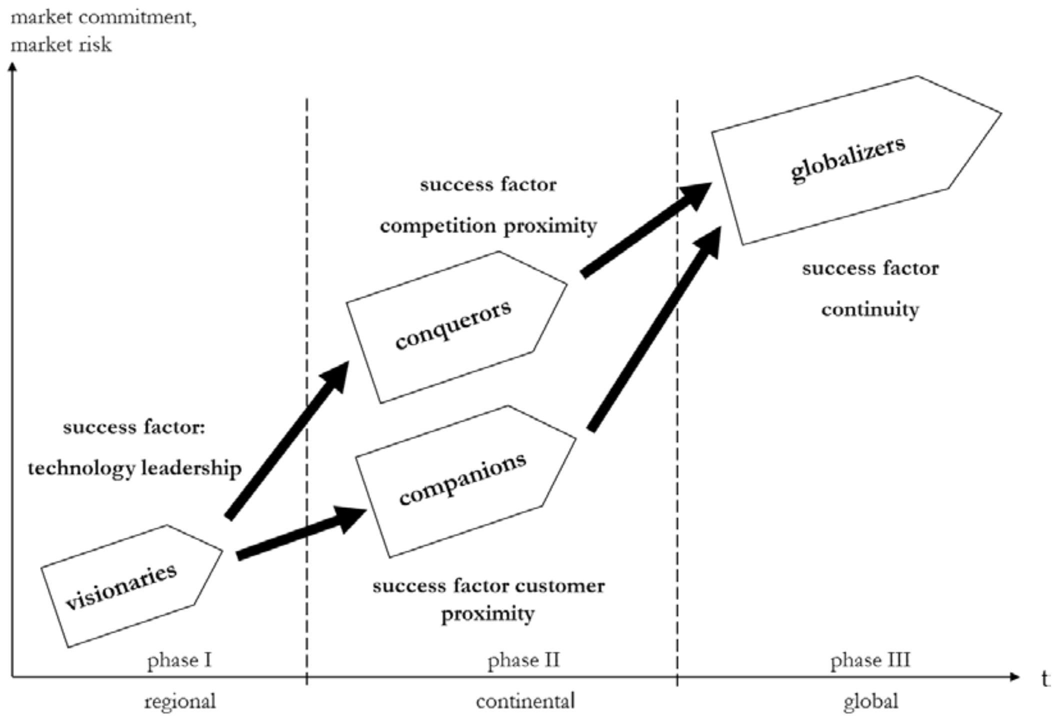
The evaluation of the data was carried out on a computer-aided qualitative data analysis using the software program NVivo (Fraser, 1999; Gibbs, 2002). Coding, i.e., the assignment of codes to terms and phrases that are considered important, is comparable to the operationalization of quantitative data. However, in contrast to operationalization, coding is conducted only after data collection. To ensure its high reliability, the author and another expert conducted the coding independently before comparing their results (Palmquist, Carley, and Dale, 1997: 174; Shapiro, 1997: 231-233). Alongside the coding of specific terms and phrases as the basis of the citation analysis, causal relationships between the different statements were detected. The most important results of this study are presented in the following.

FINDINGS AND DISCUSSION - INTERNATIONALIZATION STAGES AND TYPES OF WMLS

The data analyzed indicated that the internationalization of the WMLs can be described by a phase model. Three phases may be identified which are characterized by two main factors: (1) the geographic coverage of the international presence and (2) the degree of market exposure and the associated market risk. In this study, the geographic coverage of international presence is classified as "regional," "continental" (e.g., Europe) and "global." With increasing geographical coverage over several stages—in accordance with the internationalization model of Johanson and Vahlne (1977, 1990)—the market commitment as well as the market risks increases. No company in the underlying sample started immediately with a global alignment of their corporate activities. Hence, WMLs differ diametrically from the Born Global Firms that typically leapfrog single steps on the psychic distance chain (Holtbrügge and Enßlinger, 2004).

The gradual development of WMLs is related to a specific success factor in each internationalization stage. In the following, stages, success factors and the respective types of successful WMLs are identified from the data collected. Resulting from the interviews, the author determined three stages and four types of internationalized WMLs, each determined by a specific success factor (see figure 2).

Figure 2: Internationalization Stages of WMLs



The stages were denoted as regional, continental and global. For the first stage with regional coverage the success factor is technology leadership. With regards to the next stage of continental coverage, two success factors could be determined: competition proximity and customer proximity. For the third and last phase data collected suggests continuity as a success factor for WMLs in international markets. The types of the WMLs were termed Visionaries, Conquerors, Companions and Globalizers. While stage I (regional focus) and stage III (global focus) show a clear pattern of WML characteristics, a more ambiguous picture of internationalization emerged with WMLs in stage II. With Visionaries of the first stage found to be active mainly regionally, i.e., within Europe, their activities in the second stage were concentrated on Asia and the USA. Furthermore, market commitment in this stage increases considerably, with two different types emerging: Conquerors and Companions. The Conquerors stand out due to their going-alone-strategy, and the Companions are active on foreign markets by means of cooperation. In both cases, firm-specific internationalization paths are strongly affected by external forces. In the case of the Conquerors, competition proximity has a great influence, whereas customer proximity is the decisive factor for the chosen internationalization steps of the Companions. The Globalizers in the third stage are present in the major traditional markets in Europe, USA and Asia. This global presence leads to the necessity to leave their original niche in favor of diversifying their products to compete internationally.

The following subchapters characterize each type of WML and discuss key success factors and specific internationalization patterns. Type-specific characteristics are identified and future management challenges and potential risks are discussed.

Stage I – The Visionaries

The term Visionary results from the continuous notion to establish "market oriented innovation" and "above-average anti-cyclical development of competence" on a global basis. These aspects are supposed to determine technology leadership in the long run.

Success factor: Technology leadership

Technology leadership has been identified as the dominant success factor of the Visionaries. "We can," according to an interviewee, "withstand international competitive pressure on our own." An important component of the innovative capacity comprises the realization of technologically superior products that are always customized for client needs (Simon, Ford, and Butscher, 2002: 17). Many large-scale enterprises have their own R&D departments. This creates the risk of focusing too much on the technology aspect of the innovation while losing sight of the market aspect. However, due to the system-immanent characteristics of medium-sized enterprises, employees in WMLs are often all-rounders in their field of activity. There is an equal mix between internal tasks like technology development and external activities like customer visits. In this way, customers become an important source of innovation. According to an interviewee, by observing and interviewing "the customers regarding the use of the products, the company learns a lot about new applications or refinements (new uses) and therefore also about new customer groups for the existing products (new users)." Thus, successful internationalization of WMLs starts even before the actual engagement abroad by establishing world-class performance ability in the home market. In reverse this also means that internationalization is no suitable means to compensate failures in the home market which is in line with existing IB-literature on both, SME and MNE (e.g., Dunning, 1995; Hamel and Prahalad, 1985).

Comparing the patent situations of selected WMLs with Siemens illustrates their outstanding performance in R&D (see Table 1). It shows that for instance Fischerwerke (a family-owned SME) with 234 patents per 100 employees clearly outperforms Siemens with approximately 11 patents per 100 employees. However, these figures only partially represent the innovative potential of these firms. As successful R&D is moving at a fast pace, the patent procedure is very bureaucratic and therefore slow not every innovation is patented. According to Viehöver (2002: 28), patents of custom-made machines are often neither filed nor published. Thus, the actual innovative capacity of the Visionaries is often much higher than what the number of patent applications suggests.

Table 1: Patent situation in selected WMLs

Company	Main products	Employees	No. of patents	No. of patents per 100 employees
Fischerwerke	Fastening equipment, construction kit system	2,350	5,500	234
Sachtler	Camera tripods	130	40	31
Reflecta	Diapositive technology	500	100	20
Krones	Labeling machines	8.690	955	11
Siemens	Conglomerate	417,000	48,000	~ 11

The point of time when innovation activity is carried out is another characteristic of the Visionaries. Rammer, Zimmermann, Mueller, Heger, Aschhoff, and Reize (2006) show that in times of economic stagnation, medium-sized enterprises on average invest substantially less in innovations than large-scale companies (KfW Bankengruppe, 2005: 86). However, Visionaries are characterized by a permanent and often even anticyclical striving for innovation, i.e., especially in difficult economic times, they use a substantial part of their financial resources to keep the R&D budget on the same level. This is the only way to establish a continuous improvement process where every new product version tops the preceding model (Haussmann and Rygl, 2003; Simon, 1996: 99).

The ability to perform above market average in the home market provides the basis for the success of the Visionaries in accordance with the monopolistic advantage theory (Holtbrügge and Welge, 2010: 67). The attempt to play off own strengths in foreign markets is only subsequent. Therefore, the control of the home market is a central condition for successful internationalization.

Internationalization patterns

In this first stage, two essential aspects characterize internationalization: gathering experience and testing one's product range in a familiar region without taking incalculable risks. Therefore, Visionaries prefer immediate border areas to test their international market maturity. From a German perspective (as the basis of this empirical study), particularly German-speaking areas like Austria and Switzerland, as well as France are preferred destinations with geographic proximity between the selected region and the location of the enterprise in Germany. For instance, Visionaries from south-west Germany tend to establish their first foreign ventures mainly in the immediate border areas of France or Switzerland. Enterprises from Rhineland-Palatinate and North Rhine-Westphalia tend to go to the Benelux states, while Bavarian enterprises choose to first expand their businesses in Austria, Switzerland and, occasionally, the Czech Republic. The notion of getting internationally active first in immediate proximity to the home market is supported by the statements of interviewees regarding the motives for their first foreign engagements.

Significance of local proximity

- "In fact, internationalization happened naturally. We had a strong presence for our customers in Northern Bavaria. After the German reunification we were able to easily enter the new federal states from Hof. We only went to cities in the south like Plauen, Dresden and Jena. Then, we went to the Czech Republic, to Prague. There, except for the language differences, we encountered conditions similar to those in the southern part of the new federal states. The experiences we made in East German have been a big help; we have been repeatedly making similar experiences in middle and Eastern Europe."
- "Starting from our strong presence in Bavaria, we covered the whole western German market as the next logical step of market development. Then we planned to go to Austria but after the German reunification we decided to go to East Germany first before entering the Austrian market. By now, we try to cover both Western and Eastern Europe. The long-term goal is a triad."

The specific motives of the first market entry can be assigned to the categories geographic proximity, cultural similarity and customer preferences. All interviewees emphasized the great importance of geographic proximity and low language barriers for a rapid market entry as well as the dependable estimation of the market potential.

Selected motives of first internationalization steps

- "Geographic proximity and cultural similarity"
- "Our first foreign market was Austria. The proximity to the locations in southern Germany has been the decisive factor."
- "No language barriers, geographically close, seemed interesting at that time."
- "Proximity and no language problems."
- "Customer preferences"
- "Similar taste preferences."
- "Trade listing"
- "Same customer structure."

Finally, a last important characteristic of the Visionaries found in this study is the consistent pursuit for a market entry strategy with low market commitment. Alongside a mere export strategy, especially sales subsidiaries and licenses are preferred. "Market entry into new markets," according to an exemplary statement, "is carried out through export operations and the hiring of distribution and technical employees in the respective country. We can serve most markets from Germany. In those markets with respective sustainable size and development potential, in which we are successful, we will also make direct investments."

Challenge: Formulation of a mission statement and international vision

Successful internationalization requires a catchy mission statement and an international vision for future corporate activities, allowing a long-term orientation. According to the interviewees, primarily two basic features characterize the vision, which is an easy and clear message that is exemplified constantly and on a long-term basis. Repeatedly, interviewees made the following statements:

Visions of internationality

- "I want to make my company the best of the branch in international comparison."
- "Serving our customers' wishes everywhere in the world according to our slogan 'mobility for you'."
- "Be represented in all countries with market potential by our own competent team."
- "Becoming a global player."
- "Competing internationally with technically better products and better service."
- "Our successful products in Germany have to be successful abroad, too."
- "We want to be the world market leader."
- "Becoming number one in Europe, then market leader in the USA."

The best vision would be worthless if it perished as an empty formulation. It must be lived and the employees must be motivated to incorporate the vision. The executives of the Visionaries master this mediation of the vision in an excellent manner. In doing so, a clear focus is set and the vision is pursued purposefully and persistently. The possibility to permanently set an example of how to live the vision and to communicate it to the employees is often facilitated by a long tenure of executive managers. While at large MNEs the board of directors and its vision change on average every eight years, the managers of WMLs stay in office for an average of 25 years. An example of this sustained long-term perspective auto is automotive SME Karmann accounting for only four chief executives in their 105-year-old history of the company (Haussmann and Rygl, 2003: 14). The continuity of the management anchors the vision in the heads of the employees for many years, even beyond the first stage of internationalization.

Potential Risks

While preparing the actual internationalization or gaining first experiences in test markets, two potential risks should be limited. First, many managers find it appealing to organize their internationalization steps in accordance with the "Management by World Map" principle. The opportunity of making international presence to a personal prestigious object turns strategic aspects, such as market valuation and market choice as well as the search for the appropriate market development form, into necessary evil. Second, the blind pursuit of an international vision that only exists for a short time represents also a risk. The "longing for the sea," shaped by the goals and the will of the company's founders to orient all activities of the company towards worldwide market leadership, often seems not embedded firmly enough (Hering, Pförtsch, and Wordelmann, 2001: 38-39).

Both aspects, combined with the lack of international experience, contribute significantly to a non-systematic preparation of the internationalization. Many decisions have been made in an incoherent way as scarce financial and management capacities impede the establishment of formal departments, staff units as well as technical experts whose main task is to reduce knowledge deficits concerning international markets (Buckley, 1989: 91-92). The consequences are often agonizing coordination processes and an incoherent management style. These factors encourage informal decision structures which leading to a rather reactive way of responding to environmental changes and a method of "muddling through" (Meffert, 1998: 67).

With respect to the Uppsala model described above in Chapter 2, Visionaries first internationalize to those countries where they feel most comfortable due to geographical cultural proximity. In other words, here, they possess the greatest amount of market know how, i.e., the newness and therefore the need to learn about the new environment is comparably low. Our study indicates that Johanson and Vahlne's (1990) proposed internationalization patterns (establishment chain and psychic distance chain) and their internationalization model (dynamic and static elements) hold for Visionaries.

Stage II, form 1: The Conquerors

Conquerors are characterized by a long-term orientation towards the most important competitors.

Success factor: Proximity to competition

Conquerors are very much concerned about the competitors and market observation is of outmost importance for a successful market entry. As one interviewee put it: "We seek a personal relationship with our competitors" i.e., the top management of competing companies often is acquainted with each other and this circumstance eases learning from each other. Despite the small number of direct competitors, the niche competition is very intense. Even the smallest niche is not safe from competition. Thus, it would be a serious mistake to assume to be untouchable by the competition in one's own niche. Therefore, WMLs are aware that market leadership has to be earned and defended every day (Simon, 1996: 121). WMLs do not try to copy their competitors but set standards that are higher than those of the competitors. Innovations of competitors are seen as drivers for even higher performances. According to Simon (1996: 123), world class can only be achieved by fighting against the best and not by playing in the second league.

Possibilities to protect the niche markets from competition are limited. On the one hand, Conquerors can generally aim for a higher innovation rate than their competitors; on the other hand, they can establish a new competitive advantage, e.g., through outstanding service. In both cases, the profound knowledge about direct competitors is an essential success factor. "Our philosophy is to choose rather difficult markets with many competitors, having a critical competitive position at first but being able to learn from others," according to an interviewee. This way it is possible to correctly evaluate one's own achievement potential and to consistently pursue the goal of world market leadership. Conquerors use this finding for their international market entry. They chose their internationalization strategy according to the postulate of performance improvement through active competition. An interviewee puts this as follows, "It is important to locally fight the best. That puts us under pressure which is good." Thus, local competition becomes a decision criterion when choosing internationalization goals (Bassen, Behnam, and Gilbert, 2001: 420; Eden, 1997: 46).

Internationalization patterns

Due to the necessity to be able to operate closely to the competition, the internationalization pattern is more determined by learning effects than by potential earnings. Considering the geographical expansion of Conquerors, it is noticeable that in most cases markets are selected that are defined by an intensive high quality competition like the USA or Japan. Consequently, the internationalization pattern of Conquerors differs diametrically from those of the Visionaries. While these focused on regionally close markets, Conquerors prefer technologically demanding markets for their market entry, which may geographically and culturally be far away from their home market. Therefore, gradual expansion is replaced by the view: "When you can make it here, you can make it everywhere."

The choice of the market cultivation form is determined by possibility to be able to operate quickly and flexibly. All Conquerors within the sample exclusively chose forms of ownership that allow sole control over the foreign engagement. "We like being independent when developing foreign markets," an interviewee explains. "Also in pure export markets we deny cooperation with local partners. (…) This strategy is supposed to avoid the diffusion of know-how." In spite of possible disadvantages like a high employment of capital and resources as well as a potential expropriation risk, the statements of all of the Conqueror interviewees unanimously confirm the need to protect their own independence.

Attitudes towards cooperation

- "We're used to being in charge. We don't need partners."
- "Better alone!"
- "Partners would hold us back!"
- "Avoiding know-how diffusion, being in control."

Challenge: Optimum employment of scarce management resources

Due to the strong owner and family orientation of WMLs, regular top management trips abroad are unavoidable. A lot of interviewees indicated that there are many decisions to make on site that would not be possible without personal presence of the top management. The management of foreign activities is therefore "a matter for the boss" and can only be mastered by regular presence on site. This leads to far-reaching consequences at least at the top level, "as managers, who travel a lot, have to delegate."

Significance of travelling

- "Everything has changed. Traveling used to be something special. I once asked an employee: 'Come with me to Japan.' Answer: 'I have no passport.' That's different today."
- "I travel abroad 25 weeks per year. You have to be there for the company 24 hours a day."
- "I just arrived from China and have to leave for Tokyo tonight. Soon I need to go to India again."
- "Extremely global engagement. I'm in Germany for four days a month, for the rest I'm all over the world, especially in Asia."

However, this is only one part of the Conqueror's challenge. While the delegation of important competencies can compensate or at least absorb the travel activities of the top management, it can still overburden the middle management. In the early stage of their foreign engagement, many WMLs do not appoint locals for leadership positions. Instead, executives from the parent company are assigned overseas. As a result, many qualified employees have to be substituted in the home country. However, this does not succeed in all cases, because "the recruitment of highly qualified employees always imposes difficulties." For WMLs these are mostly caused by their relatively low awareness and compensation level in comparison to large-scale enterprises (Holtbrügge and Rygl, 2002: 20). "Despite a low fluctuation among the employees," an interviewee states, "from a certain point of time on, it is not possible to grow any longer." Consequently, overseas assignments of executives were found in our interviews to attempt to achieve various goals:

Goals of overseas assignments

- "Transfer of know-how from the parent company"
- "Promoting innovative approaches"
- "Retaining corporate interests on site"
- "Transfer of corporate culture"
- "Help people to help themselves"
- "Improving employees' horizons"
- "Conveying a quality image 'made in Germany'"

The expatriation of managers is supported by active visitor traffic from the parent company, tying resources again. Although WMLs are also often subject to high cost pressure, they predominantly employ another philosophy regarding the necessity of traveling abroad, as this statement from an interviewee shows: "We do not control the travel expenses of our employees. The trips of our employees are necessary and always pay off."

Potential Risks

A major risk of the Conquerors particularly lies in the misevaluation of local competition. Their striving to expand into important markets with very intense competition results in a tendency to underestimate the local competition. This can lead to a competitive situation where WMLs stop focusing on learning effects but rather consider withdrawing from the market. The following statement documents this, "First we tried to hang on. When the situation remained unpredictable in the long run, we quickly retreated. We analyzed the causes and since then have been avoiding such setbacks in other markets." The second risk factor represents the notion of the Conquerors to enter too many learning markets. Therefore, it is a matter of finding the right balance between market entries into both strong learning and sales markets. In order to be able to expand in the long run, it requires a financial back up which can only be achieved in combination with the timely penetration of profitable markets.

Conquerors are striving for independence when entering a foreign market. Despite the fact that those markets are culturally distant from the home market, collaborative forms are irrelevant. Although Conquerors could reduce the risk through exports and get access to knowledge about the foreign environment easier and quicker through a joint venture respectively, nevertheless they operate without partners. Therefore, for Conquerors the course of internationalization suggested by Johanson and Vahlne's (1990, 2003) establishment and psychic distance chain cannot be confirmed. With regards to the internationalization model as the second part of Johanson and Vahlne's learning theory of internationalization, learning is a major driver behind the Conquerors' internationalization motives. However, learning and the degree of market know-how about the foreign market does not influence the market entry decision—it is rather learning from competitors when they have already entered the foreign market. Therefore, the internationalization model does not hold either.

Stage II, form 2: The Companions

The term "Companions" illustrates the strong influence their customers have on their internationalization process.

Success factor: Proximity to customers

In contrast to the going-alone strategy of the Conquerors, the process of going abroad of the Companions is typically characterized by a tight linkage of their internationalization strategy to that of their important customers. The precondition for that is a continuous willingness to engage in dialogue with customers leading to product developments in response to demand, without deterring the customers by infatuation with technology (Kayser, 1995: 30). Customer proximity as well as the readiness to react flexibly and in a timely manner to the needs of the customers is valid not only for the daily business, but also for the international activities, as an interviewee states: "We go abroad, worldwide, on customer order or concrete request."

The relationship between WMLs and their customers is characterized by a mutual interdependence. As a result of their high specialization, WMLs are fixated on a narrow circle of buyers. The dependence caused by this constellation, however, is mutual. Customers often have very specific demands, which can be fulfilled only by a very small circle of suppliers. The consequence is a close and often personal relationship, where the foreign activities are also considered. According to an interviewee "customer proximity is demonstrated by personal support regardless of the location of the client." "On the one hand, this is realized by extensive traveling of the employees; on the other hand, customer proximity is associated with fluency in different foreign languages and knowledge of the respective culture of the country, where the customer is located. If possible, there is an account manager for each country, who possesses the nationality of the respective country."

The special ability to take a global customer perspective without ignoring the local customers' needs is illustrated by the following example:

Significance of customer proximity at Claas KGaA

Claas KGaA, a WML in manufacturing agricultural machines, established Claas Academy in the USA in order to train small agricultural holdings in operating the company's machines. The company also operates a tight network of service centers and spare parts depots. This customer service is very much in demand during harvest season. Then, spare parts can be delivered anywhere in the world in a few hours due to a 24-hour service in order to minimize downtime. Additionally, Claas offers a financial plan customized to the farmers' needs (Claas KGaA, 2005).

Internationalization patterns

The internationalization of the Companions is driven to a large extent by the key customers of Companions. This is particularly evident in the unstructured selection of foreign markets. The necessity to be present at the locations of the most important customers determines the path of internationalization and leaves little space for long-term strategic planning.

Outside of Europe, it is China and the USA that represent the most important geographical markets for the Companions. Thereby, the Companions are confronted with similar challenges as the Conquerors as they have to manage internationalization in regions that are geographically remote. In order to retain customer proximity, Companions often are challenged to simultaneously enter several markets. While Conquerors focus on fewer markets, Companions develop several markets in regions important to them. In our study (while this is meant to be considered as an observation we report rather than a generalizable finding) some country preferences were identified across different regions, e.g., in Central and Eastern Europe (CEE), markets like Poland, Czech Republic, Hungary or Slovenia are chosen for market entry. In Asia, apart from China, Companions favor Indonesia, Singapore and Malaysia. This intense approach to foreign markets requires an adequate financial backing that in most cases, however, is not available. If financial backing is low, strong international presence often becomes an issue that can threaten the existence of the firm (Haussmann, 2003: 107).

Because of the lack of international experience and a lack of adequate resources, Companions cultivate markets predominantly through cooperation. Advantages of cooperation for the Companions are the utilization of the established distribution system of the local partner and the use of its specific knowledge of the market and country. Therefore, avoiding the time-consuming development of appropriate distribution channels and preventing a long learning process about the local market represent the most important reasons for cooperation.

Advantages of cooperation

- "Has to come from the same business field. Should be very well known locally, that means should have market access. We'll do the rest."
- "Cooperation due to lacking market knowledge"
- "Market access was important to us."
- "We want to learn from partners."
- "Partner's know-how"
- "In China, joint venture. Inevitable because of the access to manpower."

Challenge: Ensuring identity

The biggest challenge for the Companions is to ensure one's own identity and control in the cooperation. This is the main reason why Companions try to minimize the influence of the partner in the long run and take control over the joint project even though they initially started it together with their partner. The interviewed companies expressed clear preferences on this:

Significance of cooperation for future internationalization steps:

- "Cooperation as a first step, later buy-out of the partner"
- "Becoming active without local partners in the future"
- "In the future, cooperation only in unimportant markets"
- "In China, we will work only by ourselves in future because of the know-how diffusion."
- "First joint venture, later transformed into a wholly foreign owned subsidiary. Market entry through general representative offices being later replaced by subsidiaries in core markets."

Scepticism towards cooperation is often caused by the excellent market position of the Companions. The mostly intensive competition in foreign markets requires a high protection against know-how diffusion. While the local partners try to achieve learning effects resulting from the partnership, Companions ultimately do not see cooperation as a useful means to establish their crucial corporate culture in the host country. This absence of commitment towards the partner shows the lack of willingness to deploy necessary resources and often leads to the failure of the partnership in the long run (Holtbrügge and Welge, 2010: 123).

Attitudes towards cooperation:

- "China–predictably unpredictable"
- "Made bad experiences with JV as a form of cooperation"
- "Cooperation is not intended."
- "Too little knowledge about the partner's management know-how"
- "The imitation problem is underestimated in China"

Beside concerns about the disclosure of firm specific know-how, customer retention is the second main reason for the aversion against cooperation in core markets. Companions fear to "get lost" in the distribution channels when cooperating with strong local partners. Using the same local distribution and service facilities, the local partner will profit from the technically and qualitatively high-class product image of the Companions in the long run. These negative spill-over-effects increase the dependence on the partner (Nieschlag, Dichtl, and Hörschgen, 1994: 892) and complicate the establishment of distinctive brand and communication practices.

Potential Risks

Although the immediate proximity to the most important customers means a secure source of revenue at the beginning of the internationalization, it also causes a strong dependence. If customers withdraw from the foreign markets, the Companions are put under pressure. In order to reduce one-sided dependence they would have to induce their own activities of market development on time in addition to serving the most important local customers. Still, the internationalization strategy is strongly driven by customer wishes, leaving management little room for the systematic planning of the next internationalization steps.

Companions are shortening their learning process by utilizing the know-how and resources of their local partners at the beginning of their internationalization project. In this early phase Johanson and Vahlne's (1990) implications of the establishment chain can be confirmed as a lack of knowledge leads to a cooperative form of market entry. However, as Companions serve their customers wherever is needed, the internationalization path suggested by the psychic distance chain cannot be confirmed as the target countries may be geographically and culturally far away from the home market. During the course of presence in the target market the cooperative form is substituted by a form with higher market commitment (i.e., own sales or production subsidiary). However, the primary motive for Companions is not increased market knowledge but the wish to be able to independently implement their specific company identity also in their operation in the target market.

Stage III – The Globalizers

Globalizers are most internationalized among the four types of WMLs. They are present in the most important traditional markets in Europe, the USA and Asia.

Success Factor: Continuity

Their worldwide presence requires the Globalizers to leave their original niche in favor of the diversification of their products in order to stay competitive on the international market place. The pressure to diversify is the result of three external factors which decisively determine the international activities of the Globalizers, namely the concentration on a niche market, the substitution of the market niche by standard products and a too low market volume of the niche to achieve economies of scale and learning curve effects.

Diversification requires radical rethinking. While the firm's international presence has been determined by the control of its niche market so far, a diversification strategy now requires an entirely new direction for worldwide operations. A key success factor in this phase is the combination of the strategic reorientation of market activities while maintaining one's own unique strengths. These generic strengths of the WMLs like flexibility and innovation capability must not be lost but continuously have to be further developed in order to meet the new challenges (for a review of dynamic capabilities see Wang and Ahmed, 2007; Zahra, Sapienza and Davidsson, 2006). The following statement of one of the interviewees confirms the process character of the adaptation to the changed situation: "For an organization like ours such an adaptation is only possible in 'digestible' steps."

For Globalizers, the dependence on a very closely defined market is the result of their own organizational development initially starting out as One-Product Company. This setting contains considerable danger for allocating risk adequately. On the one hand, there are international markets, which are less developed and thus, entail different customer needs and product standards than more developed markets. On the other hand, markets can be subject to economic fluctuations. Phases of stagnation affect Globalizers much stronger than large-scale enterprises which—under certain circumstances—can partially compensate sales declines of a product by sales of other products (Haussmann and Rygl, 2003: 9).

As WMLs lack the possibility to leverage scale and experience curve effects due to the limited volume of their niche market, Globalizers are striving for a high degree of diversification. WMLs recognized very early the need to expand their niche market across the globe (Spur, 1999: 66). Through a global view the volume of the niche market increases and thus also enables WMLs to realize scales and experience curve effects (Icks, Kaufmann, and Menke, 1997: 131). Simon (1996: 200) notes that a mere diversification strategy alone does not generate sustainable growth but it should be realized by an increase of market share or regional expansion. Hence, Globalizers try to expand their worldwide presence in order to be able to generate possible economies of scale.

Internalization patterns

The diversification strategy into future core markets is also reflected in the Globalizers' internalization patterns. Internalization steps are predominantly carried out in the emerging markets of India, China and Russia. These three geographical areas are very important to all interviewees' companies as the following statements show:

Significance of future markets:

- "Increasing significance of China, India and Russia in the next five to ten years"
- "Very significant. We've been represented here for a long time."
- "China is very important to us. Then Russia and then India."
- "We're active in China, looking for partners in Russia and researching in India."
- "The significance increases with growing consumer potential."
- "Very important! However, this is also where all our competitors are going."
- "Of very high importance. This is why we have our own subsidiaries in India and China."

While in stage II market entry is limited to a few core markets, Globalizers in stage III feel confronted with the problem of having to enter the most important emerging markets simultaneously. As an interviewee states: "In former times we could work on Japan without hurry and only then enter the next market. Nowadays we have to be present in India and China concurrently." The need to develop these markets one immediately after another or even at the same time imposes a special challenge not only due to their huge population but mainly also because of the geographic size of these markets. Therefore, the current market entry strategy needs to be reconsidered. In particular, cooperation—mostly declined by WMLs in earlier stages—may become necessary. In most cases, at least one wholly foreign owned enterprise is founded (often in major conurbations or industrial centers such as Shanghai, Moscow or Bombay). Further development of the local market is pursued through partnerships. Despite the need to quickly build their own significant presence in these markets Globalizers expand almost exclusively through organic growth. In this stage quick acquisitions are deliberately refrained as the following statement underlines: "Double strategy in China. Set up of our own subsidiary in the Center. Cooperation in the North, as it is too difficult to develop ourselves." Being present themselves the distance to the partners is minimized, thus strengthening their own local influence. It is acknowledged that a successful development of emerging markets through the help of a third party also contains risks, but most

Globalizers share the opinion "that it is a greater risk to not be there at all than to have the wrong partner."

Challenge: Global Mindset

The challenge for Globalizers consists of creating a global view while considering local specifics at the same time. Gupta and Govindarajan (2002: 114) define a global mindset "as one that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity." Additionally, they see a global mindset as an elementary condition to be able to be the leading company in an industry sector. This point of view is also characteristic for the Globalizers and expresses itself in various ways:

The Globalizers' philosophy:

- "We established the 'we-feeling'."
- "Leadership systems became more international."
- "There is an extended informal international leadership circle."
- "Understanding and acceptance of internationalization have definitely improved."
- "Employees in higher and middle management have become more open to foreign cultures."

For successfully implementing the global vision it is inevitable to establish a globally oriented management system that is compatible with the company's culture. These developments takes place mainly in phase II, drawing on staff from the headquarters. The absorption of global knowledge and initiation of organizational learning processes requires them to be extremely mobile (Dörnberg, 1982: 304; Paulus, Schäfer, and Schreurs, 2000: 27).

However, Globalizers are confronted with even more challenges. Their main management task consists not only of controlling the domestic and foreign activities centrally from the head office but also in gaining local knowledge and leveraging it worldwide. This is due to the perception that learning and innovation increasingly happens decentralized. On one hand, the existence of sites and subsidiaries embedded in culturally, politically and economically very heterogeneous environments poses high demands on head office management: the knowledge of several foreign languages does not only serve as a means of communication with various customers and co-workers in other countries but also eases the understanding of other cultures (Haussmann and Rygl, 2003: 15). On the other hand, in order to absorb local knowledge, increasingly experienced local managers have been assigned with the management of the subsidiaries abroad. In order to retain these local managers WMLs have to continuously distinguish themselves as attractive employers (Simon et al., 2002: 17). In comparison to large-scale enterprises, WMLs delegate more responsibility to the managers abroad as well as enabling the realization of more individual ideas. This leads to the development of long-term emotional and professional commitment towards the tasks and the enterprise (Stelzer, 2003: 24). Additionally, intercultural teams are increasingly established in operative areas of action. This kind of initiated everyday contact with cultural variety promotes global mentality and triggers creative problem solution (Holtbrügge and Puck, 2003).

Features of global mentality

- "Integration of foreign managers into strategic decision-making."
- "International Board of Management."
- "Management trainees are increasingly recruited abroad."
- "Local employees have to be involved."
- "We're looking for the best employees worldwide."

Potential Risks

Specific risks to the Globalizers arise in the increasing heterogeneity of markets and the efficient coordination of worldwide activities. In particular, the engagement in emerging markets imposes new risks to WMLs. As their awareness is very low in these countries, a critical company size has to be gained in order to be visible in markets like China, Russia and India, and to be able to use the location specific advantages. Therefore, a gradual market entry is not possible in most cases. Emerging markets differ from predominantly served markets in Europe and the USA by a far bigger cultural distance, which considerably complicates the communication and the understanding of market conditions. "Even in Shanghai," according to an interviewee, "it is impossible to have an even brief conversation with your employees (without interpreters); just imagine the situation for midland China."

Additionally, engaging in numerous economically, politically and culturally heterogeneous markets leads to a high demand for coordination. Large-scale enterprises usually create central staff units in order to coordinate their foreign corporate units and transfer competencies to the foreign subsidiaries. However, this involves the danger of bureaucratization. WMLs following this example would lose flexibility which is argued to constitute a central competitive advantage for them. The majority of Globalizers in our sample seems aware of this danger and therefore relies—above all—on personal coordination instruments as the following citation expresses: "We are growing and becoming more professional. Lots of project management without hierarchy. Not too big corporation-like, not too bureaucratic, constantly varying subject-related taskforces. No principalities; no staff units."

Due to the need to simultaneously enter important emerging markets like China, India and Russia, Globalizers lack the opportunity to build upon knowledge learned over time through gradual internationalization across culturally familiar countries. At the same time they are choosing to build a presence in the target market, thereby leapfrogging the export stage that Johanson and Vahlne would suggest as a first step to enter a market. Thus, neither the establishment nor the psychic distance chain holds for Globalizers. Also the internationalization model that tries to explain the internationalization patterns does not hold as there is no interplay between static and dynamic elements, i.e., a gradual process between a firm's current activities, market knowledge, commitment decisions and market decisions. In this respect Globalizers are similar to so called born global firms (Johanson and Vahlne, 2003).

CONCLUSION AND IMPLICATIONS

The primary goal of our study was to identify antecedents of WML-success by gaining empirical insights from successfully internationalized German SMEs. The results show that success factors differ for the respective stage in the internationalization process of a WML. Based on existing SME-literature we differentiate this process in three stages characterized by different levels of market commitment and market risks (Johanson and Vahlne, 1990) and developed a taxonomy of successful WMLs. While in the first stage, the regional stage, WMLs ("Visionaries") focused on technology leadership, WMLs in the second stage, the continental stage, reach out for distinctive proximity to the competition ("Conquerors") and customers ("Companions"). The third stage, the globalization stage, is marked in particular by a high continuity, which enables WMLs ("Globalizers") to master increased and structurally differing challenges.

Regarding the challenges WMLs have to face, the Visionaries have to formulate and live an adequate mission statement and have a clear international vision. Conquerors have to employ their resources, particularly management resources, in a most efficient and effective way while for Companions the challenge is to ensure the company's identity. Globalizers need to implement a global mindset among their managers. Across the different types of WMLs establishment at the new growth markets seems to be considered a central future challenge. Alongside the discussed characteristics, in particular intercultural competence has been gaining importance and appears to be crucial for a rapid and successful market entry. Furthermore, successful engagements in China, India and Russia were considered essential for the remaining world market leaders. As an increasing number of companies from these countries now maintain or start to engage in business activities in Germany, a loss of the prime market position not only means the renunciation of single lucrative foreign markets. It rather bears the danger that current WMLs are outperformed by foreign competitors, whose names in most cases are yet not even known by them.

Looking at specific risks of each internationalization stage our study found that risks in the beginning still seem rather controllable through adequate market entry strategies but constantly increase throughout the internationalization process. At the same time, room for decision-making and manoeuvring decreases. Scarce financial and personnel resources impose an additional issue as most WMLs—in contrast to larger firms—lack the opportunity to compensate failures in specific foreign markets through internal subsidies.

For Visionaries a special risk lies in personal motives: gaining responsibility over more country markets might be tempting for some managers to drop a careful analysis about which markets are really suitable for the company. This might be encouraged by the lack of a clear long term picture of the status quo of the company. One of the risks the Conquerors are facing is the underestimation of the local competition they actually see as a benchmark for their own performance. In case there is a lack personal resources due to a too ambitious expansion into too many learning markets (second risk) a wrong evaluation and eventually a costly withdrawal from the market may be the consequence. Companions need to be aware of their dependency of customers abroad, which could be tackled by broadening their customer base in a pro-active manner once they entered the market. Increasing heterogeneity of markets (especially true for emerging markets) and non-efficient coordination mechanisms of worldwide activities jeopardize the success of Globalizers. As a speedy parallel entry into several markets through the so called waterfall strategy is necessary in order to expand the size for their market niche worldwide, needed resources may not be available in the required quantity or quality or both.

Despite the development of a WML-taxonomy, insightful findings on selected aspects associated with WML internationalization and, subsequently, a contribution to the narrow literature on WMLs and internationalization, this study is subject to a number of limitations. Firstly, the sample size may be too small in to allow for a generalization and derive recommendations for practice. However our sample seems to be saturated and our approach, as detailed above, should hold against the key criteria of trustworthiness (Guba and Lincoln, 1985; Sinkovics, Penz, and Ghauri, 2008), Secondly, the focus on and the specifics of German WMLs may hinder transferability to SMEs in other countries (for the internationalization of SMEs in the Baltic Sea Region, see Jansson and Sandberg, 2008, for Eastern Europe, see Meyer and Skak, 2002). This may be especially an issue for industries where the phase model of internationalization is not applicable due to industry characteristics (e.g., internet firms) following recent discussions on the applicability of traditional IB-theory to newer phenomena. Here, the so called born global firms leapfrog the step-by-step expansion and become global in their operations from the very beginning. Thirdly, the qualitative research method provides little room for quantification and therefore provides no basis for statistical verification.

Overall, our study provides a number of implications for both, practice and research. A first aspect is that the insights found for WMLs might generally be relevant for medium-sized enterprises in an increasingly international environment. While our study does not assume generalizability beyond WMLs per se, practitioners might see the challenges and risks identified as useful information and could contrast our findings with their individual situation in order to draw appropriate conclusions. This may apply in particular to the timing, to the choice of target markets as well as to the form of the internationalization. A very important implication for the internationalization of SMEs is the finding that WMLs seem to be successful in foreign markets only if they have first proved their abilities in the home market. Only after their position in the German market is secured, foreign markets are developed successfully. In other words our findings indicate that internationalization is not a suitable means to compensate for failures in the homeland. For initial steps abroad, regions close to borders have shown to be suitable target markets. The cultural and geographic distance is assessable and easier to manage. In line with Johanson and Vahlne's (1977) seminal study, a step-by-step approach may be also beneficial. Thereby, experience can be collected and setbacks can be better dealt with. Cooperation as form of market entry should not be ruled out as often they provide quicker and easier access to new markets. Here, attention has to be paid to the protection of the firm's core competencies and it has to be ensured that no intentional know-how drain occurs.

From a research perspective, the findings shed light on the scarce literature on success factor research of SMEs in general and WMLs in particular. The study also adds to the current debate over the explanatory power of the Uppsala model introduced by Johanson and Vahlne (1977). As depicted above the model explains the internationalization patterns of and the internationalization model with regards to Visionaries in the first phase. In the second phase, Companions partially match the patterns and the model as they are first entering a cooperative form due to the lack of knowledge but then turn the engagement into a fully controlled entity after having obtained more know how. However, the concept of the psychic distance chain is compromised by the need to follow their customers wherever needed. From the very beginning of their foreign engagement, Conquerors choose to operate in a form which allows them to react in the most flexible and rapid way in response to actions of their competitors. This is provided by a local entity over which full control can be exerted. As those competitors are present in markets technologically most advanced (Japan and USA), learning possibilities are rather determined by competitors and their internationalization path than through cultural proximity. Thus, neither the internationalization patterns nor the internationalization model hold for Conquerors. The same is true with Globalizers: as they have to simultaneously operate in geographically and culturally different markets, their internationalization process neither follows an ever increasing market commitment implied by the establishment chain nor does it follow the sequence of culturally proximate countries.

To conclude, the rich qualitative data gathered provided new insights into this academic field and consequently raises new research questions. For instance, the micro-political decision making environment, modes of strategy formulation or (un-)intended know-how transfer within a WML or economic policies of host countries may be subject to further research and source of recommendation for SMEs. This explorative study and the resulting taxonomy, we argue, provide a first basis for further research on the internationalization of SMEs and WMLs in particular. Implicitly stated propositions about success factors, internationalization patterns, challenges and risks of WMLs should be assessed through more quantitative studies that will also shed light on the explanatory power of the learning model of internationalization of Johanson and Vahlne (1977, 1990).

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