

Firm Internationalization and Global Cities: Exploring the Role of Singapore for Swiss SMEs in Southeast Asia

WILD, Pascal Olivier

Abstract

Extant literature in the interdisciplinary field of globalization and world cities defines global cities as the intertwined product of a seemingly paradoxical trend: the dispersal of economic activities and societal trends in an increasingly networked society while the power over these activities and trends is being more and more centered and concentrated. This concentration of power resulted in some leading cities being globally interconnected hubs with a dominating role within the world economy. Global cities are centers for multinational corporations' headquarters and places in which they exert their "control and command" functions. The role of global cities for SMEs with internationally or globally dispersed activities has not yet been extensively studied. This thesis aims to explore the role of global cities for such internationalizing SMEs, in particular with regard to Singapore and Southeast Asia.

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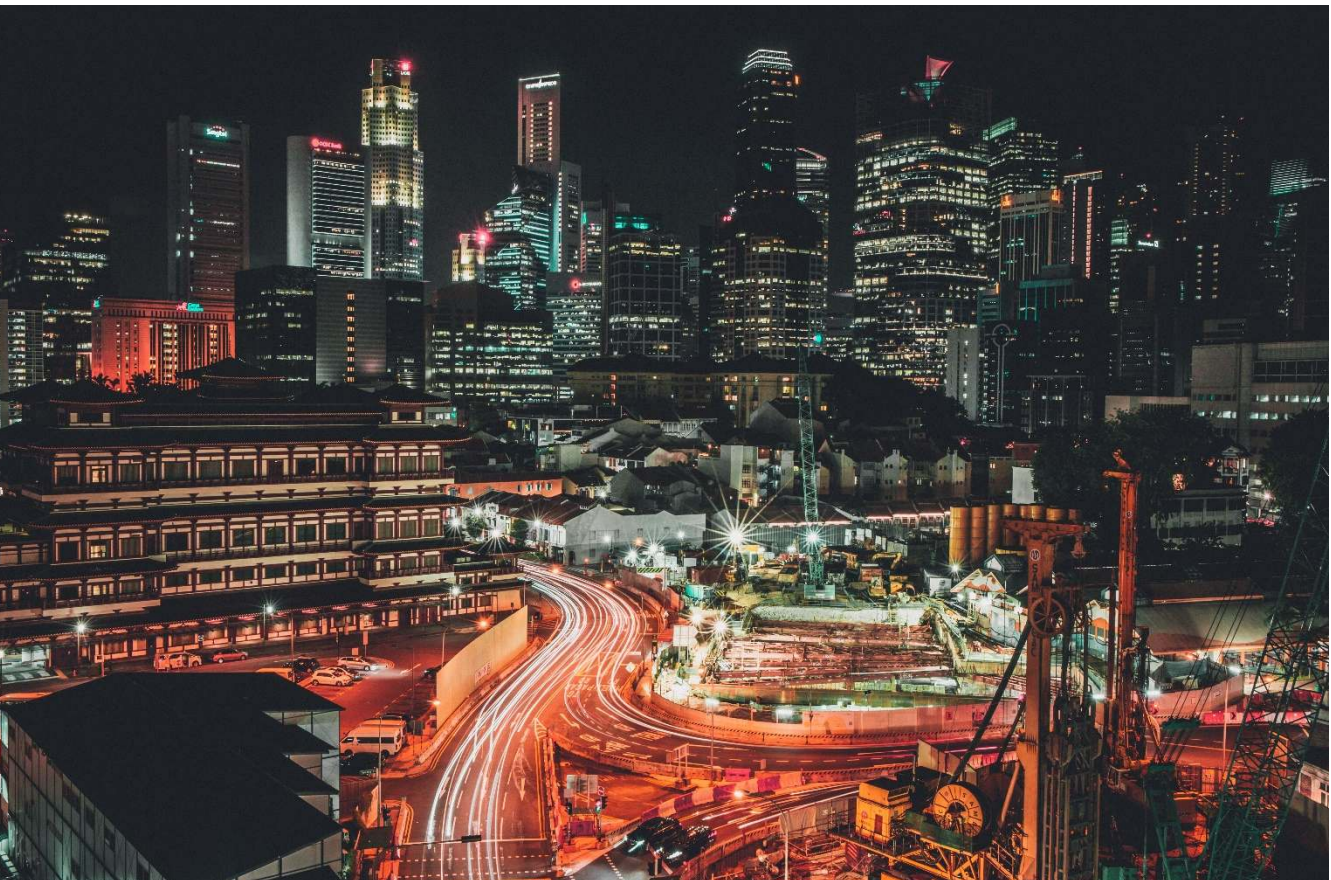
UNIVERSITÉ
DE GENÈVE

Firm Internationalization and Global Cities

Exploring the Role of Singapore for
Swiss SMEs in Southeast Asia

Pascal Wild

Co-directorship of the dissertation:
professor Philippe Régnier,
professor Michel Oris



Pascal Wild **Firm Internationalization and Global Cities**

Sds Thèse 13 March 2019

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**Firm Internationalization and
Global Cities:
Exploring the Role of Singapore for Swiss
SMEs in Southeast Asia**

A Dissertation

presented to the Faculty of Social Sciences
of the University of Geneva

by

Pascal Wild

under the supervision of

**Prof. Philippe Régnier and
Prof. Michel Oris**

in Candidacy for the Degree of

Doctor of Philosophy in Socioeconomics

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To my wonderful family,

Zia, Ian and Joel

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Résumé

Titre en français : *Rôle des villes globales dans l'internationalisation des entreprises – Analyse du cas de Singapour pour les petites et moyennes entreprises suisses en Asie du Sud-Est*

La littérature existante dans le domaine interdisciplinaire de la mondialisation et des villes du monde définit les villes globales comme le résultat interconnecté d'une tendance apparemment paradoxale : la dispersion des activités économiques et des tendances sociétales dans un monde qui évolue de plus en plus en réseau alors que le pouvoir et le contrôle sur ces activités et tendances est davantage centralisé et condensé. Cette concentration du pouvoir a fait de certaines grandes villes des pôles d'échanges interconnectés à l'échelle mondiale. Ces métropoles jouent un rôle prépondérant dans l'économie au niveau international. Les villes globales sont des centres attractifs où siègent des multinationales qui y exercent leurs fonctions de « contrôle et commande ». En revanche, le rôle de ces agglomérations, à l'égard des PME dont les activités sont dispersées à l'échelle internationale ou mondiale, n'a pas encore fait l'objet d'études approfondies. Cette thèse a pour but d'explorer le rôle des villes globales au niveau de l'internationalisation des PME et, plus particulièrement, du point de vue de Singapour et de l'Asie du Sud-Est.

Sur la base d'un cadre conceptuel combinant des théories sur l'internationalisation des PME et sur les villes globales, nous émettons l'hypothèse que (a) les villes globales sont des nœuds de réseau importants pour l'internationalisation des PME, (b) les villes globales sont des lieux de services pour ces PME et (c) les villes globales sont de réels pivots pour ces PME qui veulent rejoindre des marchés distants et émergents.

Une étude quantitative portant sur un échantillon de 609 PME internationales, dont le siège se trouve en Suisse, démontre que l'importance d'une ville globale augmente à mesure que la ville s'éloigne de son marché national. Ce constat s'applique autant pour les distances géographiques que pour les distances interculturelles est de ce fait, psychologiques.

Dans le cadre de la recherche, une étude qualitative de nature descriptive a été menée auprès d'un sous-échantillon de 58 PME suisses en voie d'internationalisation et ayant des activités commerciales en Asie du Sud-Est. Les résultats de cette enquête révèlent que Singapour est un des principaux carrefours pour les filiales entièrement détenues par leur propriétaire ainsi que pour les agences commerciales et les bureaux de représentation commerciale appartenant à des sociétés tierces mais sous contrat avec une PME suisse. Ces liens commerciaux directs ou indirects avec Singapour sont maintenus parce que les PME desservent un marché de consommation très développé pour des produits de niche ou pour des services et des produits hautement spécialisés. Dans de nombreux cas, les PME suisses cultivent, en Asie du Sud-Est, de multiples marchés à différents niveaux de développement économique grâce à des liens commerciaux avec Singapour. A l'inverse, les liens vers des villes globales mineures ou des villes secondaires en Asie du Sud-Est servent plutôt à cultiver des marchés de proximité.

A travers une étude qualitative basée sur 21 PME suisses en voie d'internationalisation et 9 experts, un modèle théorique émergent est construit. Il met en exergue quatre fonctions de la ville globale de Singapour : la création d'opportunités commerciales, l'apport de capitaux, les services de réseau de soutien, et l'assurance de conditions cadres stables et sécurisées. Alors que les villes globales jouent le rôle de centres de « contrôle et de commande » pour les multinationales, nous supposons que pour une PME qui s'internationalise à distance, de telles métropoles servent de « pôle d'attraction et de développement » des activités commerciales, comme il a été démontré avec la ville de Singapour en Asie du Sud-Est.

Abstract

Extant literature in the interdisciplinary field of globalization and world cities defines global cities as the intertwined product of a seemingly paradoxical trend: the dispersal of economic activities and societal trends in an increasingly networked society while the power over these activities and trends is being more and more centered and concentrated. This concentration of power resulted in some leading cities being globally interconnected hubs with a dominating role within the world economy. Global cities are centers for multinational corporations' headquarters and places in which they exert their "control and command" functions. The role of global cities for SMEs with internationally or globally dispersed activities has not yet been extensively studied. This thesis aims to explore the role of global cities for such internationalizing SMEs, in particular with regard to Singapore and Southeast Asia.

Based on a conceptual framework combining theories about SME internationalization and global cities, we hypothesize that (a) global cities are important network nodes for internationalizing SMEs, (b) global cities are places for services for such SMEs and, (c) global cities are hubs for such SMEs to enter distant and emerging markets.

A quantitative study drawing on 609 internationalizing SMEs headquartered in Switzerland provides supporting evidence that the importance of a global city rises, the further away the city is located from their home market. This is true for geographical distances as well as for intercultural respectively psychological distances.

A qualitative descriptive study among a subsample of 58 internationalizing Swiss SMEs with business activities in Southeast Asia reveals that Singapore serves as a major hub for fully owned subsidiaries as well as for commercial agencies and trade representative offices owned by third-party firms but contracted by the Swiss SME. Such direct or indirect business links in Singapore are maintained because the SMEs serve a highly developed consumer market for niche products or a business market for highly specialized services and products. In many cases, the Swiss SMEs cultivate multiple Southeast Asian markets on various levels of

economic development through business links in Singapore. Contrarily, links to minor global cities or cities on a sufficiency level in Southeast Asia rather serve in order to cultivate markets of proximity.

In a qualitative study based on 21 Swiss internationalizing SMEs and 9 experts, an emergent theoretical model is created in which four functions of the global city-state of Singapore are summarized: the provision of business opportunities, the provision of capital, supportive network services, and the provision of stable and secure framework conditions. Whereas global cities serve as centers for “control and command” for multinational corporations, we can presume that for distant internationalizing SMEs a global city-state such as Singapore serves as an “attracting and enhancing hub” when pursuing business activities in Southeast Asia.

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Glossary of Terms

APS	Advanced Producer Services
BDS	Business Development Services
EDB	Economic Development Board (Singapore)
FDI	Foreign Direct Investment
FTE	Full time equivalent
GaWC	Globalization and World City research network
GEM	Global Entrepreneurship Monitor
IE	International Enterprise (Singapore)
INV	International New Ventures
MIT	Ministry of Trade and Industry (Singapore)
MNC	Multinational Corporation
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
S-GE	Switzerland Global Enterprise (former OSEC)
SIES	Swiss International Entrepreneurship Survey
SME	Small- and Medium sized Enterprise

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Chapter 1. Introduction

1.1 Background and Purpose

There is little doubt about the fact that we experience an enduring shift of the global power to the east that will most likely characterize this new century. North America lost its leading position as the country with the highest GDP rate after over a century to China in 2014 (CIA World Factbook, 2015). When measured by turnover, there are as many Asian firms in the top ten of the 2017 fortune global 500 list of the world's biggest corporations as there are western. Many Chinese investors are buying majority stakes in western companies and placing strategic investments in large western properties.

Half a century ago, there was only one modern society on the Asian continent namely Japan. Japans economic and political success was followed by the rise of the four economic tiger-states: South Korea, Taiwan, Hong Kong and Singapore. The success of these four tiger states have likewise been one of the major inspirational elements for Chinas government at the outset of the launch of their "Four Modernization" reform program (Mahbubani, 2008). Starting in the late 1970s under the direction of Mao Zedong's successor Deng Xiaoping, the reform program that aimed to strengthen the fields of agriculture, industry, national defense as well as science and technology led to almost four decades in which China was the fastest growing economy in the world.

The rise of the east, in particular East Asia and Southeast Asia, has become a matter of growing interest for all the actors of the OECD economies. New trade agreements between western and eastern economies and the establishment of improved policy and intellectual property laws in eastern countries are attracting numerous western firms. Multinational companies, such as producers in the branch of consumer goods, often compensate declining sales in central Europe and North America by the increasing propensity for consumption of the rising middle classes in East and Southeast Asia. In terms of education, western consecutive programs in business administration implement lectures that focus on the rising opportunities in eastern economies and executive management programs often consider East Asian business habits as an inherent part of their

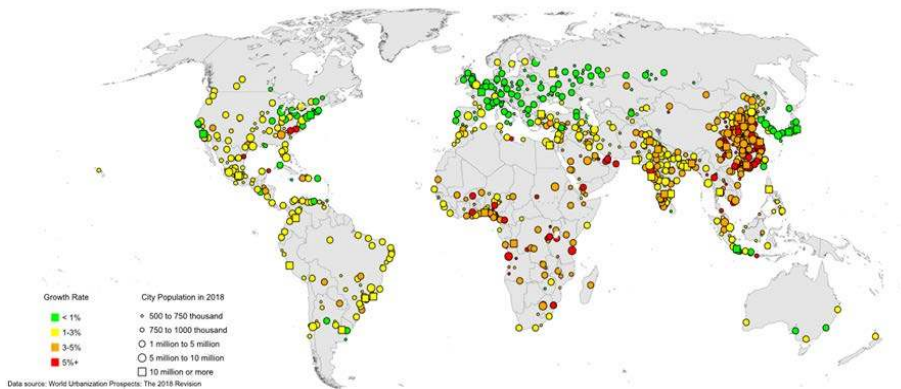
educational schedule. This intention to open the mindset of the upcoming western workforce for that new century of Asian power and the enhancement of Western-Asian intercultural skills among tomorrows economic decision makers is answered, on the other side, by the even longer tradition of many Asian parents sending their offspring to leading American and European universities.

This process of enduring economic globalization is greatly facilitated by the intermediating function of so-called world – or global cities. These cities have a high concentration of considerable decision-making power, are highly interconnected financial centers and can be considered as important nodes in the world economy (e.g. Sassen, 1994; 2005; Friedmann, 1995). Through the many multinational companies that settle their regional or global headquarters in such global cities, these places dispose over a certain density of highly specialized service firms as well as a high density of talent and human capital (Sassen, 1994; 2005; Florida, 2002; 2004).

Cities in general are inextricably linked to economic development and, in particular, with the economic development of the Asian hemisphere. The graph below depicts the world's most important cities in terms of their population and growth rates between 1990 and 2018. The Asian continent stands out not only because of its density of megacities but also because of their high population growth rate, in many cases exceeding 5%. Considering the cities' importance in terms of trade and power, we can state that half of today's top ten global cities are situated on the Asian continent with Tokyo ranking at third place regarding the interconnectedness and dominance in the world economy, just behind New York and London. Tokyo is the economic and political heart of Japan, the oldest "modern" state within the Asian continent. Among the early rising Asian tiger economies as mentioned above, we find the two states of Hong Kong and Singapore that have the particular characteristic of being city-states, respectively global city-states. Hong Kong as a former colony of the British Empire experienced an economic miracle and is now, in form of a special administrative region, an autonomous territory and part of the People's Republic of China. Among the ten states that constitute the region of Southeast Asia or ASEAN, we find the city-state of Singapore that, after earning independence from the British Empire, found

itself expelled from the newly founded state of Malaysia and finally experienced an economic growth that has no equal. Contemporarily, the city-state of Singapore is the only one leading global city of the region.

Figure 1 Urban agglomerations by size class in 2018 and growth rates from 1990 to 2018 (source: United Nations Department of Economic and Social Affairs, 2018)



Cities are inextricably linked to emerging markets, in particular the emerging market of the East and Southeast Asian subcontinents. According to the global management advisory and counseling service McKinsey, cities' GDP is about to increase by \$ 30 trillion by 2025, of which 47% will be generated in 440 main emerging markets centers. In Asia, 12 cities are expected to grow their annual GDP by more than 10%. So-called second-tier, mid-sized cities in the emerging markets region, hence cities that dispose of between two and five million inhabitants, are expected to be among the most important drivers of global growth. In China alone, more than 150 cities dispose over more than one million inhabitants. Hence, next to the global cities such as Beijing, Shanghai or Guangzhou, many mid-sized and second-tier cities are expected to drive the future growth of the country. The same can be stated for Southeast Asia, where the many emerging economies policy makers want to position their major cities as new places for investment and talent, trying to rebalance the economic growth of the past in developed-economies' cities. The intelligence unit of the renowned research and analysis division of The Economist Group, the world leader in global business intelligence, is expecting such second-tier cities to expand in population

by just above 9% whereas megalopolises tend to expand by an annual average of 6.3% (Manktelow, 2014).

The Swiss marketplace is, as it is also the case in many other small but highly industrialized economies, drastically dependent on export partnerships with other economies. The main factors - responsible for this dependency - lie in the structure of the marketplace and its limited size. The limited size of the domestic market can be partially compensated through exports to foreign countries. Germany, Switzerland's main trading partner, as well as other OECD member states such as the United States are of a major interest to the actors of the Swiss economy. Already back in 2001 the general export volume to the whole of Asia overtook the export volume to the American continent. In this regard, not only multinational corporations are concerned. In Switzerland as in many other countries, small and medium sized companies (SME) are considered the backbone of the national economy. They make up 99.6% of the total population of companies and employ two-third of the Swiss workforce (Bundesamt für Statistik, 2018). Even though considerable amounts of companies are operating on local, regional or national markets, it is estimated that slightly more than 35'000 Swiss companies are active on international or global markets (Baldegger, 2013). In particular, highly specialized companies with specific skills and know how that are engaged in niche markets are often compelled to operate in international business networks due to the limited size and opportunities on the domestic market. Studies on internationally active Swiss SMEs revealed that both - micro-firms with up to nine employees as well as medium sized firms with 50 to 249 employees - are often generating more than half of their total sales in the foreign market; markets that are located, on average, on two and more continents (Baldegger, Morel and Wild, 2016). For them, internationalization is considered as an important strategy of the firms' growth and international operations are necessary to ensure the survival of the company.

However, SME internationalization to foreign, distant and especially emerging markets raise a number of issues and difficulties of a magnitude and importance that have little to do with SME exporting to neighboring countries. There is a need for exploring the patterns of success by Swiss firms in distant markets such as the

markets on the emerging Asian continent. A vast literature has been created that discusses the emergence of multinational enterprises as well as many particular issues related to their existence and success. The great majority of SMEs internationalize primarily to markets of proximity (Chetty, 1999; Clark and Pugh, 2001; Baldegger, 2013). Accessing distant and emerging markets aggravates the already difficult undertaking of international business. There is an ongoing debate on specific features of internationalizing SMEs in order to establish a general theory (Zain & Ng, 2006; Julien, 1994, in De Chiara & Minguzzi, 2002). A whole stream of research has emerged using a network approach in order to explain and investigate topics of SME internationalization. Based on the social exchange theory, these network approaches consider the firm as an actor within a network of business relationships (see Johanson & Mattson, 1987; 1988). They are applied, inter alia, theorizing SMEs international opportunity recognition (e.g. Ellis & Pecotich, 2001; Vahlne & Johanson, 2013), the process of internationalization (e.g. Oviatt & McDougall, 1994; Johanson & Vahlne, 2009) and their international performance (e.g. Zhou, Wu and Luo, 2007; Autio et al., 2000; Zahra, 2005). The Uppsala model (U-model) of SME internationalization has been developed in the 1970, and revisited in 2009. The authors of the U-Model contribution, Johanson and Vahlne, provide an all-encompassing theory of SME internationalization under a network perspective. Geographic and psychic distances are important elements under these approaches and widely discussed (e.g. Dikova, 2009; Dow and Ferencikova, 2010; Ellis, 2007; Moen, Gavlen, and Endresen, 2004; Nordman & Tolstoy, 2014; Ojala and Tyrväinen, 2006; Pla-Barber, 2001; Prime et al., 2009; Yamin and Sinkovics, 2006). However, current models such as the U-model reach their limit when analyzing SME internationalization towards the very distant as well as economically, politically and culturally unfamiliar markets such as in the case of Swiss SMEs in Southeast Asia.

1.2 Objectives of the Study

The recent debate on firm's internationalization is characterized by economic modelling on multinational corporations (MNC) foreign business on one hand, and the detection of patterns among variables that are explaining the growth of

international firms, commonly from a start-up or a small firm towards a multinational one, on the other. Over time, the core unit of analysis has moved from the country level to the firm level. Whereas at a country level, statistics on foreign direct investments and trade have been applied in order to compare different nations' economic activities (e.g. Dunning, 1958; 1977), the focus shifted towards the characteristics and the capacities of the international firm (Rugman et al., 2011). Distances between the firm's home and its foreign sales market as well as the distances that need to be managed between the parental firm and its foreign subsidiaries are important elements in recent debates on international business economics. A distinction is made between geographic and psychic distances in which the latter is defined as the sum of "factors preventing or disturbing the flows of information between firm and market (Johanson and Wiedersheim-Paul, 1975).

Geographic distance is a significant factor in the selection of the SMEs target countries whereby short distances are favored and the more distant ones tend to be entered only after a long and intense learning period on the short ones (e.g. Moen, Gavlen, and Endresen, 2004; Ojala and Tyrväinen, 2006). Psychic distance is widely used in order to explain how firms internationalize in terms of market selectivity and how they develop knowledge about foreign markets (Nordman & Tolstoy, 2014; Dikova, 2009, Dow and Ferencikova, 2010, Ellis, 2007, Pla-Barber, 2001, Prime et al., 2009, Yamin and Sinkovics, 2006). SMEs overcoming great geographic and psychic distances and being able to compete on very distant market are a rather little understood phenomenon than a fully explored topic. This is already because of recent political and technological changes such as the opening of the east-bloc countries and the rise of East Asia as well as the wildfire growth of the internet and worldwide deregulations that made this happen. With this dissertation, the author aims to contribute to theory development in the field of SME internationalization with regard to their barriers of distance. This objective shall be reached by extending the focus of analysis from the firm as an isolated core unit of analysis and taking the networked views on globalization and global cities into account. A contribution to theories on globalization and global cities, to the contrary, could be envisaged by extending

studies on the connectivity of global cities through their presence and role of large multinational corporations with the presence and role of small – and in some cases young – but global firms.

Hence, the author's general aim for this research is of an interdisciplinary nature. The objective assumes the combination of the latest knowledge from studies about globalization and the worldwide transactions between cities with the most valuable insights in the field of SME internationalization.

Globalization has not uniquely been a field of study for economists, but is of an equal importance for anthropologists, sociologists and geographers. Studies on international business and the internationalization of firms observe the effects of the ongoing societal, economic and technological processes of globalization. In the view of many scholars of an interdisciplinary nature, globalization is, among other factors, characterized by an increasing flow of transactions among some dominant cities. World - respectively global cities are considered as important nodes in the global economic system. Hence, the high presence of MNC headquarters as well as of highly specialized and worldwide operating service firms are among the major characteristics of such dominant cities. In world or global cities, a great level of power is executed. Currently, a comprehensive picture of the function of global cities for MNC can be drawn. On the other hand, only very little is known about the functioning of global cities for firms that are not yet operating on a fully global scale and could not be counted as MNC. Such firms are SMEs that find themselves in an ongoing process of internationalization.

Accordingly, the aim of the thesis is to explore the role of global cities for internationalizing SMEs. Firms of a comparatively smaller size of organization are, as opposed to multinational ones, lacking an important amount of resources that facilitate international business. The burden of a smaller organization does not uniquely result in smaller financial resources available for the process of internationalization. Small and medium-sized firms further frequently dispose of limited intercultural competencies, smaller teams dedicated to enhancing international business and lack in-house competencies of all kind. This is of a particular relevance for firms' seeking to succeed in distant internationalization.

The role of global cities for internationalizing SME shall be addressed by dealing with two distinct fields of research:

- The existing theories on the internationalization of firms, starting with the definition of the international firm and its foreign investments and emphasizing the major patterns of SME internationalization
- The interdisciplinary findings in the field world city research, which are taking the roles and characteristics of dominant world cities into account.

In both bodies of research, we shall discover that a network-based approach has led to some of the most relevant and most quoted theories. As an additional aim of this dissertation, the existing literature in both fields need to be merged and presented in form of a tentative conceptual framework. The combination of the general insights from the network-based view on SME internationalization with the functions and characteristics of cities in the context of globalized markets shall be the major elements of that tentative conceptual framework.

In empirical studies, the role of global cities for internationalizing SMEs will be explored. By analyzing a large sample of internationalizing Swiss SMEs, the world regions in which these SMEs carry out their activities are inspected with regard to whether these SMEs dispose over business linkages to the regions' major global cities. On a specifically distant and emerging world region, namely Southeast Asia's ten countries associated in the ASEAN Association of Southeast Asian nations, an analysis of the sample of Swiss internationalizing SME that carry out activities there shall give further insights for the relevance of the regions' major dominating cities. Finally, an in-depth research on a sample of Swiss SME in Singapore is exploring the various roles of the actors from the city-network of that global city-state.

Therefore the six objectives of this study are:

First, it aims to review the major insights about the process of firms' internationalization and, in particular, the internationalization process of SME.

Second, it tries to review the interdisciplinary field of studies on global cities in order to define a framework of roles and characteristics that are credited to these global cities.

Third, it merges the major insights on both fields of research into a tentative conceptual framework proposition that should allow an empirical investigation on the role of dominant cities for internationalizing SME.

Fourth, it explores the importance of a global city for distant internationalization undertakings of SMEs.

Fifth, it explores and describes the role of the cities, and the actors present in such cities such as advanced producer services, institutions and partner firms, in the distant and emerging Southeast Asian countries for internationalizing Swiss SME.

Sixth, it aims to establish a description on how, in a distant and emerging market such as the Southeast Asian, the dominant global city such as Singapore enables and facilitates the market entry for internationalizing Swiss SME.

The present study has therefore be designed to answer the following research questions:

- 1) How relevant are global cities for Swiss internationalizing SMEs?
- 2) How relevant are global cities for Swiss SMEs that are internationalizing towards distant and emerging markets?
- 3) What is the distinct role of the actors in a global city, such as partner firms and clients, business-to-business service producing firms and private and public institutions for Swiss internationalizing SMEs?
- 4) How does a global city such as Singapore located in distant and emerging Southeast Asia enable Swiss internationalizing SMEs to connect with – and enter into – its regional hinterlands?

Deducted from the theory of these two distinct fields of research, the global city-state of Singapore is expected to play a key role in foreign SME internationalization. Following three research hypotheses can be stated in that regard:

- 1) The global city of Singapore is an important network node for internationalizing SMEs
- 2) The global city of Singapore is a place for services for internationalizing SMEs
- 3) The global city of Singapore is a hub for SMEs to enter distant and emerging markets

These hypotheses will be explored and tested in the case of internationalizing SMEs from Switzerland. In a first step, a quantitative sample of internationalizing Swiss SMEs and their network links to the major global cities are analyzed. In a second step, the study will focalize on the distinct Southeast Asian world region and its major global city-state Singapore.

1.3 Research methodology

The research methodology of the following dissertation can be separated by two parts. First, systematic processing of two streams of theories requires a conceptual methodology. The theory will be tested in the case of internationalizing firms. Therefore, an empirical research approach will be constructed.

1.3.1 Conceptual approach

The author would like to cross-fertilize two groups of disciplinary knowledge. On one hand, theories on international small business economics respectively international entrepreneurship help to understand the process of a firms' internationalization and its behavior on international respectively global markets. Since these companies are often limited in their size and resources, much of the theory is applied to so-called small and medium sized enterprises or SMEs in particular.

On the other hand, theories from the field of economic geography and the sociology of world cities, constructed in the context of modern globalization, will be considered for this dissertation.

A conceptual framework proposition will be constructed and proposed. This tentative framework proposition is characterized by the intended use of each fields major insights and a complementary synthesis.

1.3.2 Empirical approach

We believe that the nature of the research questions deserves a mixed-method approach of both, quantitative and qualitative studies. A hybrid type of data collection has to take place characterized by observations, interviews and surveys on a cross-sectional dimension.

We propose to explore the research hypotheses on the sample of Swiss internationalizing SME that are participating on the largest study on international entrepreneurship in Switzerland: the SIES (Swiss International Entrepreneurship Survey). The SIES is a cross-sectional study that is carried out among internationalizing small and mid-sized companies in Switzerland once every three years since 2007.

In a process of abductive reasoning, three studies in which deductive and inductive methods are applied have to be conducted. A construct that was established with the tentative conceptual framework is to be tested with the cross-sectional data on the 609 internationalizing SMEs that participated at the SIES study in 2016. The business activities of these SMEs throughout the major world regions and their network linkages to the world region's dominant global cities are subject of this deductive testing. The construct is tested and validated in the context of the Swiss SMEs global business activities. The two additional studies that have to be conducted with qualitative methods are solely exploring Swiss SMEs in the context of their Southeast Asian business activities.

A subsample of Swiss SME that internationalized towards the very distant and emerging Southeast Asian markets, generated with the identified respondent-firms of the SIES 2016 survey, serves as the starting sample for this qualitative observation. These Swiss SMEs geostrategic network linkages in Southeast Asia and the Southeast Asian markets in which they organize their production and their sales is the major object of observation.

In addition to this, semi-structured interviews with the entrepreneurs of Swiss small- and mid-sized enterprises that dispose over business activities in Singapore and the Southeast Asian markets as well as market experts are conducted in order to explore and shape the new items deducted from the framework proposition and the previous exploratory studies. The companies for these in-depth interviews

were collected based on the SIES survey respondents from 2013. These are exclusively Swiss SME that dispose over own subsidies, plants and/or distribution networks in the Southeast Asian markets in general and, for most of the cases, in Southeast Asia's dominant global city-state Singapore in particular. These in-depth qualitative interrogations with Swiss entrepreneurs in Singapore as well as in the nearby Southeast Asian global cities of Kuala Lumpur and Ho Chi Minh City were conducted between 2015 and 2017.

Whatever the results from these two qualitative - and the quantitative study, we do not pretend to generalization. Internationalizing small and mid-sized enterprises and their international behavior in the general world regions as well as in the case of the emerging Southeast Asian markets, hence the area of research of this thesis remain contextual objects and subjects.

1.4 Structure of the thesis

In the following chapter two, theories describing and defining the internationalization process of firms are explained. The chapter starts with the definition of internationalizing firms and explanations about the existence of international or multinational firms based on transaction and factor cost theories. In the forthcoming subchapters, theories on the internationalization process of Small and Medium-sized enterprises (SMEs) and the popular stream of network-based research related to that field are depicted. Chapter two ends with a subchapter related to the basic assumptions of complex social networks and the most current insights on the growth habits of such networks, in which hubs are playing a crucial role.

In chapter three, theories about world and global cities are explained. The focus in this chapter is on the holistic definition of global cities according to many of the most cited scholars, including Saskia Sassen, as well as the illustration of the network-based theories and rankings of global cities. The third chapters depicts the most current theories on entrepreneurship and business management related to global cities before it ends with a synthesis of that topic.

Chapter four depicts the establishment of a tentative theoretical framework proposition combining the common theories in both fields of research, firm internationalization in economics and management and global cities. The framework proposition will be illustrated in a graph combining the major elements from chapters two and three.

In chapter five, the reader is introduced into the empirical part of this dissertation by an explanation about the rationales of this research setting. The chapter concludes with most current and popular insights on internationalizing SMEs in Switzerland and a brief description about relevant actors for foreign and local SMEs from the Singaporean Ecosystem.

The sixth chapters describes the research methods of the empirical part. Three distinct studies were conducted in order to response the research questions and to test the research hypotheses. First, the objectives and the research questions are stated and explained in two distinct subchapters. The subchapter on the research methods is describing the study design of the three studies, the

quantitative study on a large sample of internationalizing firms as well as the two qualitative studies. In the following subchapters, each of the three studies is explained more in detail by depicting the variables, the sample as well as the applied methods of data analysis.

Chapter seven illustrates and explains the findings from the quantitative study on Swiss SMEs and their linkages to the major global cities. Differences between the internationalizing SMEs with and without linkages to the global cities are outlined. In addition, three hypotheses about the impact of distances, psychic and geographic, and the global cities' connectivity with the world economy to the internationalizing SMEs linkages to the world regions' global cities are being tested.

Chapter eight covers the results of a qualitative descriptive study about distant internationalizing SMEs from Switzerland in the Southeast Asian world region. In this chapter, the subject of global cities is narrowed down to the specific world region in which Singapore is considered the undisputed leading global city. At the same time, the focus is broadened to Swiss SMEs linkages with any kind of city in that world region. After a brief introduction into the global cities and markets in the world region, direct and indirect linkages of Swiss SMEs to Singapore as well as to the other cities are explored. Market access of Swiss SMEs without any linkages to the Singapore and of those SMEs without any linkages at all are part of the last subchapters before the final subchapter about the discussion of these results.

In the ninth chapter, the results of the grounded theory study on the global city-state of Singapore serving internationalizing Swiss SMEs in Southeast Asia are explained. The chapter leads to the generation of a theory on the attracting and enhancing functions of the global city-state of Singapore for these Swiss SMEs. The seven categories of codes, resulting from the interviews with the Swiss entrepreneurs and managers as well as with experts on foreign business activities in the world region, are explained in a subchapter each. This last empirical chapter ends with a discussion on the results of this study.

The final chapter ten addresses the conclusions of this dissertation. It comprises a section summarizing the findings and one regarding the limitations of the study and further research directions.

PART I : THEORIES

Chapter 2. Internationalization of Firms in Economics and Management

For several decades now, that ongoing process of globalization implicated organizations, private companies - from small to large-sized ones - as well as individuals. The increasing rate of internationalizing - as well as already well-internationalized firms is one of the major outcomes of that process of globalization. International economics and international business management has mainly focused on the international patterns and behavior of multinational corporations and other large companies. Early theories in that field of research were therefore mainly concerned with explaining the existence of such large and globally operating companies and based themselves on transaction and factor costs.

However, a smaller segment of international economics and business management was devoted to small and medium sized firms (SMEs) and their internationalization patterns. This rather dynamic view of the internationalization process among SMEs is due to the recognition of the crucial role they play in many OECD economies pursuit of growth and specialization since the 1960s and 1970s. The following chapter depicts many of the most significant theories in the field of firm internationalization and guides the reader to the most current theories on behalf of SME internationalization patterns in a network-based approach.

2.1 Multinational firms in a globalizing environment

In general terms, globalization refers to the international connectivity of markets and interdependence of national economies (Ruigrok, 2000; Ruzzier, Hirsich, & Antoncic, 2006). In business, the process of globalization is caused and driven by the ongoing political and technological changes. These changes trigger the effect of geographically distant markets and individuals who continuously grow closer together. Steady financial deregulation and the dismantling of trade barriers as well as the increasing technological progress are substantially responsible for this. Low-cost technology enables connecting people and locations and barriers of distance seemed to be reduced or truly overcome. Better communication and

information-processing technology also creates a greater awareness of international economic opportunities. In addition to this, free-trade agreements contribute to the pursuit of such opportunities, who are then often perceived by highly innovative firms.

Yet another force motivating the globalization of business – not of any lesser importance – resulted in the economic restructuring and liberalization of formerly closed areas. The fall of socialism in Russia and Eastern Europe and the liberalization and expansion of markets in Asia, in particular China and the Southeast Asian tigers, act like magnets for investment and provide further opportunities for firms (Ruzzier, 2010). The emergence of fully global firms or so-called “global players” that are operating in almost every corner of the world are the result of that phenomenon. Nevertheless, caution is required when labelling firms as “global”. Apart from some global corporations that are acting as global giants, there are many firms that are active in a few world regions or even just a couple of selected countries, across or within some world regions. Thus, these firms (they can range from small-sized up to large multinational corporations) act rather on an international or a multinational - than on a global scale. On that basis, it could be argued that globalization is enhancing firms’ internationalization process. They might expand to distant markets, but are not necessarily categorized as global firms therefore. A specific category of firms that is internationalizing to distant markets despite being a medium-sized or even a small and that are not active on a completely global scale is enjoying increasing interest to many scholars. Since a few decades, these internationalizing SME were subject to an increasing number of studies.

2.1.1 Forms of international operations

The terms internationalization and international firms are the most appropriate ones referring to firms’ outward movement of international operations (Pleitner, 1997; Ruigrok, 2000). The Organization for Economic Cooperation and Development OECD defines the international firm as an organization that “engages in foreign direct investments and owns or controls value adding activities in more than one country” (Dunning, J., 1993; OECD, 2011). In this sense, international firms are establishing and maintaining foreign production facilities

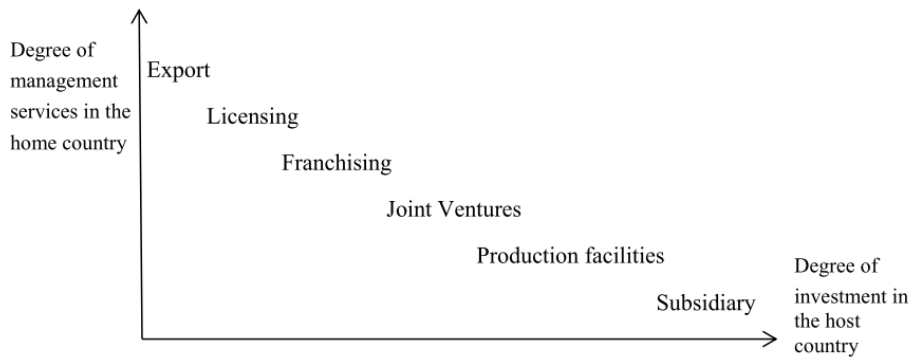
and start to create value-added products and services abroad. They might invest in recruiting foreign personnel but could also include foreign share- and stakeholders to their business. Nonetheless, these international firms are not the only firms that have regular transactional relationships with foreign economic entities. Today, numerous other firms engage in foreign transactions by exporting goods and services without engaging in these foreign direct investments. The whole range of geographic expansion modes includes various forms of operations. In modern literature, these modes can be categorized according to the level of management they require in the company's home country and the degree of investment required in order establishing business activities in the foreign market. A high degree of management services in the home country is typically given, when a company is simply exporting their products to foreign countries without having any agents or subsidiaries on site. Direct exporting, on the other hand, can be defined as the shipment of products to foreign countries, and indirect exporting is carried out via trade intermediaries. As the degree of investments in the host country rise, fewer management services in the home country are required. Contractual modes such as the following are common entry strategies for companies that tend to become strong competitors on foreign markets:

- Licensing (e.g. company in the home country gives company in the target market the permission to manufacture its products against payment)
- Franchising (e.g. company in the home country gives company in the target market the right to use their whole business model against payment)
- Joint ventures (e.g. two companies are building a new entity with 50% to 50% participation)

With production facilities and/or subsidiaries in the target market, companies are reaching the highest degree of direct investment in a foreign country. Therefore, a relatively low degree of management services in the home country but high

degrees of management services in the host country are required. These different entry modes can also be divided into three groups: the export modes (direct / indirect), the contractual modes (which include licensing and franchising), and the investment modes respectively foreign direct investments (joint ventures, foreign production facilities, subsidiaries).

Figure 2 Entry modes classified by their degree of management services in the home and the degree of investment in the host country (source: Baldegger & Wyss, 2007)



In the narrow sense of the definition of international firms according the OECD, they might not count as such. Still, even firms that import or export goods or services on a small scale are affected by this ongoing process of internationalization of firms respectively the globalization of markets. In the following literature review that serves as a basis for the conceptual framework of this thesis, an internationalizing firm is defined as any company that is undertaking business activities in foreign countries of modes such as the previously described.

Globalization as a phenomenon started to emerge in the early 1970s (Gjellerup, 2000). The use of the term internationalization as a synonym for cross-border geographical expansion of economic activities goes back almost hundred years to the 1920s. In this era, imperialism as the dominant organization principle was replaced by the increased importance of economic cross-border interactions between market economies (Ruzzier, Hisrich, & Antoncic, 2006). Scholars started studying the process of internationalization in post Second World War era since the term "internationalization" gained significant importance due to the accelerated cross-border activities taking place. Back then, their focus lay in the

internationalization of multinational corporations (MNC). It meant that internationalization was mainly affecting firms that already disposed over significant importance and power in their home market and had an important size in terms of numbers of employees. During this time, small and mid-sized firms (SME) had been seen as passive victims rather than active players in this process of the internationalization of markets (Ruzzier, Hisrich, & Antoncic, 2006). Only in the late 1970s, when scholars began to investigate the specific patterns of a firm's geographic growth, increased attention was given to SME as a subject of study (Johanson & Vahlne, 1977).

2.1.2 Explaining the multinational firm

Hence, the early literature on internationalization dealt primarily with the question of how multinational corporations could exist. Why did some companies invest directly in business assets or establish an own production or service business in a foreign country? According to the then predominant neoclassical trade theory, competition among market competitors was presumed to be "perfect". This meant that all the relevant information for the market flowed freely and at no cost between the market players. Thus, capital moved in response to changes in interest rates or profit differentials (Iversen, 1936). In such circumstances, capital is assumed to be transacted between independent buyers and sellers. The only possible form of foreign involvement in markets would be through international trade. No foreign firm would directly invest in any local market, as these investments are associated with costs. In view of the fact that local firms have much greater knowledge than foreign firms do about the conditions on their local market, foreign firms are permanently at a disadvantage (Ruzzier, Hisrich, & Antoncic, 2006; Dunning, 1993). Given these contradictions, neoclassical trade theory failed to explain the existence of multinational corporations investing and operating in foreign economies (Nordström, 1991; Dunning, 1993). The theory of the firm and the theory of industrial organization, on the other hand, do not presume perfect markets but rather a certain asymmetry in the distribution of market information. Both theories share the same initial assumption, namely that firms' potential investment capacity is based upon some type of significant firm-specific

advantages. In his seminal dissertation from 1960 about the direct foreign investments of national firms, Hymer stated:

Firms are by no means equal in their ability to operate in an industry. Certain firms have considerable advantages in particular activities. The possession of these advantages may cause them to have extensive international operations of one type or another. The firm will in some cases license its advantages to a local firm; in other cases it will itself operate the foreign enterprise.

(Hymer, 1960; p.44)

The possession and the control of some advantages are compensating the “information handicap” of foreign firms and allowing them to compete with local firms on their home market. It is assumed, that these kind of advantages are generally of an intangible character (Rugman 1981, David Teece 1981; 1982, Mark Casson 1983), such as specific knowledge in production and services, the ownership of intellectual property, and so forth.

These traditional explanations of foreign direct investment have developed in two different directions: one that is more tied to the effect of market imperfections, and the other, more related to the analysis of transaction costs. The theories that are tied to the effects of market imperfection can be considered as predecessor models that are partially explaining the internationalization of smaller firms as well. In the following subsection, the monopolistic advantage theory, the internalization theory as well as the eclectic paradigm will be briefly described.

In the monopolistic-advantage-school of thought, a company first develops their economic power in their home country. During that time, it might gain advantages such as a superior technology, access to capital, the control over distribution systems, superior management skills or the effects from economies of scale. If the profit margin starts to lower in the home country, firms decide to invest - and start to control markets abroad. The monopolistic nature of these firm advantages let them compete successfully in foreign markets, despite the fact that local firms possess a higher knowledge in their market. Hence, it is the markets imperfection that made it costly for some companies to undertake certain transactions and that allows others to invest directly in other countries. In line with this thought, mono- or oligopolists in producer markets exclusively effect international investments

(Dunning, 1993). However, the monopolistic advantage theory as developed primarily by Hymer (1960; 1976) and Kindleberger (1969) could not entirely explain foreign direct investments by corporations. Export or the licensing to a foreign producer is considered a more advantageous mode of internationalization and associated with less cost than firms' direct investment in foreign countries.

A major theory that emerged in order to approach this problem is generally known as the internalization theory (Buckley & Casson, 1976, 1985; Rugman, 1981, 1986; Caves, 1982; Hennart, 1982; Buckley, 1988, 1990; Casson, 1986, 1992). Locality and internalization advantages are the major axiom for this theory. Internalization (not to be confused with internationalization) refers to any processes of a companies' business activity that is handled within the particular entity instead of being directed to an outside source (e.g. another firm resp. service provider) for completion. Companies are driven by cost-savings, thus they locate their business to wherever their costs of doing business are lower. At the same time, they internalize their business as a response to the imperfection of the markets.

The work of Buckley and Casson (1976) about the future of the multinational enterprise in the mid-1970 has stated imperfection in relation with human capital, intellectual property or process technology as reasons why certain firms internalize some of their activities. They can, for example through transfer pricing, steer, control their revenues, and optimize their tax payments. Through organizing and controlling the transaction within their firm itself, instead of purchasing their services, they are also less dependent on other market players. This makes them grow, not only within the nation but also across the nations' borders. In the following, a company internalizes as long as the profits from this internalization offsets its costs. This internalization theory brought new insights and explanations to the question why companies internationalize to other countries and continents. The choice of a firm to execute direct investments in foreign countries instead of simply licensing their business activities in the respective country can be explained through the advantages of internalizing and the costs they might save in the long turn. The internalization theory also added some further insights to the monopolistic advantage theory of Hymer (1960; 1976) and Kindleberger (1969).

Now, scholars could argue that not only the possession of unique advantages per se but rather the fact that they were able to keep this advantage through internalization and delocalization that made it the unique advantage be sustainable. On the other hand, the major advantages of such foreign direct investments above a simple form of exporting their services or goods to other countries' markets has not been found. The reason why a company is taking the risk and uncertainty of foreign operations and direct investments remained unacknowledged.

The eclectic paradigm, published by Dunning (1979, 1980, 1981, 1988, and 2000) merges the firm specific advantages as described by the monopolistic advantage theory with locality and internalizing advantages as described in the internalizing theory described above. According to this theory, firm specific ownership advantage is a precondition for the internationalization process and would lead to licensing modes of internationalization. The greater the competitive advantage of the internationalizing firm, the more likely they are to engage in FDI. Firm-specific ownership advantages combined with the internationalization advantages of having higher profits than costs by internalizing but without having a location specific advantage of lower (production) costs in a focal market would, at least, lead to an export mode (Dunning, 1981). The eclectic paradigm is a reference framework for many empirical studies on the choice of market entry modes (Agarwal & Ramaswami, 1992; Woodcock et al., 1994; Rialp et al., 2001).

In summary, we can describe these traditional views of a firm's internationalization as very macroeconomic approaches, where firms in their capacity as rational subjects have to act within well-described market conditions. Furthermore, these firms are constantly seeking profit maximization. The main explanatory variables are transaction – and factor costs.

Currently, it is seen as questionable to study organization and enterprises as subjects and to assume that they act with perfect rationality (Rialp and Rialp, 2001; Delios, 2017). Since the early 1960s, the irrational behavior of firms is an increasingly important subject to many theories. Cyert and March's (1963) behavioral theory of the firm contributed to this new understanding as well as the theory about the growth of the firm by Penrose (1966). The decision-making

process within a firm includes rational as well as irrational aspects. The firm's ownership structures as well as its own liabilities and equities influence decision-making (Donaldson and Preston, 1995). The firm owners exerted pressure as well as control over resources and power can have an important impact on the decisions taken by the firm's managers (Emery, Finnerty and Stowe, 2004). The decision-makers mental maps often lead to irrational choices, especially in situations of complexity and uncertainty. Decision are often taken in ambiguous and uncertain conditions and the bounded rationality of decision-makers and their desire to avoid uncertainty causes individuals and groups to make different sense of the same information (Meyer and Rowan, 1977; March, 1978; DiMaggio and Powell, 1983; Collinson and Houldson, 2005).

SMEs in particular are characterized by the cognitive style and capacities of its decision-makers. March's (1978) idea of limited rationality (as a part of his concept of bounded rationality) is of particular relevance to this type of firm (Sadler-Smith, 2004). According to this theory, individuals simplify decision-making problems because they have difficulties in accessing and considering relevant information. Since SMEs often lack of financial and human resources that can be devoted to decision-making information, owner-managers might lack of an understanding in certain fields of knowledge or not have a full range of managerial expertise, and alternatives are not exhaustively studied before decisions are made. The management style appears to be fully irrational and led by intuition (Ang, 1991; Hutchinson, 1999; Sadler-Smith, 2004).

The concept of bounded rationality and the behavioral theory of the firm forms the basis for the gradualist approaches in SME internationalization studies. Prior decisions and mental maps of the decision-makers influence decisions about internationalization activities. Johanson and Vahlne (2003; 2009) argue that experiential learning rather than objective knowledge is relevant for the pace and scope of internationalization activities.

In addition to this, these theories lack a certain dynamic view. In other words, the multinational stage is already taken for granted and the way in which an SME develops into a multinational firm is ignored. Hence, these theories have only limited applications to the study of SME internationalization, but are still contribute

considerably to the understanding of an international firm (Rialp et Rialp; 2001). Consequently, only few scholars use this theoretical framework for research on SME internationalization (e.g. Newbould et al., 1978; Buckley 1989; Rialp et Rialp, 2001).

2.2 SME internationalization

In the 1970s, scholars recognized that there is a need for a more dynamic view on the internationalization process. This need appears evident when analyzing the international business patterns of small and midsized companies. Newbould et al. (1978) studied the experience of smaller British companies that were doing business overseas. He stated after several qualitative interviews with these small business entrepreneurs that an evolutionary approach, reflecting the incremental investment behavior of these firms, should be an important subject of study. He was convinced that the foreign investments of firms is the result of a process of ongoing managerial learning.

2.2.1 The gradualist approach

In the same time as Newbould studied the export behavior of British companies, the mid-1970s, the Swedish scholars Jan Johanson and Jan-Erik Vahlne made empirical observations of Swedish SMEs at the Center of International Business Studies at the University of Uppsala. They developed a model of the internationalization process of the firm that is today known as the Uppsala school or the “U-Model”. Their aim was to “identify elements shared in common by the successive decision situations (...)” (Johanson & Vahlne 1977) This model is certainly one of the most considerable contributions to the research on SME internationalization and has broadly influenced this field of study (cf. Bell 1995; Johanson & Vahlne 2009; Rialp et Rialp, 2001; Baldegger et Wyss, 2007; Baldegger, 2008). Johanson and Vahlne’s theory on the “internationalisation process of the firm” is tied as the most frequently cited Journal of International Business studies article between 1984 and 1993 (Chandy and Williams, 1994; Douglas Dow, A note on Psychological Distance and Export Market Selection).

In contrast to the neoclassical economist approaches as described in the previous chapter, the U-Model is developed on the theoretical explanations of the behavioral theory of the firm. According to this theory, companies have, to a certain extent, a predictable behavior when it comes to the decisions taken by the organization. Instead of fully maximizing their income, an organization “behaves well” and is often seeking compromises and good-enough solutions. Hence, they are more often concerned with making the firm survive in the markets and thereby secure further growth instead of fully maximizing their income and exploiting the markets (Cyert and March, 1963). In addition to this, the decision making process in a firm is influenced by the (market) information available to the decision-maker. Information is scarce and unequally distributed: managers might base their decision on different information. In short, the decision making process of a firm depends on many factors and cannot be described as fully rational.

The underlying assumption for the initiation of the internationalization process is that a firm seeks for new activities whenever the home market is saturated. These new activities could theoretically imply a vertical (extension of the activities within the supply chain) or a horizontal (broadening of the companies’ offer to various other products and/or services) integration. As the firm is trying to reduce uncertainties, they also tend to move toward activities that are similar to the existing ones. In this case, a geographic expansion is then often the most desired “new solution” for growth. Hence, firms would prefer to go with an existing product or service that they know very well to a geographically new market than to expand with new products or services in the existing market, because it faces fewer uncertainties.

Uncertainty is also a factor for a further underlying assumption of the U-Model: the uncertainty about an outcome of an action increases with distance and firms are most familiar with their intermediate environment. Hence, “foreignness” and the related lack of knowledge about local business conditions, customers, tariff- and non-tariff barriers, bureaucratic procedures needs to be reduced to a minimum. This “degree of foreignness” of a focal market compared to the companies’ home market leads to the concept of psychic distance. Johanson and Vahlne, the main authors behind the Uppsala model, define psychic distance as “the sum of factors

preventing the flow of information from and to the market". They state examples such as differences in language, education, business practices, culture and industrial development.

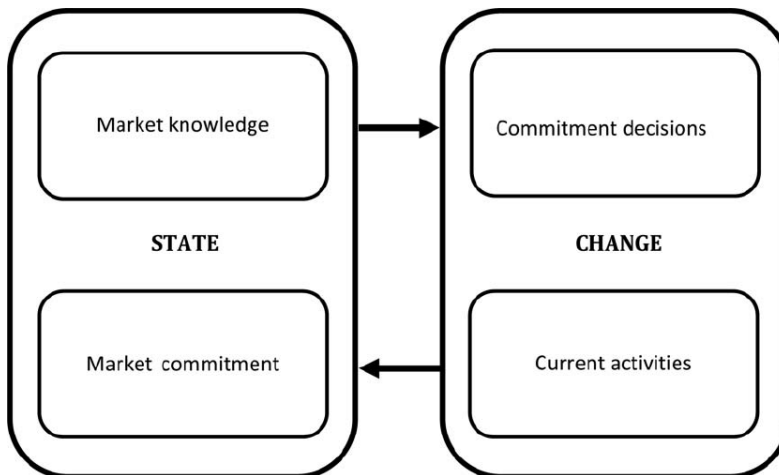
By empirically observing Swedish manufacturing firms, the Uppsala researchers noted that the firms began their operations in markets that were (geographically and psychically) close to the home market. Only after a certain process of learning in these nearby foreign markets, they start gradually expanding to more distant markets. The Uppsala Scholars also observed a specific hierarchy in the use of the different entry modes. Usually, they started to enter a market with export and then, after several years only, established fully or partially owned subsidiaries. This process can be summed up in four stages of internationalization, also known as the establishment chain (cf. Johanson and Vahlne, 1977):

1. A company with no regular export activities starts to export because of orders from abroad.
2. Gradually they start to export via independent representatives/agents
3. They decide to establish foreign sales subsidiaries.
4. They establish a foreign production unit.

The problem of uncertainty can then be solved through an incremental process of learning from the foreign marketplace. Through this learning, the company can successively enlarge their involvement in the foreign market, a process generally known as "chain of establishment". The internationalization process is, in the means of the U-Model, a gradual learning process based upon accumulated experiences of the firm in foreign markets. In turn, accumulated experience can also become a driving force of the internationalization process.

In their publication, Jan Johanson and Jan-Erik Vahlne summarised the basic mechanism of a firms process of internationalization with two state and two change aspects. The state aspects describe the current situation of the firm whereas the change aspects depicts the factors influencing the alteration of the firms' situation.

Figure 3 The Basic Mechanism of Internationalization - State and Change Aspects (source: Johanson & Vahlne, 1977)



Hence, the mechanism is based upon an interplay between the present state of internationalization (the state aspects on the left of the model) and the new decision taken within this process (the change aspects on the right of the model). The sum of decisions and actions, the change aspects, lead again to a new level of the firm's internationalization, the state aspects. The knowledge about a market is initiating the process of internationalization to this market. Market knowledge "relates to present and future demand and supply, to competition and to channels for distribution, to payment conditions and the transferability of money" and all of these factors "vary from country to country and from time to time" (Carlson, 1974 cited in Johanson and Vahlne, 1977). This market knowledge leads to the recognition of market opportunities and these opportunities initiate the process. The way in which this knowledge is acquired is important for the mechanism. The relevant knowledge for foreign markets cannot be learned through teaching but is rather the sum of personal experiences acquired. Johanson and Vahlne are referring this to the concept of objective and experiential knowledge. They cite Penrose (1966) in the theory of the Growth of the firm:

"Much of the experience of businessmen is frequently so closely associated with a particular set of circumstances that a large part of a man's most valuable

services may be available only under these circumstances". (Johanson & Vahlne, 1977; p.28)

They argue that, especially in international operations, the foreign businessman has no such experiential knowledge about the country and its market as well as about their habits of doing business and is therefore dependent on his own "feeling" and personal perception about business opportunities.

This knowledge about opportunities initiates the decision to commit resources to foreign operations. Commitment decisions are made in response to perceived problems or opportunities in the foreign market. The level of commitment given by the internationalizing firm increases the number of operations on that foreign market. This generates the so-called "economic effects" of the market. In turn, these economic effects reduce the inability of the internationalizing firm to recognize and estimate the future market and its influencing factors, the so-called "uncertainty effects". The current activity consists mainly of acquiring market experience. Even if this market experience is acquired by the firm through newly hired, local employees (e.g. sales representatives), it is part of a long learning process and needs time. This is the major reason why the internationalization process is often very slowly (Johanson and Vahlne, 1977). These market activities are leading to a change in the overall market commitment. Market commitment describes the resources that a company commits to the foreign market. A simple form of export is obviously less commitment than a vertical integration by opening a new production site. Through learning and the increased current activities, the overall commitment of a firm in a foreign market usually rises, as time goes by.

However, the Uppsala researchers never claimed that every company would follow this evolutionary process of internationalization. Firms may behave differently according to firm-specific characteristics, the industry or other factors (Johanson and Wiedersheim-Paul, 1974). Despite its success, the Uppsala-Model was strongly scrutinized in the 1990s by a rising number of researchers due to the many SMEs, often even young start-ups, that internationalized their activities in a speed that never have thought possible.

2.2.2 International New Ventures: An accelerated process that challenges the traditional dynamic of internationalization

Since the Uppsala model was established in the late 1970s, the environment of internationalizing SMEs has changed a lot. The wildfire growth of the internet and the growing number of webbased companies as well as the progressively worldwide deregulation of trade triggered by the many new free trade agreements between states has brought new impacts on the internationalization processes of SMEs. During these decades, many new concepts were created. The transaction cost approach as described by the initial explanations on international firms (see chapter 1) has led to a stream of literature focusing on foreign entry-modes (cf. Anderson & Gatignon, 1986; Nicholas, 1986; Hennart, 1989; Hill et al., 1990; Alonso, 1994; Root, 1994; Driscoll, 1995). On the other hand, a new stream of SME internationalization research was introduced through the application of network-related research. For the further development of the internationalization process as initiated by the Uppsala School, this second stream of network-related research has become increasingly important. The trigger for the strong criticism on the Uppsala school was the emerging phenomenon of a new kind of SMEs, the so-called International New Ventures. In the 1990s, more and more SMEs, in particular companies in ICT and service related industries, started to internationalize their business activities at an unexpected speed. Within this accelerated process of internationalization, these firms seemed to ignore the stages of the gradual process of internationalization by simply skipping them. In their 1994 published paper "Toward a Theory of International New Ventures", Benjamin M. Oviatt and Patricia P. McDougall defined these firms as the following:

"International New Ventures are a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of output in multiple countries."

Thus, according to this initial definition, International New Ventures are operating on an international or even a global scale since their inception. They seem not yet out of the start-up phase, but already operate within a geographically widely dispersed scope of countries and continents. In this regard, these firms have international "origins" meaning that they commit a significant amount of resources

such as material, people, financing, time etc. “in more than one nation” already as a start-up (Oviatt & McDougall, 1994). More recent literature about the phenomenon, the international or global exposure of the firm since its inception, meaning that the firm is founded “globally”, was slightly broadened by considering the geographical scope and the firms vertical integration in their value chain activities (see figure 3 below). Nevertheless, it became apparent that International New Ventures, through the accelerated speed of their internationalization process, challenged some existing paradigms of the Uppsala process model (cf. Oviatt & McDougall, 1994; Zahra, 2005; Baldegger & Wyss, 2007). What really distinguishes these firms from others is the age by when these companies internationalize, not their size. They argue that these new ventures initiate their company with a proactive international strategy. In contrast to organizations that evolve gradually from small-sized local firms to big multinational enterprises, INVs ignore this process. Hence, there is another variable than the age of the firm, defined as the organizational learning through a long period of time, which creates the competitive advantages in the internationalization process. Oviatt & McDougall distinguish between four different types of INVs. They are different in terms of the number of countries in which their business operates and by the number of value chain activities that are coordinated across these countries. Export/Import Start-ups coordinate primarily activities of inbound and outbound logistics across countries. They tend to serve only a few nations, usually those with which the entrepreneur is familiar. Through a network of reliable business partners such as sales representatives, agents etc. they manage to successfully serve some markets despite the fact that foreign direct investments are kept to a minimum. Their major factor of success lies in the knowledge of in- and outbound logistics. Multinational traders proceed in that same philosophy, mainly importing and exporting goods without having too much foreign direct investments involved. In contrast to the Export/Import start-ups, they serve a wide range of countries. They cleverly exploit the whole organizations’ own network of business partners, not only the personal network of the major entrepreneur who is leading the firm, and they are able to quickly detect and exploit trading opportunities all over the globe. Oviatt & McDougall explain the success of venturing to other countries in that early stage with a minimum of foreign direct investments through the

advantage of the early movers. In the long turn, local firms could probably provide these imported and exported goods and services and the foreign start-up would need to invest directly in that country. As these firms are detecting market-gaps in various countries, they are able to serve them before increased competition is reducing the prices and hence the profits.

Geographically focused start-ups are, like Export/Import Start-ups, geographically restricted to a few locations. In contrast to the Export/Import Start-ups and Multinational Traders, they coordinate a much higher degree of value chain activities and invest directly in foreign economies. Among the activities realized in foreign countries, we find the establishment and maintenance of production sites, the technological development of their offerings as well as the implication of foreign personnel, in other word investment in human resources. If all of these activities are conducted in a more global context, on a wide range of countries and on different continents, then the International New Venture can be classified as a Global Start-up. Global Start-ups are definitively the most radical form of international new ventures as they coordinate a multitude of value chain activities, many of them associated with a major investment of resources, across a geographically unlimited scope of countries all over the world.

Figure 4 Types of International New Ventures (source: Oviatt & McDougall, 1994)

Few Activities Coordinated Across Countries (Primarily Logistics)	New International Market Makers	
	Export/Import Start-up i	Multinational Trader ii
Coordination of Value Chain Activities	Geographically Focused Start-up iii	Global Start-up iv
Many Activities Coordinated Across Countries	Few	Many
	Number of Countries Involved	

By entering a foreign market, International new ventures are facing the same disadvantages towards local companies as every other, stepwise internationalizing company would. What makes them different is the fact that they

are relocating moveable resources such as raw materials, intermediate products or even knowledge with the help of a strong international business network. A business network that, very often, exists since the inception of the organization. This combination of relocating resources and a strong international network makes them detect and exploit business opportunities at a much faster pace (cf. Baldegger & Wyss, 2007). In their initial paper, Oviatt & McDougall already highlighted the importance of the social interactions of the firm's entrepreneur and his network formation process. Furthermore, they stated a need to understand "what social and economic processes and conditions promote network building across national borders?" Subsequent papers clearly suggested that the undertaken actions from these firms are a major source of competitive advantage. Hence, International New Ventures are capable of internalizing economic transactions, which would be conducted by a market structure otherwise. Network structures and partnerships, but also modes of licensing and franchising makes allows them to control their vital assets and keep the business activity growth across borders. According to Zahra (2005), opportunities exist everywhere in the environment, but some entrepreneurs have higher abilities than others do in spotting, recognizing and exploiting them. The source of the major competitive advantage lies thereby by the entrepreneurs' ability to recognize opportunities. Again, the firm's network and the organizational form itself could be a source of competitive advantages of International New Ventures (Zahra, 2005).

Even though a considerable amount of research was done on this topic since McDougall and Oviatt published their article in 1994, there is still no clear, theoretically or empirically, definition of International New Ventures (cf. Baldegger & Wyss, 2007; Zahra, 2005). Various labels for similar types of firms exist that were created: "high technology start-ups" (Manigart & Struyf, 1997),, "born-globals", International New Ventures", "Global High-Tech Firms", "Instant internationals" or "micro multinationals". The most common and most frequently used in academic literature are "born globals" and "international new ventures" (cf. Baldegger and Wyss, 2007). They all share the quality of a rapid internationalization process within their first years of existence. Oviatt and McDougall (1994) as well as Rasmussen (2002) qualified a Start-up as an

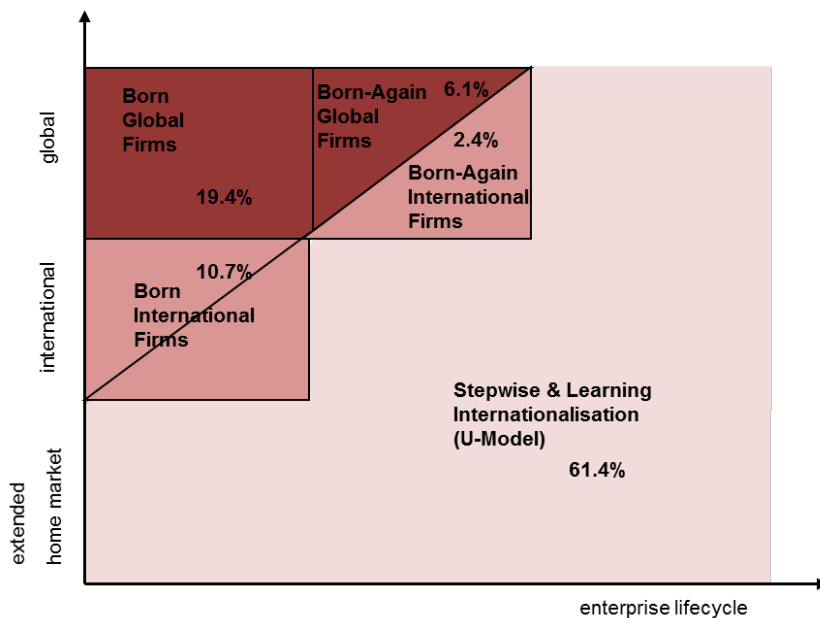
International New Venture if they act as a “global” business organization since inception or if they reach this status at least within their first two years of existence. Other scholars still accepted a slightly larger time-span between inception and the global business activity while attributing three (Knight and Cavusgil, 1996; 2004; Madsen et al, 2000; (McKinsey & Co., 1993)) five (Onkelinx and Sleuwaegen; 2010) or six years (McDougall, Oviatt and Schrader, 2003). The definition of a “global” business activity has only sporadically been defined by measures of an export ratio that need to be reached (cf. 25% within three years according Knight and Cavusgil, 2004; or 25% within three years according Moen and Servais, 2002; or 75% within three years (McKinsey & Co., 1993)).

The accelerated process of a firm’s internationalization has not only been observed by young organizations i.e. start-ups. Some mature firms, well established on the home market for years and with no expansion to foreign countries, unexpectedly underwent the same phenomenally accelerated internationalization process (Coviello N. J., 2015). Born-again global firms can be interpreted as an extension to International New Ventures respectively Born-globals. Some critical incidents trigger this sudden process of accelerated internationalization. This critical incident can be due to a change of ownership of the firm, e.g. when an entrepreneur with an international network and experience takes over the lead. It can also be initiated through the acquisition of a firm with international connections or a firm with new and unique resources. Another important trigger can be related to the firm’s client. Either a domestic client that internationalizes and/or a foreign client that enters the home market, both triggering opportunities for the domestic firm to internationalize. In this sense, we can state that this process of rapid internationalization does not only appear in recently founded organizations, so-called start-ups. Rapid internationalization can be triggered in all types of firms by various kinds of events.

In the 2013 Swiss International Entrepreneurship Survey report, the school of management Fribourg published an overview of five types of Swiss internationalizing SMEs. The categories were developed following the various definitions of International New Ventures and the traditional Uppsala-School. International New Ventures were characterized by generating a sales volume in

at least five foreign countries of more than 25% within three years of their existence. The types of Born Global differ from Born Internationals by the fact that they generated their 25%+ revenues in more than one continent. Born-Again Global and Born-Again Internationals dispose over the same characteristics respectively the same difference in their characteristics. Their only exception is that they reached that rapid international expansion after three years of existence but within a time-span of a maximum of three years, once the internationalization process had been triggered (In order to measure the latter, the companies were questioned about the start of their internationalization process). Seven hundred eighty-eight firms were questioned out of the basis of a database of 10'000 internationalizing Swiss SMEs. According to their results, a total of 39% of the surveyed SMEs complied with the characteristics of International New Ventures. The majority were firms with less than three years of existence, hence Born Global (19.4% of the total sample) or Born Internationals (10.7% of the sample). Born-again global and Born-again internationals amounted to 6.1% respectively 2.4% of the sample. The numerically largest population of internationalizing SMEs, namely almost 62% of the sample still internationalized in a gradual, stepwise process as depicted by the Uppsala-School (cf. Baldegger, 2014).

Figure 5 Swiss Internationalizing SMEs divided into five categories (source: Baldegger, 2014)



The fact that the phenomenon of International New Ventures and Born-again-firms was confirmed by various empirical studies does not disprove the Uppsala school from the early 1970s describing the mechanism of a gradual internationalization process. Nevertheless, one may say that many aspects of the initial Uppsala model were outdated and that not every firm's internationalization process develops in a gradual stepwise manner. Johanson and Vahlne countered in their revised model (2009; explained later in chapter 2.3.2) that the process of born global fits with their school of thoughts respectively their model. According to their understanding, most of the INVs or born-global firms cited in Oviatt and McDougall's (1994 and 2005) and Knight and Cavusgil (1996) work are in fact "born regional" with international activities that "do not really span the globe in any significant fashion" (Johanson and Vahlne, 2009). They agree with the scholars on the INVs school that they are an old phenomenon. They are predominantly founded by entrepreneurs with an already existing experience and established relationships in foreign marketplaces. In fact, experienced and talented entrepreneurs can develop international expansion quickly, if some prepositions are given. However, the basic prerequisites for developing a business, experiential learning and building trust and commitment, did not change dramatically (Johanson & Vahlne, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009). One of the major changes in the research on the internationalization process of firms is the augmented importance that was given to the firm's networks while analyzing their internationalization process (Johanson & Mattson, 1987; 1988; Ruzzier & Antoncic, 2006).

2.3 The Network approach

A major stream of research that emerged more recently in the field of SME internationalization is the international network approach. It is strongly influenced by the stage models of the gradualist approach and can be regarded as one of their major subsequent theoretical frameworks (cf. Rialp & Rialp, 2001). This network perspective on SME internationalization enabled the scholars of the Uppsala University in 2009, thirty-five years after their first publication of the Uppsala-Model, to revisit and actualize their model in light of the increasingly number of international new ventures that were seemingly skipping important steps of this process.

2.3.1 The network perspective

While applying the network perspective on empirical research about the internationalization of firms, the aim is nothing less than understanding the context in which a company operates: the firm's relationship with other entities as well as the environmental conditions in which these firms' relationships are taking part (cf. Madsen and Servais, 1997). In general, there is an increasing interest in network research among social scientists since the late 1990s. Network sciences, a field traditionally "occupied" by mathematicians and physicists, has emerged as a true "goldmine" for them (Borgatti, et al., 2009). In the early 1950s, Scholars at the MIT have demonstrated that individuals organized in centralized network-structures outperformed their peers organized in decentralized ones in problem-solving tasks (Leavitt, 1951). Accordingly, the fastest performing groups are strictly organized around an integrating individual that acts as a central node to the group, so-called centralized groups. Even though from a mathematical point of view, decentralized groups such as circle - or linear ones (e.g. every node has contact to one other node) should perform better than centralized ones, the latter are much more efficient since the distances for all nodes to the "decider" or "leader" are the shortest (Leavitt, 1951). Another stream of research debates the individuals' position as a node in his own network. Structural holes, i.e. absences of ties among nodes in the individuals' own network do rather have a positive effect on the performance of this individual since it leads to *performance benefits* and increases his bargaining power (Burt, 1983; Burt, 1992)

Granovetter (1973, 1983) studied the individuals' network composition and the diffusion of influence, information, mobility and opportunity across different types of dyadic relationship forms. He distinguishes between strong dyadic relationships (strong ties) in which the individuals spend much time in a firm relationship of mutual trust and reciprocal exchange of help and assistance and mere acquaintances or so-called weak ties. Whereas an individual's A strong ties B and C need to be connected among each other as well (according to Granovetter's forbidden triad the opposite is unlikely to occur), his weak ties D and E are not necessarily connected but form a bridge to their other ties respectively other dyads of strong ties. This allows an exchange of information and resources with other groups and makes these weak ties a strong resource for information, social mobility and power.

Social exchange theory forms the foundation for the study of firm's internationalization related to a network approach (cf. Johanson & Mattson, 1987; 1988). In it, the firm is seen as an actor within a network of business relationships. The network is given by the relationships that firms create among each other. In industrial networks, firms are engaged in the development, manufacturing and distribution of goods and services. Through a division of labor within these processes, firms need to interact on a more or less coordinated basis. This coordination takes place through the interaction of actors within a network and is influenced by the same mechanisms as other social networks. In contrast to the traditional theories, explained in the earlier chapters of this thesis, this coordination among firms is not purely based on rational, price-related factors, nor is it the outcome of an organizational hierarchy. Every firm has direct relations with customers, suppliers, distributors' and sometimes even with competitors, as well as indirect relations with the customers' customers, the suppliers' suppliers and others. Direct relations means that there are dependencies between the actors of a network that work together whereas indirect relations are relations with actors who have exchange relationships with the initial firms. These bonds of various kinds there are technical, planning, knowledge, socioeconomic, and legal bonds are cumulative processes, which are constantly being established, maintained, developed and broken. All of these processes happen because of the

firm's pursuit of long-time survival. These accumulated processes of interactions among firms within their given network also gives them a specific position within the network. The stronger the position, the better the firm's access to important resources and/or the more effective the sales of the firm's products and services can be. Hence, it is an important aspect of the firm's strategy to defend, to maintain or to develop relationships with other actors in the network. With respect to social exchange theory, such relationships evolve in slow processes. They usually start with some minor direct transactions between the actors of a network. Little risk is taken through such minor transaction and both actors in the network have the opportunity to prove their trustworthiness (Blau, 1968). By improving the number of transactions among the actors, the actors can equally test how well they fit each other (cf. Matson & Johanson, 1987).

As this trusting mutual relationship is being built, the actors are enabled in major transactions. This process implies an important social element, but also an administrative, technical, logistical (if applied to global production networks), knowledge-based and time element as well. Increased organizational learning and a better adaptation between both of the actors in the network is the outcome of this gradual process. Through adaption, the bonds between the firms are strengthened and they become increasingly interdependent. The established framework of the relationship enables a more enduring relationship where especially minor problems are solved with ease. Furthermore, adaptations are important because they indicate some space for change in the relationship (cf. Matson & Johanson, 1987). Often, relationships represent a form of investment for the firm. Both firms invest their resources in the growing relationship and want to generate a return. Such a return on investment is related with the firm's revenues, either they can sell more of their products or services, or they are able to produce in a more efficient manner, hence they reduce their cost. Once this return is generated, there is space for new sorts of investment, with the same or a new actor in the given network. Well-established relationships are characterized through a mutual orientation. Mutual orientation is expressed through the fact that a common language exists; rules are set and respected, as well as a certain standardization of processes. Finally, yet importantly, mutual orientation also

means a mutual knowledge, probably the most important factor. This mutual knowledge may refer to resources, strategies, needs as well as capabilities of the parties. Thus, the mutual knowledge that is created through the common work, in turn, increase the strength of the bond between the two entities of the network (respectively the two firms).

By using the network perspective as a starting point to analyze a firm's internationalization process it is self-evident that the international orientation of the firm's relevant industry or branch plays a crucial role. According Johanson and Mattson (1988) early network approach on the internationalization in industrial systems, some firms are more proactively pushing their industry on international markets while other rather tend to follow them once their industry becomes more internationalized. Moreover, there are certain industries that, through the composition of their actors and the world economy as a whole, are more likely to be internationalized than others are (cf. Buckley and Ghauri, 1993; Andersen, 1993). It can be argued, that firms are internationalizing their activities because others in their network are doing so as well. The degree of the internationalization of the market in relation to the internationalization degree of the firm define whether the firm is a "lonely international" (Johansson & Mattson, 1988) or just one among other international firms in the industry. This behavioral and dynamic aspect of the network approach also distinguishes between firms that increase their commitment in already established networks with counterparts from other countries or whether they establish new relationships with counterparts in new countries. While this increase in the commitment of resources in an already established position within the network is defined as a "penetration strategy", the investment of resources in new relationships with actors from foreign markets can be defined as international extension (cf. Johansson & Mattson, 1988; 1993; McAuley, 1999). In a third option, different national networks start to co-ordinate their activities and hence the firms within these networks are becoming more exposed to international markets. By integrating their position within already established networks with counterparts from other countries, a process of so-called "international integration" takes places (cf. Johansson & Mattson, 1988; 1993; Ruzzier & Antoncic, 2006).

It is widely recognized that networks are very influential on the internationalization process of the firm. Network relationships can influence both, the selection of the foreign market as well as the selected mode of entry. As described by Coviello and Munro (1995, 1997), two of the leading scholars in the field of international new ventures, there are major contacts in the firm's network that trigger the rapid international growth of INVs. Such contacts could be general business contacts, customers or in some cases even employees within their sales forces that have a migratory background. Major network partners could, through the fear of creating an unilateral dependence from a foreign supplier also be motivated to invest in own production and/or sales facilities abroad. Hence, the influence of the type of market entry is often given through the impact of some major network partners. In addition to INV's, this approach has later also been studied with regard to SMEs that dispose over long-lasting, well-developed business activities in many foreign countries (Holmlund and Kock, 1998; Chetty and Blankenburg Holm, 2000; Chetty and Campbell-Hunt, 2003).

Evidence is also given to social ties. Contacts among managers, as well as between them and customers and / or suppliers lead to external social contacts that raise their firms' market knowledge and in turn to international growth (Yli-Renko et al, 2002). In a more evolutionary respectively dynamic approach on network science, Hite and Hesterley (2001) argued that as the firm's international activity grows, the network ties become more coherent and socially embedded. While firms grow internationally, their ties change from a more coincidental or path dependent manner to an intentionally managed network, where actions take place in a more calculated manner.

Networks are also particularly essential in the case of firms that do not dispose over many resources such as employees or machineries. Smallness might become irrelevant if the firm is embedded in a strong network of powerful social and business relationships. This is particularly true for firms that are strongly driven by the owner/manager and his personal network (Coviello, 2006). What matters, in this case, is so-called "insidership" that was developed by the entrepreneur and his staff, before the entry into the foreign market, sometimes even before the inception of the firm.

2.3.2 The revisited Uppsala model: networks and the liability of outsidership

In 2009, the Swedish scholars Jan Johansson and Jan-Erik Vahlne revisited their Uppsala model in the light of changes since the late seventies. Because of the intensified research on international business networks, they changed their theoretical framework from the neoclassical approach to the network approach. Whereas with the initial approach every firm was analyzed as an independent supplier to a market of likewise independent customers, they now applied an understanding of the firm as an actor in a web of business relationships. The publication explaining their updated model carried the subtitle: From liability of foreignness to liability of outsidership. Hence, in their updated version they stated insidership in networks as a relevant factor for a firm's success:

A firm's success requires that it be well established in one or more networks. Anything that happens, happens within the context of a relationship, and a firm that is well established in a relevant network or networks is an "insider". (...). We argue that insidership is a necessary but insufficient condition for successful business development. (Johansson & Vahlne, 2009).

In turn, a firm that has no position in a relevant network is an "outsider" to this network. The *liability of outsidership* as the authors describe it comes from the situation when a company tries to enter a foreign market where it has no relevant network position.

Creating functional relationships takes time and requires a lot of managerial effort. Many attempts of creating relationships may fail and even initially promising relationships could turn out as troublesome (cf. Hohenthal, 2001). Nevertheless, the firm's relationships with other actors in their network makes it possible to identify and exploit opportunities. The question on what markets the firm may focus their activities can be answered by "where the firm and their focal partners identify opportunities!" Hence, internationalization is an outcome of the firm's efforts to strengthen their position within their network. In a network approach, this effort is given either when a firm is trying to improve their position in the market network or when they try to protect it. Improving a position takes place when a

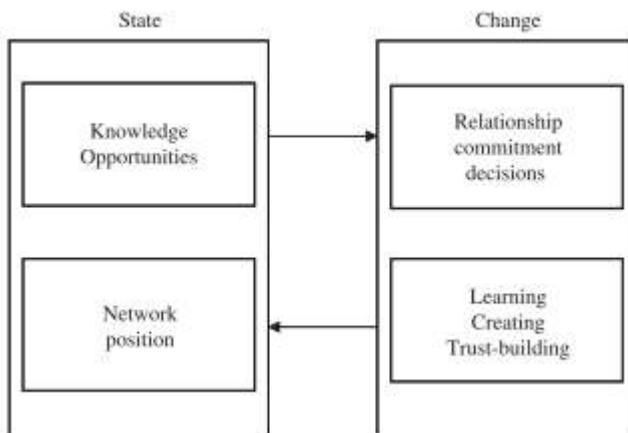
company enters foreign networks where it is about to identify and exploit business opportunities. The latter reason for expansion is given when a company is following a partner firm that already went abroad.

As illustrated in figure 6, the new model consists of two state and two change variables. They are similar compared to the old model of the nineteen seventies. Like in the old model, the current state has an impact on change and vice versa. These variables are also relevant for both sides of a relationship and affect each other. As state variables, the authors defined knowledge and the firm's network position. A firm's knowledge can include knowledge about opportunities, needs, capabilities, strategies et cetera. Opportunity recognition is considered as the main factor that triggers the process of internationalization. It is the company's body of knowledge that leads to the discovery and/or the creation of opportunities. Yet knowledge is not accessible to everyone but only to network insiders. Even within a business network, knowledge is unequally distributed. Firms with a better position within the relevant network may have better knowledge and can create and exploit opportunities better than firms with a weaker network position exploit. Other elements of knowledge that might trigger the process of internationalization include the detection of needs or the identification of new capabilities within the organization. Unlike opportunities, the needs rather appear as a firm's obligation to internationalize its activities. A firm might detect a need to be closer at their market of resources or to follow a client abroad. In that sense, their process of internationalization is not proactively initiated by opportunity recognition. The capability of doing business abroad could be discovered by e.g. an employee that is very connected in a new market and that could lead the company's governance to initiate a process of internationalization.

The internationalization process then always involves a relationship commitment decision. By entering a new market, the firm either enters a network in a foreign country where it may be able to identify and exploit opportunities or they follow a partner who is willing to integrate them in the new marketplace. In this second case, the firm demonstrates its commitment to an already existing relationship. The first case is initiating linkages to new actors in the network, respectively enlarging the company's business network. Building and fostering relationships

involves what is described by the second change-variables: (experiential) learning, creating (opportunities) and building trust among the partners. Once a firm enters a new market, they need to identify the relevant market actors and analyze how they are connected (Axelsson and Johansson, 1992). The firms' existing body of knowledge about how they do business in their environment is challenged by the fact that they do not know that much about the new market environment. The patterns of the new market network are often very complex and invisible to the new actor. The organization is forced to learn while they operate in the new market and can therefore not refer that much to their existing knowledge. That kind of "hands-on" learning, experiential learning, which can be entitled as "learning by doing", is key in order to enter a new market successfully. By these actions, the firm again upgrades its relative position within a network (Johansson & Vahlne; 2009).

Figure 6 The revisited Uppsala model from 2009 (source: Johansson & Vahlne, 2009)



With the more traditional views, as described earlier in this section, the psychic distance between the home and the focal market was considered as one of the major challenges for internationalizing firms. The larger the psychic distance, the larger the so-called "liability of foreignness" that a firm would need to handle. A successful internationalization process and, in that sense, a successful management of that liability would mainly be explained through firm-specific advantages (Hymer, 1976; Zaheer, 1995). With this new concept, insidership in

the relevant business networks are decisive for detecting and exploiting opportunities. Therefore, the phenomenon of “born-global” firms as described in the next chapter, can be explained through the fact that such firms have a relatively strong position within a relevant network. Psychic distance and the liability of foreignness may be less crucial to the internationalization process than the “liability of outsidership” to the relevant networks. Johansson and Vahlne wrote:

“(...) from liability of foreignness to liability of outsidership, refers to the fact that a firm’s problems and opportunities in international business are becoming less a matter of country-specificity and more one of relationship specificity and network-specificity. For example the problems associated with foreign market entry are largely the same as those associated with entry into any other market.” (Johansson & Vahlne, 2009; p. 1426).

2.3.3 Psychic distance and the liability of foreignness

Beckerman (1956) was probably the first scholar in the field of international trade literature that initiated the concept of psychic distance in relation to international firms. He tried to explain the differences in culturally influenced business habits among various countries. While researchers in the Swedish Uppsala University began to explore the process of smaller firms’ internationalization, they developed this concept more in detail. In the context of SME internationalization, it first emerged in the early publications of the Swedish school in the 1970s. Johansson and Wiedersheim-Paul (1975) define psychic distance as the sum of “factors preventing or disturbing the flows of information between firm and market”. Differences in language, business rules, culture, religion, political systems, educational or political systems can be made responsible therefore (Carlson, 1974; Johansson and Wiedersheim-Paul, 1975; Johansson and Vahlne, 1977). These difficulties then manifest in a lack of access to general market information and/or restrain the communication (direct or indirect) with customers, suppliers and other partners.

Depending on the way the concept of psychic distance is used, its definition can vary greatly. In addition to the already stated differences in the level of economic development can be taken into account as well as the difference among the general level of education between countries. Some Swedish studies even considered the existence of previous trading channels between Sweden and the focal countries as factor reducing psychic distance among them (Nordström & Vahlne, 1992).

In the revisited Uppsala model, a high psychic distance results in a firms' liability of foreignness. Foreignness to a certain market is resulting in a missing knowledge about the focal markets *language, laws and rules*. It can be summed up as institutional market knowledge. In the initial Uppsala model, the psychic distance between home and focal market was the main challenge for the internationalizing firm. In the light of changes, namely the rising number of international new ventures that seemed to handle relatively quickly issues regarding very distant marketplaces and internationalized on a very early stage of their companies lifecycle, the notion of psychic distance seemed to be of less importance. Business market knowledge, factors related to the rules and composition of the firm's network and the position and engagement of the firm within its important networks were identified as major elements that trigger the ongoing process of a firm's internationalization.

In the networked view, the process of internationalization is considered as the outcome of a firm's ambition to strengthen its position within its relevant business network. Hence, insidership to these relevant networks might be considered of major importance. Nevertheless, in an ever-closer growing world of global markets, where even small firms are enabled to reach distant foreign markets, the intercultural challenges that are faced by these organizations cannot be excluded from that process. In the revisited Uppsala model, the leading scholars behind the Uppsala gradual approach defended the gradualist approach in the light of a networked view of internationalization. They stated that internationalization is a firms' gradual process of increasing its relevance to the firms' specific network of partners. Hence, outsidership to these networks is a major liability. In turn, the dense but globally spread networks as in many branches, especially highly

developed ones such as in information technology, might explain the accelerated process of internationalization of some young and smaller firms (Johanson & Vahlne, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009). The effect of strong networks can reduce the liabilities of cultural distance and a certain foreignness of the organization to distant markets. However, they are not completely eliminated through a strong position of the firm within the network. They are rather a secondary element that needs to be considered when internationalizing.

Psychic distance was found to be a crucial element in firms early export market selection, together, of course, with the geographic distance. A study among small and mid-sized Australian export firms revealed that psychological distance, even though its effects decrease after having dealt with the first foreign markets, remains an important factor in the firms market entry selection process (Dow, 2000). O'Grady and Lane (1996) stated in a study among Canadian entrepreneurs that a reduced psychic distance as they while venturing to the United States might experience it could lead to a paradox situation. Due to an impression of little cultural differences, hence a reduced psychic distance, between the Canadian and the United States business ecosystem, Canadian entrepreneurs struggle when starting their business activities in foreign US markets as they unexpectedly start to recognize some differences (O'Grady & Lane, 1996).

Beyond aspects of decision taking, it can be stated that the cultural milieu of a society frames and influences all kind of economic activities that take place within that national culture. Formal institutions shaping the economic activities through regulations and laws are not enabled to influence such activities completely. The outcome of such formal institutional policies and regulations is strongly influenced by the cultural framework of a society (cf. Williamson, 2000; De Clercq, Lim, & Oh, 2014).

Unlike measuring geographic distance, the empirical measurement of psychological distances cannot be carried out very easily. Researchers who have incorporated measurements of psychological distance within their empirical models have mainly relied their measurements of scales such as Sethi's (1971) cluster analysis of world regions that comprised 29 variables for 91 countries or

Hofstede's (1980, 2017) cultural dimensions (cf. Dow, 2000; Benito & Gripsrud, 1992; Deer, 2017). In the context of work-related attitudes, hence distinctive characteristics for the establishment of a network of partnerships across cultures, Hofstede's five cultural dimensions seemed to be among the most appropriate framework. The impressive size and durability of Hofstede's work are only two among many appealing characteristics favoring the use of this scale-related measurement in order to quantify psychological distances (cf. Benito & Gripsrud, 1992; Kogut & Singh, 1988).

2.4 The scaling power of hubs

Even though hubs are an important element in general network theories (Scott, 2017) there are only few applications in the context of a firm's internationalization process. In economic geography, hubs have been an important subject of research. For two decades, hubs have primarily been the subject to research on logistics and transportation (Hammer, Schüffel & Baldegger, 2016; Kaplan & Sawhney, 2000; Lee & Yang, 2003; O'Kelley, 1998; Zäpfel & Wasner, 2002). In this field of research, they describe a centre for a certain kind of industrial activity, for example research (Philip, Townsend, Roberts & Beel, 2015), financial activities (Poon, Tan & Yin, 2015), car assembly (Edgington, 2015), or else. Iammarino & McCann (2015) pointed out that for international firms, the location is key in order to keep access to latest technologies and trigger interorganizational innovation. On the other hand, they observed the important economic impact subsidiaries of multinational companies have on the city in which they settle. They major theories around international firms and hubs centre around the subject of multinational companies, so-called MNEs (Meyer, 2015) and do not really consider smaller firms' internationalization process in relation with such existing business hubs.

By applying the network theory on the research of internationalizing firms, it can be argued that it is of utmost importance to get an understanding of the evolution and the characteristics of complex social networks as such. This basic knowledge about the role of hubs in complex social networks can be considered an important background information for a network-based view on internationalization. Considering the current scientific contributions in the field of network-based

internationalization studies, we can state that a lack of knowledge regarding the holistic role of hubs in networks exist. This dissertation aims to satisfy the demand for an in-depth understanding of the physical law and characteristics of networks and the role of highly connected nodes in complex network systems.

The basic assumption of a networks structure and its growth habit initially followed theories that were based on probabilities and randomness (Bollobas, 2001). Early network theorists (cf. Paul Erdős, Alfréd Rényi, and Edgar Gilbert) assumed that complex networks, such as biological or transportation networks develop randomly. Every kind of a network exists of nodes and links that connect these nodes. In a randomly developed network, every node has an equal chance of connecting to other nodes in a given network system. By summing up the number of connections that any node has in a given network, we could conclude that they follow the law of a normal distribution. In the very popular Small World phenomenon also known as the Six Degrees of Separation theory, any two individuals (nodes in the network of human population) can be linked through a limited number of already existing links such as a maximum of six links for the US population in their initial experiment from the 1960s. Following this line of thought, highly connected nodes, so-called hubs in social and economic sciences, are not very rare (outliers in a normally distributed number of links) and the probability of finding such would even decrease exponentially as the newly attributed links increase, respectively as the network system grows in its size (Barabasi and Reka, 1999).

The technological changes such as the emergence of the World Wide Web and the general computerization of data made it possible to investigate on the process of growth and to analyse the topology of complex large-scale networks. The physicists Albert Barabasi and Reka Albert have published a scientific contribution explaining the evolutionary growth habits of complex (social) networks in *Science* in 1999. By exploring complex networks, they observed that many of them share a common feature: the distribution of their local connectivity is free of scale and follows power law while during growth, the number of connectivity's is rising exponentially (Barabasi and Reka, 1999). They argued that most of the world's real networks are open (not closed systems) and the number of new vertices to

the system is continuously increasing throughout the lifetime of the network. New vertices usually connect to the vertices already present in that system. Nevertheless, they do not connect on a random basis, while connecting they show a rather preferential connectivity to nodes that are already well connected. This preferential connectivity can be described as a “the rich are getting richer” phenomenon.

Barabasi and Reka based their findings on the many insights that were gained by empirically observing the rise of the internet. With robots¹ it was made possible to observe this habit of preferential connectivity in various other networks such as citation patterns in scientific contributions, the links between actors in Hollywood movies (who is connected respectively played in a movie with whom) or even the connection within and among biological cells. For example, it can be stated as generally known that the internet is growing every day by the number of webpages that are added to it. New webpages are very likely to be connected with already well-known webpages through hyperlinks. The internet is made out of a tremendous mass of webpages respectively virtual documents and most of them dispose over a few links to other webpages. There is a small number of webpages in disposition of worldwide fame such as Google, Facebook or Alibaba. They dispose over an enormous amount of links to other webpages and many new webpages do very likely want to connect with these already well-established pages. The patterns of citations in academic literature also follows this rules of preferential attachment: highly cited papers are more likely to be even more often cited given the fact that new academic contributions rise attention by being connected with well-established contributions (Redner, 1998).

Growth and preferential attachment are two mechanism present in a high number of complex systems such as business networks or social networks, and they lead to a power law distribution of connectivity (Barabasi and Albert, 1999; W.Brian Arthur: Complexity and the Economy, Science, 1999). Hence, highly connected nodes, hubs as defined by economists, emerge in these complex networks due to

¹ Robots or bots are software programs that automatically execute tasks such as, in that particular case crawl the internet for webpages and count for the number of links between the pages

a power law distribution. In the viewpoint of a firm's internationalization process, in other words the emergence of a firm's business activities in foreign economies, there is a need to give a deterministic identity to so-called business hubs. As the internationalization process takes place in geographically connected, globalized markets, the concept of global cities was taken into consideration.

2.5 Synthesis

There is, despite the impressive volume of knowledge that was created since the inception of studies about the international firm, a relatively clear line of thought that can be integrated to a scientific framework about internationalizing firms. Theoretical models about a firm's foreign direct investments were among the initial streams of that field of research. They have primarily been conceptualized in order to explain the "internationalization behavior", or simply the existence, of multinational companies. We can assume that small and mid-sized firms do not entirely act upon the same assumptions. Nevertheless, there were some major insights acquired with regard to MNCs that do also explain some basic parts of the behavioral patterns of internationalizing SMEs.

The eclectic paradigm, a combinatory approach of the monopolistic advantage theory and internationalization theory, explains that an increased level of advantages of a firm above their competitors is likewise increasing the firm's likelihood of carrying out foreign direct investments (FDI). Such assets, mostly of an intangible character such as the organizational knowledge related with cost-driven delocalization advantages are among the common characteristics that explain why firms decide to venture into foreign markets. According to more recent study results, the saturation of home markets was added to that list of triggering effects. The findings of these studies are based upon observations about the internationalization processes from SMEs that are settled in well-developed economies.

In the early phase, in which SMEs had been seen as passive victims rather than active players within globalizing markets, theoretical models about the international firm have assumed rational decision-making within perfect market conditions. Since behaviorism successfully entered the domain of economic

studies, rational decision-making and market conditions in which competition results in a perfect equilibrium of supply and demand and the flow of information is distributed equally and is fully transparent, can at least be called into question. Nevertheless, we consider these models of foreign direct investment as an important element that, to a certain degree, are able to explain the basic characteristics of firms international processes, especially with regard to the internationalization in difficult and distant markets.

The stage models that emerged in the early 1970s, while some scholars started to pay attention to smaller firms and their dynamic process of internationalization, have had a lasting effect on the research field of firms' internationalization, especially in the case of small- and mid-sized ventures as well as start-ups. Among the most cited models, the Uppsala-school considers that a firm's process of internationalization is the product of an incremental and stage wise proceeding. This model describes that through the gradual learning of the organization, while it is experiencing business activities in foreign economies, the company steadily increases its commitment in foreign markets and dares to take on the risks of pioneering in markets of increased psychic distance. This stage wise process of internationalization depicts an ever-increasing distance of the firms' new focal markets and points at a relatively restrained acceleration of internationalization.

New information technologies have triggered an accelerated globalization of markets since the mid-1990s. This led to the emergence of small firms that, within a short amount of time, were enabled to act as important players on global markets. This happened despite the fact that many of them remained small organizations with limited experience on international markets. As they seemed to skip some important stages of the Uppsala-school, scholars tend to question the validity of the "gradual" in the internationalization process.

The network view on firm's internationalization sees the firm as an actor embedded in a network of relations with other actors. This considers the fact that firms organize a division of labor across the systemic borders of their own entities and across nations and cultures. This point of view brought new knowledge on the "gradual" in the firms' internationalization process. In their revisited Uppsala model, a model that now takes that phenomenon of international new ventures

into account, the gradual and stage wise dynamic process through which firms become international actors has still its validity. Instead of applying this to country, hence (business-) culture specific factors, the stages are now delimited within the network. Hence, the speed and scope of a firm's internationalization process depends on whether the firm's relevant network is densely situated within a range of neighboring countries or whether the firm is active as an innovator within a highly globalized market niche. In both cases, however, the process of an ever-increasing commitment towards the other actors in the network can be described as gradual and stepwise. The liability of being a foreigner, often characterized by a high psychic distance between home and focal market, is reduced if the company's position as an insider in the relevant network is strengthened.

The revisited Uppsala model, the state and change aspects that describe the basic mechanism of SME internationalization as well as the notion of psychic and geographic distance will be the primary concepts applied in order to study the internationalization behavior of SMEs in the study. The network view on SME internationalization should require a basic understanding of the characteristics and the evolvement of real world networks. Complex real world networks commonly share the characteristic of preferential attachment. What physicists and mathematicians in research on the growth patterns of the worldwide web detected has found its way to studies on business and social networks. Highly connected nodes of the world economy and their impact on small but internationalizing firms is setting the groundwork for this thesis. So far, these insights only partially found their way into studies about firms' internationalization patterns. The field of economic geography studied the impact of hubs of various kinds (transport, branches etc.) on the firms exposed to them. An empirical study about the impact of spatial hubs such as global cities on internationalizing SMEs is rather new to that field. Hence, the basic characteristics of complex social networks are considered rather than any insights gained regarding economic hubs.

Chapter 3. Global Cities: Interdisciplinary approach and theories

Goethe's use of the term "Weltstadt" (in English: world city) while describing the leading cultural centers of his world in the late eighteenth and early nineteenth century, namely Paris and Rome, is probably one of the oldest recorded usages of that term *world city* (Gottmann, 1989). The famous poet himself had never been to Paris, his preoccupation with that world city, however, became more and more important throughout his life. He remained in close contact to many prominent thinkers from Paris as well as with travelers from Paris. As one of the great intellectual minds of his time, he was aware of the many social, intellectual and cultural changes in the late 18th century that originated in Paris. The Weimar republic did notice the city of Enlightenment and Terreur; the contemporary Parisian culture at the end of the 17th respectively at the beginning of the 18th century was eminently present in Goethe's Weimar. An elegant life with many philosophical debates and a general art scene that was not any longer decoupled from politics were the typical characteristics of the modernity of that time. A modern movement that could only originate in a place where the brightest thinkers of a whole nation lived and worked together. As described in the text, he was aware about the benefits of having all the great intellectual minds in a spatially close area. About the mutual inspiration that originates in frequent and recurring physical contacts and exchanges between such individuals. The competitive environment that results in the gathering of the brightest personalities of a republic in one specific city stood in some strong contrast to his situation of being an outstanding intellectual mind surrounded by the rather mediocre cultural and intellectual environment of the Weimar republic. The innovation that occurs through this constant exchange and the power of attraction that such a place as Paris can have on other individuals has presumably even resulted in some jealousy and bitterness in Goethe's life. In a time where mobility was a difficult and a dangerous undertaking that was primarily reserved to the higher social classes, a world city such as Paris was able to attract thinkers from distant places. In turn, the most modern public medium by then, the journal, could reach and influence culture and politics in the remotest areas (Gibhardt, 2011).

The emergence of the city as a dominant spatial unit from where major intellectual novelties emerge and spread to the remotest areas hence is not a discovery of the late 20th or 21st century. Nevertheless, scientific progress in various disciplines such as general urban theories, sociology, political sciences as well as economical sciences over the last few decades brought a whole stream of new knowledge that is relevant to the concept of the city.

The following subchapters deal with the concept of the city as an important node in the global network of the world economy. There are two major theories about this modern concept of world leading cities. After the conceptualization of the term city at the beginning of the next chapter 3.1, these two major streams, the world city theorists and the concept of global cities are discussed in chapter 3.2. Both streams are discussed even though the concept of the global city was used as a major framework for the empirical studies in chapters 5 as well as in the subsequent chapters.

The world city theorists have laid the groundwork for the concept of global cities. Ferdinand Braudel was among the first major scientists that analyzed dominant cities in the context of the world economy. In doing so, he recognized their economic interconnectedness with other foreign cities and decoupled the city as an almost independent object of analysis from its corresponding nation state. Immanuel Wallenstein's division of core and peripheral zones in the context of dominant cities are important elements in the understanding of global cities' surrounding hinterlands. Friedman developed Wallenstein's framework of core – and peripheral zones further into the concept of world cities and was, in that respect, probably among the major influencers of Saskia Sassen's groundbreaking contribution of the global city hypothesis.

Despite the many similarities and common ground of these two approaches, the global city theorists currently perceive world cities as part of a new, late-modern world phenomenon. They are substantially different in the power and influence they spread in contrast to long-term existing world cities. For them, the command and control function of the currently predominant cities, in the context of the globalized world, is substantially different compared to the economic and political power that was spread over many parts of the world from an ancient dominant

world city such as London during the time of the great British Empire. Saskia Sassen's further development of the world city theory, her concept of global cities' and the subsequent contributions of further authors, enabled the quantitative measurement of a city "connectedness" to the global economy. Today, the Globalization and World Cities study group of Loughborough University can be categorized without question as the world's leading think tank in this regard. Their findings and data will be part of the applied concept on global cities for this dissertation.

3.1 The city: a spatial unit in the world system

World cities have existed over centuries. Thus, for example, dominant Italian cities such as Rome, Venice or Genova have influenced the political and cultural landscape of the ancient Europe over several decades. Goethe himself was a contemporary witness of a shift in dominance from Rome as the major empire towards Paris, the new leading intellectual and cultural hub for Western Europe and beyond. There are, in each particular historical period and for each particular world region, some centers of political and/or military power as well as some places of cultural and intellectual dominance. A glance back in history shows that a certain intellectual, cultural, political or military dominance of cities over some hinterlands and other, minor cities seems to be as old as the concept of cities itself. One could even argue that it lies in the nature of a city, in the way that individuals organize themselves in major urban places that a certain dominance over other cities and places will emerge. In order to be introduced to the concept of global cities, it is reasonable to depict the definition and nature of city in general. The following section will take care of that matter and tries to explore the characteristics of the city as a particular spatial unit.

There is no generally accepted and meaningful simple definition of the city. No simple framework that can be globally applied by which a city is defined. Geographers, Historians as well as Architects and Urbanists generally characterize a city as an urban unit that contains a certain density of individuals living and working in a specific area. In that sense, a city is as much a concept as a physical object, comprising specific forms and processes of social, cultural and economic interaction (cf. Curtis, 2014; Hubbard, 2006). The notion of density is certainly disputed and chaotic, and a general population threshold to which a city is characterized does not exist. According to some definitions, the number of individuals living in a place should exceed 25'000 in order to define the urban unit as a city (Glaeser, *Are Cities Dying?*, 1998) whereas in Switzerland, until 2012, communities above 10'000 inhabitants were categorized by the national census as *cities* (Bundesamt für Statistik, 2014). A simple definition of a city by counting the number of inhabitants hence is rather disputed. Other technical criteria such as the density or employment figures as well as the identification of the city as a

core area for surrounding regions should be mutually confirmed in order to characterize the unit as a city. Urban economists define the density simply as the population divided by the area, hence number of inhabitants divided by the number of square meters of the unit. Yet others use weighted density measures such as e.g. the density of the census tract where the average person lives in order to define the city. (Alonso, 1973), (Krugman, 1991). Hence, it would make little sense to use an almost superficial definition as the decisive factor in order to define the city. For one of the leading architectural historian of the 20th century, Spiro Kostof, who studied cities throughout world history, a city can as its best described by the following features:

- They have high levels of relative density of settlement, which is not related to their absolute population
- They form part of urban systems, without which they would not exist,
- They are bounded entities, but the boundary may be material, symbolic or legal,
- They are places with a specialized division of labour and social heterogeneity,
- They have a source of income, whether from position within a trading network, an agricultural surplus, a commodity, a geomorphic resource such as a natural harbor, or a human resource such as a king,
- They exist in symbiosis with their surrounding countryside or hinterland
- They are given scale and identity by monumental buildings and symbols,
- They are amalgams of buildings and people, where ideas, values and form constitute a single phenomenon (Kostof, 1991).

This very extensive definition of Kostof effectively explains the complex properties that, altogether, form the concept of a city. Nevertheless, in the light of

globalization, there are some further points that could be added to this definition and others that might be questioned. From urban geographer Phil Hubbard's definition of cities, one could add the feature of economic activity that is agglomerated in urban space. The political and/or administrative role a city plays, not only for its country or for hinterland but also globally, as well as the set of social relations that comprises likewise the concept of the city (Hubbard, 2006). On the other hand, Kostof's point about cities as bounded entities can be questioned in the light of the global city theorists. The theory on global cities is a contemporary concept that forms the basis for my larger argument. In the innovative approach that takes the event of globalization into account, there is a need to study a city in a network approach. Using this viewpoint, a city can be seen as a network of flows and processes and, holistically, as a node within a global network.

3.1.1 World cities in the context of a globalizing world

The literature about world cities has emerged in the late 1960s and gained an increasing interest and popularity among scholars in the late 1980s and early 1990s. The development of this body of research took place in the same period as the research on international firms (see chapter 2) began to accelerate. This stream of research takes account of the role of cities as an important node in the global economic network. Even though the concept originates in urban and geographic studies, it was enriched through various viewpoints from scholars in the fields of sociology and economics. Stephen Hymer, the Canadian economist who substantially contributed to the monopolistic advantage theory, a theory explained earlier in chapter one, likewise observed and detected some geographic patterns regarding the dispersion of activities among multinational companies. He observed that in an increasingly globalized world, activities by multinational firms that are associated with day-to-day operations could be easily spread across the globe. Due to this, some geographic preferences become more pertinent. Production sites can be dispersed outside the highly industrialized centers of the world economy to developing economies. On the other hand, activities that concern the highest level of decision-making need to be centered in highly developed urban centers where the decision makers have access to high levels of social and financial capital in a dense area.

Both phenomena, an increased international activity among firms as well as the emergence of globally interconnected urban hubs, can be put into relation to the process of globalization. As discussed in the introduction, there are two major scientific approaches regarding cities and their dominating role within the world economy. First, there is the notion of world cities as studied and characterized by the world city theorists. Secondly, there is the concept of global cities. In this concept, modern cities that dominate the world system are conceived as a late modern phenomenon, or at least a phenomenon that takes on unprecedented characteristics in the late-modernity. Hence, they distinguish themselves clearly from world cities by the notion that they did not exist in previous times. Distinguished from ancient world cities such as Paris, Rome or Venice, they become the spatial expression of a fundamentally new form of global capitalism (Curtis, 2014). Thus, with the use of the term global – instead of world – city the essential difference is already manifested in its name. The “global” manifests itself given the fact that the phenomenon of globalization has led to new and historically unique ways of how the world economy is intertwined by an accelerated trade across many cultures and within world regions. This second approach, the concept of the global city, is the major concept that will be applied in the conceptual framework as described in chapter 4. Nevertheless, it was clearly influenced by the world city approach and world system theory, developing those further into more sophisticated analyses between cities and economic globalization (Curtis, 2014).

The world systems theorists pursue a long-term approach to analyze historical structures of the world economy. The historical movement of the French Annales School and their representatives such as Marc Bloch or Fernand Braudel initiated this concept. In their ambition to understand the total history of particular societies and regions, the representatives of the Annales School combined historical studies in an interdisciplinary approach with the scientific fields of geography, anthropology, psychology and even economics and statistics (Hexter, 1972). Their timeframe of analysis covers epochs of world history, *la longue durée* – the long term, in which time, space and structure are intertwined and depict system-theoretical characteristics. According to Braudels analyses, a core capitalist city

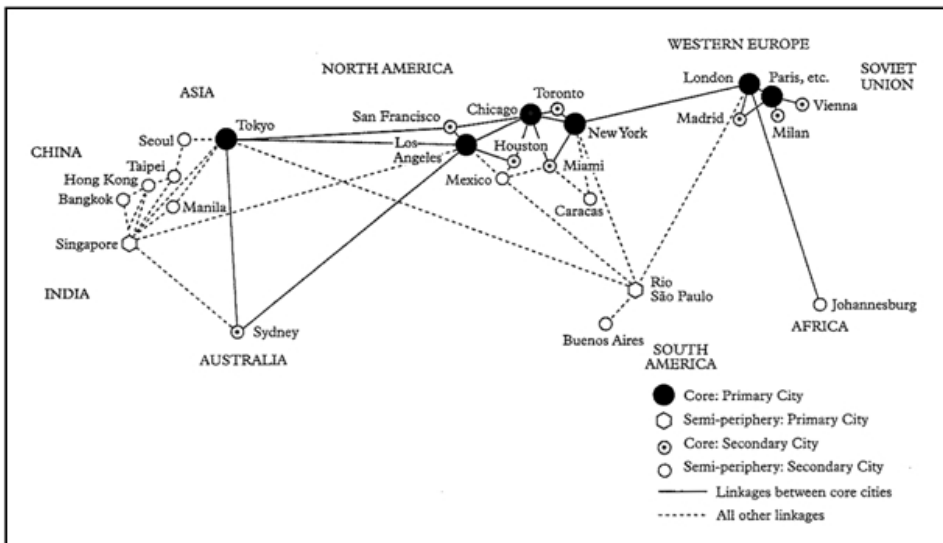
dominates every world economy. Several world economies might operate at the same epochal time, but for each there is a dominant city at its center. The economic and financial dominance of these cities reaches far beyond national political boundaries. In his oeuvre *Civilization and Capitalism*, Fernand Braudel cites a long list of historical dominant capitalist world cities such as Venice, Antwerp, Genova, Amsterdam etc. (Braudel, *The perspective of the world*, 1984). Braudels work was not the first to analyse the role of dominant cities in the context of an increasingly connected world economy. Previously extant theories such as the modernization theory that pursued nothing less than to explain the development of history, also considered the role of world cities. However, as a major unit of analysis they analyzed the development of nation states and stated the assumption that all countries will merely follow the same path of development. With Braudels work, the city as a subject of analysis became decoupled from the nation state. He categorized geographic regions according their level of development, independent of national borders and demonstrated coherences between core capitalist cities, their economic power and a hegemonic distribution of political rules (Braudel, *The perspective of the world*, 1984, in Curtis, 2014). This concept later gave the groundwork of the world system theorists, primarily Immanuel Wallerstein. Inspired by the dependency-theory, a neo-Marxian concept that assumes that a periphery of underdeveloped regions contribute to a core region that therefore becomes increasingly richer, the groundwork of Wallersteins conceptualization of the world economy was set. According to his world-systems theory, there is a durable subdivision of the world into a core and a peripheral region. In addition to this, there is a fundamental division of labor, institutionally stabilized, between the two worlds. The core or center of that system is highly developed and enabled to produce all kinds of sophisticated and complex goods and services while the peripheral world is supplying the core with cheap labor, raw materials and agricultural products. Hence, rewards and resources are unequally distributed and the resulting inequality is underpinned in an unequal development. According to Wallerstein, the core and the peripheral zone are not fixed within the same unvarying world regions. Some actors of the peripheral zone could move towards a core zone and vice versa. However, a third category, a so-called semi-peripheral zone, is acting in between. They actually disguise the

prosperity gap between core and peripheral zone by their functioning as a sort of buffer zone. More precisely, they act as a core zone to the peripheral zones and as a peripheral zone as opposed to the core zone (Wallerstein, 1974; 1980a; 1980b; 1991). Likewise influenced by the neo-Marxian dependency theory, John Friedman further developed Wallerstein's world systems framework in the changing structure of the world economy in the nineteen seventies and eighties. Increased export and internationalization activities and the rising power of multinational companies led to a new way of labor division. The core zones turned slowly into economies of tertiary sector whereas production was delocalized to peripheral or semi-peripheral zones. In response to an increased multinational activity of some major firms and increased wealth among their shareholders, the global financial market started to establish itself and offshore banking began to emerge.

In his essay, "the world city hypothesis", Friedman (1986), explored trends of urbanization in the lights of these above described changes. He assumed that global capital would make use of some key cities as "basing points" for global production and markets. The global control functions of such cities are then reflected by the structure and dynamics of their production sectors. He decoupled economic analysis from the level of nation states. Now, the unit of interest lay at the level of the city. He interpreted world cities as "spatially organized socio-economic systems" (Friedmann, *Where we stand: a decade of world city research*, 1995) p.22). Rather than the actors, the places where these actors congregated were in the center of interest. In his thoughts, world cities were the places where dominant multinational firms organized their production and marketing activities. In world cities, managers of multinational companies could organized global production and their supply chains while having all of the relevant services nearby. As they served as the "organizing nodes" of the global economy, world cities were seen as centers that played a distinct role within their larger economic environment. In urban studies, the city was primary reflected as a closed urban system. By linking urban studies with the world systems framework, Friedman tried to analyze and understand the city in the context of its embedded economic framework. His analyses investigated on how a world city links the world economy

to the particular national or regional economy and how, in turn, they influence the system in return. His core cities were places where global capital is centered and he hierarchized them according some relative weights of measurement, mainly financial centers and corporate headquarters (Friedmann, 1986). Among his world cities, some primary cities were linking east and west in the global economy. He called them the core, as initially conceptualized by Wallersteins' world-systems theory. As shown in the figure below, this east-west axis was formed by the core city of Tokyo for the (east) Asian continent, New York, Chicago and Los Angeles for Northern America and London and Paris for Western Europe. Some secondary core-cities such as Vienna, Milan and Madrid for Western Europe were mainly linked to the core cities of London and Paris. On behalf of the Asian continent, Sydney was the only secondary core city whereas Singapore counted as the only primary city of the semi-periphery and strongly interlinked with secondary cities of the semi-periphery such as Hong Kong, Bangkok and Manila.

Figure 7 The World City Hierarchy (source: Friedman, *The World City Hypothesis*, 1986, p.71)



Friedman's conceptualization had a functionalist character, he argued that the world economy as a system requires different functions for its operations such as New York that provided headquarter locations for firms and Detroit, which

organized production in the automobile sector, while London and Tokyo took the function of a global financial center (Curtis, 2014). On the other Hand, world cities also had an integrating impact on a limited number of surrounding regions. Of course, not all of the world regions could lie in the hinterland of a world city, and some regions are even excluded and isolated from this global system. However, very typically for Friedman's concept of world cities is the dynamic character of this system. Thus, cities could, by attracting global investments, gain control functions and upgrade them within the world hierarchy. New world cities could then also lead to new emerging regions that are increasingly connected to global trade.

The employment sector, of course, will also underlie some changes while world cities are formed. New job opportunities arise in these cities and they attract large numbers of migrants. Mainly, the well-qualified individuals are attracted by these opportunities and this, in turn, leads to a stronger concentration of planning and control within these centers. On the downside, the formation of world cities also leads to many contradictions such as e.g. class polarization (Hymer 1972).

Hierarchizing world cities according their control function and their power has already been part of Hymer's thoughts (Curtis, 2014). Hymer, who compared the structure of the world city system to the structure of a multinational company, classified these cities within a static international and regional hierarchy of traditional ruling powers. Friedman, however, stressed a more dynamic character to the world city system. He paved the way for a new central theoretical statement that further developed the analysis of the linkages between cities and globalization.

3.2 The global city: center of control and command

The concept of the global city is the major scientific contribution behind the current ranking of dominant cities that, in the light of globalization, can be counted as the most integrated in the world economy. This theoretical contribution has led to the establishment of the leading think tank of the Globalization and World City Research Network of the University of Loughborough and its frequently updated categorical list of global cities. The list as well as the underlying data were applied to the empirical investigations under chapter 4. Hence, they serve as the major framework in order to analyze, quantify and compare a world city's importance as a center of "control and command" within the global economy.

3.2.1 Sassen's global city hypothesis

Since the publication of her book, *The Global City*, Saskia Sassen forges one of the most contemporary concepts of cities in the context of the economic globalization of markets and labor. While sharing much in common with Hymer's approach on core and peripheral regions and the world city hypothesis from Friedman, Sassen focuses more strongly on the notion of command and control that is centered among some cities.

At the heart of Sassen's research on the global city lies a seemingly paradoxical trend that was observed and that has become increasingly clear among the last four decades of globalization: a dispersal of economic activities around the world while simultaneously control and command functions over these activities got ever more centered and integrated in some leading cities.

Globalization has resulted in a dispersion of many activities such as rising production sites in the south and east at the expense of the OECD economies, meanwhile more and more specialized activities emerge in the most advanced OECD economies. A successful diffusion of global brands and firms in the most remote corners of the world takes place along with ever more complex, strategic and centralized operations. Although one could argue that the control over production sites and global brands should disperse along with them, in reality, quite the opposite was observed. In this new 20th-21st century global context, spatial dispersal of economic activities has paradoxically taken place together with

further centralization and increased complexity business strategic control. Furthermore, the work of managing and financing corporate networks of operation, as conducted by corporate headquarters situated in global cities, is of such a complexity that multinational corporations tend to outsource more and more services to providers concentrated in global cities. Highly specialized firms in the fields of accounting, legal, public relations, programming, telecommunications and other related services provide their services to the headquarters of multinational corporations that on an increasing scale buy these services (or parts of it) rather than produce them in house (Sassen, *The Global City*, 2nd edition, 2001). Sassen calls these firms “advanced producer services” or in short APS. In her 2005 published paper *The Global City: Introducing a concept* she wrote in her second (out of seven) global city hypothesis:

“While even ten years ago the key site for the production of these central headquarter functions was the headquarters of a firm, today there is a second key site: the specialized service firms contracted by headquarters to produce some of these central functions or components of them. This is especially the case with firms involved in global markets and non-routine operations. But increasingly the headquarters of all large firms are buying more of such inputs rather than producing them in-house.” (Sassen, *The Global City: Introducing a Concept*, 2005; p.28).

Based on this statement, she further stated that a new “agglomeration dynamic” is created through the complexity of the services they need to produce and the uncertainty of the markets they are involved with, that makes the certain cities function as “information centers” (Sassen, *The Global City: Introducing a Concept*, 2005). In turn, the outsourcing of very complex and unstandardized functions from headquarters toward specialized service firms leads to a certain independence of the headquarter towards agglomeration economics. Hence, the headquarters become even freer to opt for any location. Meanwhile an increase in international city-to-city transactions respectively a strengthening of the global city network is given by the fact that these advanced producer service firms locate their affiliates in the major global cities as well.

While the world city hypothesis focuses on the position of cities within a global network of cities, and assumes the production of control, Sassen argues, "it is the emergence of a vast range of producer and financial services that makes the global control exercised by firms possible" (Alderson & Beckfield, 2004). Referring to this, Sassen's global cities are much more than urban spaces where high volumes of financial transactions are taking place. Given the market uncertainty and the complexity of advanced producer services, these firms also create new products in finance, law, accountancy and so forth. They offer the multinational firms a worldwide assistance in executing their power and control (Taylor, Walker, & Beaverstock, 2002).

While most of the production sites were delocalized from OECD economies to the developing economies of the south and the east, the production of innovations is another form of production that becomes increasingly integrated in the global cities. Global cities are sites for the production of innovation in the leading industries (Sassen, *The Global City: The De-nationalizing of Time and Space*, 2000) and above they became the major markets of these innovations (Sassen, 2005; Alderson & Beckfield, 2004). Summarizing the functions of global cities according to Sassen, they can be categorized into the following:

- Global cities are highly concentrated command points in the organization of the world economy
- Global cities are key locations for finance and specialized service firms which have replaced manufacturing as the leading economic sector,
- Global cities are sites of production of innovations in leading industries,
- Global cities are markets for innovations and new goods and/or services.

Obviously, the rise of the internet and the resulting vast range of new opportunities around which the global economy is organized lies at the heart of the global city concept. It is one of the major arguments describing the contradictory movements of dispersion and integration, questioning why under conditions of instantaneous communication and spatial dispersion of economic activities, a need for an integrated control in world cities still exist. For urban geographer Michael Storper, the new technologies have not resulted in a spatial dispersion of economic activity

but rather in their concentration. He argues that due to the high complexity of modern economic processes, entrepreneurs need to engage in collective and knowledge-rich learning processes. Such processes, as they comprise of very dense networks of learning activities, are not easily transferable to other locations. Hence they need to be considered as local assets from the places in which they occur (Storper, 1997; Taylor, Walker, & Beaverstock, 2002). With these arguments, Storper has created a school of thought that is not supporting the initial arguments, respectively the underlying paradox, of Saskia Sassen's global city approach. His theory provides very good insights about the high popularity of some cities for some very specific functions, such as Hollywood in the movie industry or Silicon Valley in information technology (Taylor, Walker, & Beaverstock, 2002). Nevertheless, it does not explain the network of cities nor could it explain the relation of such global hubs for international firms in a network approach.

Think tanks such as the GaWC project of the Loughborough University, constructed measurements in order to establish a hierarchized roster of global cities and to analyze interconnections among them. The concept of advanced producer services and the spatial allocation of their headquarters and subsidies from the global city theory provided an accurate framework therefore. Analyzing global networks, however, requires a thorough discussion using network science approaches.

3.2.2 The network approach to global cities: pushing Sassen's theoretical hypotheses to empirical studies

A substantial contribution to the analysis of global city networks was made thinkers such as Manuel Castell and Peter Taylor. Castells contribution on behalf of the network society (Castells, 1989; 1996; 2004). Castells "The network society: a cross cultural perspective" from 2004 can be considered central texts for scholars analyzing global city networks. On a purely conceptual basis, he shifted the theory on global cities from a very economically influenced point of view towards the spheres of social interactions (e.g. Curtis, 2014). In particular, the way new technologies intervene in the establishment and maintenance of new social relations, way beyond our classical perceptions of spatial structures, were major

subjects to his thoughts. The technological achievement that enabled simultaneous communication among two or more individuals without occupying the same space triggered Castells thoughts about a reconceptualization of social relations. He is arguing that, in the age of information technology², networks become the current form of social relations. This, however, does not mean that he is equating networks with the internet. Castells rather argues that the modern economy is organized in forms of networks. In that sense, he is referring to the strong intertwining of economic interdependencies. By stating “network companies”, he goes far beyond a simple concept of a network of firms. He rather describes a network that consists of segments of various different companies, companies as a whole and likewise of segments within the same companies. In that sense, big multinational companies are structured internally in the form of decentralized segments. Smaller and mid-sized companies are often connected externally through networks with other firms. Such networks are undergoing a constant change, depending on the respective business projects. Despite the fact that companies are represented as legal entities, the major lead for the network are the projects and not the companies themselves. In this line of thought, the space in which these processes are organized need to be redefined as well. In such a world, the process of work is organized beyond companies, regions or countries and the network of locations becomes the key object of analysis (Castells, *Bausteine einer Theorie der Netzwerkgesellschaft*, 2001).

In the space of flows (Castells, 2010; p.442-448), he shapes the role of global cities by describing three layers in which current society is organized through the technological development. The first layer is the infrastructural support to the societies' communication. It consists of electronic devices, such as smartphones, that allow individuals to connect and communicate. In addition, high-speed transportation-systems, likewise based on information technology, or computer processing is part of this first layer. Castells describes this as follows:

² In Castells publications, he often mentions the age of “information technology and genetic engineering”. The genetic manipulation of living organism, however, according the concept of the author, does not further imply the discussion between Taylor, Sassen and Castells in terms of Global City. Therefore, the major focalization lies in the increased use and applications in terms of information technologies.

“The spatial articulation of dominant functions does take place in our societies in the network of interactions made possible by information technology devices. In this network, no place exists by itself, since the positions are defined by the exchanges of flows in the network. Thus the network of communication is the fundamental spatial configuration: places do not disappear, but their logic and their meaning become absorbed in the network.”

(Castells, 2010; p.442-443)

Even though, as described by the citation above, this first layer does not consist of *real places*, Castells describes this first layer as a spatial form, just as “the region” or “the city”.

The second layer consists of the physical places, it consists of the nodes and hubs of the network society. In terms of business networks, this second layer is constituted by the places where the decisions are taken, power is organized and where the production is executed. These places have well defined social and cultural characteristics. They are the spaces, in which economic, cultural and social activities take place, and they can be hierarchized according to their relative weight in the network. Hence, global cities are part of this second layer.

In a third layer consists of the spatial organization of economic elites. It is the places where these elites live and work. Castells wrote:

“Articulation of the elites, segmentation and disorganization of the masses seem to be the twin mechanisms of social domination in our societies. Space plays a fundamental role in this mechanism. In short: elites are cosmopolitan people are local. The space of power and wealth is projected throughout the world, while people’s life and experience is rooted in places, in their culture, in their history.”

(Castells, The space of flows, 2010) p.446

The elites, thus a very small population of the world, are very mobile cosmopolites that are attracted to all that a city has to offer. Real elitism is given by the capacity of some individuals, to move across borders, to wherever the conditions suits them the best (e.g. Pijl, 1998; Kotkin, 2000).

With this approach, a far more complex geography, beyond spatial territorialities such as regions and nations, was drawn. It goes far beyond the thoughts of

Friedman and Sassen and paved the way to a networked view of global cities. For Castell, a theory needed to be understood rather as an instrument of research than the researchers' final product (Curtis, 2014). In that sense, this approach was a strong influence on the urban geographer Peter Taylor and his colleagues developing further empirical analyses of the global city networks.

3.2.3 The determination and hierarchisation of world cities

The leading think tank studying global cities on a network-based approach is the Globalization and World Cities research network (short: GaWC) of the British Loughborough University. Having started the research network at the beginning of the new century, they aspire to nothing less than being the world clearinghouse for world city respectively global city research (Taylor, Walker, & Beaverstock, 2002). Among the major activities of this research network are the production and development of intercity data.

Before this project was initiated, world city studies have predominantly been either case studies of some single world/global cities characteristics or comparative studies among two or a few more cities. By centering research on a single world respectively global city, of course, researchers tend to use the related national census data. Often, then, it is assumed or asserted that the studied cities have a high degree of intercity-relations and that important flows of capital are exchanged between such cities.

Comparing multiple world or global cities based on data is far more complex. National census data would, in most cases, not be sufficient to investigate on trans-state intercity relations. Only little information are obtainable, on a global perspective, on behalf of intercity-relations. Thus, an all-encompassing measurement was proved rather difficult to establish.

Saskia Sassen's theoretical construct of global cities as well as the then following, network-related contributions from scholars around the world made the establishment of an all-encompassing world roster of dominant cities feasible. Sassen's framework of advanced producer service firms form the basis for the current hierarchization of world cities. Advanced producer services (APS) provide highly sophisticated services to the dominant global actors of the world economy.

They are multinational firms themselves and, in that sense, they locate their business wherever they detect a certain demand for the services they provide. By collecting information about the APS's global network of branches, the scholars obtain information on where global control is exercised. Even though the GaWC network is not able to measure flows of capital between cities, with such an approach they still manage to obtain important information about the global dispersion of the major multinationals. Hence, the scholars tend to trace the intercity network within these globally acting multinational firms.

As initially described by Saskia Sassen (2001; 2005) four service sectors namely accountancy, advertising, banking/finance, and law were decisive for the general classification of world respectively global cities. The major (multinational) firms in these sectors were listed and information regarding the type of offices they dispose of - whether they are of a major or minor importance to the global firm - were collected. In this sense, not only the single presence but also the size and the role of the office for the global company was considered in their hierarchization. In total, data from sixty-nine APS firms were collected: five in the field of accountancy, fourteen in advertising, eleven in banking and finance as well as thirty-nine law firms. At least two different types of branches had to be present in a city in order to count them as a global city. Between one and three "points" were added to the city, depending on whether the office has a prime, major or minor status. The aggregated results describe their status of "world-city-ness". With this method, the maximum score that a city could obtain is twelve. This means, that for each of the four sectors, the city count as a prime location. Cities scoring 10 or above are classified as alpha global cities. With such a high score, they must feature an important service center in all four sectors. Cities scoring between seven and nine points were designated beta global cities, as they are a global service center for at least three of the four service sectors. Furthermore, they must be a prime major center in at least two sectors. Other cities scoring between four and six were designated as gamma global cities. (Taylor, Walker, & Beaverstock, 2002). Since 2008, the following hierarchization is generally applied to cities when studied in the context of their integration within the highly linked global economy:

Table 1 Hierarchisation of Global City according the GaWC (source: GaWC, 2017)

Alpha++ cities are London and New York City, which are vastly more integrated with the global economy than all other cities.

Alpha+ cities complement London and New York City by filling advanced service niches for the global economy.

Alpha and **Alpha-** cities are cities that link major economic regions to the world economy.

Beta cities are cities that link moderate economic regions to the world economy.

Gamma cities are cities that link smaller economic regions to the world economy.

Sufficiency cities are cities that concentrate a sufficient degree of services so as not to be dependent on world cities.

As a result, the scholars obtained a rooster of world respectively global cities resulting from the office location strategies pursued by the major global service firms. Some preliminary insights about the “real” geography of globalization can be obtained, for example, by illustrating the list of cities and their relative rankings. London and New York seemed, by far, to be the most integrated cities in the global economy. As advanced service niches, Singapore, Hong Kong, Tokyo, Beijing, Paris, Dubai and Shanghai serve the global economy as further major places of control and power. Another forty global cities link the major economic regions into the world economy. All of them can be counted as alpha global cities, with a double plus, a plus or a minus supplement depending on their hierarchical status (The World According to GaWC 2016, 2017).

Analyses regarding the degree of similarity between the office location strategies among the firms resulted in so-called cross-city profiles. By analyzing cross-city profiles and comparing them to each other, it was found that there is only little cross-sector similarity in corporate service office patterns (Taylor & Walker, World Cities: A First Multivariate Analysis of their Service Complexes, 2001). Nevertheless, a relatively high correlation within the same service sectors allowed the depiction of some important clusters. Law firms, for instance, show a very simple global office location structure that is easy to interpret: they focus particularly of all kind of lobbying work in Washington DC. and the centers of international finance such as London, New York, Tokyo and Singapore.

Accountancy is the most concentrated of all service sectors. Four of the five global service firms in that sector, called the big four, have the widest spread of offices all over the globe. The advertising sector, on the other hand, is particularly distinct in its regionally concentrated location strategy. European advertising firms tend to concentrate on their European market with some higher concentrations in Sydney and Toronto, but do clearly not want to compete on the strong US and Japanese domestic markets. Latin American advertising firms tend to compete within Latin American markets as well as Miami, Los Angeles and Madrid. Nevertheless, they do not compete in other European and North American cities (Taylor & Walker, *World Cities: A First Multivariate Analysis of their Service Complexes*, 2001). Hence, with the establishment of such an empirical roster of global cities and with in-depth analyses of geo-strategic locations of advanced producer services, the complexity of the process of globalization was demonstrated very clearly. There is not one single, all-encompassing pattern of global centers of power and control. Different sectors tend to have their own specific patterns of office-locations and the “regionality” for each sector is of a varying importance. In a certain sense, the process of globalization that is depicted through the analysis of service providing multinational firms seems to be developing through various distinct regional patterns. The assumption of one global zone, such as described by Wallerstein’s concept of core and peripheral zones, seemed to be confuted by the findings of the cross-city analysis of APS locations (cf. Taylor & Walker, 2001). Then again, peripheral zones are of an increased importance to the most integrated cities in the global city network. A successful global city disposes over a very intensive exchange with areas in which power is exercised. Within the context of advanced producer service-firms, the term hinterworld describes the area of service provision of these firms. It forms a contrast to the concept of hinterland that describes a geographically related, nearby area, in which the city might have a certain relevance as well. Whereas the hinterland count as major region for one major city, the concept of the hinterworld allows several major cities having an impact on such.

The leading global cities such as the “alpha ++” global cities New York and London have a very strong embedded relationship with their intermediate hinterland. Even

though, they do not have concrete political power over their hinterland, global cities play a crucial role in the development of their related hinterlands as well, often called the global city-region (cf. Scott, 2001; Olds & Yeung, 2011). Firms settle in global cities' hinterland because of the close geographic distance to the city. Important assets are available in these nearby areas, and these firms might likewise benefit from the social and intellectual capital from the global city. The global city, on the other hand, is even more dependent from on actors (firms, institutions, politics etc.) of other global cities than on their hinterlands. This exchange with other global cities becomes crucial for the survival of the global city. National markets alone dispose over too little economic demand and power. In this sense, the hinterland of a global city becomes an important part, somehow an extension, to the functioning of the city. The global cities decisive integration with the global economy is given by its exchange with other global cities, hence the *hinterworld* of the global city.

The hinterworld of global cities was measured by the relative level of service each office in a city is providing for each other city. In this context, the most important global cities, namely London and New York, have the densest hinterworlds, followed by Paris and Tokyo. Hong Kong and Singapore dispose over a very important service provision in other world cities whereas, among the top alpha global cities, Chicago, Los Angeles, Frankfurt or Milan dispose over a less dispersed service provision activity (Taylor P. J., *Urban Hinterworlds: Geographies of Corporate Service Provision under Conditions of Contemporary Globalization*, 2001).

3.2.4 Aspects of competition among global cities

The leading global cities are essential nodes in the world economy, highly integrated in the worldwide flows of capital, labor, resources and more. When it comes to the most integrated and, probably, most important cities in the current world economy such as New York and London, we can observe that they compete on a national scale with other global cities. In North America, this competition has led to a sectoral specification among cities: While New York has a unique position within the United States as a Hub for global finance, San Francisco is as unique in terms of high technologies and Los Angeles for their cultural output and power

(Abu-Lughod, 1999; Scott, 2000). It would most likely not be possible for another city within North America to take such a strong position within the country in their respective fields. In the United Kingdom, it is most likely not possible for any other city to take a position as strong as London as a global hub within the world economy.

Competition between two or several global cities within the same nation state is possible, however, for Beta and Gamma ranked cities. While alpha global cities dispose over likewise important in- and outward flows of information, capital, goods and services, the lower ranked cities depend more on inward flows of such from the global economy. Hence, they most likely dispose over an unbalanced exchange of flows where the inward flows exceed those flowing outward.

These beta and gamma-ranked cities might strive to become the future alpha global cities. They increase their importance as a center for command and control in the world economy by attracting multinational companies and important institutions. Furthermore, they function as gateways for the global economy to reach the emerging hinterland. Bangkok serves as a center for command and control that bridges the Thai hinterland with the world economy, Kuala Lumpur fulfills the same purpose in Malaysia (Olds & Yeung, 2011). Emerging nations often use their dominant cities in order to reach and connect with the global economy and its important flows of capital, goods and services. Increasing political power is another common purpose of dominant cities in emerging nations. Such dominant cities often reach the status of emerging global cities due to new regulatory frameworks that attract multinational companies and global finance. Often, governments of emerging nations deploy substantial resources in order to pursue this strategy. This happens quite frequently in an almost disproportionate manner so that a drain of resources (Logan, 2001; Wu, 2000) disadvantaged the surrounding regions.

The global city-state is a distinctive type of global city that is considered to have different characteristics to other major global cities or emerging global cities. Their territory usually consist of one major urban space, almost insignificant in size as compared to most other nations. On the other hand, the fact that their national government reigns over one major urban unit gives the global city-state the

political capacity (and legitimacy) to mobilize all its strategic resources to pursue its commitment of being a global center of control and command. There is no secondary city or a hinterland within the same nation that suffers any economic disadvantage by decisions taken in favor of the global city-state. The tension that often exists between urban politics and development and a national politics that aims to develop likewise the more rural regions are inexistent (Olds & Yeung, 2011).

Instead of having an intermediate hinterland or secondary global cities, the global city-state is counting other foreign countries' regions as their hinterland. The most prominent global city-states are Singapore and Hong Kong. They count parts of Southeast Asia respectively mainland China as their related hinterland and function as a hub for the global economy within these regions. Both of these global city-states are the product of colonialism and subsequent postcolonial dynamics. The independence from colonial Britain and the subsequent expulsion from the newly founded state of Malaysia in the 1960s urged the small city-state of Singapore to pursue a strategy of rapid growth. Hong Kong, as a colony of the British Empire, has experienced an economic boom due to many Chinese companies that transferred their offices from major Chinese cities following the founding of the People's Republic of China after World War two. Hong Kong permanently rose up to be a major global city-state after the handover of the City from the United Kingdom to the People's Republic of China by the end of the last century. Holding a special administrative region status, they dispose over a high degree of autonomy. Such postcolonial dynamics led the leading politicians of these city-states to implement strategies of pursuing global city pathways years before academics and planners were speaking of the global city or the world city (see Mauzy & Milne, 2002 in Olds & Yeung, 2011).

3.2.5 Entrepreneurship in Global Cities

Besides the frequently mentioned function of the global city as a center for control and command, where multinational enterprises and the advanced producer services exercise their activities on a spatially concentrated level, there is a range of further characteristics that is associated with these dominant cities. Among the most important, as stated by Sassen herself in *Global City*: introducing a concept

(2005), there is adequate evidence that for most industries, innovations are being produced, largely, in global cities. New and innovative goods and services from incumbent firms are primarily developed in their central headquarters. These headquarters, in turn, attract highly qualified and well-educated people. As Taylor (2004) stated, the worldwide competition for the most talented people is ongoing, especially among the world's most competitive and dominant cities. The spatial concentration of talent and innovativeness, hence, is not limited only to research and development departments of multinational companies. Highly ranked educational institutions and attendance of an increasingly mobile student body is part of a further layer in the multidimensional concept of global cities (Connor, 2005).

On one hand, there is evidence that highly talented people tend to live in close spatial concentration. Young talents might not only be attracted by job opportunities among big multinational companies, they likewise seem to be attracted by places where cultural diversity exists. The "new" and the "different" residing in such places appeals to young talents. Relatively low entry barriers exist in such places for young workers and students, if the individuals interested in such places are well educated. This reciprocity between young talents attracted by the global cities and global city regulations favoring the attraction of a well-educated and talented workforce was reasoned in quantitative studies that resulted in the "geography of talent" hypothesis (Florida, 2002; 2004; Acs, Bosma, & Sternberg, 2008).

Finally, high numbers of multinational headquarters, top-ranked universities and a highly talented workforce on a relatively dense urban area stimulate innovation to such a degree that effects of knowledge spillover between industry and institutional research are particularly frequent. This hypothesis has mainly been tested in the context of North America (Varga 1998, Acs, Anselin and Varga 2002) and Europe (Autant-Bernard 2001, Fischer and Varga 2003).

The view that most large cities tend to be more entrepreneurial than their nation's hinterland was investigated with data from the world's most important study regarding entrepreneurship, the Global Entrepreneurship Monitor (GEM) and the collected data from the Loughborough study-group. It was found that global cities

outperform their relative countries in terms of entrepreneurial activity rates. The Global Entrepreneurship Monitor measures entrepreneurial aspirations as well as concrete entrepreneurial activities among any given population. The survey also records the percentage of the population that is self-employed or an entrepreneur. Entrepreneurial aspirations are measured in particular by investigating the individual perception of business opportunities among a population, whether these individuals believe to have the necessary skills and knowledge to pursue such business opportunities and whether they have the intention to pursue them (cf. Herrington & Kew, 2017).

In almost every global city, the relative population that is detecting and pursuing entrepreneurial opportunities is on a much higher level than in their respective countries. This city/country difference tends to be even higher the less entrepreneurial the country is. Even though this tendency was found to correlate on a relatively high level³, there are two major exceptions, or outliers, to that situational picture. First, Tokyo as the only alpha global city in Japan and one of the most dominant global cities besides London and New York does not surpass the overall Japanese rates of entrepreneurship. In both, the Japanese country as well as its most dominant city Tokyo, entrepreneurial aspirations as well as concrete entrepreneurial undertakings are on a particularly low level. Germany, a country with a mediocre level of both, entrepreneurial aspirations as well as entrepreneurial activities, has outstandingly high entrepreneurial aspirations and activity rates in some of its dominating cities such as Berlin and Hamburg (particularly high rates in an entrepreneurial activity city-country comparison), Frankfurt and Munich (particularly high rates in an opportunity and capability perception city-country comparison) (Acs, Bosma, & Sternberg, 2008).

³ The link between the city/country-difference of perceived opportunities and the involvement in opportunity-driven early-stage entrepreneurial activities (city/country-difference as well) is correlating significantly of 0.73 ($R^2=0.53$). Source: (Acs, Bosma, & Sternberg, 2008).

3.3 Synthesis

Cities were studied through various lenses and by the use of various different theoretical frameworks. The importance of the city as a spatial element within the global economic system is rising a common ground in the context of an even more globalized world. Considering the fact that some ten years ago (2007) already more than half of the global population were living in urban areas and that this urban population seems to increase in our near future (Acs, Bosma, & Sternberg, 2008), that increased interest in urban areas is very likely not about to change.

Some cities' intellectual, cultural, political as well as economic output is, and always has been, of a certain importance to the world's population. Dominant-, respectively world cities have existed over centuries. Only in the second half of the 20th century, with an acceleration of the global trade, their case was analyzed as decoupled from the nation state and with regard to their relevant network amongst one another.

While analyzing the city as a subject of research, world city theorists have decoupled the city from its national context. General conclusions about the level of economic development among world regions were drawn and the interplay between actors from well-developed regions with actors from developing and underdeveloped ones was a major part of their analyses. Such analyses led to a theoretical framework in which the definition of core and peripheral regions resulted. Such core regions, the precursor of world respectively global cities, have mostly been identified according to qualitative measurements. For example, the tendency of increasingly wealthy core regions that are served by semi-peripheral and peripheral regions was stated as a general conclusion. It was observed that in most of the major cities, the tertiary sector is increasingly growing stronger while production was delocalized to the less developed periphery. Nevertheless, no general framework allowed a standardized method of measuring the importance of these core cities and allowing a concrete comparison among them. A continuous and meaningful quantitative comparison among dominant cities, thus, was facilitated since Saskia Sassen's global city hypothesis was published. Advanced producer services that are serving the headquarters of dominant multinational firms with highly complex services and the fact that such service-

firms are operating on a global scale themselves has allowed a new type of analysis of intercity flows of global capital and knowledge. Hence, the comparative analysis of dominance within and among these world cities has triggered a completely new stream of knowledge and findings.

Whether one uses the systemic approach and theories about world cities or the late-modern concept of global cities in order to analyze the dominant centers of economic power, the basic characteristics of such powerful spatial units are remaining the same. These cities constitute the essential nodes in the world economy. This can also be measured by analyzing the flows of products and services among these cities and from these cities out to the remaining world as well as by analyzing the enormous flows of financial capital that are traded uniquely among those cities. Nevertheless, more characteristics of an intangible kind become relevant to these cities as well. Saskia Sassen calls these cities centers for “control and command” (Sassen, 1994, 2000), describing the immense power that is exercised within these places. As highly developed centers for global control and command, cities of such an importance are likewise encouraging research and development. An increased concentration of highly intellectual minds, creative people and all kind of “doers” encourages innovating and disrupting the world’s leading technologies. Hence, an increased entrepreneurial activity is among the many characteristics that distinguish dominant cities from their national context. As the degree of integration of a dominant city is rising, specializations of all kinds might enable the city to become a leading center for a specific branch or domain. In that sense, Boston has become a leading hub for the Medtech branch, whereas New York centers the global financial elite on lower Manhattan and San Francisco dominates the world with the number of high-tech applications and solutions.

According to the global city theory, we have to state that contemporarily dominant cities are much more than just world cities in the sense of the ancient dominant capitals of the world economy and world politics. Global cities are the intertwined product of an increasingly networked society, the dispersed adaption and the subjugation of the global population to the same dominant economic and societal trends, while the factual power over these dispersed trends and products is getting

more and more concentrated. Not least because of the presence of multinational companies, companies with overall turnovers exceeding many nations' gross domestic product, the global city becomes a global actor. The settlement of their subsidiaries and headquarters and the respective power that is given to these entities attracts in turn densely accumulated amounts of capital in all its forms, whether it is financial, human or social capital.

Chapter 4. Towards a new Conceptual Framework

In the following chapter, the multidisciplinary field of research on global cities is combined with the research field of SME internationalization in order to state a tentative conceptual framework. The necessity of combining these two streams of research is subject to the first section of this chapter. The major similarities of these fields of research as described in the second section lead us towards a tentative proposition of a combined conceptual framework that will be applied in the second and empirical part of this thesis.

4.1 The necessity of breaking new grounds

In a paper published in 2017, entitled “the Death and Rebirth (?) of International Business Research”, Andrew Delios, Professor and faculty director at the highly rated University of Singapore, criticized that international business research has lost touch with reality. According to his rather provocative conclusions, many of the recent social and economic trends are not at all taken into consideration when scholars analyze the patterns of international business. Industries that were delocalized from the West to the East such as the hard disk drive industry that migrated from the US to Singapore, then to Malaysia, then to China and finally to Thailand, are not considered in any study. Sociodemographic changes such as the Vietnamese baby boom generation that has reached its 20s and their changed attitudes in contrast to their war- and post-war-affected parents influence international business. The wealthy middle-class from middle eastern countries whose companies, often not related to the oil-business at all, do prefer some forms of regionalization instead of internationalizing their businesses, is just another fact that has not been subject to any publication from one of the major journals so far. For him, this field of research lacks substantially of originality due to the missing curiosity and risk taking attitudes of its scholars (Delios, 2017).

The little relevance of many publications on the international firm that were published in highly ranked journals has already been subject of much criticism. The need to overcome these isolated schools of research in order to gain new insights of a more fundamental importance were stated already years before the

controversial article from Andrew Delios (e.g. Rialp & Rialp, 2001). The growing importance given to the internationalization process of smaller and medium-sized firms has led to a rather extensive body of knowledge. Nevertheless, besides the Uppsala school and the rather extensively studied behavior of international new ventures, often also referred to as born global companies, not many groundbreaking new insights were gained.

Especially in the case of small and mid-sized companies that internationalize towards very distant markets, meaning firms with limited resources that expose themselves to high levels of psychic distance between home and focal markets, scholars have to deal with a rather limited explored field of research. SME internationalization from emerging markets that, in their process of geographic growth, venture towards the more developed western markets were subject to some studies (e.g. Filatotchev, et al., 2009; Senik, et al, 2011; Ciravegna et al, 2014) and a rather rich body of knowledge exists regarding multinational companies that are investing, on an increasing scale, in emerging markets. Hence, only little is known about the dynamic process of SME internationalization towards distant emerging markets and the role of network related factors such as spatial network hubs as exists in global cities.

On the other hand, the studies on global cities are predominantly based upon the flows and decisions from and between multinational companies. In the context of the many publications compiled with data from the GaWC research think tank, principally used the data stems from the headquarters of advanced producer services or the headquarters of the firms in the Forbes 2000 list. It has to be considered that advanced producer services are not exclusively serving other multinational enterprises, their clientele includes internationalized SME, family firms or so-called hidden champions⁴ as well.

⁴ Hidden champions are branch leaders (at least within their continent) that are mostly unknown to the public as they are not listed to any stock-exchange and in most cases owner-managed companies. Many of them are active in niche-markets or occupy a niche position within a market, hence they can dispose over a rather limited number of employees and turnover compared to big multinational companies (Simon, 2007).

According to the new Uppsala school, SMEs tend to internationalize because they follow an already internationalized company abroad or they need to defend their position within the relevant network (Johanson & Vahlne, 2009). SMEs who work closely with multinational firms are often forced to join them on their international markets, respectively they are pulled to these markets because of their need to defend the partnerships established with multinationals. From the various studies in the field of global cities, we have a general idea about the presence of multinational firms and the globalized network of many branches, whereas little is known about the presence of internationalizing SMEs in global cities.

The GaWC measures not the export and internationalization behavior of SMEs, but following that line of thought, multinational enterprises are no longer the only international and/or global actors that are worth being studied in relation to global cities. Technological progress and ever more intertwined and complex market structures enabled highly competitive small and mid-sized firms to overcome their limited amount of resources, one of the major restraining factors of internationalization.

Insights about the importance of the global city network for internationalizing SMEs could be valuable for both streams of research. A combination of the two fields of knowledge, hence, could provide some fundamental new insights about the network-related studies on SME internationalization. Explanations on the importance of spatial hubs and their relevance towards the process of SME internationalization could be gained. It could likewise enrich the multidisciplinary field of global city studies with a preliminary idea about the role that these cities play for another category of actors within the global economy.

4.2 The frame conditions

It is relatively evident, that the network approach is building the bridging element of both disciplines. Immanuel Castells perception about the network society can be considered as a central theory for the analysis of global city networks (Castells, 1996; 2001; 2004; 2010). Establishing and maintaining social relations, whether it is for business or non-business reasons, is currently strongly influenced by virtual spheres that are created with new information and communication technologies. According to his thoughts, it can be stated that the modern division of labor is rather a project-related than a company-related issue. Not the legal entity of the company but the project in which these companies are involved dictates the process of labor division. Communication technologies that enable a prompt exchange of information and a rapid and secured exchange of increasingly growing amounts of data shift these projects towards new economic possibilities. The space in which such work is organized is taking shape beyond our classical perceptions of spatial structures. In this sense, the smaller and mid-sized firms are strongly interconnected through their external networks. Especially the highly specialized SMEs as well as the very competitive ones are, to a large extent, involved in such networks of collaborations. Furthermore, such networks are in a constant change, depending each current project.

In the network view of the firm, an enterprise is considered an actor that is embedded in a network of various other actors. Clients, suppliers, competitors, partners, institutions as well as supporters of any kind (such as providers of financial capital) can be considered as the "other actors" within their network. According to the revisited Uppsala model of SME internationalization, the enhancing or restraining element in the process of small and mid-sized firms' internationalization is the strength of the position the firm is holding within this network. The liability of outsidership describes the firms' necessity of increasing and defending its position within their relevant business networks. A major shift from cultural-related issues towards network-related ones has characterized the internationalization process of SME. Some decades ago, the psychic distance that is inherent among every cross-country transaction, such as the different patterns of behavior, language, habits, institutions etc. was designated as a major hurdle

for internationalizing SME. According to the current Uppsala school, network-related issues such as privileged access to information, human-, social- and financial capital and a strengthened relationship with key actors of the branch significantly determinates the internationalization process of SME. In this sense, Johanson and Vahlne (2009) state the following commentary regarding:

“(...) the subtitle of this paper, from liability of foreignness to liability of outsidership, refers to the fact that a firm’s problems and opportunities in international business are becoming less a matter of country-specificity and more one of relationship specificity and network-specificity.”

From a global city related point of view, it can be argued that, indeed, relationship specificities and network-specificities do overweight the importance of a country. Nonetheless, dominant cities as centers for command and control represent the network nodes to which firms tend to connect and in which relationships are established and cultivated.

Opportunity recognition is considered as the major factor triggering a firm’s process of internationalization. Firms tend to go where they, or their partners, detect opportunities. In this regard, knowledge is not accessible to every actor in the network but to network insider. The high levels of tacit knowledge that is accessible in the global city and the knowledge spillover generated through the dense spatial concentration of highly innovative firm does let to opportunity recognition. Hence, according this network-view, the global city can be considered as a major trigger as well as major beachhead for internationalizing firms.

4.3 A tentative framework proposition

In that context, the global city domain is no longer considered to be uniquely related to multinational companies. After some major studies about spatially related entrepreneurial activities such as the study on entrepreneurial advantages of world cities (Acs, Bosma, & Sternberg, 2008), the interdisciplinary field of world city research can be considered open to new knowledge in the field of small business studies. In the intertwined and complex structures of contemporary globalized markets, internationalizing organizations of a smaller size, such as SME, might also be significantly related to the world's global cities. In that regard, three major characteristics can be deduced from combining the two fields of research.

4.3.1 The global city as an important network node for internationalizing SME

The assumption of global cities as an important network node for SME that internationalize gradually by increasing their position within their business network is deduced from two major concepts, one in each field of research. Based on the assumption from the revisited Uppsala model that internationalizing firm's opportunities and problems are a matter of relationship-specificity and network-specificity, increased importance need to be given to the way on how an internationalizing SME is cultivating and maintaining its relevant business network. In this sense, firms start to internationalize because they, or their partners, detect opportunities. They need to protect their network position or want to increase it, and pursue a strategy of either following a partner that is already established on the focal market or by actively increasing the strength of their relations with existing or potential clients from the focal market.

Opportunity recognition is a key element in that process. Information about opportunities are not equally distributed across the network. The assumption that information flow freely and at no cost are general conditions that frame early models of FDI-related research but were rebutted in the gradual approach of SME-internationalization.

Global cities, on the other hand, were identified as contemporary centers of “control and command”. The terminology control and command refers mainly to the leading industries and it is dominating multinational corporations that settle their headquarters in the dominant global cities. In the context of globalization, Saskia Sassen (1994, 2000) argues that the dispersal of economic activities is leading towards the centering of control and command-functions over these activities.

The process of internationalization is considered being an attempt of the SME to increase its network position, equally whether the internationalizing SME is already disposing over a rather strong or weak position within its industry-network. The Headquarters of multinational firms can be counted as the industries' dominating network-nodes. Following that line of thought, we can argue that for an internationalizing SME, the most powerful elements in their industry-network, hence the MNC headquarters and even the leading institutions are settled in global cities.

It can be an important insight to know, whether an internationalizing SME has network linkages to global cities, in form of exchange and partnerships with dominant firm's headquarters (as suppliers, clients or partner-firms of the internationalizing SME) or not. The linkages an internationalizing SME has to one or several global cities can point out, to what degree this firm is connected to the centers of economic power. It can even be an indication for the firm's relevance to the network. Attempts of the SME to strengthen its bonds with actors in the dominant global cities can, in turn, leverage the firms network position, thus accelerate its process of internationalization.

Internationalizing SME's attempts to establish partnerships in global cities can be considered as approaching the world's centers of power, respectively benefitting from so-called industrial powerhouses. The advantages of global cities for its actors are clear: the various forms of capital available in a global city can make the global city very attractive for internationalizing SMEs. The global cities characteristic of being an important node in the worldwide industry- and business network can be translated into an increased level of social capital available to the actors in a global city. An internationalizing SMEs presence in a global city,

whether it is a permanent presence in form of an own subsidiary or via third-party representation office could, in that sense, leverage the firm's bonds with other important actors in the network. "Seeing and being seen" and the fact to belong to the relevant social network within the industry's center of command and control can be depicted as an important factor for the company's future business outlook.

The high levels of tacit knowledge and the knowledge spillover effects that arise through increased collaborations among top leading universities and dominant MNC research facilities as described being present in global cities is resulting in an increased availability of opportunities within these cities. Sassen (2005) argues that for most industries, innovations are produced in global cities since new and innovative goods and services from incumbent firms are primarily developed in their central headquarters. We can argue that incumbent firms' new and innovative goods and services are likewise creating business opportunities for SME. As they support incumbent firms as a supplier of goods and services, they likewise benefit from the new market opportunities that arise through new and innovative goods and services. On the other hand they might benefit themselves from the global city since the network of potential partners, helping the SME to develop or co-create new and innovative goods or services is likewise stronger and better accessible in a global city.

Internationalizing SME also benefits from the increased level of human capital that is available in the global city. According to Richard Florida's "geography of talent" (2002; 2004) there is a reciprocal relationship between a young, talented, well-educated and highly skilled workforce that is attracted by global cities and the global cities' regulation favoring the attraction of such a workforce. Hence, internationalizing SMEs might not only benefit from the range of highly skilled workforce when investing directly in the foreign market by establishing an own subsidiary, it also decreases the risk of establishing and maintaining business relationships with unskilled and unqualified partners. A high level of human capital as existent in global cities increases the chances of a successful SME internationalization-process.

Finally yet importantly, the SME's limited amount of resources is not only reflected by a limited number of employees, but can also be depicted in a limited amount

of financial means. Global cities are the places in which the global capital is centered. Internationalizing SME might have a facilitated access to financial capital by establishing partnerships to actors within the global city. Hence, it could be argued that the financial capital available in a global city is attracting highly competitive and internationalizing firms. Probably, pro-active capital-owners and financial institutes themselves might attract foreign internationalizing SMEs by providing them the possibility to benefit from their investment, once they have established contact.

4.3.2 The global city as a place for services for internationalizing SME

By definition, a small and mid-sized firm disposes, in general, about a rather limited amount of resources. Hence, SME internationalization is characterized by the attempt to overcome the limitations of scarce financial resources, small teams and a lack of in-house expertise in various market-specific aspects. This lack of resources can be compensated through the support of third-party firms. Internationalizing SMEs need for consulting and advice is obvious, especially in the case of risky foreign transactions.

Among the major elements in Sassen's global city hypothesis we find the strong presence of highly specialized consulting firms in the fields of accounting, legal, public relations, programming, telecommunication etc. (Sassen, *The Global City*, 2nd edition, 2001). Sassen observed that the work of managing and financing these corporate networks of operations is demanding such a highly specialized work that MNC tend to outsource increasingly more work to specialized firms. Up to the most recent rosters of world cities provided by the GaWC research network, the geographic dispersion of advanced producer services (APS) in the field of accountancy, law, advertising and Banking/Finance are the major indicator for a city's degree of command and control functions, hence whether they are rated on an alpha, beta or gamma level. In other words, the number and density of highly specialized multinational consulting firms in a city reveals the interconnectedness and the dominance of this city with regard to the world economy.

It can be summed up that internationalizing SME need to overcome the liability of limited resources and that global cities dispose over a high density of heavily specialized service firms that provide outsourcing solutions and consulting. This function of global cities might be of a particular relevance to emerging markets. Global cities that are surrounded by the emerging markets can have a unique position as service hub towards their less developed hinterlands. Such global cities' hinterlands dispose over particular risky and uncertain market conditions. By adding the notion of psychic distance, we can state that the psychic distance of a firms developed home market and their focal developing market is particularly large. Hence, the need for advice and expertise about the emerging markets risky market conditions for internationalizing SME is urgent. Global cities advanced producer services might be able to bridge these gaps between home and emerging focal markets and, in turn, contribute to reduce the level of perceived psychic distance between these two marketplaces.

APS tend to take the role of an outsourcing service provider for MNC headquarters. Nevertheless, their broad range of services does likewise address particular issues of internationalizing SME. Whether it is legal advice or the supply of credits and business insurances, the most reliably partner is in any case multinational firm, which is already known for being well established in the internationalizing SMEs home market as well. Hence, the brand of the firm is already familiar to the internationalizing SME. Probably, the internationalizing SME is already client to this particular APS for issues regarding the home or nearby markets. Through the fact that such MNC consulting firms dispose over the same offering across the world, and that their offering is provided with the same "language" and service culture, wherever the APS is located, can build further trust and reduce the psychic distance between the SMEs home and focal market.

In addition to the APS that are operating on a multinational scale it can be presumed that global cities dispose over many outsourcing and consulting firms in general. The many firms of all size and branches that settle in global cities generate a high demand for specialized services. Such smaller service firms are very probably not operating on a global scale and dispose over less human

resources and a more limited or distinct know-how. They very probably offer a more limited range of service at more favorable conditions. In the particular case of internationalizing SME, such service provider, as present in a particular high density in global cities, could likewise be of an importance in order to pursue their strategy of geographic growth. Even though such small and medium-sized service firms do not contribute to the framework of global cities, it can be argued that they need likewise to be counted as an important element for internationalizing SME in the global city.

Economic development agencies and other institutional services of a public, private or public-private collaboration such as science parks or business incubator facilities are likewise facilitating the foreign market entry of internationalizing SME. Even the role of some global cities as important trade fair locations, such as Singapore or Hong Kong in the case of Southeast and East Asia or Milan, Paris or Frankfurt in Europe, is influencing the internationalization process of SME. All these kind of services, whether they are in the form of a facilitated place for business networking, or publicly funded programs that aim to increase the attractiveness of a certain economic region for foreign investors are in particular services with which dominant global cities distinguish themselves from other cities in a world region. It can be argued that these kind of services, of a particular availability in global cities, have to be added to the list of factors facilitating the internationalization process of SME.

4.3.3 The Global City as a hub to enter distant peripheral markets

It can be stated as generally accepted that the global city is of a high relevance for its geographically related hinterland. As already emphasized by Immanuel Wallerstein in the world system theory, there is a fundamental division of labor between core regions and their peripheries resulting in increasingly richer growing core regions. The peripheral region is supplying the core with cheap labor, raw materials and complex goods whereas the core is enabled to produce all kinds of highly sophisticated goods and services. According to this world system theories that were further developed into Friedman's concept of world cities, there is an important exchange of flows of capital, goods, services as well as information not

only among global cities but also between the global cities and their nearby hinterland.

Following this line of thought, an internationalizing SME that searches extending its business network towards distant and emerging regions, accessing a distant global city that is surrounded by an emerging semi-peripheral or peripheral zone could result in a facilitated access to this emerging region. In particular for internationalizing SME and their liability of disposing over a limited amount of resources, it is rather difficult to access emerging markets by foreign direct investments such as the establishment of an own subsidiary or production plant. There is a too great risk related to the often very unpredictable market conditions. Missing knowledge regarding the local business practices, communication problems (of an intercultural nature) and arbitrary decisions by the authorities are only a few problems that could arise in such a venture. In other words, the psychic distance from many established to emerging markets is too great.

In global cities, there is a consistent cultural pattern wherever these cities are located and whatever country-specific predominant culture there is. The elites that work in global cities are cosmopolites, so are the highly talented and well-educated workforce in global cities. Global cities that are surrounded by emerging markets such as it is the case among the many South-Asian, Southeast Asian or East Asian global cities as well as in central America or eastern Europe, though, have a much lower psychic distance towards the developed OECD economies than their emerging hinterlands. For emerging nations, on the other hand, it has very often been observed that their officials use their dominant cities in order to reach and connect with the global economy (see chapter 3.2.4). This is especially true for global cities that are ranked on a lower scale such as beta- and gamma-ranked cities. New regulatory modes are implemented and global investments are attracted, frequently in an almost disproportional manner (Logan, 2001; Wu, 2000), in order to connect the cities with the global flows of capital, goods and services. The capital city of Thailand, Malaysia or Indonesia are such examples in the region of Southeast Asian countries (Olds & Yeung, 2011).

In turn, we can argue that an internationalizing SME from an OECD economy that is venturing towards an emerging world region's global city has a facilitated access

to its emerging hinterland as well. The global city presents a spatial hub of a reduced psychic distance to the internationalizing SMEs home market. The global city in its function to connect the world economy to its hinterland does, in this line of thought, provide access to emerging markets as some sort of “entry hub” for distant internationalizing SME. This access can be facilitated through the high level of human, social as well as financial capital available for foreign firms in the global city. The high level of social capital, in particular, can lead us towards the notion of a global city as a place in which bridging functions of social capital are taken up.

Not least, it can be argued that because of the high level of service provision available in a global city, internationalizing SME might be enabled to access their emerging hinterlands. Services that are otherwise not accessible in the emerging markets might be provided and accessed by internationalizing SME. Such services can relate the risk reduction through legal advice, advise for arbitrary decisions, intercultural learning, financing, sales promotion, and not at least, transactions related e-commerce such as the development of electronic solutions for the specific country-related norms.

4.4 Synthesis: towards a tentative conceptual framework proposition

In this tentative conceptual framework proposition, we are combining the major schools of thought from the two disciplines, international entrepreneurship respectively the internationalization of small and mid-sized firms and the concept of world cities in the context of globalization. The starting point for that tentative conceptual framework is the phenomenon of small and mid-sized enterprises that, despite their limited resources, venture their business activities towards distant and emerging markets. We believe that the conceptual framework that is needed to explore this phenomenon is demanding for a certain kind of originality. Isolated schools of research need to be overcome in order to consider recent social and economic trends when analyzing international business.

So far, distant internationalization towards emerging markets was the subject of many studies on multinational corporations (MNC) and their foreign investments (Govindarajan & Ramamurti, 2011; Liu, et al. 2011; Welsh et al, 2006). Small and mid-sized enterprises show very different patterns than MNC about their international business behavior. This difference in the behavioral patterns of both types of companies, SME and MNC, is put in evidence by the gradualist approach as developed by the scholars of the Uppsala University and the body of theories that exists about international new ventures. SME from developing markets that venture towards the developed markets of the east were subject to some studies as well, whereas a certain lack in knowledge exists regarding SME from developed economies that venture to the emerging ones.

In the revisited Uppsala model from 2009, the concept of the gradual and stepwise process of SME internationalization was revised under the light of the major changes in the field of internationalization studies. The authors kept to the gradual character of SME internationalization and depicted a model state and change variables. By applying a network-view on the process of internationalization, the authors argue that the “gradual” now takes places with regard to the firm’s network and no longer uniquely with regard to geographic and cultural distances. Hence, this model explains the process of internationalization for the many firms that

internationalize gradually by venturing into more and more distant markets as well as for INVs that seemed to skip important steps of this process by venturing into very distant markets shortly after having initiated the process of internationalization. In the latter case, the firms still internationalize in a gradual process, but along their network connections that might be dispersed in a very distant region. This publication can be considered as one of the major schools in the field of international entrepreneurship. Knowing that this model is explaining the internationalization process for established SME that internationalized over a long period from close to very distant markets as well as for INVs that approach very distant markets in a very short time, it was selected as the major internationalization theory for this tentative conceptual framework. Opportunities are considered the most important variable that drive the process of internationalization. The variable *Knowledge Opportunities* is leading to *Relationship commitment decisions*. The variable *Learning Creating Trust-building*, hence, is leading to an increase in the firm's position within his network of business partners. These four variables are the underlying concept for our qualitative research on the internationalization process with regard to the global city.

Internationalizing SME need to overcome their liability of foreignness when venturing to distant markets. This means country-specificity, a lack of intercultural knowledge and intercultural problems that can arise when venturing into foreign and distant markets. Hence, in the original Uppsala model, firms internationalize in a stepwise and gradual process, constantly expanding the level foreignness from the focal to the home market. They learn, while pursuing their business activities abroad, from that process and take the risk to venture into more and more distant places. The very distant and emerging markets such as the emerging southeast or East Asian markets are, following that line of thought, only accessible for firms that are actives since a long time on international respectively global markets. Hence, multinational firms that dispose over a certain level of knowledge and resources and not SMEs have a facilitated access to such distant markets.

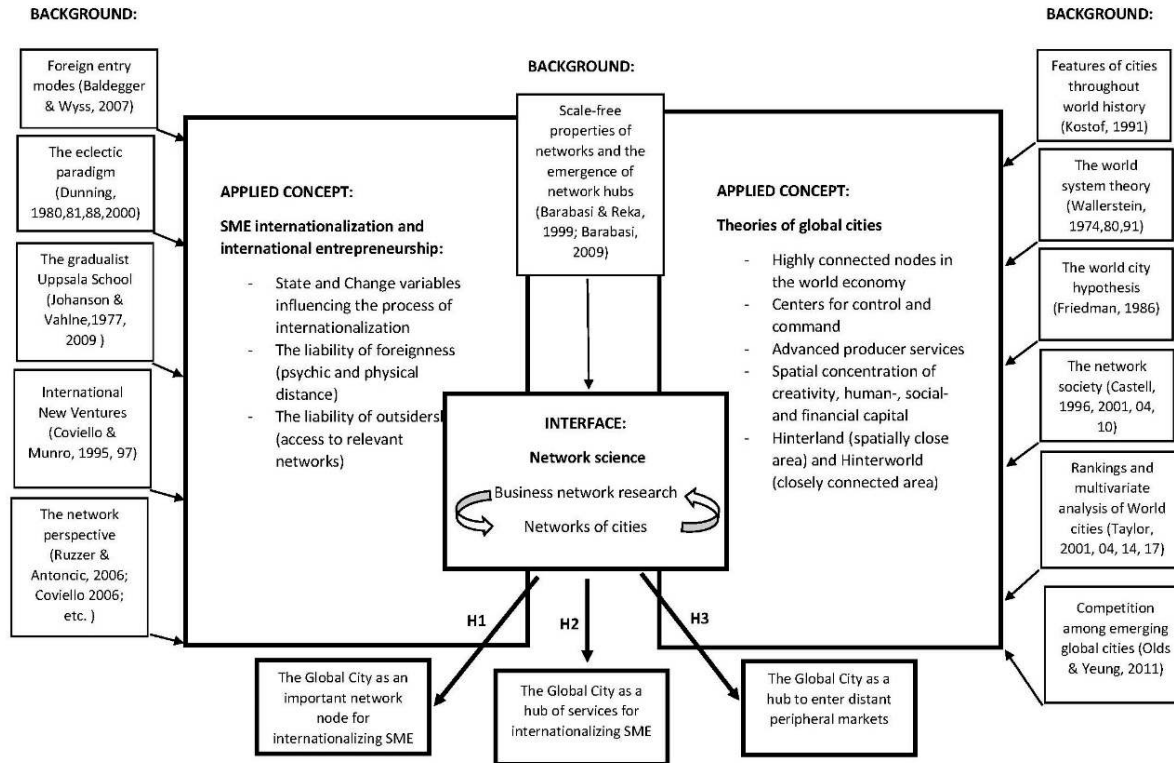
In the context of the revisited Uppsala model, the liability of foreignness as described above becomes less relevant once the liability of outsidership is

overcome. Following this line of thought, firms that dispose over a good network access or firms in which their network has important nodes in various distant places might overcome the liability of not knowing about the local business habits by the strength of their network relations in that distant market. Hence, this might give explanation to the fact that some firms venture very early after inception on other continents and generate turnover, within a few years, on very distant markets.

When it comes to distant and emerging markets, we argue, however, that both factors, psychic and geographic distance are relevant to the firm. Insidership into the relevant markets networks is a necessity when it comes to distant and emerging markets. Nevertheless, the foreignness from the home - to these distant and emerging markets is still on a very high level and a major obstacle for internationalizing firms. Hence, geographic and psychic distance along the firm's network nodes are the major variables for the quantitative study on SME internationalization with regard to global cities.

In figure 7, the tentative conceptual framework model for the empirical study is depicted. The "background" theories on firm internationalization will be considered, the major concept for this study, however, is the revisited Uppsala model regarding the network-based process of firm internationalization. This theory will be combined with theories on global cities, in particular with the theories and definitions as established by Sassen and Taylor as well as the data from the GaWC. In network science, the underlying theoretical framework in both selected fields of research, hubs are the outcome of so-called scale-free properties of the links in complex network structures. Considering and combining this knowledge we can deduct the following three research propositions: (a) the global city as an important network node for internationalizing SMEs, (b) the global city as a hub for services for internationalizing SMEs, and (c) the global city as a hub to enter distant peripheral markets.

Figure 8 The Tentative Conceptual Framework Model (source: author)



Global market networks are subject to the patterns of any complex network. With the contribution from Barabasi and Albert (1999), the scale-free nature of networks can be stated as accepted. Social networks as well as market networks seem to inhabit similar characteristics of preferential attachment. Network hubs are constantly growing richer as the network is growing larger (Barabasi & Reka, 1999; Barabasi, 2009). These characteristics are in consistency with the observations of some economists, sociologists as well as geographers that study major socioeconomic developments and globalization. They have raised awareness to the increased level of connectivity of some particular cities with the global economy. Such world- or global cities can be considered as the hubs of the global capital and, according Saskia Sassens (1994; 2000; 2001; 2005, 2017) contemporary centers of control and command.

Global cities, however, are not only a relevant field of study for internationalizing SMEs. Since they represent the most important nodal points for global trade, economy and power, they can be considered being important for smaller firms that dispose over international business activities as well. Many multinational companies settle their headquarters in global cities. Leading institutions attract the global financial capital and a highly educated workforce. Such places in which the smartest people work for the world leading companies are places with high rates of innovation. It can be hypothesized that an SME disposing of network linkages to distant global cities can benefit from such advantages. Following this line of thought, one might argue that the commitment to network linkages in global cities enhances the process of internationalization for at least two reasons. First, an SME linked to such a global hub could benefit from a better access to branch and business relevant information. This can enhance opportunity recognition, the trigger for an internationalization process according to the current Uppsala model (see Johanson and Vahlne, 2009). Second, the high level of human and social capital decreases the risk of the SMEs foreign undertakings and investments.

These characteristics might become of a particular relevance in the case of distant markets, hence markets that have a high psychic as well as geographic distance to the SMEs home market. In such cases, the SMEs accessibility of social and

human capital is of a particular importance because of the high level of management functions that are necessary to pursue.

According to Saskia Sassen's concept of global cities, the many MNCs headquarters in a global city tend to outsource many complex tasks to so-called advanced producer services (APS), highly specialized service-firms that are MNCs themselves. The GaWC is measuring the dominance of world cities in the context of the global economy by counting the number of APS and their hierarchical level (country-, regional- or global headquarter of the firm). The dominant global cities, rated on an alpha level according the GaWC dispose over a high density of such services.

SMEs, on the other hand, have rather limited amount resources. Their process of internationalization is influenced by their ability to access services of all kind in order to overcome the liability of their limited resources. We argue that, especially in the kind of distant and emerging markets, the level services demanded by the SME is particularly high. Accessing emerging markets might need services that are not available everywhere but in the emerging market hub. Following this line of thought, an SME can improve their foreign investments by benefitting from the many APS available in the global city. We even argue that not the multinational APS in particular, but the many Services as well as servicing institutions in a global city might enhance the SMEs success. This category of service firms is including the many former employees of APS that started their own consulting business, still in the global city but working for smaller firms instead of big ones.

Finally yet importantly, knowing from the interconnection of a global city with its hinterland, we consider that the global city is especially helpful in connecting the hinterland to the cities foreign actors and vice-versa.

PART II : EMPIRICAL RESEARCH

Chapter 5. Introduction to the Empirical Part

Considering the conceptual framework proposition as constructed and described in the first part of this dissertation, several properties attributed to global cities might be of an importance for internationalizing SMEs. In general, global cities can be considered important nodes in the international business network of an internationalizing SME. We can assume that, with a certain likelihood, many internationalizing SMEs tend to maintain contacts with important business partners in such major global cities. In particular, the relatively high amount of accessible business services, so-called Advanced Producer Services (APS) that constitute the major measurement for the definition and categorization of global cities could affect the business of these internationalizing SMEs. These cities functioning as the high density of such services mainly explains a hub. In the global cities literature, these services are mainly considered service providers for multinational enterprises (MNEs); their specific impact on internationalizing SMEs has not been studied in particular. In addition, the central and leading economic role of a global city for its larger hinterland is discussed extensively in the global cities literature. Internationalizing SMEs that aim to reach distant and emerging markets might be enabled to do so through these global cities business networks and their impact on their hinterlands.

Because of the weak empirical evidence existing for internationalizing SMEs in the context of global cities, it is self-evident that this dissertation must be based on both studies in the context of internationalizing SMEs and global cities in general as well as distant internationalizing SMEs and their use of a global city in particular. Considering the current state of research, such an empirical undertaking must built on the existing knowledge about the population of internationalizing SMEs and its scope of activities in close and distant foreign regions.

The empirical work in this dissertation is based upon three distinct studies. In a first quantitative study, the role that global cities play for internationalizing SMEs is studied based on a sample of Swiss internationalizing SMEs. The merge of existent theories in both fields of study led to the establishment of a theoretical model that is tested in this first study. In the second and third study, the research

focalizes on Swiss SMEs in Singapore and Southeast Asia, hence SMEs that undertake business activities in a geographically and psychically distant market. The aim of these two studies with a qualitative method is the investigation of the role and the functioning of a distant network hub for the internationalizing SME and their focal market.

In this fifth chapter, the rationale for choosing this empirical research setting is explained and the current knowledge about internationalizing SMEs in Switzerland is briefly summarized. In the last subchapter, there is a short explanation of Singapore's entrepreneurship ecosystem and its major organizations supporting local and foreign firms. An ecosystem in an economic and business-related context can be defined as a community of organizations and individuals that organize the "business world" and produce valuable goods and services to customers that themselves belong to that community (Moore, 1993). The community in a capitalist economy, according to Rothschild (1990), can be best described as a living ecosystem with the same features as observed in biological ecosystems, namely competition, specialization, co-operation, exploitation, learning and growth (see Rothschild, 1990, in Peltioniemi and Vuori, 2004).

5.1 Rationales for choosing this empirical setting

SMEs are an essential economic pillar for most well developed OECD economies. The success of their international activities is of a particular importance for smaller nations with a rather limited size of their home market such as Switzerland. In the context of an increasingly globalizing world and highly geographically dispersed but very well connected global production networks, the SMEs ability to overcome long distances and work in very distant markets can be presumed as a topic of growing interest among scholars, decision makers but also entrepreneurs themselves (Beugelsdijk, et al, 2017; Johanson & Wiedersheim-Paul, 2017).

Both the focus on distant internationalizing firms that operate across western and eastern continents, as well as considering network scientific approaches when

studying internationalizing SMEs, are in line with extant research.⁵ Considering the field of research about global cities in the context of investigations on the importance of business hubs, especially in the case of foreign SMEs in emerging markets, is the major novel element in this dissertation.

The aim of the first empirical study presented in chapter 7 is the illustrative discovery of the general importance of global cities for internationalizing SMEs in the case of Swiss ones. The choice of the research subjects and objects such as the surveyed population of companies and global cities is based on the following criteria:

- Selection of highly competitive internationalizing SMEs from a well-developed OECD economy,
- Selection of SMEs international activities in each of the major economic world regions,
- Selection of the leading global cities according to the GaWC research network.

The aim of the second and third empirical study presented in chapters 8 and 9 is to discover the supportive role of one global city, with a particular regard to far distant internationalizing SMEs such as Swiss ones. The choice of the surveyed population of SMEs and the global city is based on the following criteria:

- Selection of internationalizing SMEs from a well-developed and very distant OECD economy,
 - Selection of a very distant (psychic as well as geographically) but highly developed, "Alpha +" global city,
 - Selection of a global city surrounded by a vast economic hinterland.
-

The choice of a global city in East Asia is obvious since East Asia has become the 3rd mega economic region during current globalization together with European Union and the North American countries united in the NAFTA Free Trade Agreement.

After the European Union, East Asia is the second major export partner of Switzerland and Swiss SMEs in particular.⁶ Both Southeast Asia and North Asia are highly important world regions for internationalizing SMEs considering the latest Swiss export statistics and reports on internationalizing SMEs (such as the subsequent SIES reports in Switzerland). Southeast Asia, defined by the member states of ASEAN, consists of a population of 650 million (IMF, 2019) in ten countries that find themselves on various levels of economic development. Singapore is the only innovation-driven economy that attract high levels of foreign capital. It is the 12th most important country for the Swiss economy regarding the export statistics, the most important in Southeast Asia, but less important than East Asian economies such as China, Japan and Hong Kong (Eidgenössische Zollverwaltung EZV, 2017). Indonesia, Malaysia and Thailand are on a much lower stage of economic development but represent emerging markets with a summed up GDP (PPP) of about 1.7 billion USD in 2017 and a population higher than 350 million (CIA World Factbook, 2018). Malaysia, being the smallest of the three countries in terms of population and total GDP, is on a transition stage between a mass-production oriented towards a more sophisticated, service-oriented innovation-driven economy (Schwab, Sala-i-Martin, Samans, & Blanke, 2016). Vietnam, on the transition from a factor-based towards an efficiency-based economy, is one of the world's fastest growing emerging markets with a likewise rapidly growing middleclass of currently 13%, expected 26% by 2026 (The World Bank, 2019).

Cambodia, Laos and Myanmar belong to world's least developing countries and attract low levels of foreign investments. They are of a minor importance to the

⁶ According to the Swiss export statistics, the Asian continent replaced the American in 2001 as the second important total exports to the Asian continent (source: (Eidgenössische Zollverwaltung EZV, 2017))

private actors in the Swiss economy, together with the sultanate Brunei-Darussalam.

Within the Southeast Asian world region, however, there is, with Singapore, one leading global city with an uncontested role as the leading business hub for its world region, whereas for East Asia several highly important cities compete equally in terms of importance and impact. There are several alpha-rated global cities in China such as Beijing, Hong Kong and Shanghai. The choice fell on Singapore at the heart of the ASEAN world region (and the only alpha + global city in this region) and as one of the major alpha + global cities in East Asia (together with Hong Kong, Seoul and Tokyo located in Northeast Asia). With this choice, the global city effects of the SMEs host country are controlled. With the investigation of a sample of SMEs that are uniquely headquartered in Switzerland, the organizations' culture will be controlled.

5.2 Internationalizing SMEs in Switzerland

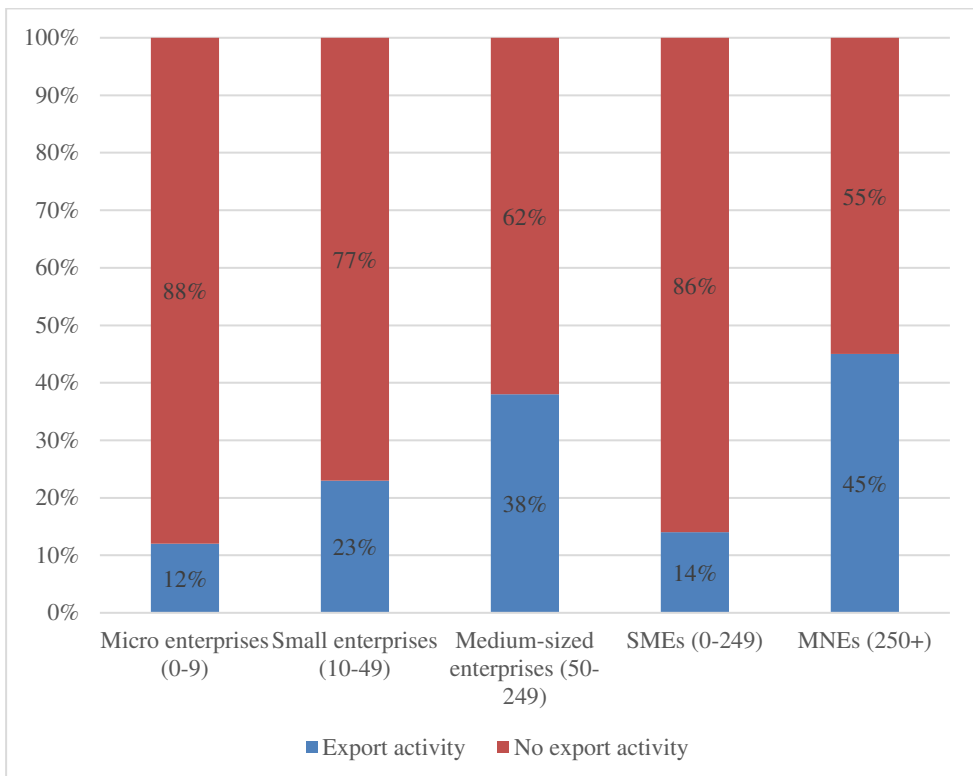
Despite the rather extensive knowledge available about the SME landscape in Switzerland through the national census and various studies, little is currently known about the detailed population of internationalizing Swiss SMEs. The process of internationalization comprises various forms of international operations. Considering the Uppsala model of internationalization, one of the major schools of thought in this field and this dissertation's major theory in the conceptual framework proposition as presented in chapters 2 and 4, the process of internationalization ranges from pure exporting to operations with an increasing degree of operations and management in the focal country.

Swiss SMEs are the backbone of the Swiss economy. They make out 99.6% of existing "market-oriented" firms and two thirds of the national workforce is employed by an SME. According to provisory figures from the Swiss statistical office for the year 2017, there is a total population of 580'391 companies that do not employ more than 249 FTEs (Bundesamt für Statistik, 2018) and can therefore be counted as SMEs.

According to the national enterprise census of 2005, 14% of the Swiss SME are exporting their goods and services to foreign countries. This figure amounts to

12% among the micro-sized enterprises, almost a fourth, namely 23%, among the medium-sized and more than a third, namely 38%, of the medium-sized enterprises. These figures are in a strong contrast to the 45% of exporting firms among the companies with more than 249 employees, MNCs and other large organizations. Although the population of internationalizing MNCs lies clearly above the population of internationalizing SMEs they are not of a minor importance to the Swiss economy. Being an internationalizing but small or medium sized firm means in most cases that these firms are very innovative and highly competitive. Such firms have gained increasing importance in recent years with regard to economic policy, especially in countries with a small domestic market such as Switzerland (Baldegger, Morel and Wild, 2016). Many of these internationalizing SMEs are still young organizations, in some cases start-ups, of which some of them are growing to large-sized hidden champions or even MNCs.

Figure 9 Share of business-oriented enterprises in Switzerland with and without exporting activity, in 2005 (source: FEW-HSG, 2008)

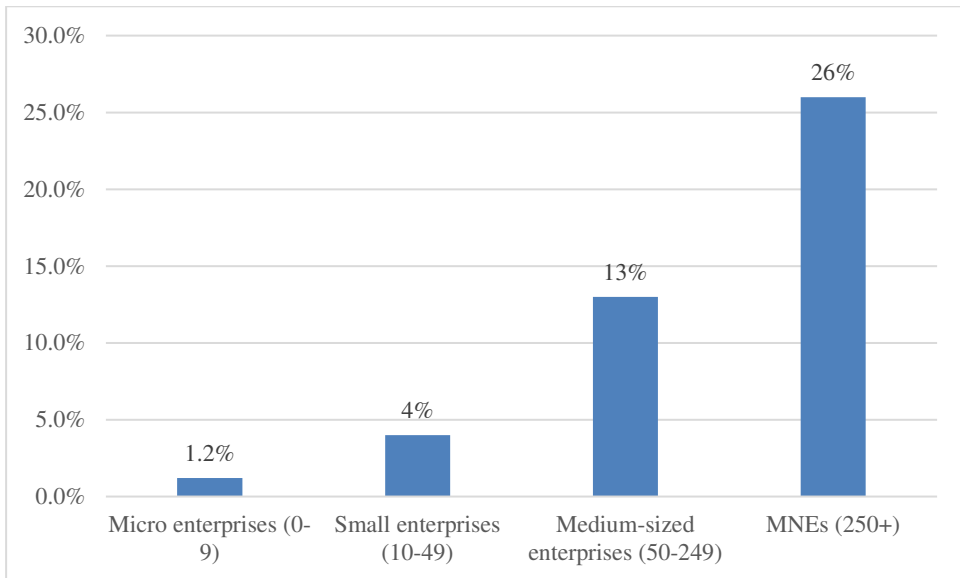


Internationalization describes the process of increased involvement in international trade and other business activities abroad. Foreign direct investment (FDI) is a major component. It reflects the interest home countries' companies to enter a long-lasting economic relationship in another country.

In the national company census of 2005, the following criteria defines a companies' foreign direct investment:

- A cross-border participation in another company of more than 10% of its foreign company's capital
- And/or, subsidiaries, branches or stores located outside national borders.

The foreign activity of a company is often associated with foreign direct investment. In many cases, the Swiss home market is too small and saturated. Entering and conquering new markets abroad does often presuppose the establishment of foreign branches or some investment in foreign firms. Larger enterprises generally dispose of more financial resources and better access to credit. Hence, it is not surprising that around 26% of Swiss companies with 250 employees and more invest in foreign countries whereas only 1.2% of micro-enterprises and 4% of small enterprises do so. Considering SMEs of a medium-size of between 50 to 249 FTEs, this figure amounts to 13%.

Figure 10 Share of market-oriented enterprises with FDI in 2005 (FEW-HSG, 2008)

In a much more frequent case, Swiss SMEs export primarily foreign countries and invest less. There is a positive correlation between the companies' size and export activities for Switzerland as well as a strong increase in foreign direct investment by non-SME companies compared to SMEs (FEW-HSG, 2008).

Particularly within the secondary market, many Swiss SMEs have established themselves as market leaders in niche markets and internationalize to globally dispersed markets (Tinner, 2007). Not surprisingly, about half of the firms in the manufacturing sector do export. Of particular importance are sectors such as biotechnology, machine tools, life science, medical technology, biotechnology, life science and the manufacturing of watches (Bäumli, 2014).

The Swiss International Entrepreneurship Survey (in short SIES) is the largest survey on internationalizing SMEs in Switzerland. Carried-out in three-year intervals since 2006, the surveyed population of internationalizing SMEs has remained relatively constant between 500 to 800 firms. With the aim of this study, a handful of characteristics describing Swiss internationalizing SMEs empirically are created.

Swiss internationalizing SMEs generate in most cases slightly more than half of their revenues from foreign markets. The reported share of SMEs foreign

revenues as a percentage of the total net revenues is slightly more than 50% among all subcategories of SMEs and throughout all the surveyed years. Direct export, i.e. export without any intermediary firm or representative, is the preferred sales channel of Swiss SMEs in all previous studies. Other forms of foreign market cultivation such as indirect exporting, wholesalers, foreign branches and subsidiaries are increasingly popular as well. Contractual modes such as licensing, joint ventures and franchising are rather rare and evaluated as less successful modes of internationalization (Baldegger, Morel and Wild, 2016).

In all the three SIES surveys from 2006 to 2012, Swiss SMEs were asked to indicate the continents where they operate. As expected, foreign countries of the European Union were the most popular ones by far. Asian and the North America were ranked second and third behind Europe. In the study of 2010, half of the internationalizing SME, namely 50.7%, generated turnover from Asia and 40.6% from Northern America. Surprisingly, even among micro-enterprises these figures still amounted to 45.2% for Asia and 35.8% for Northern America (Baldegger, 2010). Until the study of 2016, in which a series of questions served to examine the specific role of global cities, the survey of the sales market was not set more precisely than on a continental-level in which internationalization to the whole Asian continent was counted as one with no mention of specific Asian regions.

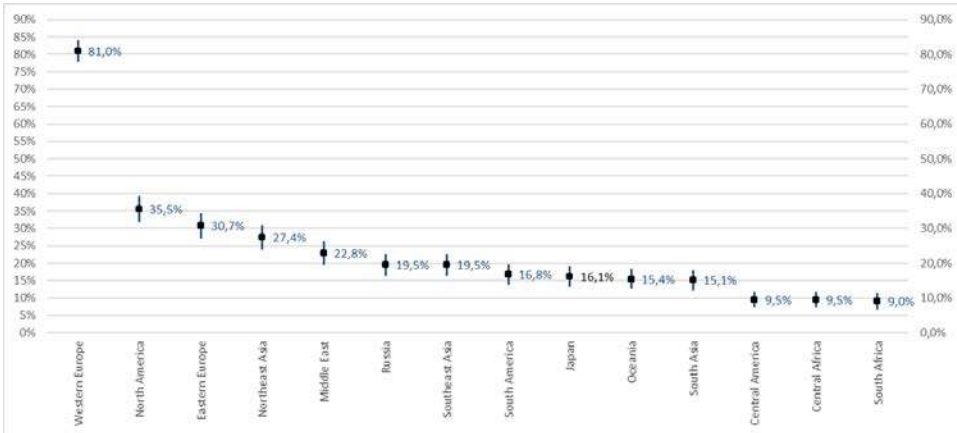
Thereafter, a hierarchical order can be drawn when analyzing the geographic scope of these SMEs business activities. Western Europe (*M* 80.95%, *SEM* 1.59%) is by far the most popular marketplace for Swiss internationalizing SMEs. This result is little surprising, knowing that in terms of export, Germany is considered as the most important trading partner of Swiss firms (Baldegger 2013; Eigenössische Zollverwaltung, 2016, Eidgenössische Zollverwaltung 2017). The Swiss export volume to Western Europe is by far exceeding the volumes exported to any otherworld regions. The volume exported to Western Europe even exceeds the total volume exported to the Asian and the American continents together (Eidgenössische Zollverwaltung, 2017).

North America (*M* 35.47%, *SEM* 1.94%), Eastern Europe (*M* 30.71%, *SEM* 1.87%; Russia excluded) and Northeast Asia (*M* 27.42%, *SEM* 1.81%) lead the list of marketplaces with secondary importance. One third of the internationalizing SMEs

from the sample generate turnover from at least one of these regions. The Middle East (M 22.8%, SEM 1.7%), Russia and Central Asia (M 19.5%, SEM 1.6%) as well as Southeast Asia (M 19.5%, SEM 1.6%) still rank among the upper half portion, whereas South America, Japan, Oceania and South Asia rank in the lower half. Only between 15 and 16% of the surveyed SME indicated to generate profit from the latter marketplaces that are heading the list of the lower half portion. Nevertheless, these world regions can clearly be distinguished in their importance for internationalizing Swiss SME from the bottom of the rank. Central America (M 9.52%, SEM 1.19%) as well as Africa, for this study categorized into South Africa and North-, East-, West- and Central Africa, bring up the rear with less than 10% of the surveyed population generating a minimum turnover in each of these sub regions. Not only do these world regions have little importance for internationalizing Swiss SME, they do also not dispose over any major global city. Among the highest ranked cities in Africa, we find Johannesburg that is considered a global city on a “– alpha” level. Cape Town is ranked on “Beta” levels, together with the northern African cities of Cairo and Casablanca (GaWC, 2017).

The graph below shows the importance of world regions for Swiss internationalizing SMEs. The differences of world regions within the same continent are, to some extent, very pronounced. While North America ranks second, the economically less developed regions of Central - and South America lag way behind (8th and 12th ranks). Northeast Asia ranks 4th, almost equally to North America and Eastern Europe, Southeast Asia’s ranking 7th (M 19.54%, SEM 1.61%), is significantly less important.

Figure 11 Percentage of Swiss SMEs pursuing business activities in the fourteen world regions (source: author with data from the SIES 2016)



Considering the speed and scope of internationalizing SMEs, there is special attention paid to the various typologies of internationalizing SMEs according to the Uppsala school (Johanson & Vahlne, 1977) and the different types of International New Ventures (Oviatt & McDougall, 1994) such as Born Internationals, Born Global as well as Born-Again-International and –global firms. Taking into consideration a time span of three years after the company's foundation (in the case of Born-Global or Born-Internationals) or after the first export activities (in the case of Born-Again-Global or Born-Again-Internationals), and a minimum of 25 percent of their total turnover realized in foreign markets, companies are labelled global firms when their foreign activities are dispersed on a minimum of 2 continents.

In the SIES 2013, 25.5% of the surveyed Swiss SMEs belonged to a Born or Born-again global category, hence they internationalized rapidly towards global markets. 13.1% belonged to the Born or Born-again international category, they internationalized rapidly but did not disperse international activities on more than two continents. Nevertheless, the majority of Swiss internationalizing SMEs, namely 61.4%, did not belong to any of these categories and internationalized in a more stepwise and time-consuming process over years and decades. A process, best described with the traditional Uppsala model from the 1970s.

Further SIES questions addressed the process of internationalization. In a series of closed-ended questions with a forced-choice and multiple answers possible, the surveyed SMEs representatives had to indicate reasons and obstacles for their internationalization. At an uncontested first place over the ten years of study, “Demand from foreign customers” was the major reason to expand their activities to foreign nations. Likewise ranked second over all the studies so far, the “Limited potential of the domestic market” was stated by the firms of all subcategories, from micro- to medium-sized enterprises (Baldegger, Morel and Wild, 2016). The categories “High market opportunities thanks to innovative products” and “Use of existing networks” have alternated between years at third and fourth position (cf. Baldegger, 2007; 2010, 2013; Baldegger, Morel and Wild, 2016).

The major obstacles in the internationalization process of Swiss SME as stated in these reports can be summed up in three major statements: law and regulations, the high cost of production in Switzerland as well as the costs and expenses related with the process of internationalization (cf. Baldegger, 2007; 2010, 2013; Baldegger, Morel and Wild, 2016). Difficulties with existing law and regulations was the most commonly stated obstacle by internationalizing Swiss SMEs in the studies of 2007 and 2010 (Baldegger, 2007 and 2010). In 2013 and 2016, law and regulations were stated significantly less frequently than the production cost of the companies’ products and services as major obstacle in the internationalization process. As stated by Baldegger, Morel and Wild in 2016, this trend most likely reflects the revaluation of the Swiss franc and the difficulties involved in producing under such a strong local currency.

5.3 The Singaporean Ecosystem

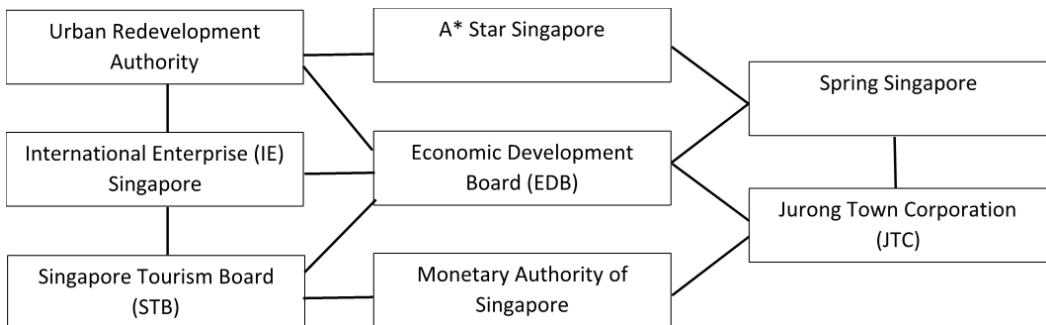
Similar to Switzerland, SMEs can also be considered the backbone of the Singaporean economy. They account for 99% of the total population of firms, employ 62% of the Singaporean workforce, and contribute about half of the country's GDP (cf. Singapore Ministry of Communication and Information, 2017).

The city-state has a remarkably modern history since independence in 1965. Through strong and centralized leadership, the entrepreneurship ecosystem has been almost entirely engineered via nimble policy-making and based on four critical ingredients: financing, regulation, infrastructure and cultural coexistence. Through different policies, Singaporean government and citizen managed to develop first from a poor fishing village to an export oriented economy that relied mainly on foreign MNCs and foreign investment, and now to a knowledge-based economy that fosters innovation and entrepreneurship (Monnet, 2013).

Singapore's economy is almost free of corruption since it is the 6th least corrupt country in the world (Transparency International, 2019). During the last two decades, the private sector became highly knowledge-based and innovation-intensive. Doing business is greatly facilitated by a government that facilitates investments and reduces bureaucracies. Since 2008, Singapore always ranked first or second among the 190 countries on the ease of doing business index. Currently, they rank second behind New Zealand (The World Bank, 2019). The economy is strongly export-oriented with commodities such as machineries, optics and equipment, electronics and communication products, chemicals and pharmaceuticals, and financial services that are exported across the world but principally to China (including Hong Kong) and Malaysia (Central Intelligence Agency, 2018). The government holds important stakes in the country's largest companies such as Singapore Airlines, SingTel, STEngineering and MediaCorp. Local SMEs are also at the focus of the government's efforts, since they account for half of the 320 billion USD GDP and employ a third of the Singaporean workforce (Singapore Ministry of Communication and Information, 2017). The efforts concern, among others, the decrease of its dependence on foreign labor (especially with regard to highly specialized professions) and to increase the wages of the local workforce (Monnet, 2013).

The Ministry of Trade and Industry (MTI) is one of fifteen ministries. A handful of statutory boards from the MTI is in charge of supporting Singapore's economy and enhances its position as a global business center. The Economic Development Board (EDB), one of these statutory boards, is in charge of planning and executing strategies for the nation's economic development and plays a facilitating role in a constellation among various other statutory boards. Among them are other important institutions for local and foreign companies such as a*Star Singapore, International Enterprise (IE) Singapore, and Spring Singapore.

Figure 12 The EDB network (source: Kumar and Siddique, 2010)



The EDB formulates and implements economic industrial development strategies for the nation-state and has, as a main function as defined by parliament, the development of Singapore into a global city that attracts foreign investment and involves the city-state in important overseas projects (Kumar & Siddique, 2010). The EDB focuses its efforts on selected priority clusters that the government designated for its development strategy. Important branches in which some Swiss SMEs compete among the leading firms, such as Biomedical Sciences, Pharmaceuticals, Healthcare, Electrics, Precision Engineering, and Fintech.

With a variety of promotion schemes and tax incentives, the EDB fosters local firms and attracts foreign investors. Some of these initiatives are of particular interest to distant and internationalizing firms:

- The International – and the Regional Headquarters Award (IHQ / RHQ) provides reduced corporate tax rate on incremental income from qualifying activities,
- The Research Incentive Scheme for Companies (RISC) grants to develop research and development capabilities in strategic areas of technology,
- The Mergers and Acquisitions Scheme provides an allowance on the value of acquisition with deductibility of transaction costs and stamp duty relief,
- The Initiatives in New Technology (INTECH) Scheme awards grants to encourage capability development in applying new technologies, industrial R&D and professional expertise.

Additionally, EDB Investment (EDBI) invests strategically in local and foreign companies operating in knowledge and innovation-intensive sectors such as biomedical sciences, clean technologies, fintech and digital media, just to name a few.

While throughout the 1990s, entrepreneurship-related activities were exclusively under the responsibility of the EDB, this role was later attributed to the Standards, Productivity and Innovation Board (SPRING) of Singapore. As another statutory board under the MTI (next to the EDB), SPRING Singapore's mission is to support the growth and cultivation of entrepreneurial activities in the city-state. In collaboration with partners from the private sector, SPRING Singapore provides foreign and local SMEs with support in financing, management, technology, innovation, and access to markets (Monney, 2013).

Among the most important schemes for foreign and local young enterprises, SPRING Singapore provides the following schemes:

- SPRING SEEDS, a start-up investment program that co-invests in start-ups (in addition to private investors) on a 1:1 basis,
- The Biomedical Sciences Accelerator (BSA) program for start-ups,

- The Business Angels Scheme (BAS) that encourages business angel investments by matching up any Singapore dollar investment to a maximum of 1.5 million,
- The Work Pass for Foreign Entrepreneurs (EntrePass) that facilitates the start-up incorporation process for non-Singaporean entrepreneurs,
- The Technology Enterprise Commercialization Scheme (TECS) that aims catalyzing the creation and growth of innovative and IP-oriented start-ups.

Another statutory board under the MTI that fosters the growth of foreign and local firms in Singapore is International Enterprise (IE) Singapore. Regardless of their size or annual turnover, Singapore-based firms can benefit from two programs under IE Singapore, the Global Company Partnership (GCP) and the Market Readiness Assistance (MRA). The GCP helps these firms to enhance their competitiveness through initiatives such as building internal capabilities, gaining market access and gaining access to financing whereas the MRA provides consulting about market information and expertise as well as financial support.

On April 1st, 2018, SPRING merged with IE Singapore to form Enterprise Singapore (Enterprise Singapore, 2018). In partnership with five trade associations and chambers, they established twelve SME centers that are spread throughout the city-state and that support SMEs in their journey to enhance their business (SME Portal, 2018). The centers serve SMEs with capability workshops and provide free one-to-one business diagnosis and advisory services, most commonly in areas like productivity, finance, human resources and overseas expansion (SME Portal, 2018).

Today, the government principally invest in local and foreign firms through two funds, the EDB venture capital fund, the VC arm of the economic development board founded in 1991, and vertex ventures, the VC arm of the Temasek Holding that is wholly owned by the Singapore Minister for Finance.

In 2017, Singapore invested 1.2 billion USD across 112 deals. In the same year, Singapore recorded eight exits with exit values reaching 1.6 billion USD and raised 732.9 billion USD with seven funds. (KPMG, 2018). Vertex ventures, the VC arm of the Temasek Holding has completed its biggest fundraising for

Southeast Asian and Indian technology deals by raising 210 million USD for early stage investments (Lee, 2017).

A couple of non-governmental institutions contribute also to the stimulation of entrepreneurship, innovation and the fostering of SMEs' success in Singapore. Among the most famous, we find the following (Monney, 2013):

- OpenCoffe Club Singapore, a club that meets on a monthly basis on ecosystem-oriented topics, in order to encourage entrepreneurs and investors to network,
- Startup Club: a co-working space and accelerator for start-ups,
- Singapore Entrepreneurs' Network (SEN), a network of entrepreneurs and like-minded persons that gather periodically,
- SGE, an online publisher that is dedicated to Southeast Asian startup and entrepreneurship scene.

In 2018, Singapore was ranked second behind New Zealand with regard to the ease of doing business and third, behind Switzerland and the United States, in global competitiveness ranking.

Chapter 6. Methods

The following chapter explains the research methods of the empirical part used for this research. Three distinct studies were conducted in order to respond to the research questions presented in the introduction and chapter 4. A quantitative study about a large sample of Swiss internationalizing SMEs and their links to major global cities as well as two qualitative studies with a smaller sample of distant internationalizing Swiss SMEs in Southeast Asia and their links to Singapore.

In the first section, the objectives of the empirical studies as well as the research questions are explained. Then, the research methods for each of the three studies are described. In the last two sections, the quantitative study as well as both qualitative studies are explained.

6.1 Research objectives

The major objectives of the empirical research as conducted for this second part of the dissertation are divided into two parts.

First, the general importance of global cities for internationalizing SMEs are explored. Interdisciplinary empirical research on global cities has focused on global cities operations of MNG and affiliates, such as the Forbes 2000-listed “largest” companies in the world, and the multinational advanced producer services (APS). APS firms are among the major specialized firms in financial, legal, PR and communications –advisory, and mainly work for the Forbes 2000 companies. Spatially related studies on entrepreneurship such as the work of Acs et al. (2008), Zuchella, and Scabini (2006) directed studies on global cities towards the field of entrepreneurship and Small and Midsized firms. To date, no empirical investigation about the importance of global cities for internationalizing SMEs has been conducted and published. By conducting an empirical study that analyses the importance of global cities for internationalizing SMEs, we try to address this gap.

Second, the functions of global cities for internationalizing SMEs are explored. They are expected to be related to the characteristics that constitute global cities. Global cities are supposed to offer a high density of business enabling institutions

such as service firms, MNC headquarters or affiliates, public and private BDS institutions as well as a highly educated workforce. Sociological, geo-economical as well as business-related and entrepreneurial studies have analyzed and described these characteristics. We can assume that these factors are highly relevant for internationalizing SMEs and their efforts of cultivating foreign markets. However, empirical studies about the function of global cities vis-à-vis distant internationalizing SMEs is a novel approach to both fields of research, internationalizing SMEs and studies on global cities.

Exploring the functions of global cities for foreign internationalizing SMEs was conducted with the means of a quantitative study of Swiss internationalizing SMEs. We consulted the largest study database on internationalizing SMEs in Switzerland and implemented a set of questions in their 2016 survey. In this empirical investigation, the focus of the study lies on internationalizing SMEs in general and their activities in - and links to – major alpha-rated global cities. The Swiss SMEs' ties to the major global cities were measured and a ratio between the SMEs with links to the global city and the total population of SMEs that are cultivating markets in the global cities' world region were calculated. In addition, the properties of internationalizing SMEs with links to major global cities were compared with those who do not dispose of business links to any of these cities. Finally, an empirical model of factors influencing the likelihood of an internationalizing SME links to a global city was developed and tested. The results of this quantitative empirical research will be described in chapter 7.

In a second study, the importance of a global city for its world region was analyzed in an in-depth qualitative investigation. Therefore, the subsample of Swiss internationalizing SMEs that dispose of market cultivation activities in Southeast Asian world region was analyzed one-by-one about their business links in the various Southeast Asian cities. By means of this analysis, we measured the importance of all cities for internationalizing Swiss SMEs within a distant and emerging world region. By analyzing a whole subsample of internationalizing SMEs one by one according to their links within Southeast Asia as a world region, we were able to distinguish between the different types of cities, from the major alpha ++ down to cities on sufficiency levels and those who are not ranked by the

GaWC, their functions and importance for these distant SMEs. Furthermore, it allowed comparisons between different types of SMEs, their size, scope of internationalization and branch affiliation, as well as their interlinks with the world regions' major cities. The results of this qualitative empirical study will be described in chapter 8.

Determining and describing the functions of a distant global city for SMEs that are internationalizing towards distant and emerging markets is the major objective of the third and last empirical study of this thesis. We aimed to explore how distant internationalizing Swiss SMEs use the global cities' network of business enabling actors in order to establish and cultivate their activities vis-a-vis foreign world regions. Therefore, an in-depth qualitative study was conducted among a carefully selected sample of Swiss SMEs having direct and indirect links to the distant and emerging global city. In addition, experts were consulted in order to discuss the topic and the selected findings from the interviews. As a dominant global city-state prominently known as that world regions' market entry hub, Singapore was selected for this investigation. The city-state of Singapore officially labels itself as an entry-hub for internationalizing firms and for direct investments and is the only highly developed location serving Southeast Asian emerging economies.

6.2 Research questions

As described in the theoretical part of this dissertation, the concept of global cities is strongly linked to the presence of multinational enterprises (MNEs). The GaWC establishes rankings of global cities based on data about the headquarters of the world's largest public companies, according to the Forbes 2000 rankings (Csomós, 2018), and the offices of worldwide operating advanced producer services (Taylor & Catalano, 2018). Studies on the presence of internationally - or globally operating SMEs in global cities have not yet been conducted anywhere.

Since we aim to bring global cities in the context of foreign internationalizing SMEs, the first empirical research question of this dissertation is stated as follows:

- 1) How relevant are global cities for Swiss internationalizing SMEs?

We consider the question about the meaning of a global city for such SMEs as a fundamental issue that needs investigation. This is particularly important in order to gain first empirical insights regarding the tentative conceptual framework proposition as described in chapter 4. Furthermore, it constitutes insights on the meaning of the major global cities for internationalizing SMEs that supplement the empirical work on the Southeast Asian region and its “Alpha +” global city-state of Singapore in the empirical chapters 8 and 9.

From the perspective of a network approach, a city’s relevance to a foreign internationalizing SME will be determined by whether the SME disposes of network links to any business actors in the city. Nevertheless, since such SMEs generally operate in rather dispersed international activities in which some of the world regions do not happen to be part of their foreign markets, we cannot assume that every global city is potentially relevant for every internationalizing SME. The global city might be relevant or not only for SMEs that develop business activities in the global city’s world region. Hence, the relative number of SMEs that are connected to the city for those SMEs who are part of the specific interregional network needs to be considered. This is why only the relevance of a city for the internationalizing SME that are active in the respective world region is measured. Global cities have a network linking impact between the city and its related hinterlands. The characteristic of such powerful network nodes can be supposed to hold a particular relevance for distant and emerging markets. This is why, the relevance of a city with regard to the distance between the SME’s home and focal marketplace is a second focus of this general empirical investigation.

The second empirical research question can be stated as follows:

- 2) How relevant are global cities for Swiss SMEs that are internationalizing towards distant and emerging markets?

With this second research question, the concept of distance is added to the investigation about the relevance of global cities. As deduced from the tentative conceptual framework proposition as described in chapter 4, we can assume that

global cities become particularly important for foreign internationalizing SMEs once the distance between home and the focal market rises. In addition to the geographic distance, the psychic distance between home and focal markets pose an additional liability for internationalizing SMEs. For SMEs from an OECD economy such as Switzerland, emerging markets such as Southeast Asian ones dispose of a particularly high psychic distance to the home market.

Next to the relevance of a global city for internationalizing SMEs, their functioning explored. The role of a global city that, according the tentative framework proposition, is assumed to be particularly important for foreign internationalizing SMEs is the high density of service providing firms that are settled in such global cities. Such firms, organizations and institutions are privately operated, publicly financed ones as well as mixed private-public partnerships. From the theory development, we assume that these actors are the most important ones for distant internationalizing SMEs. The exploratory nature of the investigations among internationalizing SMEs kept all possibilities open to detect all-important global city-based actors within the global cities business network that might be enabling these foreign SMEs' market cultivation in the global city.

The third empirical research question was stated as follows:

- 3) What is the distinct role of the actors in a global city, such as partner firms and clients, business-to-business service producing firms and private and public institutions for Swiss internationalizing SMEs?

In contrast to the first and second research questions, the functions of a global city for distant internationalizing SMEs requires empirical observations in one particular city. It cannot be conducted in a general quantitative study among a larger sample of internationalizing SMEs in Switzerland. Subsequently, in-depth investigations of Swiss SMEs in Southeast Asia's global city-state of Singapore were conducted. The location of Singapore as a highly developed business-attracting hub in the relatively challenging emerging Southeast Asian marketplaces was chosen as ideal for such an investigation.

The global city's leading role within its hinterlands is of interest for the fourth and final research question. Since global cities in general function as supra-regional headquarters for many MNCs and that a high level of power over the surrounding hinterland is exercised from these MNC's headquarters, we assumed a certain network linking function of the global city for internationalizing SMEs. Combined with the presumably positive effects a global city has on internationalizing SMEs in distant and emerging markets, we aim to investigate how the global city enables the connection and entry to distant and foreign firms in its hinterland. Hence, the fourth and final research question was stated as follows:

- 4) How does a global city such as Singapore located in distant and emerging Southeast Asia can enable Swiss internationalizing SMEs to connect with – and enter into – its regional hinterlands?

With the third and fourth research questions, we intend to conduct investigations about the reasons for SMEs internationalize towards distant global cities. In addition it will be studied how these cities affects foreign internationalizing SMEs.

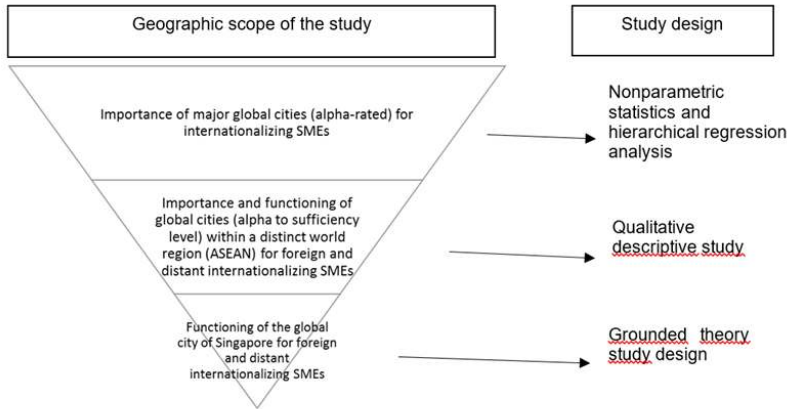
6.3 Research methods

The nature and complexity of the research topic require both qualitative and a quantitative research design. With the aims of a quantitative study, the role of major global cities worldwide for internationalizing SMEs was explored and tested. The starting position for this quantitative study was a sample of 600+ internationalizing SMEs headquartered in Switzerland and their links to alpha-rated global cities. In order to direct the study towards distant and emerging Southeast Asian markets, the subsample of identified companies that generate turnover from Southeast Asian markets were explored in a qualitative descriptive study. In addition to this, a grounded theory study with semi-directed inquiries of thirty Swiss SMEs and experts regarding the use of global cities' business networks in Southeast Asia was carried out.

Overall, these three studies were conducted independently of each other and not as one single mixed-method study. In a mixed method study, "the study must retain its identity as a single study - addressing a set of research questions that deliberately requires complementary qualitative and quantitative evidence and methods" (Ying, 2006, in Yin, *Qualitative Research from Start to Finish*, 2011). In our studies concerned, however, interpretations and conclusions are based on each single study, hence they have to be considered as distinct studies (Yin, 2011).

In the graph shown below, the three distinct studies are illustrated in the funnel-shaped triangle that depicts the geographic scope of the study. The geographic scope ranges from a broad and worldwide analysis of every major global city to the narrowly restricted Southeast Asian area and then Singapore in particular. In addition, the study design was added to each of the major study objectives, hence the importance of the major global cities for internationalizing SMEs were analyzed by the means of a quantitative study design whereas the importance and functioning of global cities within the Southeast Asian region required a qualitative, descriptive study-design. These two studies introduce the reader to the very distinct theory development study about the functions of the global city-state of Singapore for foreign and distant Swiss internationalizing SMEs.

Figure 13 Geographic scope of the studies and study design (source: author)



6.3.1 The quantitative design

As illustrated in the graph above, the measurement of the major alpha-rated global cities importance for Swiss internationalizing SMEs required a quantitative study design among a larger sample. With a set of questions at the *Swiss International Entrepreneurship Survey 2016*, variables for these SMEs were measured. Mann-Whitney U-test helps to compare between internationalizing SMEs with and without links to global cities. As the major dependent variable, the ratio of companies with links to the world regions' major cities among those firms who dispose of turnover from this respective world region will be measured for each of the alpha-rated global cities. This ratio, labelled the *Global City Ratio*, will be tested in an empirical model using independent and control variables with Pearson correlation tables and hierarchical regressions. By the means of this analysis, the relative importance for each of the major global cities for the Swiss internationalizing SMEs will be tested. The model implies both geographic and psychic distance and connectivity as the main predictor, the global cities population and political freedom as control variables.

This initial model was developed and tested in order to demonstrate the role of major global cities for internationalizing SMEs. The role of minor global cities that

are ranked on beta, gamma and sufficiency level as well as cities that are not yet highly connected with the global economy were discarded. Furthermore, the nature of the links to such cities was also not considered. Such questions were explored in a second study with a qualitative study design as explained in the next subchapter 7.

6.3.2 The qualitative descriptive study

For the second study, the geographical scope was narrowed to the emerging Southeast Asian world region of the ASEAN countries and its major and minor global cities. By narrowing down the study sample on foreign internationalizing SMEs in one specific world region, we could investigate the nature of the business links as well as the type of SMEs that venture towards such distant and emerging markets.

These research questions required a qualitative research design that is descriptive in nature. With an inductive approach, rich primary data about these SMEs was collected. For this second study, we assumed that foreign internationalizing SMEs generating turnovers in Southeast Asia either dispose of links to global cities, to cities of minor importance to the global economy or that they do not dispose of any links other than the SME's final customer, in that world region. Since beyond that, no other assumptions could be made, there were many unknown factors about these SMEs that may go uncovered.

The phenomenon of distant internationalizing firms that are small in size but internationalizing towards emerging markets and their use of highly integrated cities wanted to be described as its best. The research questions focused on the type and nature of the SMEs themselves, the kind of partnerships they pursue and the locations in which these partnerships are established. From the author's point of view, the qualitative descriptive method fits best to address these questions. Qualitative description is a suitable method for research questions that focus on the discovery of the Who, What and Why of a phenomenon (Sandelowski, Whatever happened to qualitative description?, 2000) (Sandelowski, What's in a name? Qualitative description revisited, 2010). Furthermore, qualitative description is important and appropriate when a straight

description of a phenomenon is desired and information is sought, for example, in order to develop a questionnaire for further investigation (cf. Neergaard, et al, 2009; Kim, et al, 2017). It is a widely used method in health care and nursing-related qualitative studies but reasonable and effective in various disciplines, whenever a phenomenon needs to be described in a very concrete manner using rich data.

Among the major features of this method, we can describe the following six particularities of qualitative description (cf. Kim et al, 2017).

1. The phenomenon is described in its natural state.
2. There is a certain flexibility in the commitment to a framework or a theory when conducting a qualitative descriptive study.
3. Interviews with minimally structured or semi-structured interview guides are held.
4. Purposeful sampling techniques such as maximum variation sampling is applied in order to obtain broad insights and rich information.
5. Qualitative content analysis, often supplemented by descriptive statistics, is a common strategy for data analysis.
6. The representation of study findings are expected to be straightforward, including descriptive summaries and accurate details presented.

Other qualitative methods such as grounded theory, phenomenological or ethnographical research lead to outcomes such as new theories or descriptions about the meaning and the essence of a particular phenomenon. Qualitative description, in contrast, rather results in a straight (forward) description of the phenomenon.

In this qualitative description research study, the researchers' intention is to describe the sample of foreign internationalizing SMEs that venture towards emerging Southeast Asian markets. This study aims to investigate the importance of global cities for foreign internationalizing SMEs in a specific and emerging world region. The subject of the study are the business links these SMEs hold to actors in the various regions, respectively their cities. By describing the types of SMEs

that are generating turnovers in these regions, the geolocations of their business links and the markets they serve with the help of these links were described. Furthermore, the sample of these firms as a whole as well as the differences and similarities among subcategories (with or without direct or indirect links to global cities) need to be described as well. This description has the character of a low-inference observation in order to be coherent with the sixth particularity of a qualitative description study as listed above.

A straightforward description of the sample with accurate details was achieved by trying to interpret the data as little as possible but as much as needed. The data collection was executed in the following two steps:

- First, the subsample as compiled according the description in chapter 6.5.3) was analyzed regarding the research questions in the form of a desk-research-typed content analysis. Therefore, the official webpages of the companies as well as their entries in company and/or trade and commercial registers were studied. A maximum of information was gathered through this form of observation and every piece of information was entered in an excel-list.
- Secondly, interviews with representatives from each SMEs were conducted whenever possible. They were held by telephone where, in most of the cases, a representative of the firm such as the reception desk or the secretary office responded to the researchers question in a structured 5-minutes interview. During the interview, the questions as stated in chapter 6.5.4 were asked and the information that were collected through the desk research (in the first step) were confirmed or corrected.

6.3.3 The grounded theory study design

Grounded theory received increased attention while developing this third research project because of its focus to unravel the elements of complex phenomena. This theory emphasizes understanding the study participants in order to build a theory about a phenomenon. According to two researchers who were instrumental in defining this grounded theory methodology, Anselm Strauss and Juliet Corbin,

“the theory is discovered, developed and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon.” (Strauss & Corbin, 1990; p.25). According to this inductive research method, the researcher does not begin with a theory and attempt to prove it. He rather begins with an area of study in which a phenomenon is studied and theory emerges from the data (Strauss & Corbin, 1990; 1998).

The emergence of grounded theory is inextricably linked with the work of Glaser and Strauss (1967) published as “The Discovery of Grounded Theory: Strategies for Qualitative Research”. The process of grounded theory was defined in this publication as a process that starts with a phenomenon of interest from which concepts and principles were obtained in order to structure it. Data are collected in a stepwise process and by theoretical sampling. The discovery of emerging patterns in the data requires a constant comparison of the collected data. In this context, further data collection cannot be planned and must be based on the current findings and patterns. The decision of further interviews refers to the patterns that were observed and recognized up to this point. Comparisons are additionally important because they enable identification of variations in the patterns to be found in the data” (Strauss & Corbin, 1998; p.67).

In the grounded theory study, interviews with Swiss SME entrepreneurs in Singapore and Southeast Asia as well as with local and foreign experts supporting internationalizing SMEs in Singapore and Southeast Asia were conducted. The surveys were analyzed and constantly improved in order to develop a theory that explains the functions of a global city for distant internationalizing SME through the example of Swiss SMEs in Singapore.

The research process started in the early dissertation phase as the first of the three empirical studies. From the researcher’s perspective, Singapore was already known as a hub for firms with international activities. Prior work and study visits in Southeast Asia as well as the study of (non-academic) brochures from business actors and consultants in Switzerland and Singapore primarily led to a series of questions regarding the role of Singapore for distant internationalizing firms. During four years of study, the researcher spent time with Swiss entrepreneurs, consultants and expatriates in Singapore, Malaysia and Vietnam,

on-site and several times a year. Qualitative inquiries such as grounded theory emphasizes the personal experience of the researcher, who must have an intense interest and personal experience with the subject of study (Telles-Langdon, 2011). By the means of the many interviews conducted, a theory on a global cities attracting and enhancing functions for distant internationalizing SMEs was developed based on the example of Southeast Asia and the city-state Singapore.

6.4 The quantitative study

6.4.1 Data collection

A cross-sectional quantitative survey was carried out between March and May 2016. The target population was small and mid-sized enterprises (SMEs) that have their general headquarter in Switzerland. The companies or company-groups had to employ a minimum of 1 and at maximum of 250 full time equivalents in Switzerland. Employees in foreign offices and plants were not counted. The survey was aimed at the companies' highest decision makers such as founders, successors, or CEOs who were asked to either fill out a printed survey or an online version that was accessible through an encoded URL.

Bisnode Dun & Bradstreet Switzerland, a commercial and professional service firm, provided a database with 15'000 postal addresses of Swiss SMEs with names of their most senior current decision makers. The companies were selected according to the following criteria:

- Headquartered in Switzerland,
- Export- or internationalization-oriented firms with a minimum of 5% turnover from foreign countries,
- A minimum of 1 and a maximum of 250 full time equivalents at their Swiss branches,
- A turnover of between 5 and 99 million CHF in Switzerland.

With a response rate of 4.06%, a total of 609 online and paper-questionnaires were fully validated. Most of the respondents were the company founders and CEOs (49.7%, n=303), followed by second-generation successors and CEOs (24.8%, n=151) and other types of CEOs and general managers (25.5%, n=91).

Most of the companies were micro-companies with between 1 and 9 full time equivalents (52.5%, n=320) followed by small companies with between 10 and 49 employees (34%, n=207). Medium-sized companies with between 50 and 249 employees made out the smallest part of the respondents sample (13.5%, n=82).

The relevant survey questions for this dissertation were added to the *SIES - Swiss International Entrepreneurship Survey 2016*. The School of Management Fribourg conducts the SIES study every three years, starting in 2007. This dissertation's author was in charge of the 2013 and the 2016 survey as a principal scientific collaborator and is cited, together with Rico Baldegger and Benoit Morel, as a co-author of the 2016 report. The questionnaire contained five chapters and a total of twelve pages. The chapters inquired about (1) Business Model and Strategy, (2) General Questions on Internationalization, (3) Achieving Internationalization, (4) Innovation and Internationalization as well as (5) General Information about the Respondent and the Company. The questions for this study were placed in chapters 2 - General Questions on Internationalization and 5 - General Information about the Respondent and the Company. With four closed-ended firmographic questions, the company's age, the number of employees, the year of initiation to the internationalization process, last years' (2015) percentage of foreign sales and the company's primary industry were polled. In addition, the respondent had to indicate on a matrix of the fourteen world regions and an ordinal scale of six categories of "share of foreign sales as a % of total revenues". Then, the companies' indirect and direct links to major alpha-rated global cities as ranked in the GaWC 2012 rankings were inquired.

In order to know the size of the surveyed firms, the participating companies were asked to indicate how many employees the company in Switzerland hired by the end of 2015. The question format was set as an open-ended question and respondents were asked to indicate the number of employees given in terms of full time equivalents (FTEs). In a similar open-ended question, the SMEs were

asked to reveal the percentage of total corporate sales that was generated in foreign markets as in the end of 2015.

According to the different market entry and market development strategies as described in chapter 2, the SMEs were asked to select the modes of internationalization used by the group in the end of 2015 out of a list of nine preselected answers. The modes ranged from direct and indirect exports to contractual partnerships such as licensing and franchising up to modes of foreign direct investment such as foreign branches, foreign production operation with own distribution structures as well as subsidiaries.

The SMEs were also asked to indicate whether, in the past three years, they made use of non-financial external supporting services for internationalizing firms. The response options were based on the work of (Catanzaro, Messeghem, & Sammut, 2015) and their scale of measuring external company mentoring of internationalizing firms in France. The types of mentoring or supportive services were divided into the categories information search, marketing and distribution, as well as legal and consulting. In total 16 types of services were asked and for each service, it was needed to indicate whether the service was provided in Switzerland or abroad. The set of questions relevant to observe links to the world regions and the global cities as well as the types of services provided can be found in *Annex VI – SIES Survey Questions*. At the end of the questionnaire, the SMEs respondents were given the option to disclose their identity in order to benefit from a personalized dispatch of the SIES 2016 report and being invited to a workshop on SME internationalization provided by the School of Management Fribourg. Fortunately, about half of the study respondents revealed their identity. The study-participant SMEs that disposed of business activities in the Southeast Asian world region and/or that indicated being linked to a Southeast Asian major global city (Singapore or Kuala Lumpur) were then analyzed for the qualitative description study in chapter 7.

6.4.2 The variables

The model as developed in chapter 6.4.1 contains the global city ratio as a dependent variable that is influenced by geographic and psychic distances and

connectivity (independent variables). The model is controlled for the global cities population as well as for political freedom (control variables). In these following sections, the independent, the dependent as well as the control variables are explained.

The independent variables

As major independent variables, having an impact on the global city ratio, both distances, geographic and psychic were considered.

The geographic distance between Switzerland and the global cities was measured using the linear distance between Zurich, Switzerland's biggest and economically most powerful city and the respective global cities. The value represents the distance in Kilometers.

Measuring psychic distance is far more complex than the measurement of geographic distance. Among the used measures in international business and multinational enterprise literature, we find principally Sethi's (1971) clustering of world markets and Hofstede's cultural difference dimensions (Dow, 2000). The most extensive and comprehensive empirical research to date on cultural dimension relevant to work organization is probably the one conducted by Hofstede, published in 1980 and 1984 (Benito & Gripsrud, 1992). The fact that Hofstede collected his data within a large multinational enterprise, for more than fifty subsidiaries, made the data relatively robust: Only employees in similar occupations from the same multinational enterprise were compared. This gave him the opportunity controlling for bias from different occupational positions and organizational practices (Hofstede, 1980, 1984; Benito & Gripsrud, 1992). As pointed out by Kogut and Singh (1988), Hofstede's work is impressive in sample size and reliability of scores over time. He found that differences between national cultures vary along four dimensions: uncertainty avoidance, individuality, power distance and masculinity-femininity. The codification of cultural traits along numerical indexes made it possible to compare relative differences between countries.

In the composite index as established by Kogut and Singh (1988), the deviation along each of the four cultural dimensions builds the starting point for the measurement of distance. The deviations are corrected for differences in the

variance of each dimension and then arithmetically averaged (Kogut and Singh, 1988; Benito and Gripsrud, 1992). Cultural distance CD_j is the product of the following equation, as used in this study:

$$CD_j = \sum_{i=1}^4 [(I_{ij} - I_{iN})^2 / V_i] / 4$$

where

I_{ij} = index value for cultural dimension I of country j ;

V_i = variance of the index for dimension i ;

N = home country

The cultural distance from Switzerland to each of the global cities countries is the used measure to indicate the psychic distance in the following quantitative study.

Taylor (2001) has calculated the measure of cities' connectivity with the global economy. The variable named "connectivity" is the product of service values for the city with each other city for all APS firms. The data collection for this variable was carried out by the GaWC utilizing 100 office networks of service firms in accounting, advertising, banking/finance, insurance, law and management consultancy that operate globally (Taylor 2001). These firms were chosen due to having offices in at least 15 different cities in the major globalized regions of Northern America, Western Europe and Asia-Pacific.

The service value for firm j in city i is allocated v_{ij} and m is the advanced producer (APS) service firm. The basic rational unit of measurement defines the relation between cities a and b in terms of firm j and is given by

$$r_{abj} = v_{aj} v_{bj}$$

The aggregate cities interlock between the cities is given by

$$r_{ab} = \sum_j r_{abj}$$

For each city there are $n-1$ such interlocks and the network connectivity for a city is given by

$$C_a = \sum_i r_{ai} \text{ where } a \neq i$$

Where C is the network connectivity of city a .

With this formula, city a is related to all other cities within the network through its firms and measures the degree of integration of the city into the world city network.

The dependent variable

The global city ratio is calculated for each major, alpha-rated global city. It represents the percentage of firms that dispose of direct and/or indirect links to the world regions global city, among the firms that generate turnover in the relative world region. Direct links means that the firm disposes of a direct representation such as an owned branch, point of purchase or office. Indirect links are third firms that represent these firms such as trade or sales intermediaries and partner-firms. For this purpose, the results from the survey questionnaire as depicted in graph X, in which SMEs were asked to indicate whether they dispose of direct or indirect links to one or several major global cities are computed into on single dichotomous variable per global city.

$$\text{Global City Ratio} = \frac{\text{[number of SMEs indicating direct and/or indirect links to the global city]}}{\text{[number of SMEs indicating turnover from the global cities world region]}}$$

If, among the 216 Swiss SMEs that generate turnover in North America, 46 (21.3%) have links to New York and 35 (16.2%) to Toronto, the global city ration of New York is 21.3 and of Toronto 16.2.

The sub regions as defined by the United Nations Statistics Division (UNSD) based on the M.49 standard area codes for statistical purposes (cf. United Nations, 2018), were grouped into twelve major world regions. The stages of economic development as defined in the Global Competitiveness Report (cf. Schwab, Sala-i-Martin, Samans, & Blanke, 2016) served for subdivision and/or groupings purposes of these sub regions.

In the European continent, the Eastern European sub region was separated from the block "Western Europe" that contained North-, Western-, and Southern

Europe. The latter three European regions belong to innovation-driven economies whereas the Eastern European region belongs to either efficiency-driven economies or transitional economies between efficiency-driven and innovation-driven countries.

Russia was likewise extracted from the group of Eastern European countries because of possible disconcertion that could emerge among respondents not knowing if their Russia business should be attributed to Eastern Europe and categories on the Asian continent. Since the role of Moscow as Russian's major alpha global cities is more strongly linked to the Central Asian - than Eastern European hinterlands (cf. Gritsai, 2004) Russia and Central Asia built one category of its own.

The American continent was subdivided into three major regions: Northern America, Latin respectively Southern America and Central America including the Caribbean. With this categorization, the grouping of the United Nations geoscheme was fully respected.

For the African continent, only two subcategories were created. North-, East, West and Central Africa were one world region whereas Southern Africa was the second one. Southern Africa is the only African sub region, among the five UN sub regions, that disposes of an own global city, namely Johannesburg.

The Asian continent was divided into Near and Middle East, South Asia, Southeast Asia (ASEAN), Central Asia, North East Asia and Japan. Hence, the exclusion of Japan from the North East Asian sub region was again justified with the specific role of Tokyo as a major alpha global city for Japan. Tokyo's influence on the East Asian subcontinent such as China, Hong Kong and Taiwan is considered as very limited (cf. Macintyre & Naughton, 2005; Tachiki, 2005) whereas Chinese global cities such as Beijing and Shanghai, but also Hong Kong, play a considerable role for the greater North East Asian region such as Taiwan and even South Korea (Woo-Cumings, 2005).

Australia, New Zealand and the economically minor influent economies of Melanesia, Micronesia and Polynesia were grouped in the Oceania sub region. Hence, there is no difference to the official UN geoschemes for this world region.

The control variables

The global city population was added to the model in order to control for effects due to the size of global cities. The measures were selected from the database of the United Nations in 2014 (United Nations, Department of Economic and Social Affairs, Population Division, 2014).

The most commonly used index in order to measure political freedom in countries is provided by the Freedom House database (Dawson, 1998, Far, Lord and Wolfenbarger, 1998, Gerring et al. 2005). Accordingly, political freedom is measured along the dimensions of political rights and civil liberties. Political rights include the population's possibilities to vote, participate in fair elections and their general involvement in political decision-making. Civil liberties captures equality of opportunities, freedom of expression, assembly, religion and so forth. The average value of both indexes was calculated and implemented as a control variable. Since each index is measured on a scale between 1 and 7 whereas 1 denotes the highest level of freedom, the original index values were reversed such that higher numbers denote higher levels of political freedom. The data on these indices was collected for the ten years between 2003 and 2012 whereas their correlation varied from $r=0.95$ to 0.98 ($p<0.001$). Hence, a high reliability of this measure was ensured.

6.4.3 Data analysis

Considering the novelty of the research subject and the limited amount of empirical knowledge in this field, the data analysis includes only the most obvious and important characteristics of internationalizing SMEs such as their size and their experience and scope in terms of internationalization. Their experience was measured using the companies' years of experience in foreign markets. Their scope was measured with the percentage of sales revenues generated in foreign markets and the number of world regions in which the companies dispose of business activities. The analyses included continuous independent and dependent variables and a categorical independent variable indicating whether the SME disposed of network links to a global city for the testing differences among the two samples' arithmetic means.

In a first step, errors in data entry and any irregularities such as extreme outliers were identified and removed. A descriptive analysis of the studied sample of Swiss internationalizing SMEs helped to obtain knowledge about these firms' size and age as well as about their scope of internationalization. Differences between the sample of internationalizing SMEs with network links to global cities and those without such network links were tested. The ordinal data was tested with the Mann-Whitney U test. Here again, only the most important characteristics were tested in order to describe the most defining characteristics of both samples.

In a second step, the research hypotheses from chapter 7.2.1 was tested. For this purpose, Pearson's bivariate correlations helped to analyze the degree of the linear relationship between the measured variables as well as the direction of the relationship. The model assumptions were then tested with hierarchical linear regressions. With hierarchical regressions, each variable added to the model explained some amount of variance. The R-square change test asked whether the set of predictors significantly improved the regression model.

6.5 The qualitative studies

We conducted two qualitative studies for this dissertation, a qualitative description study with a sample of SMEs that participated in the Swiss International Entrepreneurship Survey 2016 and a grounded theory-based study with thirty study-participating Swiss SMEs in Singapore and Southeast Asia. In the following sub-sections, we describe the sampling as well as the data analysis methods for these two qualitative studies.

6.5.1 The random sample of Swiss SMEs in Southeast Asia

The starting point for the qualitative description analysis was the responding sample of SMEs from the Swiss International Entrepreneurship Survey SIES that was conducted in 2016. The respondents' information about the presence in the Southeast Asian world region was the decisive element for the sample composition: every SME that was considered for this study sample reported a turnover of between 1% and 5% from the company's overall turnover, which is resulting from clients in the ASEAN member states. In order to start the inquiry, the SMEs' identities had to be known. Since many responding firms revealed their

identity at the end of the questionnaire voluntarily, the analysis of a relatively large and representative⁷ subsample was possible.

In the SIES 2016 survey, a total of 119 SMEs indicated that they generated turnover from the Southeast Asian markets. The rate of Swiss SMEs that indicated turnover generation from that emerging Southeast Asian region amounted to 19.5% of the total sample of 610 surveyed SMEs.

According to the original SIES survey responses, 58 out of the 119 surveyed SMEs had a direct or indirect representation office in Singapore and 29 had a direct or indirect representation office in Kuala Lumpur, Southeast Asia's second major global city. Among the 29 companies with a representation office in Kuala Lumpur, 23 were linked to both global cities, Kuala Lumpur and Singapore, by representation offices.

The SIES respondent SME could choose whether they wanted to reveal their identity or answer anonymously. Fortunately, 87 companies among the 119 respondent SMEs with business activities in Southeast Asia revealed their identity. Thus, almost three-fourths of the initial sample of firms was the subject of further analysis.

From the 87 identified Swiss SMEs, 34 had a representation office (direct or indirect) in Singapore. These were less than the 87 of which we knew that information. Nevertheless, it provided a good basis to start further investigations.

A content analysis of their webpages and local as well as foreign commercial registers combined with interviews allowed the collection of important and missing information about the geo-localization of their offices and plants as well as the geographic range of their clients.

Representatives of 34 SMEs with a link to Singapore were interviewed by Skype or telephone in addition to the analysis of the SIES Data and the information obtained by desk-research-typed content analysis. Among the 52 companies without representation offices in Singapore, 48 were contacted in order to

⁷ It need to be pointed out that the sample has a certain representativeness towards the study sample from the Swiss International Entrepreneurship Survey 2016. This cannot necessarily be equated with a representativeness towards Swiss SME in Southeast Asian markets in general.

interview representatives in addition to the information obtained by the SIES survey and desk research. It was not possible to obtain any more detailed information from four of the firms about their internationalization strategy as they refused to answer any calls or e-mails.

Table 2 Comparison between identified and non-identified firms from the SIES 2016 survey (source: author)

	Identified (%)	Non-identified (%)	SIES 15 Sample (%)
Direct representation office (own branch, point of purchase etc.) in Singapore	10 (100)	0 (0)	10 (100)
Indirect representation office (intermediary, partner etc.) in Singapore	25 (52)	23 (48)	48 (100)
Business activity in southeast Asian markets without representation office in one of the major global cities (Kuala Lumpur or Singapore)	53 (87)	8 (13)	61 (100)

6.5.2 Sample bias test

In order to assess any possible bias of the non-identified companies within the sample population, a comparison with regard to a) company size, b) industry and c) turnover generated in Southeast Asian (ASEAN) economies was carried out. In the first graph, the difference between identified and non-identified respondents with regard to their industry affiliation was carried out.

The following table presents a cross tabulation of industries among the identified and non-identified sample population. One company among the non-identified respondents did not reveal their industry, this is why there are only a total of 118 (instead of 119) internationalizing firms. There are some variations among the number of respondents per industry but none of these industry-groups appears to have an exceedingly high or low rate of identified SMEs.

Table 3 Cross tabulation of industries among identified and non-identified samples (source: author)

Industry	Population	
	Identified	Non-Identified
Metal industry - Mechanical engineering - Electrical engineering	28	7
Chemical industry - Medical technology - Pharmaceutical industry - Cosmetics	12	5
Other manufacturing industry	1	2
Trade	7	2
Food industry - Healthcare and nursing services - Construction - Architects and engineers	7	1
Banks - Information technology - Insurance companies	7	3
Transport and logistics	1	3
Other industries	23	9
Total	86	32

This notion is supported by the outcomes of the Chi-square test for independence. No relationship exists between the industry group and the identified / non-identified responses regarding the significance value of the Pearson Chi-square test ($p > 0.05$).

Table 4 Chi-square test for independence of industry groups (source: author)

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.989	7	.253
N of valid cases	118		

The graphical comparison of SME size categories indicates only slight differences between the identified and non-identified responses. The smallest category, so-called micro-companies with zero to nine employees in Switzerland, are slightly less represented among the identified firms than medium-sized firms with between 50 and 249 employees.

Figure 14 Graphical comparison between the identified and the non-identified sample's company size (source: author)

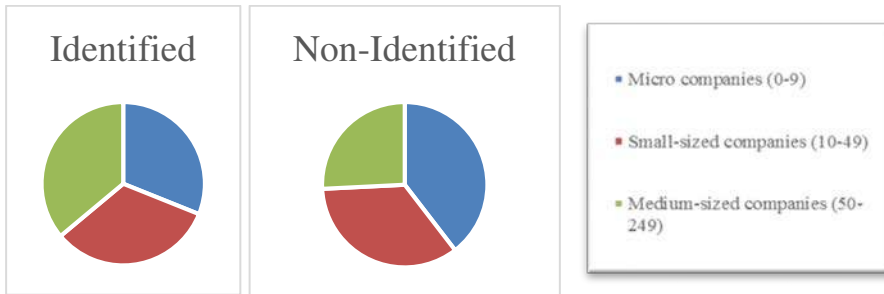


Table 5 Comparison between the identified and non-identified sample's company size (source: author)

	Identified	Non-identified
Micro companies (0-9 employees)	26	12
Small-sized companies (10-49 employees)	34	13
Medium-sized companies (50-249 employees)	27	7
Total	87	32

These differences do not appear to be excessive. The outcomes of the Chi-square test for independence confirm ($p > 0.05$) that no relationship exists between the identified and non-identified population regarding the size of the SME.

Table 6 Chi-square test for company size (source: author)

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.126	2	.570
N of valid cases	119		

Finally, a comparison of the Swiss SMEs' revenues generated in ASEAN economies, as percentage of their total revenues, was conducted in order to figure out whether the identified sample might be biased. For the numerous SMEs (85%), generating between 1-20% of their general revenues in the Southeast Asian region, more than half of the firms were

identified. Among the 17 remaining SMEs with a higher part of their revenue generated in Southeast Asian markets, only one out of three SMEs within the 41-60% and the only SME that indicated a revenue of between 81-100% could not be identified.

Table 7 Sample comparison for turnover in S.E. Asia (source: author)

Turnover in S. E. Asia (%)	Identified	Non-identified
1-5	13	54
5-20	13	22
21-40	4	8
41-60	1	2
61-80	0	1
81-100	1	0

The Pearson Chi-Square test with a significance value of $p > 0.05$ indicates that here again, no relationship could be established between the identified and non-identified population and the ASEAN turnover category.

Table 8 Chi-square test for turnover in S.E. Asia (source: author)

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.185	5	.207
N of valid cases	119		

6.5.3 The subsample of SMEs for the qualitative description study

In the random sample of Swiss SMEs with business turnover from Southeast Asia, we could obtain the information of whether the firm had a direct or indirect link to one of the two global cities in Southeast Asia, Singapore and Kuala Lumpur, and whether they were linked to Hong Kong in Northeast Asia as well. In the original SIES 2015 survey, direct or indirect links of these Swiss SMEs towards business partners in Hong Kong were counted as business links towards a major global city of the East Asian world region. It makes sense since Hong Kong is officially considered as a special administrative zone within the East Asian territory (United Nations Statistics Division, 2017), which has its own currency and customs regime

separate from China. Considering Hong Kong's high level of integration with the world economy and the close geographic distance of this global city to the countries of the ASEAN economies, this special administrative zone of China was considered as a relevant city for this new subsample as well.

From the SMEs in that subsample, however, every regular business link to partners in Southeast Asia was recorded. Among the identified Swiss SMEs with business activities in Southeast Asia ($n=87$) 46 firms did not have any direct or indirect representation in a Southeast Asian city (or other/rural type of locality). The remaining 41 SMEs had direct representation offices or plants and/or indirect offices or plants in at least one city.

Table 12 below represents the complete list of these samples direct and indirect representations in any Southeast Asian city. As already presumed by the general SIES sample studies Singapore is the most popular place for representation offices. The global city-state is then followed by the other two major global cities of Hong Kong and Kuala Lumpur.

Bangkok and Jakarta, classified into "Alpha – " and "Alpha" global cities according to the 2016 global city rankings are following further down the list. In 87 interrogated SMEs with a business activity-generating turnover in Southeast Asia, the companies' direct representations, this means majority owned companies or plants, were centered and limited to five different localities in five different countries. By including indirect representation offices and/or plants, the places to which these firms had business links were limited to twelve different locations in eight different countries. Hence, forms of indirect representations, where an independent partner firm that is not majority-owned by the Swiss firm represents the internationalizing Swiss SME are preferred forms of market cultivation strategies in Southeast Asia.

Table 9 number of companies with links to Southeast Asian cities (source: author)

City	Direct Network Links	Indirect Network Links	Total Network Links
Singapore	10	25	35
Hong Kong	2	16	18

Kuala Lumpur (Malaysia)	0	10	10
Bangkok (Thailand)	3	5	8
Jakarta (Indonesia)	1	4	5
Ho Chi Minh City (Vietnam)	0	4	4
Hanoi (Vietnam)	0	4	4
Puchong (Malaysia)	0	3	3
Johor (Malaysia near Singapore)	1	0	1
Manila (Philippines)	0	1	1
Quezon (Philippines near Manila)	0	1	1
Rayong (Thailand)	0	1	1
Surabaya East Java (Indonesia)	0	1	1
Bali (Indonesia)	0	1	1

In chapter 8, four groups of distant internationalizing SMEs are described and contrasted. Swiss SMEs with business links in Singapore were divided into those firms with direct links and those with indirect ones. In Chapter 8.4, Swiss SMEs with direct and/or indirect links that are exclusively to other Southeast Asian countries and not in the major global-city state are contrasted with the previous two categories from Singapore. Finally, Swiss distant internationalizing firms without any links to any Southeast Asian country are described and contrasted with the other groups as well.

6.5.4 Data collection for the qualitative description study

The following table shows the questions of interest for the qualitative description study:

Table 10 Interrogation of the qualitative descriptive study (source: author)

1st Topic: General information about the firm
Age (founding year)
Size (number of full-time equivalents at their Swiss headquarter)

 Branch

The percentage of total sales revenues that the company was generating in foreign markets in 2015?

 2nd Topic: Business activities in Southeast Asia / Singapore

The category of turnover the company was generating from Southeast Asian countries in 2015: 1-5%, 6-20%, 21-40%, 41-60%, 61-80%, 81-100%?

Does the company dispose of any direct link to Singapore? Direct means that the company has an own (majority owned) office or plant in Singapore?

If yes, what role and function does this office have (local headquarter, sales or producing site)?

Does the company dispose of any indirect links to Singapore? Indirect means that the company has a partnership or a minority ownership with a companies' representative office or plant in Singapore.

If yes, what role and function does this office have (local headquarter, sales or producing site)?

What markets are served from each respective office?

Are there any other Southeast Asian countries where the firm dispose of any direct or indirect links?

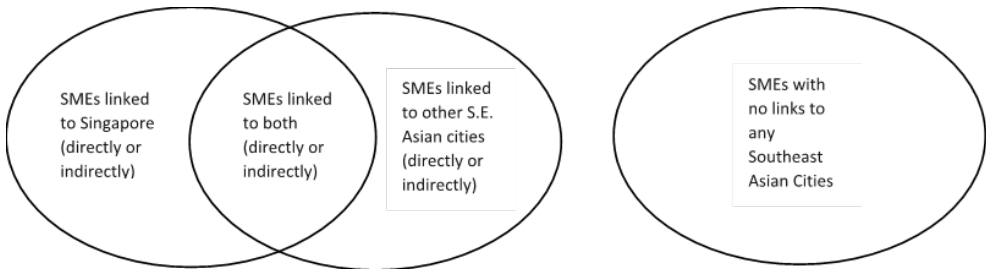
If yes, what role and function does this office have (local headquarter, sales or producing site)?

With this questionnaire, we investigated the firm's general characteristics such as their age, size and branch as well as the scope of their international business in general with particular regard to their activities in Southeast Asia. The focus lays in detecting the role of the SMEs' foreign subsidiaries and partnerships in Southeast Asia. We were interested in finding out whether these SMEs with established links in the global city solely served the local markets or whether other Southeast Asian markets were served via their business link with the global city. By serving clients from the global city, the city itself attracts distant internationalizing SMEs without linking them to the world region whereas in the latter case, the global city serves as a business hub for the distant internationalizing SMEs. Of an equal importance is the inquiry about the importance of other cities in this world region. Are there other cities that play the role of a Southeast Asian hub for some SMEs? What other roles do these cities in the region fulfill for the SMEs, regardless of whether they are ranked as highly integrated respectively "alpha-typed" global cities or not? A qualitative analysis about the business links such distant internationalizing SMEs establish in other

cities and places discloses qualitative insights about the roles of minor important cities and regions. Furthermore, it allows the establishment of a preliminary comparison between the roles of the major global city-state of Singapore with emerging global cities from that region for distant internationalizing SMEs.

A third element that was considered in order to analyze the role of cities for distant internationalizing SMEs are SMEs that indicated generating turnover in ASEAN but did not dispose of any direct or indirect link to any of the Southeast Asian cities. Insights about SMEs that are enabled to generate turnover from such distant regions without disposing over representatives or any other forms of links will complement that strongly exploratory analysis of Swiss SMEs business links in Southeast Asian cities.

Figure 15 Four categories of SMEs with business activities in Southeast Asia (source: author)



In consequence of the previous explanations, three possible categories of distant internationalizing SME that are active in Southeast Asian markets exist. First, there are distant internationalizing SMEs with business links to the major global city Singapore, either directly linked through majoritarian owned offices or plants or indirectly linked via partnerships to other firms. Such indirect links can be established to sales representatives or partner firms that care about business development, customer service and/or maintenance of sold products. Second, distant internationalizing SMEs that generate turnover in Southeast Asia may also be linked, directly or indirectly, to other Southeast Asian cities. Some of them are exclusively linked to other cities, hence they pursue a strategy of penetrating minor Southeast Asian markets, and others may have links to both, Singapore as well as other cities.

A fourth category of SMEs that were also considered are SMEs that generate a minimum turnover in Southeast Asia but do not dispose of any business links to any Southeast Asian cities. They might be able to conduct business activities in such a distant region without having any business partnership on-site. Either they might conduct direct exports to the end customer in Southeast Asia, out of their home market, or they serve Southeast Asian markets through business links in other world regions (such as e.g. East Asia or South Asia).

6.5.5 Participants of the grounded theory study

In grounded theory, the researcher must remain theoretically sensitive, which means that he must show the ability to recognize the important elements in his collected data. In this sense, he must enter the research process with no preconceived notion of what might be found. Interview questions evolve from the data throughout the course of the study.

In order to explain the phenomenon of distant internationalizing SMEs that venture principally into global business hubs, respectively global cities, a qualitative study with twenty-one representatives of Swiss SMEs in Southeast Asia and nine consulting experts was conducted. The study sample SMEs operated in Southeast Asian markets and had an own branch or subsidiary in this world region. Many of them were located in Singapore and some were located in the countries of the emerging Southeast Asian world region such as Kuala Lumpur, Ho Chi Minh City or Hanoi. Both types of SMEs, whether they were located in Singapore itself and in the regions hinterlands were questioned on their use of the business network actors in Southeast Asian's major global city-state of Singapore. All of the interrogated experts were working with foreign internationalizing SMEs on a regular basis, either in a consulting role or as scholars who analyze such SMEs behaviors and needs.

A Purposeful sampling technique was used to recruit SMEs representatives and experts. In purposeful sampling techniques, the study participants are selected because they are "believed to facilitate the expansion of the developing theory" (Bogdan & Biklen, 1998; p.65). Since after each interview summary field notes were taken and analyzed, the selection of the forthcoming participants was based

on the outcomes of these notes. The main objective was to gather enough validity for the detected elements of the developing theory. The selection process was continued until a certain saturation of information regarding the developing elements of theory was reached.

In the following section, the grounded theory-study participating SME sample is briefly summarized. Their identity was kept anonymous while their size and branch as well as their relation to the Southeast Asian market and Singapore are described.

A rather heterogeneous sample of firms was interviewed during these four-years of field research. All of these companies do not exceed 250 FTEs and generate important revenues from the global city-state. In order to generate these revenues, they have developed important partnerships with various business actors and institutions in Singapore. Thirteen companies own Singaporean offices and/or plants and another two in the emerging Vietnamese market. The remaining six companies established partnerships with representative offices in Singapore. Ten of them are in the manufacturing industry, eight are service providers, two are trading goods and one is a watchmaker. Four companies are micro-sized with a total number of employees that did not exceed 10 FTEs, 7 were small sized companies (with between 11 and 49 FTEs), and 10 SMEs belong to the medium-sized category with between 50 and 249 FTEs worldwide. Furthermore, we counted four start-ups that have a maximum of 6 years between their foundation and the time of the interview, nine rather young companies that are still led by at least one of their initial founders, and eight older and well-established SMEs with several generations of managers and owners since their inception.

Among the nine interviewed experts, three are Swiss state officials, two scholars, two well-experienced managers of MNEs in Southeast Asia as well as two consultants.

6.5.6 Grounded theory data analysis

With a grounded theory method, the researcher avoided imposing pre-existing assumptions on the data. It allowed for insights into the patterns of the SME internationalization process and the geo- and socioeconomic reflections of its decision makers without linking them to already existing theories. Thus, the researcher did not have to enter the research process with preconceived notions of what might be found. The process of data analysis is in principal a process of breaking down, organizing, and reassembling thick descriptive data in order to develop a new understanding of the phenomena (Strauss & Corbin, *Basics of qualitative research: Grounded theory procedures and techniques*, Second Edition, 1998). The collected data was coded following their flexible but widely used three steps of coding, in full accordance with this process:

- Open coding (1st step): “The process of breaking down, examining, comparing, conceptualizing, and categorizing data” (Strauss and Corbin, 1990, p.61)
- Axial coding (2nd step): “A set of procedures whereby data are put back together in new ways after open coding, by making connections between categories. This is done by utilizing a coding paradigm involving conditions, context, action/interactional strategy and consequences. (Strauss and Corbin, 1990, p.96)
- Selective coding (3rd step): “the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development” (Strauss and Corbin, 1990, p.116)

In order to illustrate this process, an example of a coded interview is shown in the figure 11 below:

Table 11 Example of interview passages and coding

Passage	Concepts	Categories	Main Category	Relational Statement
We were part in one of Asia's biggest tunneling projects here in Singapore. Due to problems during the construction phase, additional work and warranty work had to be carried out, we were obliged to stay longer in Singapore as initially planned. During this time, one of our colleagues came up with that idea, he proposed to rent an apartment and start a branch here.	Unexpected issues caused delays	Market entry Singapore	Client order (large-scale contracts)	Pull-effect of Singapore's business network
Soon, many Singaporean banking houses became our clients. It was not always easy to handle their issues over distance. Someday I just decided to establish a branch here. My co-founders were okay with that, so I started to rent an apartment in the city and continued my work of serving these clients from there.	Rising number of distant clients	Market entry of Singapore	Client order (increasing volumes)	Pull-effect of Singapore's business network

The passages in the table above demonstrate the open, axial, and selective coding phases. Oftentimes, the different coding tasks began concurrently and concepts were created, rejected or improved in a process of constant back and forth.

Open Coding

In a first step of coding, the data needed to be broken down into representations of objects and events or in concepts. From the 30 interviews conducted, 6 were recorded and were transcript. In another 24 interviews, recording was not allowed or was not accurate in that given situation. In these cases, the researcher

established a verbatim from memory immediately after having conducted the interview.

After each interview, these transcripts and verbatim have promptly been microanalysed in a detailed “line-by-line analysis” (Strauss and Corbin, 1998; p.57) in order to detect initial concepts. These initial concepts were related to the events, thoughts and actions these SME entrepreneurs were stating in describing the process of internationalization towards these Southeast Asian markets. The review of the transcripts and the verbatim summaries of the interviews have resulted in more than 200 initial concepts or events. Immediately after the first round of interviews in Singapore, the researcher began to develop situational maps based on the analysis of the transcripts and memos. On these situational maps, the key words and concepts detected while reading the transcripts and memos were depicted in a mind map. After each of the following interviews, these situational maps have been revised and improved. This proceeding ensured the identification of significant situations within the data and helped to refine the labels of the concepts.

The example from the table above shows two sentences from the interviewed entrepreneurs’ statements about their market entry in Singapore. In one case, an engineering firm was working on a large project in the city-state, when further additional work brought one of the team-members to the idea of establishing a branch. This statement was initially coded by “unexpected issues caused delays”. In another case, the large geographic distance to a growing clientele of Singaporean banking institutes led to one of the SME co-founders to reflect on the opportunities of an owned branch there. In this second case, the statement was labelled “rising number of distant clients”. Both statements described the triggering thoughts that led to the foundation of the foreign branch in Singapore.

These concepts or events were grouped into categories or abstract explanatory terms. In the sample from above, it was the market entry in Singapore. By coding, the interviews were labelled with regard to the fact that already existing clients increased their volume, a large-scale contract in one case, an increasing volume of orders in the other.

Additionally, the interviews were coded using the concept and initial category list. Considering the market entry phases as depicted in an example in table 14 above, the notes in this phase included, in some cases, the requirement through capital investors, in other cases a pure opportunity driven behavior or, as explained in most cases, a triggering event related to a client's requirements or to a large-scale order from him. In that specific case, the main categories were labelled "supposed opportunity", "client order" (with two sub-categories), and "client or partner request" and "capital investment.

Axial Coding

In this second step of coding, the data that was fractured during open coding needed to be reassembled again. The category notes were grouped into main and subcategories. The situational maps as described in the section open coding above were helpful in order to define the relevant main and subcategories. Strauss and Corbin (1998) define subcategories as concepts that give further clarification and specification to the main categories. They answer the questions about the phenomenon such as why, who and how each category is relevant to the investigated topic and gives the concept a greater explanatory power.

In this step, a total of 16 categories were built that were primarily distinguished by the different steps of the internationalization process. Thus, the main categories were initially labelled "market entry Singapore", "market development Singapore", "market entry ASEAN" and "market development ASEAN". The two Singapore-categories have summarized the concepts and events regarding the Swiss SMEs' achievements during the establishment of the Singapore-branch and the further development of their business activities in the City-state. The thoughts and reflections as well as the actors that were significant in these initial phases were labelled and grouped. Their market development strategies in Singapore as well as the relevant factors and business-network actors that were of a vital importance are part of this second Singapore-category. Within the ASEAN-categories, the thoughts and reflections for market-entry of these Swiss SMEs in Southeast Asia were likewise labelled and grouped into the Singapore-categories. Market development ASEAN, however, principally labelled and grouped the concepts and

factors that explained the role of Singapore as the major global city-state with regard to market development in these emerging markets.

Selective Coding

In this third step of coding, the initial categories were refined and integrated with the aim to explore the “how” of the relation between each category. Therefore, the relations between each category needed to be analyzed and they were put in the context of the firm’s internationalization process. The detection of differences and similarities between the categories was also part of this third step of coding. It resulted in 16 categories into which the concepts and events were grouped, that were then assigned to five major categories of variables. Instead of referring to the steps of the internationalization process such as described by the Uppsala-model of 2009, the major aim of this step of coding was the development of an overarching theoretical scheme explaining the relevant factors of the global city’s role for distant internationalizing SMEs. This step resulted in one contextual variable and four impacting variables.

- The contextual variable defines the business-network-related background in which SMEs settlement in Singapore is considered. The variable is labelled “Swiss SMEs context”, and has two characteristics, namely SMEs that are pursuing a hinterworld strategy and SMEs pursuing one of two major hinterland strategies in Singapore.
- Among the four major impact variables there is one related to the process of corporate establishment in Singapore as well as three others that categorize the impact of Singapore on these Swiss SMEs with regard to their market development in the Southeast Asian world region.

The interview results were discussed with entrepreneurs and experts in a steadily and extensively manner. The trustworthiness was increased through the triangulation technique as described in the next section.

6.5.7 Trustworthiness through triangulation

Triangulation refers to the process of analyzing and comparing results from different angles, respectively from different sources. The validity of the study findings is an important concern to every scholar. The researcher has to reflect on

whether other scholars would reach similar conclusions and to what degree tentative conclusions would allow for comparison to other populations of firms. An important element in that process was the triangulation technique. Triangulation is often used to increase the trustworthiness in qualitative research (Creswell, 1998; Guba & Lincoln, 1985).

In this empirical research, market experts were interviewed in addition to the SME entrepreneurs and managers in order to confirm or question statements and conclusions. After each single interview, summary field notes were taken. Field notes included the major information provided, the researcher interpretation as well as reflections regarding the overall convergence or divergence of the just received information with the overall information that were collected to that point. In a research-diary, the researcher noted down the major information of every interview and discussion with experts. It documents also the context in which these interviews were held and any additional information about the interviewee's background. This diary was kept during the process of theory development until the end of the dissertation phase.

Chapter 7. Swiss SMEs and Links to Alpha Global Cities

This first empirical chapter outlines the differences among the internationalizing SMEs' basic characteristics in terms of size, international experience and scope, and their use of non-financial internationalization services with regard to whether the SMEs are linked to Alpha Global Cities or not. The model explaining the relative population of Swiss SMEs connected to each Alpha Global City will be tested in the second part of this chapter. According to the hypothesis as stated in chapter 6.4.1, geographic and psychic distances are considered having a significant impact on the internationalizing SMEs' choice of being connected to world region's global cities. The chapter concludes with a preliminary discussion on these quantitative results.

7.1 Profiling Swiss SMEs and Alpha Global Cities

Among the 609 surveyed Swiss SMEs, 540 respondents were counted as valid since they indicated the world regions in which they operate. Almost half of the surveyed population namely 251 (out of the 540 respondent SMEs) had either an indirect or a direct link to at least one of the world's major global cities. This makes up 46.5%, of the total population of internationalizing firms, with a 95% confidence interval of between 42.6% and 50.4% (*SEM* 1.99%).

According to the descriptive information as shown in table 15, none of the measured variables is normally distributed⁸. Nonparametric statistics were used in order to compare the means of both types of variables, continuous and ordinal, between both groups of Swiss SMEs.

Mann-Whitney U analyses revealed significant differences between the size and the percentage of turnover generated by the surveyed SMEs with and without links to Alpha global cities. The sum of the average ranks of the size of SMEs with links were significantly higher (*M rank* = 284.38, *n* = 242) than for SMEs without links to Alpha Global Cities (*M rank* = 245.71, *n* = 284) $z(526) = -2.91$, $p < 0.01$.

⁸ Normal distribution has been tested by dividing the skewness and kurtosis through their respective standard deviation. Since none of the results were below the threshold of 1.96, the assumption of a normal distribution was rejected.

SMEs with links to Alpha global cities are more integrated to international and/or global markets since their average ranks (of percentages) among the overall SMEs' revenue generated in foreign markets are significantly higher ($M rank = 304.67, n = 240$ compared to $M rank = 208.46, n = 267; z[507] = -7.389, p < 0.001$). The number of world regions in which SMEs with links to Alpha global cities are significantly higher as well ($M rank = 337.49, n = 247$ compared to $M rank = 214.03, n = 293; z[540] = -9.378, p < 0.001$). Since they differ in terms of size and foreign market scope, SMEs with links to Alpha global cities also significantly more often made use of non-financial internationalization services in their home and foreign countries. SMEs with links to Alpha Global Cities make more frequent use of such services in the fields of information search, marketing and distribution services as well as legal and consulting ($M rank = 303.41, n = 247$ compared to $M rank = 242.75, n = 293; z[540] = -4.587, p < 0.001$). This is likewise true for services used in the Swiss home market ($M rank = 291.52, n = 247$ compared to $M rank = 252.78, n = 293; z[540] = -3.051, p < 0.01$) and even more for services used in focal markets abroad ($M rank = 304.79, n = 247$ compared to $M rank = 241.6, n = 293; z[540] = -4.850, p < 0.001$). The modes of foreign market operation among SME groups, however, did not significantly vary.

Table 12 Descriptives of the variables

	<i>Links to major global cities</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Median</i>	<i>Skewness (SD)</i>	<i>Kurtosis (SD)</i>	<i>Min</i>	<i>Max</i>
Number of employees by the end of 2015	No	284	21.06	33.75	8.4	3.33 (0.145)	13.35 (0.288)	0.3	242.0
	Yes	242	32.14	48.52	12.5	2.63 (0.156)	7.08 (0.312)	1.0	250.0

Percentage of total SME sales revenue generated in foreign markets in 2015	No	267	40.51	34.85	30.0	0.515 (0.149)	-1.256 (0.297)	1.0	100.0
	Yes	240	64.3	32.07	80.0	-0.545 (0.157)	-1.209 (0.313)	1.0	100.0
Number of non-financial internationalization services used in the last three years in Switzerland	No	293	2.7	3.3	0.0	2.12 (0.142)	5.19 (0.284)	0.0	10.0
	Yes	247	1.60	1.89	1.0	1.30 (0.155)	1.56 (0.309)	0.0	9.0
Number of non-financial internationalization services used in the last three years in foreign countries	No	293	1.48	2.01	1.0	1.60 (0.142)	2.20 (0.284)	0.0	9.0
	Yes	247	2.40	2.62	2.0	1.64 (0.155)	3.60 (0.309)	0.0	15.0
Total number of non-financial services used in	No	293	2.66	3.28	2.0	1.58 (0.142)	2.91 (0.284)	0.0	18.0
	Yes	247	4.01	3.86	3.0	1.20 (0.155)	1.58 (0.309)	0.0	19.0

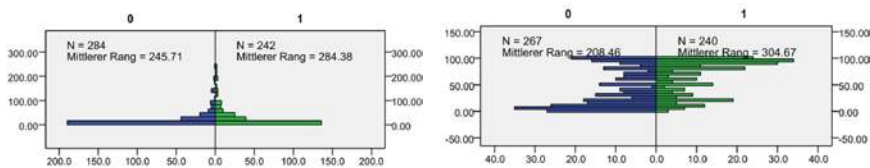
the last three years									
The number of FDI modes the SME uses	No	76	1.82	1.23	1.0	2.17 (0.276)	4.97 (0.545)	1.0	6.0
	Yes	125	1.70	1.28	1.0	2.41 (0.217)	5.40 (0.430)	1.0	6.0
Number of world regions in which the SME operates	No	293	2.61	2.51	2.0	2.34 (0.142)	6.13 (0.284)	1.0	14.0
	Yes	247	4.99	3.64	4.0	0.98 (0.155)	0.10 (0.309)	1.0	14.0

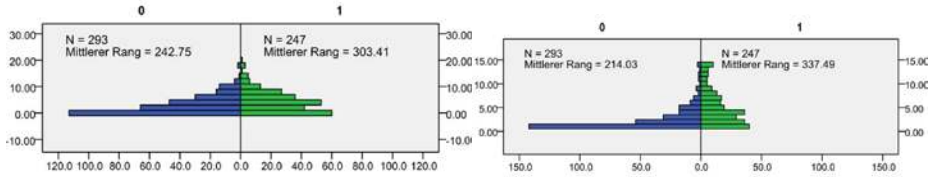
Due to these results, it can be stated that: Swiss SMEs with links to Alpha global cities differ significantly regarding their scope of internationalization in terms of foreign turnover relative to their overall turnover as well as by the number of world regions in which these companies operate.

They differ also in the use of non-financial internationalization services. Whether this difference is related to a difference in the distribution of the two groups or the median of the two groups was tested in a second step.

The hypothesis of an equal distribution was rejected for all of the tested variables. Hence, there is a significant difference in the distribution and the mean ranks for each measured variable among the group of internationalizing SMEs with links to global cities.

Figure 16 Distribution charts





Explanation of charts: company size, percentage of foreign turnover, number of non-financial services and number of world regions (from top left to bottom right) whereas in blue (left) the distribution of the SMEs without links and in green (right) the SMEs with links to alpha global cities are depicted.

As shown in the graph above, the dependent variables are unequally shaped. It can be assumed that a large part of Swiss internationalizing SMEs without links to Alpha global cities is rather small, does not generate a high rate of turnover in foreign markets and is only active in a few world regions. Such companies are very likely not making use of any non-financial internationalization service in the past three years. The SMEs size (top left) depicts a high proportion of micro companies in both groups and slight differences among larger ones. The percentage of foreign turnover ranks much higher and shows an almost back-to-front distribution compared to the group without links. This variable seems being the one with the highest differences between both groups. Both groups do not make use of many non-financial internationalization supportive services, but there is nonetheless a higher need among SMEs with links to global cities. Whereas many SMEs without links restrict their business to one or only a few world regions, the distribution of ranks among the SMEs with links is less skewed.

Considering the different distribution of ranks in company size between both groups, one could argue that the effects on the other dependent variables are explained by the size of the SMEs.

According to various studies, internationalization affects the size of firms positively (Calof, 1993; Schwens, et al., 2018; Ruzzier & Ruzzier, 2014). This means that larger firms usually generate larger proportions of turnover in foreign markets (Ruzzier & Ruzzier, 2014). 539 out of the 540 valid respondents could be

classified into the three major subcategories of SMEs. The nonparametric tests were repeated for each of the groups, the micro companies with up to 9 FTEs, small companies with between 10 and 49 FTEs and mid-sized firms with between 50 and 250 FTEs.

The Mann-Whitney-Test again revealed significant differences for the tested micro companies ($n = 270$), small – ($n = 190$) and medium-sized ones ($n = 79$). The use of non-financial internationalization services in foreign countries also differed significantly between the two groups in each subcategory.

Among micro companies with up to 10 full-time equivalents, the percentage of foreign turnover is ranked significantly higher among micro companies with links to Alpha global cities ($M rank = 144.32$, $n = 104$) than for micro companies without such links ($M rank = 105.30$, $n = 139$) $z(256) = -4.286$, $p < 0.001$. They also rank higher regarding the use of non-financial services in foreign countries ($M rank = 152.03$, $n = 110$ compared to $M rank = 124.13$, $n = 124.28$; $z[270] = -3.055$, $p < 0.01$) and the number of world regions in which they operate ($M rank = 171.47$, $n = 110$ compared to $M rank = 110.77$, $n = 160$; $z[270] = -6.558$, $p < 0.001$). On the other hand, no significant difference is reported regarding the company size between the two samples.

Small sized companies between 10 and 49 FTEs are characterized by the same differences between both groups as among micro companies. Small sized SMEs with links to Alpha global cities rank significantly higher with regard to foreign turnover ($M rank = 111.86$, $n = 88$ compared to $M rank = 90.04$, $n = 101$; $z[190] = -4.567$, $p < 0.001$) than their counterparts without such links. They also rank significantly higher in the number of world regions where they dispose of business activities ($M rank = 118.57$, $n = 89$ compared to $M rank = 75.17$, $n = 101$; $z[190] = -5.527$, $p < 0.001$). Less surprisingly, they also rank higher in their use of non-financial internationalization services, but only for such services that were offered in foreign countries ($M rank = 103.79$, $n = 89$ compared to $M rank = 88.20$, $n = 101$; $z[190] = -1.994$, $p < 0.05$).

The same differences are observed in the category of medium sized companies with between 50 and 250 FTEs. The companies with links to alpha global cities rank higher in terms of foreign turnover ($M rank = 47.88$, $n = 47$ compared to M

$rank = 26.79$, $n = 31$; $z[79] = -4.026$, $p < 0.001$) and number of world regions ($M rank = 45.46$, $n = 47$ compared to $M rank = 31.98$, $n = 32$; $z[79] = -2.576$, $p < 0.05$). They also rank higher in the use of foreign internationalization services ($M rank = 152.03$, $n = 110$ compared to $M rank = 124.13$, $n = 124.28$; $z[270] = -3.055$, $p < 0.01$).

These results suggest that SMEs with business links to Alpha global cities tend to rank higher in terms of their number of employees, regarding the percentage of turnover generated in foreign markets and have a higher demand of non-financial services supporting their internationalization process than SMEs without such links to Alpha global cities. The analysis per SME subcategories, the so-called Micro-, Small- and Medium-sized enterprises, revealed that there is still a significantly higher rank for turnover realized on foreign markets for each category, whereas size does not seem to matter. The demand for supporting services remains also significantly higher for each SME subcategory but only for non-financial services offered in foreign countries.

Mann-Whitney (U) tests are very robust when comparing two sample groups. The assumptions of non-normality are given by the analysis of skewness and kurtosis of the tested dependent variables. The observed groups of SMEs are independent. Since the hypothesis of equally shaped distributions for both groups has to be rejected, the Mann-Whitney U test shows differences in distribution rather than differences in the median of the two groups. The analysis of distribution depicts a less skewed distribution to the lower ranks among the dependent variables of the group without links to Alpha global cities.

7.2 Distances and Alpha Global Cities

In this section, the focus lies on the individual Alpha global cities in which the Swiss internationalizing SMEs are cultivating business activities.

7.2.1 Hypothesis development

It is generally accepted that distance is a major liability for internationalizing SMEs (cf. Johanson and Vahlne, 1977; (Clark & Pugh, 2001) and Pugh, 2001; Chetty, 1999; Moen, Gavlen, and Endresen, 2004; Ojala and Tyrväinen, 2006). The

investigation on how organizations can overcome the barriers of distance as a major subject of research is apparent throughout the whole history of research on internationalization.

In the traditional views on multinational enterprises already, the question about firm's capacities to compete on foreign markets was part of the major subjects of research. Distances were thereby perceived as a rise in transaction costs and in lacking information about local market conditions (Rugman 1981, David Teece 1981; 1982, Rachard Vacés 1982, Mark Casson 1983).

The gradualist approach, originating from the 1977 Uppsala model, describes that the uncertainty about an outcome of an action increases with distance. In their four stages of internationalization, the gradual does not only occur in an increasing involvement in foreign activities, but also in increasing distances of the foreign markets (Johanson & Vahlne; 1977).

The observation that an increasing number of newly founded businesses are capable to compete on various distant markets very shortly after their inception led to the concept of International New Ventures and so-called born-global firms. In this approach, distances do not seem to play a significant burden anymore. Their fast pace of internationalization is explained through a strong position in international or global business networks. These networks allow them to relocate moveable resources at a much faster pace and across much higher distances than gradually internationalizing SMEs, and to compete against local actors despite the disadvantages of distance (Baldegger & Wyss, 2007). Nonetheless, empirical studies have shown a rather small but slightly rising population of such SMEs. For Switzerland, it can be assumed that only about a fourth of the SMEs with internationalizing activities belong to the group of Born - or Born-again global firms. Slightly more than 60% fall clearly into the category of stepwise and gradually internationalizing firms and the remaining 10 to 12% appeared to be very quickly on close international markets whereas the more distant marketplaces on various other continents remain unconquered.

Distances still seem an important obstacle in international business. Global cities, on the other hand, dispose over many business enhancing characteristics such as the high connectivity to global economy and finance (cf, Friedmann, 1995), the

high density of intellectual capital (cf. Florida, 2002, 2004; Sassen 2001, 2005) and business-oriented service providers (cf. Sassen, 1994, 2000, 2001, 2005). Important actors of a foreign internationalizing SMEs business networks might be situated in global cities, since these cities do also feature properties of control and command (cf. Sassen, 2001, 2005). As argued in chapter 3, every global city is therefore a potentially important node in the network of an internationalizing SME. In addition to this, the numerous service providers, the so-called advanced producer services, might enable foreign SMEs to manage the distance between home and focal markets. We argue that the global city does not only play an important role for internationalizing SMEs but that the importance of global cities rises in proportion to the increased distance in geographic but also cultural and psychological terms. Therefore, we expect to count more SMEs with links to world regions' global cities the greater the distance between the home market and the focal market is. Hence, our first hypothesis can be stated as the following:

- H₁: The greater the geographic distance between the SMEs home and focal market, the higher the relative share of SMEs using business networks in the focal markets global cities.

Growing distances are often equated with a growing "foreignness" of the foreign markets culture. The lack of knowledge about local business conditions, about potential foreign customers and partners as well as the bureaucratic procedures and other access barriers. In the initial Uppsala model, such uncertainty was the product of distances of another form, labelled psychic distances. The concept of psychic distances in relation to international firms dates back to the works of Beckermann (1956) and the patterns of intra-European trade. Psychic distance, defined as the sum of "factors preventing or disturbing the flows of information between firm and market" (Johanson and Wiedersheim-Paul, 1975), increases the more the firm is confronted with unfamiliar or even unknown market conditions. Differences in language, laws and rules, but also in the cultural and social milieu are considered as triggers of psychic distance. Dow (2000) describes that the effects of psychic distance on the internationalizing firm decreases after having

dealt with the first foreign market, but remains an important and decisive factor in the firm's process of market selection. The cultural framework of a society frames its domestic economic activities within the society and influences policies and regulations (Williamson, 2000; De Clercq, Lim, and Oh, 2014). It can already affect projects of internationalization to geographically close markets (O'Grady and Lane, 1996). Considering the context of a central-European country such as Switzerland, many rather geographically close countries such as Northern African – or Eastern European ones mean a high psychic distance for Swiss firms and SMEs. However, geographically distant markets such as Australia and New Zealand remain in a rather close psychic distance.

The role of a global city as a center of services with a highly-educated workforce and globally operating firms can be considered important in reducing psychic distances. The level of "foreignness" might be reduced through the melting pot-characteristics of intercultural global city-networks. In turn, we expect the rate of SMEs developing business links to the world region's global cities to be higher, the more the psychic distance to the focal markets increases. Our second hypothesis can be stated as follows:

- H₂: The greater the psychic distance between the SMEs' home and focal markets, the higher the relative share of SMEs using business networks in the focal markets global cities.

The major variable that defines any city as a global city is known as connectivity. Connectivity is the product of service values for the city with each other city. It measures the degree of connectivity of a city with the world economy. Considered here is a set of APS firms, so-called advanced producer services for multinational enterprises' headquarters. The underlying thought for scholars such as Taylor (2001) that established this measure is that the more important headquarters of multinational firms are settled in a city, the more important the city is for APS firms, since multinationals generate a high demand for their services. A list of 100 office networks of APS firms in accounting, advertising, banking and finance, law, insurances and management consultancy was established and a value was given

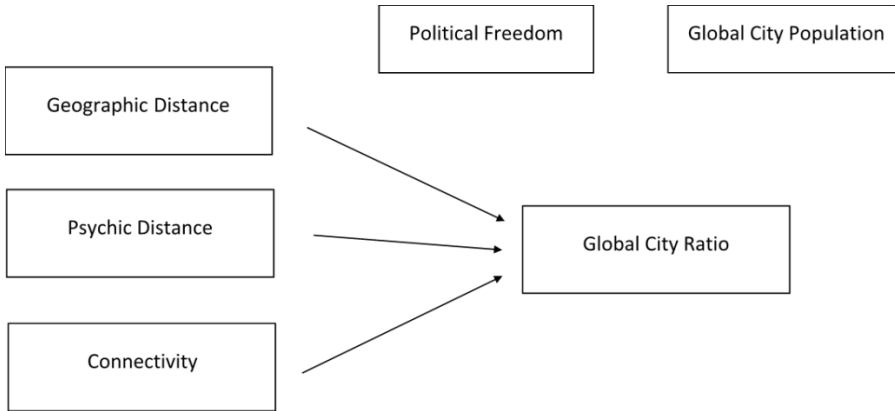
to each city. The value depends on to the status of the APS's office in the city, hence whether it is a national office, a regional headquarter or the company's global headquarter. Internationalizing SMEs tend to be particularly limited in their internal resources for their international expansion. APS services in the field of the categories as stated above might be particularly helpful for such SMEs. It can be assumed that the more important and densely located the number of services available in a city are, the more important this city becomes for internationalizing SMEs. Our third hypothesis can be stated as:

- H₃: The higher the connectivity-rate of a global city with the world economy, the higher the relative share of foreign internationalizing SMEs using business networks in the focal markets global cities.

The strong variation in the internationalizing SMEs' geographic scope of countries and world regions leads us to the consideration of "relative shares of SMEs". Most of SMEs are active only in one or a few of the world's regions. It would not make sense to consider them for the count of connections to a global city in a world region in which they do not conduct any activity.

The figure below depicts the two independent variables, geographic and psychic distances, which positively influence the dependent variable, labelled *Global City Ratio*. The dependent variable is the ratio of SMEs with a connection to the major global city among those who declared having business activities in the related world region.

Figure 17 Proposed model of the global city ratio (source: author)



Controls are included for the effect of political freedom and the population of the global city.

The effect of political freedom on a nations' economy has been a topic of many debates. In general, it can be stated that the level of a nations' political freedom indicates, the extent to which its citizens are granted civil liberties and political rights (Gastil, 1991). Individuals who disposes of a high degree of political freedom must live in a nation that allows them to participate in the formation of public policies (Gibson, 1993), benefit from the freedom of speech, press, expression and assembly (Dheer, 2017) and exercise their legal rights (Wu & Davis, 1999). According to Sen's (1999) capability approach, a nation provides freedom to its citizen if they are enabled to achieve a valuable functioning of "what they want to be and what they want to do", so-called alternative functioning combinations. In this sense, the economic well-being is not simply indicated by its usual measures such as the GDP per capita or the citizens' income level but on a much more substantial quality of being free citizen that are enabled of living a life they want to live. Poverty, on the downside, can described as "capability deprivation" and individuals can stay poor (or being considered as such) despite increasing income levels, by not being able to live their desired lives (Sen, Social exclusion: concept, application, and scrutiny, 2000).

Since economic, social and political uncertainty in a society is considered as decreasing through political freedom, scholars describe the positive effect on the

economy through increased competition and venture creation (Goodell & Powelson, 1982; Sirowy & Inkeles, 1990). Investment, whether of local or foreign nature, is encouraged through democratic governments that offer protection of property rights and low taxation (Axiala & Fabro, 2009). Further empirical evidence supports the arguments stating that increased political freedom increases entrepreneurial activity and enhanced economic growth (Scully, 1988; Kurzman, et al, 2002; Doucouliagos & Ulubasoglu, 2008).

The population of a city is an indicator of the local market size in business-to-customer transactions. Internationalizing firms tend to invest in where the market size is of a certain importance. Empirical evidence exists for a positive correlation between the size of a population and new business formation (Acs et al.2008; Van Stel et al. 2005). Global cities, whether major business centers domestically and/or major regional business hubs, concentrate high numbers of middle and upper class customers.

7.2.2 Descriptive results

Most of the surveyed firms (74 resp. 29.5%) have a link to one major global city, followed by 48 firms with links to two - and 31 firms with links to three major global cities. By filtering firms with at least a link to one global city, the mean lay at 4.47 alpha global cities with a standard deviation of 2.

Table 13 Descriptive statistics for the number of SMEs global cities links (source: author)

Number of global cities where the company is represented*	
<i>Mean</i>	4.47
<i>Std. Deviation</i>	2
<i>Median</i>	3
<i>Quartile 1</i>	1
<i>Quartile 3</i>	5
<i>Interquartile Range</i>	4
<i>Minimum</i>	1
<i>Maximum</i>	22
<i>N*</i>	251*
*Filtered for firms that had at least one link to a major global city	

A new ratio is calculated in order to understand the importance of each major global city for Swiss internationalizing SMEs.

The relative importance of major global cities for each world region needs to be identified. Therefore, it is checked first that every SME having a link to a global city also reports a business activity in the related world region.

Second, the number of SMEs with links to each of the global cities is put in relation with the total number of SMEs active in the related world region. This percentage of GC links in relation to the total number of SMEs active in a world region explains the regional importance of a global city for its world region in a valid way considering that Alpha global cities play

important business intermediation roles.

The new computed variable is labelled *Global City Ratio*. If, as example, 67 Swiss SMEs have either a direct or indirect link to Frankfurt it needed to be considered that these 67 Swiss SME were part of a total population of 493 firms that have business activities in Western Europe. If 41 firms had a direct or indirect link to the global city of Sao Paulo, they were part of a much smaller sample of only 102 Swiss SMEs with business activities in South America. Therefore, for calculating the percentage of SMEs linked to global cities, the sample was filtered regarding SMEs active in respective world regions.

In Western Europe (n 493), the biggest marketplace for Swiss internationalizing SME, there are six major global cities: Amsterdam, Brussels, Frankfurt, Milan and Paris. Out of these six major global cities, most of the Swiss SMEs active in Western Europe are represented in Frankfurt (M 13.6%, SEM 1.5%), followed by Paris (M 12.4%, SEM 1.5%), Milan (M 11.8%, SEM 1.5%) and Amsterdam (M 10.1%, SEM 1.4%). Being represented in Brussels (M 9.1%, SEM 1.3%) or Madrid (M 8.9%, SEM 1.3%) is less important for Swiss internationalizing SMEs as they rank second last respectively last in GC classifications within Western Europe.

Four major global cities are located in North America. Three of them belong to the United States, Chicago, Los Angeles and New York, and one Canadian, namely Toronto. 20.8% (SEM 2.8%) of the internationalizing Swiss firms having business activities in North America (n 216) are represented in New York, 16.2% (SEM 2.5%) are represented in Toronto, 15.7% in Chicago and 14.4% in Los Angeles.

In Northeast Asia, there are three Alpha global cities: the Chinese megametropolises Beijing and Shanghai, and Hong Kong, a special administrative region of the People's Republic of China since 1997. 40.7% of the subsample of companies that had business activities in Northeast Asia (n 167) had a link in form of a direct or indirect representation office in Hong Kong, 37.1% in Shanghai and 31.1% in Beijing.

The last world region with more than one single major global city is Southeast Asia. Among the 119 Swiss internationalizing SMEs with business activities there, 48.7% are represented in the city-state Singapore and 24.4% in Kuala Lumpur, the national capital of Malaysia.

Dubai is the only major capital city in the world region of the Near and Middle East. Among the 139 Swiss internationalizing firms with business activities in this region, 40.2% have a representation office in Dubai.

43.7% of the Swiss internationalizing firms with business activities in Russia and Central Asia had a representation office in Moscow.

38.4% of Swiss firms with business activities in South Asia (n 92; incl. India, Sri Lanka and Nepal) have a representation office in Mumbai, the regions only major global city.

Mexico City, the major global city in Central America has 51.7% Swiss internationalizing firms represented and Sao Paulo, the only major global city in South America has 40.2% of the sum of responding Swiss firms with business activities in South America.

7.2.3 Correlation results

The table below shows the descriptives of the explaining variables in the regression model. In that table, the variables connectivity and corruption were added in addition to the final models' predictors. Connectivity, the measure of importance of a city, is the main variable used by the GaWC research network in order to hierarchize and rank the cities. This variable is added in order to analyze whether the relative importance of one city for Swiss SMEs is correlated with the city's hierarchical ranking.

Corruption is often considered to have a negative impact on entrepreneurship and entrepreneurial activities. It increases the transaction costs (Anokhin and Schulze, 2009) or simply decreases the motivation to exert efforts in starting new business activities (Bardhan, 1997; Cuervo-Cazurra, 2006).

Table 14 Correlation results (source: author)

Variables	1	2	3	4	5	6
Population	1					
Connectivity	0.207	1				
Corruption	-0.412	0.215	1			
Geographic Distance	0.457*	-0.031	-0.022	1		
Political Freedom	-0.127	0.123	0.566**	-0.231	1	
Psychological Distance	0.084	-0.247	-0.489*	0.165	-0.814**	1
Global City Ratio	0.652**	0.001	-0.309	0.652**	-0.497*	0.544**
Min	682.00	0.44	-0.96	221.80	1.50	8.92
Max	36'834.0	1.00	2.18	16'565.9	7.00	70.41

Mean	10'675.08	0.66	0.93	5.52	1.72	28.14
Standard deviation	8'746.50	0.14	1.00	1.99	0.94	16.87
N	23	23	23	23	23	23

*Correlation is significant at the 0.05 level (two-tailed); **correlation is significant at the 0.01 level (two-tailed)

The examination of Pearson's correlation (Table 16) suggested that geographic distance ($r=0.652$, $p<0.01$) and psychological distance ($r=0.544$, $p<0.01$) are both positively associated with the global city ratio. Political freedom ($r=-0.497$, $p<0.05$) is negatively associated with the predicted variable. The covariate population ($r=0.652$, $p<0.01$) is positively associated to the global city ratio too. Connectivity ($r=0.001$, $p = n.s.$) and corruption ($r=-.309$, $p= n.s.$) did not associate significantly to the global city ratio. These two variables are considered for examination the Pearson's correlation in order to reveal any possible positive or negative impact on the model. Since they do not correlate at all with the explained variable, the maximum expected recognition is obtained and the variables do not need to be kept for the model testing.

The values for skewness and kurtosis for all explaining variables are between -2 and +2 and therefore considered acceptable in order to assume normal univariate distribution (George & Mallery, 2010). Multicollinearity occurs when there is a high correlation between the predictor (or independent-) variables. It is checked by examining the variance inflation factor (VIF) values for all independent and control variables included in all the regression models. The VIF measures how much variance of an estimated regression coefficient is increased because of collinearity (Hair, Tatham, Anderson, & Black, 2006). The VIF values for all variables were below 10.0 (Deer, 2017). Tolerance values denote variability in independent variables that are not explained by other independent variables (Özgener & Iraz, 2006). The tolerance for all independent and control variables were above the cutoff of 0.10 (Lin, 2008). According to these results, problems of multicollinearity are unlikely. The maximum VIF score is 1.96 for the control variable corruption, while testing political freedom as a predictor for the global city ratio.

7.2.4 Regression results

The model is tested using hierarchical multiple regression analysis.

Results are provided in table 18. In a first step (baseline model 1), only control variables were included in the regression equation. Overall regression for this first model was highly significant ($R^2 = 0.60$, $F(2, 20) = 15.01$, $p < 0.001$). Global city population ($\beta = 0.60$, $p < 0.001$) and political freedom ($\beta = -0.42$, $p < 0.01$) were found to have significant effect on the global city ratio.

Table 15 Regression results (source: author)

Predictors	Model1 (baseline)	Model 2	Model 3	Model 4
Political Freedom	-0.42**	-0.36*	-0.06 □	0.02 □
Population	0.60***	0.44**	0.61*	0.44**
Geographic Distance		0.37*		0.38**
Psychic Distance			0.45 □	0.46*
Constant				
N	23	23	23	23
Mean model VIF	1.02	1.21	2.33	2.15
R Square	0.60	0.70	0.67	0.78
R Square Change		0.10*	0.07**	0.18***
Adjusted R Square	0.56	0.66	0.62	0.73
F	15.08	15.08	12.72	15.62

*Significant at the 0.05 level (two-tailed); **significant at the 0.01 level (two-tailed); ***significant at the 0.001 level (two-tailed); □ significant at the 0.1 level (two-tailed)

In model 2 the measure for geographic distance is included in the regression equation along with control variables. Geographic distance is found to have significant effect ($\beta = 0.37$, $p < 0.05$) on the global city ratio. The overall regression in the second model is highly significant ($R^2 = 0.70$, $F(1, 19) = 15.08$, $p < 0.001$) with a significant change in R square over the baseline model ($\Delta R^2 = 0.10$, $p < 0.05$). Both covariates, global city population and political freedom were found to have a decreased significant effect on the ratio of Swiss SMEs in global cities of $\beta = 0.44$, at a 0.01 level and $\beta = 0.36$, at a 0.1 level (2-tailed).

Model 3 examines the effect of psychic distance on SME choices to link their business in a major global city. The overall model is highly significant ($R^2 = 0.67$, $F(1, 19) = 12.71$, $p < 0.001$) with a significant change in R Square over the baseline model ($\Delta R^2 = 0.07$, $p < 0.1$). Psychic distance is found to have a significant positive effect ($\beta = 0.45$) on the significance level of $p < 0.1$. Both covariates have a significant positive effect on the predicted variable. Global city population has a positive effect of $\beta = 0.61$ ($p < 0.1$) whereas the negative effect of political freedom is reduced to $\beta = -.06$ at a significance level of $p < 0.1$.

Model 4 represents the final model with both, geographic and psychic distances included in the regression results. Political Freedom has a minor significant and very weak positive effect of $\beta = 0.02$ on a significant level of $p < 0.1$ whereas the second covariate population has a significant positive effect of $\beta = 0.44$ ($p < 0.01$). Both, geographic and psychic distances positively affect the global city ratio by $\beta = 0.38$ ($p < 0.01$) and $\beta = 0.46$ ($p < 0.05$). The overall regression in this model is highly significant ($R^2 = 0.78$, $F(2, 18) = 7.08$, $p < 0.001$) with a significant change in R square over the baseline model ($\Delta R^2 = 0.18$, $p < 0.01$).

Table 16 Results of hypotheses testing (source: author)

No.	Hypotheses	Result
1	The greater the geographic distance between the SMEs home and focal market, the higher the relative share of SMEs using business networks in the focal markets global cities.	✓
2	The greater the psychic distance between the SMEs' home and focal markets, the higher the relative share of SMEs using business networks in the focal markets global cities.	✓
3	The higher the connectivity-rate of a global city with the world economy, the higher the relative share of foreign internationalizing SMEs using business networks in the focal markets global cities.	✗

To conclude, we can state that hypothesis H₁ is confirmed given the significant positive correlation between the global city ratio and the geographic distance between home and focal markets. By measuring psychic distance based on Hofstede's cultural dimensions, a positive correlation between the global city ratio and this psychic distance between home and focal market confirms the second hypothesis H₂. In table 19 above, we find a summary of the three tested hypotheses and their findings.

7.2.5 Robustness of results

Robustness tests were conducted in order to examine the change in results when changing the model's assumptions. The global cities' population is found to be strongly correlated with the global city ratio, meaning that the higher the given population in one of the considered Alpha-level global cities, the higher the percentage of Swiss SMEs in that world region linked to the major global cities. This is consistent with extant studies on firm's decisions on foreign direct investments (Cole, Elliot, & Zhan, 2011) (Borenszteina, Gregoriob, & Leec, 1998 (Vol 45 (1))), but, of course, this has not been tested yet in relation with SMEs' business links to major global cities. As such, it was important to test this variable for robustness and against any issues of multicollinearity.

First, it is revealed that the only variable with an outlier (according the measures of SPSS) is the global cities' population. Tokyo, the global city with the highest global city ratio value, is found to be the outlier in terms of city population. In order to reduce the effect of this outlier, it is winsorized (i.e. the next highest value +1 Tsd. population) (Beaumont & Rivest, 2009) (Smith, Pont, & Jones, 2003) (Chambers, Kokic, & Cruddas, 2001). After this value is recoded, the mean of that variable changes from 10.7 Mio. to 9.9 Mio. while the median and interquartile range remains at 8.6 resp. 13.9 Mio. Inhabitants. The values for skewness and kurtosis go from 1.27 respectively 2.05 to 0.37 respectively -1.361. The analysis with this winsorized measure lead to similar results. Overall regression for this first baseline model is slightly less significant ($R^2 = 0.32$, $F(3, 19) = 3.04$, $p < 0.1$) and the winsorized city population remained significant, but on a slightly lower scale as well ($\beta = 0.63$, $p < 0.05$). Geographic distance has a significant effect ($\beta = 0.55$,

$p < 0.01$), with a significant change in R Square ($\Delta R^2 = 0.22$, $p < 0.01$) and a significant overall model 2 ($R^2 = 0.54$, $F(4, 18) = 5.30$, $p < 0.01$). The impact of political freedom remains having significant negative impact to the global city ratio ($\beta = -0.59$, $p < 0.01$) and the change in R Square remains significant as well ($\Delta R^2 = 0.23$, $p < 0.01$) in a significant model 3 ($R^2 = 0.32$, $F(4, 18) = 5.54$, $p < 0.01$). The same impact is also measured for psychic distance ($\beta = 0.63$, $p < 0.01$) with a significant change in R Square ($\Delta R^2 = 0.29$, $p < 0.01$) over a significant model 4 ($R^2 = 0.32$, $F(4, 18) = 7.06$, $p < 0.01$). As another alternative test, the variable population is completely removed from the regression analysis. The covariates connectivity and corruption are still included in the regression equation. In doing so, results indicated that geographical distance ($\beta = 0.65$, $p < 0.01$) and psychological distance ($\beta = 0.55$, $p < 0.05$) still significantly explain the global city ratio. Political freedom's negative impact on the dependent variable, however, is weakened and less significant ($\beta = -0.47$, $p < 0.1$). The overall model 2 and 4 remain significant, with significant R Square changes, while the third model measuring political freedoms' impact becomes insignificant. These results suggest that the relationship between the two predictors geographic – and psychological distances on the global city ratio is robust, while the model 3 measuring political freedom may be less robust.

7.3 Discussion

The internationalization of the surveyed Swiss SMEs ranges from a few activities in close foreign markets to highly integrated modes of market cultivation with high foreign direct investments (FDI) across various world regions. Nevertheless, most of the surveyed Swiss SMEs prefer modes of exporting instead of contractual modes or direct investments. This means that they rather cultivate exporting activities to their foreign markets than invest in the establishment of jointly or fully owned subsidiaries.

It would be wrong to treat internationalizing SMEs as a homogenous group of firms showing the same characteristics with regard to their international business. A large number of Swiss internationalizing SMEs internationalize towards markets close to their home market. Such SMEs have a limited involvement in foreign partnerships and investments since they dispose of little or no partnerships with foreign firms (SIES 2016). On the other hand, a population of highly internationalized or globalized SMEs with activities spread over various world regions and across various continents. The Swiss SMEs with business links to Alpha global cities seem to belong to this second group, since they are characterized by a much higher percentage of foreign turnover. This means that foreign markets are of a greater priority to these SMEs and their involvement in international or global markets is higher. In addition, their activities tend to be dispersed over more world regions and in regions that are at greater distance to the home market as well. Consequently, SMEs with links to global cities seemingly belong to the second category of highly internationalized or even globalized SMEs. This is true for all categories of SMEs whether they count less than ten employees and are therefore considered microenterprises or whether they are small- or middle-sized. The higher involvement in international or global markets and the tendency to disperse international business across various world regions very likely also leads to a higher use of non-financial internationalization services. The division of the sample into micro-, small- and medium-sized firms does not show any significant differences regarding non-financial internationalization services used in the Swiss home market but the number of such services in foreign

markets as used in the last three years was more often used by all categories if the sample had links to alpha global cities.

The result of the inferential analyses suggest that alpha global cities are important network hubs, not only for multinational enterprises but also for distant internationalizing SMEs. As stated and tested in our hypotheses, with a rising distance from Switzerland to the focal market, the share of SMEs that maintain links to the world regions' Alpha global city augments. This hypothesis was tested and validated for geographic – as well as for psychic distances. With an acceptable p-value of 10%, both hypotheses are validated by the hierarchical regression analysis⁹.

Regarding the effect of the control variables, both covariates have a significant influence on the model. These findings suggest that the population size of global cities positively influences the rate of Swiss SMEs connected to the global city. The population is also a measure of the city's market size and a good indicator for the number of business actors available. Professionals tend to locate where they find good positions and to regions that have prospering economic activities. Cities with a significant number of inhabitants tend to offer a denser network of business partners and available workforce. Internationalizing SMEs are more likely to connect with a densely populated global city as they might benefit from the advantage of having a greater workforce available, a bigger market-size and more business partners nearby.

The effect of the second covariate political freedom was significantly negative correlated in the baseline model. This result suggests that higher degrees of political rights and civil liberties decreases the number of Swiss SMEs establishing links to the world regions' global city. In countries in which individuals lack involvement in political decision-making, equality of opportunities and freedom of expression, the internationalizing SMEs that venture towards the markets of such a country are more likely to connect to its nearest global city. However, this

⁹ The results of the hierarchical models are significant with a p-value of 10% whereas in the Pearson's correlation analysis as well as in the final model, the significance was validated on a p-value of 5%. Additional robustness test did not reveal any issues of multicollinearity.

negative effect is weakened by the addition of distance to the model and ends up influencing the final model with a rather weak positive correlation ($\beta = 0.02$, $p < 0.1$). Political freedom was measured along two major dimensions, political rights and civil liberties. The data therefore were provided by the Freedom House database. Despite its frequent use in empirical studies (e.g. Dawson, 1998; Far, Lord and Wolfenbarger, 1998; Gerring et al. 2005) and the high empirical reliability of the measure (see chapter 6.4.2), the data does not entirely cover the multiple dimensions of freedom such as described by Amartya Sen's capability approach (Sen, 1999; 2000) and discussed in subchapter 7.2.1. The discussion about the role of political freedom in the context of SME internationalization towards emerging markets must be deepened, especially in the present case of western SMEs in Southeast Asian emerging economies. Internationalizing SMEs from western OECD economies often struggle in markets where political freedom and democracy are restricted because of the autocratic threat of such political systems that destroys certain economic dynamics (Briggs, 1998). Sen (1999) contested the views of Singapore's political leader Lee Kuan Yew by arguing that only in well-functioning democracies and under a high level of political freedom, economic growth can be achieved. Lee Kuan Yew's so-called *Lee thesis*, on the other hand, indicated that economic growth and political freedom are inimical (Hussin, 2000). Most nations with low measures of political freedom tend to be distant to the SMEs Swiss home market. The negative effect of political freedom to the explained global city ratio seems rather being explained through the variables geographic and psychic distance, two measures that weaken political freedom in the model. These results can be interpreted through internationalizing SMEs' necessity to link with partners in a global city being increased with higher distances rather than with a decreased political freedom value.

Among alpha global cities, we cannot assume that the measure of connectivity correlates with SMEs' tendencies of being connected to a region's global city but rather with other factors such as distance and size. On one hand, the size of global cities' populations correlates positively with the relative numbers of Swiss SMEs in the world region's global city. On the other hand, geographic and psychic distances explain another important impact in the SMEs links to global cities. The

more distant the global city is to the SMEs home market of Switzerland, the higher the percentage of Swiss SMEs in the world region with links to this city. Accordingly, the ranking of the global city according to its connectivity level is not decisive for its importance to internationalizing SMEs but rather its' distance to the SMEs home markets. In this sense, it is less important whether the global city is rated on an alpha++, an alpha + or a simple alpha level: all raise their relative importance with growing distances and their higher population density.

Chapter 8. Swiss SMEs and their links to Southeast Asian Global Cities

The following chapter covers the results of the qualitative research dealing with Swiss internationalizing SMEs that venture into the distant emerging Southeast Asian markets. It itemizes the various Swiss SMEs active in the Southeast Asian world region. It narrows down the subject of global cities to one world region in which GaWC ranks Singapore as the only Alpha global city. Simultaneously, it opens a focus on studying internationalizing SMEs with links to other global cities of the region and analyses the different business intermediation roles of the particular cities and places. Southeast Asia is in a strong contrast, economically, culturally and politically, to the Swiss SMEs home market. It represents a geographically and culturally distant region, in which its connections with Singapore, on the other hand, seems to be characterized by an economy as developed and innovative as the Swiss.

In the first section, Southeast Asia's countries and its global cities are briefly introduced.

Secondly, the sample of Swiss SMEs with direct and indirect links are separately analyzed. The analysis focuses on the type of firms, their integration with global markets in general and Southeast Asia in particular. In addition, the nature of links and the market segments concerned are addressed. This analysis is contrasted by a sample of SMEs that operate in the same world region but without maintaining links to Singapore and by a sample of SMEs that do not dispose of any links to any Southeast Asian city but serve the market by the means of direct exports.

8.1 Global Cities and Markets in Southeast Asia

Southeast Asia consists of the ten member states of the Association of Southeast Asian Nations, in short ASEAN, founded in 1967. The table below shows the ten member states and their capital cities:

Table 17 The ten ASEAN member states and their capital cities (source: author)

Brunei (Bandar Seri Begawan)	Myanmar (Nay Pyi Taw)
Cambodia (Phnom Penh)	Philippines (Manila)
Indonesia (Jakarta)	Singapore (Singapore)
Laos (Vientiane)	Thailand (Bangkok)
Malaysia (Kuala Lumpur)	Vietnam (Hanoi)

The global city of Singapore is listed by the GaWC as the only Alpha+ categorized city in Southeast Asia, one among the top ten global cities in the world, and can therefore be defined as the major global city in that region (cf. (GaWC, 2017).

Located in the heart of Southeast Asia, Singapore is surrounded by six emerging global cities according to the latest list of the GaWC: Kuala Lumpur and Jakarta are rated Alpha. This means that they are highly integrated with the global economy such as for example Sydney, Chicago, Madrid or Los Angeles. Kuala Lumpur also figured on the second latest GaWC list from 2012 as a global city on an Alpha level, Jakarta, on the other hand, has raised its position from Alpha- to Alpha.¹⁰ The Thai capital of Bangkok and the capital city of the Philippines Manila are both ranked Alpha – and are integrated to the global economy as Zurich (the highest rated global city from Switzerland), Washington or San Francisco. Bangkok already figured at that level back in 2012, Manila, on the other hand, raised its position from a Beta-level global city towards this Alpha position in 2016. The Vietnamese capital Hanoi is rated at Beta level, slightly lower than Ho Chi Minh City, the former economic heart of post-war Vietnam. On a Beta level of integration to the world economy, we also find other cities such as Boston, Helsinki, Hamburg or Montreal for example.

Hong Kong is also rated Alpha+, but its geographic position at the southwestern rim of China locates it in the Northeast Asian - rather than the Southeast Asian - world region. Nevertheless, the city has a strong position within the larger Southeast and East Asian Region. It occupies a historically unique position as a well-developed city within the Asian hemisphere and is, next to Singapore, a place

¹⁰ For the study in Chapter 7, the author considered the then latest list of 2012 as relevant for the categorization of so-called Major Global Cities. This explains why only Kuala Lumpur figured next to Singapore in that category.

from which firms have operated on a larger interregional scale for decades. Hong Kong has a strong outreach to Southeast Asia whereas Singapore has links to Northeast Asia as well. Thus, we qualified Hong Kong as a relevant global city for Southeast Asia and wanted to record any business links of the companies in our sample to this city as well.

Table 18 Southeast Asian global cities according the GaWC (GaWC, 2016)

Alpha +	Singapore, (Hong Kong)
Alpha	Kuala Lumpur, Jakarta
Alpha -	Bangkok, Manila
Beta +	Ho Chi Minh City
Beta	Hanoi

The table above lists the most relevant global cities in Southeast Asia according to the latest GaWC study in 2016. For chapter 7, the researcher has used the then relevant data from 2012. The changes between the two GaWC lists of 2012 and 2016 show very impressively the pace in which the emerging global cities raised their position within the global economy. Alpha and Alpha- cities such as Kuala Lumpur, Jakarta, Bangkok and Manila are not filling advanced service niches for the global economy such as Singapore and Hong Kong. Yet, these cities link major economic regions to the world economy.

Kuala Lumpur and Bangkok have strengthened their position as important world economy-linking cities. Jakarta and Manila rose from their respective lower level of rating within four years. With such important global cities, the economies of Malaysia and Indonesia seem highly interconnected with global markets. The Philippines have drastically reduced their gap towards the Thai economy, an upper-income country according to the World Bank and one of the development success story of the Asian hemisphere (The World Bank, 2017)

The two Vietnamese metropolises Ho Chi Minh City and Hanoi, likewise both gained one position from 2012 to the last gathering of data in 2016. For global cities at Beta-level, it is generally assumed that they link economic regions of moderate development to the global economy. Considering this definition, both Vietnamese cities are considered as the primary economic engines of the emerging Vietnamese marketplace.

Cambodia, Laos and Myanmar are three least developing countries and attract low levels of foreign investments. Cambodia has not yet fully recovered from almost 13 years of civil war in the 1960 and 70s. Myanmar, former Burma, still suffers from strong political tensions and civil unrest due to five decades of military dictatorship that ended with first credibly elected civilian on March 2016 (Central Intelligence Agency, CIA, 2018). Laos went through a strict socialist period with a government closely aligned to Vietnam and began to privatize its economy and liberalize FDI laws at the end of the 1980s. Nevertheless, the economy did not recover as rapidly as Vietnam from that socialist government and the country remains rather poor with underdeveloped infrastructures.

The Sultanate of Brunei, a small country on the northern coast of Borneo, is quiet an exceptional state similar to Middle East regimes. The country is reigned by the same family for more than six decades, one among the richest families in the world (Forbes, 2018), and has as few as 443 thousand inhabitants, most of them Malay. The country benefits from extensive petroleum and natural gas resources and counts as one of the highest per capita GDPs in the world (Central Intelligence Agency CIA, 2018). The government attracts FDI, but due to the small size of the country, it can be assumed that Brunei does not attract distant internationalizing SMEs.

The economic development stages of all these Southeast Asian countries vary strongly. Singapore is the only innovation-driven country among the ASEAN member economies. According to the Global Competitiveness Report (cf. (Schwab, Sala-i-Martin, Samans, & Blanke, 2016)), the standard of living in these economies have risen so high that it can only be sustained by businesses that are able to compete in highly innovative markets, very often driven by service-oriented companies. Indonesia, Malaysia and Thailand are economies on a lower stage of development where businesses must compete by increasing their production processes and product quality. These countries can be considered the warehouses of good quality (mass-produced) products that are sold worldwide. Malaysia, however, has a slightly higher level of development and goes through a transition phases from an efficiency to an innovation-driven economy. The remaining six countries, including Vietnam with its two beta-level global cities and

the, in many ways exceptional, state of Brunei-Darussalam, are factor driven economies on the very first stage of economic development. They compete primarily based on their natural resources and agricultural factors as well as with low labor costs. Despite being a country with one of the highest per capita GDPs in the world, Brunei-Darussalam is according to the most recent Global Competitiveness Report from 2016-17 only on the transitional phases from factor- to an efficiency-driven economy.

Southeast Asian countries, with vastly different economic levels account for a world region of over 600 million inhabitants, but distant from most western European OECD economies. The global city-state Singapore has a strategic position at the confluence of the East and the West, is well placed near the many emerging and fast growing economies and offers a world and business friendly environment. It is arguably an ideal region to test our research-hypotheses about how global cities function as important network hubs for distant internationalizing SMEs and emerging markets.

8.2 Swiss SMEs with direct links to Singapore

The Swiss SMEs here analyzed are exclusively companies with subsidiaries such as plants or representative offices in Singapore. The term direct link stands for the majority ownership that the parent SME holds over its Singaporean branches and/or subsidiaries. All surveyed SMEs have their headquarters in Switzerland and belonged to the population of Swiss SMEs with a maximum of 250 employee's respectively full-time equivalents (FTEs). From the sample of identified Swiss SMEs in the SIES survey of 2016, only ten SMEs have ownership over a subsidiary in Singapore.

When categorizing these ten companies with an owned representation office in Singapore according to their size, we find two small-sized (10-49 employees) and eight middle-sized companies (50-249) SMEs. There was no micro company with less than ten employees in that sample. Six SMEs are in the manufacturing industry, mainly mechanical engineering; and four in services, including one in trading and distribution.

Table 19 Size and branches of SMEs with direct links to Singapore

Size / Branch	Services	Commerce and distribution	Producing industry	Total
Micro (0-9 FTEs)	-	-	-	-
Small (10-49 FTEs)	1	-	1	2
Medium (50-250 FTEs)	2	1	5	8
Total	3	1	6	10

8.2.1 Small-sized SMEs with direct links to Singapore

The two small-sized SMEs with direct links to Singapore are highly specialized firms; one producing complex parts for the mechanical engineering industry, the other one is a service firm with job-placement and recruiting activities for middle- and senior management. Whereas, next to their offices in Singapore, the SME in mechanical engineering only disposes over one additional foreign branch in Germany, the service SME owns eight more offices, mostly in other global cities such as London, Toronto or Dubai. They both serve medium-sized and large-sized multinational companies, hence companies that are usually much bigger in size than they are.

In Southeast Asia, the products and services of the mechanical engineering company are sold to plants, principally in Thailand, Malaysia and Indonesia. In the majority of cases, the products are shipped via Singapore and the installation as well as repair services in Southeast Asia are planned and executed from the Singaporean office. Orders are often initiated by customers' headquarters located in OECD economies (principally United States and Western Europe), as well as in Singapore.

The service company recruits mainly for clients in the financial and legal industries. Southeast Asia is their second biggest market next to Europe. The Singaporean office searches executives in Singapore and Hong Kong as well as expatriates for vacancies in emerging Southeast Asia. Here again, orders come from global or international customers from all over the world, but mainly from the

ASEAN region if not Singapore. Vacancies are mainly located in Singapore, Malaysia or Hong Kong, in fewer cases also in Vietnam, the Maldives or Shanghai. Only two SMEs in the sample belong to the category of small-sized firms (10-49 employees). Both of them are well established on global markets since they serve markets in various world regions on three or more continents. They have existed for several decades already and were apparently not growing in size while pursuing a striking international business growth. Surprisingly, they do not uniquely serve the Singaporean marketplace for their ASEAN business but have a business that reaches the emerging Southeast Asian hinterlands as well. The engineering SME is directly represented in Beijing and serves the East Asian market as well. The service SME, on the other hand, does operate from Singapore in order to serve the whole Southeast and East Asian market.

8.2.2 Middle-sized service SMEs with direct links to Singapore

Two other service-SMEs in the sample of firms with direct links to Singapore count more than 50 employees. Firm number three (see table 23), is an IT-consulting firm founded in 2008, that rapidly operated on a global scale, an international new venture. It has more than 160 employees at Swiss headquarter while forty employees are dispersed worldwide across almost a dozen of offices. All of these are owned (major stock-ownership) by the Swiss mother-company. In Singapore, the firm established its regional headquarter for Southeast Asia. The second office in Jakarta, founded in 2014, as well as the office in Singapore, mainly employ programmers and developers who deploy applied IT-solutions. The clientele comes principally from manufacturing plants, mainly in Indonesia, Malaysia, Thailand and Vietnam.

The third and last service SME with a direct subsidiary in Singapore, company number 5 on table 24, is a digital banking and fintech company founded in the mid-1990s in Switzerland. It has almost 250 employees at the Swiss headquarter in Zurich. Considering the worldwide number of employees (300+), the company would hardly count as an SME anymore. Next to their Singapore office, they have a handful of other fully owned foreign offices in larger cities over Europe and North America. They do not manage clients' assets but rather develop software

solutions. Their clients are mainly financial institutions located in Western Europe, North America and Singapore. This company is the only service firm with a directly owned subsidiary in Singapore that does not provide services to Southeast Asian institutions or firms outside Singapore.

The SME in commerce and distribution (company 1 in table 24) is trading professional equipment for the hotel, food and beverage and tourism industry. Founded in the 1980s, the company is very active in the emerging markets of the Middle East, South and Southeast Asia (all 10 ASEAN markets). They dispose of a large customer base in Southeast Asia, even in economically underdeveloped states such as Cambodia and Myanmar. From their own subsidiary in Singapore, a local director develops sales in the entire Asia-Pacific, together with an assistant manager. The Singaporean head of business development is responsible for the markets in Cambodia, Myanmar, the Philippines as well as the local Singaporean market. An office in Thailand, founded as a joint venture with a local company (hence only indirectly linked to the firm), treats the basic logistics and customer services for clients all across Asia as well as selling and distributing products for the local Thai market. The SME has also sales representatives for the Balinese, Indonesian as well as the Vietnamese market.

To sum this up, we can state that Swiss service-providing SMEs with direct links to Singapore can have very differing characteristics regarding their size and scope of internationalization and as well regarding the approach of ASEAN regional markets. There are two recently founded IT-SMEs with a rather large employee base for an SME. One of them is solely serving the Singaporean market. Due to its highly specialized offering in the field of banking, other Southeast Asian markets do not yet have such a highly developed banking sector such as Singapore and are therefore not much of an interest to that firm. The other IT-SME services factories such as in the clothing industry. Manufacturing firms in Southeast Asia's less developed countries are part of their existing and potential clientele. This IT-company also subcontracts IT-maintenance and programming. The small-sized Swiss service-SME (as described in the previous section 7.4.1), serves the very high-end market need of personnel placement of well-educated decision makers. These vacancies are dispersed along the various Southeast

Asian countries. Because they mainly work for big, multinational corporations, contracting officers are settled in the headquarters of this corporation, not just in Southeast Asian megacities but also in other megacities all over the world. The only Swiss SME that apparently also counts many local Southeast Asian and East Asian SMEs among their foreign customers is SME number one, active in the wholesale and trading sector. Since it serves the hotel and catering sector, it does not solely work for larger corporations and hotel chains but also for local small- and middle-sized firms. This SME has conquered most of ASEAN markets, even customers among small-sized companies from underdeveloped markets such as Myanmar/Burma or Laos.

8.2.3 Middle-sized Manufacturing SMEs with direct links to Singapore

The remaining five companies all belong to manufacturing. Four of them are in mechanical engineering, one in metalwork – and another in chemicals. The four Swiss SMEs in mechanical engineering have a Singaporean office that serves as their ASEAN headquarter. Two of them do not have any other direct or indirect representations in Southeast Asia. The two other SMEs own plants in other Southeast Asian cities. These plants are indirect forms of partnerships with minority stake ownership.

One of the two SMEs is active in industrial coatings. The company controls sales representatives in Bangkok and Ho Chi Minh City (indirect links to global cities) that develop respective national markets. It is also active in the Northeast Asia through an indirect sales representative in Seoul (South Korea). The other SME in mechanical engineering has indirect partnerships with producers and distributors in Hanoi (Vietnam), Puchong (Malaysia), Surabaya (East Java / Indonesia), as well as Bangkok (Thailand). All of these partnerships are maintained in order to develop local national markets. This SME is active in various other Asian sub regions such as Northeast Asia with its own subsidiary in Shanghai and a (indirectly linked) sales representative in Taipei (Taiwan). The SME is also active in South Asia, with owned and mandated offices in India.

The two SMEs that do not dispose of any other direct or indirect representation offices in Southeast Asia, however, do dispose of representative offices in the

East Asian world region. For both of them, East Asia counts as their second biggest market after Southeast Asia on the Asian continent. One SME has a production site in Beijing that was founded together with a Chinese company under the form of a joint venture. The other company in the production industry has an office and production site in both Taipei (Taiwan) and Seoul (South Korea).

All four SMEs in mechanical engineering (countries number six to nine on table 24) generate 90% to 100% of their total turnover in foreign markets. The two with no other links to any Southeast Asian cities count 20 respectively 50 employees at their Swiss headquarter; they were founded in the mid-1970s and the early 1980s. They generate between 1-5% and 6-20% of their overall turnover in Southeast Asia. The other two count 130 and 250 full-time equivalents. The smaller one was founded in the 1950s and the larger in the early 1970s and generate between 21-40% and 5-20% of their overall turnovers in Southeast Asia.

Both, the Swiss SME active in the metal industry (number ten) as well as the one in chemicals (number four) have direct links to Singapore and have no other sales representatives in any other Southeast Asian country. Nevertheless, they both sell their products to industrial clients all over Southeast Asia. The chemical SME was founded in the late 1970s, and counts 50 employees at Swiss headquarters. It generates between 5-20% of overall turnover with the help of their Singaporean office. Clients are plants and production sites all over Southeast Asia, mainly Indonesia, Malaysia and Thailand. The other metalwork SME counts over 200 employees at its Swiss headquarter. It operates in a premium-segment market selling semi-finished high-class metal products to other producing companies. Next to its Singapore office, it employs a sales representative in Bangkok and generates 5% of its overall turnover in Southeast Asia. Both firms, the metalwork and chemical engineering ones, dispose of their own offices in Singapore with a business developer respectively a sales representative. They both deliver highly specialized productions sites all over the world, including Southeast – and East Asia. In these cases again, orders are initiated at client's headquarters all over the world as well as at production sites Southeast Asia. The latter is mainly the case once the relationship to the client is established through prior exchange with the

companies' headquarters. The production sites are then enabled to communicate and place orders directly to the Swiss SME.

8.2.4 Summary for SMEs with direct links to Singapore

Among the ten Swiss SMEs with a direct link to Singapore, only one company is uniquely operating on - and serving clients from - Singaporean without having any activities in the surrounding emerging markets. There is no market for highly sophisticated banking and fintech software outside Singapore so far. The banking and fintech market is important enough for this medium-sized SME in order to be represented by its own office based in the city-state.

The other nine SMEs generate their Southeast Asian turnover not solely from Singapore but also from the other ASEAN economies.

All these Swiss SMEs are operating in a business-to-business market where products and services are delivered to globally operating firms; none of them is servicing end-customers in business-to-customer transactions.

Table 20 The scope of the SMEs ASEAN business (source: author)

Size / Scope	Business activities uniquely in Singapore?	Business activities in emerging ASEAN hinterlands?	Direct links to other Southeast Asian cities?	Indirect links to other Southeast Asian cities?
Micro (0-9 FTEs)	-	-	-	-
Small (10-49 FTEs)	0	2	0	0
Medium (50-250 FTEs)	1	7	Bangkok (1) Jakarta (1)	Bangkok (3) Hanoi (2) Ho Chi Minh City (1) Hong Kong (1) Jakarta (1) Kuala Lumpur (1) Puchong (Malaysia) (1) Surabaya (Indonesia) (1)

The internationalizing SMEs in manufacturing are delivering products and services to production sites of other firms, most of them operating as global companies themselves. The same is true for service-based SMEs. The IT consulting firm likewise sells IT solutions to offices and plants in manufacturing. The HR service company is recruiting highly qualified personnel for global firms that are dispersed over well-developed as well as emerging countries. These companies are part of globally operating production networks.

The SME in the wholesale trade industry (firm number one) performs exceptionally well in Southeast Asia. It delivers not solely to international chains in the tourism industry but also serve local restaurants and hotels that do not belong to any international group. Many of the clients belong to the category of small businesses in their Southeast Asian home countries. This Swiss SME is the only one in the sample that indicates many “purely” Southeast Asian SMEs among its clients that are not part of globally operating networks. This SME is also the only one having business activities in underdeveloped economies such as Myanmar/Burma and Laos. In addition, it is the only one using Singapore to sell to the small but rich sultanate of Brunei Darussalam.

Table 21 Swiss SMEs with direct links to Singapore and their involvement in ASEAN emerging markets

Swiss SME with direct subsidiary in Singapore	Branch	Generating turnover from ASEAN emerging markets	Other direct and indirect ASEAN subsidiaries (besides Singapore)
1	Wholesale trade	Yes, servicing the tourism, event and F&B industries	Direct: Bangkok Indirect: Kuala Lumpur, Hong Kong, Jakarta and Hanoi
2	HR Services	Yes, servicing multinational companies	None
3	IT Consulting	Yes, servicing production sites / multinational companies	Direct: Jakarta
4	Chemical engineering	Yes, servicing production sites / multinational companies	None
5	Digital banking	No, solely in Singapore	None
6	Mechanical engineering	Yes, servicing production sites / multinational companies	None

7	Mechanical engineering	Yes, servicing production sites / multinational companies	None
8	Mechanical engineering	Yes, servicing production sites / multinational companies	Indirect: Ho Chi Minh City and Bangkok
9	Mechanical engineering	Yes, servicing production sites / multinational companies	Indirect: Puchong (Malaysia), Hanoi, Bangkok and Surabaya (Indonesia, East Java)
10	Metal industry	Yes, servicing production sites / multinational companies	Indirect: Bangkok

With the exception of the digital banking company (company one), all internationalizing SMEs generate far more than half of their turnover in foreign countries. Their Singaporean subsidiaries assume functions of regional headquarters. In general, their Singaporean office is managing and developing at least Southeast Asian business, in some cases even the completely Asian business (Companies 8, 9 and 10). The digital banking company labelled their Singaporean office as their Asia-pacific headquarter even though the company does not serve other Northeast Asian markets such as China, South Korea, Taiwan or Japan. Neither does the company have outreach to the Pacific region (Australia or New Zealand).

Only two of the SMEs have additional direct link to any other Southeast Asian city: Bangkok in the case of the wholesale and trading company (number one) and Jakarta in the case of the IT-Consulting firm. Most SMEs with direct links to Singapore have some indirect links to representatives or plants in other Southeast Asian cities. Three SMEs deploy sales representatives and production sites in Bangkok and, in two cases, Hanoi. Bangkok (as an “alpha – “ rated city) and Hanoi (in the “beta” category). In some cases, indirect partners in emerging global cities serve as maintenance centers or producing sites.

Most of these SMEs do have a direct or indirect office in other major global cities in Northeast Asia such as Shanghai (5 SMEs) or Beijing (3 SMEs). Two generate between 1-4% of their revenue from Southeast Asia, six 5-20% and two 21-40%. No pattern of an interrelation between SME ASEAN-related revenues and number of links to Southeast Asian localities can be identified from this sample. There are,

among the SMEs with between 21-40% of their revenues generated in ASEAN economies, some with - and others without - any other office location in the region. It cannot be established that the more direct links an internationalizing SME develops in various Southeast Asian countries, the more turnover it generates from that region. In their sample, it has also been reported that some SMEs with 1-5% local turnover have deployed other office locations in Southeast Asia, and do not manage their ASEAN business uniquely out of their Singaporean site. This however does not automatically generate higher revenues but also depends whether total revenue increases or not.

8.3 Swiss SMEs with indirect links to Singapore

The Swiss internationalizing SMEs analyzed here are exclusively companies from the SIES 2016 sample that indicate having indirect links. It means that they contract or mandate a third firm to manage their business in Singapore or they have a minority stake ownership in a Singaporean firm. From the SIES sample, 25 firms belong to that category.

When categorizing these 25 SMEs with third-party intermediation in Singapore according size, we find nine micro-sized enterprises (0-9 employees), eleven small-sized enterprises (10-49 employees) and five medium-sized enterprises (50-249 employees). Micro-sized ones with less than ten employees have not been reported for SMEs indicating having direct links to Singapore (see previous chapter). Thus, they do appear in this category with indirect links to Singapore. These micro-sized firms are active in various branches. Two are in consumer goods, two in sales and distribution; one is a law firm, one in transport and some others in engineering and mechanics. Considering medium-sized companies in the sample, hence the largest category of SMEs in the sample, we can state that all of these five firms belong to manufacturing industries.

There are in total eleven companies in manufacturing, mainly mechanical or electrical engineering, but also in medical- and micro engineering, precision mechanics or the metalwork. Four additional SMEs produce consumer goods directly sold to end customers; two of them are in cosmetics, one in kids' toys and another in sunglasses. Two companies are in commerce and distribution and

three IT-firms principally develop software. Three law and two logistics companies complete the list of Swiss SMEs with indirect links to Singapore.

Table 22 Size and branches of the SMEs with indirect links to Singapore

Size / Branch	Services	Commerce and distribution	Producing industry	Total
Micro (0-9 FTEs)	2 (law [1] and logistics [1])	2 (Equipment [2])	5 (consumer products [2], engineering [3])	9
Small (10-49 FTEs)	5 (law [1], software [2], logistics [1] and artisans [1])	0	6 (consumer products [1], precision mechanics [3] and engineering [2])	11
Medium (50-250 FTEs)	0	0	5 (chemistry [1], electrics [1], precision and mechanical engineering [2] and chirurgial plates [1])	5
Total	7	2	16	25

The Swiss internationalizing SME with indirect partnerships in Singapore do mostly maintain such indirect partnerships in other Southeast Asian locations as well. Two firms have direct partnerships respectively fully or at least directly controlled offices in other Southeast Asian locations. The manufacturing SME in control techniques operates an office in Hong Kong next to an indirect partnership in Kuala Lumpur. One software developing SME has its own office in Bangkok, founded in 1995 (after fifteen years of international activities) through a joint venture in charge of developing and supporting its worldwide IT services.

Five SMEs out of this subsample indicate to generate their Southeast Asian revenues from the Singaporean marketplace solely. Three of them are producers and/or retailers of consumer goods such as sunglasses and kids toys or retailers in business-to-business transactional markets for high-end audio-equipment. All have established a distribution network with indirect links across some other Asian countries, but exclusively in highly developed East Asian cities such as Hong Kong (two of them), Tokyo and Seoul (three of them in both cities). The remaining two Swiss SMEs that generate their Southeast Asian revenues solely from Singapore are law firms. Their clientele are globally operating MNEs and the legal

proceedings and arbitration cases are held in global business and finance hubs such as Singapore and Hong Kong.

Table 23 The scope of the Swiss SMEs ASEAN business (source: author)

Size Scope /	Business activities uniquely in Singapore?	Business activities in emerging ASEAN hinterlands?	Direct links to other Southeast Asian cities?	Indirect links to other Southeast Asian cities?
Micro (0-9 FTEs)	4	5	0	Hong Kong (5) Ho Chi Minh City (1) Kuala Lumpur (1)
Small (10-49 FTEs)	1	10	Bangkok (1)	Hong Kong (6) Kuala Lumpur (6) Bangkok (1) Hanoi (1) Ho Chi Minh City (1) Jakarta (1) Puchong (1) Quezong (1)
Medium (50-250 FTEs)		5	Hong Kong (1)	Hong Kong (3) Kuala Lumpur (2) Bangkok (1) Puchong (1) Quezon (1)
Total	5	20	2	33

Among the remaining 20 SMEs, 15 did also have representatives in other Southeast Asian countries. All of the five microcompanies with indirect links in Singapore and activities in emerging Southeast Asia's hinterlands also dispose of indirect links to representative in Hong Kong. The two micro-sized firms that produce cosmetics work together with laboratories in Ho Chi Minh City and a law office indicated being connected to another law office in Kuala Lumpur. Among the Small and Medium-sized SMEs with indirect links to Singapore, the most frequent city in which they maintain partnerships were the well-integrated global cities of Hong Kong and Kuala Lumpur. Other emerging global cities such as

Bangkok, Hanoi or Jakarta only appear in single cases and are not frequently linked to these Swiss SMEs.

8.4 Exploring the market access of Swiss SMEs in Southeast Asia without links to Singapore

8.4.1 Swiss SMEs linked to ASEAN cities

The major population of surveyed Swiss firms generating a part of their total turnover from Southeast Asian markets do not have any representative office in a single one Southeast Asian country. Five out of 53 SMEs with no direct or indirect link to Singapore did, however, have direct or indirect links to another Southeast Asian city located in the emerging economies of Indonesia, Malaysia, Thailand and Vietnam.

Two of these five SMEs have local headquarters in emerging cities, one in Bangkok and another one in Johor Bahru, a Malaysian port city that is just one hour's drive from Singapore's city center. Another SME has established an Asia-Pacific headquarter in Hong Kong and some indirect links with emerging cities in Thailand and Vietnam.

Table 24 Swiss SMEs linked to minor global cities solely (source: author)

Swiss SME linked to minor ASEAN City	Branch	Generating turnover from ASEAN emerging markets	Other direct and indirect ASEAN subsidiaries (besides Singapore)
1	Plant engineering	Yes, servicing plants (mainly food and beverages producer) in developing Asian economies	Indirect: Hanoi (Vietnam) and Tangerang (Indonesia)
2	Mechanical Engineering	Yes, servicing plants (mainly textile industries) in developing Asian economies	Indirect: Bangkok (Thailand) and Jakarta (Indonesia)
3	Medical Technology	Yes, selling to other medical manufacturers, hospitals and universities in South east Asian countries.	Direct: Johor (Malaysia near Singaporean border)
4	Mechanical Engineering	Yes, delivering plants and manufacturers in developing Asian economies	Direct: Bangkok (Thailand), Indirect: Ho Chi Minh City, Manila.
5	Mechanical Engineering	Yes, delivering plants and manufacturers in Asian economies.	Direct: Hong Kong Indirect: Rayong (Thailand), Ho Chi Minh City (Vietnam)

The first SME in the list above produces and commercializes filtration systems that are demanded worldwide. It is specialized in the field of food and beverage processing and their clients are multinationals from developing as well as from developed countries. Its Swiss headquarter employs around 40 FTEs and has two partner firms in Southeast Asia: One is settled in Hanoi and services the Vietnamese market solely, another partner services Indonesian clients from their location in Tangerang, Indonesia's third biggest city. The company has also partners in East and South Asia, in locations such as Pune, Tokyo, Beijing and Hong Kong. It generates more than 90% of their turnover in foreign markets of which between 5-20% in Southeast Asia.

The second SME has offices in Bangkok and Jakarta. It works for the textile industry and is therefore present in many Southeast Asian, South Asian and East Asian countries, with representatives in Mumbai (India), Lahore (Pakistan) and Dhaka (Bangladesh) for South Asia, Shanghai and Taipei as well as Seoul and Osaka for Northeast Asia. It generates more than 90% in foreign countries and dispose of commercial agents in more than 90 countries worldwide.

The third SME is producing educational models in medical technology and has a production facility in Switzerland and in Malaysia, in Johor Bahru, a city that is just next to the Singaporean border and only about one driving hour away from the city-center of Singapore. Only about half of total turnover is generated in foreign countries, a little part in South Asia (India), and little more in Southeast Asia (Malaysia and Singapore) as well as East Asia (mainly South Korea and Taipei).

The fourth SME produces and commercializes production machinery for heating, ventilation and air conditioning technologies as well as other machines that slitter, feeder, welder and cure. Its Swiss headquarter is a small-sized firm with only twenty FTEs, but generates more than 90% of foreign turnover. The company was founded in 1991, three years later, in 1994, the company established a joint venture with another Swiss SME in Bangkok, officially labelled its Asian headquarter. The Swiss site produces for the worldwide sales whereas their site in Thailand serves as repair and maintenance service and hires 15 full-time employees. In addition to this, the company has sales representative offices (mandated third party firms) in Ho Chi Minh City and Manila. In East Asia, the

company has some further sales representatives (mandated third party firms) in Taipei, Shanghai and Beijing as well as a sales and service-center in Nanning (China). In South Asia, the company has a sales and a service-center for the Indian market in Bangalore.

The fifth SME that has links to Southeast Asian cities other than Singapore is a manufacturer in packaging. The Swiss headquarter is a medium-sized firm with more than two hundred FTEs. The company generates more than 70% of its turnover in foreign markets and between 1-5% in Southeast Asia. Their Asian-Pacific headquarter is a fully owned office in Hong Kong. In Southeast Asia, it has a joint venture in Rayong (Thailand) and a representation office with a partner in Ho Chi Minh City. In East Asia, where they generate about 1-5% turnover, the company is linked to some foreign firms in South Korea, Taiwan and Japan.

Table 25 Size and branches of the SMEs without links to Singapore

Size / Branch	Services	Commerce and distribution	Producing industry	Total
Micro (0-9 FTEs)	-	-	-	-
Small (10-49 FTEs)	0	0	4 (machineries [2], filtration-systems [1], anatomic models [1])	4
Medium (50-250 FTEs)	0	0	1 (machineries)	1
Total	0	0	5	5

Only one out of these five SMEs belongs to category of medium sized enterprises, the remaining SMEs are small sized ones.

8.4.2 Swiss SMEs in Southeast Asia with no links to any city

The biggest number of Swiss SMEs in this ASEAN subsample do not have any link to any Southeast Asian location. Forty-eight companies are generating turnovers in this world region by exporting directly or via trade intermediaries (indirect export).

Thirty-four from these forty-eight companies, the majority, do not use any other mode of internationalization than export. The remaining fourteen companies mainly dispose of owned or partially owned offices or plants in Western and Eastern Europe. Only five SMEs have network links to subsidiaries or offices in Asia. They are all linked to China and some to India. Four of the five SMEs have fully owned or joint-ventured producing facilities in China. One firm has an indirect link to a sales representative in China. Two out of these five SMEs with network links to China have also network links to India. These remaining firms stated no other links to any other Asian or even Middle Eastern country.

Most of these SMEs, namely 29 out of the 48, without any links to any city in Southeast Asia indicated to generate only between 1-5% of their turnover in Southeast Asian markets. Sixteen did indicate to generate between 5-20% turnovers in Southeast Asia. The remaining three SMEs each belonged to one of the remaining categories of turnover: 21-40%, 41-60% and 61-80%.

8.5 Discussion

It can be considered as generally accepted that the city-state of Singapore assumes a leading role in Southeast Asia as the most powerful and highest interlinked global city in this world region. This assumption was empirically confirmed by observations of the GaWC: by measuring the connectivity of cities based on the APS links, Singapore ranks highest in Southeast Asia and among the highest in the world. The comparison of headquarter locations of Forbes-2000 firms did also lead to the same important ranking for the city-state. Nevertheless, such observations have uniquely been based on information about multinational companies and their service-providers or, in some cases such as the studies from Acs, Bosma and Sternberg (2008), local innovation-driven eco-systemic entrepreneurship rates. So far, empirical observations on internationalizing SME that proved a leading role for Singapore are difficult to find.

In the previous chapters of this dissertation, the role of global cities for distant internationalizing SMEs was conceptualized and empirically tested. A high number of network links to relative major global cities for each subsample that generates turnovers in a distant world region was observed. On the other hand, any other network links these companies have to actors in the world regions were not counted thereby. By conducting a qualitative descriptive study on the identifiable SMEs in the subsample of the Swiss SMEs in the Southeast Asian world region, the researcher intended to reach two major objectives. First, it was aimed to conduct an exact recording of a subsamples network links to the world region, and second, the acquisition of new insights about the importance of the various locations for distant internationalizing SMEs.

In this study, Singapore's strong position as a global hub for internationalizing firms was confirmed from a sample of distant internationalizing SMEs respectively from Swiss SMEs with business activities in the Southeast Asian markets. Among the 88 SMEs in the ASEAN subsample whose identity was disclosed, 35 had business network links to Singapore. According to this result, Singapore is the location to which most of the SMEs that generate turnovers in ASEAN countries indicated having any business links. Kuala Lumpur, economically considered as the second most integrated city in Southeast Asia according the GaWC rankings,

is following Singapore with only less than half of the number of business links, namely ten. Even less business links, eight and five, were counted for the two capital cities of Bangkok (Alpha -) and Jakarta (Alpha). With these rankings we can observe, that the leading alpha global city plays also a leading role for Swiss internationalizing SMEs.

Minor global cities such as cities ranked on a gamma or sufficiency level as well as cities who do not appear on such rankings were also recorded but in single SMEs cases only and most often in combination with a link to a major global city such as Singapore. Twenty-four from thirty-five SMEs with business links to Singapore indicate having business links to other Southeast Asian cities. For most of them, their Singaporean representation holds the function of a regional ASEAN or even Asia-Pacific headquarter. In this sense though, many SMEs pursued a similar companies' structure as MNEs by establishing their regional headquarters in the global city-state. Other offices in the surrounding ASEAN cities serve mainly as national headquarters and/or production sites. The companies benefit thereby from the lower production costs in such emerging countries and employ local staff to serve and cultivate markets of proximity, in most cases sub-national or national markets.

Table 26 Cities in which the surveyed Swiss SMEs were maintaining business links (source: author)

City	Direct Network Links	Indirect Network Links	Total Network Links
Singapore	10	25	35
Hong Kong	2	16	18
Kuala Lumpur (Malaysia)	0	10	10
Bangkok (Thailand)	3	5	8
Jakarta (Indonesia)	1	4	5
Ho Chi Minh City (Vietnam)	0	4	4
Hanoi (Vietnam)	0	4	4
Puchong (Malaysia)	0	3	3
Johor (Malaysia near Singapore)	1	0	1
Manila (Philippines)	0	1	1

Quezon (Philippines near Manila)	0	1	1
Rayong (Thailand)	0	1	1
Surabaya East Java (Indonesia)	0	1	1
Bali (Indonesia)	0	1	1

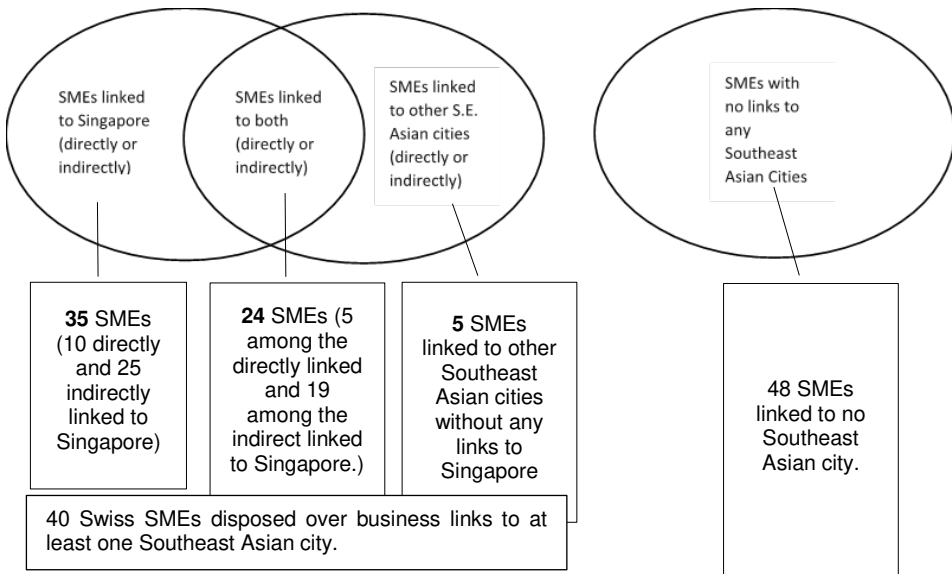
Among these SMEs that established ASEAN headquarters in other Southeast Asian countries we find Bangkok in two cases and Hong Kong as well as the close border city of Johor located around one hour drive from the Singaporean border. The Bangkok located ASEAN headquarters appear in the case of an SME in the field of mechanical engineering. The Bangkok headquarter manages partnerships with sales representatives in Thailand as well as with a Vietnamese market developer in Ho Chi Minh City. In a second case, it is a Swiss SME in tourism with a very broad geographic scope all over Southeast Asia. In this case, the Bangkok headquarter serves as well as the local Southeast Asian warehouse in which the logistics for the whole region are organized. The Swiss SME with ASEAN headquarter in Johor specializes in the construction of anatomic learning models. The Johor site does also serves as a training site for their customers.

Swiss SMEs with links to Singapore also hold business links to the other major cities in the region. Only five SMEs indicate links to other cities without having any link to Singapore. Surprisingly, four of these five firms counted to the category of small SMEs with less than 50 FTEs in Switzerland. This stands in contrast to the rather medium-sized companies that are represented directly or indirectly in Singapore.

Indirect business links to third party intermediation firms to which the Swiss SME does not have any form of ownership or, at least, no major ownership were preferred forms of interaction with these markets. From the eighty-eight SMEs generating turnover in ASEAN markets only seventeen cases of foreign direct investment, i.e. own offices of plants were counted. Ten of these direct invested offices and plants were located in Singapore. Among the five companies with business links solely to minor global cities (and not to Singapore), however, there were almost as much direct as there were indirect business links.

The great majority from the sample, however, indicate having no links to any business partner in Southeast Asia. The preferred form of the Swiss SMEs market cultivation in Southeast Asia is by exporting, directly or indirectly via trade intermediaries, to these distant and foreign markets.

Figure 18 The four relevant categories of SMEs and their links to Southeast Asian cities (source: author)



Hong Kong, the second Alpha + rated global city near this world region and often compared to Singapore, did not indicate as many business links as Singapore from the Swiss SMEs in Southeast Asia. Eighteen Swiss SMEs with ASEAN turnover only indicated to be linked to Hong Kong as well. Nevertheless, any interpretation of this indication has to be taken cautiously, considering that all of these seventeen SMEs also generated turnovers from East Asian countries (such as China). The Hong Kong office cannot, in any case be considered as a Southeast Asian headquarter but rather a greater Asia-pacific headquarter. Hong Kong's importance for these SMEs activities in Southeast Asia remains therefore rather unclear. On the other hand, only one single company that indicated having its local Asian headquarter in Hong Kong that has no other link to any of the Southeast Asian cities.

Most of the SMEs did indicate to generate turnovers from various Southeast Asian countries and not just from the rather limited Singaporean market. This, in turn, means also that these companies are serving clients that are located in economies of at least two different economic levels such as innovation-driven and efficiency-driven ones. Only four Swiss SMEs uniquely served the Singaporean market in the ASEAN region. Among them an ICT company providing solutions for digital banking that has an own office in order servicing the renowned Singaporean banking industry. The three remaining SMEs indicated having indirect links to the global city. They were all producing and selling consumer products in a upper high-end market segment. There was the retailer of high-end hifi equipment for recording studios, the only of the three who executes business-to-business transactions and does not sell to any private and non-commercial customers. The two other firms, a Swiss kids' toys producer and a producer of sunglasses, sell to non-affiliated sales shops that serve as trade intermediaries between their products and the final customer. They serve the Singaporean market as part of a very developed consumer market in which their rather exclusive products fits in very well. In other cases of SMEs producing and selling consumer products such as cosmetics, links to resellers in emerging markets' cities such as Ho Chi Minh City and Jakarta are established in addition to the ones in Singapore.

A large majority of both, SMEs with direct as well as SMEs with indirect links to Singapore, generate between 5-20% of their general turnover in Southeast Asia. Considering both samples, SMEs with direct and indirect links in Singapore, there were only six SMEs that generate more than 40% of their total turnover in Southeast Asia. Three of them have their own offices in Singapore and where therefore directly linked to the global city-state whereas the other three indicated being represented in Singapore by third-party firms.

Chapter 9. Singapore as a Global City serving Swiss SMEs

The following chapter covers the results of the grounded theory study on the global city applied to Swiss SMEs linked to Singapore. First, the common characteristics of the surveyed sample of Swiss SMEs with links in Singapore are analyzed. Then, each category of codes from the analysis of the interview transcript and field notes are discussed in a separate subchapter. Finally, the core category that builds the centerpiece of the emerging theory about distant internationalizing SMEs in Singapore will be presented and discussed. The ninth chapter concludes with a preliminary discussion about the study results and the emergent theory.

9.1 Swiss SMEs characteristics

The first category of codes are in relation to the surveyed SMEs characteristics and to the activities of their Singaporean linkages. The small but very heterogeneous group of Swiss SMEs that disposed of business activities in this distant Southeast Asian marketplace do have, despite their heterogeneity, some common basic characteristics. The description of these characteristics as in the next subchapters helps to understand the commonalities of these Swiss SMEs. It leads to a better understanding of how these companies might be able to internationalize towards these exotic and emerging marketplaces, despite their limited resources and size.

9.1.1 Identifying and describing distant SMEs

In the qualitative research study, twenty-one Swiss SMEs were interviewed. Their total turnover derives from business activities in Southeast Asia and they did all maintain various kind of business links to the city of Singapore. Finding Swiss SMEs in this Southeast Asian world region was a rather difficult undertaking. They needed to internationalize towards such distant and emerging markets by remaining rather small organizations with limited resources since they need to be counted as SMEs. As common in grounded theory studies, a purposive sampling

technique was applied. The study-participating firms were selected on these three criteria, Swiss firms of limited size in Southeast Asian markets respectively linked to Singapore. No predetermined sample size was defined since the aim was to reach certain theoretical saturation in which newly collected data do no longer provide additional theoretical insights. After several contacts and visits with local Swiss organizations such as the Swiss Club Singapore, the Swiss Business Association and the official representative offices such as the Swiss embassy and the former Swissnex Singapore office it was proved difficult to identify and find firms that corresponded to these criteria. It turned out that only a few Swiss firms in Singapore still fulfilled the criteria of SMEs not bigger than a couple of hundred employees in total. On the other hand, it was also found that foreign entrepreneurs in such a distant place tend to be very well connected among each other. After having found only one single SME official member in the Swiss Business Association Singapore, further contacts to the rather exclusive group of Swiss SME entrepreneurs in the city-state were established relatively rapidly. Similar undertakings were conducted for a couple of emerging Southeast Asian economies such as Thailand, Malaysia and Vietnam. In these three cases, consulting business experts with Swiss origins were found and contacted in order to give necessary information and contacts with other Swiss SMEs.

Among the twenty-one SMEs, fifteen disposed of a branch in Singapore without having any other branch in other Southeast Asian cities. In four cases, there was an additional branch in another Southeast Asian city such as Bangkok, Ho Chi Minh City, Kuala Lumpur, Melaka (Malaysia) or Pasig City (the Philippines). In two cases only, the SMEs disposed only over a branch in a Southeast Asian emerging country without being directly represented in Singapore. In both cases, the SMEs branches were located in Ho Chi Minh City. Nevertheless, they disposed of business links to Singapore and gave further information on the use of the global city for Swiss SMEs that were uniquely operating from the context of the emerging markets such as Southeast Asian ones.

Another important and strongly varying characteristic was the age of the surveyed SMEs. Eighteen firms were SMEs with well-established business activities in Southeast Asia for at least a decade of time. Among them, a company that was

formerly part of a worldwide operating Multinational Enterprise with several thousand employees. The surveyed Swiss entrepreneur was the head of the Southeast Asian division of that business that was sold to him in a management-buy-out transaction. Through this transaction, the division became independent and is now acting as an SME, with less than ten employees in total (dispersed in Singapore, Kuala Lumpur and Zurich) and other limited resources that are typically predominate in an SME. The company still disposes of an office in Switzerland but their Singaporean branch can be considered as the new companies headquarter since the companies' head lives in Singapore.

The remaining seventeen SMEs were founded and are headquartered in Switzerland, and did not exceed the size of an SME despite their far-distant international growth. Three Swiss start-ups completed the sample of surveyed firms. They were founded in recent (< 5) years and have already an office in the city-state, in addition to the Swiss headquarter and any other offices or representations. Two of the start-ups established their far-distant branches in Singapore in the first years after their foundation, they can be considered as international new ventures. The other start-up has simultaneously been founded in both Switzerland and Singapore. They are an international new venture start-up that is "global" since its inception. According to the prerequisite condition for the sample, next of being a small- or medium sized firm, the firms needed to execute a turnover generating activity in Singapore or Southeast Asia, both start-ups were obviously already carrying out business activities in this world region. Although, they were presumable not yet lucrative. Two among the three start-ups established other branches outside the Swiss market, in one case in North America and in another case in the Netherlands. The start-up that was simultaneously founded in both Switzerland and Singapore does not dispose of any other branches and serves uniquely with Europe and Southeast Asia.

9.1.2 Prior international experience and existing links

A first common property of the sample of surveyed firm was undoubtedly the extensive geographic scope of their business. For every other Swiss SME in the sample, they do dispose of business activities in at least one additional world region next to Western Europe and Southeast Asia. Furthermore, in many cases,

foreign markets were established and developed prior to the market entry in Singapore and Southeast Asia. Hence, important learnings from an internationalization venture to other distant world regions were made prior to the Singaporean venture. These learning experiences features the establishment of a network of a larger number of trading partner firms in various and very distant world regions. In many cases, this organization's international business experience ranged from one economically emerging or - developing - world region such as Eastern Europe or Northeast Asia to a mix of business activities in various world regions in developed OECD-member states and developing regions.

Another common characteristic of the surveyed Swiss SMEs is that every single SME has already some Southeast Asian clients, partners and even investors before they ventured to Singapore. None of the surveyed SMEs did invest in a foreign office without having at least some clients in Singapore or, in one case, at least some clients from the close Malaysian border. Considering this, some levels of "insidership" into their relevant Singaporean or Southeast Asian business networks have already existed prior to the establishment of the Singaporean branch.

In addition, these Swiss SMEs characterize through a high degree of market specialization. They are all very successfully occupying a business niche-market. In comparison to big multinational corporations with oftentimes highly verticals or horizontally integrated business models, these SMEs are rather characterized by their small but highly specialized and globalized position within a particular niche. First contacts with actors of the Southeast Asian business networks are a natural result of these firms' unique products or services offering since they were known by relevant local and regional business circles. Because of their rare or unique market proposition, they go not unnoticed in the business world, meet prospecting Asian clients at fairs or trade events or win an important tendering from a Southeast Asian client.

9.2 The intention of market development

The context of intention in which these distant internationalizing Swiss SMEs make use of the Singaporean location varies widely among the surveyed SMEs. Whereas some companies serve and expand uniquely on the well-developed and highly innovative Singaporean marketplace, other companies develop a market strategy that consists of penetrating emerging Southeast Asia as a whole. A third group of Swiss SMEs was more focused on developing activities on emerging markets and use thereby the city-state as a place for reinsurance for their adventurous and risky business in the region. In contrast to the second group, the third one establishes partnerships and/or subsidiaries in various regional markets prior or simultaneous of being in contact with partner firms from Singapore. Their major aim was the development of their activities in these emerging markets whereas the city-state institutions and firms helped them to do so.

According to the interviews, these three distinctive categories of activities were identified and each company could be assigned to one of them. Activities mainly differ according to the geographic dispersion of their business network respectively the locations of their potential clients. The Singapore branch of these surveyed Swiss SMEs assumes different activities for their international business. It is in all cases a vital center and an important hub for the international development of these SMEs, whether they were about to develop their business on emerging hinterlands or not. The disparities between the companies developing the emerging hinterlands or those that aim for reaching only Southeast Asian elites as clients and partners were considerable throughout the whole interviews.

The three distinctive categories of Singapore based activities are identified as follows:

- 1) The Singaporean branch is part of a high-end global business that is dispersed worldwide and across the most integrated global cities (hinterworld-approach)

- 2) The Singaporean branch is a Southeast Asian headquarter through which the Swiss SME is develops other emerging markets or pursues projects there in a gradual process (hinterland-accessing- approach).
- 3) The Singaporean branch is the Swiss management and control unit for undertakings (projects, plants, offices) in other Southeast Asian emerging markets (hinterland-managing-approach).

As illustrated below, five out of the twenty-one interviewed firms disposed of a Singaporean branch that served the Singaporean market uniquely. The remaining sixteen firms all had at least minor business activities in other Southeast Asian countries. Eight of these remaining sixteen firms had partnerships (indirect links) or own plants and offices in the regional hinterlands prior to the establishment of their Singaporean branch or established both in the same time. The other eight companies with business activities in the hinterlands develop these as a result or consequence of their business in Singapore.

Table 27 The sample divided into the three contextual approaches (source: author)

Hinterworld approach	Hinterland-accessing approach	Hinterland-managing-approach
5 Swiss SMEs:	8 Swiss SMEs:	8 Swiss SMEs:
<ul style="list-style-type: none"> - Civil engineering [1] - Financial software solutions [1] - Law and arbitrary [1] - IT security [1] - Online portal in a consumer market [1] 	<ul style="list-style-type: none"> - Jewelry [2] - Online portal in a Business market [1] - Cosmetics [1] - Sustainable product manufacturing [2] - IT services and solutions [1] - Security products B2B [1] 	<ul style="list-style-type: none"> - Producing industry [6] - Commerce and distribution [1] - Architects [1]

The details of each category are explained and illustrated in the following sections.

9.2.1 The Hinterworld-approach

The Swiss SMEs that belonged to the first category do not serve clients in any other Southeast Asian country than Singapore. These SMEs can be defined as highly specialized niche players, and some reach a clientele that is particularly elitist. The surrounding ASEAN marketplaces are not yet developed enough, do not demand such a high degree of innovation or do not dispose of the necessary purchasing power to buy such products or services. Instead of prospecting clients in emerging Southeast Asia, they rather aim to follow the global elite in business and wealth or try to settle where the world's major business projects are about to materialize.

In the case of one SME, the geographic strategy was stated as follows:

“We concentrate on our business here in Singapore, the market is big enough and we have got our hands full. In other Southeast Asian countries there are no such sophisticated services demanded that our offering would have any chances there. Competitors from Japan or else are far cheaper.”

Having a market-size that is big enough for an SME and that substantially contributes to the whole growth does not lead to reflect about business opportunities in emerging markets. In some cases, wealthy individuals or companies that originate in other Southeast Asian countries became clients of the Singapore branches of such specialized SMEs.

“Singapore is the major place for arbitrary within the larger South, Southeast and East-Asian world region. Since I travelled here to visit a client, I was seduced by the business opportunities and the lifestyle (...) there might be clients of other nationalities, of course there are, but it does not really matter, the business is global and the jurisdiction is Singaporean”.

Figure 18 Illustration of a business network from a Swiss SME without business activities in other ASEAN economies (source: author)

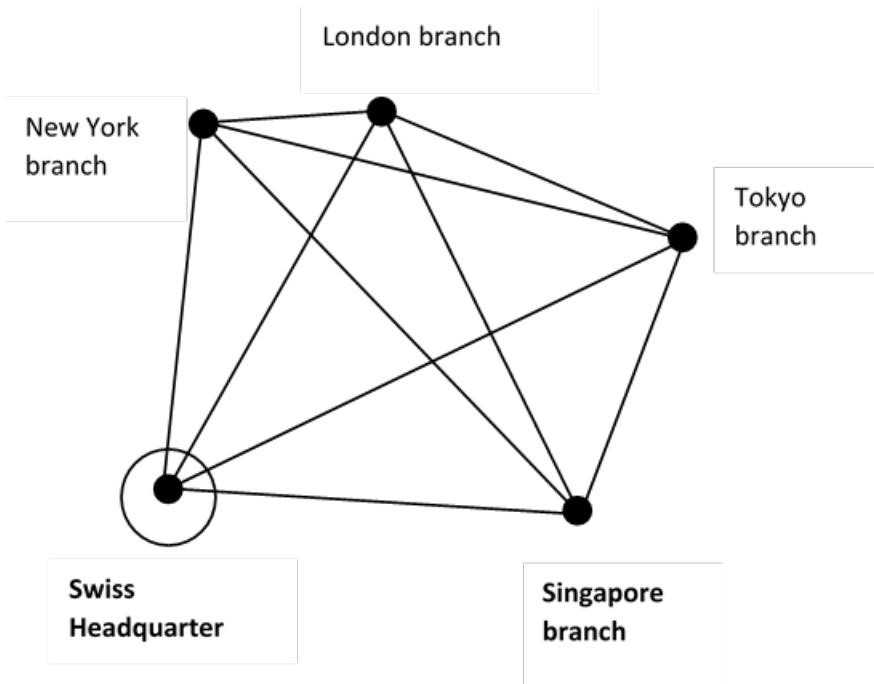


Figure 18 above illustrates such an SME business network. In this example, the Swiss SME has a branch in various global cities such as New York, London and Tokyo. Global cities hinterlands are not of interest but their hinterworld does play much importance. These SMEs act as highly specialized product service providers in the top end of a global market niche. In four of the five interviewed firms that belonged to that group, the wealthiest individuals, corporations or governments, or the highest in business hierarchies are among their clients. Hence, they serve a market that only exists in the most integrated and interconnected world of global cities. Accordingly, these SMEs are established at the “hotspots” of their business. In the case of the online portal in the consumer market, the only start-up among the five, the provided services addresses a typical problem of housing that exists only in world cities. There might be similar problems in large cities of the developing world but, according to the statements of the founder, they have not been thinking about this yet. He added that most probably, the charged service fees would be too high and that they expect rather being

copied by local competitors than being able to establish their services in emerging markets.

In this category, we may find highly specialized legal firms such as firms in global tax optimization, negotiating or arbitrage, or service providers for financial institutions such as investment bankers or ICT consultants for payment security. Others work in project consulting such as engineers and architects, they settle due to market opportunities related to big (construction-) projects and work mainly for governments or important consortia. Another branch is in design and fashion, but also other products that are distinctively high in price and quality and that serves the high demand existing in a global city such as Singapore.

Their path of internationalization occurs along the major business hubs respectively global cities and there are not - or hardly – any business opportunities yet in emerging regions. Since the global cities' hinterland such as the emerging ASEAN markets in this case, do not play any role but the global cities' hinterworld, i.e. the global network to which such cities are connected, this approach was entitled the hinterworld-approach. It means that for this category of SMEs, the global city plays an important role because of its status as a highly connected and highly important elite-marketplace rather than because of its role within a distinct region such as Southeast or even East Asia.

9.2.2 The Hinterland-accessing-approach

The approach is one between the two identified contextual categories in which the distant internationalizing SMEs develop and serves ASEAN emerging markets. In this category, we find Swiss SMEs that venture to Singapore because of the market opportunities that exist primarily within the Singaporean marketplace and not the Southeast Asian region as a whole. In contrast to the first group, however, they develop their business across the borders of the city-state or are about to develop into that direction. Even though their main customer base is located in the city-state, they are used to work for clients of other Southeast Asian countries. These "other foreign clients" usually belong to the better-founded and more potent actors in their emerging home markets. Such as in the case of an SME in the luxury business:

“I do sell to stores and designers throughout Southeast Asia and not just in Singapore and Kuala Lumpur. However, I do not aim to establish another branch in yet another country. I serve them very well from Singapore.”

In business-to-business sectors, these clients can very often be counted as the aspiring companies from emerging markets or they are part of some (already) multinational groups or local conglomerates. In the business-to-customer sector, there are sufficient important affluent buyers from Southeast Asian regional emerging global cities or there are sufficient tourist frequenting these places (such as Bali in Indonesia) that generate enough turnover for them in order to make this an interesting marketplace. These SME are principally located in the bigger cities of the ASEAN economies on the next lower economic development level such as Kuala Lumpur in Malaysia and Jakarta in Indonesia or, depending on the branch, in the major touristic regions of the Southeast Asian countries. Not all of them disposed of own links to the emerging hinterlands. In some cases they operate uniquely from Singapore whereas in other cases direct or indirect links with representatives in the hinterlands are established. In the case of an online portal, an SME expansion was stated as the following:

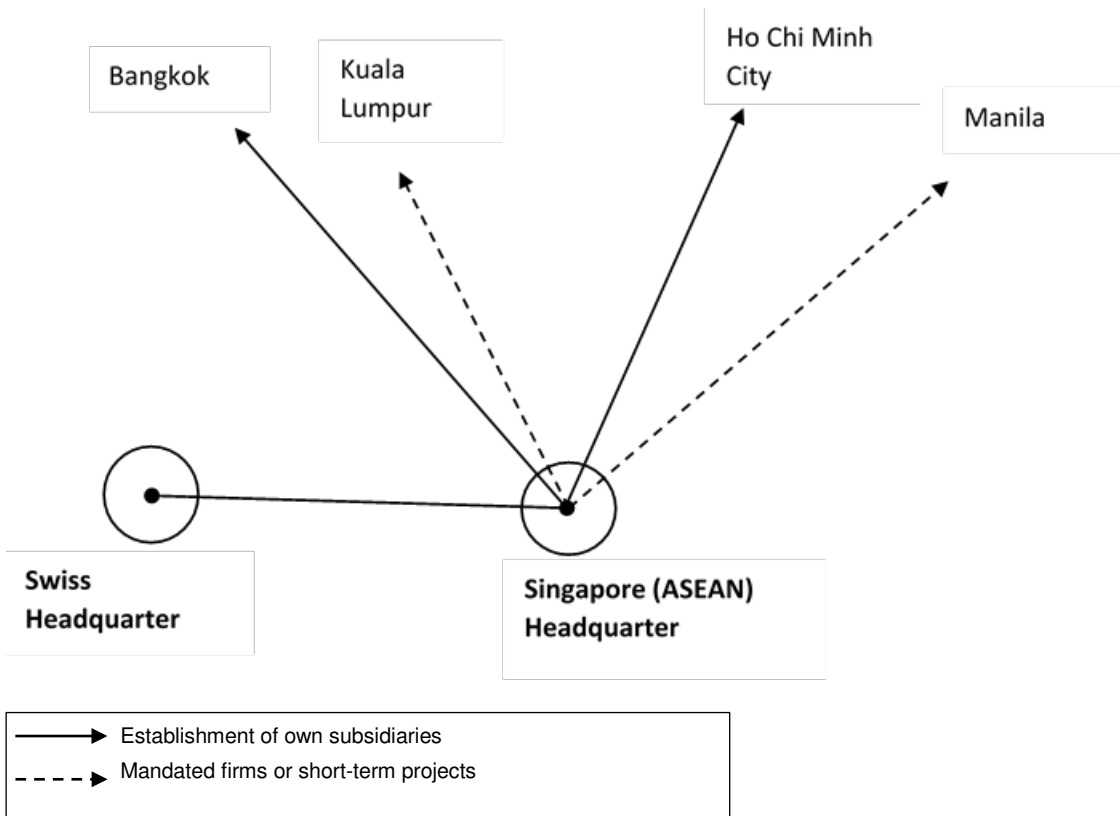
“We have clients from other Southeast Asian countries... in Thailand, Indonesia, and, of course, Malaysia (...). They find us on the web, contact us by phone.. or some of them have a location in Singapore and know us very well.”

In this category, we find SMEs that aim to sell more or less intensively on emerging markets. Some still try to develop the Singaporean national market whereas others have very clear and distinct market penetration objectives in the regional hinterlands. They all benefit from Singapore because of its quality and reputation over the various other ASEAN countries. None of them focuses on a single ASEAN emerging market but they rather expand on ASEAN marketplaces as a whole: they go to “where the business is heading”. Very commonly, these marketplaces are situated in Malaysia and Indonesia. Some single SMEs report activities in the Philippines, Vietnam or Thailand.

Being represented in one regional global city seems to give them higher authority and prestige in order to cultivate emerging markets. In this particular sense, there are blurring borders between this contextual category and the category of the

Hinterland-managing-approach as described in the section 9.2.3. It is conceivable that SMEs that initially pursue a Hinterland-accessing-approach end up in principally managing their ASEAN business from Singapore, once the market penetration is on a sufficiently advanced stage.

Figure 19 Illustration of a Swiss SME with an ASEAN headquarter in Singapore and business activities in further ASEAN economies (source: author)



In figure 19, there is a Swiss SME with an ASEAN headquarter in Singapore. The company has its own production in Bangkok and a service site in Ho Chi Minh City. There are also sales representative, indirectly linked to the company through third party firms that develop the markets from the Philippines and Malaysia. An important delimitating factor for this approach is the fact that the Swiss headquarter principally communicates with the Singaporean branch. The Singapore branch assumes the role of a headquarter for the region, independently of whether there are other (fully- or partially-) owned branches in the regional

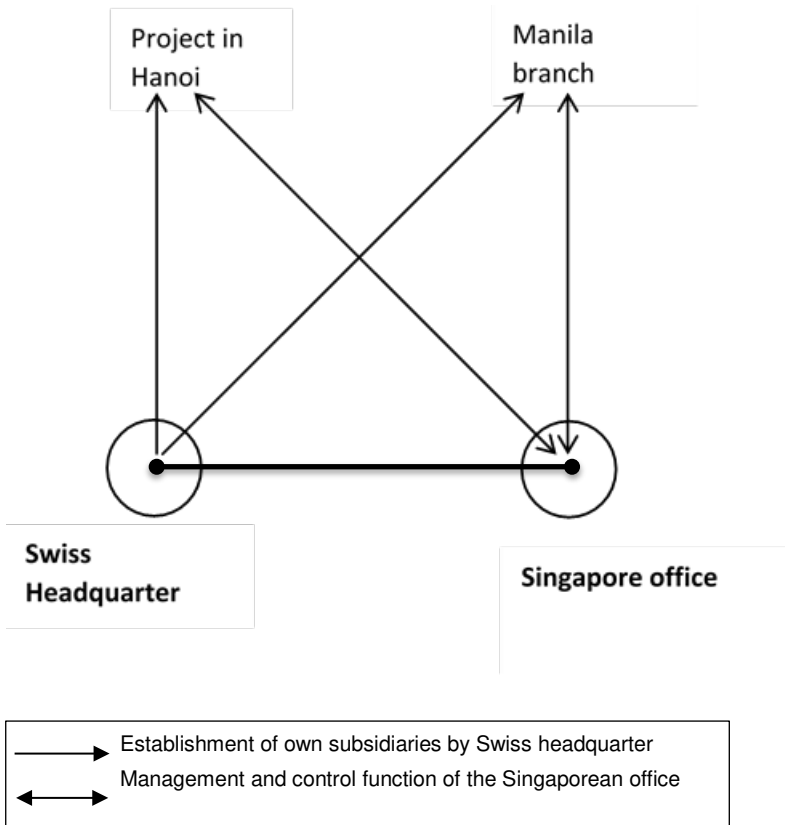
emerging countries, partnerships (indirect links) or simply projects or single clients that are served via direct exports.

9.2.3 The Hinterland-managing-approach

In this third contextual category of branches, we find SMEs in which Singapore's emerging hinterland made of one or several Southeast Asian countries are the decisive and essential factor for venturing towards this world region and not the already developed Singaporean marketplace firsthand. Among them we find SMEs that do not dispose of a direct link to the city-state but some indirect forms of link towards a law firm, consulting agency or else. Since they need management services that take charge of their business in the emerging ASEAN marketplaces, they opt for a direct or indirect links in Singapore.

In the surveyed sample, some Swiss manufacturing SMEs have established production sites in the emerging Southeast Asian countries. They have forged an additional link to Singapore as a control or command post. In the case of an architectural firm, it won a prestigious contract with the Vietnamese government that led to reflections about the establishment of a Vietnamese branch. Intercultural difficulties and complex and unknown market conditions in Vietnam led to a close collaboration with a Swiss lawyer's branch in Singapore. Further engagements of the SME founders in Singapore such as memberships in architectural colleges and teaching assignments led finally to an increased involvement in architectural affairs in the Singaporean marketplace. Some years later, an additional branch was established in Singapore in which large parts of managing and organizational functions of the SME in Southeast Asia were.

Figure 20 Illustration of a Swiss SME with projects and branches in ASEAN emerging markets of which a Singaporean office is in charge (source: author)



In the case as illustrated above, the Swiss SME ventured towards the Philippine market and established its own branch in Manila. Furthermore, they started to work on a project in Hanoi. Both ventures were initiated in Switzerland, the management and control of these undertakings is ensured by the Swiss SME Singapore office. This office supports the Swiss headquarter in various ways. One of the major advantages lies in the fact that the Singapore office is in the same or a very close time zone to the other foreign branches and representations in the region. Secondly, the employees in Singapore can master a closer geographic and psychic distances and have lower intercultural barriers than Swiss SME manager's vis-à-vis employees in neighboring emerging markets have. Thirdly, the branch in Singapore can adapt to the necessary legal and financial framework conditions for law enforcement, capital investment and profit repatriation.

9.3 Triggering Determinants of Opportunities

According to the revised Uppsala model of internationalization, opportunity recognition is considered the most important element that drives SME internationalization. The firm's recognition of business opportunities in foreign markets leads to increase the level of its commitment to network across borders and to distant markets (Johanson & Vahlne, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009).

Four categories of motives that triggered the Swiss entrepreneurs' recognition of opportunities in Southeast Asian markets have emerged from the interviews: *client orders*, *client requests*, *investor's engagement* and *supposed opportunities*.

Supposed opportunities refers to SME entrepreneurs convinced of having high business potentials in a global city or an emerging country. Even though SMEs may have business contacts in the focal region prior to any kind of establishment, decision making is primary triggered by their own motivation rather than by any partner in the focal region. In the remaining three categories, the decision was primary triggered by a partner from the focal countries' business network.

Client orders refer to decision making triggered by finding clients in the focal market. Depending on the volume and regularity of such orders, the supplying SME may opt for some form of linkage or establishment in Singapore or elsewhere in the region.

Client or partner requests may lead to the decision to localize production or at least marketing and sales based on the nature and validation of the incoming request of a local partner or new client.

In the case of capital investment, an actor of the foreign business network triggered the establishment of the SMEs foreign branch in Southeast Asia through substantial investments in the Swiss SME,

Table 33 lists the four categories and the SMEs activity respectively industry as well as the number of interviewed Swiss SMEs by sector (in brackets). The category *client orders* is divided into two subcategories: *increasing client orders*

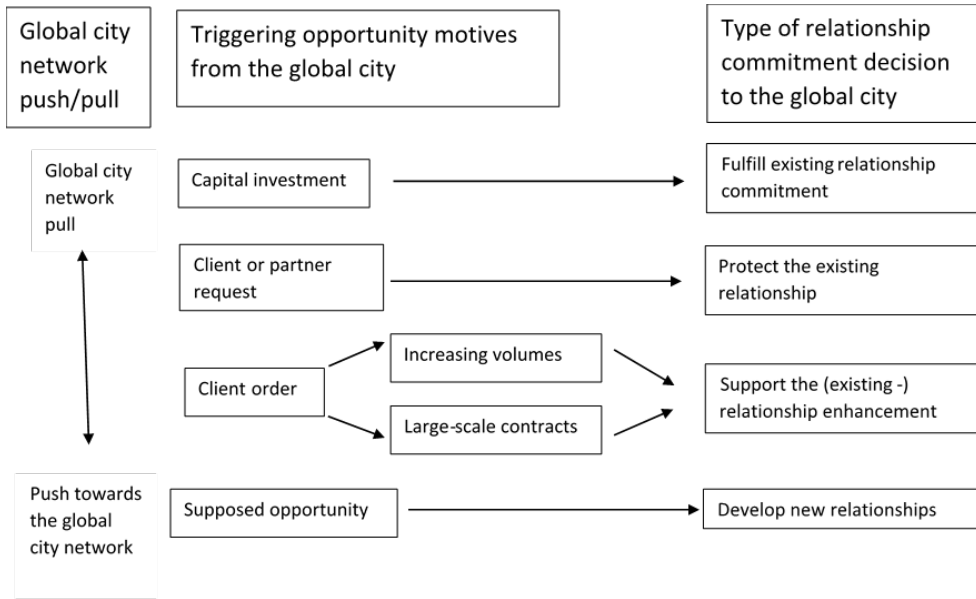
and *large-scale orders*. The category “client or partner requests” is divided into the subcategories *client requests* and *partner requests*.

Table 28 The four triggering motives among the sample (source: author)

Supposed opportunities	Client orders	Client or partner requests	Capital investments
7 SMEs: <ul style="list-style-type: none"> - Commerce and distribution [1] - Jewelry [1] - Law and arbitrary [1] - Online portan in a consumer market [1] - Producing industry [1] - Security products B2B [1] - Sustainable product manufacturing [1] 	7 SMEs: <ul style="list-style-type: none"> 4 Increasing volumes <ul style="list-style-type: none"> - Financial software [1] - Jewelry [1] - Producing industry [2] 3 Large-scale contracts <ul style="list-style-type: none"> - Architects [1] - Civil engineering [1] - Sustainable product manufacturing [1] 	4 SMEs <ul style="list-style-type: none"> 3 Client request: <ul style="list-style-type: none"> - Cosmetics [1] - IT security [1] - Producing industry [1] 1 Partner request <ul style="list-style-type: none"> - Producing industry [1] 	3 SMEs <ul style="list-style-type: none"> - IT security [1] - Online portal in a business to business market [1] - Producing industry [1]

Figure 21 illustrates the four major opportunity motives and the types of internationalization commitment decisions made by the Swiss SMEs. These four motives proceed from a pull effect from local network actors in the global city and from a push effect initiated by the SME entrepreneurs aiming to enter the global city business network. The interplay between the pulling effects of business partners or clients in the global city and the pro-active entrepreneurs self-perceived opportunities in the global city could not always be easily distinguished. In the initial reflections prior to SMEs’ establishment in the global city, various triggering motives play important roles almost simultaneously. Nevertheless, some clear patterns indicate which effect is stronger while coding and analyzing the interview transcripts.

Figure 21 Triggering determinants of opportunities and the type of commitment decision they enhance (source: own research)



The triggering opportunity motives and the following SME decision to link up with global city-based foreign actors can be described as an interplay between the identification of opportunities transmitted through the global city business network, a network pull, and the SME intention to increase and develop such networks proactively pushed by local business actors within the concerned network. In the case of capital investments, global city network pulls the SME to collaborate locally.

Since they invest in the company's equity capital, they make the company a part of their possession. The investment from a foreign investor or a foreign investment agency goes, if required by them, along with the establishment of a foreign branch in the investor's home market. From the qualitative interviews, it was observed that this was the case when entrepreneurs who want to start a venture are in search for investors. They settle in the hubs of the world regions in which the investors are willing to invest and a born-global company or international new venture is founded. In other cases, private as well as public investors from the focal market ensured important investments in the case of a market entry of the

SME. This was observed in the case of SMEs that are already well established in the home market and that already work for clients in the focal world region.

In the case of increasing orders or a large-scale contract from a regional client, the SME pushing versus pulling motive to internationalize comes from the local network client. However, the client does not necessarily request the establishment of a foreign branch by the Swiss SME. In this case, the client order leads SME entrepreneurs to reflect on possible long-term business opportunities in the region. In a second step, SME entrepreneurs have to decide whether a foreign branch should be established or not. Even though the client order is the pulling factor, the final decision to establish a local branch can also be related to the SMEs pulling strategy to expand and integrate global city based regional business networks.

In some cases, foreign clients' orders are not yet on a sufficient level that would justify the establishment of a foreign branch but the SME decision is already taken. The decision is strongly influenced by SME entrepreneur's wish to connect and benefit from the prospering global city business networks. More than once, there is no pull effect from global-city business actors. The decision is entirely due to SME entrepreneurs' future prospects and their pro-active efforts.

The type of aspired business relationship differ regarding each opportunity motive. In the case of an investment in equity or debt from a business-network actor in the global city, the decision to establish a foreign branch depends on the SME's investor. The internationalizing SME fulfills its commitment. If local clients or possible partners request collaboration, the SME has to decide whether the established relationship with the foreign partner or client is about to be protected or not.

By long-term contracting client orders, the internationalizing SME decides on whether the relationship to that partner or client should be supported and enhanced. This decision is also depends on pro-active efforts to increase its relations with the global city business network.

In cases in which no triggering effect from the global cities' network leads to the decision in favor of a foreign branch (in the category of "supposed opportunities")

the major SME objective is to increase the strength of business into global city network.

9.3.1 Supposed business opportunity

Supposed business opportunity as a major category of triggering factor for the establishment of a Singaporean branch was identified in the case of Swiss SME's recognizing real business opportunities in the global city and/or its hinterland. The SME may already have clients in the region and serves them by exporting products or services with or without any intermediary of its branch on-site.

In contrast with the other three categories, no client pulls the SME with orders or requests, and there is no Singaporean investor involved. It is simply due the SMEs' conviction that it must establish direct or indirect links to the region. In the reported cases, having exchanges with clients or partners about possible business opportunities accelerated the process of establishing direct or indirect links to the region. In the case of a law and arbitrary SME, the opportunity recognition was explained as the following:

"I am steadily observing the geopolitical events, in the mid 80's we went to London, after the fall of the Soviet Union we established our Russia branch in Moscow, and so on [short break] in 2007 I first came to Singapore on a business trip to visit some clients and I was immediately enthusiastic."

Supposed opportunity belongs, together with client orders, to the most frequently cited opportunity motives. In four from the seven surveyed cases, the opportunity motives principally focused on the prospering economic outlook in Singapore. Among them, two firms pursuing hinterworld-strategies that do not report any activity from the emerging ASEAN hinterlands: a start-up in web based consumer markets and a law firm. Two other SMEs that principally ventured towards Singapore because of its promising business outlook developed regional business activities outside Singapore. They belong to the group of the SMEs with a hinterland-accessing approach. It includes a Swiss jeweler-firm and an SME that manufactures sustainable products in a business-to-business-market. Although the SME jeweler and the other manufacturing SME indicate having business

opportunities from clients in the emerging countries of the region, their major market opportunities in the initial phase focus on the markets in the city-state.

The SME start-up in security products does not control a sufficient large market in Singapore. It has detected business opportunities in Indonesia, the largest marketplace for their innovative products in the region. Nevertheless, it is interested in selling to other Southeast Asian markets as well as in Singapore too. However, since it needs to develop its business network with Indonesian high officials and politicians, it pursues a hinterland-development strategy from Singapore. Accordingly, business opportunities are detected in Singapore to enter in contact with decision makers and potential clients there even though major market opportunities lie more in neighboring emerging Southeast Asian countries.

The remaining two Swiss SMEs detect business opportunities in emerging Southeast Asian countries but not in Singapore itself. In the case of a manufacturing SME, the decision was due to a senior manager who wanted to migrate back to his Southeast Asian country of origin. Back then, the Swiss SME disposed of a production site in Germany as their single foreign branch. The decision was described as the following:

“The reason for expanding to Southeast Asia? Regarding the sales it was the potential, regarding the purchase it was the price!”

In the second SME, the entrepreneur with Swiss and French origins worked more than a decade as an expatriate in Southeast Asia prior of founding his own venture. Due to family reasons (he is married to a Vietnamese) he was fluent in Vietnamese and very familiar with local business behaviors. He detected business opportunities in commerce and distribution and established a branch in Ho Chi Minh City. He concentrates his Southeast Asian business primarily on the Vietnamese market; the SME also sells to various other Southeast Asian countries.

9.3.2 Client orders

The category client orders with subcategories *increasing volumes* and *large-scale contracts* comprises seven interrogated SMEs. It is the most common one, together with the category “supposed opportunity”. Two among the seven SMEs

belong to the group of SMES with a hinterworld-developing strategy. Their Southeast Asian business is uniquely concentrated on Singapore. They started to recognize business opportunities once their Southeast Asian clients increased demand for their products or services and led to explore opportunities of starting a Singaporean branch.

“We counted more and more Singaporean banks among our customers, it was just before the financial crisis occurred, so I decided to move to Singapore and start to work from here. I was renting a tiny apartment and our companies’ Singapore branch was established”

This statement above from a co-founder of a micro-sized service from IT-based data visualization describes how a decision was triggered by increasing demand from Singaporean customers. Certainly, a high level of the SME entrepreneurs’ conviction and commitment is involved in such a decision. The increasing level of demand itself would not be a sufficient argument to invest in a foreign branch if the SME entrepreneur would not be attracted by the challenge of pursuing such a difficult cross-cultural business experience.

The subcategory large-scale order refers to a similar decision making process. In that subcategory, however, one major client or a major project triggers the opportunity recognition process. One major Singaporean client strongly increases the volume of demanded products or services. The SME decides subsequently to invest in a foreign branch. In many cases, the higher turnover from the Singaporean order secures a mid-term financial basis for the newly founded branch.

“Due to several difficulties with the realization of the project, delays have occurred, additional work and warranty services had to be executed, and we were forced to stay longer in Singapore than initially planned. The project manager was willing to stay longer. Without his consent to stay longer, there would not were such a Singapore-adventure. For sure, some personal interest on culture, country and people here played into his decision too.”

As under the previous subcategory increasing client orders, the SME entrepreneurs personal motivation for the “Singaporean business adventure” plays a crucial role in the opportunity recognition process. In the interview-

statement from above, there is an increased demand for services. The increased volume in a client's order can also be related to tenders. In another case, the SME submitted an offer to a tender. It already worked for the tendering firm, a Forbes500 firm with Asia-Pacific headquarter settled in Singapore. After having submitted its offer, the SME decided to open its own office when the contract was obtained. The branch was started soon after.

“We worked for a big customer in Singapore, he was about to launch a major international call for tenders. We told ourselves that if we would win this offer, we could delocalize a part of our business to Singapore.”

In four of the seven surveyed cases, the client had headquarters in Singapore. Two of them do not intend to expand in emerging Southeast Asian hinterlands whereas the two other SMEs, a jeweler respectively watch manufacturer and a SME producing sustainable materials, sell their products in these markets.

In another three cases, the triggering orders came from an ASEAN emerging country. A manufacturing SME did follow the increased orders from a Malaysian client. Another one followed a same promising increase from an Indonesian client. An architecture SME with Swiss-French ownership won a prestigious tender in Hanoi and decided afterwards to stay and improve its activities in Vietnam. All of the three SMEs do have a directly owned representative office or construction design practice in Singapore.

9.3.3 Capital investments

In three cases, the SME decisions to establish a foreign branch was strongly related to third parties' major investment and notably the rise of regional client orders. In two of the three cases, these Singaporean investors were and are still involved in the establishment of these SMEs Singaporean offices. A young Swiss entrepreneur founds the SME start-up providing an online portal in a business-to-business market in his early 30's. The born-global company was founded simultaneously in Geneva, the entrepreneur's birthplace, and Singapore, where he studied and where his family relates him through his Singaporean wife. The company launched its first services very shortly after its foundation but does not yet return profits. A major investment from the Singaporean Dragon Fund has

enabled the establishment of the SME branch with a dozen of employees in Singapore's city-center. Such investment was the major determinant for the establishment of the branch in the city of the lion.

In the case of an IT-security SME, the firm was already well established on international markets but had not yet opened an office in Singapore. While analyzing its market-entry and market-development options, they encountered Singapore's Economic Development Board (EDB). The final decision to establish a local branch was influenced by EDB's commitment to invest in the company. In contrast to the start-up described in the previous paragraph, this IT-SME does not expand on ASEAN emerging markets but rather pursues a hinterworld-strategy by covering uniquely highly developed marketplaces and serving multinationals headquarters on-site, such as in global cities like Singapore.

In one case, a foreign investment from Northern America led to the establishment of a Swiss SME production site in South Vietnam, in the peripheries of Ho Chi Minh City. In this particular case, the investment did not originate from a Southeast Asian business partner, but it was provided with a clear intention to start a production site in Southeast Asia and to develop regional markets. In this case, Singapore has become the legal location of the SMEs holding site and the company is pursuing a hinterland-managing approach from Singapore.

Gathering additional information about concrete details of the negotiations and contractual terms between the funding institutions and the founded Swiss SMEs was not feasible because of confidentiality issues. However, foreign and third party investments in the interviewed SMEs were clearly identified by the interviewed entrepreneurs having played a crucial role in the final decision of establishing a foreign subsidiary in Singapore or in another Southeast Asian country.

9.3.4 Client or partner request

In the case of a client request, the triggering motive that led to the decision of establishing a foreign branch in Singapore or other ASEAN countries was an existing client or partner-firm requesting closer cooperation or collaboration within existing production networks and value chain. The SMEs in that category were

selected and approached very clearly by a client or partner firm in Singapore or another Southeast Asian country to establish a foreign branch within close distance to them. Subsequently, the Swiss SMEs has to evaluate whether localization was feasible or not. In contrast to the category client orders or large-scale contract, it was a concrete expressed demand and not just an increased volume of orders that led to Swiss-Singaporean direct investments. Thus, external partners from Swiss SMEs' existing business networks "pulled" these SMEs to invest or co-invest in Southeast Asia.

In one case, as illustrated below, one SME describes the process as follows:

"It was our second year of existence [editor's note: 1996] and a major client in Asia [editor's note: Singapore] asked us if they could have someone on-site. We told them that they work with an international partner and that we would join them worldwide"

The SME board certainly had a strong internationalization strategy since the Swiss market volume was insufficient. Its strong commitments to key clients influenced the choice of market location. As shown by this interview sequence, the Swiss SME is trying to cultivate its relationship with its Southeast Asian client. In order to keep and expand its business with that Southeast Asian partner firm, it decided to establish a foreign branch on-site in Singapore.

Four of the Swiss SMEs were assigned to this category. They do all dispose of business activities in various Southeast Asian countries and are not uniquely active in Singapore. In all cases, business partners in Singapore signaled a need to the Swiss SMEs for a closer (physical) collaboration. In two cases, however, the SME developed business activities with actors widely spread over the Southeast Asia. Both SMEs are in manufacturing and provide foreign direct investments in Southeast Asian countries. One of the two cases is a Thai partner firm in Bangkok and another case is a Swiss SME with two production sites, one in the Kulai district in Malaysia, and the other in Bangkok. Both followed the request of a client. The two other SMEs work uniquely from Singapore, but sell their products and services to other Southeast Asian countries. One SME produces cosmetics whereas to other is an IT-security service provider.

9.4 Supportive Network Services

According to the revisited Uppsala model, internationalization can be defined as the outcome of actions to strengthen SME network positions. Hereto, the authors cite one of their own articles as published in 2003 (Johanson and Vahlne, 2003, cited in Johanson and Vahlne, 2009):

“Internationalization is seen as the outcome of firm actions to strengthen network positions by what is traditionally referred to as improving or protecting their position in the market”.

The strengthened network position is obtained through SMEs’ relationship commitments. The various forms of events that lead to these commitment decisions were described and analyzed in the previous sections. The supportive services in that process of internationalization concern the following stage identified by the Uppsala scholars as the second “change variable” labelled Learning, Creating, and Trust Building.

Experiential learning is considered the most important type of learning during this step. Activities from daily business are essential and play an important role since they lead to a higher level of market knowledge as well as trust and commitment to network partners (Johanson & Vahlne, The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership, 2009). Regardless whether one considers the liability of foreignness, the difficulty is to decode, overcome and manage intercultural barriers.

The liability of outsidership refers to difficulties associated with networks and relationships, as the primary challenge of internationalizing firms. Particularly in the context of distant internationalizing SMEs, it can be assumed that both liabilities are challenges. Aiming to understand the functions of a distant global city networks. Support can come from institutions, firms and individuals.

From the beginning of the interviews, one of the key points of interest lay in the exploration of SMEs various network actors in between the global city and Switzerland and Western Europe that enabled market entry and penetration in Southeast Asia. In other words, network actors and related supportive services help SMEs to overcome both liabilities and increase their business network. The

perspective thereby lay exclusively in the SMEs point of view. Many services, public or private, are not necessarily recorded or even remembered (at least during interviews).

In a first step, the various relevant actors for the establishment and the development of these Swiss SMEs Singapore branches were identified and listed. Seven different generic types of actors were identified in that regard. In a second step, the companies were asked to tell which actors have played or are still playing a very decisive role for the market development in Singapore and elsewhere in the surrounding Southeast Asia. The surveyor has defined decisive actors as actors that played a key role in overcoming the liabilities of foreignness and outsidership. The surveyed companies named the actors and explained the nature of their help. Since the major objective of this survey was to obtain a general picture of the major actors that were key to the Swiss SMEs, the companies were asked to describe the nature of the services in a very general manner. Next to the actors that were particularly helpful and/or played a key role in the decision to establish a branch in Singapore, negative experiences and disappointments with regard to these supporting actors have also been recorded and analyzed.

9.4.1 The network actors

The topic of foreign network actors that helped Swiss SMEs to venture in Southeast Asian emerging markets was discussed throughout the interviews. The rather limited and punctual use of their services become clear and, in accordance with the grounded theory methodology in which the data are constantly analyzed and compared, the extent to which this topic was treated was somewhat limited according this finding. Other than expected, it is one among four categories of the developed theory but not the core category respectively the all-encompassing major theme.

Supportive network services from Swiss-based networks as well as from Southeast Asian markets network were taken into consideration. The supportive individuals, companies and institutions, are located in Singapore as well as in Switzerland and, in one case, in the close French border. They were categorized

into institutions, mostly public in Singapore and public, private or mixed (public-private) in Switzerland, such as consulting agencies, clients, partner firms, associations and clubs as well as some individual actors such as employees and friends. Contrary to the expectations of finding very highly supported top niche actors, SMEs did not dispose of a large network of supporting services. This rather limited use of supportive foreign network actors is a major discovery in the interviews. Considering the high distance between these companies' home and focal markets, the number of foreign actors and their services was expected to be much higher. Especially among the interviewed SMEs that dispose of a long experience in Southeast Asia. For SMEs that ventured many years ago in the region, it can be stated that they adapted a very pragmatic approach for market penetration. They literally helped themselves as much as possible, principally through their own employees and private networks, and did not make use of many chargeable services offered by service providers.

Table 29 List of supportive service actors from Switzerland and Singapore (source: author)

Public institutions in Singapore	Swissnex, Swiss embassy and Swiss Business Hub in Swiss embassy, Economic Development Board (EDB) Singapore, Public investment fund (EDB), Singapore tax authority,
Public, private or public-private institutions in Switzerland	Switzerland Global Enterprise (former Osec), chamber of commerce,
Consulting agencies	2 International law firms, 1 private law consultant in Singapore, 1 consultant in intercultural management in Switzerland,
Clients	Singaporean or international clients, Swiss clients
Partner firms	Singaporean or international partner firms, Swiss partner firms
Employees of the local branch	Local employees, local spouses of Swiss employees
Associations, clubs etc.	Swiss Club Singapore, Expat Association
Personal contacts, friends, etc.	Various personal contacts

Institutions, whether public or in some cases mixed public-private ones, were stated more often among the used supportive services by the Swiss SMEs with regard to their ASEAN business than privately owned consulting offices. The institution that was the most often cited, namely in nine out of the twenty-one cases, is Switzerland Global Enterprise (S-GE), which is yet not a very high performance for S-GE.

S-GE is a public-private institution that is aimed to strengthen the foreign trade of Swiss firms. Headquartered in Zurich and with two small regional offices in Italian- and the French-speaking part of Switzerland, they are financed by the contributions of their members as well as a support contribution from the Swiss government (Switzerland Global Enterprise, 2018). In addition to their three offices in Switzerland, it has of a network of 27 business hubs in relevant Swiss export markets. Within the Southeast Asian region, they dispose of four of these representations. The ASEAN business hub is in charge of the implementation of the Swiss export strategies in the whole ASEAN region and is settled at the Swiss embassy in Singapore. At the Swiss embassy in Kuala Lumpur, there is an additional representative for the Malaysian market and two other representatives, one at the Swiss embassy in Hanoi and another in the Swiss consulate in Ho Chi Minh City, are covering the Vietnamese markets (Switzerland Global Enterprise, 2018).

In one particular case, the IT-security SME, participated in a business trip organized by the cantonal chamber of commerce. The trip was taking place while the companies' board was reflecting about the establishment of a fully owned branch in Singapore.

Another Swiss public institution is Swissnex Singapore. Swissnex was mentioned by three of the interviewed firms as particularly helpful when searching for contacts and by introducing them to local business networks. Swissnex Singapore closed its office by the end of November 2015 after eleven years of activities. Instead, a new education and science office at the Swiss Embassy in Singapore, staffed by two former employees of Swissnex Singapore, has opened its doors (The Federal Council, 2015).

The interviewed Swiss SME's have mentioned no other support from a Swiss institution than from these three organizations. Considering the weak influence of the organized business trip (compare with description in the next subchapter), it can be stated that official institutional support for these Swiss SME was mainly held by S-GE and their business hubs in the embassy as well as Swissnex Singapore.

Among the Singaporean institutions identified by the Swiss SMEs, we find the Economic Development Board Singapore as the most cited one. Three companies stated having had meetings with representatives from the EDB Singapore. In one particular case, the EDB did promised a major investment whereas in all cases, tax incentives were discussed.

Among the firms that can be categorized as private consulting and general service-providing offices, we mainly find law firms and fiduciaries respectively public accounting and tax consulting offices. All of the interviewed firms in Singapore or other Southeast Asian markets disposed of more or less regularly contact to such supportive services. Two middle-sized law firms, one German and one Swiss, settled in Singapore were stated as particularly relevant in the case of two Swiss SMEs. In one particular case, a private law-consultant helped the establishment of the SME branch. Next to law enforcement and accounting and tax issues, only one case of non-administrative (financial and legal) advise was mentioned, namely in the case of an independent intercultural business consultant settled in France, near the Swiss border.

Next to these supportive service providers, a whole range of decisive and helpful network actors were cited by Swiss SMEs, that do not belong to the specific professional category of consultants nor did they charge any fees for their supportive services. Individuals from the Swiss SMEs formal and informal network of clients, business partners, members of associations, business clubs as well as local employees and, in some cases, family members of the Swiss entrepreneurs were stated with this regard. Since the major objective was the detection and analysis of these Swiss SMEs supporting network, they were listed and coded under the same category as the official consulting offices and internationalization and export institutions and organizations. Additionally, we can state that in many

cases the nature of their support did not differ from any services that would be offered by a consulting agency.

As an important finding considering global city-theories, it has to be noted that none of these SMEs stated to work with any multinational consulting firm that were labelled Advanced Producer Services (APS) by the existing literature and the Globalization and World Cities Research Network (GaWC). No single company figures on the list of companies relevant for the calculation of a cities connectivity.

9.4.2 The service provision

S-GE was the surveyed SMEs most cited institution, but also the one that polarized the most during the interviews. Their major service contribution as described by the firms can be stated in the following four points:

- The search and introduction to relevant contacts in form of individuals, firms and organizations
- Market analysis
- Organizing a joint appearance at trade fairs
- Informative events

The search for relevant contacts comprised contacts such as government agencies, prospecting clients such as major foreign and Swiss firms as well as other consultants and experts in the case of specific needs and issues. In one case, it was also reported that S-GE did provide the Swiss SME with a market study about business opportunities for them in the larger Southeast Asian region. In another reported case, the surveyed SME could benefit from a joint appearance at a Singaporean trade fair, together with other Swiss companies in a so-called Swiss Pavilion that was organized by S-GE.

An additional service are the several informative events, organized by S-GE in Switzerland. These events were commented as relatively informative and helpful in order to get information and to connect with other experienced entrepreneurs. One entrepreneur in the producing industry stated:

“Switzerland Global Enterprise do have valuable services, at their fairs, for example, in order to get information about a country or to get good addresses.

They are sometimes also offering seminars and workshops in which good entrepreneurs tell their stories.”

Most manufacturing companies were in touch with S-GE whereas many companies in the service-related fields, especially micro- and small-sized ones, did not work with them.

The major criticism related to S-GE concerned the very punctual character of their services and the limited timeframe in which these services took place. Obtaining important addresses and being introduced to other contacts is not necessarily guaranteeing success. The SMEs have reported “being abandoned to their own fate” after having received the major information and contacts from S-GE. We noticed that the SMEs success in the foreign market depended heavily of the senior management’s involvement and commitment to the process. Consultants, also the ones from S-GE, were depicted as annoyingly sellers of some very expensive services without having the necessary accompanying approach. As expressed by one of the experts:

“The problem with them [editors’ note: internationalization consultants] is that they only help to a certain point. They want to sell their services and do not care about the rest”

Other rather negative comments concerned aspects of missing branch knowledge from consultants. They entitled several of their reports as from “outside the industry” and with little application possibilities. In the case of an SME in cosmetics, S-GE little help was summed up by the following statement:

“Their services [editor’s note: S-GE] are heavily depending on the consultant in charge. If there is a lady, probably she will be better informed about cosmetics and can help us better.”

Private consulting firms did only have a secondary relevance that were punctual and selective in most cases. Some of the interviewed companies stated two middle-sized, internationally active law firms helpful and decisive. Legal advice with respect to business activities in Singapore as well as with activities in the surrounding Southeast Asian countries did seriously influence the assurance and market development of the distant internationalizing Swiss SMEs. In one case,

the law firm in Singapore did also manage general aspects of a project in a Vietnamese city. It handled general administrative tasks as well as mediation tasks between their Swiss staff and the Vietnamese business partners. According to the entrepreneurs' statement, the project "would not have been possible without the intermediation role of the Singaporean law office". The legal aspects in Singapore were cited very decisive for the Swiss SMEs in various contexts. On one hand, there were legal issues to treat with regard to their business activities in the global city. On the other hand, all the legal issues that may arise by these activities in other, emerging Southeast Asian economies were regularly outplaced to the global city. The ensuring legal framework conditions, summed up in the chapter 9.6, political and legal framework conditions provide the basis for many contracts, terms and agreements among the business partners.

For one of the surveyed SMEs, the company obtained legal and administrative support that was not actually provided by a law firm but rather by an independent freelancer. A former employee of Swiss origins that worked several years for a middle-sized Swiss law firm as an expatriate in the city-state before she started an own business activity as an independent consultant. Even though she did not aim to acquire a lawyers license in Singapore, she now consults foreign firms in legal and administrative tasks on how best establishing a branch in the city-state and does overtake several administrative and mediation tasks for these distant internationalizing western companies.

In the case of a Swiss SME in the field of ICT, they also worked closely with a consultant for intercultural management aspects. The consultant is of French origins and worked several decades in Singapore and the mainland China before establishing a consultant office in France, next to the Swiss border. The Swiss SME does regularly contact her for training their western Staff, in Singapore as well as in Switzerland, and for punctual advice when problems occur. This was the only case in which concrete services in order to threat issues of intercultural management were used.

Most importantly, the internationalizing SME rely on their existing as well as the new contacts from their own, formal and informal business and private networks. Independently on whether the company already decided to delocalize business

activities to Singapore or if they were just working with agents and other forms of indirect links, they all considered their network of personal contacts on site or branch related existing and newly developed contacts as the most important and most decisive for the successful establishment of their branch. These private business contacts, private to the organization or, in most cases, even to the entrepreneur itself, were stated, without an exception, as the primary resource of trustful information.

Among these business partners, we find partner firms that work together on the same projects or are part of the same production process. Additionally, we find clients as well as suppliers of these Swiss SMEs that are established in Singapore and often solicited for help. The SMEs stated having often requested their help during the initial phase of decision making in order to analyze whether foreign direct investments are feasible and make sense, as well as during the following phases of establishment and development of their Singaporean branch. In this sense, the internationalizing SMEs are, by requesting help from partner firms, very often replacing conventional services from consulting offices through a mix of own engagement and the help of their partners.

The kind of services these clients, partner firms or private contacts provide are again very broad. In the following list, we find the services that were provided by such contacts, as initiated by the SMEs in their interviews:

- Finding trustworthy service provider and reasonable priced services in the fields of: accounting, payroll, legal advice, human resources / staffing
- Product adaption to local standards, norms and preferences
- Solving intercultural issues of leadership, organization of labor, etc.
- Prospecting clients and partnerships (suppliers, supporters, etc.)

These SMEs personnel contacts are the primary contact points for obtaining information about the necessary service providers for the newly established foreign offices and plants. Through word by mouth, trustworthy and best-value service-firms are recommended within these firms communities. Together with existent or prospecting foreign clients, they work to develop and refine their

products to this foreign marketplace. This collaboration can go as far as having some firms working in close partnerships on the focal market while being in heavy competition in their Swiss home market.

The case of an already well-established Swiss SME in Singapore, active in the field of engineering, illustrates the pragmatic collaborative approach of partner-firms in Singapore:

“At the beginning, our engineer did not yet have the legal authority to sign official papers here. Therefore we asked an engineer from partner firm; he then signed every paper for us under his name and the label of his firm”.

When considering official institutions such as the Swiss export promoting institution S-GE, the Swiss business hubs, the EDB and its sub organizations as well as the firm’s own networks of formal and informal links, a minor role is attributed to private consulting offices. Services demanded from them are principally in financial, legal and tax advice. Logistics as well as human resources issues and general management support (e.g. market studies etc.) are also been mentioned.

9.5 Capital Provision

A major, foreign business-enhancing factor for the internationalizing SMEs in the city-state of Singapore was labelled under the category “capital provision”. This category describes the capacity of the global cities’ business network to provide high levels of capital to foreign internationalizing SMEs. Capital provision does not only include the city actors’ provision of financial capital. There are, according to the interviews, three distinct forms of capital, which the global city does provide to the inquired SMEs: financial, intellectual and social capital.

The capital provision was shared from study-participant firms as relevant and decisive no matter of whether they develop their business activities in the global cities hinterland or whether they are concentrated on a business in which Singapore’s hinterworld of other global cities matters. In both cases, the capital provision originating by the various actors in global cities business networks is a major category within the emerging theory.

Table 30 Types of capital provision by Singapore and their effect on Swiss SMEs (source: author)

Capital provision		
<i>Type of capital</i>	<i>Hinterworld context</i>	<i>Hinterland context</i>
Financial	<ul style="list-style-type: none"> • Providing access to investors • Start-up fundings 	<ul style="list-style-type: none"> • Providing “basic” financial services often not available for foreigners in ASEAN emerging market • Providing safe financial transaction among leading financial institutions
Intellectual	<ul style="list-style-type: none"> • Assembles the world’s top leading “thinkers and doers” in various disciplines • Hub for leading industries 	<ul style="list-style-type: none"> • Assembles many top leading “thinkers and doers” in various disciplines with their origins in – and connections to – emerging ASEAN economies
Social	<ul style="list-style-type: none"> • Social “bridging” capacity among the leading individuals and companies 	<ul style="list-style-type: none"> • Social “bridging” capacity to ASEAN emerging markets • “Lighthouse” effect on ASEAN emerging markets for products and services

In table 30, we can distinguish category of capital and in each of the given context for interviewed SMEs working in Singapore. In the forthcoming section, each type of capital is described more in detail.

9.5.1 Financial capital

The access of financial capital was relevant to two SMEs that have established subsidiaries in Singapore. One born-global company in the field of digital advertising disposes of a major equity funding from a state-owned foundation. Capital investment was, in this case, the major triggering event for the establishment of the start-up in the city-state. Moreover, the financial capital provided by the Singaporean fund does enhance the SME early venture into ASEAN markets. So far, it reported having had mandates from the Malaysian Bali region as well as from the Megacities of Jakarta, Kuala Lumpur and Bangkok, and this despite its early existence of a few years only. It is hardly conceivable that a Swiss start-up with a few years of experience only could venture towards such “difficult” markets. In this case, the Singaporean funding was not only responsible for the SME decision to start simultaneously two offices in Singapore and Switzerland, it also enabled the early market access with a hinterland-accessing approach in Southeast Asia.

Access to financial capital was also one of the business enhancing elements during the establishment of the Singaporean branch of a Swiss SME in ICT. In this case too, capital provision came from a public actor, the economic development board (EDB). However, the SME differs from the first case by two distinctive characteristics: it is not a start-up company and it does not target activities in emerging Southeast Asian markets. The city-state’s network of business partners did simply provide the Swiss SME access to relevant investors, in which their hinterworld-related business is being enhanced.

The entrepreneurs in both interviewed SMEs did not wanted to mention any further details about this investment proposition. However, in both cases, the firms largely benefit from the concrete financial capital that was made available from the Singaporean state.

There is a second, large impact of capital provision that was identified along the interviews. It concerns the foreign SMEs business development in the Southeast Asian emerging markets rather than Singaporean marketplace itself. Singapore is providing basic financial services to the internationalizing SMEs that are often not available to foreigners in other ASEAN emerging countries. In general, such

foreign services are available to SMEs in the well-developed economies. In this sense, the capital provision includes international payment transactions, credits and aspects of corporate treasuries that are provided in the city-state. In a larger view, the capital provision in Singapore goes along with the high density of multinational financial institutes and banks. If foreign capital provision within the Southeast Asian region is needed, it was mentioned that most probably this provision could be found in the city-state of Singapore. Certainly, the availability of financial capital is enhanced through two other relevant factors such as the excellent legal and political framework conditions, allowing and the high density and intertwinedness of many financial institutions in Singapore with the global financial system. In the case of distant internationalizing SMEs in the emerging ASEAN states, business activities are in many cases financially enabled, in the first place, thank the help of Singaporean banks. As mentioned by a western Entrepreneur in Ho Chi Minh City:

“For the Vietnamese tet [celebration of the lunar new year] I was asking my local Vietnamese bank for a credit line of USD 100'000. They told me that it would be ok; I should simply deposit USD 100'000 on a blocked account... With other words, no real credit line was allowed to me, or the bank does simply not give such support.. I don't know... but therefore I was obliged to contact a Singaporean bank”.

A Swiss-Vietnamese business consultant and entrepreneur in Ho Chi Minh City commented this statement later. He argued that credit lines exists and work very well in Vietnam, he insisted, “therefore we do not need to contact banks in Singapore” [T.N.], but explained that foreign entrepreneurs do “probably not dispose of the same conditions than he would. He is a Vietnamese-born individual of Vietnamese descent, raised in Switzerland but very familiar with the customs and habits of the Vietnamese culture.

For many of the Swiss entrepreneurs, however, their partner banks in Singapore dispose of the consulting capacities needed and provide thereby a certain level of security for the business partner along the financial transactions.

By the means of capital, not only financial capital available in Singapore was cited as relevant. Many of the interviewed SMEs stated having, to a large degree, grew

organically. By other means, they financed the growth and especially the establishment of Southeast Asian business activities by the means of their own financial resources or with no major and extraordinary investment commitments by third parties.

9.5.2 Intellectual capital

Another form of capital provision that was identified by the interviewed entrepreneurs was labelled “intellectual capital”. Under the designation of intellectual capital, the individuals skills, capabilities and know how as well as the expertise of the working population in Singapore is summarized. Obviously, the intellectual capital that is available in a specific marketplace is of interest whenever the company is aimed to hire a local workforce. The simple fact that the city-state assembles many important intellectuals and decision makers is, in turn, responsible for a high density of a well-educated and well-motivated workforce. In the case of SMEs that are developing hinterworld strategies, with no intention of developing the emerging markets, the city-states advantage of being a leading hub in their industry allows them to access this workforce for their own purposes. Whenever foreign SMEs are also trying to access or mainly want to access the emerging hinterlands, the city-state’s workforce also provides access to well-educated and motivated individuals locally.

In the case of SMEs that are developing hinterworld markets it is necessary to access the highest degrees of intellectual capital. Since they settle in the best connected and world leading places, the high intellectual capital accessible is a supposed framework condition before investing in a particular place. The entrepreneur from a highly innovation-driven start-up in the field of clean and sustainable technology stated as follows:

“Singapore is a hub in the field of clean and green technologies; they are paving the way for a more sustainable future.”

The start-up from a rather rural Swiss region does, despite its young age and yet very limited financial resources project their business development strategy in Singapore as follows:

“Our product addresses the needs and problems from the larger Southeast Asian regions. In many countries there, the need for a reduced water consumption is evident. Nevertheless, we aim to venture to Singapore in a first step, at a later stage, of course, we would like to expand from there as well”.

The cited start-up is accessing business partners and potential clients in Singapore that help them for the further development of their products. The firm does primary intend immediately to hire and employ local workforce. Nevertheless, distinct intellectual capital available in Singapore is committing this SME to direct their business activities towards one of the world's leading hubs in that regard. One might state that disposing over high intellectual capital is, for a global city, rather a supposed condition than a particular and helpful characteristic to attract foreign internationalizing SMEs. The positioning between the global cities with regard to their high levels of intellectual capital still plays an important factor for such SMEs and in particular start-ups that aim to be highly disruptive.

In the case of hinterland accessing or hinterland organizing strategies, intellectual capital becomes especially relevant and key to the organizations. The presence of the employees' intellectual capital enables these Singaporean offices in overtaking a management and control function over the projects, offices and plants in the emerging ASEAN countries. Singapore is also capitalizing on being a major Southeast Asian hub for education. An interviewed expert in Ho Chi Minh City explained:

“Everything happens in the major cities here. The well-qualified young workforce does not want to work and live anywhere else than in the big cities or, if possible, leave for a major city such as Hong Kong or Singapore”

Some of the very well performing students manage to study in Singapore. There are communities of expatriates from various other Southeast Asian countries in the global city. Certainly, they are among the better-qualified and well-performing workforce that is able to manage issues of organization and general management in their respective home-countries.

One study-participant mentioned that in their Singaporean office, there are exclusively foreign employees of Southeast Asian origins. In any of the interviewed entrepreneurs offices with more than just one or two employees local

employees make out the majority of the whole staff. Several entrepreneurs stated the business enhancing impact of their multicultural ASEAN staff. It provides them the necessary access to emerging hinterlands and reduces intercultural barriers between the Singaporean branch and the focal emerging markets. Their Singaporean staff, in this regard, is enabling access to these emerging markets through competencies such as the knowledge about local business habits and speaking the customer's language. On the other hand, the highly intercultural Singaporean society enabled them to reduce likewise the intercultural barrier to such a distant culture as the Swiss.

9.5.3 Social capital

Most of the statements within the category of capital provision were attributed to the concept of social capital. This category explains the relationship between people and the outcomes of these relationships. In its sum, such as in the case of a city, it can be defined as "the social networks and the norms of trustworthiness and reciprocity that arise from them" (Sander & Lowney, *Social Capital Building Toolkit*, 2006) (Sander & Lee, 2014). Social capital related statements were identified as a key element in the Swiss SMEs capacity to enter and develop the Singaporean as well as the Southeast Asian emerging markets. Even though, they have also been made by SMEs that did not intend to develop their market in the emerging hinterlands of the ASEAN region, they were particularly helpful in that latter case.

The "bonding" capacity of the social capital available in Singapore is helping foreign SMEs in accessing relevant business partners in the emerging Southeast Asian hinterlands. The SMEs benefit from the many different ethnic groups that live and work in Singapore. Oftentimes, they are well connected to peers in other ASEAN countries since they belong to the same ethnic population. In these cases, the Singaporean peers frequently appear as trustworthy partners because of the circumstance that they live and work in the city-state. They are testimonials and persons of trust for the other countries' business networks, and can increase the level of trust towards the Swiss entrepreneurs and their SMEs.

The “bridging” capacity of the social capital is particularly enabling the distant internationalizing SMEs to connect with the local communities in Singapore and with the communities in the other Southeast Asian markets. Bridging social capital can be defined as “social ties that cut across differences such as race, class or ethnicity” (Sander & Lowney, Social Capital Building Toolkit, 2006).

Most of the interviewed Swiss SMEs indicated having great difficulties dealing with the slow pace in which business relations are being built up and maintained. Thus, entering in concrete business transaction with local partners in Singapore is strongly decelerated after very promising initial meetings. One entrepreneur stated:

“It was relatively easy to get into contact and to get an appointment with our partner... then we got a second and a third and so on... they find our product charming, but, nothing concrete happens... it took such a long time until the relationship was established and we could start working together”

He described the situation in which they find themselves with regard to their efforts of building business relationships by comparing it to the efforts of an admirer to seduce an undecided admired sweetheart:

“I often feel like dating an undecided sweetheart, I take them out for dinner, and a second, and a third, like they want to be admired and do not decide to enter a relationship..”

Almost every company has stated as a major issue the hesitant and inhibiting behavior of potential business partners and clients. Local employees are taking an important role in enhancing trust and accelerating business activities. In two cases, the entrepreneurs stated that their Singaporean employees at meetings with local clients and partners regularly escorted them. It reinforces the intention to appear as a “local” company and reduces misunderstandings that arise through the so-called “Singlish” the colloquial spoken English in Singapore.

Astonishingly, between two companies that revealed this business practice, we find the company (as well as the entrepreneur) that were established in Singapore for the longest time among all the companies in the sample. Even though the

interviewed entrepreneur, a Swiss citizen by origins, lives and works for more than twenty years in the city-state, he still has to handle these intercultural issues.

The local employees that are hired by the Swiss entrepreneurs are playing a key role in the distant internationalizing SMEs endeavor to overcome intercultural hurdles and to enter and maintain contact to local business communities.

The Singaporean workforce enjoys a certain amount of respect and reputation in emerging Southeast Asian countries. They appear familiar and known to individuals and organizations in other countries of the ASEAN region. As confirmed by the study-participating experts, especially in emerging markets big cities, many actors are oriented towards people, companies and products/services of both Singapore and Hong Kong. These cities create a so-called "lighthouse-effect" with regard to emerging countries. If some products are getting popular in the city-state, the well-off population of neighbor emerging economies is very likely to buy the same. A business consultant and entrepreneur in Ho Chi Minh City, with Swiss and Vietnamese origins, stated as follows:

"For the biggest part of the population, only the price of products matter. Swissness or a particular high quality of the products does not count... There is a high society here, the top ten percent, they look up to the trends in Singapore and probably Hong Kong and want to have things that are trendy there."

The bridging functioning of the Singaporean workforce community, on the other hand, helps the foreign companies to give them the acceptance they need regarding the other ASEAN countries individuals. This was mentioned in statements such as:

"Our staff is composed by Singaporeans, Malay and some Thai. Even though... oftentimes... the person in charge is not speaking the language of the country, the fact that we speak Singlish gives them the acceptance they need."

Gaining increased acceptance among decision-makers and entrepreneurs from the Southeast Asian emerging countries is also achieved through organized meetings and happenings in Singapore. One subsidiary of a Swiss SMEs, situated close to the trendy Ann Siang Hill and Club Street area in Singapore's Chinatown district regularly organizes afterwork parties with existing and potential partners

and clients. Various business partners, existing and prospecting ones from other Southeast Asian countries, are often invited to these happenings. They count multinational and medium-sized companies in the tourism industry as well as regional politicians and decision makers among their clients from the emerging ASEAN countries. Not least because of these happenings in Singapore, they have managed to set up and maintain the contacts to these important companies and decision makers. Many of them spend much time in the global city due to various reasons. An increased position of the company in the relevant business networks in Singapore somehow automatically increases the position of these foreign companies towards the relevant network actors from these emerging Southeast Asian countries.

9.6 Framework Conditions

Another category of business enhancing elements for distant internationalizing SMEs in Singapore were summarized as framework conditions. Participant SMEs irrelevantly of whether they develop hinterworld or hinterland developing strategies, respectively irrelevantly whether they work, or aim to work, in the ASEAN emerging markets stated the city-states advantageous framework conditions. In the case of SMEs with a hinterworld approach, however, meaning that they serve the most exclusive customers headquarters or the wealthiest individuals in the major global cities, excellent framework conditions are rather a must-have condition than a true competitive advantage. It goes along with the conditions in which they business partners and clients operate. For SMEs that aim to pursue market development strategies in the ASEAN developing emerging markets, on the other hand, the framework conditions are a major reason for settling their foreign branches in the city-state. For them, the framework conditions in the city-state are a business-enabling element for conquering emerging markets.

In general, these framework conditions can be summarized into three distinct categories: political and legal framework conditions, business-related framework conditions and life-quality-related framework conditions. In the following subchapters, each category is explained more in detail.

9.6.1 Political and legal framework conditions

Political and legal framework conditions comprise the general legal conditions and the political circumstances existing in Singapore. In many ways, Singapore has a leading role in Southeast Asia, in some cases even vis-à-vis South and Northeast Asian regions. The interviewed entrepreneurs stated the framework of their intellectual property rights and certification marking for health, safety and environmental standards for manufactured products as example for describing Singapore's leading role. In the latter case, Singapore is setting the standards for the greater ASEAN region. Entrepreneurs that manage to get their products certified by Singaporean norms can be ensured that these products can be sold in any other ASEAN market as well. As a legacy of the colonial past, Singapore's

legal system is based on the English common law (Chan, 1995). Intellectual property rights and the law enforcement of these rights are considered much transparent and ensured compared to other Southeast Asian states.

There are, with the exception of tobacco, alcohol and cars, no trade barriers for the import and export of goods and services. In addition to this, Singapore is considered free of corruption. A statement that was proven by the latest reports from transparency international's corruption perception index 2016 in which Singapore ranks seventh least corrupt country. Only five middle- and northern European countries rank higher as well as New Zealand from the Asia Pacific region that ranks second (Transparency International, 2018).

These factors are considered of a particular importance with regard to Swiss SMEs business activities in other Southeast Asian countries. For them, Singapore is considered the preferred place of transaction especially with clients from ASEAN countries.

"Clients from other Southeast Asian countries make a large part of my turnover. I would hardly exist without them. However, they all visit me here [in Singapore] and buy directly from my office. The whole process of my sales is handled correctly; I generate an invoice and declare my earnings. How they then transport the goods back to their country is not my business anymore."

The interviewed Swiss entrepreneur in the field of jewelry and precious metals serves many business owners from emerging Southeast Asian countries. He does not organize the transportation of the sold goods back to the emerging countries, he assumes that he would have to handle issues of corruption and bureaucratic arbitrariness in these countries. Instead, he sells his products properly in Singapore and let the client organize the transport of the goods. He knows that many of his clients visit the city-state periodically. Since this is the hub for many of their affairs, he does not yet have the obligation to settle sales-representatives in ASEAN countries.

In two different interviews, Swiss entrepreneurs stated some distinct competitive advantages of Singapore towards the Chinese marketplaces and global cities such as Hong Kong and Shanghai:

“In Singapore everything is clean and fair. They benefited from their relation to their former colonial rulers in the United Kingdom that, amongst other, is responsible for their intellectual property rights. In China, they copy too fast... you risk that former employees found a rival business just on the other side of the street.”

For the Swiss SMEs aiming to expand to the East Asian hemisphere, the unfamiliar and, by many views unpredictable, behavior of the Chinese government discourages them to invest in Chinese megacities. One entrepreneur stated seeing Singapore as a winner in a battle for foreign direct investment against Hong Kong due to China's exertion of influence there.

“In my viewpoint, Singapore will be the long-term winner in a battle for foreign investments against Chinese megacities. Even in a city such as Hong Kong, the Chinese government is exerting too much influence.”

Singapore's relatively stable political conditions were stated as another enhancing factor for Swiss SMEs. Not only with regard to China, as mentioned in the statement above, but especially in the context of business practices in Southeast Asia. The easy processing bureaucratic tasks as well as the relatively non-arbitrary behavior of the official authorities were stated as major advantages. Whenever the local jurisprudence in an emerging ASEAN country does not allow foreign entrepreneurs investing in their own companies, Singapore takes the role as a safe-haven for such ASEAN business projects. Such as stated by one interviewed Swiss entrepreneur in Vietnam:

“Here [Ho Chi Minh City] foreign entrepreneurs can establish consulting offices and other types of business. Sensitive business models such as my trading with alcoholic beverages is only possible in form of a joint venture or joint-stock company. I did this for the Vietnamese market; however, a fully owned holding company in Singapore is acting as a parent company over this Vietnamese joint stock. With this proceeding, I can importantly decrease my business risks here on-site”.

Detrimental is, however, the increasingly strong control of the authorities. Foreign entrepreneurs risk at any time being obliged to quit the country whenever they stop fulfilling the required practices.

“I know that, even though I live and work here for more than twenty-years, if I would write a critical commentary about the current government on social media I would have immediate visit from some police guards and by the next day I would need to quit the country.”

Asked for other obstacles he mentioned, the same interviewed entrepreneur stated the following:

“The day I stop working well for my business, e.g. If I would have to dismiss employees and my financial reporting would be negative, my permit of residence would not be extended anymore. By the end of the year I would probably have to quit the country.”

Despite a, for western rather unfamiliar, rigorously behavior of the state authority, the ensuring and stable political and legal framework conditions enable SME business activities in the larger Southeast Asian region. The substantial gap between the Singaporean and its hinterland's framework conditions provide a secure entrance portal.

9.6.2 Business-related framework conditions

Business-related framework conditions are a very broad category that ranges from the notion of a certain business culture in Singapore to the high density of MNEs headquarters and the innovation-driven entrepreneurial spirit. This subcategory comprises relevant statements as made by the interviewed SME entrepreneurs that are explaining how these firms are enabled to enter and conquer markets in emerging Southeast Asian hinterlands. Here again, we cannot provide an exhaustive list of business-related framework conditions but rather an enumeration of some aspects of the Singaporean framework conditions as stated in the interviews.

As described in chapter 9.1.2 *Prior international experience and existing links*, all of the surveyed SMEs had some links to business partners established prior to the decision of whether they were planning to venture to Singapore. Most frequently, the companies' managers and entrepreneurs described these contacts as “industry contacts” and contacts that were established at fairs and exhibitions. In its role as the leading global city, Singapore is the supra regional headquarter

for many multinational enterprises and the major hub in Southeast Asia for international trade fairs and exhibitions. It was stated relevant for many SMEs to invest in close distances to their existing and prospecting clients' headquarters. In many of the cases in which products and services were delivered to production plants in the emerging Southeast Asian countries, the orders or contracts originated from the companies headquartering offices located in bigger cities such as Singapore.

Short distances from headquarters to emerging hinterlands, principally measured in flight hours, and the inexpensive and frequent connections as provided by the many airlines complement the enhancing elements in the city-state. In one interview, it was stated as the following:

“Here we travel constantly, this is not the same as in Switzerland... we take the airplane as the Swiss are used to take the train. If there are any issues in KL or Jakarta, we quickly take a plane the next morning and come back in the evening. Often it is also considered by our Swiss headquarter, from their viewpoint are we nearby every location in Asia... sometimes we even have to explain that Australia is still half a day of travel and that this it is not just that close to us...”

The hub position in maritime and airfreight trade is complementing the picture of Singapore's business enabling and influent factors for the distant internationalizing SMEs. These factors have principally been stated as key factors in the considerations of foreign direct investments. They were cited in the case of several interviews.

9.6.3 Life-quality related framework conditions

Framework conditions related to the quality of life in the city-state make out an additional subcategory within the general framework conditions. In one specific case, it was reported that foreign direct investments in Southeast Asia were limited to Singapore since the SME was not able to find any western manager who accepted of being in charge of similar projects in other Southeast Asian cities.

Singapore is ranked among the top cities for life-quality in the world and, according to the Mercer Quality of City rankings, the top city in Asia (excluding the Oceanian subcontinent). This aspect is particular relevant for distant internationalizing SMEs

that venture towards emerging Southeast Asia in which the life-quality for western expatriates seems rather difficult to handle. Another Swiss entrepreneur explains with regard to expatriates in its Malaysian plant, that western Staff applying (in Switzerland) to a position in Malaysia is analyzed through carefully prepared and realistic exercises in order to test their ability of living in such unfamiliar environment.

Thereof it can be deducted that the high divergence of life-quality between highly developed Singapore and other ASEAN member states is another considerable factor enabling distant SMEs with hinterland-strategies in their process of internationalization.

9.7 The Core Category: Singapore's Attracting and Enhancing Functions

The last construct to be discussed is the core category of the emergent theory. In grounded theory research, the core category is building the centerpiece of the model. It can be seen as the big picture of the research results: It represents the main theme of the research by “pulling” the other categories together to an “explanatory whole” (Strauss & Corbin, *Basics of qualitative research: Grounded theory procedures and techniques*, Second Edition, 1998).

The core category in this context was entitled “attracting and enhancing function of the Singaporean business network”. Evidently, the core category was built around distant internationalizing Swiss SMEs that established a branch in the global city-state of Singapore and that either serve the Singaporean market uniquely or aim to develop Southeast Asian markets as a whole.

In the light of the underlying tentative framework proposition, the major object of research was the city-state of Singapore, considered as a network of business-relevant actors for the surveyed sample of internationalizing SMEs. Among this business relevant actors we find these SMEs potential and existing clients, suppliers and partner-firms, supportive organizations, private, public and private-public ones as well as many formal and informal individual contacts of the SMEs leading entrepreneurs. In this regard, the core category involves and describes this networks' impact on the Swiss SMEs internationalization process. By inquiring the SME entrepreneurs and experts about their companies' growth trajectories in Singapore and Southeast Asia, most of their coded statements established groups refer to this attracting and enhancing function.

The word “function” in this core category is standing for the noun explaining an “*activity that is natural to or the purpose of a person or a thing*” (Oxford English Dictionary Online, 2018). Hence, in this context we mean the purpose of Singapore's business network hub to distant internationalizing SMEs.

Attraction can be defined as multidimensional. It refers to an attraction that pulls distant SMEs such as Swiss SMEs towards their thriving economy. Global cities' market opportunities in Singapore are, in many cases, reason enough for a SMEs expansion. The expansion towards other ASEAN economies are intended only as

a secondary priority. The fact that this same attraction counts for many other firms as well does increase the density of business opportunities as well as the number of possible supporting and developing partners for each of the internationalizing firms. In addition, the global city does also play an attracting role for business actors, institutions and individuals from the emerging Southeast Asian economies.

Singaporean business actors, their market volume, purchasing power and position within Southeast Asia exerts a high attraction to many internationalizing SMEs. Internationalizing SMEs clients, business-partners and capital investors in Singapore, reinforce this attraction. As described in chapter 9.3, this reinforcement happens in either weak signals such as under an increased volume of client's orders or through a requirement from behalf of this Singaporean actor to move closer to the focal market. Since the density of economic actors is much higher in Singapore than in any other Southeast Asian country, this attraction is more likely to come from the city-state than from any other Southeast Asian city or region.

Singapore is also an attracting marketplace to the emerging Southeast Asian economies. Whether it is by the means of its framework conditions, the availability of various forms of capital or the high amount of business-opportunities or business-services, Singapore's attraction for actors in the emerging Southeast Asian markets is indisputable. This attraction results in foreign Southeast Asian business-actors intention to connect to the city. In this sense, a first and very relevant "bridging" function of the Singaporean business network was defined.

By the means of enhancing, the impact of the city-network on the Swiss SMEs that are already established is expressed. Hence, the enhancing elements take effect, in most cases, in a second step once the decision to establish was taken or even during the day-to-day activities of the well-established Singaporean-branch. It comprises the factors that are relevant in the Swiss SMEs attempt to reduce cultural barriers and to integrate into the local business network. The much higher developed political, legal and business-related framework conditions in contrast to the emerging markets enable and improve the Swiss SMEs access to the emerging markets.

Swiss SMEs find the lacking capital in their attempt to access Southeast Asian markets by establishing various types of partnerships with business actors in Singapore and their business development services.

9.8 Excursus: Singapore's rapid growth and its downside for Swiss SMEs

Despite its unique leading position as a global city with the highest connection to the world economy and the highest presence of Swiss SME links within the Southeast Asian world region, there are various concerns stated throughout the interviews worth of being noted in that separate category. While the principal construct in the emerging theory of this ninth chapter aims to explain Singapore's functioning for distant internationalizing SMEs, this excursus illuminates certain aspects that help to reflect on the restraining factors for SMEs to establish a foreign branch in Singapore. Furthermore, it allows to depict the dynamics in which the global city evolves and to how the perception of distant internationalizing SMEs in the city-state might look like.

Primarily, there is a significant discrepancy between the stories of Swiss SMEs settlements in Singapore between SMEs that ventured some decades ago and SMEs that went in recent years, principally after the global financial crisis of 2008. The entrepreneurs that described their processes of internationalization towards the global city in years earlier to the crisis, the SME that ventured the earliest did this in the early 1980s, did not mention any particular situation of restrictive or selective process these firms had to undergo. Some of these SMEs started from entrepreneurs small rented apartments. Legal procedures were relatively rapid and bureaucratic obstacles were handled rather pragmatically and straightforward. These firms stated no reports of any minimal required turnovers or the number of local hires.

Different were the stories from recent internationalization ventures. One Swiss startup entrepreneur that finally decided not to localize his companies' second branch in Singapore (therefore he was not counted among the sample of study-participating firms) struggled because of his companies' incapacity to pay him a "reasonable" salary. The authorities required his former tax statements according

to which his past income as a Swiss lawyer was apparent. The Singaporean authority required that his newly founded company must have sufficient funding to allow him having at a minimum the same income than he had before. In two other cases, it was reported that the entrepreneurs in charge of the Singaporean subsidy needed to maintain a certain number of local, Singaporean staff without them he would not be allowed to operate.

The process of establishment of a Swiss law enforcement agency was described as a very long lasting and difficult process in which the Swiss chairman was invited several times to discuss details of his business plan and the number of Singaporean lawyers and staff members they were planning to hire. In addition, the authorities required the agency to insure their liabilities in the Swiss home country and not in Singapore. These very restrictive requirements stand in a contrast to the facilitated access as described by the interviewed entrepreneurs, also those who ventured in recent years and after the financial crisis, in some of the cases. It can safely be assumed that the government, respectively the Economic Development Board and the agencies responsible for attributing business licenses are selecting purposively companies and branches with a high potential while reducing the risk of according allowances to little profitable businesses and the risk of abuses.

Singapore's rapid economic growth is also reflected in the habits of the working population, in particular the young employees, and their exigencies. Although the many foreign direct investments from the multinational firms did generate a high employment growth, most of the upper and top management positions are still held by foreign expatriates. Several Swiss SMEs reported that working permits for higher management staff are handed-out to foreign firms in an increasingly restrictive fashion. Since the wages for local employees are continuingly rising, many SMEs reported having difficulties in managing their local staff because of high fluctuation rates and little loyalty towards foreign firms.

The restrictive government policies that ensure a peaceful coexistence of the many ethnic groups in Singapore as well as the very low crime rate lead also to a very restrictive and merciless treatment of state critics. It seems to be well known among the communities of Swiss expatriates and foreign entrepreneurs that

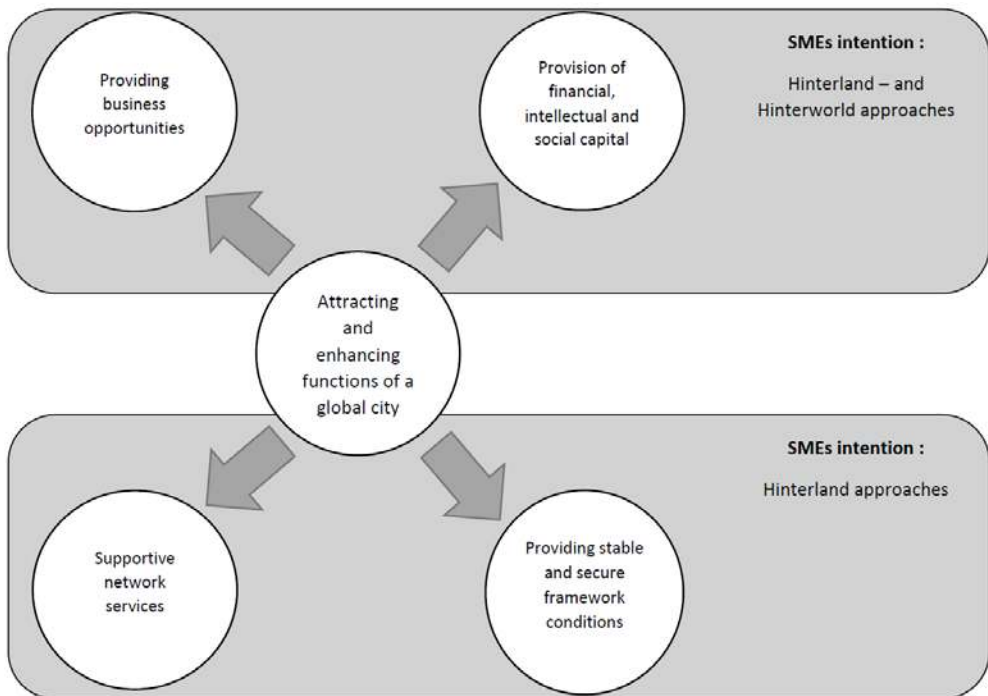
critical but semi-public comments on social media against the government or its institution can lead to an immediate expulsion from the city-state.

In general and compared to the Swiss company, the rapidly rising business costs such as wages and rents in Singapore do increasingly impede Swiss SMEs to venture towards the city-state. Along with the economic development, from an efficiency-driven towards a highly innovation-driven and exclusive place, the attraction will be more and more concentrated on SMEs from areas of high-growth, whereas the success stories with a pragmatic leadership might be feasible in other emerging cities of the ASEAN such as Kuala Lumpur or Jakarta.

9.9 Discussion

The purpose of this grounded theory exploration was to understand the functioning of the global city Singapore for foreign and distant internationalizing SMEs. The results of the twenty-one interviews with Swiss SME entrepreneurs and eight experts let to the construction of an emergent theoretical model that comprises a core category surrounded by four categories of functions and three different types of Swiss SME's market cultivation strategies.

Figure 22 Emergent theoretical model (source: own research)



First, it was detected that distant internationalizing SMEs from Switzerland intend to pursue different strategies to reach Southeast Asian markets. One category of SMEs intends to access Singapore because of the market opportunities and business actors within the city-state. These SMEs do not intend to serve any other Southeast Asian market than Singapore, since they serve a clientele that is accessible only in the world's leading global cities. Some highly specialized firms,

often at the edge of the latest technologies of the developed world as well as producer and retailer of luxurious or very exclusive consumer products and services belong to that group of SMEs. Since they operate only in their branches' "hotspots", they usually dispose over a business network that is dispersed across the leading global cities respectively the global cities "hinterworld". For these SMEs, their intended strategy has been labelled the Hinterworld-approach.

A second category of SMEs intends to access Singapore with the aim to enter successfully Southeast Asian markets. In this case, the SMEs have, or think to have, a potential business opportunity on the less-developed respectively emerging Southeast Asian marketplaces in addition to the opportunities in Singapore. In this case, the SMEs use the global city as a primary market and additionally as an entry hub for the surrounding Southeast Asian hinterlands. They start to hire external business developers in various other Southeast Asian countries or do even open additional representative offices and plants there and manage and control these relationships from their Singaporean headquarter.

The third category of SMEs went the other way round by first accessing another country in Southeast Asia before the establishment of a directly owned or indirectly managed Singaporean subsidiary. In this case, the Singaporean office takes the role of managing and controlling the business activities in the global cities hinterland. In some cases, the SME does only operate their turnover-generating business activities in the emerging Southeast Asian countries and makes the use of Singapore only as a place for servicing and controlling these transactions.

The second and third category of distant internationalizing SMEs as described in the previous two paragraphs have been labelled as Hinterland-approaches: hinterland accessing for the second and hinterland managing for the latter.

No matter of when the SMEs pursue a hinterland-accessing, hinterland-managing approach or a hinterworld approach, in all of the three cases Singapore's relevant networks for these distant internationalizing SMEs dispose over business attracting and enhancing functions. The city-state provides all of the three categories of SMEs with business opportunities and three distinct forms of capital: financial, intellectual and social capital. Additionally, the SMEs pursuing one of the

two hinterland approaches as described above benefit from the Singaporean network of supportive services and the stable and secure framework conditions. These two categories of attracting and enhancing functions seem to be irrelevant to SMEs that operate within the Singaporean hinterland, for them this seems rather a basic and prerequisite condition for all of their subsidiaries locations than a particular attracting and/or enhancing business condition.

The Singaporean network of business actors triggers business opportunities at distant SMEs in a proactively manner by the means of orders and large scale contracts from Southeast Asian clients settled in Singapore, through investment commitments or simply by requesting the distant SME to move to Singapore by working close on a joint project or within a production network. In some cases, the distant SMEs are moving towards Singapore because of a supposed business opportunity rather than because of a triggering action from a partner. In these cases, we describe the distant SME as “pushing” towards Southeast Asia rather than being “pulled” to Southeast Asia by a Singaporean actor.

Singapore disposes over much capital that is potentially provided to distant internationalizing SMEs. Being granted with financial capital is of interest, especially to either start-ups or SMEs that are developing highly innovative and research intense products and services. The city-state does thereby act as an investor through a handful of different funds and strategically attracts promising young SMEs with their investments. The two additional categories of capital, social capital and intellectual capital are both linked to Singapore’s popular characteristics. The Singaporean workforce, generally well to very good educated disposes over qualities that match the need of the internationalizing SMEs. It has been stated by the Swiss SME’s experiences as a much more competitive labor market than any other in Southeast Asia. The population of Singapore, however, dispose over an additional business-enhancing factor, in particular for SMEs that intent to venture towards the Singaporean hinterlands, that is crucial for the foreign SMEs namely the bonding capacity of their social capital. The many different ethnic groups that live and work in Singapore are in general well linked to peers in other countries. Distant internationalizing SMEs that aim to enter other Southeast Asian markets often benefit from these bonds between their

Singaporean employees and partners and the individuals and firms in the other Southeast Asian country. In addition, Singaporean business network actors, whether individuals, companies or institutions, are trustworthy and often act as testimonials for these other countries' business network actors. Being established and represented in Singapore often enables the market access in these other countries through the bonding capacity of the social capital.

The category supportive network services comprises all the relevant actors and their services that enabled the distant internationalizing SMEs to enter the Southeast Asian market. In general, the interrogated foreign SMEs use these services only to a very limited extent and in most cases for rather unique issues and nonrecurring demands. None of the surveyed SMEs has used one of the service providers that are categorized under the Advanced Population Services definition from the global cities scholars such as Saskia Sassen or the GaWC. Most importantly, the SMEs used their own network of business partners, clients, employees and even their relatives as a primary source for their product and service adaptation, solving intercultural issues, prospecting clients and partnerships as well as for finding reliable service provider for the basic company services such as accounting, payroll and legal advice. Among the public and public-private institutions in Switzerland and Singapore, the main actors were the Economic Development Board in Singapore that is proactively supporting some of the foreign SMEs and playing an important and decisive role for these firm's access to Singapore as well as the Swiss Embassy in Singapore and the public-private organization Switzerland Global Enterprise. For companies accessing the greater Southeast Asian market, however, the service actors in Singapore played an important role. In this regard, they dispose over services that are not accessible to distant internationalizing SMEs in the other countries of the ASEAN or, at least, not that transparently offered. Hence, this category has been identified as an important enhancing and attracting factor with regard to the SMEs pursuing a hinterland-accessing approach.

As another and last category of attracting and enhancing factors for distant internationalizing SMEs that intent to access the greater Singaporean hinterland

of ASEAN countries, the interviewed firms stated the global cities' framework condition.

PART III : CONCLUSION

Chapter 10. Conclusion

This last chapter serves to recall this dissertation's objectives, its research questions and hypotheses and to summarize the findings. Implications for theory and practice are presented and the limitations of research are highlighted. They build the starting point for the suggested avenues for further research.

10.1 Summary of findings

This thesis aims to contribute to the understanding of how internationalizing SMEs are overcoming the barriers of distance when internationalizing towards highly remote and culturally different markets. Therefore, it takes the current knowledge from studies about globalization and the scaling power of complex social networks that result in ever-stronger growing global cities into account.

This interdisciplinary approach offers new perspectives in both areas of research. A research gap is detected since most studies about global cities that focus on economic and business-related issues (as well as the rankings of global cities developed by the leading research network in that field) are primarily based on data about globally operating MNEs and flows of goods and capital between cities (e.g. Taylor 2001, 2004). Recent contributions made global cities a subject of interest for scholars in entrepreneurship and small business creation (e.g. Acs, Bosma and Sternberg, 2008), but global cities have not yet been extensively studied in the light of SME internationalization. For such SMEs, global cities embody geographic nodes and hubs for their international operations. In the field of study on SME internationalization, this study contributes to the debate on the impact of geographic and psychic distance on the internationalization patterns of firms. Additionally, it extends the notion of the network in studies on firm internationalization by integrating the element of network hubs respectively, in a socioeconomic definition, global cities.

The tentative framework proposition combines these two approaches and considers the core theories of global cities that emerged from Saskia Sassen's global city hypothesis and were forged by the GaWC research network as well as the revisited Uppsala model of SME internationalization and its concept of foreignness and outsidership. In both fields of research, global city theories and

SME internationalization, these highly pertinent theories are based on network science. By framing them into a concept, it is hypothesized that (a) global cities are important network nodes for internationalizing SMEs, (b) global cities are places for services for such SMEs, and (c) global cities are hubs for SMEs to enter distant and emerging markets.

Singapore in its role as the economically and politically leading, as well as the most powerful global city-state within Southeast Asia and one of the nine *Alpha +* rated global cities lies in the focus of this dissertation. With the choice of Switzerland as these SMEs host countries, the author aims to control for the culture of the sample of internationalizing SMEs. With the choice of Singapore as a global city, the global city effects of the host country are controlled. The novelty of the proposed framework, however, addresses the need to investigate on a generalized first research question:

How relevant are global cities for Swiss internationalizing SMEs?

By this, it provides empirical findings on behalf of a population of internationalizing Swiss SMEs and global cities in general. The research draws on 609 internationalizing SMEs, headquartered in Switzerland, surveyed in a cross-sectional study design.

Little less than half of the 609 surveyed SMEs in Switzerland are linked to at least one out of 23 *alpha +* global cities. They more frequently maintain indirect links in these global cities such as intermediaries, representatives or partners, than direct ones such as own branches and points of purchase.

Results provide supporting evidence that Swiss internationalizing SMEs maintaining links to global cities are characterized by a higher involvement in foreign markets since they generate a higher foreign turnover and maintain activities in more world regions regardless of whether they belong to the group of micro-, small- or medium-sized enterprises. In addition, they also address a higher demand for supporting services offered to internationalizing SMEs.

Inferential analyses revealed that both geographic and psychic distances increase the share of Swiss SMEs that maintain business links to global cities. Accordingly,

the importance of global cities for Swiss SMEs rises, the more distant they are and the more the target country differs from Switzerland in terms of culture.

The population size of the global city is also positively correlated with the ratio of Swiss SMEs in the global city and has a highly significant effect on that variable. The number of inhabitants indicates the city's market size (especially for SMEs in consumer goods industries) and makes it possible to draw conclusions on the density of business partners and the workforce in a global city.

Political freedom combines civil liberties and political rights. It indicates to what degree a nation's citizens can benefit from the freedom of speech, press, expression and assembly, and if they can exercise their legal rights. In the baseline model, political freedom was significantly negatively correlated with the ratio of Swiss SMEs in the global city, but the effect is weakened by adding back the factor of distances.

The cities' connectivity with the global economy, measured by the product of "service values" for a city with each other city, does not correlate with the ratio of Swiss SMEs in the global city. Accordingly, Swiss SMEs do not prefer maintaining links to higher ranked though economically better-connected alpha global cities.

The necessity of investigating the relevance of global cities with regard to distant and emerging markets is increased considering the highly significant impact of geographic and psychic distances on their ratio of Swiss internationalizing SMEs. Therefore, Swiss internationalizing SMEs cultivating the emerging markets of Southeast Asia were analyzed with the purpose of finding answers to the second research question:

How relevant are global cities for Swiss SMEs that are internationalizing towards distant and emerging markets?

Studying the importance and the functioning role of global cities for Swiss internationalizing SMEs within the distinct world region of Southeast Asia gives additional evidence to the subject of global cities. This qualitative descriptive study draws on 58 Swiss SMEs from a total sample of 119 participants of the cross-sectional quantitative study, which are generating turnover from the Southeast Asian markets. With no significant relationship bias detected, whether in terms of

industry affiliation, size or turnovers, the 58 SMEs allow an examination of the small population of Swiss SMEs in Southeast Asia.

As a result, Singapore's property of being a hub for headquarters is not only confirmed through the high number of MNEs settled in the city-state, it can also be stated true for Swiss internationalizing SMEs that generate revenues from the ASEAN world region. The majority of these Swiss internationalizing SMEs direct and indirect linkages to Southeast Asian cities lead to Singapore. The city-state serves as a regional headquarter for these SMEs ASEAN, Asian or Asia-pacific businesses. In some minor cases, direct and indirect links were maintained solely for business activities in the city-state. In most cases, the SMEs linked to Singapore were cultivating business activities in two or more Southeast Asian countries, which means that these SMEs were operating in economies of vastly different economic and cultural frameworks.

Altogether, direct links to Southeast Asian cities are less frequently maintained than indirect ones, a result that confirms the observations on the total sample of *alpha+* global cities in the cross-sectional study. Eight medium-sized firms with between 50 and 250 FTEs and two small-sized ones with between 10-49 employees, out of the 58, are maintaining offices in Singapore. In addition, only five direct links to other Southeast Asian cities are maintained by these 58 SMEs, namely to Bangkok (Thailand) in three cases and to Jakarta (Indonesia) and Johor (Malaysia – near Singaporean border) in one case each. All other 35 links to 12 Southeast Asian cities (in addition to the ones to Singapore) are of an indirect nature. In these cases, the SMEs are maintaining a business relationship to representatives, offices or even plants that are mandated or in some cases in a joint-venture ownership with a local partner. Surprisingly, even some micro-sized firms with up to nine FTE cultivated indirect links to Singapore and various other Southeast Asian cities.

In contrast to these SMEs own or third-party representatives in Singapore, of which most of them serve to access and cultivate various Asian markets, the ones in other Southeast Asian cities mainly serve to cultivate markets of proximity. In most cases, these SMEs belong to the manufacturing industries such as

mechanical engineering, precision mechanics, medical technologies and electrical engineering and they are part of globally operating production networks.

In the case of an SME in information technologies and an SME supplying the hotel and tourism industry, Swiss internationalizing SMEs established an Asia respectively Asia-pacific headquarter in the *Alpha* - classified city of Bangkok. They both dispose over another representative office in Singapore that is principally cultivating their Singaporean market.

Singapore's relevance for Swiss internationalizing SMEs is also underlined by the result that only five out of the 53 Swiss internationalizing SMEs are maintaining links to other *Alpha* - to *sufficiency-level* classified cities in Indonesia, Malaysia, Thailand and Vietnam, without any links to Singapore. In all of these five cases, their direct or indirect links served to cultivate their markets of proximity.

The qualitative descriptive study revealed Singapore's relevance for Swiss internationalizing SMEs:

- (a) that cultivate multiple distant markets on various levels of economic development in Southeast Asia with direct and indirect links,
- (b) as a place for fully-owned SME representative offices,
- (c) as a highly developed consumer market for niche products and,
- (d) as a market for highly specialized SME services in banking, trade, law, engineering and architecture.

The third research question addresses distinct properties and characteristics of the Singaporean business network that are relevant to Swiss internationalizing SMEs:

What is the distinct role of the actors in a global city, such as partner firms and clients, business-to-business service producing firms and private and public institutions for Swiss internationalizing SMEs?

The functioning of Singapore as a global city for foreign and distant internationalizing SMEs was studied in a grounded theory study design. 21 Swiss internationalizing SMEs and 9 experts on Southeast Asia such as successful former businessmen, consultants, promotion agents, embassy staff and a former consul were selected and interviewed in Singapore, Kuala Lumpur and Ho Chi

Minh City. The study involved a purposeful sampling technique and requested a permanent process of discovering, developing and verifying the qualitative data gathered from the interviews.

The emergent theoretical model from the grounded theory study comprises the “attracting and enhancing functions of a global city” as a core category. This core category includes four of such attracting and enhancing functions namely:

- (a) the provision of business opportunities,
- (b) the provision of financial, intellectual and social capital,
- (c) supportive network services, and
- (d) the provision of stable and secure framework conditions.

Altogether, these functions represent the unique strengths of the business networks of *alpha +* global cities in particular.

Four types of opportunity motives, triggered by their Singaporean business partners, clients or investors, attracted Swiss SMEs establishing direct or indirect links in Singapore. In all of the analyzed cases, the Swiss SMEs already disposed over strong bonds and regular contacts to some Singaporean network actors prior to the establishment of the branch. Actors such as clients, partners or investors influenced the decision of linking their business directly or indirectly to the city-state. Clients in Singapore increasing their orders or awarding large scale-contracts led to such decisions as well as partners that requested a closer collaboration on-site. Singaporean funds such as the EDB investing in promising Swiss SMEs and Swiss Start-up founders likewise triggered that pulling effect of the global cities business network for the SME to establish such a link in order to protect or increase their network position.

Network actors in Switzerland and Singapore support Swiss SMEs in establishing and cultivating their market link to Singapore and Southeast Asia. Among the Swiss actors, we find the mixed public-private actor Switzerland Global Enterprise (former OSEC) as well as some of the privately held chambers of commerce being supportive in their effort of opening doors and establishing contacts with agencies in Singapore. The actors in Singapore such as the public Swiss institutions of Swissnex Singapore (office closed at the end of 2015) and the Swiss embassy play a more substantial role in providing the SMEs with practical guidance.

Results have shown that the most influential public Singaporean actor in the faith of the Swiss SMEs access to the market is the EDB and their custom solutions regarding tax incentives and investments with regard to the establishment of a branch. Their support in some distinct cases of highly specialized and very promising Swiss SMEs is indicative of the city-state's strategy in protecting and enhancing its position as a leading hub for global business. On the downside, Singapore's policies and the oftentimes intransparent decisions on behalf of the government's agencies (e.g. with regard to settlement and working permits) makes it difficult or impossible for some start-ups or SMEs to access their markets. Furthermore, pressure is applied on Swiss SMEs by growing requirements of hiring local personnel and meeting their thresholds regarding turnover.

In contrast to the multinational companies headquarters and their use of APS in global cities, the network of service providers constitute of various formal and informal network partners that are requested in an oftentimes-sporadic manner in order to solve the problems and issues encountered. In none of the surveyed cases, the Swiss SME required the services of a multinational service provider listed by the GaWC and used for the calculation of a cities' connectivity, and thus its ranking.

It can be summed up that the general density of meaningful and important actors for the SMEs businesses are a major element accounting for the importance of Singapore as a business hub. Thereby, the properties of the network actors such as their financial resources (in the case of investors), their intellectual capital and their attracting and enhancing actions on behalf of their collaboration with the Swiss SMEs seem to play a more important role than the degree of specialization of their service provision. The rather pragmatic character of the decision-making and action taking of the Swiss internationalizing SMEs raises the importance of informal networks and services thereof. In many cases, business partners, local employees and acquaintances, other expatriates and foreign entrepreneurs provide help and give advice.

The increasingly intensive competition among the network actors and the specialization of the city-state as a world-leading hub in various areas result in a city-state that is an increasingly difficult ecosystem for Swiss SMEs who are not

necessarily on the edge of the latest technologies and/or operating with a highly promising business model.

The fourth research question addresses another hypothesized function of the Singaporean business network for Swiss internationalizing SMEs, namely the capacity of connecting these distant firms to the ASEAN emerging markets:

How does a global city such as Singapore located in distant and emerging Southeast Asia enable Swiss internationalizing SMEs to connect with – and enter into – its regional hinterlands?

A part of the Swiss internationalizing SMEs in Singapore do not intend to develop business activities in its hinterlands or, generally spoken, in any other ASEAN country. Their Singaporean branch is part of a high-end global business that is dispersed worldwide but mainly in the most integrated global cities. Referring to the qualitative descriptive study, we can count SMEs in fintech, engineering or producing high-end consumer goods among these firms that are pursuing a strategy labelled as the *hinterworld-approach*.

Among the SMEs with business activities in emerging Southeast Asia we find two categories of firms. One category tend to develop and pursue business activities in the hinterland using Singapore as an entry hub to Southeast Asia. Another category cultivates major business activities in emerging Southeast Asian countries and mandates or establishes a Singaporean branch (e.g. a law firm) to control and mediate over these *hinterland* activities. Accordingly, we labelled these approaches *hinterland-accessing* in the first case, and *hinterland-managing* in the latter case.

In both cases, the Singaporean business network serves as a major hub for the detection of business opportunities. Swiss internationalizing SMEs with major activities in the ASEAN emerging countries stated having established initial contacts with and/or learned about opportunities in the emerging markets through fairs and events in the city-state. Early on in the process of establishing business activities in the emerging countries, Singaporean business actors such as law firms, financial institutions and insurers support these undertakings by granting credit, securities and advices. The city-states framework conditions play another important role in that process. Factors such as the relatively predictable political

situation, reliable legislation and the almost nonexistent corruption provide safe conditions for the Swiss internationalizing SMEs. Singapore's high standard of living are in strong contrast to the standards in other Southeast Asian countries. Even though most SMEs emphasized the challenging working conditions and culture shock experiences of their western expatriates, the life-quality related framework conditions combined with the fast and frequent access to major cities through Changi Airport allows them to find highly professional individuals able to cultivate the emerging markets from there.

Another important factor in Singapore, enabling Swiss internationalizing SMEs to penetrate and cultivate Southeast Asian markets, is provided by the intellectual and social capital available. The Singaporean workforce is playing an important role in enabling access to the emerging market of Southeast Asia. Their cultural proximity to the emerging countries whilst being (in many cases) strongly oriented towards western lifestyle and business habits engender the bridging capacity of social capital that enables the Swiss SMEs entering business relations with actors from the emerging markets.

Considering these results, the dissertation provides detailed insights for scholars and practitioners on Swiss SMEs linkages to Southeast Asia and Singapore in particular as well as on the role of a global city hub for such distant and internationalizing SMEs. It illustrates which actors from the Singaporean business network might play a substantial and important role in a successful market access and cultivation process and how the Swiss SMEs might benefit from their services. In addition, this research reveals how the actors from the Singaporean business network enable Swiss SMEs in accessing and/or cultivating the very difficult markets in Southeast Asia's emerging countries.

10.2 Implications for theory and practice

Theories on SME internationalization and international business research in general are consistently linked to a limited number of sub-topics. Location choice, entry mode and timing, international diversification and joint ventures, as stated by Delios (2017), are seemingly the most relevant topics in that field. He criticizes this limited area of research that is pushed by the scholars and describes a

detachment regarding “new phenomena in the globalizing world” (Delios, 2017; p. 391). Doh (2017) shares this approach and argues that principally phenomenon-based research will make that discipline relevant again.

In “The Death and Rebirth (?) of International Business Research” Delios argues: *“IB has a pronounced impact on the world around us. Management and economics faculty are not the only academics to study globalization. Globalization is a staple of inquiry for anthropologists, sociologists and geographers. Understanding IB requires more than an economic modelling of MNC foreign entry. We need to describe how such entry changes economies and societies in the world.”* (Delios, 2017; p. 392)

The study on Swiss SMEs in Singapore and Southeast Asia as described in chapter 9 was based on a grounded theory methodology in which theories are aimed to be generated by detecting emerging patterns in the interview data. The interviews were “as detached as possible” from existing theories on SME internationalization, such as intended in this inductive approach (see Strauss and Corbin, 1998). The general question in this research process, as described in chapter 1.2, was about the SMEs access and management of Southeast Asian markets and the role of Singapore and its economic actors on this behalf. In doing so, issues related to socio- and geo-economic issues emerged and were discussed. Consequently, the categories of the emergent model as described in this ninth chapter related more firmly to theories on globalization and global cities than SME internationalization. Examples of which are the hinterland and hinterworld intentions of the firms, the concept of intellectual and social capital provision as well as the discussions around the SMEs general framework conditions. This outcome alone suggests a deepening of the theoretical and practical debate and a reconnection of issues related to globalization to the studies on international business such as suggested by Delios (2017).

However, some implications about the notion of distance in international business need to be discussed more in-depth. According to Johanson and Vahlne (1977, 2009), distances increase the uncertainty about an outcome of an action. Accordingly, the process of SME internationalization follows the patterns of a gradual and stepwise process. The initial U-model describes this as a process in

which not solely the involvement in foreign activities is increased but also the distances between home and foreign markets become increasingly larger (Johanson and Vahlne 1977). Despite the subsequent emergent phenomenon of international new ventures (see Oviatt & McDougall, 1994) and born global (Rasmussen, 2002; Baldegger & Wyss, 2007; Coviello, 2015) in which firms seem to skip the barriers of distance by occurring as “instant globals”, the debate on distance is an ongoing one.

Clark and Pugh (2001) describe that the first three foreign countries in which British firms enter are significantly closer than the subsequent ones. The same was observed among SME in New Zealand that tend to enter the close Australian market first, before venturing towards the more distant ones (Chetty, 1999). Even among branches with a relatively high population of INVs such as the software industry, evidence was found that they enter first into countries with a low geographic distance. This is due to the evidence that most of these software products require intensive relation with the customer and that such relations are favored through shorter geographic distance (e.g. Moen, Gavlen, and Endresen, 2004; Ojala and Tyrväinen, 2006).

Psychic distance is increasing the more the firm is confronted with unfamiliar or even unknown market conditions. Dow (2000) describes that the effects of psychic distance on the internationalizing firm decreases after having dealt with the first foreign markets, but remains an important and decisive factor in the firms process of market selection. The cultural framework of a society frames all kind of economic activities within the society and influences policies and regulations (Williamson, 2000; De Clercq, Lim, and Oh, 2014). This difference already effects projects of internationalization to physically close markets (O’Grady and Lane, 1996). While analyzing the patterns of internationalization among SME from New Zealand, Chetty and Campbell-Hunt (2004) found that next to the geographically nearby market of Australia, New Zealand’s SME prefer to internationalize towards the rather distant markets of the United Kingdom instead of closer markets in (Latin and North-) America or on the Asian continent. Reasons therefore are the closer psychic distance to the British markets.

Ojala and Tyrväinen (2006), conclude after an in-depth literature review on distance and SME internationalization, that closer countries have a more familiar environment in terms of language, culture and business practice and that it is less expensive to operate in nearby countries. Considering the context of a middle-European country such as Switzerland, many rather physically close countries such as Northern African – or Eastern European ones dispose over a high psychic distance whereas physically distant markets such as Australia and New Zealand remain in a rather close psychic distance to them. ASEAN countries are far distant from Switzerland, geographically as well as psychically. In both samples of SMEs interrogated for this dissertation, the random one from chapters 7 and 8 as well as the purposeful selected one from the grounded theory study in chapter 9, most SMEs that were internationalizing to the distant Southeast Asian market disposed over an international exposure to geographically and psychically closer countries prior to this undertaking. In most cases, these SMEs experienced business activities in close European countries, in many cases related with foreign direct investments or joint ventures. Accordingly, their process of internationalization often resembled the patterns of the revisited U-model, albeit with different intensities regarding its speed and the scope.

The two start-ups who made an exception to this and who disposed over business activities uniquely in Switzerland and Singapore were composed by an intercultural Swiss-Singaporean founding-team or by Swiss with family ties to – and/or prior foreign experience in –Southeast Asia.

Evidence was found that global cities, in their function as hubs for international business networks, are increasing their importance for SMEs necessity to link with its actors with growing distances between home and focal markets. In the case of Singapore, they also reduce such distances between home and focal market whenever the latter lies in the emergent Southeast Asian hinterland. This intermediary function of a global city need to be integrated in this discourse on distances since it appears as a “distance-reducing” capacity from the viewpoint of the firm as a strategic actor. This distance reducing capacity between Singapore and ASEAN hinterland is mainly given through the provision of social and intellectual capital of Singapore’s workforce on one hand, and through lighthouse

effects of the global city-state to the business actors and general population in the hinterlands on the other. Reducing distances to OECD countries is ensured through its connectivity to the world economy and its hinterworld, consisting of other highly interconnected global cities. The global cities' business network capacity to provide trust among collaborating business partners stands out across these categories. It could be integrated as an additional factor describing this attracting and enhancing role.

According to the study results from the model in chapter 7, the measure of connectivity as defined and calculated by the GaWC through MNCs headquarters and APS firms is not significant with regard to the SMEs patterns of network links. The most distant among the highly connected cities are strategically important for the internationalizing SMEs and not the best connected. In this sense, geographic and psychic distance are presumably moderating the effects of connectivity.

10.3 Limitations and further research

This study's primary intention is to investigate on the role of a global cities business network for distant and internationalizing SMEs in the case of Swiss SMEs and Singapore as the major global city in Southeast Asia. The tentative framework proposition is established by combining most substantial knowledge in globalization and world respectively global cities and firm internationalization. After an initial study on behalf of Swiss internationalizing SMEs and their links to the 23 alpha + rated global cities (in chapter 7), the study focuses on the specific world region of ASEAN countries and the role of its cities for the Swiss SMEs. As a result, the emergent theoretical model as established in the grounded theory study depicts the enhancing and attracting functions of a global city for distant internationalizing SMEs based on this "Swiss-Singaporean" context. This limits the potential to generalize findings across other world regions. The applicability of this emergent theoretical model on distant internationalizing SMEs from another economy that penetrate Southeast Asian markets as well as on Swiss SMEs internationalizing towards other distant world regions is a limitation and an avenue for further research.

This study focuses on SME outward internationalization. Accordingly, the turnover a Swiss SME generate in a specific world region such as Southeast Asia determine its definition as a "*Swiss SME with business activities in this region*". The patterns of Swiss SMEs inward internationalization and the supporting role of global cities business network actors in that context were not an intended research topic. This second limitation introduces another suggestion for further research, namely the investigation on the role of global cities with regard to SME production places in hinterlands.

The empirical model from chapter 7 explains the impact of distances on the ratio of Swiss SMEs links to global cities. The underlying survey questions for calculating the target variable asked the firms presence and turnovers in world regions and its links to global cities. We considered the cities classified as "*alpha ++*", "*alpha +*", and "*alpha*" by the most current rankings of GaWC as essential for the response options. SME links to other and minor cities could not be taken into account. In the case of Southeast Asia, the study in chapter 8 confirms the importance of Singapore (ranked *alpha+*) and Kuala Lumpur (ranked *alpha*) for the Swiss SMEs over all other cities. However, it cannot be excluded that in any other world region, other cities might be highly relevant for Swiss SMEs and noticeable for a study on their network hubs. Further research should focus on other distant and close world regions, and attempt to cover the internationalizing SMEs network links as exhaustive as possible.

The heterogeneity of Swiss internationalizing SMEs with regard to their branch affiliation and their degree of specialization raises another challenge for an analysis of their international business. Global production networks are an important context in which SME internationalization can take place. Since potential partner firms and clients in such networks can be globally dispersed, the collaboration with partners and clients from distant world regions can be triggered and influenced by other actors that are situated elsewhere. As described in chapter 8, some Swiss SMEs generate turnovers in Southeast Asia due to contractors from other world regions such as North America, in which the companies' headquarter or partner firms are located. It can be assumed that global cities play an important role when localizing third party network partners.

Further research combining existing knowledge about geographic hubs in global production networks and global cities would bring further evidence, also with regard to SMEs within such networks.

The emergent theoretical model about the global cities' role for internationalizing SMEs, as elaborated in the final chapter 9, takes SMEs into account that dispose over own representative offices or subsidiaries in the global city. Descriptive studies about internationalizing SMEs point out that a large population of such SMEs operates on foreign markets exclusively through exports. As shown in chapter 8, this can also be stated as true for Swiss SMEs generating turnover in Southeast Asian markets. The companies surveyed all belong to a small population of Swiss SMEs that are rather successfully performing business activities in this world region. Thus, the testimonials and statements mostly contained a positive feedback on these firms' ecosystem of Singaporean stakeholders and the city-state's socioeconomic and political development. A few interviewees, in some conversational situations only, mentioned critical statements that have been summed up in chapter 9.8. Overall, the praise of Singapore as recorded in the interviews gave a partially over-optimistic character to the empirical chapter 9 and the general conclusions. In relation to SMEs with representative offices and subsidiaries, the model takes the case of Singapore in Southeast Asia into account whereas other multiple roles that global cities might assume are not considered. The roles of global cities in the western hemisphere in Europe and North America in particular, have not been discussed in this study. This would be the subject for a further investigation. In several of the subsequently conducted interviews during the grounded theory process, the emergent model was discussed and improved. Nevertheless, the categories are complementary and they cannot be assessed separately in any case.

The academic and practical value gained from research on internationalizing SMEs and their business activities across high geographic distances, cultural differences and countries of various levels of economic development is of an increased importance considering the pace of globalization. Some start-ups in the interrogated sample of internationalizing SMEs provided indications for a distinct manner in which distances are perceived and managed. Mobility is playing an

increasingly important role while little attention is paid to intercultural differences. This result affirms latest tendencies observed in SIES studies in which intercultural barriers as major obstacles for internationalizing SMEs seemed to decrease over the timespan of a decade (Baldegger, Morel and Wild; 2016). In the few cases observed, operations were aimed being quickly extended to emerging hinterlands or have already been implemented in such. However, it would be premature to draw specific conclusions on international new ventures but it constitutes suggestions for future research.

Even though connectivity has been proven being irrelevant when considering the model that has been tested in chapter 7, it is a highly relevant issue in the qualitative interviews investigating on the functions and the roles of a global city. This discrepancy suggests an improvement of the quantitative connectivity measure such as developed by Taylor (2001) and applied by the GaWC. Since, in the case of Southeast Asia, the alpha typed global cities have been found much more important to internationalizing SMEs than the minor ones on a beta, gamma or sufficiency level, the rough categorization based on this can be considered valuable in the context of internationalizing SMEs. The precise measure of APS headquarters, on the contrary, is seemingly playing a subordinate role.

In conclusion, it can be highlighted that this dissertation followed the call for a transdisciplinary research agenda in the field of international business economics such as suggested by various authors (Rialp and Rialp, 2001; Ruzier et al. 2006; Delios, 2017; Doh, 2017). When summarizing the discussions of these three empirical studies, one should emphasize the importance of socioeconomic notions and issues in the context of the very general theories on SME internationalization. Considering the rising macroeconomic importance of highly innovative and competitive SMEs in OECD economies, (see discussion in chapter *5.2 Internationalizing SMEs in Switzerland*) SME internationalization is a highly political, social and economic issue.

However, only through future, interdisciplinary oriented publications in the field of international business it will become apparent whether the distinct case of firm internationalization from OECD economies to emerging markets can be applied

at best in the context of the traditional debate or if it requires an own field of study with a much more interdisciplinary approach.

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Annex I – Rankings of global cities

Rankings of global cities according the GaWC 2012

Alpha ++	London New York	Bangkok Boston Dublin	Vancouver Chennai Manchester
Alpha +	Hong Kong Paris Singapore Shanghai Tokyo Beijing Sydney Dubai	Taipei Munich Stockholm Prague Atlanta	Oslo Brisbane Helsinki Karachi Doha Casablanca Stuttgart Rio De Janeiro Geneva
Alpha	Chicago Mumbai Milan Moscow Sao Paulo Frankfurt Toronto Los Angeles Madrid Mexico City Amsterdam Kuala Lumpur Brussels	Beta + Bangalore Lisbon Copenhagen Santiago Guangzhou Rome Cairo Dallas Hamburg Düsseldorf Athens Manila Montreal Philadelphia Tel Aviv Lima Budapest Berlin Cape Town Luxembourg Houston Kiev Bucharest Beirut	Beta - Guatemala City Lyon Panama City San Jose Bratislava Minneapolis Tunis Nairobi Cleveland Lagos Abu Dhabi Seattle Hanoi Sofia Riga Port Louis Detroit Calgary Denver Perth Calcutta San Diego Amman Antwerp Manama Birmingham (UK) Nicosia
Alpha -	Seoul Johannesburg Buenos Aires Vienna San Francisco Istanbul Jakarta Zurich Warsaw Washington Melbourne New Delhi Miami Barcelona	Beta Ho Chi Minh City Bogota Auckland Montevideo Caracas Riyadh	

<i>Beta – (cont)</i>	Quito	Baku
	Rotterdam	Vilnius
	Belgrade	Tallinn
	Monterrey	Raleigh (North Carolina)
	Almaty	Ankara
	Shenzen	Belfast
	Kuwait City	San Jose (Ca)
	Hyderabad	Colombo
	Edinburgh	Valencia
		Cincinnati
Gamma +	Zagreb	Milwaukee
	Lahore	Muscat
	St. Petersburg	Ljubljana
	Jeddah	
	Durban	Gamma - Nantes
	Santo Domingo	Tianjin
	St. Louis	Accra
	Islamabad	Algiers
	Guayaquil	Gothenburg
	Baltimore	Porto
	San Salvador	Columbus (Ohio)
	Cologne	Utrecht
	Phoenix	Orlando
	Adelaide	Ahmedabad
	Bristol	Asuncion
	Charlotte (North Carolina)	Kansas City
	Georgetown (Cayman)	Seville
	Osaka	Turin
	Tampa	Dar Es Salaam
		Portland
Gamma	Glasgow	Krakow
	San Juan	Managua
	Marseille	Pune
	Guadalajara	Leipzig
	Leeds	Malmö
		La Paz

Rankings of global cities according the GaWC 2016

Alpha ++	London New York	Stockholm San Francisco Guangzhou	Montevideo Berlin Montreal
Alpha +	Singapore Hong Kong Paris Beijing Tokyo Dubai Shanghai	Manila Luxembourg Riyadh Santiago Barcelona Tel Aviv Lisbon	Abu Dhabi Casablanca Philadelphia Vancouver Shenzhen Sofia Perth Hanoi Beirut Brisbane Bratislava Manama
Alpha	Sydney Sao Paulo Milan Chicago Mexico City Mumbai Moscow Frankfurt Madrid Warsaw Johannesburg Toronto Seoul Istanbul Kuala Lumpur Jakarta Amsterdam Brussels Los Angeles	Beta + Prague Ho Chi Minh City Boston Copenhagen Düsseldorf Athens Munich Atlanta Bucharest Helsinki Budapest Kiev Hamburg Bangalore Rome Oslo Dallas Cairo Houston Lima Lagos Caracas	Beta - Port Louis Minneapolis Chennai Stuttgart Santo Domingo Rio De Janeiro Kuwait City Chengdu Panama City Denver Lahore Jeddah Tunis Quito Belgrade Seattle Manchester Guatemala City Lyon San Jose Tianjin Calgary Amman San Juan
Alpha -	Dublin Melbourne Washington New Delhi Bangkok Zurich Vienna Taipei Buenos Aires	Beta Doha Karachi Nicosia Geneva	

Beta – (cont.) San Salvador

Antwerp

Zagreb

Calcutta

Tallin

St. Louis

Monterrey

Hyderabad

Edinburgh

San Diego

Cologne

Rotterdam

Dhaka

Islamabad

Gamma + Guayaquil

Cleveland

Riga

Baku

Adelaide

Vilnius

Birmingham (UK)

Glasgow

Nanjing

Hangzhou

Colombo

Porto

Qingdao

Valencia (Sp.)

Detroit

Muscat

Osaka

Ljubljana

Kampala

Georgetown (Cayman)

Managua

Durban

San Jose (Ca)

St. Petersburg

Gamma Phoenix

Tegucigalpa

Austin

Pune

Guadalajara

Dalian

Tbilisi

Dar Es Salaam

Chongqing

Ankara

Lusaka

Ahmedabad

Cincinnati

Asuncion

Harare

Gothenburg

Xiamen

Al-Mawsil

Kansas City

Accra

Minsk

Tampa

Turin

Luanda

Abidjan

Tirana

Lausanne

Leeds

Gamma - Taichung

Charlotte (North Carolina)

Baltimore

Raleigh (North Carolina)

Belfast

Leipzig

Medellin

Wuhan

Douala

Maputo

Skopje

Gaborone

Bristol

Orlando

Dakar

Suzhou

Malmö

Edmonton

Changsha

Strasbourg

Bilbao

Bologna

Columbus (Ohio)

Wellington

Nürnberg

Yangon

Xi'an

Wroclaw

Marseille

Dresden

Shenyang

Pittsburgh (Pennsylvania)

Annex II – Sample selection bias

- Industry by sample population

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
New categories * Population	118	99.2%	1	0.8%	119	100.0%

New categories * Population Crosstabulation

			Population		Total
			Non-Identified	Identified	
New categories	Metal industry - Mechanical	Count	7	28	35
	engineering - Electrical	Expected	9.5	25.5	35.0
	engineering	Count			
Chemical industry - Medical	technology - Pharmaceutical	Count	5	12	17
	industry - Cosmetics	Expected	4.6	12.4	17.0
		Count			
Other manufacturing industry		Count	2	1	3
		Expected	.8	2.2	3.0
		Count			
Trade		Count	2	7	9
		Expected	2.4	6.6	9.0
		Count			
Food industry - Healthcare	and nursing services -	Count	1	7	8
	Construction - Architects and	Expected	2.2	5.8	8.0
	engineers	Count			
Banks - Information	technology - Insurance	Count	3	7	10
	companies	Expected	2.7	7.3	10.0
		Count			
Transport and logistics		Count	3	1	4
		Expected	1.1	2.9	4.0
		Count			
Other industries		Count	9	23	32
		Expected	8.7	23.3	32.0
		Count			

Total	Count	32	86	118
	Expected			
	Count	32.0	86.0	118.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.989 ^a	7	.253
Likelihood Ratio	8.179	7	.317
Linear-by-Linear Association	.734	1	.392
N of Valid Cases	118		

- SME Category by sample population

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
SME_Cat * Population	119	100.0%	0	0.0%	119	100.0%

SME_Cat * Population Crosstabulation

			Population		Total
			Non-Identified	Identified	
SME_Cat	Micro companies (0-9)	Count	12	26	38
		Expected Count	10.2	27.8	38.0
	Small-sized companies (10-49)	Count	13	34	47
		Expected Count	12.6	34.4	47.0
	Medium-sized companies (50-249)	Count	7	27	34
		Expected Count	9.1	24.9	34.0
Total		Count	32	87	119
		Expected Count	32.0	87.0	119.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.126 ^a	2	.570
Likelihood Ratio	1.151	2	.562
Linear-by-Linear Association	1.081	1	.299
N of Valid Cases	119		

- ASEAN Turnover by sample population

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
	ASEAN Turnover * Population	119	100.0%	0	0.0%	119

ASEAN Turnover * Population Crosstabulation

			Population		Total
			Non-Identified	Identified	
ASEAN Turnover	1-5%	Count	13	54	67
		Expected Count	18.0	49.0	67.0
	5-20%	Count	13	22	35
		Expected Count	9.4	25.6	35.0
	21-40%	Count	4	8	12
		Expected Count	3.2	8.8	12.0
	41-60%	Count	1	2	3
		Expected Count	.8	2.2	3.0
	61-80%	Count	0	1	1
		Expected Count	.3	.7	1.0
	81-100%	Count	1	0	1
		Expected Count	.3	.7	1.0
Total		Count	32	87	119
		Expected Count	32.0	87.0	119.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.185 ^a	5	.207
Likelihood Ratio	7.351	5	.196
Linear-by-Linear Association	3.429	1	.064
N of Valid Cases	119		

Annex III – Non parametric test

Hypothesentestübersicht

	Nullhypothese	Test	Sig.	Entscheidung
1	Die Verteilung von How many people does the Company / group of companies employ at the end of 2015 ? (absolute number) ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.004	Nullhypothese ablehnen
2	Die Verteilung von What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015 ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen

Asymptotische Signifikanzen werden angezeigt. Das Signifikanzniveau 05.

Mann-Whitney-Test

Ränge				
	If the company has a direct and indirect representation in a Global City	N	Mittlerer Rang	Rangsumme
How many people does the Company / group of companies employ at the end of 2015 ? (absolute numbe...	.00	284	245.71	69781.00
	1.00	242	284.38	68820.00
	Gesamt	526		
What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015	.00	267	208.46	55657.50
	1.00	240	304.67	73120.50
	Gesamt	507		

Statistik für Test ^a		
	How many people does the Company / group of companies employ at the end of 2015 ? (absolute numbe...	What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015
Mann-Whitney-U	29311.000	19879.500
Wilcoxon-W	69781.000	55657.500
Z	-2.911	-7.389
Asymptotische Signifikanz (2-seitig)	.004	.000

a. Gruppenvariable: If the company has a direct and indirect representation in a Global City

*Nonparametric Tests: Independent Samples.

NPTESTS

/INDEPENDENT TEST (employees intlsalesp_1 Ser_CH_FC Num_reg) GROUP (Global_Cities_YN) MANN_WHITNEY

/MISSING SCOPE=ANALYSIS USERMISSING=EXCLUDE

/CRITERIA ALPHA=0.05 CILEVEL=95.

Hypothesentestübersicht

	Nullhypothese	Test	Sig.	Entscheidung
1	Die Verteilung von How many people does the Company / group of companies employ at the end of 2015 ? (absolute number) ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.004	Nullhypothese ablehnen
2	Die Verteilung von What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015 ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen
3	Die Verteilung von Number of non-financial services used in Switzerland and foreign countries ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen
4	Die Verteilung von Number of world regions in which the company operates ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen

Asymptotische Signifikanzwerte werden angezeigt. Das Signifikanzniveau 0,05.

*Nonparametric Tests: Independent Samples.

NPTESTS

/INDEPENDENT TEST (employees intl salesp_1 Ser_CH_FC Num_reg) GROUP
(Global_Cities_YN) MANN_WHITNEY

/MISSING SCOPE=ANALYSIS USERMISSING=EXCLUDE

/CRITERIA ALPHA=0.05 CILEVEL=95.

Hypothesentestübersicht

	Nullhypothese	Test	Sig.	Entscheidung
1	Die Verteilung von How many people does the Company / group of companies employ at the end of 2015 ? (absolute number) ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.733	Nullhypothese beibehalten
2	Die Verteilung von What percentage (%) of total Company sales revenue was generated in foreign markets in 2015? % of total revenue generated abroad in 2015 ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen
3	Die Verteilung von Number of non-financial services used in Switzerland and foreign countries ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.003	Nullhypothese ablehnen
4	Die Verteilung von Number of world regions in which the company operates ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen

Asymptotische Signifikanzen werden angezeigt. Das Signifikanzniveau ist 0,05.

*Nonparametric Tests: Independent Samples.

NPTESTS

```

/INDEPENDENT TEST (employees intlsalesp_1 Ser_CH_FC Num_reg) GROUP
(Global_Cities_YN) MANN_WHITNEY
/MISSING SCOPE=ANALYSIS USERMISSING=EXCLUDE
/CRITERIA ALPHA=0.05 CILEVEL=95.

```

Hypothesentestübersicht

	Nullhypothese	Test	Sig.	Entscheidung
1	Die Verteilung von How many people does the Company / group of companies employ at the end of 2015 ? (absolute number) ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.545	Nullhypothese beibehalten
2	Die Verteilung von What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015 ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen
3	Die Verteilung von Number of non-financial services used in Switzerland and foreign countries ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.102	Nullhypothese beibehalten
4	Die Verteilung von Number of world regions in which the company operates ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.010	Nullhypothese ablehnen

Asymptotische Signifikanzen werden angezeigt. Das Signifikanzniveau ist 0,05.

*Nonparametric Tests: Independent Samples.

NPTESTS

/INDEPENDENT TEST (employees intlsalesp_1 Ser_CH_FC Num_reg) GROUP
(Global_Cities_YN) MANN_WHITNEY

/MISSING SCOPE=ANALYSIS USERMISSING=EXCLUDE

/CRITERIA ALPHA=0.05 CILEVEL=95.

Hypothesentestübersicht

	Nullhypothese	Test	Sig.	Entscheidung
1	Die Verteilung von How many people does the Company / group of companies employ at the end of 2015 ? (absolute number) ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.144	Nullhypothese beibehalten
2	Die Verteilung von What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015 ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen
3	Die Verteilung von Number of non-financial services used in Switzerland and foreign countries ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.061	Nullhypothese beibehalten
4	Die Verteilung von Number of world regions in which the company operates ist über die Kategorien von If the company has a direct and indirect representation in a Global City identisch.	Mann-Whitney-U-Test bei unabhängigen Stichproben	.000	Nullhypothese ablehnen

Asymptotische Signifikanzen werden angezeigt. Das Signifikanzniveau ist 0,05.

Statistiken

If the company has a direct and indirect representation in a Global City			How many people does the Company / group of companies employ at the end of 2015 ? (absolute numbe...	What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015	Number of non-financial services used in Switzerland	Number of non-financial services used in foreign countries	Number of non-financial services used in Switzerland and foreign countries	The number of FDI modes the company uses	Number of world regions in which the company operates
.00	N	Gültig	284	267	293	293	293	76	293
		Fehlend	9	26	0	0	0	217	0
	Mittelwert		21.0599	40.5131	1.1741	1.4846	2.6587	1.8158	2.6075
	Median		8.4000	30.0000	.0000	1.0000	2.0000	1.0000	2.0000
	Standardabweichung		33.75183	34.85311	1.76546	2.01125	3.28126	1.22975	2.51016
	Schiefe		3.329	.515	2.121	1.599	1.578	2.173	2.336
	Standardfehler der Schiefe		.145	.149	.142	.142	.142	.276	.142
	Kurtosis		13.345	-1.256	5.197	2.198	2.909	4.975	6.134
	Standardfehler der Kurtosis		.288	.297	.284	.284	.284	.545	.284
	Minimum		.30	1.00	.00	.00	.00	1.00	1.00
	Maximum		242.00	100.00	10.00	9.00	18.00	6.00	14.00
	Perzentile								
			25	3.1250	10.0000	.0000	.0000	1.0000	1.0000
			50	8.4000	30.0000	.0000	1.0000	2.0000	2.0000
		75	23.7500	70.0000	2.0000	2.0000	4.0000	3.0000	
1.00	N	Gültig	242	240	247	247	247	125	247
		Fehlend	5	7	0	0	0	122	0
	Mittelwert		32.1364	64.3333	1.6032	2.4049	4.0081	1.7040	4.9919
	Median		12.5000	80.0000	1.0000	2.0000	3.0000	1.0000	4.0000
	Standardabweichung		48.52341	32.06918	1.88179	2.62223	3.85509	1.27649	3.63697
	Schiefe		2.630	-.545	1.299	1.640	1.198	2.418	.978
	Standardfehler der Schiefe		.156	.157	.155	.155	.155	.217	.155
	Kurtosis		7.079	-1.209	1.560	3.596	1.580	5.395	.102
	Standardfehler der Kurtosis		.312	.313	.309	.309	.309	.430	.309
	Minimum		1.00	1.00	.00	.00	.00	1.00	1.00
	Maximum		250.00	100.00	9.00	15.00	19.00	6.00	14.00

Perzentile	25	5.0000	31.2500	.0000	.0000	1.0000	1.0000	2.0000
	50	12.5000	80.0000	1.0000	2.0000	3.0000	1.0000	4.0000
	75	36.0000	93.0000	3.0000	4.0000	6.0000	2.0000	7.0000

Ränge

	If the company has a direct and indirect representation in a Global City	N	Mittlerer Rang	Rangsumme
How many people does the Company / group of companies employ at the end of 2015 ? (absolute numbe...	.00	284	245.71	69781.00
	1.00	242	284.38	68820.00
	Gesamt	526		
What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015	.00	267	208.46	55657.50
	1.00	240	304.67	73120.50
	Gesamt	507		
Number of non-financial services used in Switzerland	.00	293	252.78	74064.50
	1.00	247	291.52	72005.50
	Gesamt	540		
Number of non-financial services used in foreign countries	.00	293	241.60	70787.50
	1.00	247	304.79	75282.50
	Gesamt	540		
Number of non-financial services used in Switzerland and foreign countries	.00	293	242.75	71126.50
	1.00	247	303.41	74943.50
	Gesamt	540		
The number of FDI modes the company uses	.00	76	106.88	8122.50
	1.00	125	97.43	12178.50
	Gesamt	201		
Number of world regions in which the company operates	.00	293	214.03	62710.00
	1.00	247	337.49	83360.00
	Gesamt	540		

	How many people does the Company / group of companies employ at the end of 2015 ? (absolute numbe...	What percentage (%) of total Company sales revenue was generated in foreign markets in 2015?-% of total revenue generated abroad in 2015	Number of non-financial services used in Switzerland	Number of non-financial services used in foreign countries	Number of non-financial services used in Switzerland and foreign countries	The number of FDI modes the company uses	Number of world regions in which the company operates
Mann-Whitney-U	29311.000	19879.500	30993.500	27716.500	28055.500	4303.500	19639.000
Wilcoxon-W	69781.000	55657.500	74064.500	70787.500	71126.500	12178.500	62710.000
Z	-2.911	-7.389	-3.051	-4.850	-4.587	-1.264	-9.378
Asymptotische Signifikanz (2-seitig)	.004	.000	.002	.000	.000	.206	.000

a. Gruppenvariable: If the company has a direct and indirect representation in a Global City

Annex IV – Regression results

Aufgenommene/Entfernte Variablen^a

Modell	Aufgenommene Variablen	Entfernte Variablen	Methode
1	City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale ^b	.	Einschluß
2	DistanceGéo ^b	.	Einschluß

a. Abhängige Variable: PctShareRegion

b. Alle gewünschten Variablen wurden eingegeben.

Modellzusammenfassung

Modell	R	R-Quadrat	Korrigiertes R-Quadrat	Standardfehler des Schätzers
1	.775 ^a	.600	.560	11.18586
2	.839 ^b	.704	.658	9.87175

a. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

b. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale , DistanceGéo

ANOVA^a

Modell		Quadratsumme	df	Mittel der Quadrate	F	Sig.
1	Regression	3757.264	2	1878.632	15.014	.000 ^b
	Nicht standardisierte Residuen	2502.469	20	125.123		
	Gesamt	6259.733	22			
2	Regression	4408.155	3	1469.385	15.078	.000 ^c
	Nicht standardisierte Residuen	1851.577	19	97.451		
	Gesamt	6259.733	22			

a. Abhängige Variable: PctShareRegion

b. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

c. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale , DistanceGéo

Koeffizienten ^a						
Modell		Nicht standardisierte Koeffizienten		Standardisierte Koeffizienten	T	Sig.
		RegressionskoeffizientB	Standardfehler	Beta		
1	(Konstante)	35.505	7.966		4.457	.000
	Political freedom and civil liberties in average on a reverse scale	-3.567	1.207	-.421	-2.955	.008
	City Population average (05-15) in thousands	.001	.000	.599	4.202	.000
2	(Konstante)	27.436	7.692		3.567	.002
	Political freedom and civil liberties in average on a reverse scale	-3.017	1.086	-.356	-2.777	.012
	City Population average (05-15) in thousands	.001	.000	.438	3.122	.006
	DistanceGéo	.001	.001	.370	2.584	.018

a. Abhängige Variable: PctShareRegion

Ausgeschlossene Variablen ^a						
Modell		Beta In	T	Sig.	Partielle Korrelation	Kollinearitätsstatistik
						Toleranz
1	DistanceGéo	.370 ^b	2.584	.018	.510	.761

a. Abhängige Variable: PctShareRegion

b. Einflußvariablen im Modell: (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

Aufgenommene/Entfernte Variablen ^a			
Modell	Aufgenommene Variablen	Entfernte Variablen	Methode

1	City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale ^b	.	Einschluß
2	DistancePsy ^b	.	Einschluß

a. Abhängige Variable: PctShareRegion

b. Alle gewünschten Variablen wurden eingegeben.

Modellzusammenfassung

Modell	R	R-Quadrat	Korrigiertes R-Quadrat	Standardfehler des Schätzers
1	.775 ^a	.600	.560	11.18586
2	.817 ^b	.668	.615	10.46532

a. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

b. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale , DistancePsy

ANOVA^a

Modell		Quadratsumme	df	Mittel der Quadrate	F	Sig.
1	Regression	3757.264	2	1878.632	15.014	.000 ^b
	Nicht standardisierte Residuen	2502.469	20	125.123		
	Gesamt	6259.733	22			
2	Regression	4178.797	3	1392.932	12.718	.000 ^c
	Nicht standardisierte Residuen	2080.935	19	109.523		
	Gesamt	6259.733	22			

a. Abhängige Variable: PctShareRegion

b. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

c. Einflußvariablen : (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale , DistancePsy

Koeffizienten^a

Modell		Nicht standardisierte Koeffizienten		Standardisierte Koeffizienten	T	Sig.
		Regressions	Standardfehler	Beta		
		koeffizientB				
1	(Konstante)	35.505	7.966		4.457	.000
	Political freedom and civil liberties in average on a reverse scale	-3.567	1.207	-.421	-2.955	.008
	City Population average (05-15) in thousands	.001	.000	.599	4.202	.000
2	(Konstante)	4.369	17.533		.249	.806
	Political freedom and civil liberties in average on a reverse scale	-.472	1.940	-.056	-.243	.810
	City Population average (05-15) in thousands	.001	.000	.608	4.556	.000
	DistancePsy	8.052	4.104	.447	1.962	.065

a. Abhängige Variable: PctShareRegion

Ausgeschlossene Variablen^a

Modell	Beta In	T	Sig.	Partielle Korrelation	Kollinearitätsstatistik	
					Toleranz	
1	DistancePsy	.447 ^b	1.962	.065	.410	.336

a. Abhängige Variable: PctShareRegion

b. Einflußvariablen im Modell: (Konstante), City Population average (05-15) in thousands, Political freedom and civil liberties in average on a reverse scale

Aufgenommene/Entfernte Variablen^a

Modell	Aufgenommene Variablen	Entfernte Variablen	Methode
1	DistancePsy, City Population average (05-15) in thousands, DistanceGéo, Political freedom and civil liberties in average on a reverse scale ^b		Einschluß

a. Abhängige Variable: PctShareRegion

b. Alle gewünschten Variablen wurden eingegeben.

Modellzusammenfassung

Modell	R	R-Quadrat	Korrigiertes R- Quadrat	Standardfehler des Schätzers
1	.881 ^a	.776	.727	8.81959

a. Einflußvariablen : (Konstante), DistancePsy, City Population average (05-15) in thousands, DistanceGéo, Political freedom and civil liberties in average on a reverse scale

ANOVA^a

Modell		Quadratsumme	df	Mittel der Quadrate	F	Sig.
1	Regression	4859.598	4	1214.900	15.619	.000 ^b
	Nicht standardisierte Residuen	1400.134	18	77.785		
	Gesamt	6259.733	22			

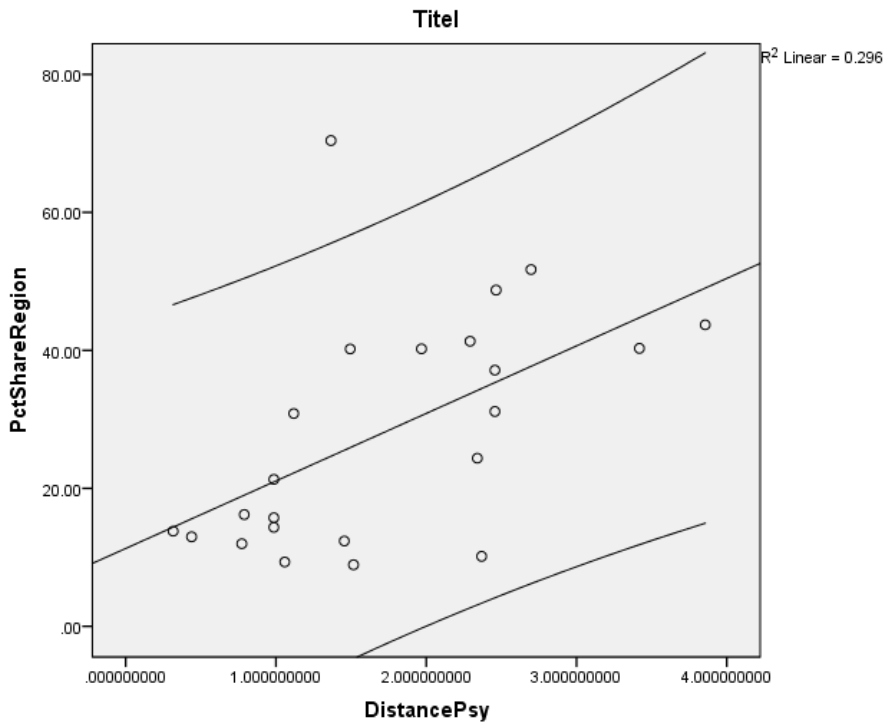
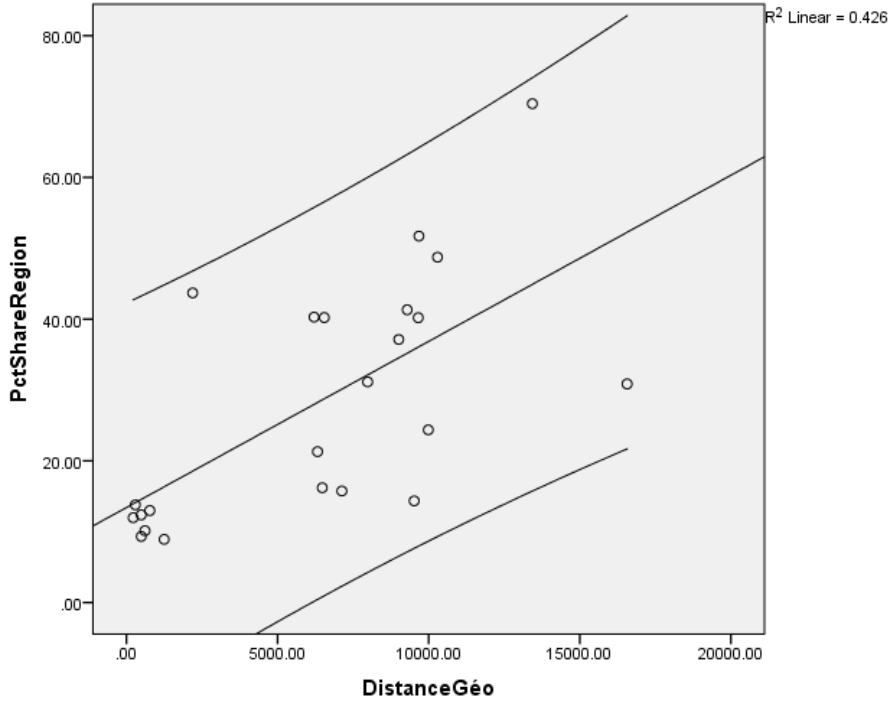
a. Abhängige Variable: PctShareRegion

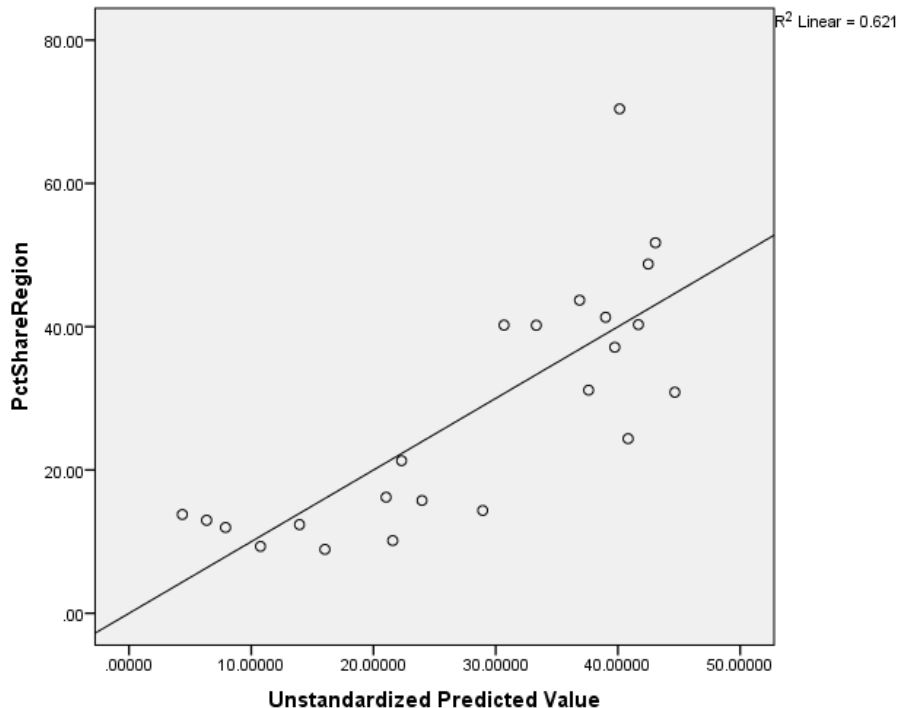
b. Einflußvariablen : (Konstante), DistancePsy, City Population average (05-15) in thousands, DistanceGéo, Political freedom and civil liberties in average on a reverse scale

Koeffizienten^a

Modell		Nicht standardisierte Koeffizienten		Standardisierte Koeffizienten	T	Sig.
		Regressionsko- effizientB	Standardfehler	Beta		
1	(Konstante)	-4.984	15.111		-.330	.745
	Political freedom and civil liberties in average on a reverse scale	.200	1.651	.024	.121	.905
	City Population average (05- 15) in thousands	.001	.000	.444	3.537	.002
	DistanceGéo	.001	.000	.378	2.958	.008
	DistancePsy	8.336	3.460	.463	2.409	.027

a. Abhängige Variable: PctShareRegion





Annex V – Qualitative interviews

Table I: Firm interviews

No.	Country	Function	Industry classification	Size	Mode	Date	Duration (in minutes)
1	Singapore	CEO	Construction engineering	Medium-sized	In person	30.03.2015	130
2	Singapore	Co-Founder (Start-up)	Data processing	Micro-sized	In person	31.03.2015	40
3	Switzerland	CEO and owner	metallurgy	Medium-sized	In person	13.10.2016	120
4	Singapore	Manager (Start-up)	Advertising	Small-sized	In person	03.08.2016	30
5	Singapore	Manager	Law	Micro-sized	In person	15.07.2016	45
6	Singapore	CEO and owner	Sales and distribution	Micro-sized	In person	18.07.2016	75
7	Switzerland	Co-Founder (Start-up)	Engineering	Small-sized	Telephone	22.02.2017	30
8	Switzerland	Co-Founder (Start-up)	Production	Small-sized	In person	15.09.2016	65
9	Switzerland	Manager	IT	Medium-sized	In person	07.07.2016	30
10	Switzerland	Manager and owner	Watch manufacturing	Medium-sized	In person	21.04.2016	45
11	Switzerland	Manager	Metallurgy	Medium-sized	In person	09.08.2017	40
12	Switzerland	Manager and co-founder	Fintech	Medium-sized	In person	16.09.2016	45
13	Switzerland	Manager	Microtechnology	Medium-sized	In person	19.07.2016	30
14	Switzerland	Manager	Electronics	Medium-sized	In person	16.08.2016	60
15	Switzerland	CEO and owner	Cosmetics	Small-sized	In person	15.09.2016	50
16	Switzerland	CEO and owner	Sensors	Medium-sized	In person	23.03.2016	40

17	Ho Chi Minh City	CEO and owner	Sales and distribution	Small-sized	In person	02.04.2015	60
18	Ho Chi Minh City	CEO and owner	Packaging	Medium-sized	In person	03.04.2015	100
19	Singapore	CEO and founder	E-commerce	Micro-sized	In person	03.08.2016	30
20	Singapore	Manager	Production	Micro-sized	In person	03.08.2016	30
21	Singapore	Manager and co-founder	Architects	Medium-sized	In person	04.08.2016	40

Table II: Short introduction of the firms that participated at the grounded theory study

Company #1 is a medium sized service-firm in the sector of civil engineering. Besides its Swiss headquarter, it owns a subsidiary in a middle European and an eastern European country and a second one in Singapore. It is one of the oldest Swiss SMEs in Singapore since its office branch was opened in the mid-1990s.

Company #2 is a micro-sized service firm in software development. They work primarily for the financial service industry and exclusively for Swiss and Singaporean clients. In 2006 they started their activities in Singapore, soon after their inception in Switzerland in 2003, and until today they remain a company that employs less than ten FTEs.

Company #3 is a medium-sized global player in the producing industry. It works in the field of carbide tools and dispose of representative offices in various countries across the industry's most developed markets. It has a representative office in Singapore with less than ten employees that was founded in the early 2000s.

Company #4 is a young start up in the service sector. It develops and distributes software for communication agencies and was founded as a born-global start-up in both Geneva and Singapore simultaneously in 2015. It is considered a small-sized firm since they employ around ten FTEs in both offices.

Company #5 is a micro-sized legal agency that is specialized in arbitration. The Geneva-based motherhouse has other subsidiaries in London and Moscow. The Singapore subsidiary was founded in 2008.

Company #6 is a micro-sized trading firm in jewelry and precious metals. The company was established in the early 20th century and the Singaporean office already exists for decades. In a management-buy-out, the interviewee, a Swiss-French citizen with more than 20 years of experience in the branch and Southeast Asian markets, bought the Singaporean and Kuala Lumpur branch in order to continue as a micro-sized firm. The headquarter is based in Singapore and Kuala Lumpur works as a subsidiary of this headquarter. Hence, despite this firm being initially a Swiss SME, Today, there exists no link to the Swiss market anymore. Nevertheless, the company owner does not dispose of a Singaporean citizenship and can be considered a "foreigner with a working permit".

Company #7 is a young start-up in water management and water treatment. The company was founded, after several years of development and market knowledge on international markets, in Switzerland in 2016. It can be considered a micro-sized firm and a born-global firm, since a large part of the development and current market share comes from Singapore, besides the Swiss home market.

Company #8 is a small company in the business-to-business production industry, founded in 2003. Since inception, the firm generates turnover on international markets such as Southeast Asia. The firm has no subsidiary outside Switzerland and only representative office such as the one in Singapore.

Company #9 is a medium-sized firm in IT outsourcing. Their Singaporean branch was opened in 2009 as a first foreign subsidiary. Meanwhile they dispose of other branches in South Asia and North America.

Company #10 is a medium-sized watch manufacturer with a network of around ten fully owned boutiques, dispersed all over the globe such as in Singapore, Hong Kong and Tokyo, as well as two dozen contracts with resellers.

Company #11 is a medium-sized firm in metal processing. The family-owned company exists for more than 150 years and cultivates selected partners all over the world and a Southeast Asian logistics center in Singapore.

Company #12 is a medium-sized software firm in FinTech. Founded in 2007, the company rapidly expanded on Middle Eastern and Southeast Asian markets and established a fully owned office in Singapore in 2012. Since inception, it received important funding from venture capitalists in Switzerland, the Middle East and Singapore.

Company #13 is a medium-sized family firm in microtechnology. Founded 45 years ago, the firm has a worldwide network of sales agents but no owned offices or plants abroad.

Company #14 is a medium-sized manufacturer of electrical connections and cables. Founded in the 1940s, the company has production sites in Eastern Europe and North America. In Singapore, the company works in a well-established partnership with a sales agent.

Company #15 is a small-sized manufacturer of skin care products. They are producing uniquely in Switzerland and ship directly to reselling shops, hotels and spas around the world. Founded in the 1950s, the family-firm works with Singaporean partners since the 1990s.

Company #16 is a medium-sized manufacturer of photoelectric sensors. The family-based company was founded in the early 1970s and is now led by the 2nd generation owner. The company counts a total of 14 subsidiaries of which one, the Southeast Asian headquarter, is based in Singapore.

Company #17 is a small-sized Vietnamese company that distributes alcoholic beverages in Southeast Asia. The company was founded in the early 2000s and is led by a former Swiss expatriate in Vietnam.

Company #18 is a medium-sized Vietnamese producing company in the field of packaging. A Swiss with Vietnamese origins has founded it in the early 2010s. It works primary for industrial clients in the North America and Europe.

Company #19 is a young born-global start-up that was founded in 2015 by two Swiss students. The company operates an internet portal in the real-estate business. Since inception, the company works simultaneously in the Swiss, Dutch and the Singaporean markets.

Company #20 is a Swiss start-up that was founded by three young students in 2011 at the incubator of the Ecole Polytechnique Federale (EPF) in Lausanne. The small-sized company produces electronic bracelets for detainees and operates uniquely from their Swiss headquarter. It has not established any foreign offices but various Southeast Asian markets such as Indonesia and Thailand count among its main prospecting places.

Company #21 is a medium-sized architectural office that has established two foreign branches in Vietnam, almost ten years ago, and a few years later an Asian head office in Singapore.

Table III: Expert interviews

No.	Country / City	Interviewee	Institution	Mode	Date	Duration
1	Singapore	Scholar	ETH Center Singapore	In person	31.03.2015	60
2	Zurich	State officials	Swiss Embassy in Ho Chi Minh City	In person	27.03.2016	80
3	Switzerland	Asia-Pacific Manager in Logistics	Multinational in logistics	In person	30.06.2016	30
4	Singapore	Consultant lawyer	Internationalization consultancy	In person	05.08.2016	60
5	Singapore	Scholar	Lee Kuan Yew School of Public Policy	In person	06.04.2015	30
6	Kuala Lumpur	State officials	Consulary office	In person	04.04.2016	30
7	Singapore	State officials	Swissnex / Swiss Embassy	In person	05.08.2016	120
8	Kuala Lumpur	Consultant businessmen	Internationalization consultancy	Telephone	13.10.2016	75
9	Ho Chi Minh City	Manager	Asia-Pacific Manager	In person	14.07.2016	60

Annex VI – SIES Survey Questions

Table 1: Question about the firm's share of export in different world regions

1.12 Which are currently the most important regions for your exports? (More than one answer possible)						
	Share of exports as a % of revenue					
	< 5%	5 – 20%	21 – 40%	41 – 60%	61 – 80%	81 – 100%
Western Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eastern Europe (excl. Russia)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Russia and Central Asia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Near and Middle East	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
North America	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Central America (incl. the Caribbean)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
South America	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
South Asia (incl. India, Sri Lanka, Nepal)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
South East Asia (ASEAN)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
North East Asia (incl. China, South Korea, Taiwan, excl. Japan)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Australia/New Zealand/Oceania	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
North, East, West and Central Africa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Southern Africa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Table 2: Question about the firm's direct and indirect links to the major global cities

1.13 In which of the following world cities are you represented directly (own branch, point of purchase etc.) or indirectly (intermediary, partner etc.)? (More than one answer possible)								
Direct	Indirect		Direct	Indirect		Direct	Indirect	
<input type="checkbox"/>	<input type="checkbox"/>	Amsterdam	<input type="checkbox"/>	<input type="checkbox"/>	London	<input type="checkbox"/>	<input type="checkbox"/>	Paris
<input type="checkbox"/>	<input type="checkbox"/>	Beijing	<input type="checkbox"/>	<input type="checkbox"/>	Los Angeles	<input type="checkbox"/>	<input type="checkbox"/>	Sao Paulo
<input type="checkbox"/>	<input type="checkbox"/>	Brussels	<input type="checkbox"/>	<input type="checkbox"/>	Madrid	<input type="checkbox"/>	<input type="checkbox"/>	Shanghai
<input type="checkbox"/>	<input type="checkbox"/>	Chicago	<input type="checkbox"/>	<input type="checkbox"/>	Mexico City	<input type="checkbox"/>	<input type="checkbox"/>	Singapore
<input type="checkbox"/>	<input type="checkbox"/>	Dubai	<input type="checkbox"/>	<input type="checkbox"/>	Milan	<input type="checkbox"/>	<input type="checkbox"/>	Sydney
<input type="checkbox"/>	<input type="checkbox"/>	Frankfurt	<input type="checkbox"/>	<input type="checkbox"/>	Moscow	<input type="checkbox"/>	<input type="checkbox"/>	Tokyo
<input type="checkbox"/>	<input type="checkbox"/>	Hong Kong	<input type="checkbox"/>	<input type="checkbox"/>	Mumbai	<input type="checkbox"/>	<input type="checkbox"/>	Toronto
<input type="checkbox"/>	<input type="checkbox"/>	Kuala Lumpur	<input type="checkbox"/>	<input type="checkbox"/>	New York			

Table 3: Questions regarding internationalization services (source: Catanzaro, Messeghem, & Sammut, 2015)

Services in the category “information search”
Practical or technical training in international relations.
An information session on foreign countries and markets.
Transfer of information / documentary resources about international development and foreign markets.
Transfer of information about the help available for internationalization.

Services in the category “marketing and distribution”
Marketing advice on the sale of products, adaptation to foreign markets, distribution and communication etc.
Services for carrying out prospecting activities abroad.
Service for the participation in a trade fair or exhibition abroad, or attendance of such an event.
Services for the participation in a trade fair or exhibition held in Switzerland, but open to foreign prospects.
Services for product development abroad.
Services for finding sales representatives/distributors for foreign markets.

Services in the category “legal and consulting”
Company diagnosis and help defining an international strategy and action plan.
Resolution of a wide variety of problems and questions (legal, fiscal, strategic etc.)
Services for creating a branch, opening a representative office or establishing a partnership abroad.
Services for finding potential customers/suppliers/partners abroad.
Services provided by international experts.
Services provided by foreign organizations or institutions.

Annex VII – Swiss SMEs with indirect links to Singapore

Table I: Size and branches of the SMEs with indirect links to Singapore

Size / Branch	Services	Commerce and distribution	Producing industry	Total
Micro (0-9 FTEs)	2 (law [1] and logistics [1])	2 (Equipment [2])	5 (consumer products [2], engineering [3])	9
Small (10-49 FTEs)	5 (law [1], software [2], logistics [1] and artisans [1])	0	6 (consumer products [1], precision mechanics [3] and engineering [2])	11
Medium (50-250 FTEs)	0	0	5 (chemistry [1], electrics [1], precision and mechanical engineering [2] and surgical plates [1])	5
Total	7	2	16	25

Table II: SMEs in the producing industry with indirect links to Singapore (source author)

Swiss SME with indirect network link in Singapore	Branch	Generating turnover from emerging markets (outside of Singapore and HK)	Other direct and indirect ASEAN subsidiaries (besides Singapore)
1	Electrical engineering	Yes, products are sold via distributors in ASEAN emerging markets	Direct: Hong Kong
2	Mechanical engineering	Yes, servicing production sites / multinational companies	None
3	Plates and screws for medical surgeries	Yes, servicing in the premium segment all over ASEAN markets	Indirect: Hong Kong, Puchong (Malaysia), Quezon (Philippines), Bangkok
4	Mechanical engineering	Yes, servicing production sites / multinational companies	Indirect: Kuala Lumpur, Hanoi, Bangkok, Hong Kong,
5	Construction materials	Yes, supplying and servicing construction sites in ASEAN emerging economies	Indirect: Kuala Lumpur, Hong Kong
6	Metal industry	Yes, servicing production sites / multinational companies	Indirect: Hong Kong
7	Mechanical engineering	Yes, servicing production sites / multinational companies	Indirect: Bangkok and Hong Kong
8	Micro engineering	Yes, servicing production sites /	None

		multinational companies			
9	Mechanical engineering	Yes, production sites / multinational companies	servicing sites /	None	
10	Engines and sensors	Yes, production sites / multinational companies	servicing sites /	Indirect: Lumpur, Hong Kong,	Kuala
11	Precision mechanics	Yes, production sites / multinational companies	servicing sites /	Indirect: Lumpur	Kuala

Table III: SMEs producing and selling to the consumer market with indirect links to Singapore (source: author)

Swiss SME with indirect network link in Singapore	Branch	Generating turnover from ASEAN emerging markets (outside of Singapore and HK)	Other direct and indirect ASEAN subsidiaries (besides Singapore)
13	Kids toys	No, solely in toy shops in Singapore and Hong Kong	Indirect: Hong Kong
14	Cosmetics	Yes, products are sold in various ASEAN countries	Indirect: Kuala Lumpur, Hong Kong, Jakarta, Puchong, Hanoi, Ho Chi Minh City, Bangkok
15	Cosmetics	Yes, products are sold in various ASEAN countries	Indirect: Hong Kong, Ho Chi Minh City
16	Distribution of professional audio-materials	No, selling solely to the Singaporean and Hong Kong market	Indirect: Hong Kong
17	Distribution of marine and shipping equipment	Yes, selling products to clients in ASEAN emerging markets	None

Table IV: Software developers, law firms and logistic SMEs (source: author)

Swiss SME with indirect network link in Singapore	Branch	Generating turnover from ASEAN emerging markets (outside of Singapore and HK)	Other direct and indirect ASEAN subsidiaries (besides Singapore)
18	Software developer	Yes, production sites / multinational companies	None
19	Software developer	Yes, medium-sized and multinational companies	Direct: Bangkok Indirect: Hong Kong
20	Software developer	Yes, medium-sized and multinational companies	Indirect: Lumpur Kuala

21	Law firm		Mandates /clients from ASEAN markets	Indirect: Kuala Lumpur, Hong Kong
22	Law firm		No mandates from ASEAN markets so far	None
23	Law firm		No mandates from ASEAN markets so far	Indirect: Hong Kong
24	Logistics transportation and		Yes, organizing logistics from and to emerging ASEAN countries	Indirect: Kuala Lumpur, Hong Kong
25	Logistics transportation and		Yes, organizing logistics from and to emerging ASEAN countries	Indirect: Hong Kong

Table V: The scope of the Swiss SMEs ASEAN business (source: author)

Size Scope /	Business activities uniquely in Singapore?	Business activities in emerging ASEAN hinterlands?	Direct links to other Southeast Asian cities?	Indirect links to other Southeast Asian cities?
Micro (0-9 FTEs)	4	5	0	Hong Kong (5) Ho Chi Minh City (1) Kuala Lumpur (1)
Small (10-49 FTEs)	1	10	Bangkok (1)	Hong Kong (6) Kuala Lumpur (6) Bangkok (1) Hanoi (1) Ho Chi Minh City (1) Jakarta (1) Puchong (1) Quezon (1)
Medium (50-250 FTEs)		5	Hong Kong (1)	Hong Kong (3) Kuala Lumpur (2) Bangkok (1) Puchong (1) Quezon (1)
Total	5	20	2	33