UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

PAIN POINTS AND SOLUTIONS FOR MARKET ENTRY FOR FOREIGN INNOVATIVE COMPANIES IN SLOVENIA

Ljubljana, December 2023 JAKOB JEŽ

AUTHORSHIP STATEMENT

The undersigned Jakob Jež, a student at the University of Ljubljana, School of Economics and Business, (hereafter: SEB LU), author of this written final work of studies with the title Pain Points and Solutions for Market Entry for Foreign Innovative Companies in Slovenia prepared under supervision of Full Professor Adriana Rejc Buhovac

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LIST OF ABBREVIATIONS

EU – European Union
GDP – Gross Domestic Product
HR – Human Resources
KPI – Key Performance Indicators
LV – Louis Vuitton
OEC – Original Equipment Contractor
OEM – Original Equipment Manufacturing
OLI – Ownership-location-internalization
SURS – Statistical office of the Republic of Slovenia
U. S. – United States of America
DACH - Deutschland, Austria, Confœderatio Helvetica

1 INTRODUCTION

Market entry is a complicated process regardless of the target market that a company aims to enter. It depends on a variety of externalities that can influence the success of market entry activities. Numerous factors, such as political, bureaucratic, cultural, geographical, and marketing factor, must be taken into consideration when a company aims to make this important step of internationalization (Hayes, 2023). Typically, there are five main challenges when entering a foreign market. The first one are language barriers. For instance, does the product have to be localised to be understood? Will company representatives be able to communicate with their partners in the target market? The second challenge are cultural differences. Will the solution be as effective in the foreign market as it is locally? Are negotiations conducted in the same way? Are some communication tactics unorthodox in the target market? The third challenge is associated with global management. How will companies manage their teams globally? The fourth challenge deals with currency exchange and inflation rates. Lastly, nuances of foreign politics, policy, and relations. Is the market stable? Will the new laws and regulations influence business in this market (Cote, 2022)?

The aforementioned facts are true regardless of industry or target market. The process becomes even more complex if the industry is narrowed down to innovative high-tech companies[1] and the target market to Slovenia (Chakravorti, 2004). Innovative companies are facing many challenges with their business process by default. Whether they are developing apps, AI solutions, robotics, or any other type of innovation, there are numerous rules they must adhere to throughout their work. These rules and regulations are typically different across countries (Benton, n.d.) and Slovenia is no exception. Doing business in Slovenia requires navigating within a mix of strict rules and bureaucratic barriers as well as managing business connections, political influencers, and informal negotiations (Bojnec, 2001). This implies that there are laws and regulations that prevent "free market" activities, but at the same time there is a wide variety of informal ways of doing business that, in some way, directly negate some of these laws (Haček et al., 2013). This fact alone presents a great challenge and makes Slovenian market entry difficult for any company originating from a foreign developed country.

Some foreign company owners may ask themselves why a foreign company would even choose Slovenia as a target market. Small but immensely diverse with a population of 2 million people, it consists of both rural and urban areas as well as a diverse number of different natural landscapes, encompassing a wide variety of different profiles of citizens (Tend, 2022). As such, Slovenia could present the perfect "representative population

[1] Innovative companies encompass companies that are working in the field of digitalization, IT, AI, and other industries included in the broader information and communications technology field (Ward, 2020).

sample" for testing any product or solution. It provides an opportunity for testing a product or solution on a varied population in a small geographical area (Schurman, 2022). Furthermore, due to the cultural similarities and proximity of the Balkans, Slovenia is the perfect entry point to test, localize, and adapt a product or solution and launch it throughout the Balkan region (The Slovenia Times, 2011).

The purpose of my master's thesis is to provide assistance to foreign innovative companies aiming to enter the Slovenian market. The main goals are, firstly, to identify the main issues that foreign innovative companies are faced with when entering the Slovenian market. Secondly, to explore Slovenia as a testing ground for the launch of products or services, and lastly, to develop a business model for an innovation hub organization that could offer simplified market entry for foreign innovative companies.

The research question is: What are the main obstacles to market entry in Slovenia for foreign innovative companies?

To deliver an answer to the research question and address the main goals, I used the following research methods:

1. For the identification of main issues that foreign innovative companies have when entering the Slovenian market, I identified key obstacles of market entry: by using databases such as JSTOR, Bloomberg, Business Source Complete, and other data available on the internet, I researched how foreign innovative companies approach market entry in theory, what the issues of entering the Slovenian market are, and what the potential benefits are.
2. For exploring the potential of Slovenia as a testing ground for the launch of new products or services, I gathered first-hand information about the desire for market entry of companies as well as its difficulty. Furthermore, using the Harvard Business Review definition of innovative companies, I conducted 4 semi-structured interviews with representatives of foreign innovative companies that fit the definition, focusing on the possible issues of market entry and potential of the proposed solutions. I also conducted an interview with a managing director of a Slovenian company that does business internationally, and gained his perspective on their issues with internationalisation as well as proposed solutions. Furthermore, I wanted to see how a Slovenian company perceives our market and how its foreign partners view the desirability of Slovenia as a target market.
3. For developing a business model for an innovation hub that could solve the analysed solutions, I studied publicly available data about possible local and global competitors in this field (Google, Orbis). Moreover, I created a set of services that could solve the analysed issues. Finally, using the business model canvas, I developed a business model with prices, services, and a holistic solution for the observed issues.

My master's thesis encompasses four broad chapters. In the first chapter entitled "Analysis of foreign innovative companies' growth possibilities", I first analyse the history of how the Slovenian market developed and inspect the presence and success of current local innovative tech companies. Then, I look at Slovenian market entry of foreign innovative companies in the past years, their growth, as well as foreign investments in Slovenia. This first chapter will be the foundation on which I build my theoretical background. In the second chapter entitled "Analysis of global market entry theories & strategies", I analyse the theoretical background of major market entry strategies and I also analyse different theoretical strategies for market entry. Finally, I outline an overview of best global practices that use these analysed strategies. In the third chapter entitled "Analysis of the Slovenian market from the perspective of a foreign innovative company", I gathered first-hand information about the desire for market entry as well as its difficulty. Furthermore, I conducted semi-structured interviews with representatives of foreign innovative companies centred on the possible issues of market entry and potential of the proposed solutions. I also conducted interviews with the managing directors of Slovenian companies that do business internationally and got their perspective on the issues as well as proposed solutions. In the final chapter entitled "The tech hub business model", I gathered all the information that I acquired throughout the process of writing my master's thesis and prepared a comprehensive business model for an innovation hub organization that could offer simplified market entry for foreign innovative companies. In this chapter, I prepared an overview of the competition for such a hub in the Slovenian market. Finally, I prepared a business model including pricing policy, services, and a holistic theoretical approach to aiding market entry in Slovenia for foreign innovative companies.

2 ANALYSIS OF FOREIGN INNOVATIVE COMPANIES' GROWTH POSSIBILITES

Slovenia is a small but diverse country that can, to the naked eye, seem as just another micro economy completely irrelevant for foreign market entry and foreign investment. But what if that is only a first glance perception? What if the small size and geographical location of Slovenia is one of its main strategic advantages rather than a shortcoming? This is what I will be analysing in this first chapter. I want to inspect the Slovenian economy through time and the extent of foreign company presence here. Through this, I will be able to estimate its attractiveness and future potential for growth in this field.

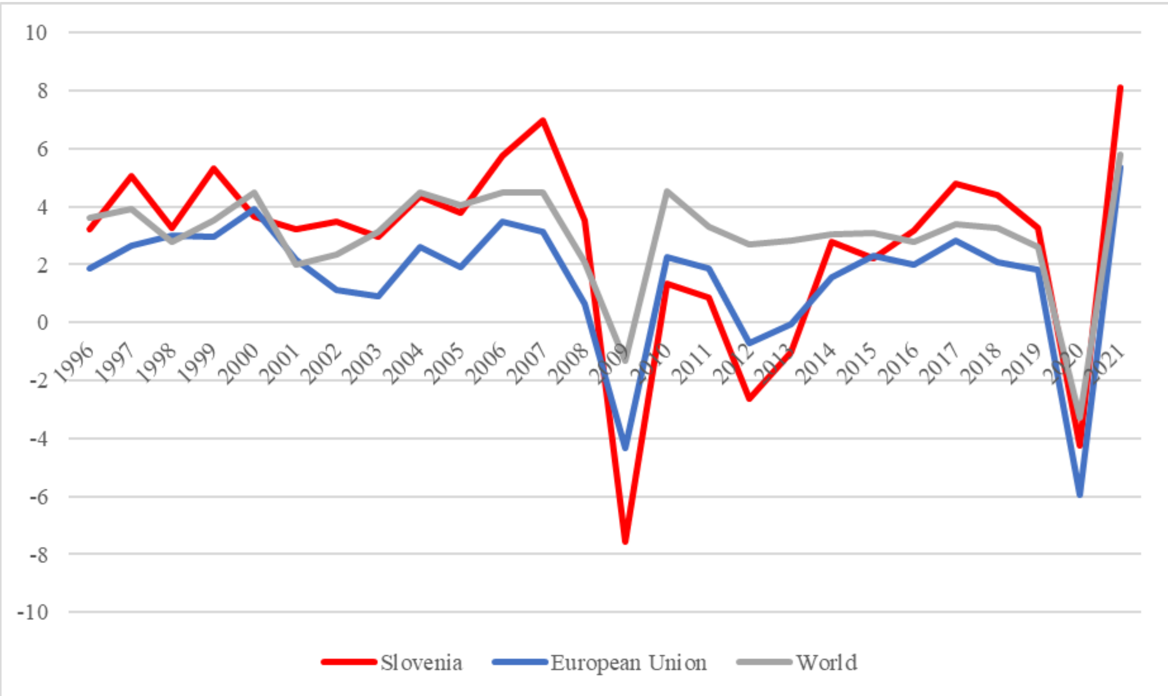
2.1 Domestic economic growth analysis

The history of the Slovenian government and its economy is varied and interesting. For decades, our country was sovereign in terms of culture, but it took years before we became an independent sovereign state.

After the 1990s, Slovenia underwent the largest political and structural change in its history. Transforming from a socialist state and establishing a market economy as well as a democratic political system was a big step for Slovenia as a nation. Naturally, this transformation was hindered by three core problems (Bebler, 1994). Firstly, the shift from a regional to national economy presented a great change in how competition and market offer were handled (it is much easier to be the best out of 6 internal states, rather than compete with the whole world). Furthermore, the second issue built on the first, Slovenia lost most of the markets in former Yugoslavia and had to adapt to a far more competitive Western market. Lastly, we had to establish a completely new state which meant increased responsibilities for public administration bodies (Bohinc & Bainbridge, 2001). This was necessary due to the need for creating international recognition and acquiring memberships in major international organization. For this reason, Slovenia faced a sharp decline in economic activity in the early 90's, which only picked up after six years in 1993 and subsequently started more stable growth in the years to follow (Svetličič & Rojec, 1998).

Figure 1 presents an overview of Slovenian gross domestic product (hereafter: GDP) growth from 1996 compared to the average GDP growth of European Union (hereafter: EU) member states and the world.

Figure 1: % change of Slovenian GDP growth in the 1996–2021 period



Source: own work based on Eurostat (2022).

Looking at Figure 1, we can generally say that the Slovenian economy grew and contracted in a somewhat similarly to the EU and the global economy, with some key exceptions. From 1996 to 2008, there was a relatively constant growth of Slovenian GDP (with some smaller declines which are natural for economic cycles). Interestingly, the Slovenian GDP grew at a faster pace for most of this period compared to the EU average and the rest of the world. This can be attributed to the shift from a socialist economy to a market economy. So, it was after 1996 that Slovenia prospered the most allowing for sharp and constant growth. The growth accelerated even more after Slovenia's entry into the EU in 2004. The first severe economic decline after 1996 can be seen in Figure 1 – this was after 2008. In this period, the whole world experienced a major recession, but it is interesting that the drop in GDP growth was not only the largest one in Slovenia's history, but it was also substantially more severe than the drop in the EU average economy as well as the world economy.

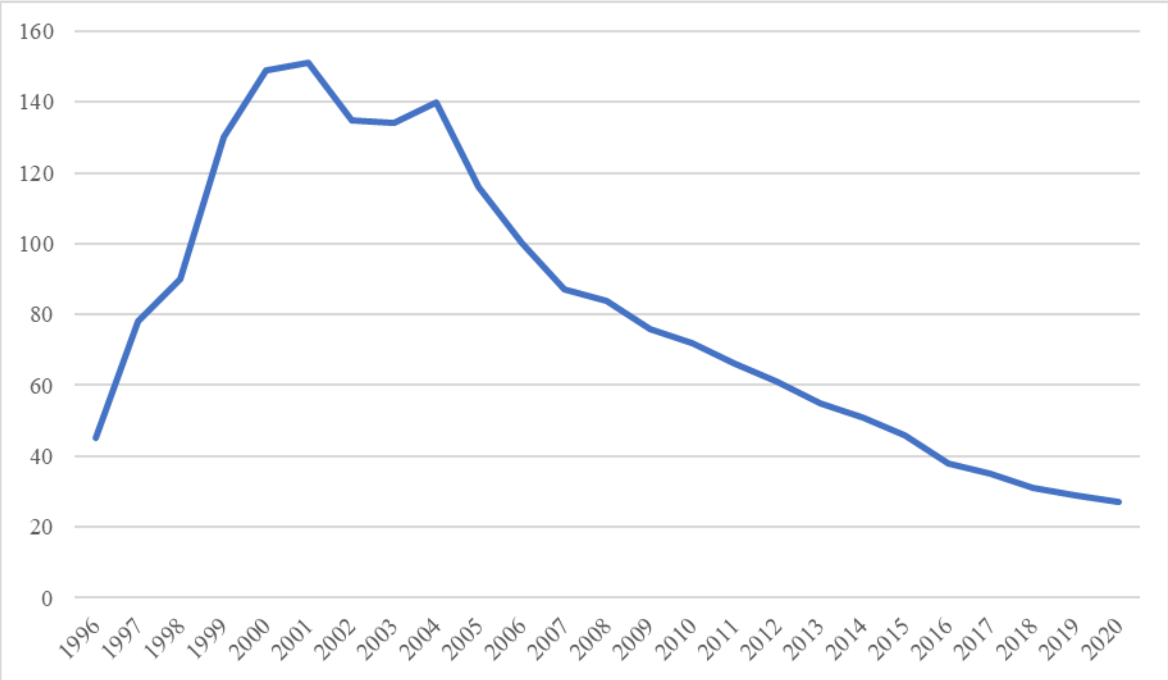
In the three-year period before the recession (2005–2008), we can see that Slovenia experienced substantially high rates of economic growth, and it seems as if in 2008 the Slovenian political structure failed to prepare the country, politically or economically, for the impending financial crisis. This can be attributed to the rigidity of public expenditures and high structural deficits in the period of economic growth before the crisis. During the crisis, Slovenia also experienced one of the largest drops in public finances (especially in public debt). The table shows us another substantial dip compared to the EU and the world in GDP growth immediately after the crisis in 2011. This can be attributed to poor governmental management during the crisis (short-term smaller solutions that did not affect fiscal policy) (Verbič et al., 2016).

After 2011, somewhat constant growth in the Slovenian economy is evident, again rising at times even above the global and EU average. This growth dropped substantially in 2020 due to the coronavirus crisis. Interestingly, we fell below the global average, but beat the EU average this time. Finally, Slovenia experienced a sharp rise in GDP growth in 2021, which could be attributed to several EU funds that were given to its member states for recovery after the COVID-19 pandemic.

Nevertheless, GDP growth is only one of the indicators of how good a market is and how much potential it has for market entry. To truly understand how Slovenia developed and grew through the years, we must look at some other factors in connection with GDP growth. One interesting factor that gives us an insight into the local economy of Slovenia is the number of domestic listed companies (see Figure 2). The number of domestic companies experienced a sharp and constant rise from 1996 to 2004. This could be attributed to EU market entry that indirectly raised the foreign competition in Slovenia, attracted more foreign investments, and slowed down the growth of domestic listed companies. What is even more surprising is that the number of such companies never picked up after 2004 and even kept falling until reaching its lowest point in 2020. There are numerous factors that could explain why this decline happened, for instance the globalisation of the Slovenian market most definitely played a large role in this decline, since larger, stronger, and more attractive foreign listed companies were available in the market. I could speculate that this lowered the interest of individuals or companies in investing into domestic listed companies.

Furthermore, it was much harder for local companies to compete on the global market, causing a sharp decline in listed companies. I believe that this also gives us a signal that there is a lot of room for foreign market entry in Slovenia.

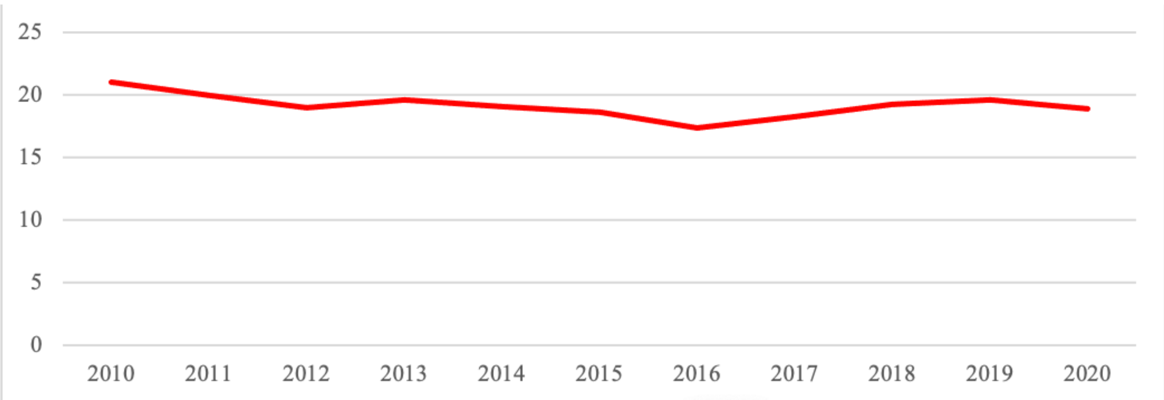
Figure 2: Total number of listed domestic companies in Slovenia in the 1996–2020 period



Source: own work based on Eurostat (2022).

In corelation with the previously analysed factor, we must also look at the percentage of total local investments in Slovenia to see how strong the local investment market is. Therefore, I could speculate on the opportunity and potential for foreign companies to invest their funds here.

Figure 3: Total local investments in Slovenia (% of GDP)



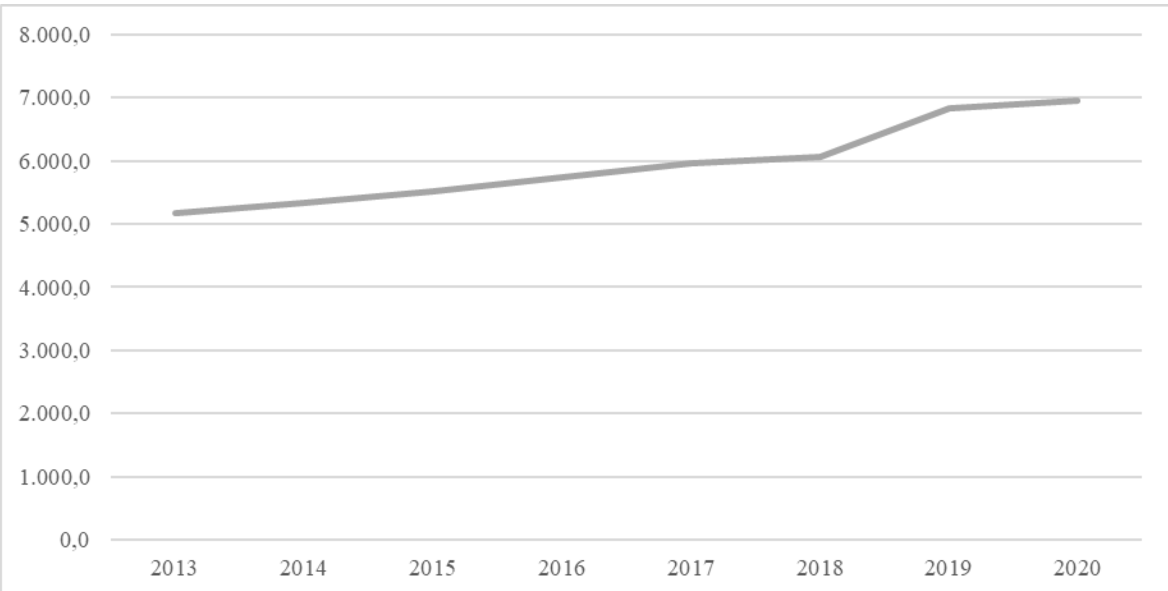
Source: own work based on Eurostat (2022).

As seen in Figure 3, local investments in Slovenia have been relatively steady in the observed time period, they have been moving between 18% and 20% of our GDP. This means that there is a steady inflow of local investments, but without substantial rises or drops in their value. This is, in my opinion, a sign of stability in our economy. Nevertheless, without larger spikes in investments, substantial innovations and developments are hard to make. This is why I believe that this is a clear sign of a great opportunity for foreign companies to enter our market and start investing in the fields that are not funded substantially by the local market.

Another important noteworthy factor is EU funding. These funds are not only an important factor for local companies, but they are also a point of attraction for foreign companies looking to enter our market. This is due to two main factors. Firstly, foreign companies could directly or indirectly finance their market entry activities via these funds or, alternatively, depending on the product services that they offer to their clients here in Slovenia, they could finance/co-finance the purchase of the product/service that they offer again via EU funding. Thus, the level of EU funding is an immensely important factor when it comes to assessing the attractiveness of a target market for foreign company entry.

As seen in Figure 4, the total value of EU funding has been steadily rising since 2013. Based on prospects of the structure of the funding, I can speculate that these numbers will rise even higher in the following years, making Slovenia a truly attractive market in terms of EU funding. This is an immensely important factor for attracting foreign companies to enter the Slovenian market, as EU funding could be a great motivator and could tip the scale when a company is deciding on the most desirable target market.

Figure 4: Value of EU funding in Slovenia in the 2013–2020 period



Source: own work based on Eurostat (2022).

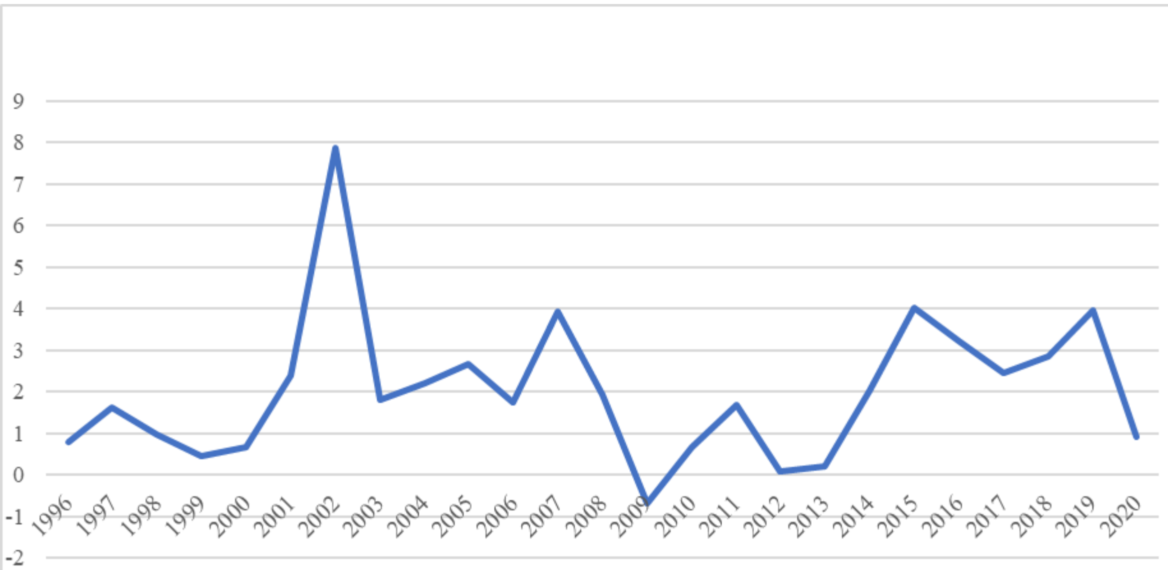
The last aspect that I want to analyse is the current number of innovative companies currently present in Slovenia. This is an important factor because it shows us how attractive our market is for these types of businesses. In 2020, there were 2.715 innovative enterprises in Slovenia and 1.788 innovative product enterprises (regardless of the type of innovation). Judging by the absolute number of enterprises, I could say that there is a sign that these types of businesses are interested in our market. Furthermore, we could say that this market is definitely not yet saturated and that there is a lot of room for foreign innovative companies.

2.2 Potential growth and obstacles of market entry

After analysing the past growth of the Slovenian economy, it is important to consider the level of foreign company growth and interest in our market. By inspecting how the Slovenian economy was perceived historically by foreign enterprises, I can already get an in-depth look into how attractive Slovenia was as a target market, and I can also identify room for improvement and future potential for growth.

The first aspect that is an important indicator of market attractiveness is the level of foreign investment. As we can see in Figure 5, foreign investment is much more volatile compared to the aforementioned local investments. Furthermore, the level of investment is also much lower compared to the relatively stable 20% of GDP that was seen in the local investments.

Figure 5: Foreign direct investment, net inflows in Slovenia (% of GDP) in the period



Source: own work based on The World Bank (2022).

As seen in Figure 5, the highest level of investment happened in 2002 (around 8% of GDP). This could be attributed to the relatively stable growth that happened in Slovenia after gaining its independence. The lowest level of foreign investment was recorded in 2009, which is most definitely due to the global financial crisis that influenced Slovenia immensely in this period. One interesting factor is that we can see a dip in foreign investments occurring in 2020. This could be attributed to the covid-19 pandemic and the general uncertainty related to investing during that period.

Taking a step back and analysing the reasoning behind this volatility of investments compared to local ones, there are three key factors that influence the level of attractiveness of a market for foreign investments (Redek & Rojec, 2011):

- Basic economic factors (size of the market, population growth, GDP, etc.);
- Political factors and business environment (political stability, macroeconomic stability, etc.);
- Local attitude towards foreign local investment (legislation, investment encouragement, etc.);

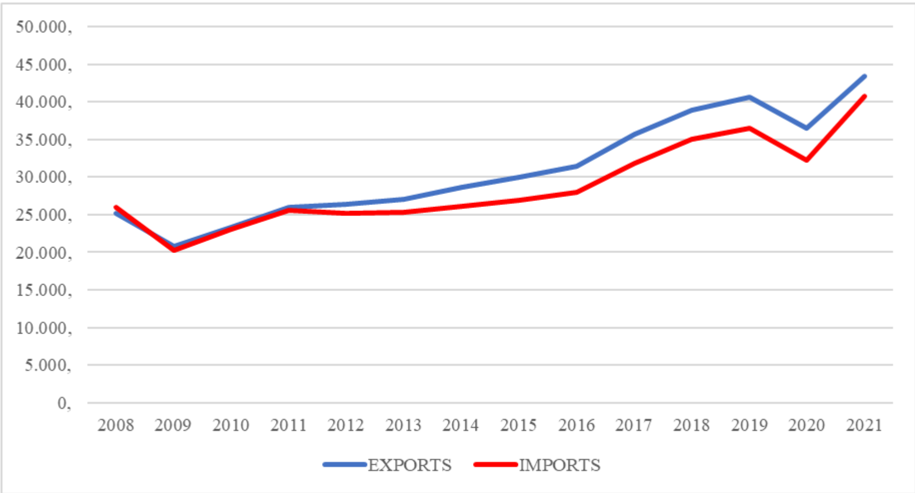
Starting first with the basic economic factors, they are key for any investment decision as they provide a quick and general overview of all important factors of a target market. These factors include size of market, population growth, gross domestic product, inflation rates, employment levels and industrial output (Redek & Rojec, 2011). Applying these factors to the Slovenian market we could say that it is a well-developed country with good infrastructure, a high-income economy, significant contributions from services, industrial sectors and a currently developing information technology sector. According to the World Banks data, Slovenia boasts a steady GDP growth rate and increased consumer spending. One key factor that could hinge Slovenia's attractiveness as a market is its size which is relatively small compared to other European markets, alternatively there are other factors that could make it more attractive such as its access to broader European markets and its growing potential in the information, technology sector as well as its potential for facilitating research and development (The World Bank, 2023). Solely based on this first factor we can safely say that Slovenia is showing some positive aspects in terms of foreign investment viability but is largely hindered by its size and potential for scalability due to its relatively low population and small market size.

Secondly looking into the political factors, which are of high importance to potential investors due to the fact that the stability and predictability of a political system is directly correlated with risk associated with investments (Redek & Rojec, 2011). Even though it might not seem this way to local people who are experiencing the Slovenian governments actions first hand, Slovenia actually ranks well in global indices for governance quality and ease of doing business. Furthermore, in contrast with popular belief Slovenia is ranked relatively low on the "Corruption Perceptions Index" of Transparency International, which is another positive sign for potential foreign investors looking into investing in the Slovenian market (Transparency International, 2023). Based on this data we can say that the political factors are generally positive and make Slovenia seem as a stable as well as attractive market for potential investors. I believe that investors would still benefit from a local consultant who would guide them through the Slovenian political playground, which might not be as innocent as described in the abovementioned reports.

The third and another immensely important factor that I'm going to analyse is the local attitude towards foreign investment. The regulatory framework governing foreign investments plays a pivotal role concerning this factor of attractiveness, foreign investors are looking for markets where foreign ownership is encouraged through different incentives such as tax breaks or grants. Furthermore, high levels of bureaucracy, lack of legal protections for foreign investors as well as the societal attitude towards foreign entities can also impact the success and acceptance of foreign investments (Redek & Rojec, 2011). Looking now at Slovenia, it maintains a positive stance towards foreign investment, the government offers several incentives for foreign investors, including tax breaks, grants, and subsidies, but I must outline here that these incentives are particularly targeted at high-tech, export-oriented sectors and regions with lower employment and development rates (OECD, 2023). While that may be true on paper, the reality may be a bit skewed, foreign investors encounter many barriers and issues when wanting to start doing business in Slovenia, these are mainly bureaucratic procedures that are much lengthier and complex than they may seem to the naked eye, thus local assistance is essential for overcoming these hurdles.

Taking a step back and moving to other segment of analysis another important factor is the comparison between exports and imports in the target market. As shown in Figure 6, Slovenia's exports and imports have been steadily growing at a relatively similar pace with little to no substantial drops or rises in the level of either export or import. Interestingly, after 2011 the number of exports became higher than the number of imports, and this gap is becoming increasingly bigger each year. This is a good sign, as this shows the health of our economy and a certain level of global competitiveness and potential as an exporting country.

Figure 6: Comparison of exports and imports in Slovenia for the 2008–2021 period



Source: own work based on Eurostat (2022).

Because the focus of my master's thesis is market entry of foreign innovative companies, I would like to take a more focused look into current foreign company presence in Slovenia. According to the Statistical office of Slovenia (hereafter: SURS), there were 8.205 foreign companies present in Slovenia in 2019. This accounts for 5.5% of all companies in Slovenia. An interesting factor is that, regardless of the relatively low number of foreign enterprises, they have created a lot of value with their work in Slovenia. For instance, they employ 27% of people in Slovenia. Looking more into the type of foreign companies that are present in Slovenia, the majority (43.8%) of companies are large companies that employ more than 250 people. Interestingly, there are a lot of micro foreign companies that are present in our market. Of all micro companies in Slovenia, 4.9% of them are foreign companies. This shows us that Slovenia is not only interesting for large corporations, but an important market for small agile companies as well. Many times, micro companies have proven to be the bringer of the most important innovations from different fields. Lastly, not only is Slovenia evidently attractive for all types and sizes of foreign businesses, but more importantly the market is not saturated yet and has a lot of room for more foreign market entry (Krže, 2021).

3 ANALYSIS OF GLOBAL MARKET ENTRY THEORIES AND STRATEGIES

Considering the described factors, choosing the right strategy for entry is essential for any company wanting to expand their business abroad. In this chapter, I will analyse and dissect some key theoretical approaches that are described as the best tactics for internationalization as well as market entry. Lastly, I will apply these practices to the specific cases of foreign innovative companies.

Market entry is a complicated process regardless of the target market that a company aims to enter. It depends on a variety of externalities that can influence the success of market entry activities. Numerous factors, such as political, bureaucratic, cultural, geographical, and marketing factors, must be taken into consideration when a company aims to make this important step of internationalization (Hayes, 2023).

3.1 Theoretical approaches for market entry

3.1.1 Internationalization theories

There are six core internationalization theories (Glowik, 2016):

- Life-cycle theory,
- Location concepts,
- Diamond model,

- The internalization theory,
- Eclectic paradigm,
- Uppsala model,
- Network theory.

I have also researched other authors' perspectives on internationalization theories and looked for any substantial discrepancies. I have found that almost all authors acknowledged all of the aforementioned theories. The main difference was that some authors mentioned additional theories that built upon the ones that Glowik examined. For instance, Jae–Jin Kim (2022) mentioned the monopolistic advantage theory and the behavioural theory. Both are just variations and more specific approaches to analysing what Glowik (2016) already covers. Naturally, there are also numerous other more specific and in-depth theories that explain internationalization on a truly specific level, but I have assessed that, for the purpose of my master's thesis and judging by my goals, Glowik's material is completely sufficient.

3.1.1.1 Life-cycle theory

The life-cycle theory was developed by Vernon (1966) in the United States of America (hereafter: U.S.) in 1996. The theoretical framework for this concept is based on panel research of various U.S. enterprises and presents an expansion on traditional trade theories (Glowik, 2016).

If we simplify and summarize the life-cycle theory, it states that a firm's market entry activity depends on the product's position in the corresponding life cycle. The cycle begins by the product being developed, produced, and sold in the U.S. home market. Then, only in the second phase product exports start and, while the product matures, foreign direct investments abroad begin. Finally, imports from abroad increase and production is discontinued in the home market. Therefore, demand is supplied holistically by foreign countries, meaning that the product reaches the decline phase in its life cycle (QS Study, n.d.).

The theory was developed on several different assumptions. Firstly, the process of production is mainly characterized by economies of scale, thus it is constantly changing. Secondly, tastes differ in diverse countries, meaning that each individual product does not necessarily account for a fixed percentage of expenditure for buyers at different income levels. (Wells, 1984). For this reason, according to Wells (1984), innovation of new products and processes is more likely to occur near a market with strong and diverse demand rather than in a country with little demand. Furthermore, entrepreneurs will be more inclined to supply risk capital for the production of a new product if demand is likely to exist in their home market rather than if they must turn to a foreign market. Lastly, Vernon states that a producer located close to a market has lower costs of transferring market knowledge into product design changes than one located far from the market (Sabu, 2020).

There are many downsides to this rather outdated theory since it does not factor in globalization and the shifting of global powers that have occurred since 1960. Furthermore, it assumes an ideal life cycle with coherent foreign activities, which is next to impossible to achieve (Sabu, 2020). Its U.S. centred logic is completely out of date (for instance many Japanese consumer electronics firms such as Sony started to replace leading U.S. electronic firms). Naturally, there are upsides to this theory as well, as it is good for explaining post-World War II expansions of U.S. manufacturing firms and, interestingly, we can draw some similarities in the theoretical framework and internationalization tactics of online businesses (such as Alibaba) (Glowik, 2016). In my opinion, the downsides outweigh the upsides for this theory. It would make sense to use it for analysing historical business decisions that took place in the period after World War II, but I would definitely not use this theory for future business decisions in real time since it does not present any concrete benefits for future strategic planning with regards to internationalization.

3.1.1.2 Location concepts market entry theory

The location concepts market entry theory has a diverse and rich history ranging back to the 16th century, with many important economists of the past giving their input and shaping this theory into its final form. The origins of locations concepts stem from the logic that the prosperity of a country depends on its imports. In other words, a country can increase its prosperity by increasing exports and lowering imports (and by proxy lowering the prosperity of the country to which it exports) (Hill, 2005). This theoretical framework was further developed by Adam Smith who argued that countries primarily differ in their manufacturing performance (absolute cost advantage), meaning that, if one country specializes in a specific product, it exports this product to a country/partner from which it imports another product that the trade partner specializes in. This means that all countries involved in this process benefit from international trade. Furthermore, Smith argued that customs and other forms of import restrictions reduce gains from specialization and incur a loss in wealth to nations. A second well-known economist David Ricardo built upon the foundation of Smith and claimed that countries should focus on items that they can manufacture most efficiently compared to other nations. Subsequently, they should export these goods and import others that give the comparative advantage to the trade partner country. Thus, it is the very differences between countries that are the reason for trade initiation (Glowik, 2016).

In summary, location concepts focus on access and optimal allocation of inputs that are needed for effective and innovative manufacturing as well as service output (Hill, 2005). Generally, it claims that country- and industry-specific factors influence the innovation orientation of a firm. Using this theory, a firm can decide whether it should preferably focus on home markets or foreign markets, and it helps firms decide which market to enter (this strategic decision is based on the location factors of the target country) (Mankiw, 2007).

There are naturally quite a few drawbacks to these studies due to the relative "seniority" of the theory. Most importantly, empirical studies on the influence of location factors are problematic and time-consuming to perform. Furthermore, it is even more difficult to consider all relevant factors due to the model's high complexity, as it could take more time to prepare the model compared to its actual usefulness (Glowik, 2016). Again, similarly to the first theory analysed, I believe that this theory is good for historical analysis and for in-depth inspection of business decisions from an academic standpoint, but it is not a theory that I would use for making active business decisions, especially due to the time- consuming process that is needed for the use of this theory.

3.1.1.3 The diamond model of market entry

After categorizing the factors that affect competitive industry forces, Porter expanded and developed this theory to be applicable on a country level. He called this new model the "diamond model" (Glowik, 2016).

His diamond approach to internationalization works based on empirical observation. The theory states that enterprises which are globally successful (global champions) frequently originate from one country. Furthermore, it states that these enterprises, due to their industry environment, enjoy particularly favourable conditions, laying the ground for international activity and giving them a substantial competitive advantage compared to resident enterprises. Thus, we can correlate some basic similarities between this theory and the aforementioned "life-cycle theory" (Porter, 1990).

Porter (1990) defined four central factors and two supplementary factors that influence the level of advantage of companies in foreign markets.

Central factor 1: production factor conditions

Porter (1990) defined 5 core conditions when it comes to production factors. Firstly, human resources refer to the number of people available, their skill, and how these correlates to their cost. The human resources (hereafter: HR) factor is connected also to the progressive factors that indicate the potential of a market (education and qualifications of the population, innovation potential, efficient use of human resources). Secondly, physical resources refer to the cost and availability of a nation's land as well as its natural resources, infrastructure, country location, and geographic size. Thirdly, knowledge resources refer to the nation's stock knowledge concerning goods and services (scientific, technical, and market knowledge). Furthermore, capital resources refer to the approximate amount and cost of the capital that is available to the finance industry. Lastly, infrastructure is the type, quality, and user cost of infrastructure available that affects competition (road systems, logistics, communications systems, health care, housing stock, cultural institutions, payments, or funds transfer) (Porter, 1990).

Central factor 2: home demand conditions

The second central factor focuses on all factors that have an influence on the level of purchase demand. For instance, the needs of buyers in a home market, the size of the home market, as well as the design, technology, and product functions of domestic supply (Hitt et al., 2015).

Central factor 3: supporting industries

The third central factor covers logistics, the educational system, and research and development capacities. More specifically, it is concerned with the quality of supply networks from the basis for stable production of any technologically advanced product/service. Furthermore, competitive advantage emerges using close relationships between vendors and the industry. Finally, suppliers can have quick access to information and innovation potential, thus making the R&D process much cheaper and quicker for the market mover (Welge & Holtbrugge, 2015).

Central factor 4: firm strategy, structure, and rivalry

The last central factor is concerned with the firms' organizational structures and how their goals differ between nations. It states that the competitive advantage of an individual nation stems from a good combination of the aforementioned factors. Furthermore, rivalry in the home market plays an important role in the process of innovation and internationalization. The greater the competitiveness of the home market the greater the internationalization need of enterprises. Lastly, it emphasises the importance of national differences in management approaches (motivating employees, hierarchical structure, strength of individual initiative) (Porter, 1990).

Taking a step back and evaluating Porter's theory and approach, he assumes that the decisions for any type of investment in a particular country are determined by the location factors. However, many empirical studies have shown that the diamond model does not provide a reliable and standardized model for evaluating the meaning of each of the aforementioned individual factors. Many multinational corporations make use of diversified global networks, which make the application of Porter's model even more difficult. Thus, we could say that the model itself is too complex and specific to be actively used and relied on, even though it gives us an insight and breaks down the decision-making process (Grant, 1991). In my opinion, this model is slightly more applicable than the previous two, but still significantly too abstract and complex to be actually used in day-to-day business decisions.

3.1.1.4 The internalization theory

Buckley and Casson developed the internalization theory in 1998 based on the transaction cost approach (Coase, 1937) as well as the market hierarchy paradigm (Williamson, 1991; Glowik, 2016). The theory states that firms have two fundamental options when dealing with transactions. This can be done externally using contracts in the market or it can be done in-house through hierarchy in production.

In other words, the transaction costs in the market need to be compared with internal coordination costs that occur when operations are caried out in-house. Furthermore, contractual transactions do not perform as expected by the contracting parties, due to two phenomena: bounded rationality and market imperfections (Buckley & Casson, 1998). The first phenomena called bounded rationality is concerned with the fact that everyone has their own preference, so it is almost impossible to truly predict the needs and wants of each individual. This phenomenon creates a great uncertainty on the market, and it creates the need for theories that would allow for a more predictable and certain approach. On the other hand, the market imperfection phenomenon is described by five main factors. First, market transactions are not free of costs for the firm due to limited information and lack of concrete future forecasts. Second, there is a monopoly present in terms of internalization of the market (subsequently allowing for implementation of the desired price). Third, the bilateral concentration of power in the market creates an unstable bargaining situation. Fourth, there are market imperfections incurred by inequality between seller and buyer with respect to knowledge of the nature or value of product. Finally, and probably most importantly, they arise from government interventions in international markets (tariffs, restrictions, taxation, etc.) (Williamson, 1991).

With the imperfections in mind, we must look at the assets held by an individual company. To be successful, assets need a certain level of specificity that is separated based on six factors (Williamson, 1991):

- Site specificity (influencing operational efficiency) – in other words, what makes the location special.
- Physical assets specificity (specialized equipment) – Which equipment makes the product/service more competitive compared to the competition.
- Learning and experience (assets of human resources) – What specific knowledges does the team have that makes them better than others.
- Brand name – A good and catchy brand name may differentiate the company from the competition.
- Dedicated assets (investments by customer) – Whether there are any big-ticket clients that spent more than others.
- Temporal specificity (non-separability of applied technologies) – For instance, a patent on technology that is not available on the market at all.

The internationalization theory delves deep into the market imperfections approach. It focuses on the intermediate-product manufacturing rather than on the final products. This means that the theory focuses on the logic that firms need to internationalise due to the need for different stages of production to be outsourced in foreign countries that offer the best conditions (Glowik, 2016). Thus, in my opinion, this theory is too narrow, as it focuses too much on one aspect and ignores the others, while constantly focusing on the rationality of customers and disregarding behavioural factors. Finally, it also ignores the political and legal influence on internationalization.

3.1.1.5 The eclectic paradigm

The main logic behind the eclectic paradigm or eclectic theory of international production is that the choice of international market entry strategy depends on the availability and combination of "advantage categories" for multinational enterprises (Dunning, 1979). According to Dunning (1979), there are three main types of advantage categories: ownership specific, internalization, and location advantages.

Ownership-specific advantages: The greater the ownership-specific advantages, the greater the potential of a company for internationalization. Furthermore, these advantages can also indicate the likelihood that an enterprise will partake in international production. Among others, these advantages may take form of for instance legally protected rights, patents, brand names, trademarks or even a commercial monopoly (Jensen et al., 2008).

Ownership-specific advantages may be the result from the size of exclusive control over particular distribution channels, technical characteristics of firms, the economies of scale in production, and qualified entrepreneurial capacity. In simpler terms, we could describe the eclectic approach of international production in the following manner: a national firm supplying its home market has numerous opportunities for growth, it can diversify horizontally/laterally into new product lines, or it can even go as far as diversifying vertically into new value chain activities. Another approach would be for it to acquire other enterprises or enter and exploit foreign markets. Nevertheless, in order to produce alongside local companies, it needs to possess additional ownership advantages sufficient enough to outweigh the costs of servicing and unfamiliar or distant environment (Glowik, 2016).

Internalization advantages: When information about a product or service being marketed is not readily available or is expensive to acquire market, imperfections may arise. Due to this risk, enterprises choose to internalize market transactions in intangible assets or tangible assets. The in-house value chain that creates activities allows companies to reduce the cost of searching for information. The advantages of internalization develop certain enterprise-specific capabilities concerning experience curve, operational scale effect, and organizational skills. The issue of internalization deals with the question of why firms opt for foreign direct investment rather than buying or selling intermediate products. Another factor that could influence this decision is the level of local government intervention, especially in terms of legislation with regards to production, tax, and exchange rate policies. These factors all influence the approach of multinational enterprises to either avoid or exploit the governmental specificities (Dunning, 2000a).

Location-specific advantages: The location aspect has always played an integral role when it comes to competitive advantages. These advantages answer the key question of “where”. Depending on where firms choose to locate their value adding activities, we can evaluate the possible alternatives and compare which country would be best for which part of the value creation process, this is created based on a profitability analysis. Some examples of location-specific advantages are government policy, access and cost of raw material, labour, market volume, attractiveness, and transportation and communication infrastructure (Dunning, 2000).

Using the three eclectic advantages: Using the definition of the three core eclectic advantages, we can derive and decide on the best possible tactic for market entry. Dunning (2000) created a set of recommendations using the ownership-location-internalization (hereafter: OLI) advantage categories. OLI states that enterprises that have only ownership-specific advantages and neither internalization nor location-specific advantages should deal with their foreign business in the form of international contracts. In contrast, the greater the ownership and internalization advantages possessed by firms and the greater the location advantages outside its home country, the higher the probability that foreign direct investment activities will be undertaken (Dunning et al., 2007).

The main issue with the eclectic paradigm theory is that it is suitable specifically for circumstances in manufacturing industries, whereas it is not entirely applicable for an internet-based service business. This is because the eclectic paradigm theory assumes a wholly rationally thinking actor who decides on the basis of cost calculation. These transaction costs are difficult to specify and quantify. Furthermore, it is hard to assume that rational thinking is completely present in any scenario in which we are dealing with behavioural aspects (Glowik, 2016). Thus, I would say that this theory is the first of the described that truly has a use in real-world business decision-making situations, but it is still extremely limited and focused specifically on manufacturing industries (so it is not as useful for the topic of this master’s thesis – internationalization of innovative companies).

3.1.1.6 The Uppsala model

One of the pioneers of internationalization process theories argued in the mid-1960s that firms pass cultural barriers when entering foreign markets. With increasing experience in foreign operations, enterprises are willing to enter one market after another (Carlson, 1966). Firms handle the risk problem through an incremental decision-making process in which they first gather information (phase 1) and then use this information for operational activities and further steps (phase 2). Using this incremental behaviour, the organization can maintain control over its foreign activities and gradually build up its knowledge on how to conduct business in foreign markets (Björkman & Forsgren, 2000).

This elementary logic was built upon and developed by other economists in the following years (Forsgren, Wiedersheim, and Johanson in 1975 and Johanson and Vahlne in 1977). The final form of the theory primarily stated that the internationalization of a firm is a segmented process (Glowik, 2016). Due to their lack of knowledge on foreign markets, most firms internationalize incrementally (beginning with physically and culturally close foreign markets and ending with more distant countries). The internationalization is conducted in steps and in an orderly fashion. They defined physical distance in terms of language, culture, political systems, and so on. The focus of this whole theory is experience, knowledge, and self-learning (Johanson & Vahlne, 1990).

In my opinion, the main drawback of this theory is its subjectivity. Physical distance is perceived differently based on the subjective opinions of individual operating managers. It is too specific in its theoretical description and is entirely based on large Swedish firms. Furthermore, it also ignores the fact that internationalization is rarely a linear and continuous process. Some firms may opt to stop their internationalization activities and re-activate them later with a different approach than before. Finally, the concept focuses in its entirety on "trial and error", so it ignores the fact that imitative learning is also a very important factor in internationalization. It also forgets the phenomenon of early internationalization (Eriksson et al., 1997).

3.1.1.7 The network theory

The network theory is one of the more recently established theories. It has been evolving since 1988 (Johanson & Mattson, 2015) and has had many iterations with contributions from several different economists. The latest development was made in 2012 by Gadde, Hjelmgren, and Sharp (Glowik, 2016). The latest developments were focused mostly on the social aspect of creating networks that brought an immensely important contribution to the whole logic of this theory.

A network is a metaphor that describes a certain number of entities that are connected to each other. In the case of an international industrial network, the entities are, for instance, actors that are involved in the production and economic process that converts resources into finished goods/services (Coviello & Munro, 1997). The network model assumes that the changing internationalization situation of a firm is the result of its positioning in the network of firms that are connected to each other on the basis of their business model. In this theory, the market is depicted as systems of different business relationships (social, industrial) among various parties (Martin & Salomon, 2003). Furthermore, it encompasses a company's holistic set of relationships, both vertical and horizontal, with other entities (system and component suppliers, manufacturers, merchandisers, customers, and competitors). The theory even includes relationships across industries and countries. It states that using global networks, companies gain international knowledge through learning from other network actors, assuming establishment, development, and protection of international business relations. Thus, knowledge freely transfers among all companies that are involved in the network. Finally, a company can achieve competitive advantages through dynamic capabilities fostered within their respective networks (Glowik, 2016).

Regardless of the relative "recentness" of the theory, it has some drawbacks that need to be outlined. It is extremely hard to empirically prove and test due to the complexity and interwovenness of international networks. It is almost impossible to truly benchmark the influence of one network member on the other. It also tends to be too tailored to oligopoly markets, and each industry or network that we analyse is completely unique, making the theory hard to generalize and thus hardly usable for the vast majority of business analyses. Finally, due to its complexity and the uniqueness of each network, using and applying the theory can be extremely time-consuming as well as present a financial strain on a company aiming to use the tools of the theory for its business decisions (Newbert, 2007). Regardless of the complexity of this theory, I believe that it is one of the most comprehensive theories that truly is applicable to the logic and extensiveness of internationalization, especially now that the internet and its many "networks" are one of the key tools that business use for internationalization. Thus, I believe that this could be one of the most useful and applicable theories to my business case.

3.1.2 Market entry strategies

By using the theories that were analysed in the previous chapter, we can understand the background and logic for different decision-making processes when it comes to internationalization. However, these theories are not sufficient and only answer the elementary question – why? But they do not answer the question – how?

There are seven core market entry strategies (Glowik, 2016):

- contractual modes of market entry,
- licensing,
- franchising,
- management contracts,
- turnkey contracts,

- cooperative modes of market entry, and
- hierarchical modes of market entry.

3.1.2.1 Contractual modes of market entry

There are 3 core contractual modes of market entry, specifically direct export, indirect export, and contract manufacturing. Export describes business processes in which goods/services are sold outside the country in which they were created. The largest risk for exporters is their financial risk (which can be avoided through different pre-payment structures and security measures (Glowik, 2016).

Direct exports: In the case of direct exports, a company establishes personal relationships with the importing customer in their target country. Direct exporting is much more complex and requires more resources and time compared to indirect exporting. However due to the fact the there are no “middlemen” direct exporting can prove to be not only financially more attractive than other forms of exporting but can also give the company important and valuable first-hand information about the market (giving the opportunity for improvement or product/service diversification) (Thuri, 2022).

Indirect exports: The process of indirect exporting is conducted in a similar manner to direct exporting, the main differentiating factor being that, in the case of indirect exports, there is an intermediary present. This intermediary acts as a local representative that (for a commission) searches for potential customers in the target foreign country of the exporter. Their commissions can range from 2 to 15 percent of the contract value. Thus, this tactic of market entry is especially useful for inexperienced firms with limited resources. Its main drawback or risks can be attributed to the intermediary (who may hold competitors’ products is not transparent, or any other externalities that can negatively influence market entry) (Turchio, 2020).

Contract manufacturing: This type of market entry has become common due to the high competitiveness and fast changes of global industrial environments. In essence, contract manufacturing means that a company takes advantage of lower-cost locations and can save costs in logistics since they possess local manufacturing in the target foreign market. For this strategy, we must differentiate between the original equipment manufacturing (hereafter: OEM) and original equipment contractor (hereafter: OEC). While an OEC company concentrates on production, the brand manufacturer can combine resources in its core competencies (research, marketing, development). Furthermore, the OEC can combine production for several OEM’s and thus realize economies of scale. In summary, the contract manufacturing process can speed up and lower the cost of internationalization. However, it can create risks in term of quality with regards to the manufactured product/service (Delaney, 2020).

These types of market entry strategies are, in my opinion, the ones with the least risk involved, but this fact comes with an important externality: less risk means less involvement and less adaptation, which could prove to be a bad strategy for market entry in countries that are culturally completely different compared to the exporter.

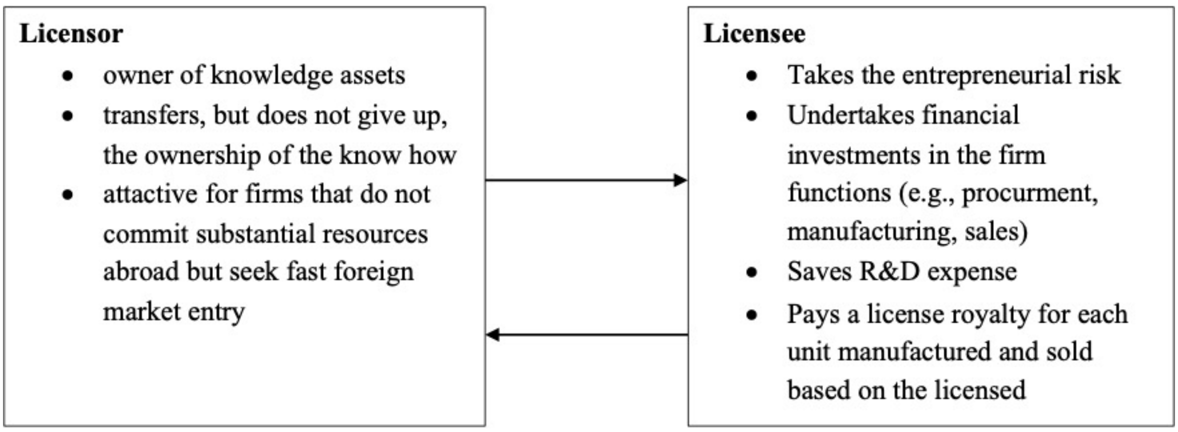
3.1.2.2 Licensing

Licensing describes a mutually beneficial relationship that includes the transfer of knowledge between one licensor and various licensees. The licensor as the owner of knowledge needs to have a registered patent or trademark which legally protects the licensor from illegal use of its intellectual property (CFI, n.d.).

If we apply this logic to an international market entry mode. As depicted in figure 7 the licensor grants exclusive rights to a licensee located in the target foreign country. Using these rights, the licensee can use intellectual property of the licensor for a defined purpose or certain period of time in accordance with the contract that both parties sign (Glowik, 2016).

Licensing is, in my opinion, one of the best strategies for internationalization. It allows for some "wiggle" room for domestication of the product/service and at the same time ensures for a steady inflow of income from the licensor. The downside of this arrangement could be poor management by the licensee, which could result in a bad brand image for the licensor in a target country. However, this could be avoided with sufficiently strict contracts and good supervisory tactics.

Figure 7: Mutual commitments of a licensor and licensee



Source: adapted from Glowik (2016).

3.1.2.3 Franchising

One of the most known and more standard modes of market entry is franchising. Put simply, franchising is a contractual agreement between one legal entity that owns the brand and various legal entities that are legally and financially separated (Hendrikse & Jiang, 2007).

More specifically, the process of franchising works in the following manner: The franchisor sells to the franchisees the right to sell services and goods under the brand name of the franchisor using a proven business concept. During the times of business cooperation between the two parties, the franchisor provides ongoing assistance (administrative, technical, commercial). In exchange for this assistance with the brand, the franchisee pays an initial set-up fee and provides royalties to the franchisor based on sales results (Glowik, 2016).

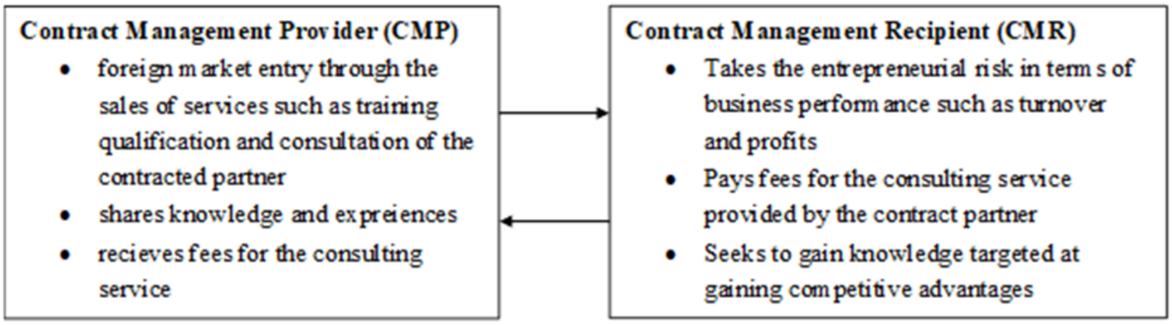
The main advantage of a franchise is, in my opinion, that it provides an established business concept to a "local" provider who knows the market and can adapt and shape the product/service in accordance with the specifics of the market that they operate in. The main disadvantages of franchising are potentially connected to the main advantages, the franchisor has limited control over its franchisee meaning that due to negligence or poor management of the brand by the franchisee, there could be damages incurred to the reputation of the brand and its level of quality (Dunning et al., 2007).

3.1.2.4 Management contracts for internationalization

Management contracts are a form of market entry that focuses primarily on the flow and use of a company's workforce. The main participants in this type of market entry are contract management providers and contract management recipients, their relationship is depicted in figure 8. Put simply, a firm sends one or a group of their employees to a target market to assist companies for a fee and for a limited period. The company that is searching for a management contract wants to appoint an individual that will run their company and participate in a knowledge transfer including technical, commercial, and managerial knowledge. Furthermore, the company that has sent their employee is simultaneously entering foreign markets by selling their managerial knowledge and improving the competitive advantage of the partner abroad (Foscht & Podmenik, 2005).

In my opinion, this is a great mutually beneficial strategy that helps both the domestic company and the target market. Furthermore, it does not ensure only the flow of knowledge between the involved parties, but it also ensures a steady cash flow between them.

Figure 8: Expectations of management contracts for internationalization



Source: adapted from Glowik (2016).

3.1.2.5 Turnkey contracts

Turnkey modes of entry happen when a company sells its complete operations as well as supply and distribution chain services (from materials, assembly, testing and aftersales services, as well as warranty support). This type of market entry is usually used in large investment initiatives (design, planning, construction, etc.). Market entry using turnkey usually includes the start of operations, training, qualification, and consulting with the local personnel. After the set-up process, the firm then gives the project over to the local government in return for an agreed upon payment of use fee (Deresky, 2014).

Even though this is a truly low resource intensive mode of market entry, it does not provide any long-term assurances. Yes, the party that is setting up the business has all the initial activities in their hand, but in the long run this mode of entry does not take care of any long-term controlling and supervision by the market entrant. Thus, this mode of entry is suitable only for a few specific industries and should not be used for all businesses.

3.1.2.6 Cooperative modes of market entry

Strategic alliances

Strategic alliances are, at their core, exactly what their name tells us, strategic partnerships between companies that provide them specific competitive advantage. When we talk about international strategic alliances, we mean companies that work together internationally in either the same or different industries. These are agreements with two or multiple participating organizations that have a common long-term business goal. The participating member organizations share access to client data, distribution channels and other strategically important information (Welge & Holtbrugge, 2015).

There are various forms of different alliances that firms can cooperate in, primarily we differentiate between vertical alliances (supplier & buyers), horizontal alliances (cooperation between at equal stage of value adding activities) and lateral alliances (different businesses cooperating) (Glowik, 2016).

Strategic alliances are a great tactic to use when it comes to foreign market entry. The entrant can find partners in the target market that will help them using their local connections and expertise (from government approval to brand awareness, etc.). Naturally, there is some risk involved when forming such partnerships, a partner could potentially take advantage of this situation to acquire data or steal clients. This is why it is important to have legal documents signed with partners that prevent the occurrence of such events (Hill, 2012). This mode of market entry is, in my opinion, most suitable for innovative companies that want to expand with low investment and high return. I think that strategic alliances are key for these types of companies. Especially because they allow for mutually beneficial relationships, but it is important for companies to ensure good contracts with these partners to ensure that the relationship remains fair and transparent.

International joint ventures

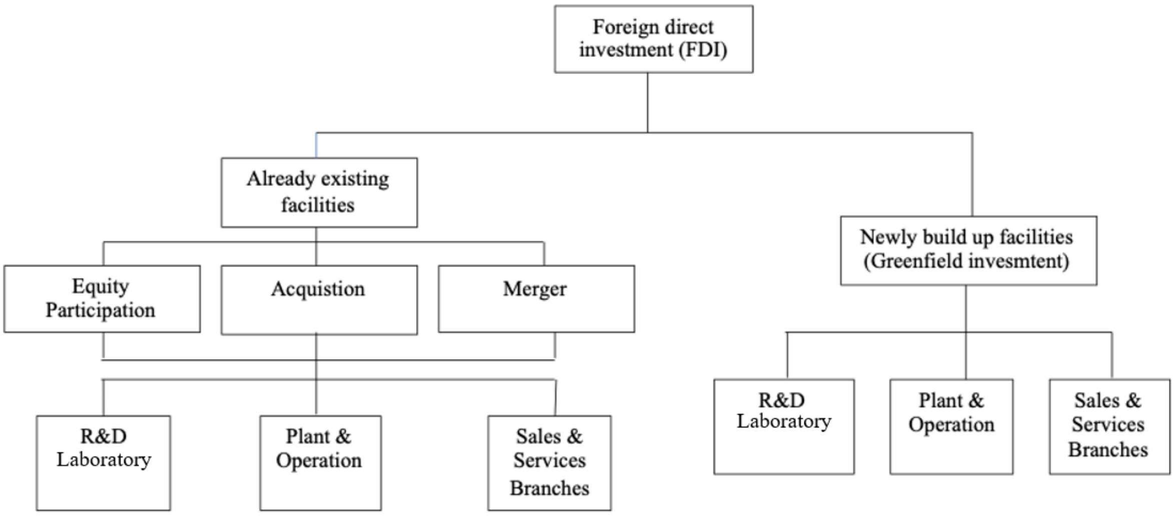
In contrast to strategic alliances where firms indirectly help each other, with international joint ventures two legal entities decide to enter a target market and own as well as control a shared business. In this case, the two companies create a new separate legal entity that is created with assets of both involved parties. The companies that depend on their share of the company agree on a revenue and risk sharing structure (Lorange, 1995). This mode of entry could be appropriate for some specific businesses, but it is not a general strategy that could aid most. Most businesses would not want to share their profits with a partner, especially when it comes to innovative companies. Therefore, these joint ventures are only applicable in truly specific cases.

3.1.2.7 Hierarchical modes of market entry: foreign direct investment

When a company's foreign business is thriving and it wants to expand its operations, it can consider enlarging its engagement and activities in a foreign market using direct investments. One of the simplest and quickest forms of foreign direct investment is the establishment of a sales branch. However, there are thousands of different tactics that companies can use when aiming to expand their business via foreign direct investment.

There are two core options that companies must decide on that will determine their approach and subsequent tactics for market entry. They can either invest in a company that already exists and is operating in the target market or they can build completely new facilities from the ground up (Grant, 2013). This decision matrix is depicted in Figure 9.

Figure 9: Decision matrix of foreign direct investment alternatives



Source: own work based on Glowik (2016).

There are benefits and risks with either approach. Using established companies can substantially accelerate the market entry process but can be difficult due to existing process that are established in the acquired company. On the other hand, a greenfield investment can take time, but will ensure that the company is set up completely tailor-made to the needs and goals of the company that is doing the foreign direct investment. Finally, in my opinion, this could be a truly time-consuming and resource-demanding mode of market entry that may not be suitable for all companies.

3.2 Best global practices

To emphasize only the key global practices that are connected directly to my research question as well as the main topic of my master's thesis, I will only analyse and interpret the best global practices of market entry for both theoretical approaches and operational strategies that are, in my opinion, connected directly to the analysed topic of foreign innovative market entry in Slovenia.

3.2.1 Louis Vuitton – The diamond model

In terms of the four core factors of the diamond model, Louis Vuitton (hereafter: LV) is a perfect example of using this theoretical approach in the right way. Originating from France, the "capital" of fashion and luxury allowed for extremely desirable factor conditions for LV. On the other hand, due to the high saturation on the market they needed to adapt their approach and use innovative ways to satisfy the demand conditions of their customers. These two factors alone created a substantial competitive advantage allowing for great predispositions for internationalization and expansion. More specifically, LV creates most of its revenue in Asia, attributing to 37% of its global sales. Furthermore, LV excels in the related and supporting industries. More specifically, it was able to create an ecosystem of partners (textile, apparel, garments, etc.) through which they are mutually dependant on each other to improve and innovate. Lastly, the company is a part of a larger group of companies called LVMH which also gives it a substantial competitive advantage (Minds, 2022).

With the purpose of my master's thesis, I believe that the diamond model could be a great theoretical tool to assess the desirability of a specific market before making the decision for market entry. It should, however, be paired with a specific market entry strategy.

3.2.2 Sony – The network theory

In Japan, many companies, such as Sony, operate in a complex network of interlinked companies called keiretsu. Most commonly, they consist of a bank, trading company, and many manufacturing companies. Furthermore, besides the mentioned horizontal network of business groups they also use vertically connected manufacturing firms at their core of business, whereas they use suppliers at the periphery. This network of companies does not only represent a network of mutually beneficial relationships, but also a "network of knowledge" which protects the companies independence. Using this "keiretsu" logic, Sony started their process of internationalization and expansion in the 1960s. For example, they established Sony Enterprise Co. to manage their own Sony building in Ginza, later they added Sony Plaza a retail chain to market goods that were imported, a French restaurant, a travel agency, and an insurance agency. In other words, they use a network of companies to generate revenue not only in their core business, but around their core businesses as well. Later, they opened their first overseas branches in Hong Kong, the U.S., and in Switzerland. All their market entries were carried out via joint ventures in cooperation with foreign companies and proved to be immensely successful in the long run (Glowik, 2016).

The network theory is, in my opinion, the greatest theoretical fit for market entry of foreign innovative companies in the Slovenian market. Firstly, I believe that there is great power in business networks and creating synergies using the opportunities that such a network provides. Thus, I believe that a majority of the logic that my business model will be based on will stem from the network theory.

3.2.3 Starbucks – Licensing

Licensing is one of the most common forms of market entry, it is simple and straightforward. There are many good examples of companies that were able to expand globally due to licensing agreements, for instance McDonalds, Starbucks, Subway, and many others. One interesting and unconventional example of licensing was the agreement between two corporations: Nestle and Starbucks. Nestle paid a substantial fee to Starbucks for exclusive rights to sell Starbucks products around the world through Nestle's distribution network. Furthermore, within this deal Starbucks would receive royalties from the products that were sold by Nestle. This allowed Starbucks to spread awareness about the brand without investing in allocating time, energy, and resources into direct market entry. This could also allow them to test in which areas their brand has high demand and which markets to target directly (CFI, n.d.).

In my opinion, licensing and franchising are two forms of market entry that are more suited for larger company chains that are connected more to the food industry than to digitalisation and innovative companies. Thus, I believe that this will not be one of my main focuses of research for this master's thesis.

3.2.4 Hotel industry – Management contracts

An industry that most commonly uses management contracts and is one of the best examples of how this works in practice is the hotel industry. Most often a large corporation hands over operational control of one of its hotels to a separate company solely for management. The contract is drafted between the hotel owner and the management company that takes over day to day operational activities. The roles of each involved party are clearly defined for instance the management company takes over maintaining the premises, marketing activities, services, and other activities directly connected to the property itself, whereas the corporation maintains the ownership and receives a fee for outsourcing the management aspect of the business. One practical example is available directly in Slovenia, where Equinox d.d. outsourced the management of the Union Hotels to a foreign company (Thompson, 2019).

Using management contracts could be a useful approach for foreign innovative market entry, but I think it is too broad of an approach to be appropriately used for the purposes of this master's thesis.

3.2.5 Cooperative modes of market entry

Uber & Spotify – strategic alliances

Strategic alliances are, in modern times, one of the most important and influential modes of market entry. Using a clearly defined partnership between two businesses, a company can create mutual value for each party independently using a project/platform through which they promote their brands together. One of the most interesting examples that I could find is the partnership that Uber and Spotify agreed on as a strategic alliance for specific foreign partners. Spotify enabled Uber riders to stream their playlists from the Spotify app whenever they take a ride. This gives additional value for users who opted for Uber for their transportation needs as well as encouraged them to upgrade to Spotify Premium which allowed them to control what music they listen to during their rides. Using this tactic both Uber and Spotify gained access to users that they couldn't reach before and at a fraction of the cost that it would take them to reach these audiences on their own (Huhn, 2022).

This form of market entry will be a part of the business model I will create through this master's thesis, because it is an approach that can both minimize the cost of market entry and bring great results.

Kellogg & Wilmar – joint ventures

In contrast to strategic alliances, joint ventures create a more involved and costly relationship between two companies. For this reason, it could also bring better and quicker results to the involved parties. One interesting example of a great strategic alliance is that of Kellogg & Wilmar International Limited. Kellogg had the goal of entering the Chinese market to sell cereals and other snack foods to consumers, so it partnered up with Wilmar who already had an established distribution and supply network in the market. Thus, Kellogg got access to a completely new group of customers and Wilmar profited from the logistics and supply side (Kellogg Company, 2012).

Finally, joint ventures will also be included in my business model proposal, due to the fact that they are another useful approach that could be beneficial for foreign innovative companies with the goal of entering Slovenia.

4 ANALYSIS OF THE SLOVENIAN MARKET FROM THE PERSPECTIVE OF A FOREIGN INNOVATIVE COMPANY

In this chapter, I examine the attractiveness of the Slovenian market from the perspective of foreign innovative companies and Slovenian companies that do business internationally.

4.1 Research questions and research protocol

Based on the broadness of my research question which was: "What are the main obstacles of market entry in Slovenia for foreign innovative companies?" I chose the semi-structured interview for my qualitative research. This would give most comprehensive in-depth look into how foreign innovative businesses perceive Slovenia and what the main pain points for their market entry are in general. Using the information and knowledge that I gathered in the theoretical part of the master's thesis, I prepared two sets of questions; one question set was intended for foreign innovative companies and the second set of questions was intended for local innovative companies that operate internationally. Based on the results of my question set testing I separated these question sets so that I could see whether there are any discrepancies between the foreign and local perspective on internationalisation. The questions were structured in a non-binding way intended to get the interviewee engaged and talking in a non-structured way about the topic.

The population was determined based on the definition of an innovative company (Hamel & Tennant, 2015):

- Has employees who have been taught to think like innovators.
- Possesses a sharp and shared definition of innovation.
- Possesses comprehensive innovation metrics.
- Has accountable and capable innovation leaders
- Uses an innovation friendly management process.

I conducted research online and consulted with field experts to prepare an initial list of companies that I could potentially interview. The list encompassed over 30 companies all compiled from research online and from field expert referrals. I then conducted a second screening of companies by contacting them via e-mail and telephone to handpick the best companies based on the above criteria that would be most suitable for the needs of my analysis. I chose a sample of 4 foreign companies and 1 Slovenian company. I chose this sample size because I wanted to create in-depth interviews with each of them to truly get insight into their thoughts and process of internationalisation. For the purposes of this master's theses, I assessed that it was important to also include one Slovenian company to see which issues they faced when internationalising out of Slovenia and to see their as well as their foreign partner's perception of Slovenia as a target market. All the interviewed companies fit the definition of foreign innovative companies from the Harvard Business Review.

I conducted all the interviews using the same protocol. First, I sent them an interview invitation via e-mail. We then meet online using the platform Google Meet. I presented the questions to them during the conversation and wrote down their response. The interviews lasted from 20 to 50 minutes, depending on the interviewees time and motivation. The questionnaires are in Appendix 1 and 2. A detailed description of the interview timeline and procedure is provided in Table 1.

Table 1: Interview timeline and protocol

ACTIVITY	DESCRIPTION	DATE
Broader sample selection	Using publicly available data and advice from field experts, I researched and chose the most suitable companies to interview.	September 2022 – November 2022
Narrow sample selection	Based on a screening procedure on the broader sample, I handpicked 5 companies that were most suitable for interviews.	November 2022
Preparation of initial question sets	Based on the theoretical analysis and the goals of my master's thesis, I prepared two sets of questions. One for foreign innovative companies and one for local companies.	December 2022
Testing of question sets	Using friends, acquaintances, my mentor, and others, I tested and tweaked the question sets for them to be as useful as possible.	1 Feb 2023 – 26 Feb 2023
Preparation of final questions sets	Based on the feedback received from testing my question sets, I prepared the final question set version.	26 Feb 2023
Sending question sets to interviewees	I sent a meeting invitation e-mail to all companies chosen to be interviewed.	27 Feb 2023
Conducting interviews and editing transcriptions	In this period, I conducted all 5 interviews, made notes, and edited transcriptions.	2 March 2023 – 25 May 2023

Source: own work.

4.2 Sample description

The sample companies vary in size, scope, and business industry, but their common denominator is that they are all innovative and progressive in their respective fields.

In Table 2, I have prepared an overview of sample companies together with information about who in the company I talked to, and which country they are based in, their estimated annual revenue, estimated number of employees, and whether they fit the Harvard Business Review definition of an innovative company.

Table 2: Interview sample characteristics

COMPANY	INDUSTRY	BASE COUNTRY	INTERVIEWEE'S POSITION	Revenue 2022	App. number of employees	HBR Definition
Foreign Company 1	Veterinary software	Germany	Sales Representative for Europe	> EUR 1 million	50–100	YES
Foreign Company 2	Robotics	USA	Founder & Organizer	> EUR 5 million	1–10	YES
Foreign Company 3	IT production	USA	Chief executive officer	< EUR 1 million	1–10	YES
Foreign Company 4	Health software	Germany	Chief Executive Officer	< EUR 1 million	1–10	YES
Slovenian Company	Digital transformati on	Slovenia	Chief Executive Officer	> EUR 1 million	10–50	YES

Source: own work.

4.3 Interview analysis and findings

Responses are presented in the form of a table or figure, together with a general interpretation of responses and quotes that are important for my analysis.

4.3.1 International presence of a company

First, I wanted to analyse whether the interviewed company has an international presence and in which countries they are present. The intention of this question was to see how active the company is on the international level and to gain insight into which markets they choose. As presented in Table 3, all interviewees have a relatively strong international presence with Company 2 and Company 3 being the most internationalised. Two out of the four interviewed companies are already present in Slovenia and Company 5, which is a Slovenian company, is mainly present in the DACH region and Balkan countries.

Table 3: International presence of sample companies

COMPANY	COUNTRY PRESENCE	Total number of FOREIGN PRESENCE
Company 1	France, United Kingdom, Sweden, Poland, Slovenia, United States of America, Middle East, Ireland, Austria, Switzerland, Belgium	12
Company 2	EU27 (including Slovenia), United Kingdom, United States of America, Canada, Singapore, Hong Kong, Japan, South Korea, Australia, New Zealand	36
Company 3	EU27 (excluding Slovenia), Australia, Taiwan, China, Russia, UAE, Middle East	34
Company 4	Austria, Switzerland, Russia, Egypt	4
Company 5	Austria, Germany, Croatia, Serbia, Switzerland, Belgium	6

Source: own work.

In the answers to this first question, I could already identify the reasoning behind the internationalisation strategies of some of the companies, for instance Company 1 stated: “All right. Yeah, we have a couple of countries we are working in, main country is Germany of course. Apart from that, I guess all other countries in Europe that either speak English or French, also Slovenian and I think Swedish and Polish.”

Here we could see that Company 1 chose its target markets based on the ease of adaptation of its software for internationalisation, so it first opted to enter the countries in which the language used for its software is also a national language. After entering these countries, it expanded further and adapted its software. In contrast, Company 2 started that its internationalisation started immediately after establishment. Company 2 stated: “Yeah, I mean absolutely. We pretty much right from the beginning developed external customers. So, we had, you know, ultimately, we've served customers on seven continents in every continent except Antarctica. So, we have customers on other continents and other countries and always have really, right from the very beginning.”

Representative of Company 3 they stated: “I’ll just say the European Union, without going into the specific states. Of which I will mention one, which is Belgium, which is primary. I also have influence and contact with Australia, Taiwan, People’s republic of China, Russia of course, United States and I’m sure I’m missing a few.”

Just like Company 1, Company 4 also opted for internationalisation based on bureaucratic similarity: “Okay, so we reside in Germany, the company is officially based in Cologne, it's called Company 4. And our main customers are in Germany, but based on the distribution model that we have, which is an app that you can download in the App Store, there is some, we have users from others, other countries. For example, who have been in Germany and moved over, because our can app be used offline. So, we have users outside of Germany, not many, a bit in the DACH so I don't know if you know the abbreviation, but DACH abbreviates Deutschland Austria and Switzerland. So, in that area, we know that we have a few users in Russia, and we have a kind of partner company in Egypt."

Finally, Company 5 stated its international presence as follows: "We have various companies working in various fields, but if we're talking specifically about Company 5, we operate in Slovenia, Austria, Germany, Croatia, Serbia, Switzerland, and Belgium."

Based on this first question I can safely say that all of these companies have been internationally active and are thus the right sample for the intentions of my analysis.

4.3.2 Internationalisation approach of sample companies

In question two of my interviews, I wanted to analyse the approach that the companies choose for their internationalisation process. Based on their responses, I applied an internationalisation theory and a market entry strategy from my theoretical analysis to each company.

As provided in Table 4, all companies have a specific approach towards internationalisation, only Company 4 is confined in terms of internationalisation due to legal requirements of the products that they provide.

In terms of internationalisation theory, there is an even split between the Uppsala model and the network theory, while only Company 5, which is from Slovenia, shows signs of using the internalisation theory. In terms of market entry strategy, all companies used a mixed approach toward market entry with the only common denominator used by all companies being strategic alliances. Based on the data provided in Table 4, it is evident that companies are aware that there are different tactics and approaches toward internationalisation and use them to their advantage. The most interesting factor was that Company 1 uses a direct export approach. This was surprising due to the number of countries that they are present in. They stated: "It's the same as in Germany. Though of course in Germany it's a lot easier because we are already known in the market and actually, we're a market leader in Germany. So of course, it makes it a lot more difficult in foreign countries, but the way we approach any country is just cold calls in the end and approaching any fairs just to be present, that people get to know us and see us at the fair and see what we offer and then it's more or less research through the internet to find out where are the clinics located that might be interesting to us, what kind of services they need, what kind of services have they so far been offered, and then we contact them via phone mostly."

Table 4: Internationalisation approach of sample companies

COMPANY	Internationalization description	Internationalisation theory	Market entry Strategy
Company 1	The same approach to sales as in the domestic market. Cold calls, cold e-mails, attendance at trade fairs. Partner companies.	Uppsala model	Direct exporting Strategic alliances
Company 2	Started in the U.S. Expanded their company by outsourcing certain parts of the production process.	Network theory	Direct exporting Strategic alliances
Company 3	Work with international partners. Find local partners to help with internationalisation.	Network theory	Strategic alliances Joint ventures
Company 4	Careful with internationalisation due to legal requirements. Pick countries based on loose regulations regarding healthcare.	Uppsala model	Strategic alliances Joint ventures
Company 5	Look at the issue more in the sense of globalisation. Sales is key for internationalisation. Internationalisation was a simple process for them.	Internalization theory	Strategic alliances Direct exporting

Source: own work.

An important factor that Company 2 emphasized in the interview is that most innovative companies that are not larger corporations do not approach internationalisation as a planned occurrence. Rather, they use the advantages that globalisation and the interconnectedness of the modern world provides them to their companies' advantage. The interviewee from Company 2 stated: "So, you know, there was no real conscious attempt to quote internationalize unquote, because you know, from the very beginning, you know, we always look to which countries can we source the best products and services, in order to build a company."

Furthermore, Company 3 which emphasized the importance of using local partners for internationalization, stated: "I suppose that a better answer, maybe better for your purposes, or the listeners or readers purpose is that it's a matter of inclusion, which means we have a variety of people that we work with from these different nationalities and it's very important, as it is in working in Slovenia as well, to get people who can translate, not necessarily language but the culture of the people and how business is done so that we can learn how to operate better and more smoothly in foreign countries."

We can see that companies are interested in using local partners or companies that could help them with internationalisation. Because internationalisation is now a natural process of everyday business, as seen in the first quote, we can safely say that there could be an interest for an organisation that would help these companies with such processes.

In contrast to the other interviewed companies, Company 4 faces difficulty with internationalisation due to the nature of its offering. It has to be careful in terms of legislation and laws, so the importance of international partners is very significant to it: “So, at the moment, internationalization is not a big topic for us. Number one, we have to be very careful about internationalization because we recommend therapies. And in different countries, there are different standards. So, we have to always, if we want to roll it out, we have to officially work with the local bodies, regulatory bodies to get the approval.”

Finally, Company 5 emphasised the importance of salespeople in the process of internationalisation: “The key factor in any internationalisation process is the sales people, and with internationalisation it does not really matter what market entry strategy you choose; the thing that works in Slovenia will probably work in Germany but this is not the case with globalisation where you truly need to adapt your products and services.”

In summary, all interviewed companies have internationalised in some way and have used a variety of different techniques and tactics to do so. They have also expressed an interest in using outside help for these processes, which is in line with the research that I am doing for my master’s thesis.

4.3.3 Perception of Slovenia and presence in the Slovenian market

In questions 3, 4, 5 for foreign companies and 3, 4 for the Slovenian company, I wanted to analyse how companies perceive Slovenia. By conducting this analysis, I wanted to benchmark the desirability of this market and see potential drawbacks that would be presented.

In Table 5, I have denoted which of the interviewed companies already have an existing presence in Slovenia and which currently do not. As shown in the table, half of the interviewed companies are already present in Slovenia, whereas half are currently not active in this market.

Table 5: Existing presence of interviewed companies in Slovenia

COMPANY	PRESENCE IN SLOVENIA	QUOTES FROM INTERVIEWS
Company 1	Yes	“We did some research, found out that this might be interesting. It could be that we were contacted by a customer from Slovenia, who told us – well we are looking for something and in the end our company decided, all right this is one country where we go for, so we did the translation.”

Company 2	Yes	"Right? I mean, I think when you do something like that you need to start with what is your strategic rationale for doing this? Why are we trying to set up operations in another country? Why are we doing that? And once you have your strategic rationale, clear and fact-based and data-driven, then you know, your next steps kind of fall from that, right? I mean, the strategy is to, being you know, being in this country for that reason, right?"
Company 3	No	"I think Slovenia, makes a very good presentation in and of itself, as a good place to do business. People in Slovenia that I've met, and I've met actually quite a few, are open, very hard-working people. The people I've met are very intelligent, very welcoming."
Company 4	No	"I have to be honest the only reason for us to enter the Slovenian market is knowing someone who works there".
Company 5	Slovenian Company	"There is no reason on this planet that a company would see Slovenia as a target market, Slovenia is not even a market it is however part of a global market. The thing is that our country as a market doesn't make sense in terms of scalability"

Source: own work.

Company 1 even stated that it has been present in Slovenia for more than 8 years, whereas Company 2 moved their development team to Slovenia due to more favourable working conditions. Company 2 stated that: "You know, we knew it would be prohibitively expensive to do that in Silicon Valley. So, how do we expand the development team in a cost-effective way? And we did that, by you know, commissioning a study for which location would be best and Slovenia, basically for the type of talent that we wanted to secure. Slovenia came tied at the top with Poland. So, we were able to find people here or talent here that would be difficult to find elsewhere. And that was really the motivator and that was really the driver for us to come to Slovenia."

Delving deeper into the analysis of how Company 1 and Company 2 approached internationalisation to Slovenia, I found that Company 1 stated that its initial internationalisation process to Slovenia was conducted in a similar manner to other countries. It was contacted by a potential customer in Slovenia, analysed the market, and decided that it was a good business opportunity for them. The company translated its software into Slovenian and started its regular sales process. After a couple of years in the market. it also hired a local company that then helped it with its sales and marketing efforts in Slovenia.

On the other hand, Company 2 had a different approach because the reason for their internationalisation was not sales, but rather seeking a more favourable location for development: "Sure, well what happened was that we actually started by sponsoring the University of Ljubljana with robots. So, we sold robots to them, we loaned robots to them, we sponsored, they had a hacker space where we loaned some robots to and got recognized as a company that was doing robots in Slovenia. So, we actually started at the University of Ljubljana, we started at a major university because the reason that we came to Slovenia was the talent. So, you know it seemed natural that that would be a good place to begin. We actually commissioned a study of where could we acquire the best talents, which locations had talent availability, and that was a study that was conducted by an HR professional."

There, we can say that Company 2 entered the Slovenian market through partnerships with local institutions, then based on the study an outside professional conducted for them, they got a better insight into the market and could make a more conscious decision.

Looking now at the companies that have not yet entered the market, I wanted to benchmark how they perceive Slovenia and if they see opportunity in this market. Furthermore, I wanted to also see how Company 5 (which is a Slovenian company) perceives its own market compared to its global presence and how its international partners perceive this market.

Company 3 perceives Slovenia as an attractive country and is currently making efforts to start working in this market. It perceives Slovenia as a good workplace environment and it emphasized the work ethic of Slovenian employees: "I would say that the answer I'm going to give you is applicable, not only to doing business there, but also driving my automobile. In a lot of ways, when I choose a car to drive the major feature that I'm looking for is responsiveness and I have found that in Slovenia thus far, people are extremely responsive. They don't wait, you know and that's really the key of doing good business, when you get back to people in a timely fashion with a knowledgeable answer or knowledgeable question, it's enticing."

Company 3's response thus correlated with Company 2 in the sense that the workforce of Slovenia is interesting for its business. Company 4's response was different – according to its representative, the only reason for the company to enter Slovenia and to even acknowledge it as a desirable market would be to actually know someone in the market who would help the company through its process. In the representative's opinion, the main upside to Slovenia was geographical position, similarly to Austria which is, in their opinion, an opening to Eastern Europe. Slovenia could also be a strategic location to enter the Balkan markets, which is why Company 4 stated: "I could imagine that Slovenia could become also a similar hub as Austria is, at the moment for a series of countries because of its knowledge of, I mean close enough to Eastern Europe and close enough to the West and a part of Europe. So, that could be interesting, and this is why I thought also and that could be something for us to enter the Eastern European market. So, it's a nice position in the middle. It's geographically, but also culture-wise and attitude-wise. at least, this is how it is perceived here in Germany, to be honest. Interesting when you start to hit the road."

The representative of Company 5 and its view as well as its international partners' view of Slovenia. He provided essential and very important insights. He first stated that Slovenia is not perceived by the company's partners as an interesting market. In his opinion, it is just too small of a market and he stated that, with globalisation and the digital tools that we have at our disposal, Slovenia has also lost its attractiveness as a gateway to the Balkans. He pointed out an interesting factor: "Sure, 10 years ago Slovenia was pitched to companies as a gateway to the Balkans, but with the rise of globalisation this just isn't the case anymore. Why wouldn't the company just directly enter the third country in the Balkans?"

In contrast, Company 5 did, however, state that Slovenia is immensely attractive to foreign companies due to working conditions, educated talent, and as a location for establishing small, but progressive R&D operations, which is in line with the responses of Company 2 and Company 3. Company 5 stated that: "We are, however, good for high value hubs that do research and development, for instance in the pharmaceutical perspective, we don't have any labour or operation opportunities like for instance China has. So, I would say that Slovenia has the greatest advantage for small R&D operations."

In summary, there is some interest among the interviewees for the Slovenian market. In terms of sales, it is primarily interesting for larger corporations that want to be present in the majority of European markets, but it is an even more desirable market in terms of a highly educated and relatively cheap workforce combined with great opportunities for research and development hubs, as well as for specific segments of highly innovative companies. This was evident with Company 2, which moved its entire development department to Slovenia.

4.3.4 Main difficulty and solutions for foreign market entry

In this segment, I used question sets to analyse how the process of internationalisation was approached by each individual company. I wanted to see what the main difficulties for the interviewees during the process of internationalisation were and how they overcame these hurdles. As stated in Table 6, two out of the five companies faced primarily administrative issues, meaning issues with opening up a bank account, opening up a foreign subsidiary of their company, and other issues connected to the legal procedure of starting a business in a foreign county. A similar yet different issue occurred for Company 4 which, due to the nature of its services, was more connected to regulations on how to provide these services in foreign countries due to the differences in healthcare regulations of target markets. Lastly, Company 1 and Company 2 had more soft-skilled issues, such as language barriers and the recognisability and legitimacy of their brand in their target market. Interestingly, all the companies opted either to cooperate with foreign partners or to hire a local team to help them solve these issues. For instance, Company 1 stated: "Any how do you say, we were a foreigner. We were like a foreigner to the country. We were not known in the country so far. So, you enter as a foreigner and you first have to get yourself some, make yourself a name in a way. Which is a whole other situation than in the countries where we were already active for years."

For this reason, I can safely say that companies benefit from local support in foreign markets either with legal issues or with marketing and selling their services/products in the target markets. The most representative quote that confirms my statement of the importance of local partners came from Company 2 which stated: “You need to find local partners in any country and particularly, when you go to a foreign country, you have limited a limited network there, it’s difficult to find access to good professionals, good accountants and good legal help and so forth that you can really trust. So, obviously it’s essential that you do that, but it’s not straightforward. You know it’s difficult to do those kinds of things.”

Table 6: Main difficulties and solutions for internationalisation

COMPANY	**Main difficulty with internationalisation**	**Quotes from interviews**	**TAKEN SOLUTION**
Company 1	Recognisability / Brand name	“Okay, so the main difficulty is that we didn’t have any “reputation” there.”	Working with local partners
			Internal research and adaptations of software
Company 2	Administrative issues	“Well, we actually struggled mightily with just some of the fairly basic administrative tasks of establishing a new company here.”	Found professional to help
			Working with local partners
Company 3	Language barriers	“Okay, language is always language and culture of course and I solved them by working with and through local people.”	Working with local partners
Company 4	Regulations	“So, yeah, main difficulty is regulations for us as a medical device company, it is extremely crucial to follow that. Our license to play is the local regulations, right?”	Existing business network
			Working with local partners
Company 5	Administrative issues	“One of the most challenging processes is actually pretty surprising, we had the most difficulty with opening a bank account in foreign countries in the beginning.”	Hiring a local team in the target market

Source: own work.

4.3.5 Demand for expert support when entering a target market

With this question set, I wanted to benchmark the perception of using a legal entity that offers support for internationalisation, I wanted to see which services the company would benefit the most from and how much would they be prepared to pay for them and in what way. Finally, I wanted to see whether companies already used such assistance from local providers and what type of assistance they used. This was one of the most important question sets of my master’s thesis because it directly touches upon my main research question, which is the creation of a business model for a company that would offer holistic services on the subject of market entry.

As evident from Table 7, all the interviewed companies see a certain benefit in using expert support when performing internationalisation. Companies 2 and 5 expressed the strongest reservations, Company 2 stated that it believes that it could do a similar if not a better job than an outside company in assisting with internationalisation, especially in the strategic/operational sense. It did, however, emphasize that using the distributor market entry strategy is beneficial in countries that differ culturally from them. It even emphasized that they use this strategy in 8 markets in which they are present. In contrast, Company 5 emphasized the importance of using local assistance for administrative tasks such as establishing a company, helping with compliance issues, marketing efforts and PR, they did state which is direct contradiction to Company 2's statements that they would never use or outsource sales or any sales activities to a third party. Furthermore, Company 2 emphasized that the main difficulty when working with local providers or consultants is the time that is lost while onboarding them and educating them about their products: "You need a professional service who can do it many times better than you can, otherwise, it's just not worth paying them the money to do it and spending the time that you have to devote talking to them because you're going to have to say to them. Let's say you wanted to do a market entry, right? You have to align with the external market entry consultant, right? You know, what are they going to do that you can't do yourself? Well, they're going to have to hire people, you know, five times better than you can, they're going to need to have to figure out a marketing plan, five times better than you can and even then, you're going to have to spend a lot of time talking to them and engaging with them."

Based on this feedback, it is evident that the value proposition and speed of service delivery is key for the business model that I am developing for this master's thesis. In contrast, Companies 1, 3, 4 all stated that they see a lot of benefits in working with a company assisting them in market entry, particularly in terms of insight into local market, connections, business network, solving cultural and language barriers, and lowering risk of market entry. They all similarly stated that, with the help of a market entry specialist, they could accelerate the process of market entry and would get access to contacts/partners which would not be available to them in a short time period if they were doing market entry themselves. For instance, Company 1 stated that: "Yeah, definitely the biggest advantage is just that they have insight into the local markets, they know what is required, so they can give us advice that what makes sense to develop. And of course, that they have a network and connections and know how to contact the people and know where the important people are located, so, it's both knowledge and network, I guess which makes the biggest advantage."

Table 7: Demand for expert support when entering a new market

COMPANY	PERCEPTION	PAYMENT STRUCTURE	USED SERVICES IN THE PAST	QUOTES FROM INTERVIEWS
Company 1	Sees benefits Insight into local market Network and connections Local contact for customers	Performance based fees Revenue sharing	One successful partnership for Slovenian market entry Two unsuccessful partnerships	"Also, maybe one more last thing for the end customers that we want to approach, for them it's just a big advantage that they do not have to deal with some company from another country, but they have some people in their own country that they can rely to and contact."
Company 2	Reservations towards using a holistic service for internationalisation Hard to evaluate if a partner would be beneficial and define KPI's Could do a better job on their own Time based overhead with using foreign help Good for specific services such as distribution	Performance based fees The value generated by the company should be 10x larger than the payment to them	Internationalised before they had a need for company assistance Had bad experiences with hiring international marketing agencies Have successful distributor partnerships in 8 countries	"Well, I mean, you know, could we have a company that helps enter new markets? Potentially, but you know, as with anything it's always good to get help with anything, but the problem that you have is that you need to evaluate whether that professional can help you and whether the value that they provide is worth the fees that you're going to pay them and that's always the challenge with any professional service individual. I mean, I worked in professional services, myself for years and it's very difficult to know whether any professional who supports you, who wants to help you is actually worth it."
Company 3	Sees benefits Network and connections Access to local talent Interpret the intentions of customers / partners on the local market	Performance based fees Revenue sharing A KPI based payment structure	Used companies to help internationalise in every case Mostly used partnerships with local providers	"Absolutely, absolutely without a doubt. In terms of services introductions of course would be of best use and would be important, status in the community is to, whether people know, or respect the people behind the company. Because the companies are just a shell for, for the people behind it, a compliance with social regulations, whether they're social or legal, or whatever and people's willingness to help guide my business interests through that, into a better way of communicating, complying with local laws and regulations and being able to interpret, not only the language, but the intentions of people."

table continues

Table 8: Demand for expert support when entering a new market (cont.)

Company 4	Sees benefits Lowering risk of market entry Network and connections	Performance based fees Revenue sharing Flat rate payment for direct services (translations)	Used companies for certain services (translations) Local partners	"So, of course, local companies, so companies who have done that already, I think can be very helpful. Of course, because they know the local, if you want to hire people, if you want to distribute, you have to know the country, the regulations and so. Of course, I think that is definitely super important and what to my opinion is also crucial is a kind of pilot setting, right? So how can you approach that without too much of a risk and learning first steps, and then going and then scaling from there. So, this is how I would, like to approach such a situation."
Company 5	Sees some benefits Wouldn't use a company for sales Would help in the sense of marketing & PR Help with administrative / legal procedure, acquiring offices	A KPI based payment structure	Always used such services Used a legal tech hub Used PR companies	"Okay, we entered the German market for instance through the ABC accelerator which helped us a lot. At that time, we were called a "scale up" company so we used the services of the accelerator quite heavily. From hiring people, using the accelerator as a facilitator to hype us up to the general PR services that were crucial for us at that time. We also used the accelerator to attract young talents, finding and getting office spaces that would be attractive and there was a lot of competition for places like that, so we really needed the help from ABC for that."

Source: own work.

The second factor that is immensely important for creating a business model for a foreign market entry consulting company is pricing. All my interviewees agreed that a success-based payment structure would be beneficial for all involved parties for this type of service, meaning that, based on the revenue that is generated by the consulting company, the payment would then be calculated as a certain agreed percentage of that revenue. Company 3 stated that they would also be prepared to pay based on goals reached which do not necessarily need to be connected to monetary success, but rather to KPI's defined at the start of the cooperation. Furthermore, Company 4 stated that it would be prepared to pay a flat rate fee for services that would be provided directly for the need of market entry, for instance translation or localisation of software for the target market. In contrast, Company 2 stated that it would only be prepared to pay up front if the partner could prove that it could generate 10 times the revenue that they would bill for their services. Therefore, it is evident that a combination of a KPI and revenue sharing payment scheme would be most beneficial for both the client and the hypothetical company for which I am developing a business model. A quote from Company 3 best describes the policy that will be important for the business model that I am developing: "People are always, I would hope, going to express their fees or their cost in terms of what they think they can bring to the table. And I have an ironclad rule that I apply to every situation, that I learned from the oil business and that is: What you receive in compensation is directly related to your contribution to success."

Finally, I wanted to see what types of similar services my interviewees used in the past, as seen in Table 7 all of the companies used some type of foreign assistance in their past ventures, but only one of them hired a company that would operate in market entry specifically. Others used certain companies for specific services such as distribution, marketing, translations, administrative assistance, and PR. Based on my analysis, I can safely say that there is an interest for a company that would offer holistic market entry assistance. The main subjects that will be important to highlight in the business model are a clear value proposition and a mainly success-based pricing structure. Clients of this hypothetical company would need to have a clear picture of what they are paying for and what they get in return. The company could offer flat rate pricing for direct services and a success-based pricing structure for revenue generating services that it provides to its clients.

4.3.6 Research limitations and avenues for further research

My analysis has provided valuable insights into the internationalization strategies of different innovative companies, their presence and perceptions of the Slovenian market, and their experiences as well as needs with regards to foreign market entry. However, I was able to identify some key limitations and opportunities for improvement as well as further research avenues through which my work could be built upon in the future. A detailed description of both of these aspects is provided below.

Research limitations:

- Sample Diversity and Size: My analysis was based on the findings discerning from only five individual interviews. A larger and more diverse sample could provide a broader perspective on internationalization strategies and challenges when entering the Slovenian market. Furthermore, interviewing more companies that have actively entered the Slovenian market in the past may have given me more insight into their difficulties.
- Subjectivity of gathered qualitative date Data: The one-on-one unstructured nature of the interviews, while giving me an in-depth insight into their thought process, introduces subjectivity in interpretation. Different interviewers or analysis methods might yield varied insights, highlighting the need for triangulation with quantitative data or other qualitative sources.
- Individual interviews in each company: Since I only interviewed one representative from each company I only got his perspective on the internationalization activities of the company, if I would have interviewed multiple employees holding different positions within the company, I may get a more detailed and objective insight into its operations.
- Potential Bias in Self-Reported Data: The reliance on self-reported data from company representatives may introduce bias, as participants might present their strategies and experiences in a more favourable light or omit sensitive information.

Opportunities for further research:

I have identified several opportunities for expanding my analysis which could allow me to move beyond Slovenia and see how companies internationalized to other countries.

- Expanding the Sample: Future studies could include a wider array of companies from different countries and with varied international footprints.
- Longitudinal Studies: Conducting longitudinal research could offer insights into how companies' internationalization strategies and market perceptions evolve over time, particularly in response to external changes in the global business environment.
- Interview other representatives from within the same company: This approach would allow me to get a deeper insight into how employees from different positions perceive the internationalisation approach.

5 THE TECH HUB BUSINESS MODEL

Based on the research and interviews I have conducted for the purpose of my master's thesis, I can clearly define what the main obstacles of foreign innovative companies are for entering not only the Slovenian market, but also any other market in general. These range from bureaucratical hurdles, language barriers, cultural differences to the social structure and network of a country such as Slovenia. I have assessed that a business entity that would offer comprehensive services for all the identified challenges could be beneficial for foreign innovative companies. This is why I first analysed which types of such companies already exist in Slovenia, how well they are doing, and what they offer. Based on my findings, I prepared a business model for a new company that would have a substantial competitive advantage compared to the current offering on the market.

5.1 Competitor analysis in the market entry support business

There are two core types of entities that can assist foreign companies with market entry in Slovenia: public entities and private entities. Public entities encompass the chambers of commerce of foreign embassies in Slovenia and government agencies, whereas private entities encompass companies that provide services connected to market entry.

5.1.1 Public entities

CHAMBERS OF COMMERCE OF FOREIGN EMBASSIES IN SLOVENIA

Most major embassies of foreign countries in Slovenia have either a chamber of commerce or a dedicated employee who is responsible for economic activities of the foreign country in Slovenia. Most of these chambers of commerce offer free and basic assistance to companies, individuals or entrepreneurs that want to do business in Slovenia. These services range from simple market analysis, access to local providers/companies that could assist them and general information about the legal framework for companies operating in Slovenia (Euraxess, n.d.).

INTERNATIONAL BUSINESS CLUBS OR COUNCILS

There are several business clubs that deepen the economic relationship between member countries. One example of such would be the Slovenian Chinese Business Council that connects companies from both countries and enables a smoother market entry for Chinese companies looking to enter the Slovenian market (GZS, 2020). Some other examples are (GZS, 2023):

- Slovenian-Indian Business Council;
- Slovenian-Russian Business Council;
- Slovenian-Ukrainian Business Council;
- Slovenian-Italian Business Council;
- Slovenian-Bangladeshi Business Club;
- Slovenian-Azerbaijani Business Council.

Such organisations charge an annual membership fee for its partners but do not give in-depth assistance to them. Companies have to more or less depend on their own networking and business skills to actually benefit from such memberships. Examples of their services are as follows:

- Education and business development for members;
- Advising and assistance to members (answering questions and inquiries);
- Networking with other local and international members of the council;
- Knowledge sharing between members;
- Assistance with acquisition of data;
- Organisation of networking events;
- Market research.

JAVNA AGENCIJA SPIRIT SLOVENIJA

Spirit Slovenia is a governmental agency the work of which also includes assisting foreign investors with an array of services from general information, organisation of business delegations, connecting to existing foreign investors in the Slovenian market, and consulting to assisting with the acquirement of public funding for their investments (SPIRIT Slovenia, n.d.).

5.1.2 Private entities

I have found various Slovenian companies that offer services of internationalisation, but most of them were centred around helping Slovenian companies internationalise to foreign countries. Very few companies offered services for foreign companies with market entry to Slovenia. As seen in Table 8, there are only a handful of companies that offer direct services connected to market entry assistance specifically for the Slovenian market. Naturally, there are larger companies such as Deloitte which offer some of these services, but not comprehensive solutions tailored to Slovenia. On the other hand, there are a few smaller companies such as Odriv, Consuilue, IPM Tech Hub, Vizaris, and others that offer specifically services connected to market entry assistance for Slovenia. They mostly offer services such as market research, market entry strategy preparation, consulting, and administrative assistance, but only two of the companies on the list offer comprehensive and holistic solutions.

The main common denominator as seen in Table 8 is that all the companies prepare their offers tailored to the needs of their clients, which is also in line with the findings from my interviews. All the interviewed companies emphasised the importance of performance-based pricing or key performance indicators (hereafter: KPI).

Judging by the small number of companies working in this specific field and the relatively low amount of revenue that they generate there could either be a large gap in the market for such services, they could be bad at marketing their services or there is little to no demand on the market for these types of services.

Table 8: Competitor analysis

COMPANY NAME	NUMBER OF EMPLOYEES	REVENUE 2022 (EUR)	SERVICES	PRICING MODEL
Odriv d.o.o.	1	15,744.00	Basic information on employment market in Slovenia Assistance with bureaucratic procedure Talent allocation	Tailor made
Consilue, Peter Šinkovec s.p.	N.A.	N.A.	Market research Market entry strategy B2B Matchmaking Consulting	Tailor made
CEATM d.o.o.	2	101,094.00	Assisting with investments in Slovenia Market research Consulting	Tailor made
Vizaris d.o.o.	1	41,168.00	Accounting, legal and business consulting Assisting with opening up a business in Slovenia	Tailor made
IPM Technology Hub d.o.o.	1	103,820.00	Market research International business networking & delegations Business accelerator Talent acquisition Connected services	Tailor made
Unija Smart Accounting d.o.o.	67	6,363,416.00	Helping with investments in Slovenia Helping with Tax optimization consulting Accounting services	Tailor made
Deloitte d.o.o.	37	5,510,705.00	Compliance and reporting International strategic tax review International mergers and acquisitions International expansion services	Tailor made

Source: own work based on Dun & Bradstreet (2023).

5.2 Business model development

Based on my theoretical analysis, findings from interviews, and market research on the topic of competitors in the field of helping foreign innovative companies, I have prepared a business model for a new company (The Tech Hub) that would specialise in assisting foreign innovative companies with market entry into Slovenia. I used the business model canvas to map out the business model.

The business model that I developed is based on the network theory market entry, meaning that the Tech Hub will create a network of companies that will be beneficial for any clients that want to enter the Slovenian market. This theory will be combined with different market entry strategies (such as franchising, partnerships, joint ventures) based on the needs, goals and KPI's provided by the company looking to enter the Slovenian market.

As identified in the analysis segment of my master's thesis, the main obstacles for market entry in Slovenia for foreign innovative companies were administrative issues, language barriers, recognisability, legal restrictions, and others, as described in the business model canvas. The Tech Hub business model would address all these issues and more. Through this, the Tech Hub would become a comprehensive partner that would provide foreign companies with a holistic set of services conducted either by inhouse employees or subcontractors and partners under the supervision of the Tech Hub project managers. With the help of this company, foreign clients would have the ability to get much quicker and easier access to the Slovenian market, without the hassle and time-consuming efforts of trial and error.

The main value that the Tech Hub would bring to its clients are comprehensive, tailor-made market entry services. This means that they would not need to hire a lawyer, accountant, and business development consultant separately, but they would have access to all of this in one simple contact. Furthermore, if there are services that would not be offered directly by the Tech Hub (for instance translations or software development), the Tech Hub could ensure that they are performed and supervised for the client via the network of partners that it would possess.

In summary, the clients of the Tech Hub would get access to a reliable and well connected local partner that would not only give them easier access to key resources that they would need in the Slovenian market, but could also facilitate a large amount of work that would otherwise have to be done by the clients. Using the network that the Tech Hub would possess, these services would ultimately also be cheaper for the client.

Based on the finding in my analytical segment, a performance-based payment form would be most interesting to foreign innovative companies. For this reason, the revenue and pricing model of the Tech Hub would be centred around three core streams: a) a set-up fee for direct services and to cover the hours dedicated by the project manager to the client, which would be calculated based on the value and difficulty of the project, b) a performance-based fee that would be paid out in case of reaching agreed on KPI's and milestones, and finally c) a revenue-sharing structure would be agreed on if the Tech Hub would get involved in the direct sales activities.

I have separated the clients of the Tech Hub into three core categories: start-ups, small and medium companies, and larger corporations. Due to the tailor-made approach which the Tech Hub would use, the services and prices for these clients would vary based on the assessment that would be made in the initial meeting with the potential clients. Since the services of the Tech Hub would be completely tailor-made, each client category would be provided with different services and different pricing, but they would all have the same end goal – a successful market entry into Slovenia.

I believe that, based on my theoretical analysis and interview findings, there is a need for such a company in the Slovenian market and I think that the business model that I envisioned could be successful in aiding foreign innovative companies with market entry. Furthermore, I believe that this new company should focus on the research and development segment of this industry because this is where Slovenia truly shines in the international market.

A more detailed description of the business model is provided in Table 9 business model canvas.

Table 9: Business model canvas for the Tech Hub

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
– Embassies of foreign countries in Slovenia – Chambers of commerce of foreign countries in Slovenia – Spirit Slovenija – International Slovenian business clubs – Slovenian universities – Subcontractors: Translators, Tech development companies and Other **Key resources acquired from partners:** – Access to potential clients. – Outsourcing services that are not native to The Tech Hub. – Embassies could outsource certain services to The Tech Hub (additional revenue generation). – Access to talent needed for clients.	– Market research – Legal counselling – Tax advisory – Consulting – Assistance with administrative procedures – Localisation of products / services – Access to network of partners / subcontractors – Education on the Slovenian business culture – Talent acquisition – Set up of a local team of sales people (with relevant experience and educational background) – Real estate acquisition – Acquisition of public funding	– List of clients' needs satisfied by the Tech Hub: – Tailor made services. – Quicker, cheaper and easier access to the Slovenian Market – Better deals for services needed via the network of partners. – Access to top tier professionals – Access to talent via university partnerships – Acceleration of sales by use of local sales team	The customer relationships that would be created through the Tech Hub would need to be completely personalised and tailor-made due to the nature of the tailored approach that the Tech Hub uses. This means that with more clients more project managers would need to be hired, which could incur larger costs in the long run. This also means that the Tech Hub could charge more for their services in the long run. Maintaining good customer relationships would be key for this type of business because there could be years of fees charged by the Tech Hub for successful business developed for clients in the Slovenian market.	The main customers of the Tech Hub will be foreign innovative companies looking to enter the Slovenian market, this customer segment can be separated into the following categories: – Start-up companies – Small and Medium enterprises – Larger corporations

table continues

Table 11: Business model canvas for the Tech Hub (cont.)

<table>
<tr>
<td rowspan="2">Key activities that partners perform:
– Assist foreign nationals with business activities in Slovenia.
– Translate all materials used in the Slovenian market.
– Develop adaptations for the Slovenian market for any services / products that a client possesses.

Motivations for partnerships:
– Broaden the reach of the Tech Hub.
– Access to new potential clients.
– Building on the recognisability and credibility of the Tech Hub.
– Access to talent that could be used for foreign partners.</td>
<td>KEY RESOURCES</td>
<td rowspan="2"></td>
<td>CHANNELS</td>
<td rowspan="2"></td>
</tr>
<tr>
<td>– A core team of experts with business, legal, and IT backgrounds.
– A network of partners for relevant fields that will not be covered in house (translations, software development, etc.).
– Initial funding to set up a representative office space.
– A database of existing market research for the Slovenian market that could aid our clients.</td>
<td>– Word-of-mouth marketing
– LinkedIn
– Google ads
– Newsletters of foreign embassies in Slovenia
– Newsletters of foreign chambers of commerce
– Newsletters of foreign agencies

Channel phases:
1. Awareness – spread the information via LinkedIn, Embassies and other channels mentioned above.
2. Evaluation – Set up a meeting with potential clients, make them aware of the potential of the Tech Hub services.
3. Delivery – A project manager of the Tech Hub carries out the goals made in the meeting.
4. After sales – upsell new services after a successful market entry.</td>
</tr>
</table>

table continues

Table 11: Business model canvas for the Tech Hub (cont.)

COST STRUCTURE	**REVENUE STREAMS**
The highest and most important costs connected to running the Tech Hub will be the salaries of key employees, because that is also the main value that the company generates. Thus, this business is more value driven. Other costs besides labour costs are defined as follows: – Office rent/expenses – Expenses for different needed software (analytic software needed for market research) – Costs of partners/subcontractors – Marketing expenses (LinkedIn)	1. Fixed setup fee 2. Performance based fee 3. Revenue sharing structure

Source: own work.

6 CONCLUSION

The purpose of my master’s thesis was to provide assistance to foreign innovative companies aiming to enter the Slovenian market. The main goals were, firstly, to identify the main issues that foreign innovative companies face when entering the Slovenian market. Secondly, to explore Slovenia as a testing ground for the launch of products or services. Lastly, to develop a business model for an innovation hub organization that could offer simplification of market entry for foreign innovative companies.

The research question was: “What are the main obstacles of market entry in Slovenia for foreign innovative companies?”

For the purposes of answering the above research question, I did comprehensive research and analysis in order to fully explore the challenges and opportunities for foreign innovative companies entering the Slovenian market. Through a combination of theoretical analysis, interviews with industry experts, and market research, I sought to gain a deep understanding of the intricacies involved in this complex process.

To address my main research questions, my interviews gave me several key insights into the main difficulties that foreign innovative companies face when entering the Slovenian market. I found that most of the issues revolved around factors such as language barriers, bureaucratic procedures, and the recognisability of the company in Slovenia. One of the major findings of my research was the need for comprehensive market entry assistance for foreign companies. The challenges identified, including administrative hurdles, language barriers, and cultural differences, highlighted the significance of a holistic approach to market entry. This identified issues served as the foundation for the development of the business model for "The Tech Hub."

"The Tech Hub" is envisioned as a company specializing in assisting foreign innovative companies with their market entry into Slovenia. This innovative business model is based on the network theory of market entry, emphasizing the creation of a valuable network of local partners and resources. By addressing the identified obstacles, "The Tech Hub" aims to provide foreign clients with a quicker and more straightforward entry into the Slovenian market.

The key strengths of this business model include a clear value proposition, a performance-based payment structure, and a focus on the research and development segment, leveraging Slovenia's strengths in this area. The ability to offer a comprehensive set of services tailored to the needs of different client categories, including start-ups, small and medium companies, and larger corporations, enhances the model's flexibility and attractiveness.

Moreover, "The Tech Hub" recognizes the importance of network connections, both in terms of local partners and industry connections, to facilitate a smoother market entry process. Its holistic approach, encompassing services delivered either in-house or through trusted partners, streamlines the entry process for clients.

In conclusion, this master's thesis has shed light on the challenges and opportunities for foreign innovative companies entering the Slovenian market. The proposed business model for "The Tech Hub" has been carefully crafted to address these challenges and provide a valuable solution for foreign clients. By aligning with the needs of the market and offering a range of services, "The Tech Hub" has the potential to bridge the gap in market entry assistance and contribute to the success of foreign companies in Slovenia. The success of this business model will depend on effective execution, marketing, and a commitment to delivering value to its clients.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Magistrska naloga z naslovom *Boleče točke in rešitve za vstop tujih inovativnih podjetij na slovenski trg* obravnava kompleksne izzive, s katerimi se tuja inovativna podjetja soočajo ob vstopu na slovenski trg. Namen magistrske naloge je pomoč takim podjetjem pri začetku poslovanja na slovenskem trgu. Glavni cilji obravnave so : (1) identificirati temeljne probleme, na katere naletijo tuja inovativna podjetja , (2) raziskati Slovenijo kot poligon za lansiranje izdelkov ali storitev in (3) razviti poslovni model za podjetje *The Tech Hub*, ki bi lahko tujim inovativnim podjetjem omogočilo poenostavitev vstopa na slovenski trg.

Zato sem si zastavil naslednje raziskovalno vprašanje: Katere so glavne ovire pri vstopu na slovenski trg za tuja inovativna podjetja?

Na podlagi temeljite teoretične analize, opravljenih intervjujev s predstavniki različnih podjetij in sistematične raziskave trga sem identificiral ključne ovire, s katerimi se soočajo podjetja: največje težave so povzročali jezikovne ovire, reševanje birokratskih postopkov in izzivi, povezani s prepoznavnostjo tujega podjetja v Sloveniji.

Najpomembnejši rezultat te raziskave je identifikacija potrebe po celovitem pristopu, ki bi olajšal vstop tujih podjetij na slovenski trg. Za ta namen sem razvil poslovni model za *The Tech Hub*, specializirano podjetje, katerega ključna vloga je nudenje pomoči tujim inovativnim podjetjem pri vstopu na slovenski trg.

Poslovni model temelji na teoriji mrežnega pristopa in poudarja pomen vzpostavitve vrednostnega omrežja lokalnih partnerjev in poslovnih povezav. *The Tech Hub* si prizadeva odpraviti navedene ovire ter zagotoviti tujim strankam hitrejši in učinkovitejši vstop na slovenski trg.

Ključne prednosti tega poslovnega modela so jasno definirana ponudba, plačilna struktura, ki temelji na uspešnosti doseganja rezultatov, vnaprej dogovorjenih s strankami, ter izrazit poudarek na raziskavah in razvoju, usmerjenih v izkoriščanje potencialov Slovenije na tem področju. Model priprave ponudb po meri za različne ciljne skupine, kot so zagonska podjetja, mala in srednje velika podjetja ter večje korporacije, omogoča večjo prilagodljivost in privlačnost poslovnega modela.

Za nadaljnji razvoj tega poslovnega modela je ključno nenehno izboljševanje na podlagi raziskav, pridobljenih tržnih povratnih informacij ter sistematično obravnavanje morebitnih izzivov in tveganj, ki se lahko pojavijo med izvajanjem modela. Prav tako je pomembno načrtovanje strategij za trženje in pridobivanje strank.

Celotna magistrska naloga je zasnovana kot temeljit pregled in priprava poslovnega modela, ki bi omogočil premagovanje identificiranih ovir pri vstopu tujih inovativnih podjetij na slovenski trg.

Appendix 2: Questions for semi structured interview – foreign companies

1. Do you have any clients outside of your home country?
2. How do you approach internationalization?
3. Do you have a presence in Slovenia?
4. If yes, how would you describe the process of internationalization?
5. If no, do you see Slovenia as a desirable market for entry? Why or why not?
6. What are the main difficulties when entering a new market? How did you solve these difficulties in the past?
7. Would you benefit from a company that would help you enter a new market? Which services would be of best use to you?
8. How much would you be prepared to pay for these services?
9. Did you use any such services in your process of internationalization? Would you asses these services as beneficial? What could have been done better?

Appendix 3: Questions for semi structured interview – domestic companies

1. Which countries do you operate in?
2. How do you approach internationalization?
3. How do your foreign partners view Slovenia as a target market?
4. How do you see Slovenia? What are its main drawbacks and advantages?
5. What are the main difficulties when entering a new market? How did you solve these difficulties in the past?
6. Would you benefit from a company that would help you enter a new market? Which services would be of best use to you?
7. How much would you be prepared to pay for these services?
8. Did you use any such services in your process of internationalization? Would you asses these services as beneficial? What could have been done better?