The Age of Digitalisation

Market Entry in the Era of Financial Technology

David Ohayon

Bachelor's Thesis

Submitted to
Prof. Dr. Tine Lehmann

Hochschule für Technik und Wirtschaft
University of Applied Sciences
FB03

In partial fulfillment of the requirements
for the degree of

Bachelor of Arts (B.A.)
International Business

May 31th 2020
Student ID 0561686

Abstract

The process of internationalisation has been explored extensively, and frameworks describing it were developed in order to encapsulate its essence. However, in recent years, technological innovation has allowed breaking down barriers that had never been lifted before. This same technological innovation gave birth to digitalised businesses, more accurately referred to as E-Business Companies (EBCs). The purpose of this study is twofold. Firstly, this paper explores widely research and prominent traditional market entry theories; and secondly, with respect to those theories, to investigate whether they are still pertinent to the internationalisation process of traditional and electronic business companies operating in the financial sector. In order to address this complex subject, a cross-case analysis of a comparative nature was conducted using secondary data. The juxtaposition of the case study firms emphasised possible differences and similarities between the two. The findings showed that in contrast to traditional companies' gradual expansion, EBCs are not required to establish physical presence, and thus, their internationalisation process is rapid, primarily driven by internet technology and not as burdened by the presence of market entry barriers. However, both firms' managerial approach and culture played a role in their expansion. This study's contribution is to enhance, consolidate and aggregate existing literature and its relevant applicability in order to serve as basis for future research to the topic in question.

Contents

List of Abbreviations

EBC	Electronic Business Company
BG	Born Globals
RBV	Resource Based View
IT	Internet Technology
DB	Deutsche Bank
EBIC	European Banking Industry Committee

List of Figures

List of Tables

1 Introduction

The process of internationalisation is a complex construct that has been studied for almost a century and can be traced back to theories that are still used and applied up to this very day. Over the past couple of decades, with the onset of globalisation and the development of the internet, businesses all over the world laid their eyes on the international arena for expanding beyond their domestic markets.

Unlike the manufacturing sector where the pace of internationalisation was rapid, the service sector, in particular financial services, remained a couple of steps behind. However, in recent decades, foreign operations and foreign market entries of the financial sector have significantly accelerated (Hannoun, 2006). Accordingly, with the financial sector lagging behind in terms of global development, so did the studies attempting to observe its internationalisation behaviour. In contrast to that, manufacturing companies have been widely researched and a variety of models (Dunning, 1980, 2000; Johanson & Vahlne, 1977; Rennie, 1993) have been developed to describe how these companies expand and what determines their success.

Due to the use of internet technologies, a phenomenon referred to as FinTech emerged among the firms operating in the financial sector. FinTech, short for Financial Technology, describes the use of technology in the financial sector in order to provide applied financial solutions. Buckley, Arner, and Barberis (2016) define three key periods in the evolution of FinTech: FinTech 1.0, FinTech 2.0 and FinTech 3.0.

FinTech 1.0 can be traced back to 1866 and is characterised by the implementation of the first Trans-Atlantic transmission cable that significantly reduced the communication time between North America and Europe from 10 days to as low as 17 hours. This in turn resulted in the development of the global telex which then improved financial services. Other applications during the period of FinTech 1.0 include the first handheld financial calculator (Thibodeau, 2007) and the introduction of credit cards in America (Markham, 2015).

The primary attribute that was associated with FinTech is that technology acts as an enabler for certain processes that were previously either complex or not available. Thus, FinTech 2.0, which took part between 1967 to 2008, was primarily defined by the emergence of the internet and by 2001 "eight banks in the US had at least one million customers online" (Buckley et al., 2016, p. 11).

FinTech 3.0 began consequently to the financial crisis in 2008 and it is still underway. This period is characterised by applications emphasising the power of data and the ability to leverage and harness its benefits. The progress from FinTech 1.0 to FinTech 3.0 proved how changes in technology can reshape the "rules of the game" and how traditional institutions are not the only unique entity existing any longer.

Due to the financial crisis, the trust populations had in the banking system began to decay as traditional banks were perceived as less reliable (Andrew, 2015). Therefore, the period post the financial crisis saw the rise of start-ups, leveraging advanced technologies to expand in the financial sector (Arner, Barberis, & Buckley, 2016).

Parasuraman and Zinkhan (2002, p.287) stated that "internet technology has the potential to alter almost every aspect of business operations" and thus, this paper attempts to explore facets of the internationalisation process in order to develop insights regarding the use of internet technologies for cross-border business, as well as, how these have shaped the internationalisation process of electronic business companies (EBCs), in comparison to their traditional counterparts in the finance sector. Therefore, the formal research question is specified as follows:

How do E-Business Companies internationalise in comparison to traditional companies in the financial sector?

2 Literature Review

Exploring existing approaches or seeking newer directions of inquiry are among the reasons of why literature can assist to improve, shape and give form to a research topic in mind. Rowley and Slack (2004) argue that such reviews play a meaningful role in the identification of relevant literature to the research in question, while giving it context or seeking ways to provide added value. Additional aspects include constructing a better understanding of theories, concepts and terminology.

Hart (1998) contributes further benefits, among them are shedding light on any significant variables that may provide additional understanding to the topic while attempting to relate certain concepts, ideas and theory to applications. Therefore, this chapter will explore previous studies in the field of internationalisation in regard to EBCs and traditional theories in the field, while putting emphasis on assumptions, conclusions and key points.

2.1 Previous Studies in the field of Internationalisation

Considerable amount of existing research demonstrates the benefits derived from using the internet as an enabler for breaking barriers previously set on the borders of internationalisation (Arenius, Sasi, & Gabrielsson, 2005; Chai & Pavlou, 2004; Shneor & Flaeten, 2008). An exploratory research by Loane and Bell (2002) was set to inspect the internationalisation process of EBCs originating in New Zealand, Australia and the European Union. Eight firms were chosen and demographically analysed using measures including firm age, firm size, number of founders, the personal relationship between them (close family or not) and the speed in which those firms internationalised in terms of time. Many if not most of the case firms in the aforementioned research have undergone a rapid internationalisation, if not from their inception, in order to gain a competitive advantage. It was revealed that the case firms have used the means of internet technology across the organisation's departments and as a sales channel for their products; thus they have set themselves on the international stage in ways never possible pre-internet era, as "The 'old' rules of business are not obsolete for internet-enabled firms" (Loane & Bell, 2002, p.1965).

A study by Fang, Tung, Berg, and Nematshahi (2017) explores the internationalisation process of Scandinavian firms as they attempt to enter the Chinese market. The study integrates two commonly known and dominant approaches used to describe internationalisation: the Uppsala Model and the Born Globals model. However, instead of applying each theoretical approach separately, the authors attempt to form a hybrid version of the two, also referred to in their paper as "parachuting internationalisation". Out of the four firms, one is an EBC that followed the Born Globals approach from inception and harnessed the full power of the internet in its internationalisation process. The internet accelerated the company's expansion across different markets and even allowed for simultaneous market entries. Furthermore, the experiences the four Scandinavian firms underwent in their entrance to China revealed several common factors with great impact: knowledge is of great importance and learning is of the essence; geographic locations are outshined by customer focus and psychic distance is not as promising as previously thought.

In contrast to Fang's findings with regard to psychic distance no longer being in the limelight, Forsgren and Hagström (2007) find in their study focusing on EBCs, that at the beginning of the expansion process, firms choose markets of relative distance in the sense of psychic distance.

Psychic Distance is a concept introduced in Johanson and Vahlne's (1977, p.24) study regarding the internationalisation process of firms and describe it as "the sum of factors preventing the flow of information from and to the market". The factors preventing the flow of information include differences in culture, business, language, education and how developed is the industry. This approach was empirically analysed by Kogut and Singh (1988) using Hoftsede's cultural dimensions. The analysis revealed that the mode chosen by firms to enter different markets is influenced by various cultural factors. Karakaya (1993) further contributes by indicating another aspect that can shape and raise hurdles in the path of expansion. Karakaya (ibid.) describes market entry barriers and their impact on firms. These barriers include but are not exclusive to cultural, language, political, economic and governmental aspects.

Further emphasis is put on knowledge being a strong factor in the internationalisation pattern of firms. Petersen, Welch, and Liesch (2002) conclude that due to the internet, processes conducted during the internationalisation of a firm are awarded with improved efficiency of market transactions. Moreover, with the access to a lake of data provided by the online horizon, firms can react to market changes, while improving their learning processes and knowledge; which in turn propels firms into the global business arena.

Johanson and Vahlne (1977) describe internationalisation as an iterative and gradual process and distinguish between four different factors: Market knowledge, market commitment, commitment decisions and current activities. The study highlights that a firm's market entry process will be influenced by how committed and invested it is in the target destination. Normally, a firm will enter a market while committing as little as possible and expand from that point onwards. Additionally, a corporation will usually enter markets that are familiar to it in terms of a higher psychic distance. The model created in this study describes a process where market knowledge shapes commitment decisions and how current internationalisation activities follow.

Generally speaking, distance has been a widely researched and explored aspect in the internationalisation process of firms and as previously mentioned, psychic distance is an application of a broader distance concept. It was found that distance plays a major factor in the selection of location, entry mode and knowledge transfer (Kostova, 1999; Tihanyi, Griffith, & Russell, 2005; Xu & Shenkar, 2002). It was further concluded that "essentially, international management is management of distance" (Zaheer, Schomaker & Nachum, 2012, p.19). Therefore, distance is a concept that is of the essence when discussing factors that might play a role in internationalisation processes and cannot be disregarded.

Terzi (2011) accentuates the added value that is derived by the use of internet and electronic means. In this study, the author describes how the use of electronic applications can bear fruit in the form of reduced costs, speed, improved communication, reduced significance of physical geographic distance and business networks. Factors including historical linkages, managerial structure and fitness to target industry continue to have impact withal. Moreover, the study sheds light on the fact that trade barriers which normally reshape a company's internationalisation, no longer hold a significant impact as they previously did, due to the introduction of electronic activities.

This paper's literature review of extensive academical work finds certain factors that appear in a consistent manner across the broad scope of research explored. The following table provides a recap of factors, result of the studies covered in this chapter, that play a role in the internationalisation process of EBCs:

Factors	*Authors*
Market Entry Barriers	Chai and Pavlou, 2004; Shneor and Flaeten, 2008; Arenius et al., 2005; Karakaya, 1993; Terzi, 2011
Firm Size	Loane and Bell, 2002
Firm Age	Loane and Bell, 2002
The Internet	Loane and Bell, 2002; Fang et al., 2017; Petersen et al., 2002; Terzi, 2011
Managerial Structure	Loane and Bell, 2002; Terzi, 2011
Knowledge	Fang et al., 2017; Petersen et al., 2002; Johanson and Vahlne, 1977
Relative Distance (i.e. Psychic Distance)	Forsgren and Hagström, 2007; Johanson and Vahlne, 1977; Kogut and Singh, 1988; Xu and Shenkar, 2002; Kostova, 1999; Tihanyi et al., 2005; Zaheer et al., 2012
Cultural Differences	Loane and Bell, 2002; Johanson and Vahlne, 1977

Table 1: Factors Impacting Internationalisation: Previous Studies

2.2 Theoretical Framework

Review of literature covered in the previous part of this paper and other academical work imply that while internationalisation belongs to a broad scope of research fields, they are mostly based on predominant theories in the field. Each of these theories attempts to explain why and how firms expand and engage in activities overseas.

Through the exploration of these academical works and theories, a set of factors that impact the internationalisation process will be noted in order to better understand how these approaches attempt to explain and illustrate the internationalisation construct. This will assist in consolidating information scattered across the vast variety of existing research, while gaining insight leading to the clarification of the research question this paper deals with.

2.2.1 Uppsala Model of Internationalisation

Empirical studies involving Swedish firms and the observation of their international development have laid the grounds for the emergence of this theory. The Uppsala model of internationalisation describes the process in which firms incrementally increase foreign market commitment by using and integrating acquired knowledge in a way that shapes the way they internationalise. This behavioural approach was first brought to light by Johanson and Valhne (1977), and was consequently integrated in many other theoretical frameworks of internationalisation.

In their study, Johanson and Valhne (1977) describe the process and order in which several Swedish firms proceeded in the expansion of their business abroad. The behaviour, as previously indicated, was seen to be as one of an iterative nature, where the companies in question had enacted in actions and initiatives that further increased their commitment to target markets of interest. For example, one of the firms mentioned, a firm dealing in the pharmaceutical industry and operating in nine different countries, seemed to follow a certain pattern in which it would gradually further extend its reach and operations. Among these operations, it was said the firm had received orders from the foreign markets, and after some time and sense of establishment, continued to make agreements with agents and brokers, up until commencing in actual manufacturing activities, and thus further committing to target markets. The Uppsala model sets a clear target: to find explanation behind the iterative pattern characterising the internationalisation process of firms.

The model uses four core concepts: market commitment, market knowledge, current activities and commitment decisions. These core concepts are further categorised into two groups, one being state aspects, while the other is change aspects.

State aspects include market commitment and market knowledge, these are naturally temporary, while change aspects include commitment decisions and current activities. However, they are not to be regarded separately as they both influence each other and as explicitly stated by Johanson and Valhne (1977, p.27): "Market knowledge and market commitment are assumed to affect both commitment decisions and the way current activities are performed. These in turn change knowledge and commitment". This statement enhances how these core concepts are interlinked and how one concept affects the other and is also affected by it. The following figure is a depiction of this mechanism:

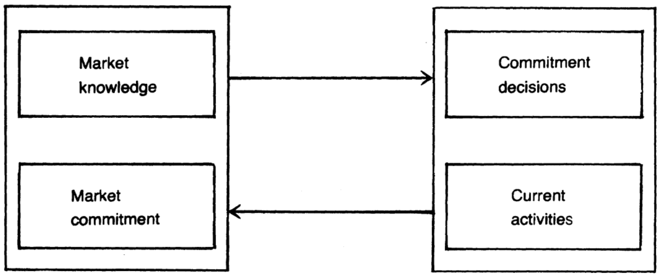

Figure 1: Mechanism of Internationalisation - State and Change Aspects

Source: Johanson and Vahlne, 1977, p.26

Market Commitment consists two main factors, these include the amount of resources and to what degree are these resources committed, or better said, how difficult it is to reroute these resources to another use or is it even possible to find an alternative use for them. The amount of resources can refer to different types of investments and expenditures; these include marketing, personnel and organisation. While the degree of commitment can be determined by how integrated these resources are with parts of the organisation.

Market Knowledge is classified by how it is acquired and is composed of two types. The first type is objective knowledge and is teachable. The second type is experiential knowledge, which is harder to transfer and can also be referred to as tacit knowledge. This type of knowledge is regarded as crucial in order to have a better sense in taking advantage of opportunities.
Additionally, the knowledge can also be distinguished in terms of general and market-specific knowledge. General knowledge deals with common marketing and customer characteristics and is objective knowledge, while market-specific knowledge is experiential and is linked with national markets, including demographics, structure of market systems and possible cultural traits. Both of these knowledge types are required for entering a new market and are considered a resource that enhances market commitment.

Current Activities and their consequent impact are described to possess a certain lag between their time of occurrence and their actual reach to fruition. Johanson and Valhne (1977) mention marketing activities as an example for a continuous activity which has to be repeatedly and consistently undertaken, in order to see actual generation of sales. This lag itself and its duration leads to further commitment to the target market, with longer lag resulting in more commitment. These activities are considered to be important due to the fact that they act as the main source of firm's experience, and as previously mentioned, experience is of the essence when a firm is to take advantage of possible opportunities. It is further argued that gain of experience can be done through outsourcing activities of qualified personnel, however, it is additionally emphasised that the needed experience, taking all aspects of it into consideration, may be hard to obtain and therefore results in a slower process of internationalisation.

Commitment Decisions are presumably made in the presence of problems or opportunities in a market environment and as previously mentioned, are better taken advantage of when experience is already acquired. This kind of endeavour, be it in response to problems or opportunities will evidently result in additional commitment to the market in question. Each commitment, when extended, is further distinguished by two aspects: economic and uncertainty. It is described, that the firm, by the nature of incrementalism characterising this theory, will continue committing to the market until hitting the maximum risk possible when facing market uncertainty. Following this logic, it is assumed that the more knowledge or experience a firm holds, the more it is willing to commit due to to a lower degree of uncertainty, which in turn results in lower risk.

As mentioned in chapter 2.1, Johanson and Vahlne (1977) introduced the concept of "psychic distance" to point out that companies usually aim to move to countries close in geographic terms to their domicile, due to the fact that their knowledge of those markets is more extensive. This is a direct result of the theory's statement claiming that a firm is more inclined to commit when possessing more knowledge in regard to a certain target market.

This model was revisited by its original authors (Johanson and Vahlne) in 2009. In the revisited model, a firm's network and general relationships play a bigger role. The new model puts emphasis on the fact that a broader scope is required and instead of considering only market commitment, the model also covers the firm's current relations which are affected by the degree of trust, knowledge and commitment. Furthermore, knowledge about the insides of a network is also referred to as an important concept. Generally, the concepts have been slightly refined, but the theory's core assumption that experience and commitment are inevitably interlinked still remains.

The following table consolidates the core influential factors in a firm's internationalisation, while providing assumptions and reasoning behind them according to the Uppsala Model:

Factor	*Assumption*
Market Commitment	Amount of resources invested, that are not easily replaced and increases the link between a firm and a market
Commitment Decisions	Define the rate in which a firm gradually enters a market and resources committed to it
Experiential Knowledge	Influences and shapes how a firm can perceive and take advantage of opportunities and possible problems
Physical Distance	Companies prefer to enter markets similar to them or markets which they know better
Current Activities	An enhancing source in terms of added experience to better capture opportunities
Relationships and Networks	Required the development of international activities

Table 2: The Uppsala Model of Internationalisation: Consolidated Representation of Factors (Author's Compilation)

2.2.2 Born Globals

The Born Globals (BG) model of internationalisation (Rennie, 1993) comes from a similar stream to the one the Uppsala model belongs to. However, whereas the Uppsala model sees internationalisation as an incremental and time consuming process enveloped by learning and skill development, the BG model notes exceptional cases where firms aim internationally and globally from their inception. Furthermore, the approach had been explored extensively in several different studies (Knight & Cavusgil, 1996; Madsen & Servais, 1997) and accordingly, the studies conclude the most common and relevant factors that give rise to the emergence of BG firms and the existence of this phenomenon. Among these factors are: market conditions, development of technology, global networks and partnerships, and the capabilities of people, which includes the managerial approach of the founders. The following figure illustrates the conceptual framework of the BG approach:

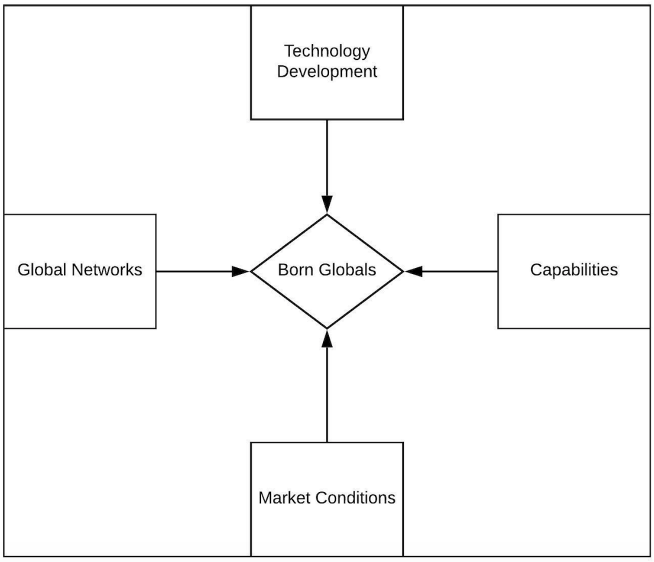

Figure 2: Born Globals - Conceptual Framework

Source: Author's Own Construction

Market Conditions are described by Madsen and Servais (1997) as factors that push a firm into having to sell its product or service outside of the country. An example of such factor can be low demand for a product in the local market. This process can be seen as a two sided coin, where on one hand the low local demand is acting as a factor that pushes the firm into internationalising, and on the other, a higher demand in a target market acts as a factor pulling the firm to enter it.

Technology Development is deemed to be a major key factor rooted in the BG theory as it is what actually kickstarts the companies into internationalisation faster and easier. It is therefore not surprising, that a large portion of current literature dealing with born global firms focuses on technology-intensive corporations, as the use of technology broke down barriers and reduced communication costs, in such way that the ability to discover and take advantage of business opportunities in a variety of countries is enhanced (Knight & Liesch, 2016; Oviatt & McDougall, 1994).

Global Networks are used by rapidly growing BG firms and are referred to as partners, distributors or the internet itself, to achieve wider reach and easier internationalisation. This part of the BG theory puts emphasis on how the relationships a firm or the founders can create, or are available, play an important role and are vital for international endeavours (Fletcher, Loane, & Andersson, 2011).

Capabilities are described as the ability of people to take advantage of opportunities to foster and drive internationalisation. In recent years, people have gained significant experience in the international arena due to travelling becoming easier and technology connecting people across countries; thus, this results in competence to operate and handle oneself in foreign situations. These capabilities also include those of the founders of the firm, and due to these competences being attained easier in comparison to the past, managers tend to look outwards in terms of business, and perceive the world as the marketplace instead of remaining in their domicile (Madsen & Servais, 1997; Rialp, Rialp, Urbano, & Vaillant, 2005).

To conclude, Born Globals is a relatively young theory in comparison to other internationalisation theories. It is, however, important to note, that this approach describes a phenomenon becoming common over the last couple of decades due to the onset of modernisation and technological advancement. Therefore, it can assist in explaining the internationalisation behaviour of firms characterised with heavy use of technology and the internet itself as a business channel.

2.2.3 Dunning's Eclectic Paradigm

The eclectic approach first rose to awareness in 1976 (Dunning, 2015). The approach defines the functionality of enterprises as an entity that is supposed, by nature, to transform through production, inputs to outputs, while granting those outputs an added value in comparison to their previous form.

Also referred to as the ownership, location and internalisation (OLI) approach (Dunning, 1980), this theoretical work came to life in order to examine the international production of a firm and its determinants. The eclectic paradigm attempts to give reason and evaluate variables that shape a firm's production and its growth in external markets; it does so by dividing it into three different categories: ownership (O), location (L) and internalisation (I) advantages. Dunning uses these three independent variables as a basis leading to a firm entering a new market.

For a firm to be able to competitively produce alongside firms domiciled in target markets, it must possess ownership advantages in a satisfactory degree to breakeven the costs linked with entering a foreign market. In other words, ownership advantages can award a firm with competitive advantage over other local firms and potential entrants. In order for a firm to unlock these benefits, it must have access to both tangible and intangible assets, that other players in the target market do not have.

Location advantages speak of benefits that can be obtained by the process of a firm positioning its production or segments of it in foreign locations. Furthermore, these benefits are location specific, hence, they cannot be transferred (i.e. different legislation in comparison to home country that contributes to lower costs and access to natural resources).

The third and last advantage Dunning speaks of is internalisation advantage. Unlocking these advantages is a result of a situation where there are more benefits to be reaped by the retention of specific skills, assets or production driving mechanisms. Internalisation is an additional way to reduce operational costs including transaction and transportation costs.

The following table includes the main activities which Dunning (ibid.) describes in his study. Firms may or may not be involved in these activities, but they serve as a rough guideline for the expression of the three aforementioned advantages, result of this framework.

Ownership Advantage	*Location Advantage*	*Internalisation Advantage*
Capital	Access to resources	Control of supply and price
Technology	Raw material costs	Exploiting technology
Organisational skills	Labor costs	Reduction of transaction or information costs
Trade marks	Legislation	Brand reliability
Economies of scale	Governmental policies	
Market access	Geographic proximity	

Table 3: Applications of the OLI Framework

Source: Dunning, 1980

Table 3 depicts examples applying to each of the variables. The table can be looked at in a general way and in different scenarios. For example, if a firm possesses certain tangible assets, special technology, patent rights or a reputable trade mark, it can unlock the benefits of ownership. Having exclusive and specific access to resources or operating in a country with favourable policies can unlock location advantages. Reducing transactional costs by keeping operational processes internal and not external can unlock internalisation advantages.

According to Dunning, each and one of these advantages, when fulfilled, will lead to a different internationalisation process of a firm in a form of market entry mode. These are distinguished in the study in the following way: According to the eclectic paradigm, if all three advantages exist, a company will engage in Foreign Direct Investment (FDI). If a firm will not profit by using locational factors with its ownership and internalisation advantages, then export will be the preferred way to enter a market. However, if a firm will only benefit by using its ownership advantages, then a licensing approach would be the way the firm will most likely choose. In order to simplify, the following table demonstrates all three scenarios:

Ownership	*Location*	*Internalisation*	*Market Entry Mode*
x	x	x	FDI
x	-	x	Export
x	-	-	Licensing

Table 4: Eclectic Paradigm Market Entry Mode Selection

Source: Dunning, 1980

2.2.4 The Resource Based View

The Resource Based View (RBV) approach was born out of the need to explain the successful internationalisation of a firm. The theory argues that a firm's competitive advantage is derived of the resources a firm controls, that are available to it and those which are "valuable, rare, imperfectly imitable, and not substitutable" (Barney, Wright & Ketchen Jr, 2001, p.625). Resources are further defined as all "assets, capabilities, organisation processes, firm attributes, information, knowledge" (Barney, 1991, p.101) that a firm possesses and are used in the development of a value generating strategy assisting the firm in improving its efficiency and effectiveness.

Penrose's (2009) work had a direct impact on the theory of RBV. Penrose provided theories covering the effective management of a firm's resources and suggesting that a diversified portfolio of resources (e.g. brand, capital) assists in achieving competitive advantage. In other words, firms within an industry can obtain competitive advantage due to the unique resources they own, however, it is not only the sole fact of ownership of the resources that grants a company with competitive benefits, but the efficient usage of them.

Firms pursuing the international path need to evaluate whether their competitive advantage or advantages, can be placed or used in foreign markets in a way that sets them in a stronger position than other players in the market.

Unlike other theories dealing with internationalisation, RBV sets its eye on internal factors rather than taking into account the interplay of both internal and external factors. More specifically explained, a company should use its internal strengths to respond appropriately to opportunities and threats (Barney, 1991). The following figure illustrates the core concept of this theory and how it is distinguished in terms of internal and external factors:

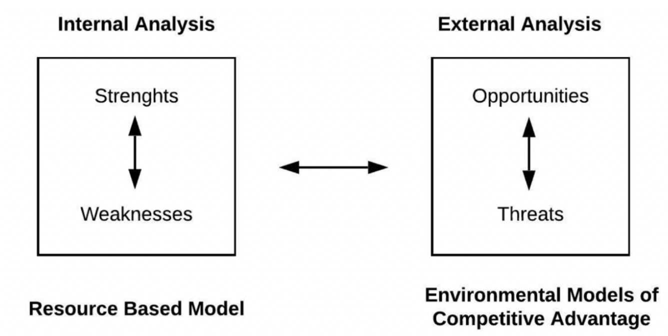

Figure 3: The Resource Based Model

Source: Barney, 1991, p.100

The way RBV encompasses internationalisation is by suggesting that a firm would only enter a new market after having considered the resources available, how imitable and replaceable they are and how well the firm is capable making use of them, while positioning itself in a leveraged spot in comparison to the other players in the market (Ruzzier, Antončič, & Konečnik, 2006).

RBV does not directly link the type of resource used to a specific entry mode choice, however, the model acts as a measurement to firm performance abroad and by doing so, can help decide on forming a strategy when entering a new market (Tulung, 2017).

3 Methodology

This chapter will outline the strategy and approach employed throughout the research, while describing how the data was collected and analysed. The following figure depicts a flowchart demonstrating the implementation of this research:

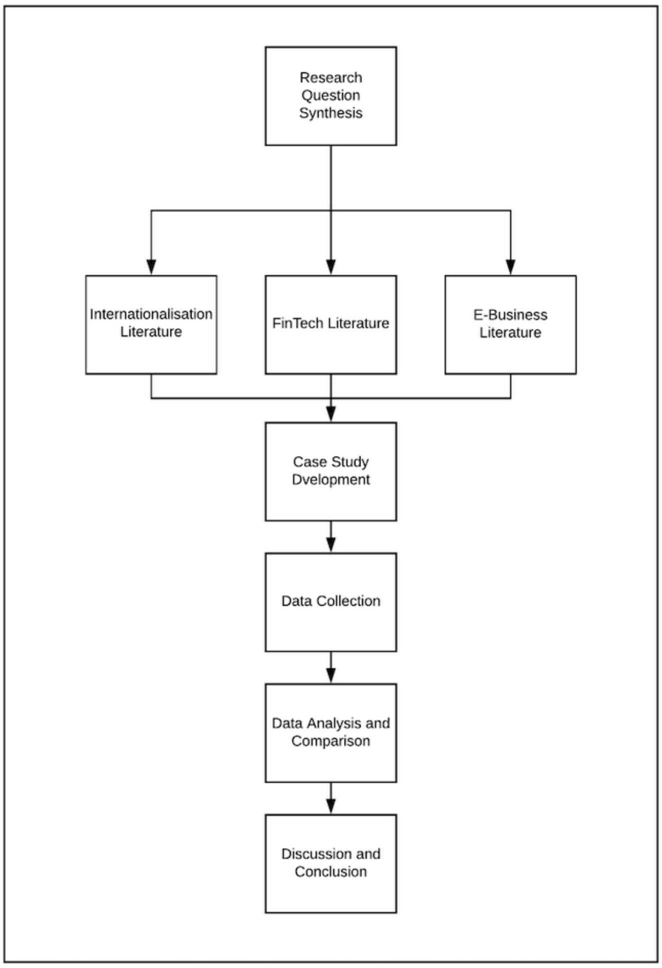

Figure 4: Research Implementation Illustration

Source: adapted from Sinkovics, Salzberger, Loane, Bell & McNaughton, 2006

As seen in figure 4, the author of this thesis developed a research question based on a topic of genuine interest. In order to better understand the topic, preliminary research and review of literature was conducted. This assisted in developing a formidable scope to this study while having a clearer path in how to approach the issue at hand. Furthermore, this chapter will cover the frameworks used and applied in this paper.

3.1 Research Approach

The field of internationalisation is very broad and heavily researched in terms of traditional companies. However, this paper's research question deals with EBCs in the FinTech industry, and there seems to be a research gap when trying to compile those two aspects together. There are established studies dealing with the internationalisation of traditional companies in the financial sector and how these take place, but as covered in chapter 2.1, not many have investigated the internationalisation process of EBCs in the FinTech industry.

This paper employs a qualitative and exploratory type of research. Due to the nature of this field and the vast volume of academic literature it is possible to draw conclusions by using theoretical frameworks. Qualitative research holds a significant meaning in the field of international business (Doz, 2011) as it is a part of theory development. Furthermore, this work, by its very nature, is abductive, as it attempts to reach a possible prediction while using observations. In doing so, it allows building on existing academical work, when relevant, and can be applied while consolidating several concepts that were never consolidated in the past. This can result in providing added value and generating new findings.

According to the research question this paper deals with, there are two aspects the research approach takes into consideration:

- An established understanding of the internationalisation process of firms in the financial sector exists. Among those are banks that were studied by using single or multiple case study research.
- There seems to be a gap in research according to the literature reviewed in the scope of this paper when discussing the internationalisation process of EBCs dealing in the same financial sector (e.g. online banks).

3.2 Research Design

In order to better understand how EBCs internationalise and in what way they differ from traditional companies, a qualitative case study approach was the most suitable way of investigating this phenomenon. A qualitative case study assists in exploring a phenomenon by using a collection of data sources. This approach is of great advantage due to the fact that by doing so, the issue at hand is explored in more than one aspect and is viewed from many different angles. Moreover, it allows for a better understanding of the phenomenon (Baxter & Jack, 2008) while pointing out gaps in applied theories, with the end goal of enhancing theoretical explanations (Ridder, 2019).

Three prominent frameworks of conducting a case study exist: the Yinian (2017), Stakian (1995) and Merriamian (1998) approaches. All of the approaches seek to provide a good coverage in terms of exploration and revelation of the phenomenon in question. However, each of the authors use different frameworks and definitions for a case study execution.

The approach chosen for the scope of this paper is the Yinian approach. According to Yin (2017), a case study is an empirical method that should be conducted when either of the following criteria are applicable: a study attempts to answer "how" and "why" questions; the researcher should not be able to manipulate the relevant behaviour of events; the researcher wants to cover contextual conditions believed to be relevant to the phenomenon in question; or when the boundaries between phenomenon and context are not clear. The last two points are further simplified by Yin stating that a case study would be relevant in those cases where a real-world phenomenon is to be understood, and this understanding involves contextual factors pertinent to the case.

This study deals with a "how" question and the relevant behaviour of events cannot be manipulated, as the case will observe the behaviour of firms using historical and current data in sequential and chronological order to derive patterns and differences. Additionally, the research question deals with a real-world internationalisation behaviour of EBCs and traditional companies dealing in the financial sector, therefore, contextual relationship exists and further validates that this research stands in line with the conditions required to conduct a case study.

Yin (2017) distinguishes between various types of case studies. As this research attempts to point out differences or similarities in internationalisation behaviour of firms, the type of case study chosen to be used in this thesis is multiple-case studies. This type of case design enables to explore differences and draw comparisons between cases. In addition, Yin (ibid.) describes different ways to structure a case study. The structure chosen for this study is a chronological one. Therefore, the case will cover events in the order in which they had happened.

The Yinnian (2017) approach defines the case selection as a variable that considers two different steps. The first factor, case definition, describes the entity on which the case study focuses. The comparative nature employed in this case study deals with two companies operating in the financial sector. The first company, Company X, is an EBC providing financial solutions, and the other, Deutsche Bank AG (DB), is a bank included in the list of global systemically important banks (“2019 List of Global Systemically Important Banks (G-SIBs) - Financial Stability Board”, 2019). The second factor, bounding the case, describes a frame given to the case in order to determine the scope the cases deal with. Yin (ibid.) specifies time boundaries as an optional way of bounding the cases, while mentioning, that the lifecycle of the case entity can be observed partially or in full. Therefore, the cases are given time boundaries. However, these time boundaries cover the entire life cycle of the firms in question, from when they were established and up until their most recent international endeavours.

The case study candidates were chosen by following an additional set of criteria. Both the EBC and the bank chosen to be studied had to have already been operating outside of their domicile and preferably in several different markets in order to be able to analyse their internationalisation process. Furthermore, both had to uphold a relatively similar set of services. The EBC chosen for this study provides banking as a service and other financial solutions commonly offered by traditional banks, therefore, a bank was the most suitable choice for comparison.

3.3 Data Collection

To allow for the study to be as thorough as possible, this paper made use of secondary data. In his approach, Yin (2017) specifies six different sources of evidence. These sources include two categories: documentation and archival records. Accordingly, these were the sources of data used in this paper in order to compile the cases as accurately as possible.

In the case of DB, documentation in the form of administrative documents including yearly reports, progress reports and official historical reports were used. These were made available by DB to the public and are accessible through their different website domains.

Similarly to DB, yearly reports, progress reports and archival records stored in Company X’s channels were used. Furthermore, this paper’s author had access to Company X’s database which stores a vast amount of business related data on the most granular level. This had assisted in describing the case in a more accurate manner.

3.4 Data Analysis

In his book, Yin (2017) mentions five types of techniques used to analyse case studies. The techniques include: pattern matching, explanation building, time-series analysis, logic models and cross-case synthesis. The technique employed in this paper is the cross-case synthesis.

The cross-case technique is recommended and favourable when a case study is composed of only two cases. It is a method that promotes the comparison of events, processes, or in general, units of analysis. In doing so, this approach facilitates the identification of patterns occurring within the cases and assists in reaching conclusions in regard to how the cases differ, or are otherwise similar (ibid.). This paper's case study consists of two cases and attempts to answer the research question that deals with possible differences and similarities between two units of analysis. This in turn, can be enriching and influential for existing literature (Gustafsson, 2017).

Cooper and Schindler (2014) provide frameworks and methods for conducting proper business research. The authors (ibid.) distinguish between propositions and hypotheses. Propositions are defined as statements made about an observable phenomenon, which can be either true or false. Hypotheses, on the other hand, are declarative statements that take tentative variables into account for empirical testing. Due to the fact that this study is qualitative and of an exploratory nature, the author of this paper develops propositions throughout the analysis chapter. Each proposition encompasses the main difference or similarity that could be observed between the case study firms.

4 Empirical Findings

According to Eisenhardt (1989), "One strength of theory building from cases is its likelihood of generating novel theory. Creative insight often arises from the juxtaposition of contradictory or paradoxical evidence", therefore, in order to allow for possible new theoretical or conceptual findings, this chapter lays findings in regard to both companies, each against the other.

The findings were consolidated, extracted and gathered using the data sources mentioned in chapter 3.3. The findings aim to chronologically unveil the sequence of events both companies had gone through in their journey to globalisation.

4.1 Deutsche Bank AG

On January 22, 1870, two private entrepreneurs set out to establish a bank in Germany. After being granted a license by the reigning government to operate as a bank, Deutsche Bank (DB) opened its branches in Bremen and Hamburg and thus began its operations in Germany. Alongside the opening of domestic branches, DB displayed a rather quick expansion of its foreign operations with the establishment of branches in Shanghai, Yokohama and London, with London being the most important foreign branch. The first decades of DB's operations could be described as a "period of rapid expansion" with the bank having an "eye for good business prospects and a sound feel for risk" (Deutsche Bank AG, n.d., p.4). However, due to the outbreak of World War One, shortly followed by World War Two, in the years after 1945 DB was broken into smaller divisions and had closed most of its international activities (WetFeet, 2010).

Consequently to the Second World War, DB resumed its operations and entered the general retail banking, or in other words, commenced servicing the general public. DB's strategy during this time was to operate uniquely in its domicile, servicing local customers and providing loans (Kobrak, 2008).

The start of the 1970s is characterised by international expansion for DB, and once again, since the Second World War, DB opens representative offices in London. As DB becomes more global, the company makes key acquisitions in Italy, Spain, United Kingdom (UK), and the US. DB's internationalisation strategy puts strong emphasis on settling in central economic and financial hubs while executing foreign bank acquisitions and converting representative offices to branches ("Internationalization of Deutsche Bank", 2020).

In 1976 DB converts its office in London to a branch. Following the conversion, DB increased its commitment to the British market with a partial acquisition of the investment bank, Morgan Grenfell. Consequently, five years later, DB ended up acquiring Morgan Grenfell in full form and thus increasing its customer base in UK (Deutsche Bank AG, 2020b).

DB's entry to the Italian market in 1977 exhibited similar behaviour. Just like in the UK, DB opened a representative office in Milan and consequently, converted it to the first actual branch in Italy. DB further committed to the Italian market with the acquisition of Banca d'America e d'Italia in 1984. Through the acquisition, DB commenced with operations in the retail banking market of Italy. A decade later, the acquired bank was renamed to Deutsche

Bank AG which further enhanced the integration of the DB brand. Going forward in Italy, DB continued in making acquisitions and investing itself in the Italian market (Deutsche Bank AG, 2020a).

In the United States DB first joined the European Banking Industry Committee (EBIC). The EBIC is a consolidated group of European banks in which DB participated. Thereafter, in 1968, the EBIC established the European-American Banking Corporation and the European-American Bank and Trust company in New York. This first catered to businesses only and not to private customers. DB proceeded to make major expansions in the American foreign sector and in 1979 opened a branch office in New York, a location very far from its domicile. Again, resembling its behaviour in other locations, DB acquired a local organisation: the Bankers Trust. This move was done due to the fact that DB required more growth that could not be achieved in other ways (Deutsche Bank AG, 2020c).

The period starting in the nineties and up until this very day was primarily characterised by acquisitions and the establishment of further subsidiaries. Branches and offices were continuously opened in Europe, while regular business activities in the US were well underway. However, with the onset of the global financial crisis and the resulting recession, operations have been hindered, resulting in postponing any major moves (Deutsche Bank AG, n.d.).

Having reviewed the internationalisation process of DB in a chronological order, taking into consideration the period before World War One and Two, it can be said that DB initiated many of its initial operations through joint ventures (e.g. the EBIC), however, in the 70s and onwards, a shift in DB's behaviour is noticeable as it moves from local activities to pursuing global endeavours. DB begins to open its own branches and extends its reach and commitments in the markets it enters by acquiring other companies.

A study by Slager (2005) observed the internationalisation behaviour of banks between the years 1980 and 2003. The author (ibid.) selected the year of 1980 as a starting point due to the fact that banks then began to expand on a scale never seen before. The study includes DB in its observations and puts additional emphasis on its international behaviour by calculating the degree of internationalisation of a bank, also referred to as the transnationality index (TNI). This index is calculated by taking into account foreign assets, foreign gross income and foreign employment. The following figure illustrates DB's internationalisation pace up until 2003:

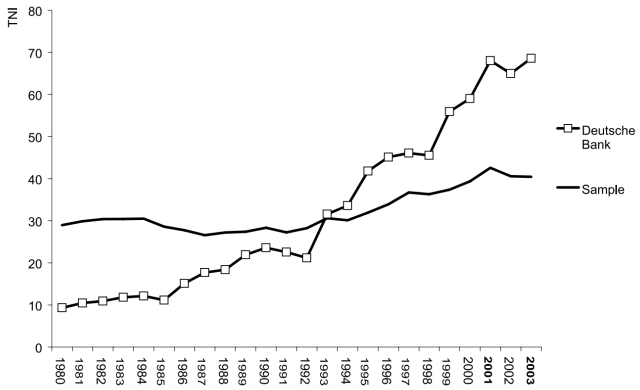

Figure 5: Deutsche Bank's Degree of Internationalisation

Source: Slager, 2005, p.39

As covered throughout this case study, DB's activities were described in a way that the company set up branches in financial hubs and continued expanding by conducting acquisitions, and thus, it is possible to see the intensifying degree of internationalisation in figure 5 as time progresses.

4.2 Company X

Originally founded in 2013, based in Berlin, Company X operates in the investment and savings finance sector. The company aims to take over the competitive market of savings and investment in Europe by using advanced financial technology to assist private customers in making the smartest and most efficient financial decisions. Since its foundation, the company managed to over a hundred million euros from credible investors, including Goldman Sachs, the American multinational investment bank. Currently, the company is just shy of 310 employees, which means it is out of the Small-Medium Enterprise (SME) scope and is considered a large enterprise (Majocchi, Bacchiocchi, & Mayrhofer, 2005).

Company X acts as a bank and a platform that consolidates financial offers all over Europe and also in the US. The company offers the possibility for its customers to invest their money in term deposits across different banks in Europe and in the US, while offering very attractive interest rates in comparison to their local providers. This service was previously not available and the traditional way was for customers to go to their local servicing bank in a physical branch and deposit money in a fixed account with relatively low interest rates.

Due to the FinTech era shining light on new and advanced technologies, Company X made it possible to build bridges between customers in their domicile and banks far out of their reach, while trimming down bureaucratic requirements associated with cross-border financial transactions. Therefore, partnerships play an important role in the company's expansion and reach and it is thus one of its main strategies, as it builds partnerships with small and medium sized banks.

The business model of Company X is structured in such way that when a customer decides to purchase a financial product offered on Company X's platform, they are required to trtansfer the relevant funds to a servicing bank hosted and owned by Company X. This servicing bank effectively acts as a "middleman" and transfers the funds to the target partner bank offering the financial product purchased by the customer. When the relevant period defined for the product reaches its expiration, the customer can claim his funds and earned interest back, which are then transferred back from the partner bank to the servicing bank and eventually to the customer.

Company X undertook a global view from its onset and planned for a consistent, continuous and rapid expansion. The platform first launched in Germany in 2013 and successfully integrated itself into the German market, being able to offer higher interest rates than its competitors, German banks, and thus earning a clear competitive advantage.

In 2016, Company X made its products and services offered on its platform accessible across Europe. This move transformed Company X's status from being a local provider of savings and investment in Germany to owning the first pan-European marketplace for savings.

In the same year Company X launched a separate platform dedicated to the Austrian, French and Spanish market. The reason behind opening platforms dedicated to specific markets was to be able to cater to the different cultures, while improving communication and marketing by using the language relevant to the country. Furthermore, market-specific platforms allowed for the diversification of promotions and products tailored to the particular needs of that country.

The years following 2016, Company X continued on launching separate platforms for different countries across Europe. In 2018 a dedicated platform for the UK and the Netherlands was launched. In 2019, the Irish platform was launched, and alongside it, plans to launch in the US in 2020 followed.

In its expansion, Company X fully harnessed the power of data, using advanced IT infrastructure to collect, aggregate and consolidate customers, products and competitors related data. This allowed Company X to acquire special capabilities resulting in competitive advantage (Porter & Gibbs, 2001) that enabled reacting to opportunities and foresee possible business fluctuations.

Additional significant moves were taken by Company X. One of them was the acquisition of a bank. As already mentioned, Company X uses a servicing bank as a middle-man between the partner bank and the company itself. However, in 2019, Company X acquired the servicing bank and is now the sole owner of it. This not only reduced holding costs but also increased the control the company has over its assets. Moreover, an additional acquisition took place in the same year as Company X acquired a FinTech start-up offering pension products. By doing so, Company X continued diversifying its product portfolio and could now cater to a wider crowd while offering additional financial services.

The following figure exhibits the current distribution of Company X's partnerships across Europe:

Figure 6: Europe - Company X's Partner Banks Distribution

Source: Company X's Data (2020) - Self Constructed

Figure 6 exhibits the distribution of banks partnering with Company X across Europe. The radius of each marker on figure 6 illustrates the quantity of partner banks residing in that location. The bigger the radius, the more partner banks Company X has in that specific location. It is possible to see that Company X holds a significant amount of partnerships in Europe, 133 to be exact.

It is no surprise that partnerships are a key factor and leading strategy that influences the company's expansion, market penetration and extension of commitment. Nevertheless, partnerships, as seen in the last couple of years, was not the only strategy Company X enacted as it had also made business acquisitions. This is an aspect Company X will continue to put emphasis on as it has future plans for further acquisitions.

5 Comparison of Findings

This section of the study aims to observe the juxtaposition of the two firms thoroughly covered in chapter 4. By pointing out similarities and differences in the companies' behaviour towards and during internationalisation, it is possible to draw important conclusions or make meaningful propositions that can assist in answering this study's research question. Therefore, and as mentioned in chapter 3.4, the approach used to analyse the case study findings in this paper is a cross-case analysis. This type of analysis requires the researcher to explore the empirical data gathered and question the meaning of things, while identifying patterns, explanations and causal relationships (Cruzes, Dybaa, Runeson, & Höst, 2015; Yin, 2017).

For the purpose of this study, the analysis distinguishes between three main aspects that encompass factors covered in the scope of this study, and were found to shape the process of internationalisation: market entry drivers, internationalisation strategy and internationalisation barriers.

5.1 Internationalisation Drivers

In order to be able to distinguish between possible differences in internationalisation drivers, this section attempts to determine what drove both of the companies reviewed to internationalise.

Since its inception, Company X aimed to become the first pan-European marketplace for savings. Therefore, remaining in its domicile was already out of the question. Company X first wished to take advantage of the fact that there was a market gap in the local German market it operated in; therefore, launching such service would have possibly rewarded it with a competitive advantage. However, the market gap was not the only source of competitive advantage, but also the use of technology, special capabilities and knowledge (i.e. leveraging the power of data)

Company X has access to. This stands in line with the Resource Based View (Barney et al., 2001) that discusses competitive advantage as an internationalisation driver and performance enhancer. Consequent to the successful launch and in interest of fulfilling an existing market gap in Europe, Company X began performing a cross-country internationalisation.

The use of the internet, advanced analytics and state of the art technology and infrastructure enabled Company X's internationalisation. This aligns with Dunning's (1980) theoretical approach in the sense of whether to remain domestic or go international. Dunning speaks of three advantages covered in the literature review that are achieved by Company X: ownership advantages by owning advanced technology which results in enhanced market access; locational advantages due to the existing market gap and internalisation advantages by the possibility to exploit said technology and reduce transaction costs.

In the case of DB, similar to Company X, management approach to internationalisation did push the company into expansion. However, unlike Company X's use of technology, DB pursued a strategy of entering main financial hubs and centres to obtain knowledge, while having access to a new currency and a bigger client base. One of the variables identified by Dunning (Dunning, 2000) that foster internationalisation is market seeking. Market seeking was defined by Mulder and Westerhuis (2015) in the context of bank internationalisation in such way, that banks expand in the attempt to attract, acquire and serve new clientele. This bears a close resemblance to DB's internationalisation. Additionally, DB's tendency to move into locations where capital is available can be associated with Dunning's (2000) concept of strategic asset seeking, where firms would search for gaining access to resources. This was also addressed in a study by Buch and Lipponer (2007), which described access to primary and main financial hubs as a motive for bank internationalisation.

Driver	*Company X*	*Deutsche Bank AG*
Management approach	x	x
Advanced technology	x	
The internet	x	
Access to financial resources	x	x
Acquire customers and increase customer base	x	x

Table 5: Case Study Comparison: Internationalisation Drivers (Author's Compilation)

Table 5 illustrates commonalities and differences observed when discussing drivers to internationalisation between Company X and DB. As previously mentioned, both of the firms' management contributed to its decision to internationalise. However, the competitive advantage resulting from the use of technology, the internet, and the opportunity to fill an existing market gap, played a significant role in driving Company X to go abroad. Additional common drivers to both firms include the wish to have access to more financial resources while acquiring more customers to derive more value and profit. Therefore, the following propositions are suggested:

Proposition 1.1: The use of technology and internet fosters internationalisation in EBCs, while allowing EBCs to enjoy of significant competitive advantage.

Proposition 1.2: Management's approach and culture drives both EBCs and traditional companies in the financial sector to internationalise.

5.2 Internationalisation Strategy

This section reviews what sort of strategy both of the companies undertook or in other words **how** did they internationalise. This study's literature review thoroughly covered two dominant theories in the academic world trying to explain internationalisation: The Uppsala and Born Globals models of internationalisation. Both of these theoretical frameworks describe the firm's orientation and its approach to expansion.

When discussing DB, a clear strategy using partnerships and wholly owned subsidiaries in forms of acquisitions and greenfield investments can be observed. DB's internationalisation process can be described as rather iterative. When looking at the period before the wars, DB operated in its domicile, and slowly expanded to selected target markets. In the period after the war and the reconstruction of DB, it presented a rather conservative approach in the sense that it left its operations mostly in its domicile. However, when it resumed internationalisation, it again began entering markets in an iterative manner, one country after another. The market entries done by DB in that time can be described as cautious. One of the Uppsala model (1977) core concepts is market commitment, which describes the iterative process a company goes through, slowly dedicating more resources to the target market until it is fully established. This approach aligns with DB's internationalisation as it slowly opens representative offices in the target markets to reach a position of stability, while gaining knowledge and important know-hows, which were deemed important in the scope of the Uppsala framework. Each different market entry assists DB in gaining knowledge about the local community, culture and important traits that can assist it to penetrate the market deeper. It is then that DB proceeded to make key acquisitions and establishing its own branches in the markets it had already entered. Figure 5 further proves the iterative nature observed in this case as it is possible to see how the degree of internationalisation gradually increases along the years.

In comparison, when looking at Company X, a clear strategy was evident from the get-go. The company first established itself locally but had already looked over the international horizon. It was no surprise that the company, with the use of advanced technologies, skipped many of the traditional steps a company would usually go through. Company X moved from being a local player in Germany to entering all the European markets in one year, while increasing its presence in selected markets in which it already internationalised into. Furthermore, Company X employed heavy use of technology to assist it in its process of internationalisation, using electronic platforms to specifically reach foreign markets. Unlike DB, Company X was not physically present at any of the foreign locations it operated in and handled most of its operations by using electronic means. This not only reduced costs greatly but also allowed for Company X to internationalise at a faster pace with less risk. However, similar to DB, Company X did need to acquire cultural knowledge specific to the markets which it developed specific platforms for.

Criteria	*Company X*	*Deutsche Bank AG*
Market Entry Strategy	Partnerships and acquisitions	Partnerships, wholly owned subsidiaries
Internationalisation Pace	Globalisation from inception	Iterative and gradual internationalisation
Physical Presence	No physical presence	Fully owned branches and representative offices

Table 6: Case Study Comparison: Internationalisation Strategy (Author's Compilation)

According to the aforementioned criteria in table 6 and in consideration of the reviewed cases, the following propositions are suggested:

Proposition 2.1: Traditional companies in the financial sector internationalise gradually in comparison to EBCs' rapid globalisation approach.

Proposition 2.2: In contrast to EBCs, traditional companies in the financial sector establish physical presence in the respective target market.

5.3 Internationalisation Barriers

Both Company X and DB were susceptible to market entry barriers. This section will describe the main barriers faced by the companies, while putting emphasis on differences and the relative impact they had on either of the companies.

Karakaya and Stahl (1989) consider ***government regulation*** as a significant barrier to entry. In their study (ibid.), the authors used several studies based on economic literature through which they found that regulations imposed by the government are repeatedly identified as a significant burden when a company tries to internationalise. Both of the case study firms operate in the financial sector which is heavily regulated, locally and internationally alike.

Both Company X and DB were subject to regulations and were required to comply. Additionally, establishment criteria including licensing requirements, insurances, contractual limitations and minimum capital, were present in both cases. Therefore, neither of the firms present any peculiarities in the sense of differences or special traits granted to Company X being an electronic company, in comparison to DB, when discussing regulatory burden.

Porter's (1980) study of competitive strategy explores the forces which shape competition; among those are market entry barriers. One of the market entry barriers mentioned is ***capital requirements***. Porter (ibid.) describes capital requirements as investments made by companies entering markets. These investments include, but are not limited to physical offices/branches, equipment and initial wages paid for workers. Hence, companies require financial capital in order to be able to withstand these expenditures.

In the case of Company X, it does not own or require any physical branches outside of its domicile. Due to the nature of it being a company that conducts its operations online, it is thus able to trim down a significant amount of the costs involved when entering new markets. Company X's main investment was its information technology (IT) infrastructure, rather than buildings and staff.

On the other hand, DB's business model requires for personal interaction, due to the fact that the clients handle their accounts through the physical branches DB had established in the markets it entered. These branches also required staffing and maintenance, which in turn resulted in significant financial capital investments. However, it is not only this sort of infrastructure that is required, as traditional banks also require IT for managing their business.

Therefore, it is possible to distinguish between Company X and DB in the sense that the use of the internet as a medium between Company X and its customers significantly reduced the capital requirements a company would normally face when internationalising.

Conducting financial transactions on the internet requires a high level of trust from the customers. If this trust is in some way lacking or severed, this could restrict the implementation of internet based technology. Lee and Turban's (2001) study of ***customer trust*** in internet technology indicated that customers are reluctant to make online transactions, due to the uncertainty and risk vis-à-vis security of the system. Therefore, when providing financial services over the internet, security is a prominent challenge.

The difference between the two case study companies is thus evident. Company X owns no physical branches, while DB does. The lack of physical interaction and physical presence contributes to the fact that trust is of the essence and can set a barrier as a company attempts to penetrate a market.

Barrier	Relative Degree of Significance	
	Company X	Deutsche Bank AG
Governmental Regulation	Very significant	Very significant
Investment and Capital	Reduced significancy	Very significant
Customer Trust	Very significant	Reduced significancy

Table 7: Case Study Comparison: Internationalisation Barriers (Author's Compilation)

Table 7 is composed of the three main barriers mentioned in this subchapter. The barriers are allocated to the case study companies in a relative manner, one to the other, by using degrees of significance. For example, the barrier investment and capital is of reduced significancy for Company X in comparison to DB; this is due to the fact previously explained, that DB establishes physical branches in the markets which it chooses to enter.

Therefore, and according to the barriers discussed in relation to both of the companies, the following propositions are suggested:

Proposition 3.1: Both traditional companies and EBCs in the financial sector are similarly subject to government regulation.

Proposition 3.2: In contrast to traditional companies, EBCs in the financial sector require less capital and investment, due to the absence of physical presence in target markets.

Proposition 3.3: Customer trust is an important construct that can influence EBCs market penetration.

6 Discussion

This chapter looks into the propositions made in chapter 5, while highlighting possible connections between previous studies and academic work covered in the literature review of this paper.

Generally, this paper differs from previous studies in the way that it combines several aspects that have not been thoroughly studied: Internationalisation process, FinTech and EBCs. Each and every one of these had been an object of studies, however, not many studies attempted to observe the possible interplay between them.

Loane and Bell's (2002) study of EBCs, concluded that the use of internet resulted in rapid internationalisation and gain of competitive advantage. This aligns with the observation done in this study, where Company X had used the internet to enable its rapid internationalisation and granting it competitive advantage. Similar indications were made in additional studies covered in this paper's literature review (Fang et al., 2017; Terzi, 2011; Petersen et al., 2002). Furthermore, the previously mentioned studies had additionally observed management structure and approach to be a factor playing a role in firm internationalisation. Comparable indication is also a result of this study.

Johanson and Vahlne's (1977) study of internationalisation and the resulting Uppsala model lay great emphasis on experiential learning and psychic distance. As mentioned in chapter 2, the firms investigated in the duration of their (ibid.) study displayed a gradual process of internationalisation, in which knowledge is gathered, uncertainty decreases, and with it, risk diminishes. Equivalent results were also noted in regard to DB and the iterative manner in which it expanded. However, unlike the firms investigated in Johanson and Vahlne's (ibid.) study, DB entered Japan and China in relatively early stages and close to its time of establishment, therefore, the model's applicability can be questioned. It is important to note, that the Uppsala model did not speak of a specific industrial sector, or the finance sector itself. Therefore, the model is likely to be industry-agnostic, and the gradual process of expansion cannot be directly attributed to the fact that DB operates in the finance sector.

Lack of physical presence in target markets is an obvious manifestation of the use of internet technologies. This was similarly expressed in this study and in previously explored studies (Loane & Bell, 2002). Furthermore, in the attempt to find distinguishing patterns between EBCs and traditional companies in the financial sector, this indication was juxtaposed with DB's strategy of entering markets. Accordingly, DB established physical branches in comparison to Company X's approach.

When discussing market entry barriers, findings rising from the literature review of this study complement the propositions suggested in chapter 5.3. Terzi's (2011) study sheds light on the fact that trade barriers are no longer considered as significant since the introduction of electronic operations. Moreover, Terzi's (ibid.) study further emphasises that due to those electronic operations, costs are generally reduced. In the present case of this paper, as a result of migrating business operations to be performed entirely online and not requiring physical presence in target markets, Company X required less capital and investment. Furthermore, having discussed the Born Globals model in relation to Company X, a study discussing the BG approach by Fang et al. (2017) revealed that customer focus is of great importance. This reinforces the finding that customer trust is an important aspect of EBCs internationalisation.

It is important to note that it is debatable whether the fact that both of the companies operate in the financial sector, was a factor that shaped the internationalisation process of traditional firms and EBCs in a way that differs from other manufacturing and servicing sectors. However, this study does contribute to existing research and literature covered in the scope of this paper.

7 Conclusion

This paper's objective was to examine the internationalisation process of EBCs and traditional companies in the finance sector, and in particular, to derive differences and similarities assisting in drawing new conclusions or revelations, about the possible phenomena of using internet technology as means of doing business. The following research question was investigated: *"How do E-Business Companies internationalise in comparison to traditional companies in the financial sector?"*

In order to develop possible explanations, reasonings and answers to the research question, an extensive literature review was conducted. The literature explored in the course of this research covered factors that play a role in shaping the internationalisation process of traditional firms and EBCs. Additionally, four prominent approaches to internationalisation were thoroughly covered: the Uppsala Model of Internationalisation (Johanson & Vahlne, 1977), Born Globals (Rennie, 1993), Dunning's Eclectic Paradigm (Dunning, 1980) and the Resource Based View (Barney, 1991). The frameworks used in these approaches attempt to explaine how and why firms internationalise, and thus, they served as basis to this research. Furthermore, the literature review revealed that studies investigating internationalisation revolve mainly around three main aspects that encompass factors facilitating the international expansion of firms. These aspects are: *Internationalisation Drivers*, *Internationalisation Strategy*, and *Internationalisation Barriers*. This study used these aspects as a main guideline for answering the research question.

Additional to the literature review, a multiple case study was conducted, in which two firms operating in the finance sector were used as units of analysis. The first firm, Company X, a FinTech EBC set out to conquer the international arena using internet technology as its means of expansion; and the second firm, Deutsche Bank AG, a traditional financial services provider. Both of the firms operated outside of their domicile in a certain stage of their lifecycle, however, the case study conducted laid emphasis on how each of the firms fared in comparison to the other.

The case study findings showed that both Company X and DB were pushed to go abroad due to the managerial approach and culture of their firms. However, the use of technology in EBCs acts as a significant driver to expand. Furthermore, the use of internet technology allows

EBCs to internationalise in a rapid manner, while traditional firms internationalise gradually and in an iterative manner, as knowledge and experience are slowly accumulated. Additionally, traditional firms establish physical presence as their means to enter a foreign market, while EBCs, conversely, handle most of their operations using the internet and its technologies as a business channel. Lastly, the barriers faced by both firms were similar in terms of how they are subject to government regulation, and due to the nature of the finance sector they both operate in. Nevertheless, EBCs internationalisation process is not as capital heavy as traditional firms, as the latter require branches in their target markets.

The findings of this study aim to enhance, contribute and consolidate existing literature, and accordingly, indications relating to the use of internet technology as means to break down internationalisation barriers, were duly noted. Furthermore, the motives and strategy of firms using internet technology proved to be different. This study reveals that the application of prominent approaches in the field of internationalisation no longer envelopes all cases.

It is important to note, however, that the discussion of the findings raised questions regarding the possible influence the finance sector had on the internationalisation process of both of the firms. Therefore, a conclusive answer as to whether the observed behaviours of the case study firms are pertinent to the financial industry is lacking. Furthermore, additional factors such as timing and possible events occurring during the internationalisation of firms (financial recessions or wars) were not taken into consideration.

The FinTech era represents the underlying and untapped potential of EBCs, in comparison to how firms previously internationalised. It would be advantageous to conduct further research beyond the scope of this study and to include additional EBCs leveraging the power of FinTech, while comparing them to their traditional counterparts. This could unlock findings that have not been distinguished in this paper, or further validate existing findings. Furthermore, this study enacted a qualitative approach, and further research using quantitative methods may allow for results with a higher degree of accuracy.

References

2019 List of Global Systemically Important Banks (G-SIBs) - Financial Stability Board (2019). URL: `https://www.fsb.org/2019/11/2019-list-of-global-systemically-important-banks-g-sibs/` (visited on 04/05/2020).

Andrew, Dugan (June 22, 2015). *Confidence in U.S. Banks Low but Rising.* URL: `https://news.gallup.com/poll/183749/confidence-banks-low-rising.aspx` (visited on 12/22/2019).

Arenius, Pia, Viveca Sasi, and Mika Gabrielsson (2005). "Rapid Internationalisation Enabled by the Internet: The Case of a Knowledge Intensive Company". In: *Journal of International Entrepreneurship* 3.4, pp. 279–290.

Arner, Douglas W., Janos Barberis, and Ross P. Buckley (2016). "150 Years of Fintech: An Evolutionary Analysis". In: *Jassa* 3, p. 22.

Barney, Jay (1991). "Firm Resources and Sustained Competitive Advantage". In: *Journal of management* 17.1, pp. 99–120.

Barney, Jay, Mike Wright, and David J. Ketchen Jr (2001). "The Resource-Based View of the Firm: Ten Years after 1991". In: *Journal of management* 27.6, pp. 625–641.

Baxter, Pamela and Susan Jack (2008). "Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers". In: *The qualitative report* 13.4, pp. 544–559.

Buch, Claudia M. and Alexander Lipponer (2007). "FDI versus Exports: Evidence from German Banks". In: *Journal of banking & Finance* 31.3, pp. 805–826.

Buckley, Ross, Douglas Arner, and Janos Barberis (Jan. 1, 2016). "The Evolution of Fintech: A New Post-Crisis Paradigm?" In: *Georgetown Journal of International Law* 47, pp. 1271–1319.

Chai, Lin and Paul A. Pavlou (Jan. 1, 2004). "From "Ancient" to "Modern": A Cross-cultural Investigation of Electronic Commerce Adoption in Greece and the United States". In: *Journal of Enterprise Information Management* 17.6, pp. 416–423. URL: `https://doi.org/10.1108/17410390410566706` (visited on 02/01/2020).

Cooper, D. R. and P. S. Schindler (2014). *Business Research Methods.* 12th ed. The McGraw-Hill Companies.

Cruzes, Daniela S., Tore Dybaa, Per Runeson, and Martin Höst (2015). "Case Studies Synthesis: A Thematic, Cross-Case, and Narrative Synthesis Worked Example". In: *Empirical Software Engineering* 20.6, pp. 1634–1665.

Deutsche Bank AG (n.d.). *Deutsche Bank from 1870 until Today.*

Deutsche Bank AG (2020a). *Deutsche Bank Italy - History.* URL: https://www.db.com/italia/en/content/history.html (visited on 04/10/2020).

Deutsche Bank AG (2020b). *Deutsche Bank United Kingdom - History.* URL: https://www.db.com/unitedkingdom/content/en/history.html (visited on 04/10/2020).

Deutsche Bank AG (2020c). *Deutsche Bank US - History.* URL: https://www.db.com/usa/content/en/history.html (visited on 04/10/2020).

Doz, Yves (2011). "Qualitative Research for International Business". In: *Journal of International Business Studies* 42.5, pp. 582–590.

Dunning, John H. (1980). "Toward an Eclectic Theory of International Production: Some Empirical Tests". In: *Journal of international business studies* 11.1, pp. 9–31.

Dunning, John H. (2000). "The Eclectic Paradigm as an Envelope for Economic and Business Theories of MNE Activity". In: *International business review* 9.2, pp. 163–190.

Dunning, John H. (2015). "The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions". In: *The Eclectic Paradigm.* Springer, pp. 50–84.

Eisenhardt, Kathleen M. (1989). "Building Theories from Case Study Research". In: *Academy of management review* 14.4, pp. 532–550.

Fang, Tony, Rosalie L. Tung, Linda Berg, and Nazanin Nematshahi (2017). "Parachuting Internationalization: A Study of Four Scandinavian Firms Entering China". In: *Cross Cultural & Strategic Management.*

Fletcher, Margaret, Sharon Loane, and Svante Andersson (2011). "International Entrepreneurship, Born Globals and the Theory of Effectuation". In: *Journal of Small Business and Enterprise Development.*

Forsgren, Mats and Peter Hagström (2007). "Ignorant and Impatient Internationalization?: The Uppsala Model and Internationalization Patterns for Internet-Related Firms". In: *Critical perspectives on international business* 3.4, pp. 291–305.

Gustafsson, Johanna (2017). *Single Case Studies vs. Multiple Case Studies: A Comparative Study.*

Hannoun, Hervé (2006). "Internationalisation of Financial Services: Implications and Challenges for Central Banks". In:

Hart, Christopher (1998). "Doing a Literature Review: Releasing the Social Science Research Imagination". In: *SAGE Publications.*

Internationalization of Deutsche Bank (2020). URL: `https://lawaspect.com/internationalization-deutsche-bank/` (visited on 05/08/2020).

Johanson, Jan and Jan-Erik Vahlne (1977). "The Internationalization Process of the Firm—a Model of Knowledge Development and Increasing Foreign Market Commitments". In: *Journal of international business studies* 8.1, pp. 23–32.

Johanson, Jan and Jan-Erik Vahlne (2009). "The Uppsala Internationalization Process Model Revisited: From Liability of Foreignness to Liability of Outsidership". In: *Journal of international business studies* 40.9, pp. 1411–1431.

Karakaya, Fahri (1993). "Barriers to Entry in International Markets". In: *Journal of Global Marketing* 7.1, pp. 7–24.

Karakaya, Fahri and Michael J. Stahl (1989). "Barriers to Entry and Market Entry Decisions in Consumer and Industrial Goods Markets". In: *Journal of marketing* 53.2, pp. 80–91.

Knight, Gary A. and S. Tamer Cavusgil (1996). "The Born Global Firm: A Challenge to Traditional Internationalization Theory". In: *Advances in international marketing* 8.1, pp. 11–26.

Knight, Gary A. and Peter W. Liesch (2016). "Internationalization: From Incremental to Born Global". In: *Journal of World Business* 51.1, pp. 93–102.

Kobrak, Christopher (2008). *Banking on Global Markets: Deutsche Bank and the United States, 1870 to the Present*. Cambridge University Press Cambridge.

Kogut, Bruce and Harbir Singh (1988). "The Effect of National Culture on the Choice of Entry Mode". In: *Journal of international business studies* 19.3, pp. 411–432.

Kostova, Tatiana (1999). "Transnational Transfer of Strategic Organizational Practices: A Contextual Perspective". In: *Academy of management review* 24.2, pp. 308–324.

Lee, Matthew KO and Efraim Turban (2001). "A Trust Model for Consumer Internet Shopping". In: *International Journal of electronic commerce* 6.1, pp. 75–91.

Loane, Sharon and Jim Bell (2002). "A Cross-National Comparison of the Internationalisation Trajectories of Internet Start-Ups". In: *Irish Journal of Management* 23.2, p. 53.

Madsen, Tage Koed and Per Servais (1997). "The Internationalization of Born Globals: An Evolutionary Process?" In: *International business review* 6.6, pp. 561–583.

Majocchi, Antonio, Emanuele Bacchiocchi, and Ulrike Mayrhofer (2005). "Firm Size, Business Experience and Export Intensity in SMEs: A Longitudinal Approach to Complex Relationships". In: *International Business Review* 14.6, pp. 719–738.

Markham, Jerry W. (2015). *A Financial History of the United States: From Enron-Era Scandals to the Subprime Crisis (2004-2006); From the Subprime Crisis to the Great Recession (2006-2009)*. Routledge.

Merriam, Sharan B. (1998). *Qualitative Research and Case Study Applications in Education. Revised and Expanded from" Case Study Research in Education.".* ERIC.

Mulder, Arjen and Gerarda Westerhuis (2015). "The Determinants of Bank Internationalisation in Times of Financial Globalisation: Evidence from the World's Largest Banks, 1980–2007". In: *Business History* 57.1, pp. 122–155.

Oviatt, Benjamin M. and Patricia Phillips McDougall (1994). "Toward a Theory of International New Ventures". In: *Journal of international business studies* 25.1, pp. 45–64.

Parasuraman, Arun and George M. Zinkhan (2002). "Marketing to and Serving Customers through the Internet: An Overview and Research Agenda". In: *Journal of the academy of marketing science* 30.4, pp. 286–295.

Penrose, Edith and Edith Tilton Penrose (2009). *The Theory of the Growth of the Firm*. Oxford university press.

Petersen, Bent, Lawrence S. Welch, and Peter W. Liesch (2002). "The Internet and Foreign Market Expansion by Firms". In: *MIR: Management International Review*, pp. 207–221.

Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. URL: https://www.hbs.edu/faculty/Pages/item.aspx?num=195 (visited on 04/25/2020).

Porter, Michael E. and Michael; ilustraciones Gibbs (2001). "Strategy and the Internet". In:

Rennie, M. W. (1993). "Global Competitiveness: Born Global', McKinsey Quarterly, No. 4". In: *Available from:(accessed December 2013).*

Rialp, Alex, Josep Rialp, David Urbano, and Yancy Vaillant (2005). "The Born-Global Phenomenon: A Comparative Case Study Research". In: *Journal of International Entrepreneurship* 3.2, pp. 133–171.

Ridder, Hans-Gerd (2019). *Case Study Research: Approaches, Methods, Contribution to Theory*. Rainer Hampp Verlag.

Rowley, Jennifer and Frances Slack (2004). "Conducting a Literature Review". In: *Management research news.*

Ruzzier, Mitja, Bostjan Antončič, and Maja Konečnik (2006). "The Resource-Based Approach to the Internationalisation of SMEs: Differences in Resource Bundles between Internationalised and Non-Internationalised Companies". In: *Zagreb International Review of Economics & Business* 9.2, pp. 95–116.

Shneor, Rotem and Bjørn-Tore Flaeten (2008). "The Internet-Enabled Internationalization Process: A Focus on Stages and Sequences". In: *Journal of e-Business* 8.1, pp. 45–52.

Sinkovics, Rudolf R., Thomas Salzberger, Sharon Loane, Jim Bell, and Rod McNaughton (2006). "Employing Information Communication Technologies to Enhance Qualitative International Marketing Enquiry". In: *International Marketing Review*.

Slager, Alfred (2005). *Internationalization of Banks: Strategic Patterns and Performance*. 2005/4. SUERF Studies.

Stake, Robert E. (1995). *The Art of Case Study Research*. sage.

Terzi, Nuray (2011). "The Impact of E-Commerce on International Trade and Employment". In: *Procedia-social and behavioral sciences* 24, pp. 745–753.

Thibodeau, Patrick (2007). *TI's First Handheld Calculator Is Now a Museum Piece*. URL: `https://www.computerworld.com/article/2541155/ti-s-first-handheld-calculator-is-now-a-museum-piece.html` (visited on 12/21/2019).

Tihanyi, Laszlo, David A. Griffith, and Craig J. Russell (2005). "The Effect of Cultural Distance on Entry Mode Choice, International Diversification, and MNE Performance: A Meta-Analysis". In: *Journal of International Business Studies* 36.3, pp. 270–283.

Tulung, Joy Elly (2017). "Resource Availability and Firm's International Strategy as Key Determinants Of Entry Mode Choice". In: *Jurnal Aplikasi Manajemen* 15.1, pp. 160–168.

WetFeet (2010). *Deutsche Bank (Insider Guide)*. URL: `https://www.amazon.com/-/es/WetFeet/dp/1582076286` (visited on 05/08/2020).

Xu, Dean and Oded Shenkar (2002). "Institutional Distance and the Multinational Enterprise". In: *Academy of Management review* 27.4, pp. 608–618.

Yin, Robert K. (2017). *Case Study Research and Applications: Design and Methods*. Sage publications.

Zaheer, Srilata, Margaret Spring Schomaker, and Lilach Nachum (2012). "Distance without Direction: Restoring Credibility to a Much-Loved Construct". In: *Journal of International Business Studies* 43.1, pp. 18–27.

Declaration of Authorship

I herewith formally declare that I have written the submitted thesis independently. I did not use any outside support except for the quoted literature and other sources mentioned in the paper. I clearly marked and separately listed all of the literature and all of the other sources which I employed when producing this academic work, either literally or in content.
I am aware that the violation of this regulation will lead to failure of the thesis.

Berlin, October 13, 2017

David Ohayon